



Republic of Zambia

**REPORT OF THE**

**AUDITOR GENERAL**

**ON THE**

**REVIEW OF OPERATIONS**

**OF**

**LOCAL AUTHORITIES**

**FOR THE FINANCIAL YEARS**

**ENDED 31<sup>ST</sup> DECEMBER 2013, 2014 and 2015**

**Price: 60.00**



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**K60.00**



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## **Preamble**

Local Authorities are public institutions established by an Act of Parliament under Section 3 of the Local Government Act, Cap 281 of the Laws of Zambia and are Government institutions. The main objective of establishing Councils is to provide services on behalf of Central Government to residents within their areas of jurisdictions. Currently, there are one hundred and five (105) councils spread out in all the districts. In this regard, Local Authorities are a key factor in socio-economic development because their operations are directly linked to community activities. An effective monitoring of their operations is, therefore, inevitable in ensuring sustainable economic and environmental development in the country.

The Constitution of Zambia Amendment Act No. 2 (2016) devolves powers to the Local Authorities (LA) in the quest to decentralize the operations of Government as all the Government departments and institutions will now be managed at the local authority level. This therefore, entails that there should be greater accountability on the part of the local authorities as they will now be responsible for a lot of government resources for onward service delivery to the general citizenry.

In this regard, Article 250 (1) (i) of the Constitution of Zambia Amendment Act No. 2 (2016) mandates the Office of the Auditor General (OAG) to audit the accounts of the Local Authorities. The audits ensure that there is transparency and accountability in the management of resources in local authorities. In preparation to undertake these audits, the Office conducted a survey of forty three (43) Councils in Zambia to establish the status of accounting, auditing and reporting between April and June 2016 and the survey revealed the following weaknesses:

### **i. Liquidity Problems**

All the councils were facing liquidity problems in that they had challenges in meeting their financial obligations such as payment of salaries and gratuity among others.

### **ii. Lack of Strategic Plans**

Twenty one (21) out of the forty three (43) Councils surveyed did not have strategic plans to provide a strategic framework on how to achieve their goals and vision.

### **iii. Inappropriate Reporting Framework**

All the Local Authorities were not using the International Public Sector Accounting Standards (IPSAS) reporting framework which is the appropriate framework for a public sector institution.

**iv. Lack of Risk Management Policy**

All the Councils did not have a Risk Management Policy to help in the mitigating of various risks despite the Councils operating in very dynamic environments which are prone to different risks.

**v. High Vacancy Rate**

The Councils had an overall vacancy rate of 24 percent which negatively affected their service delivery.

**vi. Lack of Title deeds**

66 percent of the Councils did not have ownership certificates of their fixed assets.

**vii. Low Qualification of Accounting Staff**

Most senior accounting staff had low accounting qualifications contrary to the minimum requirement of undergraduate degree or higher such as masters degree or full professional qualification such as ZICA, ACCA and CIMA required in the main stream Central Government.

**viii. Lack of ICT Policy**

All the councils did not have Information Communication Technology (ICT) policy to provide guidance in the procurement of ICT equipment and software. This resulted in procurement of various accounting systems and payroll system that were not interfaced and did not meet the user requirements of most councils hence not fully realising the benefits of use of ICT systems.

## Executive Summary

This audit report on the Local Authorities provides the audit findings on review of operations of councils for the financial years from 2013 to 2015 and the management of Constituency Development Funds (CDF) for the year ended 2015. The councils' sources of income include raising funds through rates, local taxes, fees and charges, licenses, levies, permits and other incomes. In addition, Councils also receive grants from the Government such as Equalisation Funds and CDF meant to enhance development in the local communities and constituencies.

Following the amendment of the Constitution of Zambia Act No. 2 of 2016 in which the Office of the Auditor General (OAG) was mandated to audit the accounts of the local councils, the OAG carried out audits on selected councils. In this regard, the Report contains paragraphs on seventeen (17) councils and on the management of CDF. The audit on the operations of the selected councils shows that fifteen (15) councils did not prepare financial statements for the period under review contrary to section 52 of the Local Government Act. Further, the Report shows that eleven (11) councils did not have Strategic Plans in place. In addition, all the councils did not have risk management policies to enable them mitigate the risks which the councils were vulnerable to. It was also observed that councils own various assets, however, eleven (11) councils did not have title deeds for their properties.

Other issues contained in the report include non-remittance of statutory contributions to the National Pension Scheme Authority (NAPSA) and the Zambia Revenue Authority (ZRA), unsupported payments, unaccounted for stores, irregular procurements, questionable payments and failure to settle retirees' benefits among others. See table below.

<b>Issue</b>	<b>Amount K</b>
Failure to Remit Statutory Contributions	258,937,151
Misapplication of Funds	25,245,652
Unsupported Payments	10,156,149
Unapproved Payments	4,778,285
Unretired Accountable Imprest	15,148,234
Unaccounted for Revenue	1,238,943
Unspent Funds	35,189,983
Failure to Collect Revenue	10,414,167
Failure to Follow Procurement Guidelines	3,708,960
Failure to Insure Assets	16,804,821
Irregular Payment of Allowances	741,876
Missing Payment Vouchers	18,241,136
Failure to Settle Retirees' Benefits	323,032,468
Overpayments	2,613,549
Questionable Payments	2,504,667
Unaccounted for Stores	8,485,887
Undelivered Stores	873,117



The Councils are also mandated to administer the Constituency Development Fund to advance development in the respective constituencies under the jurisdiction of councils. The councils however were failing to prudently manage these funds as can be seen from the audit findings below.

<b>Issue</b>	<b>Amount K</b>
Missing Payment Vouchers	1,322,236
Misapplication of funds	59,262
Unspent funds	33,584,195
Single Sourcing	863,308
Unapproved Payments	691,780
Unsupported Payments	1,356,645
Unretired Accountable Imprest	204,635
Unaccounted for Stores	1,221,992
Undelivered Stores	390,432
Failure to Account for Revenue	119,000
Funding of Unapproved Projects	313,875
Unauthorised retention of Interest Earned	431,458

The audit findings on the local authorities which include governance, operational and financial matters require to be addressed in order for the Councils to provide quality services delivery and development in their respective communities.

## **Introduction**

1. The responsibilities of the Minister of Finance, Secretary to the Treasury, Controlling Officers and the Auditor General as regards the management of public resources, reporting and accountability are as contained in the Constitution of Zambia (Amendment) Act No. 2 of 2016, the Public Finance Act No. 15 of 2004 and the Public Audit Act of 1980. The Auditor General is responsible for the Audit of all Public Funds including the review of operations of such institutions.

In addition, the local authorities are governed in accordance with appropriate enabling legislation such as the Local Government Act No. 22 of 1995, Cap 281 of the Laws of Zambia.

The Report of the Auditor General on the Review of Operations of Local Authorities covering financial years ended 31<sup>st</sup> December 2013, 2014 and 2015 contains seventeen (17) paragraphs on councils that were audited or whose performance was reviewed but the issues remained unresolved as at the date of reporting.

The Report also contains paragraphs on Constituency Development Funds (CDF), grants to local authorities and results of the audit of Information Communication Technology (ICT) systems that some local authorities had implemented in order to improve on the efficiency and effectiveness of service delivery.

## **Scope**

2. The Report is as a result of a programme of test checks on the operations of selected local authorities for the financial years ended 31<sup>st</sup> December 2013, 2014 and 2015.

In preparing the Report, the Controlling Officer at the Ministry of Local Government and Housing was availed draft paragraphs for comments and confirmations of the correctness of the facts presented. Where comments were received and varied materially with the facts presented, the paragraphs were amended accordingly.

## **Internal Control**

3. In this Report, specific mention is made of non-preparation of financial statements, failure to remit statutory contributions, weaknesses in procurement procedures, irregular payments and poor financial performance among other issues by the respective institutions. These are clear indicators of internal control lapses in some local authorities.

## **Institutions that have not Submitted Audited Financial Statements**

4. Section 43 (1) of the Local Government Act, Cap 281 of the Laws of Zambia requires that the accounts of the Council should be made up and balanced for each financial year of the Council and a summarised statement thereof certified under hand of the Treasurer of the Council and presented

to the Council should be presented to the Council at a meeting to be held within six months after the end of the financial year of the Council, or within such longer period as the Minister may determine.

All the one hundred and five (105) local authorities had not produced audited financial statements for the financial years ended 31<sup>st</sup> December 2013, 2014 and 2015.

The non-production of audited financial statements by the above institutions is a contravention of the various enabling legislations governing the institutions and is contrary to good corporate governance.

## **Background**

5. A local authority (a council) is a body corporate that was established and governed by the Local Government Act, No. 22 of 1995, Cap 281 of the Laws of Zambia.

The main business of the Council in the delivery of basic social and economic services to the people is to discharge all or any of the functions set out in the 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 other charges; and to formulate local policies to promote, guide and regulate development in the district through various relevant departments of the Council.

## **Administration**

6. According to Section 9 of the Act, a Council shall consist of:
  - i. The Members of Parliament in the district,
  - ii. Two (2) representatives of the Chiefs, appointed by the chiefs in the district ; and
  - iii. All the elected Councilors in the District.

The day-to-day operations of the Councils are the responsibility of the Town Clerk in the case of city councils and the Council Secretary in the case of municipal or district councils.

## **Sources of Funds**

7. The Councils raise funds through rates, local taxes, fees and charges, licenses, levies, permits and other incomes. The Councils also receive grants from Central Government.

## **Chibombo District Council**

8. Chibombo District Council is located in Central Province. During the period under review, the Council consisted of two (2) elected Members of Parliament for Kembe and Katuba constituencies, sixteen (16) elected Ward Councilors, two (2) representatives of the Chiefs.

## Funding

During the period under review, the Council had a budget of K34,925,950 (Government Grants - K16,346,710 and locally generated funds – K18,579,240) against which amounts totalling K38,941,389 (Government Grants - K14,896,324 and locally generated funds – K24,045,065) were collected resulting in a surplus of K4,015,439. See table below.

BUDGET	2015 K	2014 K	2013 K	Total K
Government Grants	5,943,288	5,943,288	4,460,134	16,346,710
Council's Own Sources	6,626,183	5,574,012	6,379,045	18,579,240
<b>TOTAL</b>	<b>12,569,471</b>	<b>11,517,300</b>	<b>10,839,179</b>	<b>34,925,950</b>
<b>ACTUAL</b>				
Government Grants	7,051,640	5,110,298	2,734,386	14,896,324
Council's Own Sources	7,148,895	4,215,621	12,680,549	24,045,065
<b>TOTAL</b>	<b>14,200,535</b>	<b>9,325,919</b>	<b>15,414,935</b>	<b>38,941,389</b>
<b>Over/(Under) Collection</b>	<b>1,631,064</b>	<b>(2,191,381)</b>	<b>4,575,756</b>	<b>4,015,439</b>

## Review of Operations

An examination of accounting and other records maintained at the Council for the financial years ended 31<sup>st</sup> December 2013, 2014 and 2015 carried out in October 2016 revealed the following:

### a. Lack of Audited Financial Statements

Contrary to Section 52 (1) of Part VI of the Local Government Act, the financial statements for the period under review although prepared, had not been audited as of December 2016.

### b. Lack of Strategic Plan

A strategic plan defines an organisation's future outlook and sets strategies for desired objectives and direction of the entity. A strategic plan also helps to allocate resources to priority areas as highlighted in the strategic plan. However, during the period under review, the local authority operated without a strategic plan.

### c. Lack of Risk Management Policy

A review of the internal control environment (excluding IT) revealed that the Council had no risk management policy that would enable the Council identify and mitigate against risks that might be detrimental to the operations of the Council as was the case in the theft of computers containing the financial data.

### d. Misappropriation of Funds

On 2<sup>nd</sup> March 2011, an Assistant Clerical Officer misappropriated an amount of K43,195. Although the matter was reported to the Local Government Service Commission, the Council

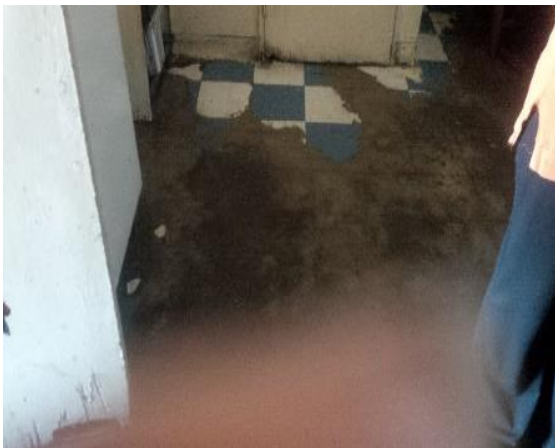
did not report the matter to the Police. As of December 2016, the funds had not been recovered and the officer has since passed on.

**e. Lack of Title Deeds**

Although the Council reflected twenty (20) properties in its records, there were no title deeds availed for audit as of December 2016. In this regard, it was not possible to verify ownership of the properties. Further, contrary to the Local Authorities Financial Regulation No.154, the properties had not been insured and the properties had not been revalued since 2012.

**f. Lack of Maintenance Policy**

Although the Council owned twenty (20) properties, there was no evidence of a policy in place regarding the maintenance of the buildings. As a result, the Council's properties were in a general state of disrepair. In particular, the Council Guest House, although operational, had the kitchen and dining room floor tiles peeled off and the ceiling board in the passage had fallen off while Mukuni Bar and Tarven which was closed in 2012 was dilapidated in that windows were broken, plaster was peeling off the walls and the floors had cracks. See pictures below.



*Peeled tiles and fallen ceiling in the Guest House*



*Broken windows and peeled walls and floors in Mukuni Bar and Tarven*

**g. Overdue Receivables**

A review of the debtors' ledgers revealed that receivables in amounts totalling K396,911 remained uncollected for periods ranging from one (1) to six (6) years as of December 2016.

Included in this amount was K39,618 owed by the Zambia Police Service in respect of rentals.

**h. Missing Receipt Books**

A review of the Register of Accountable Documents and receipt books provided for the period under review revealed that ninety four (94) receipt books were not submitted for audit, contrary to Local Authorities Financial Regulation No. 28 (1).

It was therefore not possible to establish the amount that could have been collected.

**i. Missing Copies of Cancelled Receipts**

Contrary to Local Authorities Financial Regulation No. 62, which states that "where a receipt is cancelled, the original and all the copies of the receipt shall be cancelled and signed by the holder of the book", the Council did not avail for audit the full set of copies in respect of twelve (12) cancelled receipts.

**j. Unaccounted for Revenue**

In 2015, the Council offered three hundred and eighty four (384) plots to members of the public. In this respect, the Council sold eight hundred and twelve (812) application forms at K350 per copy and a total amount of K284,200 was expected to be collected.

However, only K104,030 was receipted while the balance of K180,170 was unaccounted for contrary to the Local Authorities Financial Regulation No.123.

**k. Questionable Refunds**

Amounts totalling K63,216 were paid to various officers as refunds for using personal funds on official activities such as purchase of stores items, attending meetings and subsistence allowances for various activities, among others. However, there was no prior written authority from either the Council Secretary or any appropriate authorising officer, to allow the officers to use personal money on these official activities. See table below.

Year	No. of Transactions	Amount K
2013	5	3,014
2014	6	46,737
2015	9	13,466
<b>Total</b>	<b>20</b>	<b>63,216</b>

**l. Unretired Imprest**

Contrary to Local Government Financial Regulation No.119 (2), imprest in amounts totalling K67,092 issued to twenty seven (27) officers during the period under review had not been retired as of December 2016. See table below.

Year	No. of Officers	Amount K
2013	11	27,813
2014	3	3,410
2015	13	35,870
<b>Total</b>	<b>27</b>	<b>67,092</b>

**m. Talk Time Allowance**

During the period under review, the Council paid amounts totalling K43,218 to senior and middle management as talk time allowance. However, this was irregular as it was not part of their Terms and Conditions of Service.

**n. Irregular Payment of Subsistence Allowances**

During the period under review, a total amount of K58,733 involving sixteen (16) transactions was paid to fourteen (14) officers as subsistence allowances to enable the officers to perform various activities. However, the payments were irregular in that the activities were either undertaken within the district or the activities attended were fully sponsored.

**o. Failure to Prepare Activity Reports**

During the period under review, imprest in amounts totalling K92,398 was issued to eighteen (18) officers to enable them undertake various activities such as inspection of land/farms, attending workshops and meetings among others. However, there were no activity reports produced for audit making it difficult to ascertain whether these activities were undertaken. See table below.

Year	No. of Officers	Amount K
2013	6	40,500
2014	10	42,948
2015	2	8,950
<b>Total</b>	<b>18</b>	<b>92,398</b>

**p. Unaccounted for Funds**

During the period under review, a total amount of K59,180 was paid to eleven (11) officers to facilitate payment of allowances. However, as of December 2016, the amount had not been acquitted and there was neither cash on hand nor evidence of banking. See table below.

Year	Amount K
2013	12,730
2014	32,537
2015	13,913
<b>Total</b>	<b>59,180</b>

**q. Questionable Allowances**

Contrary to Cabinet Office Circular No. 11 of 2013 which banned the payment of administrative allowances, during the period under review, the Council paid amounts totalling K16,727 to eight (8) officers as sitting allowances for attending procurement committee meetings and subsistence allowances for officers who were proceeding on vacation leave.

**r. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, forty four (44) payments in amounts totalling K708,198 made during the period under review were not supported with relevant documents such as Goods Received Vouchers (GRVs), receipts, letters of appointment and Local Purchase Orders (LPOs) among others.

**s. Missing Payment Vouchers**

Contrary to Local Authority Financial Regulation No. 98, which requires that all payment vouchers with supporting documents, and any other forms which support a charge entered into the accounts, shall be carefully filed, secured and be readily available for audit, one hundred and seven (107) payment vouchers in amounts totalling K284,639 made during the period under review were not availed for audit.

**t. Unaccounted for General Stores**

Contrary to Local Authorities Financial Regulation No. 145 which states that a Treasurer shall keep proper records of receipts and issue of stocks and stores, various stores items costing



K683,324 (General Stores – K514,420 and Fuel – K168,904) procured during the period under review were not accounted for in that there were no receipt and disposal details.

**u. Irregular Drawings of Fuel**

During the period under review, fuel costing K119,763 was irregularly drawn by motor vehicles that were not on the fleet of vehicles owned by the Council without authority from the Council Secretary.

**v. Failure to Avail Contract - Land Dispute Case**

On 12<sup>th</sup> March 2015, the Council paid an amount of K10,000 to a legal firm as litigation fees in a court case over a land dispute. However, the contract for legal representation signed with the legal firm was not availed for audit. Further, due to poor record keeping, it was not possible to determine the status of the case.

**w. Supply of Grader**

In the Report of the Auditor General on the Management of Constituency Development Funds and Grants to Local Authorities for the financial year ended 31<sup>st</sup> December 2012, mention was made on irregularities in the procurement of Earth Moving Equipment. The Council had engaged Eye Witness Solution on 18<sup>th</sup> March 2013 to supply a grader at a contract sum of K780,000. As of 2013, amounts totalling K390,000 had been paid to the supplier. However, the grader was not supplied.

The council engaged LM Chambers as their legal representatives and on 19<sup>th</sup> June 2013, an amount of K6,000 was paid to L.M. Chambers as legal fees.

On 22<sup>nd</sup> August 2013, judgement was passed in which it was directed that Eye Witness Solutions Limited pays back the money with interest. As of October 2016, only an amount of K25,000 had been recovered.

However, the following observations were made:

- It was not possible to ascertain the terms of the contract as the contract signed between the council and the legal representatives was not availed for audit.
- There were no details on the total payments made to the legal representatives to date.
- Details on the current status of the case were not provided.

**x. Failure to Fill Key Positions**

Although the establishment provided for key positions such as Chief Administrative Officer, Assistant Commercial Manager, Deputy Planning Officer, Deputy Director of Works and District Accountant, as of December 2016, these key positions had not been filled.

**y. Officers Occupying Positions without Authority**

Contrary to Local Government Condition of Service No. 8, which states that no appointments whether temporary or permanent, on promotion or transfer shall be made to any post unless provision for the post exists in the Establishment Register and has been provided for in the estimates of the council, during the period under review, there were fifty eight (58) officers who drew salaries amounting to K2,283,792 in respect of positions that were not on the approved establishment register for the Council.

**z. Failure to Remit Statutory and Union Contributions**

Although the Council deducted K3,767,313 as statutory and union contributions from its employees' remunerations during the period under review, the funds had not been remitted to the respective institutions as of December 2016. See table below.

Institution Name	Amount K
NAPSA	423,059
ZRA	2,769,651
LASF	327,172
ZULAWU HQ	13,899
WCFCB	230,542
ZCTU	2,990
<b>Total</b>	<b>3,767,313</b>

**aa. Outstanding Staff Obligations**

A review of accounting and other records revealed that the Council was owing amounts totalling K4,521,804 as of December 2016 in respect of various staff obligations such as retirement benefits and long term bonuses to former and existing employees. See table below.

Staff Obligation	Amount K
Long Service Bonus	3,919,849
Subsistence Allowances	4,620
Compensation	399,117
Salary Arrears	4,108
Retirement Benefits	164,675
Leave Terminal Benefits	29,435
<b>Total</b>	<b>4,521,804</b>

**Chilanga District Council**

9. Chilanga District Council is located in Lusaka Province and was established in September 2012. During the period under review, the Council consisted of ten (10) elected ward councilors, the Member of Parliament for Chilanga Constituency and two (2) representatives of the local chiefs.

## Funding

During the period under review, the Council had a budget of K44,078,343 against which amounts totalling K35,467,534 were collected resulting in a deficit of K8,610,809. See table below.

Year	2013 K	2014 K	2015 K	Total K
Total Budget	14,602,864	12,965,869	16,509,610	<b>44,078,343</b>
Actual Collections	9,250,152	10,895,945	15,321,438	<b>35,467,534</b>
<b>Surplus / (Deficit)</b>	<b>(5,352,712)</b>	<b>(2,069,924)</b>	<b>(1,188,172)</b>	<b>(8,610,809)</b>

## Review of Operations

An examination of accounting and other records for the period from 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2015 maintained at the Council and physical inspections of selected projects carried out in October, 2016 revealed the following:

### a. Lack of Strategic Plan

A strategic plan defines an organisation's future outlook and sets strategies for desired objectives and direction of the entity. A strategic plan also helps to allocate resources to priority areas as highlighted in the strategic plan. However, during the period under review, the local authority operated without a strategic plan.

### b. Lack of Council By - Laws and Valuation Roll

Contrary to Section 76 of the Local Government Act, Chilanga District Council has from its creation been operating without by-laws. Further, the Council did not have a valuation roll for the period under review.

### c. Failure to Prepare Financial Statements

Contrary to Section 52 of the Local Government Act, the Council did not have audited financial statements for the period under review.

### d. Failure to Fill Positions in the Establishment

A scrutiny of the Establishment Registers and Staff Returns revealed that sixteen (16) positions had not been filled during the period under review. See table below.

Department	No. of Positions as per Establishment	No. of Filled Positions	No. of Position not Filled	Position (s)
Administration	5	4	1	Registry Supervisor
Committee	2	0	2	Committee Clerk, Committee Assistant
Finance	18	9	9	District Accountant, District Assistant Accountant, seven (7) Revenue Collectors
Internal Audit	3	1	2	Two (2) Assistant Internal Auditors
Procurement	4	2	2	Assistant Procurement Officer, Stores Officer
<b>Total</b>	<b>32</b>	<b>16</b>	<b>16</b>	

**e. Failure to Provide Receipt Books**

Contrary to Local Authorities Financial Regulation No.72, fourteen (14) general revenue receipt books used during the period under review were not availed for audit. In this regard, it was not possible to ascertain the amounts collected.

**f. Failure to Prepare Bank Reconciliation Statements**

According to the Local Authorities (Financial) Regulations No. 20, the Treasurer shall, each month, reconcile the balance shown in any bank account which his Council operates and the balance shown in the summarised cash accounts or cash book. However, during the period under review, the Council did not prepare bank reconciliation statements.

**g. Missing Payment Vouchers**

During the period under review, a total of seventeen (17) payment vouchers in amounts totalling K197,722 were not availed for audit contrary to Local Authorities Financial Regulation No. 98 (1). See table below.

Year	No. of Payment Vouchers	Amount K
2014	5	31,730
2015	12	165,992
	<b>17</b>	<b>197,722</b>

**h. Inadequately Supported Payments**

Contrary to Local Authorities Financial Regulation No. 86, fifteen (15) payments in amounts totalling K218,792 made during the period under review were not supported with relevant documents such as Local Purchase Orders (LPOs), approved memos, pay slips, transfer letters and arrival advice forms, among others. See table below.

Year	No. of Transactions	Amount K
2014	3	29,918
2015	12	188,874
Total	15	218,792

**i. Failure to Insure Movable Assets**

Contrary to Section 133 of the Roads and Road Traffic Act, Cap 464 of the Laws of Zambia which requires that all motor vehicles using public roads must have a minimum of third party insurance cover, a grader and a roller compactor costing K1,208,000 belonging to Chilanga District Council were not insured as of December 2016. This exposed the assets and users to risk without indemnity in cases of eventualities. See table below.

Description of Asset	Registration Mark	Year of Purchase	Cost K
Grader	GRZ 7-1120	2013	783,000
Roller Compactor	GRZ 6-388	2014	425,000
Total			1,208,000

**j. Unremitted Statutory Deductions**

During the period under review, statutory contributions in amounts totalling K849,039 that were deducted from employees' salaries, commutation of leave days and settling in allowances had not been remitted to the respective institutions as of September 2016.

