



**REPUBLIC OF ZAMBIA**

**REPORT OF THE**

**AUDITOR GENERAL**

**ON THE**

**ACCOUNTS OF LOCAL AUTHORITIES**

**FOR THE**

**FINANCIAL YEARS ENDED 31<sup>ST</sup> DECEMBER 2015, 2016 and 2017**

**Price: K60.00**

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| Table of Contents  |     |
| Preamble .....   | i   |
| Executive Summary .....  | ii  |
| Introduction.....  | 1   |
| Scope.....   | 1   |
| Internal Control.....  | 1   |
| Background .....   | 1   |
| Sources of Funds.....  | 1   |
| Chadiza Town Council .....   | 2   |
| Chama District Council.....  | 5   |
| Chililabombwe Municipal Council.....   | 15  |
| Chinsali Municipal Council .....   | 20  |
| Chipata City Council.....  | 27  |
| Chirundu Town Council .....  | 35  |
| Choma Municipal Council .....  | 41  |
| Chongwe Municipal Council .....  | 48  |
| Ikelenge Town Council.....   | 53  |
| Isoka District Council .....   | 58  |
| Kabwe Municipal Council .....  | 67  |
| Kalabo Town Council .....  | 82  |
| Kaputa Town Council .....  | 90  |
| Kasama Municipal Council.....  | 93  |
| Kawambwa Town Council .....  | 100 |
| Livingstone City Council.....  | 104 |
| Luano Town Council .....   | 107 |
| Lufwanyama Town Council .....  | 119 |
| Lundazi Town Council .....   | 121 |
| Lusaka City Council .....  | 128 |
| Mansa Municipal Council.....   | 142 |
| Mbala Municipal Council .....  | 145 |
| Mongu Municipal Council.....   | 147 |
| Monze Town Council .....   | 153 |
| Ndola City Council .....   | 163 |
| Petauke Town Council.....  | 174 |
| Rufunsa Town Council .....   | 178 |
| Serenje Town Council.....  | 181 |
| Sesheke Town Council .....   | 192 |
| Siavonga Town Council.....   | 200 |
| Solwezi Municipal Council.....   | 203 |
| Zambezi Town Council.....  | 210 |
| Overall Recommendation .....   | 218 |
| Conclusion .....   | 219 |
| TREASURY MINUTES ON THE MANAGEMENT OF CONSTITUENCY DEVELOPMENT FUNDS<br>AND GRANTS TO LOCAL AUTHORITIES FOR THE FINANCIAL YEARS ENDED 31 <sup>ST</sup><br>DECEMBER 2011 to 2015..... | 220 |



## **Preamble**

Local Authorities (Councils) 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. Councils are a key factor in socio-economic development because their operations are directly linked to community services. Currently, there are one hundred and sixteen (116) Councils across the Country.

The Constitution of Zambia (Amendment) Act No. 2 of 2016 devolved powers to the Councils 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 Councils.

In this regard, Article 250 (1) (i) of the Constitution of Zambia (Amendment) Act No. 2 of 2016 mandates the Office of the Auditor General (OAG) to audit the accounts of the Councils. The audits assist in promoting transparency and accountability in the management of resources in Councils.

## Executive Summary

This audit report on the Councils provides the audit findings on Councils for the financial years from 2015 to 2017. The Councils' sources of income include funds raised 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 Constituency Development Funds (CDF) meant to enhance development in the local communities and constituencies.

This Report contains paragraphs on thirty two (32) Councils. The principle findings include the failure to prepare financial statements, lack of updated Valuation Rolls, lack of title deeds, failure to fill key positions, failure to maintain properties and failure to adhere to the provisions of the Environmental Management Act.

Other issues contained in the report include non-remittance of statutory contributions to the Zambia Revenue Authority (ZRA), the National Pension Scheme Authority (NAPSA) and Local Authorities Superannuation Fund (LASF), 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<br/>K</b> |
|--|---------------------|
| Failure to Remit Statutory and Other Obligations | 423,641,615         |
| Failure to Settle Staff Obligations              | 152,081,443         |
| Misapplication of Funds                          | 12,891,514          |
| Unsupported Payments                             | 27,020,572          |
| Unapproved Payments                              | 1,048,306           |
| Unretired Accountable Imprest                    | 2,876,131           |
| Unaccounted for Revenue                          | 502,006             |
| Unspent Funds                                    | 699,143             |
| Failure to Collect Revenue                       | 33,672,990          |
| Failure to Follow Procurement Guidelines         | 527,148             |
| Failure to Insure Assets                         | 36,560,778          |
| Irregular Payment of Allowances                  | 3,073,934           |
| Missing Payment Vouchers                         | 14,334,890          |
| Overpayments                                     | 163,889             |
| Questionable Payments                            | 120,631             |
| Unaccounted for Stores                           | 23,075,525          |

The audit findings on the local authorities include governance, operational and financial matters which require to be addressed for the Councils to provide quality service 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 Management Act No. 1 of 2018 and the Public Audit Act No. 13 of 1994. The Auditor General is responsible for the Audit of all Public Funds.

The Councils are governed in accordance with the Local Government Act, Cap 281 of the Laws of Zambia.

This Report contains thirty-two (32) paragraphs on Councils whose issues remained unresolved as at the date of reporting.

## **Scope**

2. This 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 2015, 2016 and 2017.

In preparing this 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 waste management among other issues by the respective Councils.

## **Background**

4. A Council is a body corporate that is established under the Local Government Act. The main business of a 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 Act 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.

## **Sources of Funds**

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

## **Non-Preparation of Financial Statements**

6. Section 43 (3) of the Local Government Act, Cap 281 of the Laws of Zambia requires the proper preparation of accounts, balanced, summarised, certified under the authority of the Treasurer of the Council and presented to the Council meeting within six (6) months after the end of the Financial Year of the Council.

Contrary to the provision, the Councils shown in the table below did not prepare financial statements for the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017.

| <b>Name of Council</b> |
|------------------------|
| Chadiza                |
| Chama                  |
| Chirundu               |
| Ikelenge               |
| Isoka                  |
| Kasama                 |
| Kawambwa               |
| Lufwanyama             |
| Mansa                  |
| Serenje                |
| Sesheke                |
| Vubwi                  |
| Zambezi                |

### **Chadiza Town Council**

#### **The Council**

7. During the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017, the Council had twenty-two (22) members comprising the Chairperson, eighteen (18) Ward Councillors and three (3) Chiefs' representatives.

#### **Administration**

The day to day administration of the Council is the responsibility of the Council Secretary who is assisted by Director of Works, Council Treasurer and District Planning Officer.

#### **Revenue**

During the period under review, the Council received grants and generated funds from various sources in amounts totalling K18,326,031. See table below.



| Source                | 2017<br>K        | 2016<br>K        | 2015<br>K        | Total<br>K        |
|-----------------------|------------------|------------------|------------------|-------------------|
| Personal Levy         | 263,746          | 98,400           | 150,465          | 512,611           |
| Local Taxes and Rates | 112,755          | 17,568           | 20,576           | 150,898           |
| Permits               | 28,377           | 110,678          | 1,450            | 140,505           |
| Fees and Charges      | 164,078          | 576,970          | 239,841          | 980,889           |
| Licences              | 19,179           | 48,890           | 3,539            | 71,608            |
| Other Income          | 3,118            | -                | 111,360          | 114,478           |
| National Support*     | 6,908,354        | 5,832,020        | 3,614,669        | 16,355,043        |
| <b>Total</b>          | <b>7,499,606</b> | <b>6,684,526</b> | <b>4,141,900</b> | <b>18,326,031</b> |

**\*National Support**

| Type of Grant          | 2017<br>K        | 2016<br>K        | 2015<br>K        | Total<br>K        |
|------------------------|------------------|------------------|------------------|-------------------|
| Grant in Lieu of Rates | -                | 200,000          | 200,000          | 400,000           |
| Equalisation           | 6,208,354        | 5,632,020        | 2,014,669        | 13,855,043        |
| CDF                    | 700,000          |                  | 1,400,000        | 2,100,000         |
| <b>Total</b>           | <b>6,908,354</b> | <b>5,832,020</b> | <b>3,614,669</b> | <b>16,355,043</b> |

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Council for the period under review and a physical inspection of selected projects carried out in September 2018 revealed the following:

**a. Failure to Maintain a Valuation Roll**

The Rating (Amendment) Act Cap 122 clause No. 8 states that for the purpose of levying rates there shall be maintained by the rating authority a main roll prepared by the valuation surveyor in which all ratable property in the area shall be listed by number. Contrary to the Act, the Council did not maintain a valuation roll. As a result, the monetary value expected to accrue to the Council through receipt of rates could not be ascertained.

**b. Irregular Payment of Allowances**

Contrary to Cabinet Office Circular No. 9 of 2004, sitting allowances in amounts totalling K23,543 were paid to various Council officers for attending District Tender Committee meetings. As at 31<sup>st</sup> March 2019, the funds had not been recovered from the officers.

**c. Failure to Avail Activity Reports**

During the period under review, three (3) imprests in amounts totalling K95,164 were issued to an officer to enable him inspect projects and attend meetings and workshops. However, there were no activity reports availed for audit making it not possible to ascertain whether the activities were undertaken.

**d. Failure to Deduct Tax**

Contrary to the Income Tax Act Chapter 323 of the Laws of Zambia, ten (10) officers were paid settling in allowances and commutation of leave days in amounts totalling K45,803 without deducting Pay as You Earn (PAYE).

**e. Misapplication of Equalisation Funds**

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

During the period under review, the Council received equalisation funds in amounts totalling K16,214,415 out of which K3,242,883 being 20% was meant for capital projects.

However, out of K3,242,883 meant for capital projects, a total amount of K2,013,172 was applied on salaries.

**f. Failure to Obtain Title Deeds**

According to the Lands and Deeds Registry (Amended) Act of 2010 Chapter 185 Clause No. 54, a certificate of title is evidence to proprietorship (ownership) of any part of an interest in land. However, contrary to the Act, the Council had not obtained certificates of title for any of its thirty-six (36) properties which included office buildings, markets and houses.

**g. Failure to Insure Assets**

Local Authorities Financial Regulation No. 154 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. However, as at 31<sup>st</sup> March 2019, the Council had not insured its various assets comprising plant and buildings, office equipment and motor vehicles.

As a result of the failure to insure assets, the Council spent K37,340 on repairing two (2) motor vehicles that were involved in road traffic accidents. Further, documents such as Police and Standing Accidents Board reports were not availed for audit.

## **Chama District Council**

### **The Council**

8. During the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017, the Council had twenty-six (26) members comprising the Chairperson, twenty-two (22) Ward Councillors and three (3) Chiefs' representatives.

### **Administration**

The day to day running of the Council is the responsibility of the Council Secretary who is assisted by the Chief Administrative Officer, Council Treasurer, Director of Works and the District Planning Officer.

### **Revenue**

During the periods under review, the Council received grants and generated funds from various sources in amounts totalling K24,549,809. See table below.

| <b>Source</b>     | <b>2017<br/>K</b> | <b>2016<br/>K</b> | <b>2015<br/>K</b> | <b>Total<br/>K</b> |
|-------------------|-------------------|-------------------|-------------------|--------------------|
| Owner Rates       | 50,769            | -                 | -                 | <b>50,769</b>      |
| Fees and Charges  | 12,032            | 2,064,706         | -                 | <b>2,076,738</b>   |
| Levies            | 34,446            | 39,046            | -                 | <b>73,492</b>      |
| Licenses          | 42,240            | -                 | -                 | <b>42,240</b>      |
| Permits           | 42,218            | -                 | -                 | <b>42,218</b>      |
| Service Charges   | 1,527,336         | 41,594            | -                 | <b>1,568,930</b>   |
| Other Income      | -                 | -                 | 891,498           | <b>891,498</b>     |
| National Support* | 8,989,166         | 4,632,699         | 6,182,059         | <b>19,803,924</b>  |
| <b>Total</b>      | <b>10,698,207</b> | <b>6,778,045</b>  | <b>7,073,557</b>  | <b>24,549,809</b>  |

### **\*National Support**

| <b>Type of Grant</b> | <b>2017<br/>K</b> | <b>2016<br/>K</b> | <b>2015<br/>K</b> | <b>Total<br/>K</b> |
|----------------------|-------------------|-------------------|-------------------|--------------------|
| Equalisation Fund    | 7,589,166         | 4,632,699         | 3,382,059         | <b>15,603,924</b>  |
| CDF                  | 1,400,000         | -                 | 2,800,000         | <b>4,200,000</b>   |
| <b>Total</b>         | <b>8,989,166</b>  | <b>4,632,699</b>  | <b>6,182,059</b>  | <b>19,803,924</b>  |

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Council for the periods under review and a physical inspection of projects carried out in February 2019 revealed the following:

#### **a. Lack of Information Communication Technology (ICT) Policy**

The Council was using the Dove accounting system for payroll management and Financial Management System (FMS) for financial reporting. However, it had not adopted any ICT policy to guide the acquisitions and management of these systems.

**b. Lack of Register of Accountable Documents**

During the financial year ended 31<sup>st</sup> December 2015, the Council did not maintain a register of accountable documents making it not possible to ascertain the accountable documents that were available and total funds that were collected.