Further, a re-computation of tax on payments made to four (4) employees who were paid settling in allowances and commutation of leave days amounting to K92,473 revealed that whereas tax to be deducted was K31,626, the actual tax deducted was K27,426 resulting in an under deduction of tax of K4,200.

**k. Failure to Provide Supporting Invoices for Payables**

A scrutiny of ledgers for suppliers for the period under review revealed that a total amount of K257,194 was outstanding to various suppliers as of 31<sup>st</sup> December 2015. However, the correctness of the figure could not be ascertained as there were no reconciliations done per supplier and no invoices were availed for audit.

**l. Construction of ten (10) Medium Cost Houses**

On 13th August, 2013, the Ministry of Local Government and Housing acting on behalf of Chilanga District Council engaged Seastone Enterprises Limited to construct ten (10) medium cost houses at a contract sum of K3,158,081 for a duration of twelve (12) months. The contractor took possession of the site on 17<sup>th</sup> August 2013.

As of September, 2016, the Council had certified works valued at K1,977,045, which represented 82.5 percent of completion.

However, out of the certified works amounting to K1,977,045, only an amount of K214,023 had been paid to the contractor as advance payment leaving a balance of K1,763,022 outstanding. This resulted into a delay in completion of the project.

A physical verification of the ten (10) houses carried out in September 2016, revealed that the project had stalled with works such as flooring, painting of walls inside and outside, fitting ceiling boards, fitting doors, glazing, plumbing and electrical works outstanding and the contractor was not on site.

**m. Wasteful Expenditure - Street Lighting Project**

During the period under review, the Council spent amounts totalling K335,371 to install thirty four (34) street lights on a 1.5 km stretch of roads.

However, a physical inspection of the street lights carried out in September 2016 revealed that all the street lights were not functional rendering the expenditure wasteful.

### **Chinsali Municipal Council**

10. Chinsali Municipal Council is located in Muchinga Province. During the period under review, the Council consisted of eleven (11) elected Ward Councillors, one (1) elected Member of Parliament, two (2) representatives of the Chiefs and a management team that ran the Chinsali Municipal Council.

#### **Funding**

The Council received grants and generated funds in amounts totalling K20,465,583 during the period under review. See table below.

<b>SOURCE</b>	<b>PURPOSE</b>	<b>2013 K</b>	<b>2014 K</b>	<b>2015 K</b>	<b>Total K</b>
Ministry of Lands	Land Development Fund	2,100,000	-	-	2,100,000
Ministry of LGH	Street Lighting Project	500,000	-	-	500,000
Ministry of Finance	Salaries for Div I to III	2,704,449	3,577,644	4,290,895	10,572,988
District Fund	Business levy, Personal levy, Hire of Council Hall, Firearm licencing etc.	333,663	923,923	388,884	1,646,470
Levy	Sale of plots and Application Forms, Market fees, Bus station fees.	35,114	2,512,764	2,927,240	5,475,118
Market	Levy from dry fish, fresh fish, vegetables and toilet charges	39,973	19,991	38,894	98,857
Transport	Hire of Council Transport	-	5,090	67,060	72,150
<b>Total</b>		<b>5,713,198</b>	<b>7,039,412</b>	<b>7,712,973</b>	<b>20,465,583</b>

#### **Review of Operations**

An examination of accounting and other records maintained at the Council and a physical inspection of projects carried out in October 2016 revealed the following:

**a. Failure to Prepare Financial Statements**

Contrary to Section 52 of the Local Government Act, the Council did not have audited financial statements for the period under review.

**b. Lack of Strategic Plan**

A strategic plan defines an organisation's future outlook and sets strategies for desired objectives and direction of the entity. A strategic plan also helps to allocate resources to priority areas as highlighted in the strategic plan. However, during the period under review, the local authority operated without a strategic plan.

**c. Employment of Staff without Requisite Qualifications**

During the period under review, the Council employed officers who did not meet the requisite educational and professional qualifications for the positions they held.

**d. Missing Payment Vouchers**

During the period under review, a total of nine (9) payment vouchers in amounts totalling K119,613 were not availed for audit contrary to Local Authorities Financial Regulation No. 98 (1).

**e. Inadequately Supported Payments**

Contrary to Local Authorities Financial Regulation No. 86, twenty seven (27) payments in amounts totalling K202,637 made during the period under review were not supported with relevant documents such as receipts and invitation letters, among others. See table below.

Year	No. of Transactions	Amount K
2013	4	46,237
2014	10	35,790
2015	13	120,610
	<b>27</b>	<b>202,637</b>

**f. Unaccounted for Stores**

Contrary to Local Authorities Financial Regulation No. 145 which states that a Treasurer shall keep proper records of receipts and issue of stocks and stores, various stores items costing K850,375 (General stores – K659,172 and Fuel – K191,203) procured during the period under review were not accounted for in that there were no receipt and disposal details.

**g. Failure to Provide Oral Contracts for Casual Workers**

During the year under review, the Municipal Council paid amounts totalling K479,490 as wages to various casual workers and skilled labourers to carry out various activities such as

cleaning the bus station, rehabilitating Nkakula bar toilets and slashing within the township, among others.

However, the basis of these payments could not be established as oral contracts were not availed for verification.

**h. Sponsorship of Officers for Training without Authority from the Commission**

Contrary to the Local Government Act which requires principal officers and officers of the Council to obtain authority from the Local Government Commission to go for training, there was no evidence that the Commission had authorised training for two (2) officers who were pursuing academic studies under Council sponsorship and on whom the Council spent amounts totalling K29,925 (tuition fees – K25,280 and subsistence allowances K4,645) during the period under review.

Further, contrary to the Local Authorities Terms and Conditions of Service No. 147 (b), which states that an officer who is sponsored by the Council or granted study leave for the purpose of attending a course shall be required to sign a bonding agreement with the Council prior to commencement of the course, there was no evidence that the two (2) officers who were sponsored by the Council signed bonding agreements.

**i. Unretired Imprest - Land Development Fund**

Contrary to Local Government Financial Regulation No 119, amounts totalling K46,235 were paid to fourteen (14) officers as imprest for printing of updated layout plans, petty cash and procurement of uniforms and other requirements for fire officers. However, as of October 2016, the imprest had not been retired.

**j. Irregular Use of Imprest**

Financial Regulation No. 86(c), states that, “accountable imprest is imprest that is issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time”. It was however observed that imprest in amounts totalling K168,969 was issued for the procurement of stocks for Nkakula Bar and making a part-payment to the Local Government Association of Zambia whose values were obtainable on the market or known beforehand.

**k. Failure to Avail Tender Documents**

Contrary to Section 38 of the Public Procurement Act No. 12 of 2008, which requires that records of all procurement proceedings are maintained, tender documents such as quotations, suppliers’ bids, evaluation minutes and adverts for three (3) contracts for which amounts totalling K89,097 were paid during the period under review were not availed for audit.



**l. Irregular Payments of Social Holiday Allowances**

Contrary to Ministry of Local Government and Housing Circular No. MLGH/101/8/4 of 2014, which abolished the payment of entertainment allowances such as social holiday allowances, on 9<sup>th</sup> November 2015, amounts totalling of K104,447 were paid to the Town Clerk and Chief Officers as social holiday allowances.

**m. Irregular Payment of Transport Allowances**

Contrary to the Ministry of Local Government and Housing Circular No. MLGH/71/6/93 of October 2012, amounts totalling K17,996 were paid to the Town Clerk as transport allowances despite receiving his entitlement of fuel allowances amounting to K53,988 during the same period. The payment of transport allowances was therefore irregular.

**n. Unremitted Statutory Contributions**

Statutory contributions in amounts totalling K3,905,471 (comprising Pay As You Earn (PAYE - K2,214,851), National Pension Scheme Authority (NAPSA) - K459,854, Local Authority Superannuation Fund (LASF) - K1,230,766) and Union contributions amounting to K86,168 (Zambia United Local Authority Workers Union (ZULAWU) – K68,043, Zambia Congress of Trade Unions (ZCTU) - K4,209.10 and Fire Service Union of Zambia (FIRESUZ) - K9,612.57) deducted from employees during the period under review had not been remitted to the respective institutions as of December 2016. See table below.

<b>Tax / Contribution</b>	<b>2013 K</b>	<b>2014 K</b>	<b>2015 K</b>	<b>Total K</b>
LASF	279,348	277,407	674,011	1,230,766
PAYE	468,573	459,526	1,286,751	2,214,851
NAPSA	107,613	38,663	313,579	459,854
ZULAWU Local	4,444	1,024	1,048	6,516
ZULAWU HQ	45,559	3,701	12,267	61,527
ZCTU	-	981	4,209	5,191
FIRESUZ	-	3,322	9,613	12,934
	<b>905,536</b>	<b>784,625</b>	<b>2,301,478</b>	<b>3,991,639</b>

**o. Failure to Deduct Tax**

Contrary to the Income Tax Act Chapter 323 of the Laws of Zambia, twenty (20) officers were paid settling in allowances and commutation of leave days in amounts totalling K214,074 without deducting Pay as You Earn (PAYE).

**p. Wasteful Expenditure - Street Lighting Project**

During the period under review, the Council spent amounts totalling K550,000 to install thirty (30) solar powered street lights in Chinsali district.

However, a physical inspection of the street lights carried out in September 2016 revealed that only one (1) street light was functional rendering the expenditure wasteful.

**q. Failure to Insure Council Properties**

Contrary to Local Authorities Financial Regulations No. 154 which states that the Treasurer shall take out insurance cover against losses, damages, risks and liabilities which the Council may incur and shall regularly review such cover in consultation with the head of department, the Council had not insured its properties such as the Civic Centre Buildings, Stores Premises, Welfare Hall, Motor Vehicles And Heavy Equipment, among others.

**r. Failure to Avail Bank Statements**

During the period under review, revenue in amounts totalling K2,362,700 were realised from sale of plots, business levy, market levy and hire of council transport among others. However, despite the funds having been receipted, it was not possible to ascertain whether the funds were banked as bank statements were not availed for audit as of December 2016.

**s. Failure to Collect Property Rates**

During the period under review, the Council was owed amounts totalling K840,343 in respect of unpaid property rates. As of December 2016, the amounts owed had not been collected.

### **Chipata Municipal Council**

11. Chipata Municipal Council is located in the Eastern Province. During the period under review, the Council consisted of four (4) Members of Parliament, twenty two (22) elected councillors, representing the constituencies and two (2) representatives of the chiefs in the district.

**Funding**

During the period from 2013 to 2015, the Council received grants and generated funds in amounts totalling K57,348,398 as shown in the table below:

Source of Funds	2015	2014	2013	Totals
	K	K	K	K
Owners' Rates	1,981,414	1,457,327	439,769	3,878,510
Local Taxes	194,703	148,258	106,257	449,218
Fees and Charges	2,717,044	2,652,983	2,844,625	8,214,652
Licences	1,239,596	979,813	1,203,392	3,422,801
Levies	666,788	-	358	667,146
Permits	1,503,190	1,062,628	70,184	2,636,002
Charges	53,826	1,423,209	379,036	1,856,071
Other Incomes	243,282	7,468	2,694,556	2,945,306
National Support	7,138,342	5,839,160	8,201,189	21,178,691
Local Development Fund	6,900,000	-	5,200,000	12,100,000
<b>Totals</b>	<b>22,638,185</b>	<b>13,570,846</b>	<b>21,139,367</b>	<b>57,348,398</b>

## Review of Operations

A review of accounting and other records maintained at the Council for the Period from 1st January 2013 to 31st December 2015 revealed the following:

### a. Non Preparation of Financial Statements

Contrary to Section 52 of the Local Government Act, the Council did not have audited financial statements for the period under review.

### b. Lack of Strategic Plan

A strategic plan defines an organisation's future outlook and sets strategies for desired objectives and direction of the entity. A strategic plan also helps to allocate resources to priority areas as highlighted in the strategic plan. However, during the period under review, the local authority operated without a strategic plan.

### c. Failure to Collect Property Rates

During the period under review, the Council was owed K5,133,334 from property rates by 2,862 customers. As of December 2016, the rates had not been collected. See table below.

The failure to collect rates when due had a negative impact on the cash flow of the Council.

### d. Unauthorised Loans and Overdraft Agreements with Banks

Contrary to Local Government Regulation No. 41 which prohibits the overdraw of Council bank accounts without the prior authority of the Council, it was observed that the Operations Account was overdrawn by amounts ranging from K433,814 to K1,288,204 during the period from 1<sup>st</sup> January 2013 to 28<sup>th</sup> October 2014 and K402,481 to K557,916 during the period from 1<sup>st</sup> January 2015 to 17<sup>th</sup> July 2015 without the authority from the Council.

**e. Misapplication of Funds – Retirees Benefits**

During the period under review, amounts totalling K827,156 (K177,156 meant for the payment of retirees benefits and K650,000 meant for the revaluation of the Council assets) were spent on unrelated activities such as purchase of fuel, payment of salaries, statutory contributions and union dues among others.

**f. Lack of Title Deeds**

During the period under review, records showed that the Council owned twenty five (25) properties. However, as of December 2016, the Council had not provided title deeds as evidence of ownership.

**g. Failure to Remit Statutory Contributions**

During the period under review, statutory and union contributions in amounts totalling K43,774,346 that were deducted from employees' salaries had not been remitted to the respective institutions as of December 2016. See table below.

<b>Institution</b>	<b>Amount K</b>
Zambia Revenue Authority	43,061,759
National Pension Scheme Authority	604,839
Zambia Union of Local and Allied Workers Union	107,748
<b>Total</b>	<b>43,774,346</b>

**h. Failure to Pay Benefits**

As of December 2016, the Council owed amounts totalling K8,652,753 to various employees and retirees in respect of settling in allowances, long service bonus and retirement benefits.

**i. Staff Establishment**

A review of staff returns revealed that out of an approved establishment of three hundred and sixty four (364) positions, only two hundred and three (203) were filled leaving a balance of one hundred and sixty one (161) vacancies.

**j. Employment of Unqualified Officers to Key Positions**

According to Staff Establishment, during the period under review, there were fourteen (14) employees at the Council that did not meet the minimum requirements to hold their respective positions. See table below.

Position	Requisite Qualification	Qualification Held
Clerical officer	Grade 12	Grade 9
Clerical Officer	Grade 12	Nil
Stores Officer	Diploma in Purchasing and supply	Grade 12
Public relation officer	Degree in Mass Communication	Certificate, Diploma in Law
Assistant Accountant	Degree in Accountancy or ZICA Licentiate, ACCA II, CIMA II or equivalent	Grade 12, CAT and Certificate in Business Management and Control
Receptionsist	Grade 12	GCE, Certificate of attendance in Hospitality
Seniors Accounts Officer	ZICA Technician or equivalent	Form III and shop Management
Receptionist	Grade 12	Form III and shop management
Receptionist	Grade 12	Certificate of attendance in Hospitality
Revenue Collector	Grade 12	Form III
Group Internal Auditor	Degree in Accountancy ZICA Licentiate CIMA II	ZICA technician
Commercial Manage	Degree in Business administration	Grade 12 Diploma in Hotel Operations Management
IT Officer	Degree in Information Technology	High Diploma IMIS
Assistant Land Survey	Diploma in Survey or equivalent	Certificate in Forestry and Diploma in forestry

### Chirundu District Council

12. The Chirundu District Council is located in Lusaka Province and was established in August 2012. During the period under review, the Council had one (1) elected Member of Parliament and ten (10) elected ward councillors.

### Funding

During the period from 2013 to 2015, the Council received grants and generated funds in amounts totalling K21,623,542 as shown in the table below.

Sources of Funds	2013 K	2014 K	2015 K	Totals K
Local Taxes	9,095	20,095	8,807	<b>37,997</b>
Fees and Charges	2,467,932	3,369,665	2,175,028	<b>8,012,625</b>
Licences	1,442,591	10,213	6,585	<b>1,459,389</b>
Levies	-	37,133	20,565	<b>57,698</b>
Permits	110,185	153,953	98,050	<b>362,188</b>
Charges	-	214,950	127,450	<b>342,400</b>
Other Incomes	12,948	181,487	174,076	<b>368,511</b>
National Support	1,175,420	3,334,944	5,035,448	<b>9,545,812</b>
Local Development Fund	200,000	600,000	636,923	<b>1,436,923</b>
<b>Totals</b>	<b>5,418,170</b>	<b>7,922,439</b>	<b>8,282,932</b>	<b>21,623,542</b>

### Review of Operations

An examination of accounting and other records for the period from 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2015 carried out in October 2016 and physical inspections revealed the following:

#### a. Failure to Fill Establishment

The staff establishment stood at an average of 55 percent, which was about half of the authorised establishment. See table below.

Year	Total Authorised Establish	Filled	Vacancies	Percentage Filled
2013	62	38	24	61%
2014	76	40	36	52%
2015	78	41	37	52%

The failure to fill the establishment had a negative impact on the operations of the Council.

**b. Delayed Banking and Failure to Receipt Revenue Collections**

Contrary to the Local Authorities Financial Regulation No. 19 (1), there were delays ranging from three (3) to (6) days in the banking of revenue amounting to K307 collected on 3<sup>rd</sup> and 4<sup>th</sup> April 2014.

It was further observed that collections amounting to K25,770 deposited on 4<sup>th</sup> April 2014 were not receipted contrary to Local Authorities Financial Regulation No. 51 (1).

**c. Lack of Strategic Plan**

The strategic plan provides general direction of an institution, setting out clear strategic objectives and strategies on how to achieve such objectives. During the period under review, the Council operated without a strategic plan.

**d. Lack of a Debtor's Management Policy**

The Council did not have a debtors' management policy in place to provide guidance on the debt management. A scrutiny of the debtors schedule revealed that the council was owed amounts totalling K483,838 by various institutions as tabulated below as of December 2015.

Details	Amount K
Rates	194,458
Motor Vehicles Fees	125,380
Billboards	25,200
Annual Permits	31,800
Mast Towers	50,000
Truck Shop	57,000
Total	483,838

Inquiries revealed that some of the debts had been carried over from Siavonga District Council upon the establishment of Chirundu District Council in 2012. In this regard, due to lack of adequate documentation, it was not possible to determine how long the debts had been outstanding.

**e. Failure to Remit Statutory Contributions**

During the period under review, statutory contributions in amounts totalling K360,099 that were deducted from employees' remunerations had not been remitted to the respective institutions as of December 2016. See table below.

<b>Institution</b>	<b>Amount K</b>
ZRA	19,260
NAPSA	207,465
LASF	133,374
<b>Totals</b>	<b>360,099</b>

At the time of verification in January 2017, the Council had entered into a payment agreement with the National Pension Scheme Authority (NAPSA) and an instalment of K10,500 had since been paid leaving a balance of K196,965.

**f. Lack of Title deeds**

A review of the asset register revealed that the Council had seven (7) properties across the District. It was however observed that all seven (7) properties had no title deeds. Details are as shown in the table below.

<b>Details</b>	<b>Location</b>
Civic Centre	Along Chiawa Road
Main Market	Chiawa Road
Ablution Block	OSBP
Office Block	Lusitu Sub Centre
5 Staff Houses	Lusitu Sub Centre
Kaimon Bus Station	-
Ten Medium Houses	Next to Lusumpuko

Further, the value of the buildings could not be ascertained as there were no valuation reports.

**g. Failure to Register Assets with Road Transport and Safety Authority (RTSA)**

Contrary to the Roads and Road Traffic Act which requires motor vehicles and earth moving equipment to be registered with the RTSA, the Council did not register motor vehicles and equipment such as motor graders, fire tenders, water bowser, tow grader valued at K835,079. See table below.

<b>Details</b>	<b>Location</b>	<b>Date of Acquisition</b>	<b>Value K</b>
Toyota Tafe	Civic Centre	Not Established	150,000
Tow Grader	Mafosholo	Not Established	-
Water Bowser	Civic Centre	Not Established	-
Fire Tender	Civic Centre	Not Established	540,000
Toyota Dyna	Civic Centre	Not Established	70,000
Motor Grader	Civic Centre	02.01.2014	75,079
<b>Total Assets</b>			<b>835,079</b>

It was observed that the fire tender was involved in a road traffic accident on 12<sup>th</sup> March 2016. Although the Council had claimed from the ZSIC Limited, the claim had not been paid as of November 2016 as the Council owed ZSIC amounts totalling K98,286 in outstanding premiums. Consequently, the Council was unable to provide firefighting services.

**h. Inappropriate Office Space – Fire Brigade Unit**

The Fire Brigade Unit did not have appropriate office space to operate from in that the eighteen (18) Council fire brigade officers were all being accommodated in one small room with approximately 7 x 3 meters floor area within a public ablution block. See pictures below.



*Rear side of the ablution block housing a fire brigade office*



*Front side of the ablution block housing a fire brigade office*

**i Failure to Comply with ZEMA ACT and Regulations.**

A review of Council Minutes of the fourth Ordinary full Council meeting dated 2<sup>nd</sup> March 2015 revealed that the Council had cleared a site by way of unsustainably removing trees for construction of a Truck Inn without submitting an Environmental Project Brief (EPB) and Management Plan for Approval by Zambia Environmental Management Agency (ZEMA). Consequently, ZEMA halted the project until the Council submitted the EPB.

**j. Lack of a Policy on Sustainable Environmental Management**

The Council did not have a solid waste management policy on sustainable environmental management. Consequently, there were inappropriate garbage disposal practices. See pictures below.



*Inappropriate garbage disposal*

**Kabwe Municipal Council**

13. The Kabwe Municipal Council is located in Central Province. During the period under review, the Council had two (2) elected Members of Parliament and twenty seven (27) elected ward councillors.



## Sources of Funds

The operations of the Council are financed mostly by Government grants from the Ministry of Local Government and Housing. The grants are mainly meant for payment of salaries. In addition, the council collects revenue from various sources as empowered by different acts as shown below.

- i. Personal Levy – as empowered by the personal levy Act
- ii. Rates from properties – as empowered by the Rating Act
- iii. Markets and Bus station levy – as empowered by the Markets Act
- iv. Liquor license fees – as empowered by the Liquor licensing Act and
- v. Fees from permits

## Funding

During the period from 2013 to 2015, the Council received grants and generated funds in amounts totalling K69,453,171 as shown in the table below.

Sources of Funds	2013 K	2014 K	2015 K	Totals K
Local Taxes	252,792	238,764	271,888	763,444
Fees and Charges	2,377,967	4,411,042	6,401,308	13,190,317
Licences	1,017,628	563,511	273,530	1,854,669
Levies	7,547	7,165	1,695,627	1,710,339
Permits	377,341	472,631	734,094	1,584,066
Charges	314,920	1,792,181	4,892,609	6,999,710
Other Incomes	1,300	-	-	1,300
National Support	8,559,871	10,005,704	11,341,998	29,907,573
Grant in Lieu of Rates	300,000	-	-	300,000
Owners Rates	4,217,912	3,265,308	4,058,533	11,541,753
Restructuring Grants	-	1,600,000	-	1,600,000
<b>Total</b>	<b>17,427,278</b>	<b>22,356,306</b>	<b>29,669,587</b>	<b>69,453,171</b>

## Review of Operations

A review of accounting and other records maintained at Kabwe Municipal Council for the Period from 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2015 revealed the following:

### a. Lack of Strategic Plan

A strategic plan defines an organisation's future outlook and sets strategies for desired objectives and direction of the entity. A strategic plan also helps to allocate resources to priority areas as highlighted in the strategic plan. However, during the period under review, the local authority operated without a strategic plan.

### b. Non Preparation of Financial Statements

Contrary to Section 52 of the Local Government Act, the Council did not prepare financial statements for the period under review.

**c. Lack of a Debtor's Management Policy**

The Council did not have a debtors' management policy in place to provide guidance on the debt management. A scrutiny of the debtors schedule revealed that the Council was owed amounts totalling K9,492,288 as of December 2015 by various institutions as tabulated below.

Category	Amount K
Property Rates	9,131,535
Bill Boards	70,080
Rentals from properties	290,673
<b>Total owed</b>	<b>9,492,288</b>

**d. Failure to Recover Money From Anti-Fraud Unit of Zambia Police**

On 12<sup>th</sup> September 2014, the Court ordered that an amount of K13,500 which was seized by the Police from two (2) Council officers who had defrauded the Council of K51,529 be paid back to the Council. However, as of December 2016, the Police had not surrendered the seized money and the Council had not made any efforts to retrieve the funds.

**e. Failure to Remit Statutory Obligations**

During the period under review, statutory contributions in amounts totalling K9,031,245 that were deducted from employees' remunerations had not been remitted to the respective institutions as of December 2016. See table below.

Institution	Amount K
ZRA	2,806,438
NAPSA	3,091,429
LASF	3,133,378
<b>Totals</b>	<b>9,031,245</b>

**f. Outstanding Terminal Benefits**

A review of records at Kabwe Municipal Council revealed that the Council had outstanding terminal benefits in amounts totalling K15,262,622 which were owed to one hundred (100) officers. It was also observed that a sum of K9,723,689 was owed to Council employees as outstanding Long Service Bonus.

**g. Lack of Title Deeds and Failure to Insure Properties**

The Lands Act No. 29 of 1995 requires that institutions or individuals owning land should have or possess title deeds as proof of ownership.

A review of records of buildings provided by the Council revealed that the Council had one hundred and three (103) properties for which it had no title deeds as proof that they belonged to the Council. Further, the value of these buildings could not be ascertained as no valuation

had been done over the period under review. The properties had also not been insured as of December 2016.

**h. Deplorable State of Mulungushi Motel**

Kabwe Municipal Council runs Mulungushi Motel as a Commercial Venture. The Motel has twenty eight (28) rooms and has been in operation since 1974.

A physical site visit in May 2015 revealed that the motel was in a deplorable condition and was not operating at full capacity. In this regard, the motel was unable to contribute to the Council treasury.



*Motel Geyser*



*ceiling in the dining room*



*Motel Kitchen*



*falling ceiling in one of the motel rooms*

A further scrutiny of motel records revealed that the motel was owed amounts totalling K104,719 by various institutions while the Motel owed amounts totalling K151,079 in salary arrears and to various suppliers.

**i. Inadequate Fire Fighting Equipment**

The Fire Brigade Unit had two (2) fire engines, one with a capacity of 10,000 litres while the other engine had a capacity of 700 litres.

A physical inspection of the fire station carried out in September 2016 revealed that the engine with the capacity of 10,000 litres had broken down. Inquiries with management revealed that the engine had not been operational since 2010.

In this regard, the Fire Brigade Unit was not adequately able to provide firefighting services as only the smaller fire engine was in service. See pictures below.



*The two fire engines*

Further, although the Council had opened new areas such as Hills Park, New Nkhrumah and Aerodrome, no fire hydrants had been installed in these areas making it difficult for fire fighters to access water during emergencies.

**j. Wasteful Expenditure - Construction of a Maternity Wing at Waya Ward**

On 5<sup>th</sup> July 2012, Kabwe Municipal Council engaged Shel-net Contractors Ltd for the construction of a Maternity wing at Waya ward in Kabwe Central Constituency at a contract sum of K168,438. However, due to the failure by the Council to settle the contractor's claims in amounts totalling K60,000 despite the availability of funds, the contractor sued the Council.

Consequently, the project stalled for a period of about four (4) years until June 2016 when the Council entered into a new agreement with the contractor for the completion of the project.

However, it was observed that the contract price had escalated by K102,586 from the initial price of K168,438 to K271,024. The failure by the Council to settle the claim when the funds were available resulting in the escalation of costs for the project was wasteful.

**k. Offer of Unnumbered Plots**

Contrary to Circular No. 1 of 1985 issued by the Ministry of Lands and Natural Resources which requires that plots are surveyed and numbered before advertising them for public offering, the Council allocated land in Nkrumah, Katonda and Mulungushi sites without official numbering from the Surveyor General.

**l. Allocation of Plots in Grave yards**

A physical site inspection of Mpima and Mukobeko Graveyards which are managed by Kabwe Municipal Council revealed that plots had been allocated in the grave yards and construction of residential properties had since commenced. See pictures below.



*House being constructed on Mpima Grave site*

**Kafue District Council**

14. The Kafue District Council is located in Lusaka Province. During the period under review, the Council consisted of the Chairperson, sixteen (16) elected ward councilors, the Member of Parliament for Kafue Constituency and two (2) representatives of the local chiefs.

**Funding**

During the period under review, the council budgeted to receive amounts totalling K90,412,766 (Government Grants – K23,702,471 and Internally Generated funds – K66,710,296) against which amounts totalling K83,815,090 (Government Grants - K23,702,471 and Internally Generated funds K60,112,619) were received resulting in a variance of K6,597,677. See table below.

Income	2015 K	2014 K	2013 K	Total K
Budgeted and Received Government Grants	10,776,180	7,867,849	5,058,442	23,702,471
Internally Generated Funds				
Budget	26,400,639	24,672,959	15,636,698	66,710,296
Actual	20,777,421	15,699,931	23,635,267	60,112,619
Deficit	5,623,218	8,973,028	(7,998,569)	6,597,677

## Review of Operations

A review of accounting and other records for the period 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2015 and physical inspections of selected projects carried out in October 2016 revealed the following:

### a. Failure to Prepare Financial Statements

Contrary to Section 52 of the Local Government Act, the Council did not prepare financial statements for the period under review.

### b. Failure to Collect Property Rates

As of December 2015, there were twenty one (21) debtors that owed the Council amounts totalling K185,018 in respect of unpaid property rates, some of which had been outstanding for periods of up to eleven (11) years.

### c. Uncollected Rent Charges

A total of K25,000 was owed to the Council for a period of one (1) year in respect of rental charges from three (3) taverns as at 31<sup>st</sup> December 2016,

### d. Failure to Collect Revenue - Bill Boards and Outdoor Advertising

During the period under review, thirty eight (38) companies owed the Council amounts totalling K135,000 in respect of unpaid billboard invoices which had been outstanding for periods of up to twelve (12) months. As of December 2016, the amounts had not been collected.

### e. Missing Payment Vouchers

During the period under review, a total of three (3) payment vouchers in amounts totalling K20,346 were not availed for audit contrary to Local Authorities' Financial Regulation No. 98 (1).

### f. Inadequately Supported Payments

Contrary to Local Authorities Financial Regulation No. 86, two hundred and twenty (220) payments in amounts totalling K3,183,289 made during the period under review were not supported with relevant documents such as receipts and Local Purchase Orders (LPOs).

**g. Unaccounted for Stores**

Contrary to Local Authorities Financial Regulation No. 145 which states that a Treasurer shall keep proper records of receipts and issue of stocks and stores, various stores items costing K290,610 (General Stores – K77,363 and Fuel – K213,247) procured during the period under review were not accounted for in that there were no receipt and disposal details.

**h. Failure to Avail Activity Reports**

During the period under review, imprest in amounts totalling K308,777 was issued to eight (8) officers to enable them undertake various activities such as monitoring, training and workshops. However, there were no activity reports produced for audit making it difficult to ascertain whether the activities were undertaken.

**i. Unacquitted Allowances**

Contrary to Local Authorities Financial Regulation No. 106, which states that where the employee does not claim the wages, the cash shall be brought to account and a general receipt shall be issued, crediting the unpaid wages to the expenditure vote from which the wages were drawn, amounts totalling K86,340 in respect of allowances for various beneficiaries which had not been acquitted as of December 2016 had not been credited back to the vote from which they were drawn and no cash was found on hand.

**j. Irregular Payment of Sitting Allowances**

Contrary to Cabinet Office Circular No.11 of 2013 which abolished the payment of sitting allowances with effect from 1<sup>st</sup> September 2013, in February 2014, imprest in amounts totalling K7,200 was issued to the cashier to facilitate payment of sitting allowances for officers who attended procurement committee meetings.

**k. Non Refund of Funds**

In August 2014, the Council paid an amount of K4,000 following a court ruling as compensation to an individual whose bus was wrongfully impounded by a Council Officer. However, as of December 2016, no action had been taken by the Council against the Officer who had wrongly impounded the bus outside his jurisdiction.

**l. Failure to Insure Office Equipment and Other Assets**

Contrary to Local Authorities Financial Regulation No.154, which states that the Treasurer shall take out insurance cover against losses, damages, risks and liabilities which the Council may incur and shall regularly review such cover in consultation with the head of department, the Council procured various assets costing K169,155 during the period under review which had not been insured as of December 2016. See table below.

Item	Quantity	Amount K
Computers	12	47,020
Laptops	9	53,400
Printers	11	25,565
Fridges	6	24,825
Stoves	2	6,600
TV/Radio	2	10,395
Digital Camera	1	1,350
<b>Totals</b>		<b>169,155</b>

**m. Failure to Update the Main Roll**

Contrary to the Rating Act, Section 8 (3), which states that the rating authority shall, not less than once in every five years, or such longer period as the Minister may approve, cause to be prepared a new main roll, Kafue Council's main roll was last updated in 2009.

**n. Failure to Remit Statutory Contributions**

During the period under review, statutory contributions in amounts totalling K3,664,404 that were deducted from employees' remunerations had not been remitted to the respective institutions as of September 2016. See table below.

Year	PAYE K	NAPSA K	LASF K	Total K
2013	133,867	591,925	188,054	913,846
2014	500,477	343,212	91,641	935,330
2015	889,243	704,348	221,637	1,815,228
<b>Totals</b>	<b>1,523,588</b>	<b>1,639,485</b>	<b>501,332</b>	<b>3,664,404</b>

**o. Failure to Settle Amounts Owed to Separated Employees**

Amounts totalling K11,514,906 owed to fifty eight (58) officers who separated from the Council through retirement, resignation, dismissal, desertion, termination or expiration of contracts and death, had been outstanding for periods ranging from one (1) to seven (7) years as of 31<sup>st</sup> December 2015. See table below.

Year	No. of Employees	Balance Outstanding at year- end K	No. of years outstanding
2013	44	7,370,003	1-6
2014	50	8,997,231	1-6
2015	58	11,514,906	1-7

**p. Failure to Fill Vacant Positions**

According to the Council's establishment register and other payroll records availed for audit, there were ninety one (91) vacant positions out of a total of two hundred and six (206) positions as at 31<sup>st</sup> December 2015, representing 44 percent of the positions that had not been filled.



**q. Unrecovered Salary Advances**

Contrary to Terms and Conditions of Service for the Local Government No. 105 (d), recoveries in respect of salary advances amounting to K264,256 paid to twenty two (22) officers during the period under review had not been effected as of December 2016.

**r. Lack of Title Deeds**

Although the Council reflected twenty six (26) properties in its records, there were no title deeds availed for audit as of December 2016. In this regard, it was not possible to verify ownership of the properties. Included in the properties were seventeen (17) parcels of land that were not surveyed making it difficult to determine their sizes and boundaries.

**s. Wasteful Expenditure – Swimming Pool**

In 2015, the Council spent amounts totalling K36,529 to renovate the swimming pool. A physical inspection of the site carried out in October 2016 revealed that the swimming pool was not operational rendering the expenditure wasteful.

**t. Failure to Insure Buildings**

Contrary to Local Authorities Financial Regulations No. 154 which states that the Treasurer shall take out insurance cover against losses, damages, risks and liabilities which the Council may incur and shall regularly review such cover in consultation with head of department, seventeen (17) buildings with a net book value of K4,807,055 were not insured as at 31<sup>st</sup> December 2016.

**u. Lack of Documentation on Sale of Land - Cavendish University**

The Council allocated land (147 hectares) to Cavendish University on minute number KDC/PWD/08/02/2006 dated 17<sup>th</sup> June 2006 to build a university on plot number L/1052/M/469. However, details such as the letter of offer from the Council to the University, the amount paid and other supporting documents such as receipts were not availed for audit. Further, details including the value of the plot were not reflected in the 2009 valuation roll. In addition, despite the land having been allocated in 2006, as of December 2016, apart from a wall fence and a guard house that had been constructed on the site, no further development had taken place.

**v. Failure to Develop Land - Metropolitan College and School Limited**

In 2010, the Council allocated land to Metropolitan College and School Limited for the construction of a university. However, as of December 2016, the construction of the university for which the land was allocated had not commenced. Instead, the land was being used for unrelated activities such as goat rearing, fish farming and construction of residential houses.

**w. Failure to Maintain Beit Hall**

A physical inspection of the hall carried out in October 2016 revealed that it was in a dilapidated state and had since been abandoned. See pictures below.

*Beit Hall**Beit Hall***Kasama Municipal Council**

15. Kasama Municipal Council is located in Northern Province. The Council consisted of seventeen (17) ward councillors and two (2) Members of Parliament for constituencies within Kasama Municipal Council boundary.

**Funding**

During the period from 2013 to 2015, the Council received grants and generated funds in amounts totalling K29,895,859 as shown in the table below.

Source of Funds	2013 K	2014 K	2015 K	Totals K
Owners' Rates	848,419	1,188,789	1,311,750	3,348,958
Local Taxes	55,215	194,770	56,580	306,565
Fees and Charges	714,404	1,732,515	1,796,169	4,243,088
Licences	16,055	13,847	17,563	47,464
Levies	340,413	568,168	319,124	1,227,705
Permits	16,190	398,421	293,007	707,617
Charges	34,613	28,903	41,586	105,102
Other Incomes	104,073	258,495	164,361	526,929
National Support	2,201,825	6,696,250	5,084,356	13,982,430
Local Development Fund	2,600,000	2,800,000	-	5,400,000
<b>Totals</b>	<b>6,931,207</b>	<b>13,880,158</b>	<b>9,084,494</b>	<b>29,895,859</b>

**Review of Operations**

An examination of accounting records and physical inspections of selected projects for the period under review revealed the following:

**a. Lack of Strategic and Annual Plans**

Best practice requires that, in order to ensure effective implementation of Council operations, there is need for the Council to have strategic and annual plans.

However, during the period under review, the Council operated without a Corporate Strategic Plan. In addition, the Council had no annual plans to ensure effective and efficient management of the Council's operations.

**b. Non Preparation of Financial Statements**

Contrary to Section 43(3) of the Local Government Act, the Council did not prepare financial statements for the years under review. As a result, it was not possible to determine the financial performance and position of the Council.

**c. Irregularities in Revenue Collection****i. Failure to Collect Revenue**

According to the Local Authorities (Financial) Regulation No.12, the functions of the Treasurer, who is the principal adviser responsible to the council in matters relating to the general finances of the council is to collect punctually all revenue and other council money which become due and payable to the council.

Section No.76 of Regulation No. 12 further states that the Treasurer and Heads of Departments who collect revenue shall refer for appropriate action, all debts they are unable to recover to the controlling officer without undue delay.

Contrary to the regulations, a scrutiny of the debtors schedule revealed that the council was owed amounts totalling K1,392,586 by various institutions as of December 2015 as tabulated below.

<b>Income Source</b>	<b>2013 K</b>	<b>2014 K</b>	<b>2015 K</b>
Owners' Rates	841,464	761,251	795,828
Personal Levy	106,220	-	250,168
Business Levies	-	1,624	346,591
<b>Total</b>	<b>947,684</b>	<b>762,874</b>	<b>1,392,586</b>

**ii. Outstanding Bill Board Levy**

Laws and Regulations mandate the Council to impose fees or charges for any services or goods or documents supplied by the Council in pursuance of or in connection with the discharge of any function of the Council.

Contrary to Section 70 (1) of the Local Government Act, Kasama Municipal Council was owed K195,381 in unpaid bill board levies as of December 2015.

**d. Staff Related Costs**

**i. Appointment and Promotion of Staff without Authority**

According to Section 93 of the Local Government (Amendment) Act No. 6 of 2010, the Local Government Service Commission shall appoint such principal officers and officers of a Council as the Commission considers necessary for the performance of the functions of such Council.

Contrary to the above provision, Kasama Municipal Council employed four (4) people and promoted nineteen (19) members of staff without approval of the Local Government Service Commission. In this regard, amounts totalling K673,953 were irregularly paid as salaries to the said staff.

**ii. Employees without Requisite Qualifications**

Contrary to the Terms and Conditions of Service for the Local Authority which provides for minimum qualifications for officers occupying various positions, it was observed that seven (7) members of staff did not meet the requisite educational and professional qualifications for the positions they were holding.

**iii. Unremitted Statutory Obligations**

Contrary to the Income Tax Act, Pay As You Earn (PAYE) amounting to K1,181,805 deducted from employees' remunerations during the period under review had not been remitted to the Zambia Revenue Authority as of August 2016.

**iv. Non Remittance of Pension Contributions to NAPSA**

Section 72 (1) of the Local Government Act stipulates that, "a Council may, with the approval of the Minister establish, maintain, control and contribute to any pension, provident or benevolent fund intended for the benefit of its officers and their dependants and may, from any such fund, grant pensions and gratuities to its officers on their retirement from the service of the council and to the dependants of deceased officers".

Contrary to the provisions, the Council was not remitting employees' contributions. In this regard, a total amount of K547,985 was owed to NAPSA as of August 2016.

**v. Non Payment of Terminal Benefits**

According to the terms of employment in the Council, a retiring employee having at least ten (10) years of service will be entitled to retirement benefits at the rate to be determined by the Council from time to time in consultations with the union.

Contrary to the terms of employment, fifteen (15) former employees who were separated from employment during the period from January 2013 to December 2015 were owed terminal benefits in amounts totalling K3,308,078.

**e. Failure to Comply with Procurement Regulations**

Contrary to the Public Procurement Regulation of 2011, the Council procured a John Deere Tractor and a five ton trailer at a total cost of K167,746 using simplified bidding without seeking approval from the Provincial Procurement Committee.

**f. Irregularities in the Allocation and Sale of Plots**

According to Part II, Section (3) Chapter 184 of the laws of Zambia, and notwithstanding anything to the contrary contained in any other law, instrument or document, but subject to this Act, all land in Zambia shall vest absolutely in the President and shall be held by him in perpetuity for and on behalf of the people of Zambia. Section (2) further stipulated that subject to subsection (4) and to any other law, the President may alienate land vested in him to any Zambian.

According to Section 2 of the Statutory Instrument No. 4 of 1989, (1) the public officer for the time being holding the office or executing the duties of Commissioner of Lands is hereby authorised to exercise the functions of the President contained in the Zambia (State Land and Reserves) Orders, 1964, the Zambia (Trust land) Orders, 1964, and the Zambia (Gwembe District) Orders, 1964 subject to a specific or general directions of the Minister charged with the responsibility for land matters.

However, contrary to procedures for land allocation, the council advertised plots for issuance to members of the public when it had no land under Kasama Municipal Council jurisdiction for issuance to the public.

In addition, the Council advertised the plots to the public, interviewed applicants and successful applicants were recommended for offer of plots to the Commissioner of Lands. In this regard, two hundred and fifty five (255) successful applicants paid amounts totalling K74,810 in service charges during the period from 1995 to 2012, but had not been allocated plots as of March 2016.

**g. Lack of Title Deeds**

The Lands Act No. 29 of 1995 requires that institutions or individuals owning land should have or possess title deeds as proof of ownership.

A review of the list of buildings provided by the Council revealed that the Council had twenty-nine (29) properties without title deeds. While these properties exist, there was no proof that they belonged to the Council as the Council did not have title.

Property	Quantity	Location
Buseko Community Hall	1	Location
Buntungwa Tavern	1	Chiba
Market Office	1	New Town
River Rest Bar	1	Location
Engineering Department	1	Location
Kapongolo Motel	1	Tazara
Abbattoir	1	Chambeshi
Shops	21	Location
Pre - School	1	Central Town

Further, the value of these buildings could not be ascertained as there was neither an asset register nor valuation reports.

**h. Construction of the New Civic Centre**

On 23<sup>rd</sup> November 2011, the Council engaged Curve Contractors and General Dealers to construct the Civic Centre at a contract sum of K495,608,608 VAT inclusive, with the completion period of twelve (12 ) weeks. The construction was to be undertaken in three phases.

The scope of works for the first phase was for sub-structural works which included foundations and columns.

The scope of works for the second phase included concrete beams and columns, ground and first floor slab, block works for both floors and external stair cases and other concrete works for ground and first floors, while the third and final phase of works included completion of wall, ceiling and floor finishes, metal works in doors and windows, carpentry, ironmongery and joinery, plumbing installations, electrical installations, painting and decorations. The cost estimate for the third phase was K4,174,709.

The following were however observed:

**i. Engagement of Contractor without following Tender Procedures.**

Contrary to the provisions of the Public Procurement Act, the Council single sourced the contractor, Curve Contractors and General Dealers without authority from ZPPA.

**ii. Failure to Provide Documents**

According to Local Authorities (Financial) Regulation 28(1), payment and Journal vouchers shall be kept for six years. Notwithstanding the periods specified in sub-regulation (1), the records shall be kept until they are audited or until a court case relating to them, if any, is settled.

Contrary to the above regulation, payment vouchers and other records relating to Curve Contractors had not been availed for audit scrutiny. Consequently, it was not possible to establish how much had been spent on the project as of August 2016.

**iii. Lack of Drawings at Commencement of Contract**

Designs/drawings are used to identify the scope and cost of the project. They provide the input for the preparation of the engineer's estimates and the Bill of Quantities (BoQs).

Documents reviewed and interviews conducted revealed that the works done for phase one and two were done without approved drawings. Instead, the contractor was given a sketch as the plan for the construction of the Civic Centre. Despite not being given the drawings, the contractor went ahead to build phase one and two of the New Civic Centre. Hence the Engineering Department failed to certify the works that had been done and determine the cost of the remaining works as of February 2016.

As a result of not having the drawings, the building lacked most of the vital information such as section plan, bending schedule, flow plan, site plan and the building plan.

**iv. Lack of Performance Security**

According to Section 127 (1) of the Public Procurement Act of 2011, a procurement entity shall request a performance security for all contracts for goods, works and non-consulting services with a value greater than K500,000 to secure the supplier's obligation to fulfill the contract.

Contrary to the above regulation, the Kasama Municipal Council did not obtain any performance security for Phases 1 and 2 of the project.

### **Katete District Council**

16. Katete District Council is located in Eastern Province. During the period under review, the Council consisted of eighteen (18) ward Councillors and two (2) Members of Parliament for constituencies within Katete District Council boundary, two (2) representatives of the Chiefs and a management team that ran the Katete District Council.

## **Funding**

During the period under review, the Council estimated to raise revenue totalling K16,622,518 against which revenue totalling K13,531,042 was collected resulting in an under collection of revenue totalling K3,091,476.

## **Review of Operations**

An examination of accounting and other records maintained at the Council for the financial years ended 31<sup>st</sup> December 2013, 2014 and 2015 carried out in September 2016 revealed the following:

### **a. Lack of a Strategic Plan**

A strategic plan defines an organisation's future outlook and sets strategies for desired objectives and direction of the entity. A strategic plan also helps to allocate resources to priority areas as highlighted in the strategic plan. However, during the period under review, the local authority operated without a strategic plan.

### **b. Lack of a Procurement Plan**

The Public Procurement Act No. 12 Section 42 states that, "A procuring entity shall plan its procurement in a rational manner and in particular shall aggregate its procurements wherever possible, both within the procuring entity and between procuring entities to obtain value for money and reduce on procurement costs, avoid splitting of procurements to defeat the use of appropriate procurement methods and integrate its expenditure programme with the procurement. Procurement entities shall submit all annual procurement plans to the authority".

However, contrary to the provisions of the Act, the Council did not have a procurement plan for the period under review.

### **c. Employment of an Unqualified Officer to a Key Position**

According to Job Description, the position of a Council Secretary (Grade LGSS 03) is supposed to be held by an individual with a minimum qualification of a Degree in any Social Science or its equivalent.

However, during the period under review, the position of Council Secretary was held by an individual who did not meet the minimum requirements to hold the position.

### **d. Failure to Prepare Financial Statements**

Contrary to Section 52 of the Local Government Act, the Council did not prepare financial statements for the period under review.



**e. Lack of Ownership Documents for Properties**

Contrary to the Lands Act No. 29 of 1995, which requires individuals and institutions to possess title deeds as proof of ownership of properties, the Council did not have title deeds for various properties it owned during the period under review such as houses, office block, butchery and mill plant.

**f. Failure to Insure Council Property**

Contrary to the Local Government Act No 15 of 2004, buildings belonging to the Council had not been valued and insured as of December 2016. Further, contrary to the Roads and Road Traffic Act Cap 464 of the Laws of Zambia, the Council's motor vehicles were not insured.

**g. Failure to Dispose off Unserviceable Vehicles**

Finance Act No. 15 of 2004 states that unserviceable plant or vehicles shall be disposed of or dealt with on the basis of recommendations of a Board of Survey. During the period under review, the Council had seven (7) motor vehicles that were unserviceable. However, as of December 2016, the Council had not written to the Ministry to have the motor vehicles boarded. See table below.

<b>Make</b>	<b>Vehicle Reg No.</b>	<b>Condition</b>
Toyota Hiace	GRZ 378 BG	Non Runner
Toyota Landcruiser	GRZ 955 BG	Non Runner
Chapion Grader	ARA 1315	Non Runner
Yeujin	GRZ 180 CB	Non Runner
Hino	ABT 2402	Non Runner
Hearse	GRZ 385	Non Runner
Toyota Dyna	ABV 4072	Non Runner

**h. Failure to Maintain Client Databases**

The main business of the Council is the delivery of basic social and economic services to the people and to discharge all or any of the functions set out in the Second Schedule of Cap 281 of the Laws of Zambia which includes, among others, imposition of levies, fees and other charges.

However, the Council did not maintain a database on the sources of its revenue such as properties from which it collects revenue in form of levies, fees and charges.

**i. Missing Receipt Books**

Contrary to Local Authorities Financial Regulation No. 72, twenty one (21) receipt books were not availed for audit.

**j. Lack of General Revenue Cash Book - Market Fund Account**

Contrary to Local Authorities Financial Regulation No. 71, which requires that collectors of revenue maintain cash collection sheets daily, it was observed that the Council did not maintain a General Revenue Cash Book during the period under review for revenue collected from markets amounting to K15,465.

**k. Outstanding Lodging Fees and Other Receivables – Mphangwe Motel**

A review of operations of Mphangwe Motel which is an entity that is wholly owned by the Council revealed that amounts totalling K376,785 (K323,520 for the period 2013 to 2015 and K53,265 for 2016) owed to it by clients remained uncollected as at 31<sup>st</sup> October 2016.

**l. Unacquitted Allowances**

Contrary to Local Authorities Financial Regulation No. 106 (2), during the period under review, amounts totalling K12,232 were to paid to various officers to facilitate payment of allowances and wages. However, as of December 2016, the amounts were unaccounted for as there were neither acquittal sheets, cash found on hand nor evidence of banking.