**c. Failure to Provide Receipt Books**

A scrutiny of bank statements for the financial year ended 31<sup>st</sup> December 2015 revealed that the Council deposited amounts totalling K891,498. However, receipt books and deposit slips were not availed for audit to confirm the accuracy of the amounts deposited.

**d. Unaccounted for Revenue**

A review of the receipts for 2017 revealed that the Council collected amounts totalling K782,733 from rentals, market fees, business levy and property rates. However, a scrutiny of the bank statements revealed that amounts totalling K770,651 were deposited resulting in an amount of K12,083 being unaccounted for.

**e. Failure to Update Valuation Roll**

Contrary to Section 8 (3) of the Rating Act, No. 12 of 1997 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, the Council did not have an updated valuation roll as at the time of audit.

**f. Failure to Provide Lease Agreements**

During the period under review, the Council leased out five (5) commercial properties and collected rent in amounts totalling K83,812. However, no lease agreements were availed for audit. In this regard, it was not possible to ascertain the terms and conditions and whether the amount of K83,812 collected from the tenants was the correct amount due.

**g. Failure to Avail Values and Receipts for Plots Sold**

During the period under review, the Council sold residential and commercial plots to the public. However, the values at which each plot was sold and the corresponding receipts were not availed for audit. See table below.

**2015**

| Land Use                  | Number of Plots | Number Sold |
|---------------------------|-----------------|-------------|
| Residential - High Cost   | 175             | 175         |
| Residential - Medium Cost | 165             | 165         |
| Commercial                | 47              | 47          |
| Light Industry            | 9               | 9           |
| <b>Total</b>              | <b>396</b>      | <b>396</b>  |

**2016**

| Land Use                  | Number of Plots | Number Sold |
|---------------------------|-----------------|-------------|
| Residential - High Cost   | 61              | 61          |
| Residential - Medium Cost | 25              | 4           |
| <b>Total</b>              | <b>86</b>       | <b>65</b>   |

**h. Missing Payment Vouchers**

Contrary to Local Authorities Financial Regulation No. 98, sixty-three (63) payment vouchers in amounts totalling K634,340 made during the period under review were not availed for audit.

**i. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, forty-seven (47) payments in amounts totalling K284,698 made during the period under review were not supported with relevant documents such as invitation letters, receipts, oral contract forms, Goods Received Vouchers (GRVs) and evaluation reports among others.

**j. Irregular Payment of Subsistence Allowances**

According to Cabinet Office Circular Minute dated 30<sup>th</sup> December 2015, subsistence and meal allowances were not to be paid for activities undertaken within the district boundary. Contrary to the Circular, amounts totalling K3,070 were paid to four (4) officers as subsistence allowance to carry out works within the district boundary.

**k. Unretired Accountable Imprest**

Local Authorities Financial Regulation No. 119 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. Contrary to the regulation, accountable imprest in amounts totalling K163,700 issued to twelve (12) officers had neither been retired nor recovered as at 31<sup>st</sup> March, 2019.

**l. Unaccounted for Stores**

Contrary to Local Authorities Financial Regulation No. 145, stores items costing K50,198 (General stores – K32,562 and fuel – K17,636) procured during the period under

review were not accounted for in that no receipt and disposal details were availed for audit.

**m. Failure to Avail Assets Ownership Documents**

Contrary to the Lands Act No. 29 of 1995, Section 8 which requires that individuals or institutions owning land must possess title deeds as proof of ownership, the Council did not have title deeds for sixteen (16) of its properties comprising of houses, restaurant, butchery, court, bank, toilets, bus station and council chamber valued at K2,060,450.

Consequently, the Council was unable to insure its properties.

**n. Management of the Environment**

A review of the Council's operations regarding its management of the environment revealed the following:

**i. Failure to Produce Waste Management Plans and Reports**

According to Clause 56 Section (2) of the Environment Management Act No 12 of 2011, a local authority shall report annually to the Zambia Environmental Management Agency (ZEMA) on the types of waste and the quantity of each type of waste generated and disposed of within its area of jurisdiction and on the implementation of its integrated waste management plan.

Contrary to the Act, the Council did not produce and submit waste management plans and reports to ZEMA.

**ii. Improper Disposal of Waste**

Contrary to the licence conditions that require that waste be buried, it was observed that the waste at the dumpsite along Chama - Lundazi road was not being buried, thereby creating a health hazard.

**o. Constituency Development Funds (CDF)**

In 2017, the Council received Constituency Development Funds (CDF) amounting to K1,400,000 from Ministry of Finance for the two (2) constituencies in the district. Additionally, there was a balance of K2,800,000 that was brought forward from 2016 bringing the total funds available to K4,200,000.

As at 31<sup>st</sup> December, 2017, a total amount of K2,794,336 had been spent on various projects leaving a balance of K1,420,640.

However, a physical inspection of selected Constituency Development Fund (CDF) projects in the District conducted in February 2019 revealed weaknesses in the management of projects such as failure to complete projects on time, lack of supervision, poor workmanship resulting in cracks on walls and floors, leaking roofs and failure to take action against non-performing contractors among others. See table below.

| Project   | Contractor                   | Contract Date | Contract   |            | Contract Sum<br>K | Amount Paid<br>K | Scope of Works   | Project Status and other Observations  |
|---|------------------------------|---------------|------------|------------|-------------------|------------------|--|--|
|   |                              |               | Start      | End        |                   |                  |  |  |
| Construction of a Staff House at Zoole Primary School     | Chilichonse Nijume           | 01/09/2015    | 01/09/2015 | 22/09/2015 | 20, 000           | 11, 285          | Construction of a staff house – No specifications given and BOQs not availed (Labour cost) | <p>Although the works were completed, the following were observed:</p> <ul style="list-style-type: none"> <li>• Glass panes not fixed for the kitchen, storeroom and bedroom</li> <li>• Roofing had been poorly done, in some places using old iron sheets</li> <li>• Cracks had developed on the spoon drain.</li> </ul>      |
|   | Thomas Goma Suppliers        | 30/07/2015    | 30/07/2015 | 14/08/2015 | 104, 640          | 104, 640         | Supply of Building Materials   |  |
| Construction of National Assembly Staff House at Mangwele | Kampheta General Dealers     | 01/09/2015    | 01/09/2015 | 05/10/2015 | 20, 000           | 11, 000          | Construction of a staff house – No specifications given and BOQs not availed               | <p>As at 28<sup>th</sup> February 2019, the building had not been completed. The following works were still outstanding.</p> <ul style="list-style-type: none"> <li>• Beam filling, Plastering</li> <li>• Painting (interior and exterior)</li> <li>• windowpane fitting</li> <li>• flooring</li> <li>• spoon drain</li> </ul> |
|   | Chiboma Davidson Enterprises | 30/07/2015    | 30/07/2015 | 14/08/2015 |                   | 98, 410          | Supply of building materials   |  |
| Construction of a 1*3 Class Room Block at                 | Chalemanje General Dealers   | 01/09/2015    | 01/09/2015 | 26/10/2015 | 60, 000           | 26, 000          | Contract not presented from which the scope of   | Construction of the classroom block was completed. However, it was observed that the windowpanes for the office were not fitted to frame   |



|   |                                       |   |   |   |          |         |  |   |
|---|---------------------------------------|---|---|---|----------|---------|--|---|
| Kabele Primary School                                       |                                       |   |   |   |          |         | works was to be derived  |   |
|   | Inner Change Construction & Suppliers | 30/07/2015  | 30/07/2015  | 14/08/2015  | 199, 225 | 59, 300 | Supply of building materials   |   |
|   | Thomas Goma Suppliers                 | Contract not presented from which details could have been derived | Contract not presented from which details could have been derived | Contract not presented from which details could have been derived |          | 1, 540  | Supply of building materials   |   |
| Construction of 1*3 Class Room Block at Zebe Primary School | Namwima General Trading               | 01/09/2015  | 01/09/2015  | 13/10/2015  | 60, 000  | 10,000  | Contract not presented from which the scope of works was to be derived | As at 28 <sup>th</sup> February 2019, the building was at ring beam level. The following were also observed. <ul style="list-style-type: none"> <li>• Slab was not done</li> <li>• Works had stalled as the contractor was not on site</li> <li>• 350 pockets of cement costing K55,855 had caked.</li> <li>• 21 PVA, 22 HC &amp; 1 GP paint costing K123,333 had expired.</li> </ul> |
|   | Katsons General Dealers               | 30/07/2015  | 30/07/2015  | 14/08/2015  |          | 258,650 | Supply of building materials   |   |
| Construction of a Health Centre at Mundalanga               | Namwima General Dealers               | 01/09/2015  | 01/09/2015  | 13/10/2015  | 30, 000  | 14, 500 | Contract not presented from which the scope of                         | As at 28 <sup>th</sup> February 2019, the structure was at roof level with the following works outstanding:   |

|  |                           |            |            |            |           |           |  |   |
|--|---------------------------|------------|------------|------------|-----------|-----------|--|---|
|  |                           |            |            |            |           |           | works was to be derived  | <ul style="list-style-type: none"> <li>• Beam filling</li> <li>• Painting</li> <li>• Fixing glass panes among others.</li> </ul>  |
|  | Exolic Corporation Ltd    |            |            |            |           | 103,533   | Supply of building materials   | <p>The following other observations were made:</p> <ul style="list-style-type: none"> <li>• slab was not done and materials bought for the same were not on site</li> <li>• cracks on one of the supporting pillars and spoon drain had developed</li> <li>• separation had developed between wall plate, veranda and spoon drain</li> <li>• The foundation was infested with termites all around the structure.</li> </ul> |
|  | Kampheta General Dealers  |            |            |            |           | 16,070    | Supply of building materials   |   |
|  | Katsons General Suppliers |            |            |            |           | 6,255     | Supply of building materials   |   |
|  | Chiboma D Enterprises     |            |            |            |           | 1,280     | Supply of building materials   |   |
| Construction of Manthepa Rural Health Post | Namwima General Trading   | 31/01/2015 | 31/01/2015 | 14/08/2015 | 19,100    | 19,100    | Contract not presented from which the scope of works was to be derived | <p>As at 28<sup>th</sup> February 2019, the structure was at roof level with the following works outstanding:</p> <ul style="list-style-type: none"> <li>• Beam filling</li> <li>• Painting</li> <li>• Roofing</li> <li>• Plastering</li> <li>• Fixing windowpanes among others.</li> </ul> <p>The following observations were also made:</p>   |
|  | Fort Suppliers            | 17/07/2015 | 17/07/2015 | 31/07/2015 | 74,070.50 | 74,070.50 | Supply of building materials   |   |
|  | Tongomala Enterprises     |            |            |            |           | 8,940     | Fabrication of steel trusses   |   |

|  |                          |            |            |            |         |         |  |   |
|--|--------------------------|------------|------------|------------|---------|---------|--|---|
|  | Katsons General Supplier |            |            |            |         | 5, 840  | Supply of building materials   | <ul style="list-style-type: none"> <li>• Slab was not done and materials bought for the same were not on site</li> <li>• Concrete seats broken off on one panel</li> </ul>  |
|  | Muchinga Construction    |            |            |            |         | 16, 820 | Supply of building   | <ul style="list-style-type: none"> <li>• Front ring beam sagging</li> <li>• 10x5liters paint on site expired on 10/10/2018</li> <li>• 26*50kg Cement had caked</li> <li>• Cracks on the spoon drain had developed</li> <li>• Foundation was infested with termites all around the structure.</li> </ul>   |
| Construction of a Maternity Ward at Mphalausenga Rural Health Post | ChilichoseNijume         | 31/07/2015 | 31/07/2015 | 30/09/2015 | 20, 000 | 18, 624 | Contract not presented from which the scope of works was to be derived | <p>As at 28<sup>th</sup> February 2019, the maternity ward was at roof level. The outstanding works included painting and glazing.</p> <p>The following other observations were made:</p> <ul style="list-style-type: none"> <li>• Slab was not done, however, materials bought for the same were not on site</li> <li>• Veranda and spoon drain detached from main structure</li> <li>• Cracks on the spoon drain had developed</li> <li>• The foundation was infested with termites.</li> </ul> |
|  | Muchinga Construction    |            |            |            |         | 2, 880  | Fabrication of steel trusses   |   |
|  | Darwin Enterprises Ltd   | 17/07/2015 | 17/07/2015 | 30/07/2015 | 74, 406 | 74, 406 | Supply of building materials   |   |
| Completion of a 1*2Class Room Block at                             | Techplan Construction    | 01/09/2015 | 01/09/2015 | 24/10/2015 | 19, 000 | 19, 000 | Contract not presented from which the scope of                         |   |

|   |                         |            |            |            |        |        |  |  |
|---|-------------------------|------------|------------|------------|--------|--------|--|--|
| Chimilila<br>Primary School   |                         |            |            |            |        |        | works was to be derived  | As at 28 <sup>th</sup> February 2019, the building had been roofed. However, the following works were outstanding: <ul style="list-style-type: none"> <li>• Plastering</li> <li>• Painting (Interior and Exterior)</li> <li>• Fixing air vents</li> <li>• Spoon drain</li> <li>• Fixing doors</li> <li>• Fixing windowpanes</li> </ul> |
|   | Tongomola Enterprises   |            |            |            |        | 3,600  | Fabrication of steel trusses   |  |
|   | Fort Suppliers          | 17/07/2015 | 17/07/2015 | 31/07/2015 | 74,373 | 74,373 | Supply of building materials   |  |
|   | Thomas Goma Suppliers   |            |            |            |        | 5,810  | Supply of building materials   |  |
| Completion of a 1*2 Class Room Block at Kasambandola Primary School | Namwima General Trading | 01/10/2015 | 01/10/2015 | 31/12/2015 | 15,000 | 10,000 | Contract not presented from which the scope of works was to be derived | As at 28 <sup>th</sup> February 2019, the roofing of a classroom block was completed. However, the following observations were made <ul style="list-style-type: none"> <li>• Timber trusses used for roofing had been eaten off by termites</li> <li>• The roof had since been blown off on one of the classrooms.</li> </ul>          |
|   | Temking General Dealers |            |            |            |        | 49,368 | Supply of building materials   |  |

## Chililabombwe Municipal Council

### The Council

9. During the period under review, the Council had twenty-five (25) members comprising the Mayor, twenty-two (22) Ward Councillors and two (2) representatives of Chiefs.