**m. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, eight (8) payments in amounts totalling K18,500 made during the period under review were not supported with relevant documentation such as appointment letters and calculations of amounts due to payees.

**n. Failure to Remit Statutory Contributions**

During the period under review, amounts totalling K1,850,490 (LASF - K250,481, Pay As You Earn (PAYE) - K901,611, NAPSA - K644,778 and Union Dues - K53,620) were deducted as statutory contributions from employees' personal emoluments. However, as of December 2016, the funds had not been remitted to respective institutions.

**o. Misapplication of Equalisation Fund**

According to the Local Government (Amendment) Act No. 12 of 2014, a Council shall use at least twenty (20) percent of the equalisation fund received in any financial year, to finance capital expenditure.

During the period under review, amounts totalling K4,846,518 were received as equalisation funds. However, contrary to the guidelines, amounts totalling K969,304 being 20% of the funded amount meant for capital projects were spent on personal emoluments such as salaries and settling-in allowances.

**p. Unauthorised Retention of Interest Earned**

Contrary to the Public Finance Act No. 15 of 2004, which states, “All interest accrued on bank accounts and other investments shall constitute general revenue and shall be paid into the Treasury Account”, interest in amounts totalling K58,615 earned on four (4) CDF Accounts maintained by the Council between 1<sup>st</sup> January and 31<sup>st</sup> December 2013 had not been remitted to the Treasury.

**q. Failure to Correct Errors on Bank Statements**

On 26<sup>th</sup> June 2013, an amount of K30,424 was erroneously debited from the Milanzi Constituency CDF Bank Account held at Zanaco, Chipata Branch. However, as of December 2016, the error had not been corrected as the funds had not been reversed by the Bank.

### Livingstone City Council

17. The Livingstone City Council is located in Southern Province. During the period under review, the Council consisted of seventeen (17) ward councillors and one (1) Member of Parliament.

### Funding

During the period from 2013 to 2015, the Council received grants and generated funds in amounts totalling K105,541,303 as shown in the table below.

Source of Income	2013 K	2014 K	2015 K	Total K
Balance Brought Forward	-	-	-	11,309,580
CDF	1,000,000	1,300,000	1,400,000	3,700,000
Grants	15,458,540	14,231,082	19,908,288	49,597,909
Local Taxes/ Rates	4,396,037	7,427,541	6,628,700	18,452,278
Charges and Other fees	5,279,172	5,951,309	6,217,370	17,447,851
Licenses	42,158	27,194	22,292	91,644
Levies	306,130	1,055,344	1,048,066	2,409,540
Permits	364,280	895,500	1,272,720	2,532,500
<b>Total Income</b>	<b>26,846,317</b>	<b>30,887,970</b>	<b>36,497,436</b>	<b>105,541,303</b>

### Review of Operations

An examination of accounting and other records maintained at the City Council for Livingstone City Council for the financial years ended 31<sup>st</sup> December 2013, 2014 and 2015 and a physical inspection of projects carried out in October 2016 revealed the following:

**a. Failure to Prepare Strategic Plan**

A strategic plan defines an organisation’s future outlook and sets strategies for desired objectives and direction of the entity. A strategic plan also helps to allocate resources to priority areas as highlighted in the strategic plan. However, during the period under review, the local authority operated without a strategic plan.

**b. Failure to Prepare Audited Accounts and Annual Reports**

Contrary to Section 52 of the Local Government Act, the Council did not prepare financial statements for the period under review.

**c. Lack of Title Deeds**

During the period under review, title deeds for seventy six (76) properties were not availed for audit as of December 2016. In this regard, it was not possible to verify ownership of the properties. As a result of not having title deeds, the Council did not insure the seventy six (76) properties contrary to the Local Authorities Financial Regulation No. 154.

**d. Failure to Provide Tenant/Lease Agreements**

During the period under review, the Council leased out sixty seven (67) properties which included shops, offices, bars and play parks. However, there were twenty eight (28) lease agreements that were not availed for audit making it not possible to ascertain the terms and conditions and the amounts the tenants were supposed to pay.

**e. Failure to Produce Receipt Books**

Contrary to Local Authorities Financial Regulation No.72, twenty eight (28) general revenue receipt books used during the period from July 2013 to December 2014 were not availed for audit. In this regard, it was not possible to ascertain the amounts collected.

**f. Delayed Banking**

Contrary to Local Authorities Financial Regulation No. 19, which states that all cheques and cash received shall be banked as soon as possible but not later than two days after the day of receipt, there were delays in banking of revenue in amounts totalling K36,395 collected during the period under review for periods ranging from three (3) to twenty six (26) days.

**g. Unaccounted for Revenue**

Contrary to Local Authorities Financial Regulation No. 72, which states that the Treasurer shall ensure that collectors of revenue account for the amount of moneys collected by them on a daily basis, amounts totalling K25,266 were unaccounted for in that the funds were neither deposited nor was cash found on hand.

**h. Use of Revenue before Banking**

Contrary to Local Authorities Financial Regulation No. 19, between 17<sup>th</sup> April and 5<sup>th</sup> October 2015, a total of K6,000 collected as fees by East Management Centre involving five (5) transactions was paid out to Councillors and other officials before being banked.

**i. Commutation of Leave Days above Limit**

Contrary to Terms and Conditions of Service No. 119 (b) which states that an officer may once every year commute leave for cash up to ninety (90) days without necessarily going on leave provided funds are available and the Principal Officer so approves, three (3) officers commuted leave days ranging from 317 to 393 days above the limit in amounts totalling K274,633.

**j. Payment of Overtime Outside Payroll**

Contrary to Cabinet Office Circular No.11 of 2013, which states that overtime shall continue to be paid through the payroll, overtime allowances in amounts totalling K41,324 were paid outside the payroll. Consequently, tax which was due on these payments was not deducted.

**k. Non Recovery of Salary Advances**

Conditions of Service for Local Government Officers No. 105 (d) states that an advance shall be recovered in not more than six (6) consecutive monthly instalments starting in the month following the one in which the advance was paid. It was however observed that recoveries in respect of salary advances totalling K77,817 paid to various officers during the period under review had not been effected as of November 2016.

**l. Missing Payment Vouchers**

During the period under review, a total of fifty seven (57) payment vouchers in amounts totalling K631,269 were not availed for audit contrary to Local Authorities Financial Regulation No. 98 (1).

**m. Inadequately Supported Payments**

Contrary to Local Authorities Financial Regulation No. 98, various payments in amounts totalling K252,677 made during the period under review were not supported with relevant documents such as Local Purchase Orders (LPOs), approved memos, pay slips, transfer letters and arrival advice forms, among others.

**n. Payment of Meal Allowances Within the Station**

Cabinet Office Circular No. 11 of 2013, states that meal allowance shall only be paid to an officer who travels for work away from his/ her normal station of duty on official duty for eight (8) hours or more but not including an overnight stay.

However, contrary to the circular, meal allowances in amounts totalling K109,353 were paid to various officers for activities undertaken within their normal station of duty.

**o. Overpayment on Procurement of Meals**

During the period under review, the Council engaged Sepo Yaka Restaurant to supply meals to various officers who attended Council committees meetings. In this regard, the restaurant issued an invoice of K16,000 for services rendered. However, the Council paid a total amount of K38,850 to the restaurant resulting in an overpayment of K22,850. As of December 2016, the overpayment had not been recovered.

**p. Irregular Payment of Subsistence Allowance**

According to Local Government Terms and Conditions of Service No 171(d), only officers on temporal transfer are allowed to be paid subsistence allowance for a period not exceeding sixty (60) days.

However, contrary to the Terms and Conditions of Service, amounts totalling K149,662 were paid to and on behalf of officers (at a rate of K800 per night for sixty (60) days) who were not eligible in that the officers had been permanently transferred from various stations to Livingstone.

**q. Misapplication of Funds**

During the period under review, amounts totalling K3,110,839 meant for capital projects and service provision to the community were spent on unrelated activities such as payment of allowances, salaries, wages and advances among others.

**r. Unretired Imprest**

Contrary to Local Authorities Financial Regulation No. 119, which states that a special imprest shall be retired immediately the purpose for which it is issued has been fulfilled and where the imprest is not cleared within forty eight (48) hours of the holder's return, the issuing officer shall in writing instruct the officer in charge of the salaries section to deduct the amount outstanding from the salary of that holder in the following month, imprest in amounts totalling K265,327 issued to various officers had neither been retired nor recovered as of December 2016.

**s. Unaccounted for Stores**

Contrary to Local Authorities Financial Regulation No. 145 which states that a Treasurer shall keep proper records of receipts and issue of stocks and stores, various stores items costing K448,440 procured during the period under review were not accounted for in that there were no receipt and disposal details.

**t. Fuel Drawn by Unknown Vehicles**

During the period under review, fuel costing K8,489 was drawn without indicating the vehicle registration numbers, making it not possible to ascertain whether the fuel was used for Council activities.

**u. Fuel Drawings Not Recorded in the Log Books**

Fuel costing K90,000 drawn during the period under review was not recorded in the vehicle log books making it not possible to ascertain how the fuel was used.

**v. Failure to Produce Documentation on Disposal of Motor Vehicles**

In 2014, the Council disposed off four (4) motor vehicles (Toyota Cressida AJB 1296, Toyota Camry AAX 7688, Toyota Mark II AJB 2569 and Ford Ranger ABD 8534). However, it was not possible to ascertain the disposal methods used and the amounts realised as no records were available for audit.

**w. Failure to Collect Revenue**

Contrary to Local Authorities Financial Regulation No. 12 (h), which states that all revenue and other Council moneys which become due and payable to the Council must be collected punctually, amounts totalling K919,027 owed to the Council during the period under review in form of rates, fees and rentals had not been collected by the Council from various institutions and individuals as of December 2016.

**x. Failure to Remit Statutory Obligations and Union Contributions**

During the period under review, amounts totalling K5,751,886 were deducted as statutory obligations and union contributions from payments made to various officers in respect of salaries and wages, settling in allowance and commutation of leave days. However, as of December 2016, the deducted amounts had not been remitted to the respective institutions. See table below.

<b>Name of Institution</b>	<b>2013 K</b>	<b>2014 K</b>	<b>2015 K</b>	<b>Total K</b>
Zambia Revenue Authority	1,658,881	1,088,955	119,597	2,867,433
Local Authorities Superannuation Fund	302,770	697,895	359,478	1,360,143
Zambia United Local Authority Workers Union	6,261	53,558	62,096	121,914
National Pension Scheme Authority	-	345,191	1,057,205	1,402,396
<b>Total</b>	<b>1,967,912</b>	<b>2,185,598</b>	<b>1,598,376</b>	<b>5,751,886</b>

**y. Failure to Maintain Properties**

A physical inspection of selected properties owned by the Council carried out in October 2016 revealed that some properties were dilapidated and not fit for human habitation due to lack of maintenance as detailed below.

**i. Stand No. LIVS/0270/RE - Sichango Road**

The Council house had been vacant for over three (3) years due to lack of maintenance. See pictures below.



*Dilapidated vacant house*

**ii. Offices of the Dambwa Housing Unit**

The Council constructed an office block in Dambwa North for officers working under the Dambwa Housing Unit, which was later turned into residential houses for three (3) employees.

It was however observed that the building was not being maintained and had since developed cracks. See picture below.



*Dilapidated building in Dambwa North*

**iii. Tukongote Bar**

It was observed that Tukongote bar situated in Linda Compound was rundown and unoccupied. See the picture below.





*Vacant Tukongote bar in Linda*

**iv. Offices and Stores in Maramba**

The offices and store room located in Maramba had damaged ceiling boards. It was also observed that offices were occupied by six (6) council employees and six (6) non Council employees as residential units.

**z. Street Lighting Project - Mandela Road**

On 19<sup>th</sup> August 2013, the Ministry of Local Government and Housing released K800,000 for installation of street lights on a stretch of 1.8 km along Mandela road. The works were to be carried out by the Engineering Department of the City Council. On 23<sup>rd</sup> January 2015, the Council engaged Bhukhan Brothers Limited to supply and deliver street lighting materials such as single arm poles, vapour lamps, armoured cables and distribution boxes among others at a total cost of K619,008. As of October 2016, K667,558 had been spent on the project and the supplier was paid in full.

A physical inspection of the project carried out on 4<sup>th</sup> November 2016, revealed that excavation works (digging of holes for poles) on a stretch of 0.7 km had been done leaving a stretch of 1.1 km not done while the digging of trenches for laying of cables was only done on a stretch of 0.15 km out of the total stretch to be done of 1.8 km.

It was also observed that whereas the funds for the project were received in August 2013, the procurement of the materials was only done during the period from May to October 2015. It was not clear as to why the procurement of materials was only done twenty two (22) months after the funds were received, which resulted in the delayed completion of the project.

**aa. Delayed Construction of Highlands Shelter Market**

In December 2015, the Council procured building materials costing K37,488 for the construction of a market shelter at Highlands Market. However, as of December 2016, twelve

(12) months from the date the materials were delivered, works on the construction of the shelter had not commenced.

**bb. Delayed Completion of Project – Street Lighting**

On 1<sup>st</sup> March 2013, the Council engaged Ketrom Enterprises to install street lights at Kafubu, Kaunda, Chipata /Botswana and Maramba /Libuyu Roads at a contract sum of K2,000,000 with a contract duration of twelve (12) weeks. As of October 2016, the contractor had been paid amounts totalling K1,753,432.

A physical inspection carried out in October 2016 revealed that installation of lighting on three (3) of the roads had been completed while the installation of two (2) distribution boxes, two (2) meter boxes, ten (10) street light poles and thirteen (13) street light fitting works on the Chipata /Botswana Road were still outstanding.

### Lusaka City Council

18. Lusaka City Council is located in Lusaka Province. During the period under review, the Council consisted of seven (7) Members of Parliament, two (2) representatives of the chiefs and thirty three (33) ward councillors.

### Funding

During the period from 2013 to 2015, the Council received grants and generated funds in amounts totalling K609,313,297 as shown in the table below.

Source of Funds	2013 K	2014 K	2015 K	Totals K
Owners' Rates	41,561,512	41,421,603	47,862,568	130,845,683
Local Taxes	2,276,166	2,132,284	2,370,269	6,778,719
Fees and Charges	43,844,368	67,511,870	97,517,983	208,874,221
Licences	3,206,489	816,292	1,668,218	5,690,999
Levies	8,857,478	12,279,363	18,043,982	39,180,823
Permits	2,374,213	6,317,454	6,903,042	15,594,709
Charges	212,895	364,642	312,894	890,431
Other Incomes	26,808,915	14,246,429	2,395,244	43,450,588
National Support	42,972,346	30,633,435	66,901,343	140,507,124
Local Development Fund	9,100,000	-	8,400,000	17,500,000
<b>Totals</b>	<b>181,214,382</b>	<b>175,723,372</b>	<b>252,375,543</b>	<b>609,313,297</b>

### Review of Operations

A review of accounting and other records maintained at Lusaka City Council for the Period from 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2015 revealed the following:

**a. Failure to Produce Audited Financial Statements**

Contrary to Section 52 (1) of Part VI of the Local Government Act, although the financial statements for the financial years ended 31<sup>st</sup> December 2013 and 2014 were prepared, they had not yet been approved by the Council and consequently, not audited as of December 2016.

**b. Failure to Collect Property Rates**

During the period under review, the Council issued out property rates bills of K1,318,182 to various property owners within the District. However, as of December 2016, only amounts totalling K490,156 had been collected leaving a balance of K828,026.

**c. Uncollected Rental Revenue**

During the period under review, ten (10) houses owned by the Council were rented out at various monthly rental charges. It was observed that the tenants were not settling monthly rentals and as of June 2016, the tenants had accumulated a total amount of K772,340 in unpaid rentals.

**d. Irregular Sale of Assets**

Section 67 of the Local Government Act No. 22 of 1995 states that a Council may sell, let or otherwise dispose of any property of the Council provided that, where the Council intends to sell a council asset, the Council shall before conducting the sale, cause a valuation of the asset to be carried out by the department of the Government responsible for property valuations or by a valuer approved by the Minister.

A review of records at the Council revealed the following:

**i. Sale of Libala Tennis Court -Stand B/PN 20435**

In May 2015, the council sold Libala Tennis Court (Stand B/PN 20435) at a price of K12,150,000. However, contrary to the provisions of Section 67 of the Local Government Act, the property was not subjected to a valuation. Consequently, it was not possible to ascertain whether the property was sold at a fair price.

**ii. Disposal of Plots along Mwatusanga Road – Woodlands, Lusaka**

On 30<sup>th</sup> December 2014, the Council resolved to dispose off sixteen (16) pieces of land along Mwatusanga Road in Woodlands, Lusaka. Instead, thirty six (36) pieces of land were disposed off from which amounts totalling K12,923,888 had been realised as of December 2016. In this regard, the disposal of an additional twenty (20) pieces of land was irregular in that there was no authority from the Council.

**e. Failure to Pay Retirement and Terminal Benefits**

As at 31<sup>st</sup> December 2016, the Council owed amounts totalling K32,441,819 to various employees and retirees in respect of long service bonus and retirement and terminal benefits, some of which had been outstanding since 1994.

**f. Failure to Remit Statutory Contributions**

During the period under review, statutory contributions in amounts totalling K276,735,045 that were deducted from employees' salaries had not been remitted to the respective institutions as of September 2016. See table below.

<b>Institution</b>	<b>Outstanding Amount K</b>
Zambia Revenue Authority	67,058,919
Local Authorities Superannuation Fund	21,536,941
National Pension Scheme Authority	188,139,185
<b>Total</b>	<b>276,735,045</b>

**g. Purchase of Office Furniture**

During the period from 15<sup>th</sup> August 2014 to 28<sup>th</sup> October 2015, Lusaka City Council paid amounts totalling K1,902,735 to Guandong Kingtop Industry Ltd (supply of furniture – K1,298,707) and Efficient Freighters Limited (freight and clearance – K604,028) for the supply of office furniture for all the departments at the Council. As of December 2016, the supplier had delivered all the furniture to the Council.

However, the following were observed:

- i. Although the Council spent amounts totalling K1,902,735 on the procurement of the furniture, the Lusaka City Council Procurement Committee had only authorised amounts totalling K1,388,428 for the supply and delivery of the furniture resulting in an overpayment of K514,307.
- ii. Although the furniture was delivered, there was no contract between the Council and the supplier making it not possible to ascertain the terms and conditions of the procurement.
- iii. The Council used limited bidding for the procurement of the furniture without obtaining authority from the Zambia Public Procurement Authority.
- iv. Although the Council paid K118,800 as refundable security deposit to Efficient Freighters Limited for the containers, as of December 2016, the Council had not claimed the security deposit from the freight company.

**h. Failure to Supply Elevators at the Civic Centre**

In February 2014, the Council engaged Bi tech Engineering Service to supply and install two (2) Elevators in the old and new wing at the Civic Centre in Lusaka at a contract price of K877,772. The elevators were to be delivered within a period not exceeding fourteen (14) weeks starting from the date of signing the contract.

In October 2014, the contractor was paid an advance payment of K87,777 being 10 percent of the contract price.

However, despite the performance bond expiring in December 2015, the contractor had not supplied the elevators. Consequently in June 2016, the contract was terminated and the Council demanded for a refund of the advance payment. As of December 2016, the contractor had not paid back the advance payment.

**i. Overpayment to Contractor - Construction of the Ticketing Office Block at Intercity Bus Terminus**

In October 2012, the Council engaged Stoutone Investments to construct phase one (I) of the ticketing office block at Intercity Bus Terminus at a contract price of K6,798,391. The contractor had completed most of the works with only the plumbing and associated works outstanding. However, the contractor was paid amounts totalling K7,731,499 resulting in an overpayment of K933,108 which had not been recovered as of December 2016.

### **Mongu Municipal Council**

19. The Mongu Municipal Council is located in Western Province. The Council consisted of twenty (20) ward councillors and two (2) Members of Parliament for constituencies within Mongu Municipal Council boundary, two (2) representatives from the Barotse Royal Establishment and a management team run by Mongu Municipal Council.

**Funding**

During the period from 2013 to 2015, the Council received grants and generated funds in amounts totalling K25,995,727 as shown in the table below:

Source of Funds	2013 K	2014 K	2015 K	Totals K
Owners' Rates and local Taxes	155,929	345,894	452,157	953,980
Fees and Charges	522,219	1,996,947	597,906	3,117,072
Licences	-	-	-	-
Levies	405,756	469,543	342,433	1,217,732
Permits	164,199	128,332	225,807	518,338
Charges	563,705	407,165	621,135	1,592,005
Other Incomes	84,225	67,619	337,767	489,611
National Support	3,536,141	4,478,696	6,392,153	14,406,990
Local Development Fund	1,000,000	1,300,000	1,400,000	3,700,000
<b>Totals</b>	<b>6,432,174</b>	<b>9,194,196</b>	<b>10,369,357</b>	<b>25,995,727</b>

## Review of Operations

An examination of accounting records and other relevant documents maintained at the Mongu Municipal Council revealed the following:

### a. Lack of Strategic Plan

A strategic plan provides general direction of an institution, setting out clear strategic objectives on how to achieve its objectives. It was however, observed that the Council operated without a strategic plan for the period January 2013 to February 2016.

### b. Failure to Prepare Financial Statements

Contrary to Section 43(3) of the Local Government Act, the Council did not prepare financial statements for the years under review. As a result, it was not possible to determine the financial performance and position of the Council.

### c. Unretired Imprest

Contrary to the Local Government Financial Regulation No. 119, which states that imprest shall be retired immediately the purpose for which it is issued has been fulfilled imprest payments in amounts totalling K80,043 issued to six (6) officers during the period under review had not been retired as of August 2016.

### d. Unaccounted for Funds

In June 2013 an amount of K13,780 was withdrawn by an accounting officer for the payment of casual workers' wages. However, as of February 2016, there was no evidence that the casual workers had been paid as there was no acquittal sheet and no cash was found at hand.

**e. Failure to Obtain Title Deeds**

During the period under review, the Council had assets which included, office blocks, shops, markets and houses. It was however observed that the Council did not have title deeds for the buildings.

Further, as of August 2016, the properties had not been insured.

**f. Samuel Kaywala vs Mongu Municipal Council**

In November 2012, a law firm reminded the Council that on 3<sup>rd</sup> August 2009, Samuel Kaywala, the former Council employee obtained court judgement against the Council in which he was awarded an amount of K9,790 excluding costs and K200,000 was charged by the lawyers as legal fees for having represented Samuel Kaywala.

After negotiations with the law firm, the legal firm agreed to reduce the legal costs by 50 percent from K200,000 to K100,000. The reduced legal fees were subsequently paid in full by 2<sup>nd</sup> July 2014.

It was however observed that the amount of K9,790 awarded to the litigant had not been paid as of December 2016. The failure by the Council to pay the litigant may result in further legal actions and payment of other legal fees including interest on the outstanding amount.

**g. Outstanding Retirement Benefits**

According to the terms of employment in the Council,

- A retiring employee having at least ten (10) years of service will be entitled to retirement benefits at the rate to be determined by the Council from time to time in consultations with the union.
- Long service bonus shall be paid as it matures, to an officer who has served a minimum of 10 years at the rate to be determined from time to time.

It was however observed that as at 31<sup>st</sup> December 2016, the Council owed amounts totalling K2,568,485 in unpaid terminal benefits to retirees, administrators of the deceased employees and those who had resigned. The benefits had been outstanding for periods ranging from four (4) months to three (3) years.

**h. Non Payment of Statutory Contributions**

It was observed that although the Council deducted statutory contributions from its employees, the amounts were not remitted to relevant institutions. In this regard, the Council owed amounts totalling K5,772,290 in unpaid statutory obligations as of May 2016 as shown below.

<b>Obligation</b>	<b>Amount K</b>
LASF	1,043,075
NAPSA	4,729,215
<b>Total</b>	<b>5,772,290</b>

The amount of statutory contribution payable to ZRA could not be ascertained as ZRA did not provide the information despite inquiry.

### **Mungwi District Council**

20. Mungwi District Council is located in Northern Province. During the period under review, the Council consisted of one (1) elected Member of Parliament, fourteen (14) elected Ward Councillors and two (2) representatives of the Chiefs and a management team that ran the Mungwi District Council.

#### **Funding**

During the period under review, the Council had a budget of K19,969,856 against which amounts totalling K12,604,094 were collected resulting in a deficit of K7,365,761.

#### **Review of Operations**

An examination of accounting and other records maintained at the Council for the financial years 2013, 2014 and 2015 and a physical inspection of projects carried out in October 2016 revealed the following:

**a. Failure to Prepare Financial Statements**

Contrary to Section 52 of the Local Government Act, the Council did not prepare financial statements for the period under review.

**b. Failure to Follow Laid Down Guidelines on Utilisation of Equalisation Fund**

During the period under review, amounts totalling K427,881 received by the Council for capital expenditure were spent on unrelated activities such as payments of councillors' allowances, subsistence allowances, fuel for garbage collection and procurement of stationery.

**c. Council Properties without Title Deeds**

Although the Council reflected seventeen (17) properties in its records, there were no title deeds availed for audit as of December 2016. In this regard, it was not possible to verify ownership of the properties.



**d. Failure to Collect Outstanding Rentals**

A total of K98,250 was owed to the Council in respect of rental charges from twelve (12) properties owned by the Council as of December 2016.

**e. Missing Payment Vouchers**

During the period under review, a total of nine (9) payment vouchers in amounts totalling K92,733 were not availed for audit contrary to Local Authorities Financial Regulation No. 98 (1).

**f. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, twenty four (24) payments in amounts totalling K69,852 made during the period under review were not supported with relevant documents such as leave forms, transfer letters, quotations, cash sales, receipts, Purchase Orders (PO) and schedules of payments among others.

**g. Unaccounted for Stores**

Contrary to Local Authorities Financial Regulation No. 145 which states that a Treasurer shall keep proper records of receipts and issue of stocks and stores, various stores items costing K33,852 (General stores – K22,845 and Fuel – K11,007) procured during the period under review were not accounted for in that there were no receipt and disposal details.

**h. Failure to Prepare Activity Reports**

During the period under review, imprest in amounts totalling K86,823 was issued to thirty eight (38) officers to enable them undertake various activities such as monitoring and supervision. However, there were no activity reports produced for audit making it difficult to ascertain whether the activities were undertaken.

**i. Un-acquitted Funds**

Contrary to Financial Regulation No. 45, payments in amounts totalling K14,977 involving twelve (12) transactions had neither been acquitted by the respective beneficiaries nor was cash found on hand as of November 2016.

**j. Overdue Receivables**

A scrutiny of financial records pertaining to accounts receivables revealed that amounts totalling K416,357 remained uncollected from FRA (K353,357) and F Net Zambia Limited (K63,000) for crop levy and hire of transport respectively.

However, the contracts for hire of transport were not availed for audit. As a result, it was not possible to ascertain the terms and conditions of the transactions.

## Samfya District Council

21. Samfya District Council is located in Luapula Province. During the period under review, the Council consisted of twenty (20) elected Ward Councillors, two (2) elected Members of Parliament, two (2) representatives of the Chiefs and a management team that ran the Samfya District Council.

### Funding

During the period under review, the Council received grants and generated funds in amounts totalling K15,279,639 as shown in the table below.

Income	Amounts in Kwacha (K)			
	2015	2014	2013	Total
Grants	3,116,016	2,021,918	1,966,134	7,104,067
CDF	-	2,800,000	2,600,000	5,400,000
Proper Rates	16,210	46,973	850	64,032
Personal levy	20,853	8,845	19,005	48,703
Business (& Hammer Mill) Levy	114,030	88,210	34,085	236,325
Fish Levy	68,116	49,651	75,097	192,864
Licences (Fire Arm & Liquor)	4,514	3,344	3,760	11,618
Service Charges	320,260	206,750	297,840	824,850
Loading and Parking Fees	59,857	20,517	22,904	103,278
Mast Levy	45,000	5,000	20,505	70,505
Registration of Suppliers	1,200	3,600	7,100	11,900
Change of ownership	12,830	12,770	390	25,990
Application fees	10,665	4,800	8,105	23,570
Survey & scrutiny of building plan	23,600	10,820	720	35,140
Extract of minutes	4,450	7,400	1,400	13,250
Hire of halls and Venues	3,100	4,800	550	8,450
Beach Guest House	93,621	-	-	93,621
Beach Bar	241,042	159,799	31,182	432,023
Market Fees	9,620	9,437	6,570	25,627
Fire Certificate	1,950	1,900	1,190	5,040
Penalties	10,680	8,000	2,810	21,490
Other Incomes	218,281	101,915	207,101	527,297
<b>Total</b>	<b>4,395,893</b>	<b>5,576,448</b>	<b>5,307,298</b>	<b>15,279,639</b>

### Review of Operations

An examination of accounting and other records for the financial years ended 31<sup>st</sup> December 2013, 2014 and 2015 maintained at the Council and a physical inspection of projects carried out in October 2016 revealed the following:

#### a. Non Preparation of Financial Statements

Contrary to Section 52 of the Local Government Act, the Council did not prepare financial statements for the period under review.

#### b. Failure to Acquire Title Deeds

Contrary to the Lands Act No 29 of 1995, which requires individuals and institutions to possess title deeds as proof of ownership of properties, the Council did not have title deeds for four (4) properties as detailed in the table below.

Property	Location
Council Lodge	Beach Area
Council Farm	Mano Area
Council Offices (Civic Center)	Civic Centre
Lupili Market	Lupili Samfya

It was also observed that the properties were not valued and, consequently, not insured, contrary to the Local Authorities Financial Regulations No. 154.

**c. Failure to Provide and Maintain Fire Fighting Services**

CAP 281 of the Laws of Zambia, Section 61, requires the council to, among other things, provide firefighting services.

A review of operations of the Council revealed that although the Council had an establishment for firefighting department, the positions were not filled. It was further observed that the Council was not providing other services in agriculture, community development, public amenities and sanitation and drainage sectors as shown in the table below.

Function	Activity
Agriculture	To establish and maintain ponds
	To establish and maintain farms and allotment gardens
	To establish and maintain abattoirs, cold storage facilities and plans for processing of by-products from abattoirs.
	To compile and maintain a register of all public streets and roads
Community Development	To establish and maintain a system of lighting in streets and other public places
	To erect, purchase and maintain buildings and facilities and encourage the erection of dwelling needed for accommodation of persons residing within the area of the council
	To assign names to localities and numbers to premises and to require the number assigned to any premises to be displayed thereon
Public Amenities	To establish and maintain parks, zoos, gardens, pleasure grounds, camping grounds, caravan sites and open spaces
	To plant, trim and remove trees, shrubs and plants in streets and other public places: and to prohibit and control the planting, camping, destruction and removal of trees, shrubs, and plants in streets and other public places
	To establish and maintain swimming baths and bathing places
	To establish and maintain art galleries, libraries, museum and film services
	To establish and maintain social and recreational facilities and public entertainments
Sanitation and drainage	To establish and maintain drains, sewers and works for the disposal of sewerage and refuse.

**d. Unaccounted for Revenue**

Contrary to Local Authorities Financial Regulation No.72, which requires collectors of revenue to account for the amount of moneys collected by them on a daily basis, amounts totalling K4,116 collected in 2013 could not be accounted for as there was neither evidence of banking nor was cash found on hand.

**e. Delays in Banking Revenue**

Contrary to Local Authorities Financial Regulation No.19 (1), which requires that all collections be banked as soon as possible, but not later than two (2) days after the day of receipt, there were delays ranging from two (2) to thirty four (34) days in the banking of revenue in amounts totalling K88,011. See table below.

Year	Amount Delayed K	No. of Days
2015	64,306	2 to 34
2014	14,199	2 to 4
2013	9,506	2 to 14
<b>Total</b>	<b>88,011</b>	

**f. Unsupported Payments** Contrary to Local Authorities Financial Regulation No. 86, fourteen (14) payments in amounts totalling K24,240 were not supported with relevant documents such as receipts, distribution lists and invitation letters among others. See table below.

Year	No. of Transaction	Amount K
2015	1	3,000
2014	12	18,240
2013	1	3,000
<b>Total</b>	<b>14</b>	<b>24,240</b>

**g. Failure to Pay Retirement Benefits**

During the period under review, the Council owed two (2) retirees amounts totalling K468,775 in respect of unpaid terminal benefits. The benefits had been outstanding for periods ranging from sixteen (16) to fifty two (52) months.

**h. Failure to Remit Pay As You Earn (PAYE)**

Contrary to the Income Tax Act, Cap 323 of 1996, the Council did not remit to the Zambia Revenue Authority amounts totalling K13,462 deducted as Pay As You Earn (PAYE) from payments of settling-in-allowances to five (5) employees during the period under review.

### **Senanga District Council**

22. Senanga District Council is located in Western Province. During the period under review, Senanga District Council had one (1) elected Member of Parliament and nine (9) elected ward councillors.

**Funding**

During the period under review, the Council made a provision of K22,725,270 (Central Government - K17,467,695 and locally generated funds - K5,257,575 ) against which amounts totalling

K13,226,265 (Central Government - K10,911,190 and locally generated funds – K2,315,075) were received resulting in a variance of K9,499,005 as tabulated below:

Source	2013 K	2014 K	2015 K	Total K
<b>Budget</b>				
Government Grant	2,280,007	4,138,229	6,949,459	<b>13,367,695</b>
Constituency Development Fund	1,300,000	1,400,000	1,400,000	<b>4,100,000</b>
Rates	171,000	381,982	329,982	<b>882,964</b>
Other revenue	668,493	760,685	2,945,433	<b>4,374,611</b>
<b>Total</b>	<b>4,419,500</b>	<b>6,680,896</b>	<b>11,624,874</b>	<b>22,725,270</b>
<b>Actual</b>				
Government Grant	1,705,246	3,018,521	3,487,423	<b>8,211,190</b>
Constituency Development Fund	1,300,000	1,400,000	-	<b>2,700,000</b>
Rates	-	19,098	16,412	<b>35,510</b>
Other revenue	416,965	810,030	1,052,570	<b>2,279,565</b>
<b>Total</b>	<b>3,422,211</b>	<b>5,247,649</b>	<b>4,556,405</b>	<b>13,226,265</b>
<b>Variance</b>	<b>(997,289)</b>	<b>(1,433,247)</b>	<b>(7,068,469)</b>	<b>(9,499,005)</b>

## Review of Operations

An examination of accounting and other records maintained at the Council for the financial years ended 31<sup>st</sup> December 2013, 2014 and 2015 and physical inspections of selected projects carried out in September, 2016 revealed the following:

### a. Lack of Strategic Plan

A strategic plan defines an organisation's future outlook and sets strategies for desired objectives and direction of the entity. A strategic plan also helps to allocate resources to priority areas as highlighted in the strategic plan. However, during the period under review, the local authority operated without a strategic plan.

### b. Lack of Bill Board Policy

The bill board policy provides guidance on how the Council is supposed to charge bill board and other outdoor advertising fees. It was however observed that during the period under review, the local authority operated without a bill board policy. Consequently, the local authority did not collect any revenue from individuals and institutions that displayed bill boards in town.

### c. Failure to Prepare Financial Statements

Contrary to Section 52 (1) of Part VI of the Local Government Act, the Council did not prepare financial statements for the period under review as of January 2017.

### d. Failure to Fill Key Positions

Although the establishment provided for key positions such as Deputy Council Secretary, Director of Works, District Planning Officer and the Chief Procurement and Supplies Officer, as of December 2016, these key positions had not been filled.

**e. Lack of Public Procurement Committee**

Although the Council is a Procurement Entity, it was observed that during the period under review, the Council had no procurement committee in place contrary to the Zambia Public Procurement Act of 2008.

**f. Use of Outdated Valuation Roll**

Contrary to the Rating Act, No. 12 of 1997, section 8 (3), which states that the rating authority shall, not less than once in every five (5) years or such longer period as the Minister may approve, cause to be prepared a new main roll, during the period under review, the Council did not have an updated valuation roll as it was last updated in 2006.

**g. Failure to adopt ICT Frameworks**

The Council had not adopted any IT framework to manage the operations and administration of the Information and Communication Technology (ICT) environment. In particular, there was no approved information security and backup policies. Consequently, the Council could not recover payroll data after the Dove payroll package crashed in 2013.

In addition, there was no Service Level Agreement (SLA) with Dove Computing for the property rates billing and payroll packages.

**h. Production of Unreliable Bills – Land and Property Rates**

According to the Valuation Roll, land and property rates are supposed to be charged at 3 percent of the value of the property. It was observed that during the period under review, the Council charged land and property rates on twenty five (25) commercial properties at rates below 3 percent resulting in the properties being under billed by K20,749.

**i. Failure to Collect Property Rates**

During the period under review, the Council issued out property rates bills of K606,940 to various property owners within the District. However, as of December 2016, only amounts totalling K35,510 had been collected leaving a balance of K571,430.

**j. Failure to Prepare Bank Reconciliation Statements**

According to the Local Authorities (Financial) Regulations No. 20, the Treasurer shall, each month, reconcile the balance shown in any bank account which his Council operates and the balance shown in the summarised cash accounts or cash book. However, during the period under review, the Council did not prepare bank reconciliation statements.

**k. Missing Receipt Books**

Contrary to Local Authorities Financial Regulation No. 28 (1), which requires that receipts be kept for ten (10) years, seventy seven (77) receipt books were not availed for audit.

**l. Unaccounted for Revenue**

During the period under review, amounts totalling K2,279,565 were collected out of which K1,603,948 was deposited leaving an amount of K675,617 unaccounted for in that there were neither deposit slips nor was cash found on hand. See table below.

Year	Amount collected K	Amount Deposited K	Under / (Over) Banking K
2013	416,965	-	416,965
2014	810,030	687,847	122,183
2015	1,052,570	916,101	136,469
	<b>2,279,565</b>	<b>1,603,948</b>	<b>675,617</b>

**m. Irregular Use of Revenue Before Banking**

Contrary to the Local Authorities Financial Regulation No. 19 (1), amounts totalling K261,985 (2013 - K213,636, 2014 - K35,454 and 2015- K12,895) collected during the period under review were used before banking.

**n. Missing Payment Vouchers**

Contrary to the Local Authorities Financial Regulation No. 98, six (6) payment vouchers in amounts totalling K105,742 made during the period under review were not availed for audit.

**o. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, forty seven (47) payments in amounts totalling K968,135 made during the period under review were not supported with relevant documents such as purchase requisitions, quotations and receipts.

Included in the unsupported payments were three (3) payments amounting to K101,600 made by Senanga District Council to two (2) companies for unknown purposes.

**p. Unretired Imprest**

Contrary to the Local Authorities Financial Regulation No. 119, which states that, imprest shall be retired immediately the purpose for which it is issued has been fulfilled, imprest in amounts totalling K222,995 issued to twenty (20) officers during the period under review had not been retired as of January 2017.

**q. Questionable Payment of Allowances**

During the period under review, twenty one (21) officers claimed subsistence allowances in amounts totalling K202,702 for travelling on official duties out of their stations. However, the payments were questionable in that the officers had not travelled out of the station.

**r. Misapplication of Project Funds**

During the period under review, amounts totalling K657,485 meant for capital projects and service provision to the community were spent on unrelated activities such as payment of allowances, salaries and wages.

In addition, amounts totalling K67,000 meant for CDF projects were applied on Council operations.

**s. Unrecovered Salary Advances**

Contrary to the Local Government Terms and Conditions of Service No. 105 (d), which requires that advances be recovered within three (3) months, salary advances in amounts totalling K199,529 paid to thirty nine (39) officers during the period under review had not been recovered as of January 2017.

**t. Payment of Salary Advances above Gross Pays**

Contrary to the Terms and Conditions of Service for Local Government Officers No. 105 (c), which states that all advances shall not exceed one (1) month's gross salary, salary advances in amounts totalling K98,579 were paid to two (2) officers above their gross pays during the period under review, resulting in an overpayment of K49,238. As of January 2017, the advances had not been recovered. See table below.

Date	Position	Salary Scale	Gross Pay	Advance Amount K	Excess K
28.02.14	Council Secretary	LGSS 03	13,396	48,579	35,182
20.06.14	Council Secretary	LGSS 03	13,396	20,000	6,604
22.12.14	Chief Admin Officer	LGSS 06	9,152	10,000	848
03.06.15	Council Secretary	LGSS 03	13,396	20,000	6,604
Total				<b>98,579</b>	<b>49,238</b>

In addition, there were no salary advance application forms and the salary advances were not subjected to the approval of the Council.

**u. Irregular Signing of Memorandum of Understanding (MoU)**

On 23<sup>rd</sup> June 2015, the Council entered into a Memorandum of Understanding (MoU) with Indo Zambia Bank Ltd for the Bank to service the Council employees with personal loans with a ceiling of K1,000,000.



- Section 5.1 required the Council to open and maintain an operative current account with the bank.
- Section 5.14, required the Council to assume liability for the borrowers' outstanding debts in the event of failure to observe any of the obligations.

In this regard, in July 2015, the Council resolved to open two (2) current accounts with Indo Zambia bank Ltd Mongu branch through which funds for National Rural Water and Sanitation Services (NRWSS) from the government would be received by the local authority.

Further, in February 2016, the council opened a third current account with Indo Zambia bank Ltd where 20% of the equalisation funds meant for projects was to be deposited. However, there was no approval from the Council to open the three (3) bank accounts with Indo Zambia Bank Ltd.

The following were observed:

- Management failed to bring the proposal to enter into the Memorandum of Understanding (MoU) to the Council for approval. In this regard, the signing of the MoU with the Bank was irregular.
  - Contrary to Local Government Financial Regulation No. 37, which requires the Council to authorise the opening of bank accounts, management opened the three (3) bank accounts without the approval of the Council.
- v. Unaccounted for Stores**

Contrary to the Local Authorities Financial Regulation No. 145, various stores items costing K116,024 (general stores – K19,821 and fuel – K96,203) procured during the period under review were not accounted for in that there were no receipt and disposal details.

**w. Management of Properties and Other Moveable Assets**

During the period January 2013 to December 2015, Senanga District Council had various assets such as property, plant, equipment, furniture and fittings valued at K2,940,994. See table below:

Item	Qty	Carrying amount K
Buildings	15	2,231,378
Motor Vehicles and other movable assets	4	601,000
Furnitures and Fittings	150	108,616
<b>Total</b>	<b>169</b>	<b>2,940,994</b>

An examination of records and a physical inspection of the assets carried out in September 2016 revealed the following:

**i. Failure to Insure Assets**

Contrary to Local Authorities Financial Regulation No.154, which states that the Treasurer shall take out insurance cover against losses, damages, risks and liabilities which the Council may incur and shall regularly review such cover in consultation with head of department, various assets owned by the Council valued at K850,000 had not been insured as of January 2017.

**ii. Failure to Produce Title Deeds**

Although the Council reflected thirteen (13) properties valued at K1,957,158 in its records namely eight (8) houses, Mwanambinyi Motel, Civic Center, Main Market, Welfare Hall and Limoneno Bar, there were no title deeds availed for audit as of January 2017. In this regard, it was not possible to verify ownership of the properties.

**iii. Failure to Maintain Properties**

A physical inspection of selected properties carried out in September 2016 revealed that most of the properties were in poor conditions and in a state of disrepair. See table below.

Property Name	Year Built	Cost K	Physical Status
Civic Centre	1965 rehabilitated in 2011	341,902	The structure had multiple cracks, with leaking roofs in most rooms
Mwanambinyi Motel	1979	650,00	The Motel has seventeen (17) rooms. However, the following were observed: <ul style="list-style-type: none"> <li>• The roof was leaking</li> <li>• Broken window panes</li> <li>• Multiple cracks on the walls</li> </ul>
Council Bar	1970	40,611	The bar was not in use as it was in a state of disrepair in that glass panes had been shattered, pillars almost falling off, paint had peeled off.
Council Welfare hall	1972	28,805	The welfare was in a state of disrepair.

**x. Failure to Deduct Tax from Terminal Benefits**

During the period under review, the Council owed six (6) former employees amounts totalling K999,699 and as of October 2016, amounts totalling K488,309 were paid to the former employees leaving a balance of K511,390 outstanding. It was however observed that payments were made without deducting tax.

**y. Irregular Payment of Social Holiday Allowance**

Contrary to Ministerial Circular No. MLGH/101/8/4 of 2014, which abolished the payment of entertainment allowances such as social holiday allowances, on 30<sup>th</sup> December 2015, an amount of K6,000 was paid to the District Treasurer as social holiday allowance.

**z. Payment of Salary on Wrong Scale**

On 6<sup>th</sup> October 2011, a Stores Officer was appointed on salary scale LGSS17 with the gross salary of K1,636.12. However, a review of documents revealed that during the period under review, the officer drew salaries as an Accounts Assistant on salary scale LGSS10 with the gross salary of K5,570.11 without an appointment from the Local Government Commission, resulting in an over payment of salaries in amounts totalling K66,878 as of 31<sup>st</sup> December 2015. See table below.

No.	Year	Gross Salary LGSS10	Gross Salary LGSS17	Monthly Difference	No. of Months	Over Payment
1	2014	5,570.11	1,636.12	3,933.99	5	19,670
2	2013	5,570.11	1,636.12	3,933.99	12	47,208
		<b>Total</b>				<b>66,878</b>

**aa. Failure to Remit Statutory Contributions**

During the period under review, statutory contributions in amounts totalling K3,435,023 that were deducted from employees' salaries had not been remitted to the respective institutions as of January 2017. See table below.

Institution	Amount K
Zambia Revenue Authority	829,602
NAPSA	2,174,141
LASF	431,281
<b>Total</b>	<b>3,435,023</b>

**bb. Irregular Payment of an Advance using CDF**

Contrary to the CDF Guideline No. 5, the former Council Secretary was paid K20,000 on 3<sup>rd</sup> June 2015 from CDF as salary advance. As of January 2017, the advance had not been recovered.

**cc. Excess Expenditure on Administration**

Contrary to CDF guideline No. 17, which states that twenty thousand kwacha (K20,000) of the Constituency Development Fund shall be retained in the account of the constituency to meet administrative costs, an examination of records revealed that a total amount of K119,567 was spent on administrative activities thereby exceeding the approved amount by K99,567.

**dd. Questionable Payment**

- On 22<sup>nd</sup> January 2015, a payment of K27,300 was made to a Clerical Officer – Stores to facilitate field appraisal of CDF projects. However, a scrutiny of attached acquittal sheets and claim forms revealed that amounts totalling K27,000 were utilised on unrelated activities such as shifting of the Council Secretary (K23,900) and medical check-ups for an officer (K3,100) rendering the payment questionable.
- On 27<sup>th</sup> July 2015, accountable imprest amounting to K14,650 was issued to the Acting Director of Works to enable him and six (6) other officers to monitor CDF projects. However, no activity reports were produced for audit. Further, inquiries made with two (2) officers who were purported to be part of the activity revealed that they had no knowledge of such an activity taking place rendering the payment questionable.

In his response dated 6<sup>th</sup> December 2016, the Controlling Officer stated that the amounts had been deducted from the cited officers. However, as of January 2017, the funds had not been recovered.

**ee. Funding of Unapproved Projects**

On 2<sup>nd</sup> April 2015, the Ministry of Local Government and Housing, through minute no. MLGH/71/6/240 approved twenty four (24) projects in amounts totalling K1,320,000 for implementation under Senanga Central Constituency. However, it was observed that fourteen (14) projects costing K198,194 which were not part of the approved projects were implemented by the local authority.

**ff. Funding of a Business Entity Using CDF**

During the period under review, the Council procured two (2) desktop computers and printers costing K9,000 for Romwamu General Dealers, a private business entity, contrary to CDF guidelines.

**gg. Management of the Commercial Venture – Mwanambinyi Motel**

The Mwanambinyi Motel was established in 1970 and was being operated by the Council as a commercial venture. The motel has a total of eighteen (18) rooms with an establishment of twelve (12) employees. The motel generates revenue from the sale of rooms, food and beverages.

During the period under review, the council budgeted to generate revenue amounting to K860,443 against which K367,106 was generated resulting in under collection of K493,337. See table below.

<b>Year</b>	<b>Budget K</b>	<b>Actual K</b>	<b>Variance K</b>
2013	272,109	158,937	113,172
2014	297,476	94,685	202,791
2015	290,858	113,484	177,374
<b>Total</b>	<b>860,443</b>	<b>367,106</b>	<b>493,337</b>

An examination of records carried out in September 2016 revealed the following:

**i. Failure to Prepare Receipt and Payments Accounts**

Contrary to the Local Authorities Financial Regulation No. 47 (1), which states that the Treasurer shall prepare the receipt and payments account and cash flow statement every month, it was observed that during the period under review, the council treasurer did not prepare the monthly receipt and payments account and cash flow statement for the motel.

**ii. Failure to Maintain a Register of Receipt Forms**

Contrary to the Local Authorities Financial Regulation No.53, which requires that every officer who holds receipt forms shall keep a register in which the receipt and issue of all receipt forms shall be promptly entered, the motel supervisor did not maintain a register of receipt forms for the period under review.

**iii. Failure to Collect Revenue from Council Officers**

Contrary to the Local Authorities Financial Regulation No. 12 (h), which states that the Treasurer shall collect punctually all revenue and other council money which become due and payable to the council, amounts totalling K76,510 in respect of accommodation bills accrued by council officers at the motel during the period under review had not been collected as of September 2016.

**iv. Unapproved Payments**

Contrary to the Local Authorities Financial Regulation No. 82(1), which states that the original payment voucher shall be signed by the Controlling Officer, Treasurer or any officer authorised by the Treasurer, thirteen (13) payments in amounts totalling K19,508 were not approved by a responsible officer.

**v. Non Maintenance of Stores Records**

Contrary to the Local Authorities Financial Regulation No. 145, which requires that the Treasurer keeps proper records of receipt and issue of stocks and stores, the motel did not maintain stores records during the period under review. Consequently, stores items

costing K297,220 (General Stores – K269,520 and Fuel – K27,700) procured during the period under review by the Motel could not be accounted for.

### Sioma District Council

23. Sioma District Council is located in Western Province and was established in October 2013. During the period under review, the District Council had one (1) elected Member of Parliament for Sinjembela Constituency and eight (8) elected ward councillors. The Council was chaired by a Chairperson who was elected from amongst the councillors.

#### Funding

During the period 1<sup>st</sup> January 2014 to 31<sup>st</sup> December 2015, the Council budgeted to receive amounts totalling K7,579,157 (Institutional Support – 6,251,272 and locally generated funds - K1,327,885) against which amounts totalling K4,315,070 (Institutional Support – K3,676,350 and locally generated funds - K638,721) were received resulting in a variance of K3,264,087. See table below.