### Administration

The day to day running of Council is the responsibility of the Town Clerk who is assisted by the Directors of Finance, Human Resources and Administration, Engineering Services, Planning, Housing and Social Services and Public Health

### Revenue

During the period from 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2017, the Council received grants and generated funds in amounts totalling K110,110,903 as shown in the table below.

| Source             | 2017<br>K         | 2016<br>K         | 2015<br>K         | TOTAL<br>K         |
|--------------------|-------------------|-------------------|-------------------|--------------------|
| Local Taxes        | 16,551,147        | 17,021,107        | 8,315,931         | <b>41,888,185</b>  |
| Fees and Charges   | 17,472,027        | 8,725,983         | 12,981,916        | <b>39,179,926</b>  |
| Other Income       | -                 | 1,396,912         | 72,364            | <b>1,469,276</b>   |
| National Support * | 10,887,733        | 8,789,432         | 7,896,351         | <b>27,573,516</b>  |
| <b>Total</b>       | <b>44,910,907</b> | <b>35,933,434</b> | <b>29,266,562</b> | <b>110,110,903</b> |

#### \*National Support

| Source                     | 2017<br>K         | 2016<br>K        | 2015<br>K        | TOTAL<br>K        |
|----------------------------|-------------------|------------------|------------------|-------------------|
| Equilisation Grant         | 9,387,733         | 8,789,432        | 6,196,351        | <b>24,373,516</b> |
| Grants in Lieu of Rates    | 100,000           | -                | 300,000          | <b>400,000</b>    |
| Constituency Development F | 1,400,000         | -                | 1,400,000        | <b>2,800,000</b>  |
| <b>Total</b>               | <b>10,887,733</b> | <b>8,789,432</b> | <b>7,896,351</b> | <b>27,573,516</b> |

### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017 carried out in October 2018 revealed the following:

#### a. Failure to Fill Vacant Positions

The Council had an establishment of three hundred and forty-one (341) positions out of which two hundred and thirty-two (232) were filled leaving one hundred and nine (109) vacant as at 31<sup>st</sup> March 2019. Out of the vacant positions, some were key to the smooth running of the organisation such as Chief Internal Auditor, IT Manager, Director of Valuation, and Chief Buildings Inspector.

**b. Over Employment of Revenue Collectors**

Although the establishment provided for twenty (20) revenue collectors, the Council employed forty-two (42) resulting in over employment of twenty-two (22) revenue collectors without obtaining authority from the full Council. In this regard, amounts totalling K586,080 were irregularly paid as emoluments.

**c. Failure to Collect Revenue**

During the period from January to December 2017, the Council expected to collect amounts totalling K33,808,864 from three revenue streams namely; Property Rates, Rent/Lease of Commercial Space and service charges from Residential Plots Service Charges. However, a review of ledgers revealed that amounts totalling K28,012,148 were collected leaving a balance of K5,796,716 uncollected. See table below.

| Revenue Type                           | Expected Income<br>K | Actual Income Collected<br>K | Balance Uncollected<br>K |
|--|----------------------|------------------------------|--------------------------|
| Property Rates                         | 28,394,038           | 22,819,862                   | 5,574,176                |
| Rent/Lease of Commercial Space         | 1,888,945            | 1,713,751                    | 175,194                  |
| Service Charges from Residential Plots | 3,525,881            | 3,478,535                    | 47,346                   |
| <b>Total</b>                           | <b>33,808,864</b>    | <b>28,012,148</b>            | <b>5,796,716</b>         |

**d. Failure to Remit Statutory Obligations**

Statutory obligations in amounts totalling K10,599,639 deducted from employees' salaries during the period under review had not been remitted to the respective institutions as at 31<sup>st</sup> March 2019. See table below.

| Institution  | Amount<br>K       |
|--------------|-------------------|
| LASF         | 1,800,838         |
| NAPSA        | 558,238           |
| ZRA          | 8,240,563         |
| <b>Total</b> | <b>10,599,639</b> |

**e. 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, imprest in amounts totalling K86,919 was issued to three (3) officers for the procurement of goods such as stationery and building materials whose values were obtainable on the market.

**f. Failure to Remit Tax**

During the period under review, settling in allowances in amounts totalling K76,079 were paid to seven (7) officers out of which Pay As You Earn (PAYE) in amounts totalling K32,855 was deducted. However, the amounts deducted had not been remitted to the Zambia Revenue Authority (ZRA) as at 31<sup>st</sup> March 2019.

**g. Failure to Repair a Fire Tender – GRZ 851CN**

On 14<sup>th</sup> November 2017, a fire tender registration No. GRZ 851 CN was involved in a road traffic accident while returning from attending to a fire alert along Chingola road.

A review of the insurance records revealed that the fire tender was insured at the time of the accident with the Zambia State Insurance Company (ZSIC) at a premium amount of K230,000. The insurance covered a period from 9<sup>th</sup> October 2017 to 30<sup>th</sup> September 2018.

As at 28<sup>th</sup> February 2019, fifteen (15) months after the accident, the fire tender had not been repaired.

**h. Management of Properties Owned by the Council**

**i. Lack of Tittle Deeds**

Contrary to the Lands Act No. 29 of 1995, Section 8 which requires that individuals or institutions owning land must possess title deeds as proof of ownership, the Council did not have title deeds for thirty-three (33) properties valued at K1,933,153 recognised in its records.

**ii. Failure to Provide Tenancy Agreements**

During the period under review, the Council leased out ninety (90) shops. However, the Council did not have lease agreements for forty-seven (47) shops. In this regard, it was not possible to ascertain when the tenants occupied the shops and the amount of rentals which were collectable.

**iii. Failure to Maintain Properties**

A review of documents and physical inspections of selected properties owned by the Council carried out in October 2018 revealed that some properties were dilapidated due to lack of maintenance as detailed below.

- **Lubengele Community Hall**

The hall was valued at K253,600 and was in a poor condition with falling ceiling boards, cracks on the floor and the window panes were broken. See pictures below.



*No glass panes*



*Cracks on the floor*

- **Engineering Buildings**

The engineering building had cracked walls and was in a state of disrepair. See pictures below.



*Cracked walls.*



*Cracked walls.*

- **Council Restaurant**

The restaurant had cracked walls and wall tiles



*Cracked wall tiles*



*Cracked walls*

**i. Failure to Survey Plots**

Circular No. 1 of 1985 by the Ministry of Lands and Natural Resources requires that plots are surveyed, beacons and numbered before advertising them for public offering.



Contrary to the circular, the Council allocated four hundred and forty-four (444) plots to members of the public and collected premiums in amounts totalling K3,552,000 without surveying the plots. See table below.

| Plot Type    | Location | No. of Plots allocated | Surveyed Plots | Plots not Surveyed |
|--------------|----------|------------------------|----------------|--------------------|
| High Cost    | Konkola  | 400                    | 188            | 212                |
| Medium Cost  | Lubansa  | 60                     | 0              | 60                 |
| Low Cost     | Lubansa  | 172                    | 0              | 172                |
| <b>Total</b> |          | <b>632</b>             | <b>188</b>     | <b>444</b>         |

**j. Environmental Management**

A scrutiny of environmental related records and a physical inspection of the surrounding Communities and of the dump site carried out in October 2018 revealed the following:

**i. Failure to Produce Reports**

Contrary to Clause 56 section (2) of Environmental Management Act which provides that a local authority submits annually, reports to the Zambia Environmental Management Agency (ZEMA) on the types of waste and tonnage of each type of waste generated and disposed of within its area of jurisdiction, during the period under review, the Council did not prepare and submit waste management reports to ZEMA.

**ii. Failure to Conduct Medical Examination of Staff**

Contrary to the Environmental Management (Licensing) Regulations, 2013 which state that the personnel involved in the collection and transportation of waste shall undergo appropriate medical check-ups annually, personnel involved in the collection and transportation of waste at the Council did not undergo any medical check-ups during the period under review.

**iii. Illegal Dumping of Waste**

According to Environmental Management Act of 2012 on the role of Councils in waste management, the Council was supposed to have designated dumping sites. However, the Council did not have designated dumping sites and consequently waste was being dumped haphazardly. See pictures below.



*Illegal dumping site in one of the residential areas*



*Garbage dumped just behind a house*

It was further observed that at Twikatane Market, the skip bins were filled resulting in waste being dumped around the skip bins. See picture below.



*Skip bins at Twikatane Market*

## **Chinsali Municipal Council**

### **The Council**

10. During the financial year ended 31<sup>st</sup> December 2017, the Council had twenty (20) members comprising the Mayor, fifteen (15) Ward Councillors, three (3) representatives of Chiefs and one (1) Alderman.

### **Administration**

The day to day running of the Council is the responsibility of the Town Clerk who is assisted by the Directors of Finance, Human Resource and Administration, Legal Services, Engineering Services and Planning.

### **Revenue**

During the period under review, the Council received grants and generated funds in amounts totalling K16,295,667 as shown in the table below.

| Source            | Amount<br>K       |
|-------------------|-------------------|
| Owner Rates       | 166,168           |
| Fees and Charges  | 826,259           |
| Levies            | 4,814             |
| Licenses          | 380,318           |
| Permits           | 127,308           |
| Service Charges   | 2,727,333         |
| National Support* | 12,063,467        |
| <b>Total</b>      | <b>16,295,667</b> |

**\*National Support**

| Type of Grant     | Amount<br>K       |
|-------------------|-------------------|
| Equalisation Fund | 11,363,467        |
| CDF               | 700,000           |
| <b>Total</b>      | <b>12,063,467</b> |

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Council for the period under review and physical inspections of projects carried out in February 2019 revealed the following:

**a. Lack of a Risk Management Policy**

A review of the internal control environment revealed that the Council had no risk management policy for the financial year under review that would enable the Council identify and mitigate risks that might be detrimental to its operations.

**b. Missing Receipt Books**

Contrary to the Local Authorities Financial Regulation No. 28 which requires the keeping of accounting records such as cash books and receipts of all types until they are audited, four (4) Revenue Receipt Books were not availed for audit. In this regard, it was not possible to verify the total revenue collected on the receipts.

**c. 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 K36,813 for periods ranging from three (3) to twenty-eight (28) days.

**d. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, ten (10) payments in amounts totalling K128,080 made during the period under review were not supported with relevant documents such as invitation letters, oral contracts and receipts among others.

**e. Unretired Accountable Imprest**

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. Contrary to the regulation, accountable imprest in amounts totalling K13,494 issued to three (3) officers had neither been retired nor recovered as at 31<sup>st</sup> March, 2019.

**f. Irregular Payments**

**i. Subsistence Allowances**

According to Cabinet Office Circular Minute of 2015 dated 30<sup>th</sup> December 2015, subsistence allowances were not to be paid for activities undertaken within the district boundary.

However, during the period under review, amounts totalling K44,703 were irregularly paid to eight (8) officers as subsistence allowances to carry out activities that were undertaken within the district boundary.

**ii. Fuel Drawings**

During the period under review, the Mayor drew fuel costing K8,131 to undertake activities within the district. However, the drawings were irregular as the officer was receiving monthly fuel allowance to cater for travel undertaken within the district.

**g. Unaccounted for Stores**

Contrary to Local Authorities Financial Regulation No. 145, stores items costing K445,092 (General Stores – K81,231 and Fuel – K363,861) procured during the period under review were not accounted for in that there were no receipt and disposal details.

Further, 153 litres of fuel costing K1,775 was drawn from the service station using containers and unidentified motor vehicles without indicating the purpose or how the fuel was utilised.

**h. Fuel Drawn by Motor Vehicles not on Institutional Fleet**

During the period under review, fuel costing K21,049 was irregularly drawn by twenty-four (24) motor vehicles which were not on the fleet owned by Chinsali Municipal Council without the authority of a Responsible Officer.

**i. Failure to Avail Title Deeds**

Contrary to the Lands Act No. 29 of 1995, Section 8 which requires that individuals or institutions owning land must possess title deeds as proof of ownership, there were no title deeds availed for audit for the twenty-one (21) properties valued at K9,314,845 owned by the Council.

**j. Uncollected Revenue**

Local Authorities Financial Regulations Nos. 12 (h) and 76 state that all revenue and other Council moneys which become due and payable to the Council must be collected punctually. However, a scrutiny of the debtors schedule for the period under review revealed that as at 31<sup>st</sup> March 2019, the Council was owed amounts totalling K2,117,166 in respect of unpaid property rates, plot premiums and billboard charges. See table below.

| <b>Details</b>    | <b>Amount<br/>K</b> |
|-------------------|---------------------|
| Plot Premium      | 1,511,436           |
| Property Rates    | 528,108             |
| Billboard Charges | 72,822              |
| Rentals           | 4,800               |
| <b>Total</b>      | <b>2,117,166</b>    |

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

It was observed that the Council had not been remitting statutory and other contributions deducted from employees' salaries. As at 31<sup>st</sup> December 2017, the unremitted amount had accumulated to K7,482,939 as shown in the table below.

| <b>Institution</b> | <b>Amount<br/>K</b> |
|--------------------|---------------------|
| ZRA                | 5,796,589           |
| NAPSA              | 894,645             |
| Unions             | 34,870              |
| Funeral Insurance  | 8,622               |
| LASF               | 748,213             |
| <b>Total</b>       | <b>7,482,939</b>    |

**l. Outstanding Staff Obligations**

A review of accounting and other records revealed that as at 31<sup>st</sup> December 2017, the Council owed amounts totalling K279,035 to thirty-two (32) officers in respect of settling in allowances. As at 31<sup>st</sup> March 2019, the staff obligations had not been paid.

**m. Equalization Fund - Capital Projects (20%)**

Out of amounts totalling K11,363,467 that the Council received as equalisation funds, amounts totalling K2,272,693 being 20% of the funded amounts, were meant and allocated for capital projects. As at 31<sup>st</sup> December 2017, amounts totalling K2,036,109 had been spent on five (5) projects as detailed below;

| <b>Project</b>                                  | <b>Amount<br/>Spent<br/>K</b> |
|---|-------------------------------|
| Construction of an ablution block at Old Market | 208,169                       |
| Construction of an ablution block at Nambula    | 311,462                       |
| Construction of Nkakula Guest House             | 1,488,406                     |
| Road Maintenance                                | 7,888                         |
| Street Lighting                                 | 20,184                        |
| <b>Total</b>                                    | <b>2,036,109</b>              |

However, the following were observed:

**i. Irregular Expenditure - Construction of an Ablution block at Nambuluma Junction**

In 2016, the Council engaged MKP contractors to construct an ablution block at Nambuluma at a contract sum of K401,348. The scope of works included construction of sub and super structure, roofing, plumbing installations, electrical installations, glazing, painting, floor, wall and ceiling finishing, external works and installation of showers. As at 31<sup>st</sup> October 2018, the contractor had been paid the whole contract sum of K401,348 and the works had been completed.

However, it was observed that the Council incurred additional costs totalling K27,191 in respect of building materials (K17,191) and labour (K10,000) despite these works being part of the contract with MKP contractors.

**ii. Irregularities in the Rehabilitation of Nkakula Guest House**

In 2016, the Council commenced renovations of Nkakula guest house on a labour-based basis. The scope of works included demolition of walls, concrete works, re-roofing and drilling of a borehole. However, the following were observed:

- There was no bill of quantity (BOQ) that was available to guide the expenditure on the project.
- On 6<sup>th</sup> September 2016, the full Council approved to limit the cost of the completion of the project to K371,884. However, the Council spent an amount of K1,596,962 thereby exceeding the approved amount by K1,225,078 without seeking approval from the full Council.
- On 18<sup>th</sup> May 2017, an amount of K15,989 was paid to four (4) officers in respect of subsistence allowances and fuel to travel to Lusaka to select furniture for the guest house. The expenditure was wasteful as the furniture for the guest house was only procured in January 2019.
- The Council engaged the Department of Water Affairs to drill a borehole and paid amounts totalling K5,000 on 18<sup>th</sup> September 2017 to officers from the Department of Water Affairs in respect of allowances for the works. However, the payment was irregular as the officers were working within the district.

**n. Management of the Environment**

A review of the Council's operations regarding the management of the environment revealed the following:

**i. Failure to Produce Waste Management Plans and Reports**

According to Clause 56 Section (2) of the Environment Management Act No 12 of 2011, a local authority shall report annually to the Zambia Environmental Management Agency (ZEMA) on the types of waste and the quantity of each type of waste generated and disposed of within its area of jurisdiction and on the implementation of its integrated waste management plan.

Contrary to the Act, the Council did not produce a waste management plan and reports for submission to ZEMA.

**ii. Improper Disposal of Waste – Chinsali Dump Site**

Contrary to the license conditions that require that waste be buried and not burnt, it was observed that the waste at the Chinsali dump site was being burnt, thereby creating a health hazard. See pictures below.



*Burnt Waste at Chinsali Dumpsite*

**iii. Failure to Provide Litter Receptacles – Nambuluma Junction**

Contrary to the Environmental Management Act of 2011, Section 56 (1) (e) which requires Local Authorities to provide litter receptacles in public places within their area of jurisdiction, the Council did not have a litter receptacle at the Nambuluma Junction. Consequently, litter was being disposed of indiscriminately. See pictures below.



*Litter disposed indiscriminately at Nambuluma Junction*



## Chipata City Council

### The Council

11. During the financial year ended 31<sup>st</sup> December 2017, the Council had twenty five (25) members comprising the Mayor, twenty two (22) Ward Councillors and two (2) Chiefs' representatives.

### Administration

The day-to-day running of the Council is the responsibility of the Town Clerk who is assisted by seven (7) Directors of Finance, Human Resource and Administration, Legal Services, Engineering Services, Development Planning, Public Health and Housing and Social Services.

### Revenue

During the period under review, the Council received grants and generated funds in amounts totalling K29,270,554 as shown in the table below.

| Revenue               | Amount<br>K       |
|-----------------------|-------------------|
| Personal Levy         | 120,013           |
| Local Taxes and Rates | 2,744,004         |
| Permits               | 936,422           |
| Fees and Charges      | 4,963,642         |
| Licences              | 1,428,203         |
| Other Income          | 3,247,779         |
| National Support*     | 15,830,491        |
| <b>Total</b>          | <b>29,270,554</b> |

### \*National Support

| Grant                  | Amount<br>K       |
|------------------------|-------------------|
| Equalisation Grant     | 11,119,889        |
| CDF                    | 4,200,000         |
| Grant in Lieu of Rates | 510,602           |
| <b>Total</b>           | <b>15,830,491</b> |

### Accounting and other Irregularities

An examination of accounting and other records maintained at the Council for the period under review and a physical inspection of selected projects carried out in March 2019 revealed the following:

#### a. Lack of a Risk Management Policy

A review of the internal control environment revealed that the Council had no Risk Management Policy to enable the Council identify and mitigate risks that could be detrimental to the operations of the Council.

**b. 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, thirty eight (38) payment vouchers in amounts totalling K235,944 processed during the period under review were not availed for audit.

**c. Unretired Accountable Imprest**

Contrary to Local Authorities Financial Regulation No. 119, accountable imprest in amounts totalling K58,938 issued to five (5) officers during the period under review had not been retired as at 31<sup>st</sup> March, 2019.

**d. Irregular Medical Refunds**

Section 156 of the Conditions of Service Local Government Officers states that officers and dependents are entitled to free medical attention from an approved medical institution provided that the medical services have been authorised by the supervising officer on the recommendation of an approved medical officer and entitled to a refund on production of evidence of payment in accordance with any medical aid scheme in force.

During the period under review, the Council paid medical refunds in amounts totalling K11,892 to various officers. However, the refunds were irregular as the Council did not have a medical scheme in place.

**e. Failure to Inscribe Council Assets**

Contrary to Public Stores Regulation No. 154 which states that, “all furniture and equipment belonging to the Government must be clearly marked with distinguishing letters in an inconspicuous part of the asset to identify it”, various assets costing K154,559 procured during the period under review had no identification marks.

**f. Failure to Remit Statutory Obligations**

A review of records and inquiries with management revealed that during the period under review, the Council owed various statutory bodies amounts totalling K13,049,355 in unremitted statutory obligations such as pension contributions and Pay As You Earn (PAYE). See table below.

| <b>Institution</b> | <b>Amount<br/>K</b> |
|--------------------|---------------------|
| ZRA                | 5,725,679           |
| LASF               | 5,060,847           |
| NAPSA              | 2,262,829           |
| <b>Total</b>       | <b>13,049,355</b>   |

**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 K60,825 procured during the period under review were unaccounted for in that there were no disposal details.

**h. Fuel Drawings not Entered in Logbooks**

Contrary to Public Stores Regulation No. 67, fuel costing K158,458 drawn by various vehicles during the period under review was not entered in the vehicle logbooks making it not possible to determine whether it was used for the intended purpose.

**i. Misapplication of Funds - Equalisation Funds**

During the period under review, the Council received equalisation funds in amounts totalling K11,857,534. According to the Local Government (Amendment) Act No. 12 of 2014, a Council shall use at least 20% of the equalization fund received in any financial year to finance capital expenditure.

Out of equalisation funds amounting to K11,857,534, an amount of K2,371,507 being 20% of the equalisation funds was meant for capital expenditure. However, amounts totalling K1,811,379 were applied on unrelated activities such as payment of salaries, bailiff's fees, Court Order damages and maintenance of vehicles among others, without authority from the Secretary to the Treasury.

**j. Constituency Development Funds**

During the period under review, the Council received Constituency Development Funds (CDF) in amounts totalling K4,397,211 as shown in the table below.

| <b>CONSTITUENCY</b> | <b>BALANCE<br/>B/F(K)</b> | <b>DATE<br/>FUNDS<br/>RECEIVED</b> | <b>AMOUNT<br/>RECEIVED<br/>K</b> | <b>AVAILABLE<br/>FUNDS<br/>K</b> |
|---------------------|---------------------------|------------------------------------|----------------------------------|----------------------------------|
| Chipata Central     | 42,407                    | 23.11.17                           | 1,400,000                        | 1,442,407                        |
| Luangeni            | 942                       | 18.05.17                           | 700,000                          | 700,942                          |
| Chipangali          | 151,613                   | 24.11.17                           | 1,400,000                        | 1,551,613                        |
| Kasenengwa          | 2,249                     | 12.10.17                           | 700,000                          | 702,249                          |
| <b>Total</b>        | <b>197,211</b>            |                                    | <b>4,200,000</b>                 | <b>4,397,211</b>                 |

However, the following were observed:

**i. Missing Payment Vouchers**

Contrary to Local Authorities Financial Regulation No. 98, two (2) payment vouchers in amounts totalling K17,447 were not availed for audit.

**ii. Paid for works but not done- Connection of Electricity to Tilimbe Milling for the Blind in Kapata Ward**

On 24<sup>th</sup> April, 2017, the Council paid Zesco Ltd an amount of K21,202 for the connection of electricity to Tilimbe Milling for the Blind in Kapata Ward. However, electricity had not been connected as at 31<sup>st</sup> March, 2019.

**iii. Completed Projects but not Operational**

Amounts totalling K261,000 were allocated to nine (9) projects for construction of water kiosks in Dilika and Msanga Wards out of which amounts totalling K218,992 had been spent on materials while the balance K39,150 was allocated for labour charges.

A physical inspection of the projects carried out in September, 2018 revealed that the water Kiosks had been completed but were not operational as water had not been connected.

**k. Management of Council Properties**

**i. Lack of Title Deeds for Council Property**

Contrary to the Lands Act No. 29 of 1995 which requires individuals and institutions to possess title deeds as proof of ownership, Chipata City Council had no title deeds for thirty-one (31) properties. Fourteen (14) of these properties were valued at K20,482,030 as per the Property Valuation conducted in March and April 2018.

Further, contrary to the Local Authorities Financial Regulation No. 154, all the properties had not been insured as at 31<sup>st</sup> March, 2018.

**ii. Lack of a Maintenance Policy for Council Property**

Inquiries with Chipata City Council revealed that the Council did not have a maintenance policy in place to ensure that buildings are maintained periodically. As a result, the Council's properties were in a general state of disrepair. In particular, it was observed that the Bamboo Inn building was in a poor state in that the main door was

not lockable, there was no door affixed to the door frame on the northern side of the building, cracks had developed on the floor and the iron roofing sheets were not firmly fixed, among others. See pictures below.



*Bamboo Inn*

### **iii. Failure to Avail Lease Agreements**

The Council had twelve (12) properties which it had leased out. However, no signed lease agreements were availed for audit.

### **1. Weaknesses in the Management of Chipata Motel**

Chipata Motel is a commercial venture operating as a lodge and is wholly owned by Chipata City Council. The Motel's income streams include accommodation, sale of meals and beverages.

An examination of accounting and other records maintained at the Chipata Motel revealed the following:

#### **i. Failure to Register the Motel with PACRA**

According to the Tourism and Hospitality Act No. 13 of 2015, a business that offers tourism related services such as providing accommodation is a tourism enterprise and no persons are to operate a tourism enterprise without registering the business as a tourism enterprise in accordance with the Companies Act. Contrary to the above, the Chipata Motel was not a registered tourism enterprise with the Patents and Companies Registration Agency (PACRA).