Source	2014 K	2015 K	Total K
<b>Budget</b>			
National Support Grants	3,657,529	2,593,743	6,251,272
Local Taxes	8,250	6,000	14,250
Fees and Charges	45,860	951,700	997,560
Licenses and Permits	3,000	83,250	86,250
Levies	16,675	66,150	82,825
Others	70,000	77,000	147,000
<b>Total</b>	<b>3,801,314</b>	<b>3,777,843</b>	<b>7,579,157</b>
<b>Actual</b>			
National Support Grants	1,252,000	2,424,350	3,676,350
Local Taxes	443	1,155	1,598
Fees and Charges	263,469	92,020	355,489
Licenses and Permits	450	4,830	5,280
Levies	37,752	58,056	95,808
Others	95,536	85,010	180,546
<b>Total</b>	<b>1,649,650</b>	<b>2,665,421</b>	<b>4,315,070</b>
<b>Variance</b>	<b>(2,151,664)</b>	<b>(1,112,423)</b>	<b>(3,264,087)</b>

#### Review of Operations

An examination of accounting and other records for the period 1<sup>st</sup> January 2014 to 31<sup>st</sup> December 2015 carried out in October 2016 revealed the following:

**a. Lack of Audited Financial Statements**

Contrary to Section 52 (1) of Part VI of the Local Government Act, the financial statements for the period under review although prepared, had not been audited as of January 2017.

**b. Vacant Key Positions**

A review of staff returns revealed that out of an approved establishment of forty seven (47) positions, only ten (10) were filled leaving a balance of thirty seven (37) vacancies. Included in the vacant positions were those of Director of Works, Buildings Inspectors, Health

Inspectors, Physical Planners, which were key to service provision, development and planning of the new district.

**c. Failure to Adopt ICT Frameworks**

The Council had not adopted any IT framework to manage the operations and administration of the Information and Communication Technology (ICT) environment. In particular, there was no approved information security and backup policies. In addition, there was no Service Level Agreement (SLA) with Nkwino Consultants who are the providers of the Baxel package.

**d. Spending of Revenue at Source before Banking**

Contrary to Local Authorities Financial Regulation No 19 (1), which requires that all revenue collected is banked as soon as possible, but not later than two days after the day of receipt, amounts totalling K170,553 collected during the period under were used before banking.

**e. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, seventeen (17) payments in amounts totalling K94,448 were processed and paid without supporting documentation such as receipts and termination letters among others.

**f. Misapplication of Funds**

During the period under review, amounts totalling K4,000 meant for council operations were spent on voter registration and payment for storage of ECZ materials which were not related to the purpose for which the funds were intended.

**g. Over Payment of Settling in Allowance**

During the period under review, settling in allowances in amounts totalling K122,606 were paid to three (3) officers who reported to Sioma District Council on first appointment and transfer from other stations. However, the officers were paid over and above their entitlements resulting in a total overpayment of K55,475. As of January 2017, the overpaid amounts had not been recovered from the officers. Further, PAYE was not deducted from the allowances.

**h. Unretired Imprest**

Contrary to the Local Authorities Financial Regulation No. 119 (1), which states that special imprest shall be retired immediately the purpose for which it is issued has been fulfilled, imprest in amounts totalling K84,570 issued to five (5) officers had not been retired as of January 2017.

**i. Questionable Retirement of Imprest**

During the period under review, imprest in amounts totalling K202,326 involving eight (8) transactions were issued to five (5) officers to enable them undertake various official activities. It was however observed that the retirement details of imprest in amounts totalling K51,400 were questionable in that the travelling claim forms did not show the dates the trips were purported to have been undertaken.

**j. Irregular Payment of Social Holiday Allowance**

Contrary to the Ministerial Circular No. MLGH/101/8/4 of 2014, which abolished the payment of entertainment allowances such as social holiday allowance, during the period from July to September 2015, three (3) officers were irregularly paid amounts totalling K22,600 as social holiday allowance.

**k. Unaccounted for Stores**

Contrary to the Local Authorities Financial Regulation No. 145, various stores items costing K59,375 (General Stores – K35,591 and Fuel – K23,784) were unaccounted for in that there were no receipt and disposal details.

**l. Failure to Recover Salary Advances**

Contrary to the Local Government Terms and Conditions of Service No. 105 (d), salary advances in amounts totalling K41,500 paid to five (5) officers during the period under review had not been effected as of January 2017.

**m. Overpayment of Emoluments**

During the period under review, five (5) officers were paid emoluments in amounts totalling K1,786,821 instead of their entitlements of K1,259,816 resulting in an over payment of K527,004. As of December 2016, the overpaid salaries had not been recovered. See table below.

<b>Position</b>	<b>Period (Months)</b>	<b>Entitled Emoluments K</b>	<b>Emoluments Paid K</b>	<b>Overpaid Emoluments K</b>
Council Secretary	23	429,617	632,387	202,770
District Treasurer	23	332,784	560,561	227,776
Chief Administrative Officer	22	170,470	212,758	42,288
Assistant Accountant	12	92,508	106,422	13,914
District Planning Officer	34	234,437	274,693	40,256
<b>Total</b>		<b>1,259,816</b>	<b>1,786,821</b>	<b>527,004</b>



**n. Irregular Payment of Leave Days**

Contrary to the Ministerial Circular No. MLGH/101/8/4 of 2014, which provided guidance that long service bonus and leave days are liabilities and that they were not transferable, it was observed that five (5) officers transferred from various councils to Sioma District Council were irregularly paid leave days in amounts totalling K74,000 accrued from their old stations without authority from the Permanent Secretary.

**o. Failure to Remit Statutory Contributions and Tax**

During the period under review, statutory contributions in amounts totalling K440,346 (PAYE - K180,938 and LASF - K259,408) were deducted from employees' salaries. However, the deducted amounts had not been remitted to the respective institutions as of December 2016. See table below.

<b>Institution</b>	<b>Deduction</b>	<b>Amount K</b>
ZRA	Pay As You Earn	180,938
LASF	Statutory Contributions	259,408
<b>Total</b>		<b>440,346</b>

**Solwezi Municipal Council**

24. Solwezi Municipal Council is located in North Western Province. During the period under review, the Council consisted of three (3) elected Members of Parliament, twenty two (22) elected Ward Councillors and two (2) representatives of the Chiefs.

**Funding**

During the period under review, the Council received grants and generated funds in amounts totalling K176,560,101 as shown in the table below.

<b>Source</b>	<b>2013 K</b>	<b>2014 K</b>	<b>2015 K</b>	<b>Total K</b>
Grants	8,413,084	7,074,447	7,784,287	23,271,817
Owner Rates	27,163,378	30,847,469	33,590,722	91,601,569
Local Taxes	85,504	187,612	93,643	366,760
Fees and Charges	3,602,593	2,386,051	4,636,197	10,624,841
Levies	1,634,897	252,470	1,740,719	3,628,086
Licenses	225,056	1,715,918	273,925	2,214,899
Permits	1,720,468	1,448,442	33,480	3,202,391
Service Charges	2,700,498	19,630,912	9,803,183	32,134,593
Other Income	995,757	8,386,600	132,789	9,515,145
<b>Total</b>	<b>46,541,235</b>	<b>71,929,921</b>	<b>58,088,945</b>	<b>176,560,101</b>

## Review of Operations

An examination of accounting and other records maintained at the Municipal Council for the Financial Years ended 31<sup>st</sup> December 2013, 2014 and 2015 carried out in October 2016 revealed the following:

### a. Unaccounted for Revenue

Contrary to Local Authorities Financial Regulation No.72, amounts totalling K110,814 were unaccounted for in that the money was neither banked nor was cash found on hand.

### b. Failure to Bill Rates

During the period under review, the Council had 2,415 properties on its valuation roll. However, only rates for 2,352 properties were billed while sixty three (63) properties had not been billed as of December 2016. Consequently, revenue totalling K234,643 was not collected.

### c. Missing Payment Vouchers

Contrary to Local Authorities Financial Regulation No. 98 (1), which requires that all payment vouchers with supporting documents, and any other forms which support a charge entered into the accounts, shall be carefully filed, secured and be readily available for audit, five hundred and eight (508) payment vouchers in amounts totalling K15,097,411 made during the period under review were not availed for audit.

### d. Unsupported Payments

Contrary to Local Authorities Financial Regulation No. 86, three hundred and three (303) payments in amounts totalling K6,493,196 were not supported with relevant documents such as receipts, contracts, guest lists, transfer and appointment letters, distribution lists and statement of accounts. See table below.

Account	Period	No. of Payments	Amount K
Cavmont Account	2013	14	535,277
	2014	16	574,808
	2015	29	486,086
Finance Bank Pool	2013	23	480,471
	2014	16	583,980
	2015	26	694,297
Zanaco Transport	2013	42	753,083
	2014	24	470,525
	2015	36	492,123
Zanaco Main	2013	21	375,573
	2014	8	104,895
	2015	15	321,928
Indo (Z) Bank Ltd	2014	12	217,253
	2015	21	402,896
	<b>Total</b>	<b>303</b>	<b>6,493,196</b>

**e. Unretired Imprest**

Contrary to Local Authorities Financial Regulation No. 119, imprest in amounts totalling K12,720,215 issued to eighty six (86) officers during the period under review had not been retired as of December 2016. See table below.

Account	Period	No. of Officers	Amount K
Cavmont Account	2013	5	516,537
	2014	7	1,457,219
	2015	10	440,706
Finance Bank Pool	2013	4	616,768
	2014	3	991,832
	2015	4	1,497,947
Zanaco Transport	2013	4	945,837
	2014	13	2,491,784
	2015	14	2,871,288
Zanaco Main	2013	11	360,610
Indo (Z) Bank Ltd	2014	2	235,386
	2015	9	294,303
	<b>Total</b>	<b>86</b>	<b>12,720,215</b>

**f. Unauthorised Overdrafts – Finance Pool Account**

Contrary to Local Authorities Financial Regulation No. 41 which prohibits the overdrawing of Council bank accounts without the prior authority of the Council, it was observed that the finance pool account was overdrawn by K2,016,958 in the month of December 2014 without the authority from the Council.

**g. Irregular Use of Accountable Imprest**

Financial Regulation No. 86 (c), states that accountable imprest is imprest that is issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time. However, contrary to the regulation, accountable imprest in amounts totalling K400,826 was issued to twenty four (24) officers for the procurement of goods whose values were obtainable on the market. See table below.

Account	Period	No. of Officers	Amount K
Cavmont	2013	1	18,900
	2014	1	72,399
Finance Bank Pool	2013	6	23,405
	2014	3	14,500
	2015	3	48,044
Zanaco Transport	2013	2	39,700
	2014	1	38,243
	2015	5	119,201
Zanaco Main	2013	1	20,435
Indo (Z) Bank Ltd	2014	1	6,000
	<b>Total</b>	<b>24</b>	<b>400,826</b>

**h. Failure to Produce Activity Reports**

During the period under review, amounts totalling K531,631 were paid to fifteen (15) officers to enable them carry out various activities. However, no activity reports were availed for audit making it not possible to ascertain whether the activities were undertaken. See table below.

Account	Period	No. of Officers	Amount K
Cavmont	2015	2	85,950
Finance Bank Pool	2015	11	428,531
Zanaco Transport	2013	1	9,600
	2015	1	7,550
	<b>Total</b>	<b>15</b>	<b>531,631</b>

**i. Over Payment of Subsistence Allowances**

During the period under review, amounts totalling K3,068,428 were paid to various officers as subsistence allowances to undertake various assignments. However, a review of invitation letters and notices of meetings revealed that officers and councillors were overpaid by K485,520 for days ranging from between 2-3 days. As of December 2016, no recovery had been made. See table below.

Account	Period	Days Over Paid	Amount K	Amount Overpaid K
Cavmont	2013	3	17,000	5,125
	2014	2	683,338	147,750
	2015	3	101,650	19,800
Finance Bank Pool	2013	2	117,271	11,450
	2014	3	332,599	71,500
	2015	3	903,023	79,400
Zanaco Transport	2013	3	90,672	24,050
	2015	3	822,875	126,445
			<b>3,068,428</b>	<b>485,520</b>

**j. Irregular Payment of Allowances**

Contrary to the Circular No. MLGH/71/6/93 dated 15<sup>th</sup> October 2012, which abolished the payment of social holiday and talk time allowances to Council officers, amounts totalling K374,873 (social holiday - K305,573 and talk time – K69,300) were paid to various officers. As of December 2016, the irregularly paid allowances had not been recovered.

**k. Irregular Purchase of Phones for Senior Officers**

During the period under review, amounts totalling K113,640 were spent for the procurement of phones for senior officers of the Council. However, the procurement was irregular as this was not provided for in the Conditions of Service for Local Authorities. See table below.

Account	Period	No. of Transactions	Amount K
Cavmont	2014	1	21,800
	2015	1	8,500
Finance Bank Pool	2014	1	23,200
	2015	1	48,690
Zanaco Transport	2015	2	11,450
	<b>Total</b>	<b>6</b>	<b>113,640</b>

#### **i. Overpayment Of Settling In Allowance**

During the period under review, amounts totalling K376,686 were paid to fifteen (15) officers as settling allowances. However, contrary to the Ministry of Local Government Circular No. MLGH/71/6/93 of 2012, the payments were based on the gross pay instead of the basic pay, resulting in an overpayment of K151,929. As of December 2016, the overpaid allowances had not been recovered. See table below.

Account	Period	No. of Officers	Amount Paid Based on Gross Pay K	Amount Based on Basic Pay K	Overpayment K
Cavmont	2014	6	85,761	65,729	20,033
Indo (Z) Ltd	2015	2	127,456	56,735	70,721
Finance Pool	2014	2	44,997	27,321	17,676
	2015	2	47,384	32,423	14,961
Zanaco Transport	2013	1	50,000	26,734	23,266
Zanaco Main	2013	2	21,087	15,815	5,272
		<b>15</b>	<b>376,686</b>	<b>224,757</b>	<b>151,929</b>

#### **m. Irregular Payment of Sitting Allowances**

Contrary to Cabinet Office Circular No. 11 of 2013 which abolished sitting allowances, amounts totalling K68,820 were paid to eight (8) officers as sitting allowances for attending procurement committee meetings.

#### **n. Failure to Reimburse Borrowed Funds**

During the period under review, the Provincial Local Government Office borrowed amounts totalling K66,204 from the Council. However, as of December 2016, the funds had not been paid back.

#### **o. Irregular House Rentals**

During the period under review, amounts totalling K86,170 were paid in respect of house rentals for thirteen (13) officers. It was not clear why the council paid rentals for the officers when they were in receipt of housing allowances.

#### **p. Failure to Bond Officers**

Local Government Terms and Conditions of Service No. 147 (b) states that an officer who is sponsored by the Council or granted study leave for the purpose of attending a course which is

directly connected to his/her career in service shall be required to sign a bonding agreement with the Council prior to commencement of the course. However, the Council paid amounts totalling K809,036 for training to eight (8) institutions in respect of forty one (41) council employees without signing bonding agreements.

**q. Failure to Recover Salary Advances**

Contrary to the Terms and Conditions of Service for Local Government Officers No. 105 (d) and (e), which states that an advance of salary shall be repaid within a reasonable period of time but not exceeding six (6) months, recoveries in respect of salary advances in amounts totalling K279,170 paid to seventy four (74) officers during the period under review had not been effected as of December 2016.

**r. Unaccounted for Stores**

Contrary to Local Authorities Financial Regulation No. 145, various stores items costing K4,732,155 (General Stores – K2,230,796 and Fuel – K2,501,358) procured during the period under review were unaccounted for as there were no receipt and disposal details. See table below.

<b>Account</b>	<b>Period</b>	<b>General Stores K</b>	<b>Fuel K</b>	<b>Total K</b>
Cavmont	2013	50,460	496,000	546,460
	2014	222,036	350,000	572,036
	2015	222,802	28,100	250,902
Finance Bank Pool	2013	126,791	258,483	385,274
	2014	212,167	320,000	532,167
	2015	280,400	140,000	420,400
Zanaco Transport	2013	243,615	188,390	432,005
	2014	147,723	115,000	262,723
	2015	294,680	50,000	344,680
Zanaco Main	2013	73,835	-	73,835
	2014	-	46,000	46,000
Indo (Z) Bank	2014	150,128	359,385	509,514
	2015	206,159	150,000	356,159
	<b>Total</b>	<b>2,230,796</b>	<b>2,501,358</b>	<b>4,732,155</b>

**s. Failure to Follow Procurement Procedures**

Contrary to Public Procurement Guidelines No. 1 of 2012, amounts totalling K2,490,452 were paid for the procurement of various items which were not subjected to procurement procedures despite being above the Town Clerk's procurement threshold of K50,000.

**t. Unaccounted for Funds**

During the period under review, amounts totalling K170,000 were paid to councilors to facilitate Independence Day celebrations in their respective wards. However, as of December 2016, the councilors had not accounted for the funds as there were no expenditure returns and supporting documents submitted to the Council.

**u. Unapproved Compensation Payments**

During the period under review, amounts totalling K1,491,213 were paid to twenty six (26) beneficiaries' as compensation for having their buildings demolished by the Council. However, the payments were made without authority from the Council. In addition, there were no valuation reports to confirm the value of the demolished properties.

**v. Failure to Remit Tax**

During the period under review, the Council deducted amounts totalling K40,616 in respect of Pay As You Earn (PAYE) from eighty four (84) officers who were paid settling in allowance, commutation of leave days, terminal benefit and salary arrears. However, as of December 2016, the tax had not been remitted to the Zambia Revenue Authority.

**w. Travels Abroad Without Authority**

In May and June 2013, amounts totalling K34,831 were paid to three (3) officers who travelled to Uganda and Malaysia respectively. However, no authority to travel abroad were availed for audit.

**Grants to Local Authorities**

**and**

**Constituency Development Funds (CDF)**

**for the year ended 31<sup>st</sup> December 2015**





**HEAD: 29 Ministry of Local Government and Housing**

**DEPARTMENT: 05 Local Government Administration**

**PROGRAMME: Grants to Local Authorities**

**ACTIVITIES: Various**

1. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2015 amounts totalling K616,016,074 were made to cater for grants to local authorities against which amounts totalling K620,449,758 were released by the Treasury resulting in over funding of K4,433,684. See details in the table below.

<b>Type of Grant</b>	<b>Budget K</b>	<b>Funding K</b>	<b>Variance K</b>
Equalisation Grant	586,759,459	585,631,758	1,127,701
Grant in lieu of rates	29,256,615	26,818,000	2,438,615
Re-structuring grants	-	8,000,000	(8,000,000)
<b>Total</b>	<b>616,016,074</b>	<b>620,449,758</b>	<b>(4,433,684)</b>

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at Ministry headquarters, thirty seven (37) local authorities and physical inspection of selected projects carried out in May and June 2016 revealed the following:

**a. Unspent funds**

During the year under review, Chinsali Municipal Council received K978,377 as Equalisation Funds out of which K175,482 had been spent leaving a balance of K802,894 as of December 2016.

**b. Misapplication of Funds**

During the period under review, fourteen (14) local authorities applied amounts totalling K10,073,948 received as equalisation and capital project funds on unrelated activities such as payment of salaries, wages for casual workers, settling-in allowances, councilors allowances, rehabilitation of a guest house at Kawambwa and servicing of motor vehicles. See table below.

Southern	Namwala	614,960
	Sinazongwe	509,708
Central	Kapiri Mposhi	1,145,217
	Chisamba	294,569
North Western	Zambezi	762,030
	Kabompo	114,094
	Solwezi	100,661
Eastern	Katete	969,304
Copperbelt	Kalulushi	1,860,466
	Luanshya	2,240,309
Western	Mongu	1,205,682
Luapula	Kawambwa	204,250
Muchinga	Mpika	29,200
	Isoka	23,500
<b>Total</b>		<b>10,073,948</b>

**c. Failure to Deduct Tax**

Contrary to the Income Tax Act Chapter 323 of the Laws of Zambia, five (5) officers were paid settling in allowances amounting to K98,621 without deducting Pay as You Earn (PAYE). See table below.

Province	Local Authority	No. of Officers	Amount Paid K
Southern	Namwala	4	82,070
Copperbelt	Chililabombwe	1	16,551
		<b>5</b>	<b>98,621</b>

**d. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, sixty six (66) payments in amounts totalling K501,239 made at seven (7) Local Authorities during the period under review, were not supported with relevant documents such as quotations, cash sale receipts and Local Purchase Orders (LPOs) among others. See table below.

Province	Local Authority	No. of Transactions	Amount K
Southern	Namwala	3	15,887
Central	Kapiri Mposhi	3	20,450
Luapula	Kawambwa	4	16,300
North western	Zambezi	31	261,990
	Kabompo	18	47,165
Copperbelt	Masaiti	3	101,909
	Kalulushi	4	37,539
	<b>Total</b>	<b>66</b>	<b>501,239</b>

**e. Failure to Approve Payments – Zambezi District Council**

Contrary to Local Authorities Financial Regulation No. 82 (1), which states that the original payment voucher shall be signed by a Controlling Officer, Treasurer or any

officer authorised by the treasurer, seventeen (17) payment vouchers amounting to K1,233,190 were not approved by the responsible officer.

**f. Poor Record Keeping (Recurrent Grant) – Zambezi District Council**

Contrary to Local Authorities Financial Regulation No. 28, which requires that the Council maintains accounting records, Zambezi District Council did not maintain accounting records such as ledgers, cash books and bank statements among others. In this regard, it was not possible to ascertain the utilisation of amounts totalling K111,949 received by the Council.

**g. Questionable Payments – Zambezi Council**

Amounts totalling K862,276 were paid for council operations, salary arrears, imprest among others. However, pertinent documents such as memoranda, expenditure details, computations, retirement details were not produced for audit to substantiate the payments. In this regard, the payments were questionable.

**h. Irregular Use of Imprest to Procure Goods and Services**

Financial Regulation No. 86(c), states that, “accountable imprest is imprest that is issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time”. It was however observed that imprest in amounts totalling K69,070 issued to three (3) officers at Masaiti District Council was used to procure goods and services whose values were obtainable on the market and no competitive quotations were obtained.

**i. Stores Items Without Receipt and Disposal Details**

Contrary to Local Authorities Financial Regulation No. 145 which states that a Treasurer shall keep proper records of receipts and issue of stocks and stores, various stores items costing K140,037 (General Stores – K130,588 and Fuel – K9,449) procured during the period under review were not accounted for in that there were no receipt and disposal details.

Province	Local Authority	General Stores K	Fuel K	Total K
Muchinga	Nakonde	130,588	-	130,588
	Mpika	-	9,449	9,449
	<b>Total</b>	<b>130,588</b>	<b>9,449</b>	<b>140,037</b>

**j. Unretired Accountable Imprest**

Contrary to Financial Regulation No. 96, accountable imprest in amounts totalling K499,106 issued to thirty (30) officers during the period under review had not been retired as of December 2016. See table below.

Province	Local Authority	No. of Transactions	Amount K
Luapula	Kawambwa	2	37,000
North Western	Zambezi	5	74,319
Copperbelt	Masaiti	23	387,787
	<b>Total</b>	<b>30</b>	<b>499,106</b>

**k. Failure to Remit Statutory and Union Contributions**

Statutory contributions in amounts totalling K85,623,868 (comprising Pay As You Earn (PAYE) - K42,798,685, National Pension Scheme Authority (NAPSA) - K30,668,292, Local Authority Superannuation Fund (LASF) - K11,781,435, Workers Compensation Fund Control Board (WCFCB) - K72,963) and Union contributions amounting to K302,493 (Zambia United Local Authority Workers Union (ZULAWU) – K280,746, and Fire Service Union of Zambia (FSUZ) – K21,747) deducted from employees during the period under review had not been remitted to the respective institutions as of December 2016. See table below.

**l. Failure to Report Motor Vehicle Accident to the Standing Accidents Committee - Nchelenge District**

On 2nd October 2015, a Toyota Hilux Registration No. BAA 3433 which was not comprehensively insured was involved in a road traffic accident and the Council incurred expenses amounting to K42,129 for the repair works.

However, as of December 2016 the matter had not been reported to the Standing Accidents Committee contrary to Public Stores Regulation No. 122.

**m. Funds not Received**

During the period under review, amounts totalling K1,338,000 were released by the Ministry of Finance to three (3) Local Authorities in Central and Northern Provinces as grants in lieu of rates.

However, a scrutiny of the bank statements, cashbooks and other related documents at the Local Authorities revealed that only amounts totalling K438,000 had been credited to their respective bank accounts leaving a balance of K900,000 not received. As of July

2016, no action had been taken by management to follow up the funds. See details in the table below.

Province	Local Authority	Type of Grant	Amount Disbursed K	Amount Received K	Variance K
Central	Kapiri mposhi	Lieu of rates	338,000	138,000	200,000
	Chibombo	Lieu of rates	500,000	0	500,000
Northern	Mbala	Lieu of rates	500,000	300,000	200,000
	<b>TOTAL</b>		<b>1,338,000</b>	<b>438,000</b>	<b>900,000</b>

**n. Irregular Payment of Rural Hardship Allowance – Lundazi Council**

Contrary to the Terms and Conditions of Service for the Local Government, one hundred and thirty one (131) employees at Lundazi District Council were paid amounts totalling K408,044 as Rural Hardship Allowance despite not being eligible to receive the allowances as they were not stationed at places designated as rural areas.