In addition, the Chipata Motel was operating without a licence from the Zambia Tourism Agency contrary to Section (23) of the Act.

**ii. Failure to Pay Income Tax**

The Chipata Motel is a business subsidiary of the Council and is required to pay Income Tax as per Income tax Act Chapter 323 Sections 2, 14 and 17 of the Laws of Zambia. However, contrary to the Act, the Council did not charge provisional income tax of K36,311 on the Motel’s reported profit for 2017.

|                                     | <b>Council Income statement<br/>K</b> |
|-------------------------------------|---------------------------------------|
| Revenue                             | 1,096,018                             |
| operating expenses                  | 992,273                               |
| <b>Gross Profit</b>                 | <b>103,745</b>                        |
| <b>Provisional Income Tax (35%)</b> | <b>36,311</b>                         |

**iii. Outstanding Receivables from Council Workers**

According to the Local Authorities Financial Regulation No. 12, the function of the Treasurer who is the principal adviser to the Council in matters relating to the general finances of the Council is to collect punctually all revenue and other Council money which becomes due and payable to the Council.

Contrary to the regulation, the Chipata Motel had not collected amounts totalling K379,320 owed to it by seventy-nine (79) Local Government Officers who had been accommodated by the Motel during the period from June 2016 to December 2017 (2016 - K13,650 and 2017 - K365,670). Further, it was observed that seven (7) of the officers who owed the Motel had been transferred from Chipata City Council to other Local Authorities.

**iv. Unaccounted for Stores**

Contrary to the 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 K40,829.70 were unaccounted for in that there were no receipt and disposal details.

**m. Environmental Management**

An assessment of the effectiveness of the environmental management at the Council revealed the following:

**i. Dumpsite**

Chipata City Council had one disposal site, where all the waste collected by the Council and other transporters within the city was dumped.

However, the following were observed:

- **Illegal Use of Dumpsite**

Contrary to the Environmental Management Act of 2013, the Council did not have a license from the Zambia Environmental Management Agency (ZEMA) to transport waste and operate a disposal site.

In March 2018, ZEMA directed the Council to close the dumpsite as it was near a water body and that the site was designated to be a Multi Facility Economic Zone (MFEZ). However, as at 30<sup>th</sup> September, 2018, the Council had not closed the dumpsite.

- **Lack of a Weigh Bridge**

There was no weigh bridge at the dumpsite to weigh the tonnage transported and dumped. Consequently, the Council was unable to prepare and submit to ZEMA annual reports on tonnage of waste handled and dumped at the dumpsite.

- **Dumpsite not Fenced**

Contrary to Statutory Instrument No. 112 of 2013, which requires the Local Authority to fence the dumpsite for protection from access by unauthorised persons, the Council did not fence the facility.

- **No Warning Signs**

The Environmental Management Act of 2011 requires that warning signs are displayed to warn the general public of the existence of the dumpsite and to restrict access by unauthorised persons. However, as at 31<sup>st</sup> March 2019, there were no warning signs displayed at the dumpsite.

- **Dumpsite not Manned by Security Personnel**

The dump site was not manned by security personnel leading to scavengers accessing the site.

- **Exposure of Community to Health Risk**

Contrary to Statutory Instrument No. 112 of 2013, which requires that the waste be dozed with a layer of soil, it was observed that the Council did not compact or cover the waste with a layer of soil thereby exposing the community to health hazards.

- **Lack of Borehole**

There was no borehole at the dumpsite for monitoring of ground water quality.

**ii. Failure to Prepare an Integrated Waste Management Plan**

Contrary to Regulation No. 56 (f) of the Environmental Management Act of 2011 which requires Local Authorities to prepare and submit an integrated waste management plan to the Zambia Environmental Management Agency (ZEMA) for approval, the Council did not prepare and submit a waste management plan to ZEMA.

**iii. Failure to Produce Waste Management Report**

Statutory Instrument No. 12 of 2011 states that a Local Authority shall report annually to the Agency on the types of waste and the quantity of each type of waste generated and disposed of within its area of jurisdiction and on the implementation of its integrated waste management plan. Contrary to this regulation, there was no evidence that the Council submitted the waste management report to the Agency. Further, annual reports on the tonnage of waste handled and dumped at the dumpsite was also not submitted to ZEMA.

**iv. Failure to Provide Protective Clothing**

A physical inspection carried out at the Council premises revealed that the staff assigned to manage waste collection and disposal were not equipped with protective clothing.

**v. Failure to Take Medical Examination**

Contrary to the Environmental Management Act of 2011 which requires persons handling waste to undertake medical examinations twice a year, there was no evidence that staff handling waste underwent medical examinations.



**vi. Transportation and Management of Waste**

A review of relevant documents and inquiries made pertaining to collection and transportation of solid waste revealed that the Council engaged two (2) companies, namely; Sam Klin-it and Caterone to assist in collecting waste from various households and business centres and dump it at the dumpsite. The Council was responsible for collecting waste from the town centre and all other areas of the city including markets not covered by the two (2) contractors.

However, the following observations were made:

- **Lack of Signed Contracts with Transporters**

Although the two (2) companies collected solid waste within the jurisdiction of the council, there was no written documentation to specify the terms of engagement such as areas of responsibility, contract period, and contract amount among others, for each contractor. It was also observed that the two (2) contractors operated without franchise agreements from the Chipata City Council.

- **Non-Payment for Use of Dump Site**

Although the two (2) transporters were dumping waste at the dumpsite, there was no evidence that they were paying the Council for using the dumpsite.

## **Chirundu Town Council**

### **The Council**

12. During the financial year ended 31<sup>st</sup> December 2017, the Council had seventeen (17) members comprising the Chairperson, thirteen (13) Ward Councillors and three (3) Chiefs' representatives.

### **Administration**

The day to day operations of the Council is the responsibility of the Council Secretary who is assisted by the Council Treasurer, the Director of Works and the District Planning Officer.

## Revenue

During the period under review, the Council received grants and generated funds from various sources in amounts totalling K13,870,504 as shown in the table below.

| Source of Funds   | Amount<br>K       |
|-------------------|-------------------|
| Local Taxes       | 169,871           |
| Fees and Charges  | 3,966,358         |
| Licences          | 8,739             |
| Levies            | 151,906           |
| Permits           | 272,915           |
| Service Charges   | 631,634           |
| National Support* | 8,669,081         |
| <b>Total</b>      | <b>13,870,504</b> |

### \*National Support

| Description                   | Amount<br>K      |
|-------------------------------|------------------|
| Equalization Grant            | 7,869,081        |
| Grants In Lieu Of Rates       | 100,000          |
| Constituency Development Fund | 700,000          |
| <b>Total</b>                  | <b>8,669,081</b> |

## Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the period under review and a physical inspection of projects carried out in September and December 2018 revealed the following:

### a. Lack of Information Technology and Communication (ICT) Policy

A review of the ICT environment revealed that there was no ICT policy in place to guide the operations of ICT packages in order for the Council to derive maximum benefits and help improve service delivery. As a result, it was not possible to ascertain how the accounting software packages were being employed by the Council without a guiding policy on ICT.

### b. Failure to Produce Receipt Books and Other Accountable Documents

Contrary to Local Authorities Financial Regulation No.72, ten (10) general revenue receipt books and the related cash collection sheets, treasurer's receipts and deposit slips which were used to collect and account for K1,343,741 collected during the period under review were not availed for audit as of 31<sup>st</sup> March, 2019.

**c. Unaccounted For Revenue**

During the period under review, the Council collected revenue in amounts totalling K349,998 out of which amounts totalling K329,951 were banked leaving a balance of K20,047 unaccounted for.

**d. Unsupported Payments**

Contrary to Local Authorities Financial Regulations No. 86, forty-two (42) payments in amounts totalling K220,963 made during the period under review were not supported with relevant documents such as receipts, leave forms and oral contracts.

**e. Unretired Accountable Imprest**

Contrary to Local Government Financial Regulation No 119, accountable imprest in amounts totalling K10,000 issued to two (2) officers during the period under review had not been retired as 31<sup>st</sup> March, 2019.

**f. Irregular Use of Accountable Imprest**

Contrary to Financial Regulation No. 86 (c) which states that, “accountable imprest is imprest that is issued to facilitate purchase of goods and services whose values cannot be ascertained at the time”, it was observed that accountable imprest in amounts totalling K23,100 was used to procure goods and services whose values were readily obtainable on the market.

**g. Failure to Deduct PAYE**

Contrary to the Income Tax Act, eleven (11) officers were paid settling in allowances and commutation of leave days in amounts totalling K32,326 without deducting Pay as You Earn (PAYE).

**h. Unaccounted for Stores**

Contrary to the Local Authorities Financial Regulation No. 145, various stores items costing K227,321 (General Stores – K101,045 and Fuel – K126,276) procured during the period under review were not accounted for in that no receipt and disposal details were availed for audit as at 31<sup>st</sup> March, 2019.

**i. Failure to Settle Staff Obligations**

As at 31<sup>st</sup> December 2017, the Council owed amounts totalling K5,057,149 in respect of long service bonus, terminal benefits and settling in allowances among others. Some of which has been outstanding since 2016. See table below.

| <b>Details</b>          | <b>Amount<br/>K</b> |
|-------------------------|---------------------|
| Leave Travel Benefits   | 1,479,140           |
| Settling in Allowance   | 287,840             |
| Terminal Benefits       | 3,259,368           |
| Councillors' Allowances | 30,800              |
| <b>Total</b>            | <b>5,057,149</b>    |

**j. Failure to Settle Statutory Obligations and Contributions**

During the period under review, the Council owed various statutory and other bodies amounts totalling K2,511,448 in unsettled statutory obligations and contributions. See table below.

| <b>Details</b>                | <b>Amount<br/>K</b> |
|-------------------------------|---------------------|
| ZRA                           | 2,235,238           |
| NAPSA                         | 107,485             |
| Pensions Contributions (LASF) | 98,190              |
| ZULAWU                        | 65,586              |
| FIRESUZI                      | 4,948               |
| <b>Total</b>                  | <b>2,511,448</b>    |

**k. Equalisation Funds**

According to the Local Government (Amendment) Act No. 12 of 2014, a Council shall use at least 20% of funds received by the Council as equalisation funds, in any financial year, to finance capital projects.

In 2017, the Council received equalisation funds in amounts totalling K7,869,081 out of which K1,573,816 being 20% was to be spent on capital projects.

However, the following were observed:

**i. Misapplication of Capital Funds**

During the year under review, amounts totalling K752,449 meant for implementation of capital projects were applied on unrelated activities such as payment of LASF contributions, allowances and loans.

**ii. Construction of an Office at Rented Premises**

During the period under review, the Council constructed an office at a total cost of K40,780 on private property that it was renting. However, no contract or signed agreement between the owner of the premises and the Council was availed for audit. See picture below.



*Office structure constructed on a private property*

**I. Environmental Management**

An assessment of the effectiveness of the environmental management in compliance with the Environmental Management Act No. 12 of 2011 at the Council revealed the following:

**i. Failure to Cover Waste During Transportation**

The Council used a tractor and a tipper truck to collect and transport waste from the garbage bays to the dumpsite. However, the vessels used to transport waste had no tarpaulins to cover the waste contrary to the Act.

**ii. Damaged Waste Holding Bay**

The Mission garbage bay designated for dumping before waste was collected for disposal had collapsed walls resulting in scattering of waste around the surrounding areas. See pictures below.



*The Mission garbage bay with collapsed walls*

### **iii. The Dumpsite**

A physical inspection of the dumpsite revealed that the Council was not complying with the Waste Management Act in that;

- There was no weigh bridge at the dumpsite to weigh the waste transported by the Council.
- The Council did not fence off the dumpsite to protect it from access by unauthorised persons/animals.
- There were no warning signs at the dumpsite.
- The Council did not compact or cover the waste with a layer of soil as required. As a result, the road leading to the dumpsite was littered. See pictures below;



*Paper and other light waste scattered along the access road and surrounding bushes*

- The Council did not have workers at the dumpsite.
- The Council was not monitoring ground water quality at the site.
- There was uncontrolled open burning of waste at the dumpsite.



*Burnt waste at the dumpsite*

## **Choma Municipal Council**

### **The Council**

13. During the financial year ended 31<sup>st</sup> December 2017, the Council had thirty one (31) members comprising the Mayor, twenty seven (27) Ward Councillors and three (3) Chiefs' representatives.

### **Administration**

The day to day operations of the Council is the responsibility of the Town Clerk who is assisted by Directors of Finance, Human Resources and Administration, Legal Services, Engineering Services, Development Planning, Public Health and Housing and Social Services.

### **Revenue**

The Council received Grants from Central Government and generated funds from various sources in amounts totalling K22,589,456. See table below.

| <b>Source of Funds</b> | <b>2017<br/>K</b> |
|------------------------|-------------------|
| Owners' Rates          | 837,122           |
| Local Taxes            | 114,488           |
| Fees and Charges       | 2,095,089         |
| Licences               | 74,173            |
| Levies                 | 1,441,606         |
| Permits                | 576,692           |
| Charges                | 910,151           |
| Other Incomes          | 3,386,739         |
| National Support*      | 13,153,396        |
| <b>Total</b>           | <b>22,589,456</b> |

**\*National Support**

| <b>Source</b>           | <b>2017<br/>K</b> |
|-------------------------|-------------------|
| Equalisation Fund       | 11,353,396        |
| CDF                     | 1,400,000         |
| Grants in Lieu of Rates | 400,000           |
| <b>Total</b>            | <b>13,153,396</b> |

**Accounting and other Irregularities**

An examination of accounting and other records maintained at the Council for the period under review and a physical inspection of projects carried out in September 2018 revealed the following:

**a. Employment of Staff Beyond Authorised Establishment**

During the period under review, the Council had an authorised staff establishment of 329 positions out of which 194 positions were filled leaving 129 vacant positions.

Further, a scrutiny of the approved establishment revealed that the Council had one (1) position for a Senior Legal Office Assistant. However, a head count revealed that there were two (2) Senior Legal Officers Assistants employed resulting in variance of one.

In this regard, the gross salary in amounts totalling K15,240 paid to the other Senior Legal Office Assistant from 1<sup>st</sup> November to 31<sup>st</sup> December 2017 was irregular in that there was no Treasury Authority for the extra position. As at 31<sup>st</sup> March 2019, the Council had not normalised the variance.

**b. Failure to Collect Dog Registration Revenue**

The Dog and Licencing Regulation, Cap 247 of the Laws of Zambia, empowered the Council to collaborate with the Veterinary Department in dog registration where dog owners were required to go to the Veterinary Department and have the dogs vaccinated against rabies and thereafter go to the Council with the vaccination certificate and have the dogs registered with the Council at the following rates: 1<sup>st</sup> dog – K105 and 2<sup>nd</sup> dog - K110.

A comparison of records from the Veterinary Department and the Council pertaining to dog vaccination and registration revealed that during the period under review, the Veterinary Department vaccinated a total of 1,764 dogs while records from the Council indicated that no dog was registered. Consequently, the Council lost revenue amounting



to K185,220 based on the number of vaccinated dogs and at a registration fee of K105 per dog.

**c. Under Collection of Market Fees**

Section 5(1) of the Market and Bus Station Act No. 7 of 2007 states that all markets and bus stations shall be under the control and management of the Council having jurisdiction in the area in which they are situated. Further, Section 9(1) empowers the Council to collect fees and levies from anyone who desires to sell goods in the market.

During the period under review, the Council was to collect K1 per day per stand in five (5) public markets namely; Shampande, Green Market, Macha road, Kalukungu and Makalanguzu markets.

According to the available records and an inspection of markets conducted in January, 2019, the Council had 1,429 market stands, from which the Council was to generate K452,993 in the year based on six (6) working days per week. However, records at the Council indicated that only K22,059 was realised from the markets resulting in an under collection of revenue of K430,935. See table below.

| Market       | No. of Stalls | Fee/Day K | No. of working Days in a Year | Expected Revenue K | Actual Revenue Collected K | Undercollection K |
|--------------|---------------|-----------|-------------------------------|--------------------|----------------------------|-------------------|
| Shampande    | 81            | 1.00      | 317.00                        | 25,677             | -                          | (25,677)          |
| Kalukungu    | 190           | 1.00      | 317.00                        | 60,230             | -                          | (60,230)          |
| Green Market | 52            | 1.00      | 317.00                        | 16,484             | -                          | (16,484)          |
| Macha Road   | 106           | 1.00      | 317.00                        | 33,602             | -                          | (33,602)          |
| Makalanguzu  | 1,000         | 1.00      | 317.00                        | 317,000            | 22,059                     | (294,942)         |
| <b>Total</b> | <b>1,429</b>  |           |                               | <b>452,993</b>     | <b>22,059</b>              | <b>(430,935)</b>  |

**d. Failure to Provide Services at Markets**

Contrary to Section 16 (d) of the Market and Bus Station Act which requires the Council to provide services at markets, a physical inspection carried out in January, 2019 at five (5) public markets in Choma revealed that there was no water, sanitation, security and electricity provided by the Council at Makalanguzu market while Kalukungu market only had one (1) water tap to cater for the entire market.

**e. Failure to Collect Revenue-Petroleum Levy**

The Local Government (Business Levy) Amendment Regulations of 2012 empowers the Council to collect petroleum levy from all filling stations operating in the district. During the period under review, five (5) filling stations namely; Choma Garage, Mount Meru, Puma Masuku Rd Junction, Total and Puma Arupe were in operation in Choma and were

to pay K3,333 each per annum as petroleum levy bringing the total amount to be collected by the Council to K16,667. However, the Council only collected K667 leaving a balance of K16,000 as at 31<sup>st</sup> December 2017.

**f. Unaccounted for Revenue from Meat Inspections**

During the period under review, the Council provided inspection services to four (4) abattoirs in the district namely; More Beef, Zam-Zam, Dayo and Zamso abattoirs at K30 per bovine and K15 per ovine carcasses. According to the available records, the Council carried out 4,053 meat inspections out of which K121,590 was generated as at 30<sup>th</sup> September, 2018.

However, third party confirmations carried out in September 2018, revealed that the Council carried out 7,877 meat inspections from which a total amount of K236,310 was generated resulting in a difference of K114,720 that was not accounted for. See table below.

| Abattoir       | Rate (K) | No. of Inspections as per Council Records | Amount Collected as per Council Records K | No. of Inspections as per Records from Abattoirs | Amount Collected as per Records from Abattoirs K | Difference in Amounts K |
|----------------|----------|---|---|--|--|-------------------------|
| More Beef      | 30       | 3,360                                     | 100,800                                   | 4,823  | 144,690  | 43,890                  |
| Zam Zam        | 30       | 545                                       | 16,350                                    | 2,906  | 87,180   | 70,830                  |
| Dayo (Batoka)  | 30       | 61  | 1,830                                     | 61   | 1,830  | -                       |
| Zamso Abattoir | 30       | 87  | 2,610                                     | 87   | 2,610  | -                       |
| <b>Total</b>   |          | <b>4,053</b>                              | <b>121,590</b>                            | <b>7,877</b>                                     | <b>236,310</b>                                   | <b>114,720</b>          |

**g. Weaknesses in the Management of Commercial Properties**

A review of the Council minutes, asset register and a list of properties availed revealed that the Council owned twelve (12) commercial properties comprising play parks, office blocks, market sheds and houses among others. See table below.

| No. | Name of property                    | Location | Status   |
|-----|-------------------------------------|----------|----------|
| 1   | Batoka Market Shed                  | Batoka   | Not used |
| 2   | Batoka House No. 1                  | Batoka   | Unknown  |
| 3   | Batoka House No. 2                  | Batoka   | Unknown  |
| 4   | Batoka House No. 3                  | Batoka   | Unknown  |
| 5   | Mbabala Council Chamber and Offices | Mbabala  | Vacant   |
| 6   | Mbabala Old Garage                  | Mbabala  | Not used |
| 7   | Mbabala Council bar                 | Mbabala  | Vacant   |
| 8   | Mbabala Orchard                     | Mbabala  | Vacant   |
| 9   | Shampande Play Park                 | Choma    | Vacant   |
| 10  | Riverside House                     | Choma    | Vacant   |
| 11  | Mochipapa Play Park                 | Choma    | Vacant   |
| 12  | Batoka Lodge                        | Batoka   | In use   |

However, the properties were poorly managed as they had not been maintained in a long time and were not in use except for Batoka lodge. Consequently, the Council could not use the properties to generate revenue.

It was also observed that although Batoka lodge was in use, it was not able to sustain itself. It was particularly observed from the financial report of the lodge for the financial year ended 31<sup>st</sup> December 2017 that the lodge generated a total revenue of K45,369 against a total expenditure of K142,042 on wages, which resulted in a loss of K96,673.

**h. Failure to Participate in the Operations of SWSCL as Shareholder**

The Council is a shareholder in the Southern Water and Sewerage Company Limited (SWSCL), a water utility company with its headquarters in Choma District. The shareholding was through the transfer of the Council's Water Supply and Sanitation Operating Licence under minute No. AGM12/15/13. The Council owns 2,100 shares in the Company representing a 21% shareholding.

However, despite being a significant shareholder, there was no evidence to show that the Council was participating in the operations of the Southern Water and Sewerage Company Limited.

Further, no dividends had been received by the Council from the water utility company during the period under review.

**i. Irregular Drawing of Fuel**

Contrary to Cabinet Circular No. 7 of 2012 which states that employees above the salary scale of GSS03 are entitled to fuel allowance paid directly through the payroll, the Mayor drew fuel from the pool account costing K5,397 despite being in receipt of fuel allowance through the payroll.

It was also observed that fuel costing K6,855 was drawn by motor vehicles not belonging to the Council without authority.

**j. Unpaid Settling in Allowances**

During the period under review, one hundred and seventeen (117) officers were received by Choma Municipal Council either on transfer or first appointment while seventeen (17) officers were transferred to other Councils. Consequently, as at 31<sup>st</sup> January 2019, the Council had accrued a total amount of K885,601 in unsettled settling in and loading and offloading allowances.

**k. Failure to Remit Statutory Contributions**

During the period under review, statutory contributions namely Pay As You Earn (PAYE), National Pension Scheme Authority (NAPSA) and Local Authority Superannuation Fund (LASF) in amounts totalling K9,996,367 deducted from various personal emoluments had not been remitted to the respective institutions as at 31<sup>st</sup> March, 2019. See table below.

| <b>Institution</b> | <b>Amount<br/>K</b> |
|--------------------|---------------------|
| ZRA                | 3,212,807           |
| NAPSA              | 5,149,290           |
| LASF               | 1,634,270           |
| <b>Total</b>       | <b>9,996,367</b>    |

Further, union contributions in amounts totalling K124,346 deducted from employees had not been remitted to respective unions as at 31<sup>st</sup> March, 2019.

**l. Constituency Development Funds (CDF)**

During the period under review, the Council received Constituency Development Funds (CDF) in amounts totalling K1,400,000 for two (2) constituencies in the district namely; Choma Central and Mbabala. In addition, amounts totalling K1,297,499 (Choma Central - K712,668 and Mbabala - K584,831) were brought forward from 2016 bringing the total funds available to K2,697,499. As at 30<sup>th</sup> September 2018, amounts totalling K1,429,707 were spent leaving a balance of K1,267,792.

The following were observed:

**i. Failure to Implement Projects**

During the period under review, the Council approved fourteen (14) projects to which amounts totalling K880,895 were allocated. However, as at 31<sup>st</sup> March 2019, the projects had not been implemented. See table below.

| No. | Project and Scope  | Location                        | Constituency  | Allocated amount K |
|-----|--|---------------------------------|---------------|--------------------|
| 1   | Construction of Waterborne Toilets-Completion (wall,floor & ceiling)         | Railway Surgery                 | Choma Central | 100,327            |
| 2   | Construction of VIP Toilets-Completion                                       | Simpweze Rural Health Post      | Choma Central | 21,091             |
| 3   | Construction of 1 x 2 CRB- Completion @ wall plate                           | Simaata Community School        | Choma Central | 127,582            |
| 4   | Construction of Waterborne Toilets-Completion (wall,floor & ceiling)         | Nkumbula Health Post            | Choma Central | 102,106            |
| 5   | Construction of Rural Health Post -Completion (Finishes-wall,floor & Ceiling | Pangwe Health Post              | Choma Central | 109,939            |
| 6   | Construction of Rural Health Post -Completion (Finishes-wall,floor & Ceiling | Mboole Rural Health Post        | Choma Central | 70,343             |
| 7   | Construction of Rural Health Post -Completion (Finishes-wall,floor & Ceiling | Chipande Rural Health Post      | Choma Central | 33,117             |
| 8   | Construction of Rural Health Post -Completion (Finishes-wall,floor & Ceiling | Chandamali/Kabanana Health Post | Choma Central | 37,037             |
| 9   | Construction of Rural Health Post -Completion (Finishes-wall,floor & Ceiling | Sichikali Health Post           | Choma Central | 37,037             |
| 10  | Creation & Opening of Drainages  | Mwapona Compound                | Choma Central | 31,059             |
| 11  | Construction of Rural Health Post -Completion (roof level)                   | Kachenje Rural Health Post      | Mbabala       | 55,022             |
| 12  | Construction of staff house-Completion (roof level)                          | Kaseko Rural Health Post        | Mbabala       | 48,467             |
| 13  | Construction of Staff House - Completion @roof level                         | Halumba Rural Health Post       | Mbabala       | 49,120             |
| 14  | Construction of Rural Health Post-completion roof level                      | Hakaloba Rural Health Post      | Mbabala       | 58,649             |
|     | <b>Total</b>   |                                 |               | <b>880,895</b>     |

## ii. Failure to Complete a Project - Community Radio Station

In 2017, the Council made payments in amounts totalling K28,849 towards the procurement of equipment for a radio station, a project approved in 2014 with an allocation of K200,000. Prior to 2017, amounts totalling K166,451 were spent on the project bringing the total expenditure to K195,300 as at 30<sup>th</sup> September 2018.