**o. Irregular Payment of Housing Allowance**

Contrary to the Terms and Conditions of Service for the Local Government which requires that housing allowance should only be paid to officers who are self-accommodated and not occupying Government houses, during the period under review, two (2) officers at two (2) Local Authorities in Southern Province were paid amounts totalling K31,701 as housing allowances in spite of them occupying council houses. See table below.

Province	Local Authority	No. of Officers	Amount K
Southern	Mazabuka	1	16,079
	Namwala	1	15,622
	<b>Total</b>	<b>2</b>	<b>31,701</b>

**HEAD: 29 Ministry of Local Government and Housing**

**UNITS: 04 Local Government Finance and Audit**

**PROGRAMMES: Constituency Development Funds**

**ACTIVITIES: Various**

2. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2015, a provision of K210,000,000 was made to cater for the Constituency Development Funds (CDF) for one hundred and fifty (150) Constituencies against which amounts totalling K74,200,000 (35 percent of the budget) were released resulting in an underfunding of K135,800,000. See table below.

Province	Constituencies in the Province	Constituencies Funded	Amounts Funded K	Constituencies not Funded K	Amounts not Funded K
Copperbelt	22	14	19,600,000	8	11,200,000
Central	14	7	9,800,000	7	9,800,000
Eastern	17	7	9,800,000	10	14,000,000
Luapula	14	0	-	14	19,600,000
Lusaka	12	7	9,800,000	5	7,000,000
Northern	13	2	2,800,000	11	15,400,000
Muchinga	10	1	1,400,000	9	12,600,000
North Western	12	2	2,800,000	10	14,000,000
Southern	19	8	11,200,000	11	15,400,000
Western	17	5	7,000,000	12	16,800,000
<b>Total</b>	<b>150</b>	<b>53</b>	<b>74,200,000</b>	<b>97</b>	<b>135,800,000</b>

According to the Financial Statements (Statement "C") for the financial year ended 31<sup>st</sup> December 2015, a total amount of K72,800,000 was spent on CDF projects during the period under review.

## Background

The CDF was established in 1995 to finance micro-community based projects for poverty reduction and each Local Authority is mandated to include a provision for CDF in its capital budget. The Local Authority is required to account for the funds in accordance with the law. According to the guidelines on the selection of projects, the Constituency Development Committee (CDC) receives project proposals from sub-district development structures such as Area Development Committees (ADCs), Resident Development Committees (RDCs) and representatives of stakeholders from the townships on behalf of communities as the case may be and refer them to the Planning Sub Committee of the District Development Coordinating Committee (DDCC) for appraisal before recommending to the Council for adoption.

Subsequently, the projects are submitted to the Ministry in charge of Local Government for approval.

With effect from April 2014, the disbursement of CDF is through Treasury Single Account under the management of Ministry of Finance where funds are transferred directly to Local Authorities.

According to the guidelines on the management and utilisation of CDF and other related circulars, the CDF was to be managed as follows:

- i. The Council (Local Authority) shall administer the channelling and utilisation of the CDF.
- ii. The authority to decide on the utilisation of the CDF shall be vested in the Council in accordance with Section 45 (1) of the Local Government Act Chapter 281 of the Laws of Zambia.
- iii. All payments to contractors executing constituency projects shall be paid by bank cheques and no payments in cash shall be allowed.
- iv. Duties performed in connection with the administration of the CDF by members shall be part of community contribution. No allowances whatsoever shall be paid from the CDF.
- v. The Council through the Director of Works shall monitor the projects and issue progress reports on behalf of the Community which shall be submitted to the Provincial Local Government Officer for onward submission to the Minister responsible for Local Government and Housing.
- vi. The administrative component of CDF was pegged at K20,000 per constituency with effect from January 2010.
- vii. During the period from 2006 to 2015, funds for CDF projects increased from K60,000 to K1,400,000 per constituency as shown in the table below.



	<b>Amount K</b>	<b>Percentage Increase Per Year</b>
2006	60,000	0
2007	200,000	333
2008	400,000	100
2009	600,000	50
2010	665,000	11
2011	720,000	7.5
2012	1,000,000	39
2013	1,300,000	30
2014	1,400,000	7.7
2015	1,400,000	0

## **Project Implementation Guidelines**

According to the guidelines, the implementation of the projects shall involve community participation in form of labour and use of locally available materials as much as possible. For specialised works, the Procurement Committee at District Level shall use flexible procurement system in the invitation of tender offers from eligible contractors or suppliers. The District Procurement Committee shall evaluate the bids and recommend to the Council for award of contracts which shall be communicated to the successful contractor or supplier. Preference shall be given to local contractors and suppliers.

The Council, through the Director of Works/Director of Engineering Services or District Planning Officer/Director of Social Economic Planning Offices from relevant Government Line Departments and the beneficiary Community shall monitor the project implementation monthly or as often as necessary depending on the nature and stage of the project. The Community shall be involved during monitoring. The monitoring team shall prepare progress reports on behalf of the community supported by the accounts for the quarter and submit through the Provincial Local Government Officer to the Minister of Local Government and Housing who shall analyse the reports and advise the Government on progress achieved in the implementation of micro-community projects and programmes in the constituencies. The types of projects to be financed under Constituency Development Funds shall be developmental in nature and be beneficial to various stakeholders in the Community. Only projects which have been appraised and approved by the council shall be funded. The Council shall inform the CDC of its decision.

## **Accounting and Other Irregularities**

An examination of accounting and other records carried out at the Ministry headquarters and thirty five (35) selected districts in May/June 2016 revealed that there were weaknesses in the way Constituency Development Funds (CDF) were managed by Local Authorities. Among the weaknesses identified were failure to spend allocated funds, delayed completion of projects, poor workmanship and poor accountability for materials and unauthorised retention of interest.

In particular the following were observed:

**a. Unspent Funds**

During the period under review, eighteen (18) local authorities covering twenty seven (27) constituencies which had brought forward balances totalling K26,088,659 had also received 2015 funding in amounts totalling K12,600,000 bringing the total funds available for expenditure in 2015 to K38,688,659.

Out of the total funds of K38,688,659 available for expenditure, amounts totalling K24,044,741 were spent leaving K14,643,918 as unspent funds as at 31<sup>st</sup> December 2015.

See table below.

District	Constituencies	Balance brought forward K	Funds Received for 2015 K	Total Funds Available K	Total Funds Spent December 2015 K	Unspent Funds as of December 2015 K
Chisamba	Chisamba	163,774	1,400,000	1,563,774	1,096,823	466,951
Kitwe	Chimwenwe	508,095	1,400,000	1,908,095	152,598	1,755,497
	Kamfinsa	137,321	1,400,000	1,537,321	204,813	1,332,508
	Nkana	300,144	1,400,000	1,700,144	950,742	749,402
	Wusakile	178,901	1,400,000	1,578,901	808,043	770,858
	Kwacha	451,206	-	451,206	211,152	240,054
Kalulushi	Kalulushi	307,246	1,400,000	1,707,246	37,902	1,669,344
Luanshya	Luanshya	1,980,404	-	1,980,404	1,828,483	151,921
Milenge	Milenge	1,400,000	-	1,400,000	768,883	631,117
Chiengi	Chiengi	1,400,000	-	1,400,000	583,876	816,124
Mwansabombwe	Mwansabombwe	1,400,000	-	1,400,000	1,382,662	17,338
Mansa	Mansa Central and Chembe	2,800,000	-	2,800,000	2,281,698	518,302
	Bahati	1,400,000	-	1,400,000	1,109,412	290,588
Samfya	Bangweulu	1,400,000	-	1,400,000	1,349,812	50,188
	Chifunabuli	1,400,000	-	1,400,000	1,356,520	43,480
Kawambwa	Kawambwa Central	1,400,000	-	1,400,000	1,309,244	90,756
	Mpapashi	1,400,000	-	1,400,000	1,264,846	135,154
Mwense	Mwense	1,400,000	-	1,400,000	1,245,513	154,487
Lunga	Luapula	1,400,000	-	1,400,000	1,349,898	50,102
Katete	Milanzi	-	1,400,000	1,400,000	-	1,400,000
Chilanga	Chilanga	601,179	1,400,000	2,001,179	1,962,101	39,078
Rufunsa	Rufunsa	1,336,257	1,400,000	2,736,257	401,097	2,335,160
Mpika	Mpika Central	210,000	-	210,000	52,768	157,232
	Kanchibiya	165,000	-	165,000	55,316	109,684
	Mfuwe	45,000	-	45,000	35,561	9,439
Chinsali	Chinsali	1,477,010	-	1,477,010	1,197,068	279,942
Nakonde	Nakonde	1,427,122	-	1,427,122	1,047,910	379,212
	<b>Total</b>	<b>26,088,659</b>	<b>12,600,000</b>	<b>38,688,659</b>	<b>24,044,741</b>	<b>14,643,918</b>

Consequently, thirty four (34) projects in eight (8) local authorities that were allocated amounts totalling K4,387,536 had not been implemented as of December 2016. See table below.

Local Authority	Constituency	No. of Projects	Amount Funded K
Chibombo	Katuba	1	100,000
Mulobezi	Mulobezi	3	290,000
Sesheke	Sesheke	2	312,880
Kaoma	Mangango	9	647,000
Kitwe	Nkana	2	50,000
	Chimwemwe	2	1,242,000
	Kamfinsa	2	189,894
	Kwacha	2	317,262
	Wusakile	1	114,000
Ndola	Ndola Central	5	855,000
	Kabushi	3	205,000
Mbala	Mbala Central	1	30,000
Mpulungu	Mpulungu	1	34,500
<b>Total</b>		<b>34</b>	<b>4,387,536</b>

**b. Payments Made without Obtaining Competitive Quotations**

Contrary to Procurement guidelines, various items costing K193,292 procured at Kabompo District Council were purchased without either obtaining three (3) competitive quotations or authority from the Zambia Public Procurement Authority (ZPPA) to single source.

**c. Unapproved Payments**

Contrary to Financial Regulation No. 48, twenty-three (23) payments in amounts totalling K691,780 made during the period under review were neither approved by the controlling officer nor any other authorised officer. See table below.

Constituency	No. of Transactions	Amount K
Zambezi East	9	138,600
Zambezi West	14	553,180
<b>Total</b>	<b>23</b>	<b>691,780</b>

**d. Unsupported Payments**

Contrary to Financial Regulation No. 52, thirty (30) payments in amounts totalling K709,323 made by three (3) Local Authorities on behalf of four (4) constituencies during the period under review were not supported with relevant documentation such as quotations, receipts, stage completion certificates, among others. See table below.

Local Authority	Constituency	No of Payments	Amount K
Kabompo	Kabompo	8	72,123
Zambezi	Zambezi East	7	98,650
	Zambezi West	10	492,900
Chinsali	Chinsali	5	45,650
	<b>Total</b>	<b>30</b>	<b>709,323</b>

### Unauthorised Retention of Interest Earned

Contrary to the Public Finance Act No. 15 of 2004, which states, “All interest accrued on bank accounts and other investments shall constitute general revenue and shall be paid into the Treasury Account, it was observed that interest in amounts totalling K140,302 earned by three (3) Local Authorities between January 2013 and May 2016 had not been remitted to the Treasury. See table below.

Local Authority	Constituency	Amount K
Solwezi	Solwezi East	14,819
	Solwezi West	17,691
Mbala	Mbala	17,741
Mpulungu	Mpulungu	90,051
<b>Total</b>		<b>140,302</b>

#### e. Failure To Prepare Bank Reconciliations

Contrary to Financial Regulation No. 138, which states that bank reconciliations should be prepared for all Government Accounts at commercial banks, it was observed that two (2) Local Authorities which received K2,800,000 for two (2) constituencies under CDF during the period under review, did not prepare bank reconciliations. See table below.

Local Authority	Constituency	Amount Funded K
Mongu	Nalikwanda	1,400,000
Masaiti	Masaiti	1,400,000
	<b>Total:</b>	<b>2,800,000</b>

#### f. Irregular Payment of Value Added Tax (VAT) – Kitwe City Council

During the period under review, Kitwe City Council paid four (4) suppliers and contractors a total amount of K429,230 for the construction of infrastructure projects. Included in this amount was VAT amounting to K59,203. It was however observed that the suppliers were not registered for VAT with the Zambia Revenue Authority (ZRA). See table below.

Local Authority	Constituency	Supplier	Total Amount Paid K	Amount Net of VAT K	VAT Amount Paid at 16% K
Kitwe	Wusakile	Danken Investment LTD	69,281	59,725	9,556
	Kamfisa	Biliam Enterprise	64,566	55,660	8,905
	Chimwemwe	Cinque Zambia LTD	70,936	61,152	9,784
	Nkana	Jola Tech LTD	224,447	193,489	30,958
	<b>Total</b>		<b>429,230</b>	<b>370,025</b>	<b>59,203</b>

**g. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K445,040 (General stores – K352,088 and fuel – K92,952) procured by four (4) Local Authorities on behalf of five (5) constituencies during the period under review were not accounted for in that there were no receipt and disposal details. See table below.

Local Authority	Constituency	General Stores K	Fuel K	Total K
Namwala	Namwala	200,284	76,634	276,918
Masaiti	Masaiti	3,850	-	3,850
	Kafulafuta	1,348	11,590	12,938
Kabompo	Kabompo	146,606	-	146,606
Chinsali	Chinsali	-	4,728	4,728
<b>Total</b>		<b>352,088</b>	<b>92,952</b>	<b>445,040</b>

**h. Undelivered Stores Items**

During the period under review, Mulobezi Local Authority procured various materials costing K432,597. However, as of December 2016, only materials costing K132,965 had been delivered leaving materials costing K299,632 not delivered.

**i. Questionable Retirement of accountable Imprest –Namwala Council**

In February and July 2015, accountable imprest in amount totalling K45,246 were issued to an officer to facilitate payment of refund to the procurement committee and drilling of boreholes in Namwala constituency.

However, a scrutiny of retirement documents revealed that amounts totalling K9,850 had questionable retirement details in that there were no receipts attached as well as minutes of the meeting of the procurement committee.

**j. Funding of Unapproved Projects**

Contrary to CDF Guideline No. 7, which states that only projects which have been appraised and approved by the Council shall be funded, it was observed that seventeen (17) projects that were not approved had been funded amounts totalling K152,125. See table below.

Local Authority	Constituency	Unapproved Project	Amount Funded K
Solwezi	Solwezi East	15	107,000
	Solwezi West	2	45,125
<b>TOTAL</b>		<b>17</b>	<b>152,125</b>

**k. Non-Operational Projects – Chilanga District Council**

Amounts totalling K91,589 were approved and funded to finance the nine (9) community empowerment projects such as chicken rearing, peanut butter making, tailoring and block making.

However, a visit to the projects carried out in October 2016 revealed that all the projects were non-operational.

**l. Over Expenditure on Approved Projects**

During the period under review, two (2) Local Authorities approved six (6) projects in amounts totalling K620,400. It was observed, however, that amounts totalling K781,411 were spent on the projects resulting in an over expenditure of K161,011.

However, as of July 2016, there was no documentary evidence such as variation authority to show that authority was sought from the Council to spend over and above the approved amounts. See table below.

Local Authority	Constituency	No. of Projects	Approved Amount on Projects K	Actual Expenditure K	Excess Expenditure K
Masaiti	Kafulafuta	2	181,400	259,370	77,970
	Masaiti	3	139,000	188,120	49,120
Chililabombwe	Chililabombwe	1	300,000	333,921	33,921
<b>Total</b>		<b>6</b>	<b>620,400</b>	<b>781,411</b>	<b>161,011</b>

**m. Questionable Hiring Out of CDF Equipment**

During the period from July 2014 to April 2016, the two councils namely Luwingu and Mbala hired out equipment and a total amount of K1,236,850 (Luwingu - K1,045,276 and Mbala - K191,574) was realised.


However, the local authorities did not obtain authority from the Ministry of Local Government and Housing and/or Ministry of Works and Supply to hire out Government equipment.

It was further observed that although a total amount of K1,236,850 was realised, there was no evidence of Appropriation – In – Aid facility having been obtained from Ministry of Finance to retain the funds.


**n. Project Management**

A review of accounting, project and other documents and physical inspections carried out on selected projects in different provinces and districts carried out in June 2016 revealed

weaknesses in the management of projects in that, there was poor workmanship, failure to complete projects on time, failure to avail contracts and failure to take action against defaulting contractors, among others, as detailed in the tables below.

<b>SOUTHERN PROVINCE</b>							
<b>Constituency</b>	<b>Project</b>	<b>Contractor</b>	<b>Contract Date</b>	<b>Amount Allocated/ Contract Sum K</b>	<b>Amount Spent K</b>	<b>Scope of Works</b>	<b>Observations</b>
	Construction of Kabobola Market Phase 2	Mavtec Contractors and Suppliers	30.07.15	<ul style="list-style-type: none"> <li>Allocated K100,000</li> <li>Sum K32,200</li> </ul>	<ul style="list-style-type: none"> <li>Materials K64,770</li> <li>Labour K30,590</li> </ul>	<ul style="list-style-type: none"> <li>Construct Concrete slab</li> <li>Construct 4 stands</li> <li>Construct Shoulder walls and Painting</li> <li>Casting of floor screeds</li> </ul>	<ul style="list-style-type: none"> <li>The market slab and walls had been done remaining with painting of walls.</li> <li>The floor had started peeling off in some section due to poor workmanship</li> </ul>
	Installation of transformer and electricity connection to Sikalozia Primary School	ZESCO Ltd	28.09.15	Allocated K130,000	K121,024	Installation of Transformer and electricity connection to 2No. CRB and 7No. Staff Houses	The transformer had been installed and poles erected to CRB and Staff house. However, there was delayed completion in that electricity had not been connected as of May 2016 despite payment having been made in 29 <sup>th</sup> September 2015.
Mazabuka Central	Drilling of Borehole and Installation of Hand pump at Nanga High School	Lotus Drilling & Exploring Ltd	03.09.15	Allocated K35,000	K35,000	Drilling of Bore hole and Installation of Hand pump at	<p>The borehole had been drilled and was in use. However:</p> <ul style="list-style-type: none"> <li>A separation had developed between the apron and the hand pump due to poor workman ship</li> </ul>  <p><b>Borehole at Nanga</b></p>



<p>Namwala</p>	<p>Completion of Maala ART Clinic</p>	<p>Hamstern Contractors</p>	<p>30.07.15</p>	<ul style="list-style-type: none"> <li>• Allocated K100,000</li> <li>• Sum K29,815</li> </ul>	<ul style="list-style-type: none"> <li>• Materials K54,934</li> <li>• Labour K14,335</li> </ul>	<p>Completion works from Slab level.</p>	<p>The structure was at Roof level. The following observations were made:</p> <ul style="list-style-type: none"> <li>• <b>Outstanding works:</b> complete roofing, window &amp; door frames, plastering, flooring, glazing, painting, drainage, electricals and ceiling board.</li> <li>• <b>Defects:</b> roofing tiles not properly done, some trusses were resting directly on the walls instead of the wall plate, the laps (joints) of the roofing sheets were not closing, the internal plaster was rough.</li> <li>• <b>Other:</b> The contract was terminated due to shoddy works and abandonment by the contractor. As of July 2016, a new contractor had not been engaged.</li> </ul>  <p style="text-align: right;"><i>Incomplete Maala ART Clinic</i></p>
	<p>Completion of Moobola ART Clinic</p>	<p>Harmstern Construction</p>	<p>No Contract</p>	<ul style="list-style-type: none"> <li>• Allocated K40,000</li> <li>• Sum K(No contract)</li> </ul>	<ul style="list-style-type: none"> <li>• Materials K100,577</li> <li>• Labour K4,260.38</li> </ul>	<p>Completion of Clinic from gable level.</p>	<p>The structure was at roof level. However, the following observations were made:</p> <ul style="list-style-type: none"> <li>• <b>Outstanding works:</b> fitting door &amp; window frames, casting slabs,</li> </ul>

									<p>plastering, flooring, ceiling board, painting, laying drainage.</p> <ul style="list-style-type: none"> <li>● <b>Defects:</b> 10 x 50kg pockets of cement had caked.</li> </ul> <p>The structure was at roof level. However the following observations were made:</p> <ul style="list-style-type: none"> <li>● <b>Outstanding works:</b> Completing office &amp; strong room, fitting doors, glazing, painting, flooring, drainage, verandah.</li> <li>● <b>Other:</b> Contractor not on site.</li> </ul>
	Completion of 1x3 CRB at Chuulu Chikunka	Safenda Sicheepa	17.09.15	<ul style="list-style-type: none"> <li>● Allocated K33,711</li> <li>● Sum K6,500</li> </ul>	<ul style="list-style-type: none"> <li>● Materials K33,300</li> <li>● Labour K3,500</li> </ul>	<p>Putting iron sheets, plastering, casting of slab, flooring, painting, construction of a storm drain and putting of window panes.</p>			<p>The structure was at roof level. However, the following observations were made:</p> <ul style="list-style-type: none"> <li>● <b>Outstanding works:</b> Complete partition walls, plastering, flooring, glazing, door fitting, painting, drainage, complete ceiling boards.</li> <li>● <b>Other:</b> Re-enforcement bars for ring beam had run out; shortage of seven (7) window frames; shortage of cement; shortage of two (2) doors. The contractor was not on site.</li> </ul>
	Construction of 1x3 Housing Flat Block at Namubanga Prim. Sch.	Diamond Palace Construction Ltd	30.09.15	<ul style="list-style-type: none"> <li>● Allocated K230,000</li> <li>● Sum K47,037</li> </ul>	<ul style="list-style-type: none"> <li>● Materials K132,220</li> <li>● Labour K24,560</li> </ul>	<p>Construction of 1x3 Housing Flat</p>			<p>The structure was at slab level. However, the following observations were made:</p> <ul style="list-style-type: none"> <li>● <b>Outstanding works:</b> Super structure, roofing, fixing window &amp; door frames, glazing, doors, plastering, flooring, spoon drain, painting, ceiling board.</li> <li>● Contractor's contract was terminated.</li> </ul>
	Construction of 1x3 Housing Flat Block at Musemu Prim. Sch.	Hamstern Construction	30.07.15	<ul style="list-style-type: none"> <li>● Allocated K250,000</li> <li>● Sum K47,037</li> </ul>	<ul style="list-style-type: none"> <li>● Materials K138,752</li> <li>● Labour K8,360</li> </ul>	<p>Construction of a 1x3 Housing Flat Block (HFB)</p>			

							<ul style="list-style-type: none"> <li>• There was a new contractor Simutelo Construction but was not on site.</li> <li>• The new contractor was not on site because there was a shortage of cement (only 3 x 50 kg pockets were in stores at time of visit).</li> <li>• Upfront materials such as bricks, river sand, building sand and crushed stones had not yet been transported to the site by the Council.</li> </ul>	 <p><i>The slab of the delayed 1x3 HFB</i></p>
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WESTERN PROVINCE										
District	Constituency	Project Name	Contractor	Contract Date/Duration	Allocated Amount /Contract Sum K	Expenditure To Date (ZMK)			Scope of Works	Observation/Status
						Full Contract K	Labour K	Materials and Transport K		
Mongu	Mongu Central	Completion of a 1x3 CRB	Simunthali General Maintenance and Dealers	15.02.16 to 11.04.16 (8 Weeks)	150,000	148,290	N/A	N/A	Roofing of structure, fitting of window and	As of 16 <sup>th</sup> June, 2016, the structure had been roofed with door and window

Mongu	Mongu Central	at Mulamba Primary School	(Full Contract)							door frames and doors, grill doors, plastering, glazing, painting and flooring	frames fitted, interior plastering, flooring and air vents done while the following works were still outstanding: glazing, external plastering, painting and fitting of doors
Mongu	Mongu Central	Construction of Clinic Block at Kashiemb	Markurt General Dealers (Full Contract)	30.11.15 to 29.02.16 (12 Weeks)	150,000	47,500	N/A	N/A	N/A	Construction of sub and superstructure, fitting of window and door frames, plastering, concrete waiting bench, glazing, roofing, painting.	As of 16 <sup>th</sup> June 2016, the structure had reached gable level with door and window frames fitted while roofing, plastering, concrete waiting bench, glazing, fitting of doors and painting were still outstanding.
Mongu	Mongu Central	Construction of Admission Ward Block at Nomai	Greenview Contractors (Full Contract)	19.11.15 to 20.02.16 (12 Weeks)	75,000	36,939	N/A	N/A	N/A	Construction of Extended Admission Ward Block from sub to superstructure, flooring, roofing, window and door frames and plastering,	As of 16 <sup>th</sup> June 2016, the structure had reached gable level while flooring, plastering fitting of door and window frames, roofing, glazing, fitting of doors and painting were still outstanding. A crack running across the slab surface in one of the rooms had manifested.
Mongu	Mongu Central	Electrication of 8 Staff Houses at Mawawa Primary School	Simunthali General Maintenance and Dealers (Full Contract)	11.12.15 to 12.02.16 (8 Weeks)	40,000	36,000	N/A	N/A	N/A	Chiselling of walls for conduit, placement of conduits, wiring to approved standards, installation sockets, meter	As of 16 <sup>th</sup> June 2016, seven (7) staff houses, one classroom and office had been wired and electrical fittings done. However, electricity connection from Zesco was still outstanding.

Mongu	Mongu Central	Completion of 1x3 CRB at Tungi Primary School	Western Solutions Co. Ltd (Labour Contract)	24.06.14 to 25.08.14 (8 Weeks)	61,000	N/A	6,000	43,500	boxes, switches, earthing and Zesco line.  Roofing, metals works, flooring in the classrooms and veranda, painting, glazing	As of 16 <sup>th</sup> June 2016, roofing, plastering, flooring and painting had been done. However, there were multiple cracks on the classroom and veranda floors. The plastering of the plinth at the door steps was poorly done in that it had since started falling off.
Mongu	Mongu Central	Completion of Maternity Ward at Liyoyelo	Nakasinde General Dealers (Full Contract)	31.12.15 to 01.01.16 (4 Weeks)	32,000	28,800	N/A	N/A	External plastering and painting, conduiting, plumbing, Construction of soak away and septic tank	As of 17 <sup>th</sup> June 2016, the works had been completed as per contracted scope of works. However, the structure was still incomplete in that flooring (tiling), electrical fittings, connection of water and electricity were still outstanding.
Mongu	Mongu Central	Rehabilitation of Mongu Primary School	Simunthali General Maintenance and Dealers (Full Contract)	19.11.15 to 20.01.16 (8 Weeks)	60,000	44,177	N/A	N/A	Replacement of the floor in the 1x4 CRB and veranda	As of 17 <sup>th</sup> June 2016, the works had been completed. However, the floor in the classrooms was poorly done in that there were big cracks and was hacking off in some sections.
Mongu	Mongu Central	Completion of Yuka Traditional Court	Western Solutions Co. Ltd	Not specified in the contract	30,000				Sub and superstructure, roofing, plastering, metal works in the	As of 17 <sup>th</sup> June 2016, the structure had stalled at gable level with roofing, flooring, plastering, metal

Mongu	Nalikwanda	Construction of a Staff House at Siwa Clinic	Tungi General Dealers	-	50,000	9,173	40,827	Scope of works could not be ascertained as the contract document was not availed.	office, fitting of doors	works, and fitting of doors still outstanding. As of 19 <sup>th</sup> June 2016, the structure had only reached slab level. Cracks were observed on the concrete .No contract document was availed.
Mongu	Nalikwanda	Construction of a Staff House at Looma	Dama Water Wells and Hardware ( <i>labour contract</i> )	22.12.14 to 15.01.15 (3 Weeks)	50,000		40,670	Scope of works could not be ascertained as the contract document was not availed.	Scope of works could not be ascertained as the contract document was not availed.	As of 19 <sup>th</sup> June 2016, the construction of the staff house had not commenced despite availability of building materials. No contract document was availed.
Mulobezi	Mulobezi	Construction of Machile Bridge	Top Oasis Ltd (Labour)	25.11.15 to 25.02.16	130,000	N/A	139,415	Raising of the embankment, road formation and construction of a culvert	Raising of the embankment, road formation and construction of a culvert	As of 4 <sup>th</sup> June 2016, only a 20 metre embankment upstream had been done and the works had since stalled with road formation and construction of the culvert still outstanding.

**COPPERBELT PROVINCE**

Constituency	District	Project	Contractor	Contract Period	Contract Date	Expected date of Completion	CDF Allocation Sum K	Contract Sum K	Amount Paid to Contractor K	Scope of Works	Remarks/Observations
Masaiti Constituency	Masaiti	Renovation of Kamifungo clinic	Council	Not Applicable	Not Applicable	Not Applicable	15,000	Not applicable	13,205	Renovations	As of May 2016, Materials had been bought but no work had been done.

Masaiti Constituency	Masaiti	Construction of maternity wing - Boma clinic	Kendies Contractors Ltd	8 weeks	12.01.2016	12.03.2016	200,000	No contract provided	122,701	Excavation and earthworks, Concrete work, Steel Fabric reinforcement, Brick work & Block work, Roof covering, Carpentry and joinery	As of May 2016, the project had not been completed with the following remaining works: Flooring, plastering, painting, fixing of glass panes and doors, plumbing and electrical wiring. The project had delayed for 10 weeks. Contract was not availed for audit
Masaiti Constituency	Masaiti	Construction of one double VIP toilet - Katuba rural health centre & Saka health post, Construction of soak away & Installation of electric submersible pump - Mishikishi & Construction of fee paying toilet - Mishikishi market,	Stepkat contractors	8 weeks	05.11.2015	05.01.2016	150,100	114,197	72,393.25		As of May 2016, the following observations were made: Construction of VIP toilet at Katuba Clinic had been completed, however it was observed that there were cracks around the toilet. Construction of VIP toilet at Saka health post had not completed only a Slab had been done. The project has delayed for 16 weeks. Construction of soak away and installation of electric submersible pump – Mishikishi had not yet commenced. The project had been delayed for twenty four (24) weeks. Construction of fee paying toilet - Mishikishi market

Masaiti Constituency	Masaiti	Construction of Clinic - Masangano & Construction of a maternity wing - Lumano Health post	Selapor Contractors	6 week	05.11.2015	19.01.2016	297,000	297,000	220,636	Excavation and earthworks, Concrete work, Steel Fabric reinforcement, Brick work & Block work, Roof covering, Carpentry and joinery.	As of May 2016, the following observations were made: Construction of Clinic - Masangano The project had not been completed with remaining works being: Plastering Fitting windows & doors Flooring Painting Construction of a maternity wing - Lumano Health post The project had not been completed with remaining works being: Fitting windows & doors Painting The projects had been delayed for eighteen (18) weeks.
Masaiti Constituency	Masaiti	Construction of a 1x2 classroom block - Pyutu Primary Sch	Council				65,900		57,653		As of May 2016, the classroom block was not complete with outstanding works being: Roofing, Flooring Plastering Fitting windows
Kafulafuta Constituency	Masaiti	Construction of Maternity ward at Chiwala health post	BACC Tech General Dealers	8 weeks	06.11.2015	06.01.2016	240,000	297,000		Construction of Maternity ward at Chiwala health post	As of May 2016, four (4) months after the date of completion, the project was still at mobilising stage. Works had not commenced due to the fact that the same contractor was awarded two contracts to undertake at the same time within the same contract sum.



Kafulafuta Constituency	Masaiti	Construction of 1x2 CRB at Muwaya School	BACC Tech General Dealers	8 weeks	06.11.2015	06.01.2016	90,000	45,600	Construction of 1 x 2 CRB at Muwaya School	As of May 2016, the works had commenced with the fitting of window panes in progress and the following works outstanding: flooring of the three (3) offices and verandas, fitting of doors, Front spoon drain. The project was behind schedule by four (4) months
Kafulafuta Constituency	Masaiti	Completion of 1 x 3 CRB at Chitibuke Community School	Council/Community	Not stated	Not stated	Not stated	77,000	34,366		As of May 2016. All the materials to complete the project were bought and on site with roofing in progress and the following works still outstanding Plastering, fixing of window panes, flooring, fixing of doors and locks
Kafulafuta Constituency	Masaiti	Completion of 1 x 2 CRB at Mutaba school	Council/Community	Not stated	Not stated	Not stated	74,000	74,483		As of May 2016, the project was almost complete with the fixing of panes in progress. The floor had cracks in the floor which needed to be mended.
Nkana	Kitwe	Construction of 1 x 2 Classroom block in Mugala	Trans Engineering Zambia	8 weeks	30.11.2015	25.01.2016	270,000	47,589	Construction of 1 x 2 Classroom	As of October 2016, works had been completed and the classroom was in use. It was however observed that cracks had developed on the floor in one CRB
Nkana	Kitwe	Rehabilitation of 1 x 2 classroom block at Rokana Primary school	Jola Tech Ltd	8 weeks	30.11.2015	25.01.2016	130,000	67,552	Rehabilitation of 1 x 2 classroom block	As of October, 2016, Ceiling, plastering, flooring, painting and counters in both CRBs had been done. Fitting of taps had been done in only one (1) CRB that was fitted with sinks. Outstanding works were fitting of sinks and taps in the other

Bwana Mkumbwa	Ndola	Construction of Multi- purpose Community hall in Munkulungwa ward	Kwanza Enterprises Zambia Ltd	Not stated	11.03.2015		250,000	272,638	113,194	Excavation, erecting of walls, foundation , , Roofing ,flooring of the structure, Plumbing, Electrification, n, and painting	CRB and plumbing works. The works were behind schedule in that the completion date was 25.01.2016 As of October, 2016, nineteen (19) months after signing the contract, the structure had not been completed. <b>Outstanding works:</b> Included Fitting ceiling boards Fitting window panes Electrical fittings Painting Septic tank & Manhole covers
Bwana Mkumbwa	Ndola	Street Lighting of Ndeke road 1.7km stretch in Itawa ward	Ndola City council				150,000	160,000	164,842		As of October 2016 the work had commenced with 56 timber poles installed. Cable connections had been done to 39 of them. Outstanding works included installation of the rest of the poles, completion of cabling and power connection by ZESCO. It was also observed that the council had overspent by K14, 842.32 on this project as only K150, 000 was approved.
Bwana Mkumbwa	Ndola	Borehole drilling & Installation of water reticulation Kaloko olice Post	Eddie Tronix	12 weeks	13.07.2015		75,000	81,532	48,167	Drilling of 80metre deep borehole, Fabrication and erection of Tank Stand, Supply and fitting of	As of October 2016, the tank had been installed and power had been connected. It was however observed that the Police Post whose works were being done had been vandalized



EASTERN PROVINCE									
Project Implementation District	Constituency	Project	Contractor	Contract date/Period	Allocated Amount K	Amount Spent K	Scope Of Works	Observations	
Katete		Construction of Keni Health Post	Nathan Nkhoma	16.08.15	Allocated – K 110,528 Contract Sum K 38,600	K 73,450 (Materials K 63,730) Labour K 9,720)	- Construction of one (1) staff house. - Construction of one (1) single VIP toilet - Construction of two (2) double VIP toilets	As of October 2016, the staff house had been roofed and the following works were still outstanding; Flooring, painting, fitting of doors and windows. One (1) single VIP toilets: The following works were outstanding; fitting of door to single VIP toilet, Double VIP toilet: The following works were outstanding: setting, sub structure, super structure, roofing and painting	
		Construction of 1 x 2 CRB at Undi Primary School	MJ Nthani General Dealers	03.08.15	Allocated - K 83,987 Contract Sum K24,000	K 77,980 (Materials K 59,530) (Labour K 18,450)	Construction of 1 x 2 CRB classroom	As of October, 2016 the classroom block had been roofed with the following works outstanding: Plastering the interior of one classroom, glazing, flooring, fitting of doors and painting.	
Chadiza		Construction of a wall fence at Chadiza bus station.	Cholinga Contractors	15.04.15	Allocated – K 58,841 Contract Sum – K20,000	K 48,841 (Materials K 38,841) (Labour K10,000)	Foundation footing, construction of walls and construction of guard room.	A physical inspection of the project carried out in May 2016 revealed that the walls of the fence had been raised on three sides with the front part of gate and the guard room still outstanding. The contractor was not on site and the works had stalled.	

<b>MUCHINGA PROVINCE</b>									
<b>Local Authority</b>	<b>Constituency</b>	<b>Project</b>	<b>Contractor</b>	<b>Contract Date</b>	<b>Allocated Amount K</b>	<b>Total Spent K</b>	<b>Scope of works</b>	<b>Remarks</b>	
Chinsali	Chinsali	Completion of a sleeping house for the deaf unit at Chinsali Primary school	Mikolomo General Dealers	5 <sup>th</sup> August 2015 (Duration 6 weeks – 05/08/15 – 19/09/15)	40,000	35,000	Beam filling, plastering, painting, flooring, fitting of air vent, doors and windows and glazing	As of June 2016, the project had not been completed and works had stalled since February 2016. The outstanding works included fitting of doors, glazing, painting, completion of fitting of door frames and air vents.	
		Completion of 1 x 5 CRB at Nambuluma Primary school	Mikolomo General Dealers	5 <sup>th</sup> August 2015 (Duration 4 weeks)	30,000	30,000	Mending of floor screed and painting of the classrooms and chalkboards	Although the project had been handed over, it was observed that the chalkboards had not been painted and due to poor workmanship on the floor screed, pot holes had developed.	
		Rehabilitation of 1 x 5 CRB at Kabungo Primary school	Dethrom Enterprises	5 <sup>th</sup> August 2015 (Duration 8 weeks)	65,000	59,750	Mending cracks, repairing floor screed, painting, glazing and fitting of windows and doors.	As of June 2015, the works had not been completed as the following were outstanding: <ul style="list-style-type: none"> <li>– painting of the final coat</li> <li>– window fittings and doors</li> <li>– completion of glazing</li> <li>– Mending of cracks in Grade 3 and 4 classrooms and on the corridor</li> </ul> It was also observed that the floor in Grade 8 and 4 classrooms was peeling off	
		Construction of a culvert near Chief Mubanga	Twafweni Choshi Women club	5 <sup>th</sup> August 2015 (Duration 8 weeks 05/08/15 – 05/10/15)	25,000	13,750	Installation of a single line 900 mm culvert	The contractor abandoned the site soon after laying two (2) x 900 mm culvert which, as of June 2015 had been washed away, rendering the expenditure wasteful.	



Nakonde	Nakonde	Construction of a 1 x 4 CRB at Donald Siwale Secondary school	Itefya Investment Ltd (Materials) No labour contract though works were being done by Mutale B	No contract	40,000	34,450 (Materials)	Construction from foundation to gable level	<p>– cracks were poorly mended and several had re-developed</p> <p>A physical inspection carried out in October 2016 revealed that half of the CRB was at foundation level while the other half was at ring beam level with all other works outstanding and the contractor was not on site.</p>
		Construction of soakaway and wiring of two (2) staff houses at Mwenzo Rural Health centre	Rhino Horn Enterprises Ltd (Materials), Elias Sinyinza (Labour)	09/03/2016 (Labour) Duration 30 days, 14/03/16 to 25/04/16	21,105	18,040 (Materials), 3,000 (Labour)	Connection of septic tank to the houses, glazing, fitting of doors, wiring, installation of electrical fittings and painting	<p>As of October 2016, only flooring of one house and fitting of doors had been done. The outstanding works included flooring in the other house, glazing, connection of septic tank, painting, wiring and installation of electrical fittings.</p> <p>It was observed that the contractor had been paid the whole labour contract sum although he had not completed the works and one house had been wired by an occupant who used his own money.</p>
		Completion of a 1 x 2 CRB at Nchenga Basic school	Tutashe Bimba Twawina General dealers (Materials)	Not stated	35,801	29,750 (Materials)	Flooring, beam filling, roofing, plastering, glazing, fitting of window frames, door frames, air vents and doors.	<p>A physical inspection carried out in October 2016 revealed that although most of the works were done, some of the glass panes had not been fitted.</p>

Isoka		Completion of a 1 x 4 CRB at Waitwika Secondary school	Fojums General Dealers & Construction (Materials), Ison Simutenda (Labour)	29/04/2016, Duration 30 days (13/05/16 to 13/06/16)	40,373	32,800 (Materials)	Construction of block work from slab to wall plate	As of October 2016, two (2) classrooms were at lintel level while the other two (2) were at foundation level.
		Completion of a 1 x 3 CRB at Ntindi Secondary School	Fojums General Dealers & Construction (Materials), Lighton Simfukwe (Labour)	07/03/2016, Duration 15 days (11/03/16 to 31/03/16)	46,908	30,935 (Materials)	Roofing and fitting of window frames and door frames	As of October 2016, fitting of ridges on the roof and fitting of window and door frames had not been done
	Isoka	Completion of a 1 x 3 CRB at Chinyansi Secondary school	Luckson Sichone (Labour, contract sum K6,585)	14/04/2016 Duration 60 days	30,000	23,415 (Materials and transport)	Construction from slab level to wall plate level and fitting of window frames and door frames	As of October 2016, the structure was at Ring Beam Level with the lintel done. The outstanding works included fitting of windows and door frames. It was observed that there was no concrete poured on the foundation.
		Construction of a Culvert at Chinyonga stream in Milongo	Womba Ngulye General Dealers	22/04/2016. Duration 30 days	49,000	31,850	Erection of spam, wing walls, back compacting, back filling	A physical inspection carried out in October 2016, revealed that wing walls had been done. The outstanding works include; erection of spam, compacting and back filling.
		Completion of a Health post at Katyetye	Davis Simuntala	06/05/2016, Duration 30 days	35,000	26,090 (Materials and transport)	Building from window level to wall plate, plastering, painting, flooring, glazing, fitting of window and door frames, doors, roofing and	Although the works had been completed, the structure was not in use. It was also observed that the floor screed was poorly done hence cracks had developed on the floor and one (1) window was poorly fitted as a result it could not open.





		Construction of a culvert bridge at Malashi	Christopher Chomba	10/02/15 From 10/02/15 to 30/03/15	25,000	24,951	Installation of 600mm culvert rings, 2 metre width, 7 metres length and slab 100 mm thickness	As of June 2016, the works had been completed. However, it was observed that the embankment and back filling were poorly done. As a result, the deck was steeping in.
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**NORTHERN PROVINCE**

Local Authority	Constituency	Project	Contractor	Contract Date	Amount Allocated K	Amount Spent K	Scope of works	Status
Luwingu	Lupososhi	Construction of one (1) Staff House at Mapulanga RHC	Crambus General Dealers	13.06.16 (6 Weeks)	111,000	K44,153 from initial Contract and K26,800 from the second Contract	Construction of the superstructure, metal works, roofing, carpentry works and finishes works among others	As of October 2016, the trusses had been placed with roofing partially done. The outstanding works included metal works, carpentry works and finishes which include plastering, painting among others. Further, according to the letter of termination dated 24th August, 2015, the initial contractor Educare Enterprises was required to pay back to the District Council K7,482.18 arising from advance payment. Further, according to the letter of termination dated 24th August, 2015, the initial contractor Educare Enterprises was required to pay back to the District Council K7,482.18 arising from advance payment. However as of May 2016, the funds had not been recovered by the Local Authority.

Lubansenshi	Construction of 1X2 CRB at Jeke Primary School	Kafala General Suppliers and Civil Contractors	13.12.14 (12 weeks.)	150,000	81,479	Construction of the sub structure, superstructure, metal works, roofing, carpentry works and finishes such as plastering and painting works among others.	As of October 2016, the classroom block was at roof level with the trusses mounted. The door and window frames had been fitted while the following works were still outstanding: roofing, carpentry works and finishes such as plastering and painting works among others.
Lubansenshi	Construction of 1X2 CRB at Chilekwa Primary School	Auto Base Enterprise Limited	13.12.14 (14 weeks.)	150,000	112,453	Construction of the sub structure, superstructure, metal works, roofing, carpentry works and finishes such as plastering and painting works among others.	As of October 2016, the structure was at gable level with the following works still outstanding: roofing, carpentry works and finishes such as plastering and painting works among others. The contractor has abandoned the site.
Lubansenshi	Construction of a Farmers' Association Office block	Labour Based	Not specified	30,000	25,470	Construction of a Farmers' Association Office up to the concrete slab level.	As of October 2016, the foundation had been dug and footing casted and the pillars were mounted on the sides and works had since stalled despite the building materials being procured by the Council.
Lubansenshi	Construction of a Staff House at Kasunga Primary School	Labour based and the council procure Building Materials	28.09.2015	60,000	20,866	Construction of the sub structure, superstructure, metal works, roofing and carpentry works among others.	As October 2016, the staff house was at window stay with the following works still outstanding: completion of the superstructure, metal works, roofing and carpentry works among others

	Lubansenshi	Construction of a Staff House at Mucheleka Health Post	Labour based and the council procure Building Materials	18.06.2015	60,000	23,919	Construction of the sub structure, superstructure, metal works, roofing and carpentry works among others.	As of October 2016, the staff house was at slab level with the following works still outstanding: sub and super structure, metal works, roofing and carpentry works among others
	Lubansenshi	Construction of a Staff House at Makolongo Primary School	Labour based and the council procure Building Materials	28.05.2015	60,000	27,350	Construction of the sub structure, superstructure, metal works, roofing and carpentry works among others.	As of October 2016, the staff house was at wall plate level with the following works still outstanding: metal works, roofing and carpentry works among others
Mpulungu	Mpulungu	Construction of 1X3 CRB at Kasakalawe Primary School	Labour based and the council procure Building Materials	10.05.2016	35,000	31,350	Construction of the sub structure, superstructure up to roof level only	As of October 2016, all the building materials had been delivered to the school. The Classroom Block was at ring beam level and the lintel had been placed on the front half of the Structure with other remaining works still outstanding

**COPPERBELT HQ TEAM**

District / Constituency	Project	Contractor	Contract Date	Allocated Amount K	Contract Sum K	Total spent K	Scope of works	Remarks
	Construction of offices for Chililabombwe District Police	Kapstimo Contractors Ltd	07.10.2015 - 15.12.2015	250,000	241,122	224,010	Construction of substructure, concrete works, block work, roofing, metal works, electrical installations and plastering	As of October 2016, the works had not been completed as per contract. However plastering, flooring, fitting of ceiling board, electrical installations, fitting of doors and window panes had not been done as

Chililabombwe	Rehabilitation of Lubengele Community Hall	Yakachi Investments Ltd	28.08.2015 - 08.10.2015	150,000	184,162	Contractor is yet to be paid as of May 2016.	Painting, plumbing works, carpentry, ironmongery and carpentry	these were not included in the contract. As of October 2016, the works had not been completed with the following works outstanding: fitting of ceramic floor tiles was only partly done, fitting of propeller fans for ventilation, fitting of window panes, reconstructing of the stage and landscaping
	Construction of Kawama bridge in Chililabombwe District	Demos Company Ltd	28.08.2015 - 22.10.2015	100,000	137,785	100,000	Site establishment works, earth works, concrete works, form work for headwalls and concrete under culverts	As of October 2016, the works had been completed. It was however observed that cracks had developed on the head walls and lifting of the embankments on both sides of the road had not been done
	Construction of an ablution block at Makofi Market	Biliam Enterprise Limited	07.10.15 - 17.12.2015 (10 weeks)	70,000	69,174	62,257	Substructure, superstructure, carpentry and joinery, roofing, metal works, glazing, finishes, painting and plumbing works.	As of October 2016, the ablution block had not been completed as the following works were still outstanding: Allow for connection to nearest water connection point, supply and fix 100mm diameter PVC vent pipe including grating, allow for sewer line in PVC pipe including all excavation and back fill and allow for construction of a shower including all water pipes, riser pipes, waste plate and all water waste disposal.
	Rehabilitation of Kamenza Market Shelter	Fedelint Investments Limited	20.01.2016 - 04.02.2016 (2 weeks)	150,000	46,034	100,000	Steel work, concrete works, electrical works, plumbing and other civil works and other works.	As of October 2016, the structure had not been completed as electrical works were still outstanding.

<b>LUSAKA PROVINCE</b>										
<b>Project Implementation District</b>	<b>Constituency</b>	<b>Project</b>	<b>Contractor</b>	<b>Contract date/Period</b>	<b>Allocated Amount K</b>	<b>Amount Spent K</b>	<b>Scope Of Works</b>	<b>Observations</b>		
		Construction of 1x2 CRB at Chongwe Primary Sch.	Ubwabu Enterprise	Not specified in contract	K160,082	K169,056 (Materials K148,656) (Labour K20,400)	Construction of 1x2 CRB	As of October 2016, the structure had been completed. However, the floor was peeling off and the liability had expired.		
Chongwe District Council	Chongwe	Construction of 1x5 CRB at Daughters of the Redeemer	Wilson Banda	Not specified in contract	K155,677	K166,136 (Materials K148,136) (Labour K18,000)	Construction of 1x5 CRB	As of October 2016, the structure had been roofed and interior plastered. The following works were outstanding: plastering on the exterior walls, fitting of doors and windows, painting and external works.		
		Construction of a staff house at Antioch Central Community Sch.	Boas Shamponda	Not specified in contract	K29,596	K25,857 (Materials K20,129.2) (Labour K5,728)	Construction of Staff House	As of October 2016, the structure had been completed. However, the Apron and the pillars to support the veranda had not been done as they were not in the contract		
		Construction of 1x4 Two (2) Bedroomed Flats at Chiyabale Primary School	Powder Gladson	Not specified in contract	K32,238	K31,767 (Materials K29,767) (Labour K2,000)	Construction of 1x4 Two (2) Bedroomed Flats	As of October 2016, the structure had been roofed with outstanding works being painting of the exterior walls. It was also observed that the plastering and roofing were poorly done.		

## Overall Recommendations

1. The following are the overall recommendations:
  - i. The Councils should adopt and fully implement the International Public Sector Accounting Standard (IPSAS) within two (2) years.
  - ii. All local authorities should prepare financial statements which should be audited within two (2) years.
  - iii. All the Councils should develop strategic plans to clearly provide a strategic framework on how the councils intend to achieve their goals and vision.
  - iv. All the councils should develop Risk Management Policies to manage the various risks that may affect their operations and internal controls that are responsive to the risks.
  - v. The staff establishment need to be filled with qualified staff to enable the councils provide quality and sustainable social services and development in their communities.
  - vi. The local authorities need to developed strategies that will enable them generate sufficient resources to sustain their operations and remove their dependence on the government funding.
  - vii. The councils should develop Information Communication Technology (ICT) policies to provide guidance on the acquisition of ICT equipment and software.

## **Conclusion**

2. This Report has highlighted various areas of weaknesses in the management of local authorities. It is important that these weaknesses are resolved in order that these institutions can meet their objectives to efficiently and effectively deliver to the expectations of the Zambian citizens.

**AUDIT HOUSE**

**HAILE SALASSIE AVENUE**

**LUSAKA**

3<sup>rd</sup> February 2017

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**ACTING AUDITOR GENERAL**

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