However, inquiries made and a physical inspection carried out in January 2019 revealed that the radio station was not operational and the equipment was in stores. See pictures below.



*Equipment for Radio Station*

## Chongwe Municipal Council

### The Council

14. During the financial year ended 31<sup>st</sup> December 2017, the Council had twenty seven (27) members comprising the Mayor, twenty four (24) Ward Councillors and two (2) Chiefs' representatives.

### Administration

The day to day administration of the Council is the responsibility of the Town Clerk who is assisted by the Directors of Finance, Human Resources and Administration, Engineering Services, Planning and Housing and Social Services.

### Revenue

During the period under review, the Council received grants and generated funds in amounts totalling K20,770,316 as shown in the table below.

| Source            | Amount<br>K       |
|-------------------|-------------------|
| Property Rates    | 3,717,960         |
| Service Charges   | 1,616,750         |
| Fees              | 1,975,887         |
| Levies            | 3,661,121         |
| Billboard fees    | 244,312           |
| Licences          | 296,687           |
| Permits           | 188,232           |
| Rental Income     | 361,552           |
| Penalties         | 6,265             |
| Other income      | 722,711           |
| National Support* | 7,978,839         |
| <b>Total</b>      | <b>20,770,316</b> |

#### \*National Support

| Source             | Amount<br>K      |
|--------------------|------------------|
| Equalisation Funds | 7,278,839        |
| CDF                | 700,000          |
| <b>Total</b>       | <b>7,978,839</b> |

### Accounting and Other Irregularities

An examination of financial and other records maintained at the Council for the period under review and a physical inspection of selected projects carried out in December 2018 revealed the following:

#### a. Staff on Disciplinary Actions

During the period under review, the disciplinary committee recommended that amounts totalling K122,134 be recovered from nine (9) Council employees who were charged with

financial misconduct such as approving payments and receipt of commutation of leave days without the Council's approval. However, as at 31<sup>st</sup> March 2019, recoveries had not been effected.

**b. Under Collection of Revenue from Office Block and House Rentals**

The Council owned twenty-three (23) housing units and an office block from which rentals were collected. During the period under review a total amount of K354,000 was budgeted to be received from rented properties. However, only an amount of K94,400 representing 26% was collected during the period under review resulting in an under collection of K260,000.

It was also observed that no ledgers were maintained for each tenant and as a result, it was not possible to ascertain the amounts received and the balances outstanding for each tenant.

**c. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, nine (9) payments in amounts totalling K36,609 made during the period under review were not supported with relevant documents such as receipts, invoices and acquittal sheets.

**d. 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 a head of department, non-current assets such as land and buildings valued at K7,787,275 and motor vehicles valued at K16,192,464 had not been insured as at 31<sup>st</sup> March, 2019.

**e. Failure to Provide Title Deeds**

Contrary to Lands Act No. 29 of 1995 which requires that institutions or individuals owning land should possess title deeds as proof of ownership, title deeds for buildings owned by the Council valued at K7,787,275 were not availed for audit.

**f. Failure to Remit Statutory Obligations and Other Contributions**

A review of records and inquiries made with management revealed that during the period under review, the Council owed various institutions amounts totalling K13,969,791 in

unremitted statutory obligations and other contributions such as Pay As You Earn (PAYE), pension and union contributions. See table below.

| <b>Institution</b> | <b>Amount<br/>K</b> |
|--------------------|---------------------|
| ZRA                | 4,518,021           |
| NAPSA              | 9,116,856           |
| LASF               | 270,081             |
| ZULAWU             | 51,907              |
| ZCTU               | 12,926              |
| <b>Total</b>       | <b>13,969,791</b>   |

**g. Outstanding Staff Obligations**

A review of accounting and other records revealed that the Council owed former and existing employees amounts totalling K3,454,322 as at 31<sup>st</sup> December 2018 in respect of staff obligations such as long service bonuses and terminal benefits. See table below.

| <b>Description</b>          | <b>Amount<br/>K</b> |
|-----------------------------|---------------------|
| Accrued Leave Days          | 2,690,928           |
| Leave Travel Benefits-Staff | 46,500              |
| Terminal Benefits           | 237,941             |
| Long Service Bonuses        | 478,953             |
| <b>Total</b>                | <b>3,454,322</b>    |

**h. Environmental Management**

A scrutiny of environmental related records and a physical inspection of the surrounding Communities and of the dump site carried out in November 2018 revealed the following:

**i. Failure to Take Medical Examination**

Contrary to the Environmental Management Act of 2011 which requires persons handling waste to undertake medical examinations twice a year, staff handling waste did not undergo medical examinations during the period under review.

**ii. Lack of a Weigh Bridge**

There was no weigh bridge at the dumpsite to weigh the tonnage transported and dumped. Consequently, the Council was unable to prepare and submit to ZEMA annual reports on tonnage of waste handled and dumped at the dumpsite.

**iii. Dumpsite Not Fenced**

Contrary to Statutory Instrument No. 112 of 2013 which requires the Local Authority to fence the dumpsite for protection from access by unauthorised persons, the Council did not fence the facility.



**iv. No Warning Signs**

The Environmental Management Act of 2011 requires that warning signs are displayed to warn the general public of the existence of the dumpsite and to restrict access by unauthorised persons. However, as at 31<sup>st</sup> March 2019, there were no warning signs displayed at the dumpsite.

**v. Lack of Staff Manning the Dumpsite**

The dumping site did not have a revenue collector or security officer to record trucks from private transporters that dumped refuse so that they could be billed. As a result, there was loss of revenue due to failure to bill private transporters for tipping fees.

**vi. Collection of Refuse by Unregistered Companies**

A review of the Council waste management system report submitted for audit revealed that zones B, C, F and G of Chongwe district had not been allocated to any contractors. However, it was observed that the zones were serviced by seven (7) private companies that were not registered with the Council namely; Conel Enterprises, Catron, Twin care, RS cleaning services, Habigbao services, Filthy Allergies Enterprise and Malumbe Environment and Sanitation Services in respect of garbage collection. Consequently, the Council lost revenue amounting to K157,500 (annual franchise fees of K7,500 per year per company) which should have been collected from the seven (7) private companies should they have been registered by the Council.

**vii. Chikwangala Main Dumpsite**

Contrary to the EM Act which requires solid waste to be compacted, solid waste at Chikwangala dumping site was being burnt thereby posing a health risk to the community surrounding the site. See picture below.



*Burnt solid waste at Chikwangala Dumpsite*

**viii. Failure to Collect Refuse from Chongwe Secondary School**

A physical inspection carried out in October, 2018 at Chongwe Secondary School revealed that the collection point was full to capacity and litter was scattered all over the school premises, which posed a health risk to the pupils at the school which had a population of 1,800 pupils.

It was also disclosed by the Head teacher that the garbage had not been collected since June, 2018 and as a consequence, the school resorted to burning the waste, which was contrary to the provisions of the Environmental Management Act. See picture below.



*Dumped waste at Chongwe Secondary School*

**ix. Wrongful Disposal of Medical Waste at Chongwe District Hospital**

Contrary to the Environmental Management Act which required that medical waste be disposed of in an incinerator, during the period under review the medical waste at the hospital was dumped together with ordinary waste and burnt in a shallow pit. See pictures below.



*Disposed hazardous medical waste in a pit instead of incinerator*

**x. Failure to Collect Waste**

A physical verification carried out in October 2018 revealed that the Council did not regularly collect waste at the central market and five (5) other collection points in the central business district. As a result, piles of waste had accumulated thereby posing a health risk to the public. See picture below.



*Uncollected garbage at the main collection point at Chongwe Central Market.*

## **Ikelenge Town Council**

### **The Council**

15. During the period under review, the Council had thirteen (13) members comprising the Chairperson, nine (9) Ward Councillors and three (3) representatives of Chiefs.

### **Administration**

The day to day running of the Council is the responsibility of the Council Secretary who is assisted by the Deputy Council Secretary, Director of Works, District Planning Officer and the Council Treasurer.

## Revenue

During the period from 1<sup>st</sup> January 2016 to 31<sup>st</sup> December 2017, the Council received grants and generated funds in amounts totalling K11,576,798 as shown in the table below.

| Source            | 2017<br>K        | 2016<br>K        | Total<br>K        |
|-------------------|------------------|------------------|-------------------|
| National Support* | 6,784,588        | 4,372,856        | 11,157,444        |
| Other Income      | 198,214          | 221,140          | 419,353           |
| <b>Total</b>      | <b>6,982,802</b> | <b>4,593,996</b> | <b>11,576,798</b> |

### \*National Support

| Type of Grant                  | 2017<br>K        | 2016<br>K        | Total<br>K        |
|--------------------------------|------------------|------------------|-------------------|
| Equalisation Funds             | 6,084,588        | 4,372,856        | 10,457,444        |
| Constituency Development Funds | 700,000          | -                | 700,000           |
| <b>Total</b>                   | <b>6,784,588</b> | <b>4,372,856</b> | <b>11,157,444</b> |

## Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the financial years ended 31<sup>st</sup> December 2016 and 2017 and physical inspections of on-going projects carried out in September 2018 revealed the following:

### a. Failure to Fill Key Positions

Although the establishment provided for key positions such as Deputy Treasurer, District Accountant and District Planning Officer as at 31<sup>st</sup> March 2019, these key positions had not been filled.

### 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 Council operated without a strategic plan.

### c. Lack of a Risk Management Policy

A review of the internal control environment revealed that the Council had no risk management policy that would enable the Council identify and mitigate risks that could be detrimental to its operations.

### d. Failure to Adopt ICT Frameworks

During the period under review, the Council used Dove payroll software to manage its payroll. However, the Council had not adopted any IT framework to manage the

operations and administration of the Information and Communication Technology (ICT) environment. There were no approved information security and backup policies. In addition, no Service Level Agreement (SLA) was entered into with the supplier of the Dove payroll software.

**e. Failure to Prepare 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, the Council did not have a valuation roll during the period under review.

**f. Lack of Title Deeds**

Contrary to the Lands Act No. 29 of 1995, which requires that institutions or individuals owning land must possess title deeds as proof of ownership, the Council had a total of twelve (12) properties valued at K4,778,869 for which it did not have title deeds.

**g. Failure to Produce Activity Reports**

During the period under review, imprest in amounts totalling K43,334 was issued to six (6) officers to enable them to undertake various activities such as inspection of projects and attending workshops and meetings among others. However, no activity reports were produced for audit making it not possible to ascertain whether the activities were undertaken.

**h. Unretired Accountable Imprest**

Contrary to Local Authorities Financial Regulation No. 119, accountable imprest in amounts totalling K102,145 issued to fourteen (14) officers during the period under review had not been retired as at 31<sup>st</sup> March, 2019.

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

According to Financial Regulation No. 86 (c), accountable imprest is issued to facilitate the purchase of goods and services whose value cannot be ascertained at the time of issue. Contrary to the Regulation, imprest in amounts totalling K41,727 was issued to eight (8) officers for procurement of goods whose values were obtainable on the market.

**j. Irregular Payment of Subsistence within the District**

Contrary to Cabinet Circular Minute of 2015 dated 30<sup>th</sup> December 2015 which states that subsistence allowance shall be paid to an officer to cover expenses he or she has to meet when travelling on duty away from his or her normal station of duty where an overnight stay is expected, amounts totalling K56,450 were paid to various officers who were carrying out official duties within the district boundary. As at 31<sup>st</sup> March 2019, no recoveries had been made.

**k. Irregular Payment of Sitting Allowances**

Contrary to Cabinet Office Circular No. 11 of 2013, which abolished payments of administrative allowances, during the period under review the Council paid sitting allowances in amounts totalling K2,900 to various officers for attending a Procurement Committee meeting. As at 31<sup>st</sup> March 2019, no recoveries had been made.

**l. Failure to Deduct Pay As You Earn (PAYE)**

Contrary to the Income Tax Act Chapter 323 of the Laws of Zambia, two (2) officers were paid settling in allowances in amounts totalling K34,110 without deducting PAYE.

**m. Failure to Remit Statutory Obligations**

During the period under review, statutory obligations in amounts totalling K615,430 which were deducted from employees' earnings, had not been remitted to the respective institutions as at 31<sup>st</sup> March 2019. See table below.

| <b>Sn</b> | <b>Institution</b>       | <b>Details</b>       | <b>Amount<br/>K</b> |
|-----------|--------------------------|----------------------|---------------------|
| 1         | Zambia Revenue Authority | PAYE                 | 330,020             |
| 2         | LASF                     | Pension Contribution | 67,421              |
| 3         | NAPSA                    | Pension Contribution | 217,989             |
|           | <b>Total</b>             |                      | <b>615,430</b>      |

**n. Failure to Report a Road Traffic Accident**

In 2016, the Council Secretary was involved in a road traffic accident with a Nissan Hard Body registration number GRZ 309 CJ. The vehicle was repaired at a cost of K15,000 at a private garage.

However, there was no evidence that the matter was reported to the police. As a result, it was not possible to establish the party that was responsible for the cost of repairs. Further, the motor vehicle was not insured at the time of accident.

**o. Management of Equalisation Funds**

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

During the period under review, the Council received equalisation funds in amounts totalling K10,457,444 out of which amounts totalling K1,904,553 were transferred to the capital account while an amount of K116,299 was brought forward as unspent funds in 2015 bringing the total funds available for projects to K2,020,852.

As at 30<sup>th</sup> September 2018, a total amount of K1,917,235 was spent leaving a balance of K103,617.

However, the following were observed:

**i. Misapplication of Funds**

During the period under review, amounts totalling K481,548 meant for capital projects were spent on unrelated activities such as subsistence allowances and service of motor vehicles among others.

**ii. Splitting of Payments to Circumvent Tender Procedure**

Circular No 1 of 2011 and Procurement Act of 2008 No. 42 (c) (d) state that a procuring entity shall plan its procurement in a rational manner and in particular shall avoid splitting of procurement to defeat the use of appropriate procurement methods

However, contrary to the regulations, an amount of K89,100 paid to Luwaile Investment Limited for supply of (2) water tanks, (2) water pumps and installation of (2) tank stands at the Civic Centre and Ikelenge market was split into two (2) payments as the amount involved was beyond the threshold of the Council Secretary of K50,000 thereby circumventing the tender process. *See table below.*

| Date      | Payee                | Amount K      | Details  |
|-----------|----------------------|---------------|--|
| 1/21/2016 | Luwaile Investements | 43,725        | Supply of two (2) water tanks, two (2) water pumps and installation costs. |
| 1/21/2016 | Luwaile Investements | 45,375        | Supply of two (2) water tanks, two (2) water pumps and installation costs. |
|           |                      | <b>89,100</b> |  |

### iii. Wasteful Expenditure

On 16<sup>th</sup> June 2016, the Council procured Baxcell accounting software for local authorities at a cost of K8,000. However, as at 31<sup>st</sup> March 2019, the software had not been utilised rendering the expenditure wasteful.

## Isoka District Council

### The Council

16. During the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017, the Council had fourteen (14) members comprising the Chairperson, eleven (11) Ward Councillors and two (2) Chiefs' representative.

### Administration

The day to day running of the Council is the responsibility of the Council Secretary who is assisted by the Chief Administrative Officer, Council Treasurer, Director of Works and District Planning Officer.

### Revenue

During the period under review, the Council received grants and generated funds from various sources in amounts totalling K11,754,338.

| Source            | 2017<br>K        | 2016<br>K        | 2015<br>K        | Total<br>K        |
|-------------------|------------------|------------------|------------------|-------------------|
| Owner Rates       | 19,702           | 23,625           | 10,616           | 53,943            |
| Fees and Charges  | 822,065          | 657,219          | 488,666          | 1,967,950         |
| Personal Levies   | 17,485           | 3,860            | 13,792           | 35,137            |
| Licenses          | 14,389           | 42,895           | 64,780           | 122,064           |
| Permits           | 246,779          | 85,540           | 53,950           | 386,269           |
| Land Fees         | 162,226          | 15,165           | 5,830            | 183,221           |
| Other Income      | 478,860          | 647,070          | 540,151          | 1,666,081         |
| National Support* | 7,339,673        | -                | -                | 7,339,673         |
| <b>Total</b>      | <b>9,101,179</b> | <b>1,475,374</b> | <b>1,177,785</b> | <b>11,754,338</b> |

### \*National Support

| Type of Grant     | 2017<br>K        | 2016<br>K | 2015<br>K | Total<br>K       |
|-------------------|------------------|-----------|-----------|------------------|
| Equalisation Fund | 6,639,673        | -         | -         | 6,639,673        |
| CDF               | 700,000          | -         | -         | 700,000          |
| <b>Total</b>      | <b>7,339,673</b> | <b>-</b>  | <b>-</b>  | <b>7,339,673</b> |

### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the period under review and a physical inspection of projects carried out in February 2019 revealed the following:



**a. Lack of Strategic Plan**

A strategic plan defines an organization’s future outlook and sets strategies for desired objectives and direction of the entity. Resources are allocated to priority areas as highlighted in the strategic plan.

During the period under review, the Council did not have a strategic plan in place.

**b. Poor Maintenance of Registers of Accountable Documents**

The Registers of Accountable Documents were poorly maintained in that most of the receipt books were not recorded in the Register and were issued without recipients signing for them. In addition, there was no record to show the return of the used receipt books.

**c. Missing Receipt and License Books**

Contrary to the Local Authorities Financial Regulation No. 28 which requires the keeping of accounting records such as cash books and receipts of all types until they are audited, thirteen (13) revenue receipt books and two (2) firearm license books were not availed for audit.

Further, two hundred and fifteen (215) general revenue receipts issued in 2015 and 2016 were not availed for audit. In this regard, it was not possible to ascertain the amounts that were collected.

**d. Unaccounted for Revenue**

Contrary to Local Authorities Financial Regulation No. 72, amounts totalling K95,357 collected from various sources were unaccounted for in that the funds were neither banked nor was cash found on hand. See table below.

| Year         | Amount Received<br>K | Amount Banked<br>K | Unaccounted for<br>K |
|--------------|----------------------|--------------------|----------------------|
| 2015         | 151,775              | 98,184             | 53,592               |
| 2016         | 48,923               | 7,158              | 41,765               |
| <b>Total</b> | <b>200,698</b>       | <b>105,341</b>     | <b>95,357</b>        |

**e. 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 K73,744 for periods ranging from three (3) to nineteen (19) days.

**f. Failure to Update Valuation Roll**

Contrary to Section 8 (3) of the Rating Act, No. 12 of 1997 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, the Council did not have an updated valuation roll as the one that was in place was last updated in 1992.

**g. Failure to Provide Tenancy/Lease Agreements**

During the period under review, the Council leased out a dwelling house and a commercial property. However, no lease agreements were availed for audit. In this regard, it was not possible to ascertain the terms and conditions and whether the amount of K23,950 collected from the tenants was the correct amount due.

**h. Missing Payment Vouchers**

Contrary to Local Authority Financial Regulation No. 98, one hundred and seventy-three (173) payment vouchers in amounts totalling K509,742 made during the period under review were not availed for audit.

**i. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, two hundred and forty-five (245) payments in amounts totalling K506,211 made during the period under review were not supported with relevant documents such as invitation letters, oral contracts, invoices and receipts among others.

**j. Unretired Accountable Imprest**

Local Authorities Financial Regulation No. 119 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. Contrary to the regulation, accountable imprest in amounts totalling K234,165 issued to eighty-three (83) officers had neither been retired nor recovered as at 28<sup>th</sup> February 2019. See table below.

| <b>Year</b>  | <b>No. of Officers</b> | <b>Amount K</b> |
|--------------|------------------------|-----------------|
| 2015         | 37                     | 34,348          |
| 2016         | 18                     | 147,607         |
| 2017         | 28                     | 52,210          |
| <b>TOTAL</b> | <b>83</b>              | <b>234,165</b>  |

**k. Failure to Prepare Activity Reports**

During the period under review, imprest in amounts totalling K46,614 was issued to ten (10) officers to enable them undertake activities such as inspection of bars and attending meetings. See table below.

| <b>Year</b>  | <b>No. of Officers</b> | <b>Amount K</b> |
|--------------|------------------------|-----------------|
| 2015         | 2                      | 6,570           |
| 2016         | 8                      | 40,044          |
| <b>TOTAL</b> | <b>10</b>              | <b>46,614</b>   |

However, there were no activity reports produced for audit, making it not possible to ascertain whether the activities were undertaken.

**l. Irregular Payments**

**i. Subsistence Allowances**

According to Cabinet Office Circular Minute of 2015 dated 30<sup>th</sup> December 2015, subsistence allowances are not to be paid for activities undertaken within the district boundary.

However, amounts totalling K156,424 were irregularly paid to nineteen (19) officers as subsistence allowances to carry out activities within the district boundary.

**ii. Sitting Allowances**

Contrary to Cabinet Office Circular No. 11 of 2013 which banned the payment of administrative allowances, in April 2017, the Council issued imprest of K2,650 to an officer to facilitate payment of sitting allowances to officers attending Procurement Committee meeting.

**iii. Out of Pocket Allowances for Sponsored Activities**

In 2016, three (3) officers were irregularly paid out of pocket allowances by the Council in amounts totalling K17,133 for attending voter education training and decentralisation workshop, programmes that were fully sponsored in that accommodation had been arranged and all costs such as out of pocket allowances and transport were paid. As at 31<sup>st</sup> March 2019, the amount had not been recovered.

**m. Failure to Settle Bills to the Guest House**

During the period under review, amounts totalling K21,801 were incurred on meals for twelve (12) officers who were newly employed or had been transferred to Isoka. In

addition, eighteen (18) new officers were accommodated at the Council Guest house for periods ranging from 30 to 180 days and bills in amounts totalling K254,850 accrued. The Council had agreed to meet the costs of accommodation and meals for the newly employed or transferred officers.

However, as at 28<sup>th</sup> February 2019, the Council had not settled the bills to the guest house.

**n. Unaccounted for Stores**

Contrary to Local Authorities Financial Regulation No. 145, stores items costing K1,342,604 (General Stores – K1,019,814 and Fuel – K322,790) procured during the period under review were not accounted for in that no receipt and disposal details were availed for audit.

**o. Failure to Avail Title Deeds**

Contrary to the Lands Act No. 29 of 1995, Section 8 which requires that individuals or institutions owning land must possess title deeds as proof of ownership, the Council did not have title deeds for twelve (12) of its properties such as office buildings, guest house and shops among others valued at K4,333,000.

**p. Failure to Insure Motor Vehicles**

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, three (3) motor vehicles were not insured as at 31<sup>st</sup> March 2019. See table below.

| Vehicle Make      | Reg Number |
|-------------------|------------|
| Mitsubishi Canter | GRZ 651 CL |
| Isuzu             | ABT 2281   |
| Hearse            | GRZ 435 CE |

**q. Failure to Remit Tax**

Pay As You Earn (PAYE) in amounts totalling K536,483 deducted from employees' dues had not been remitted to the Zambia Revenue Authority as at 31<sup>st</sup> March, 2019.

**r. Misapplication of Equalisation Funds**

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

During the period under review, amounts totalling K6,639,673 were received as equalisation funds out of which amounts totalling K1,327,935 being 20% of the funded amounts were to be transferred to the capital account.

However, it was observed that contrary to the provision, amounts totalling K58,914 meant for capital projects were applied on unrelated activities such as payments for utilities, insurance and subscription fees among others.

**s. Constituency Development Funds**

The Council received an amount of K700,000 on 18<sup>th</sup> May 2017 as Constituency Development Funds (CDF) to undertake various projects within Isoka constituency. The Ministry headquarters approved the implementation of forty-six (46) CDF projects.

A physical inspection of selected CDF projects in the District conducted in June 2018 revealed weaknesses in the management of projects such as failure to complete projects on time and poor workmanship. See table below

| Project  | Contractor              | Contract Date                 | Contract |      | Contract Sum K | Amount Paid K | Scope of Works   | Project Status and other observations  |
|--|-------------------------|-------------------------------|----------|------|----------------|---------------|--|--|
|  |                         |                               | Start    | End  |                |               |  |  |
| Completion of 1x2 classroom block at Kafwimbi Primary School | Vincent Sichone         | 2 <sup>nd</sup> November 2017 | -        | -    | 2,000          | 0             | Plastering, flooring, painting interior and exterior walls and fitting of air vents. (Labour cost) | <p>As at 28<sup>th</sup> February 2019, the works had not been completed as the following works were outstanding:</p> <ul style="list-style-type: none"> <li>• The Head teacher's office was not completely painted.</li> <li>• Plastering in one of the classrooms was not completed</li> </ul> <p>The following were also observed:</p> <ul style="list-style-type: none"> <li>• Potholes started developing on the classroom floors, just three months after completion of the works.</li> <li>• 2 x 5litre containers of Gloss paint not accounted for.</li> </ul> |
|  | Procured by the Council |                               |          |      |                | 7,805         | Supply of Building Materials   |  |
| Construction of Market Shelter at Sansamwenje                | None                    | None                          | None     | None | None           | None          | As at 28 <sup>th</sup> February 2019, the works had not commenced.                                 |  |

|  |                            |   |   |   |       |        |   |   |
|--|----------------------------|---|---|---|-------|--------|---|---|
| Completion of<br>1x2 classroom<br>block at<br>Nachisungu<br>Primary School | Danny<br>Simukonda         | - | - | - | 2,000 | 0      | Extension of the<br>superstructure and<br>roofing (Labour cost) | As at 28 <sup>th</sup> February 2019, although the<br>superstructure had been done, only 90% of<br>the roofing had been done. |
|  | Procured by<br>the Council |   |   |   |       | 12,965 | Supply of Building<br>Materials                                 |   |

**t. Management of the Environment**

**i. Failure to Produce Waste Management Plans and Reports**

According to Clause 56 section (2) of the Environment Management Act No 12 of 2011, a local authority shall report annually to the Zambia Environmental Management Agency (ZEMA) on the types of waste and the quantity of each type of waste generated and disposed of within its area of jurisdiction and on the implementation of its integrated waste management plan.

Contrary to the Act, the Council did not produce waste management plans and reports for submission to ZEMA.

**ii. Use of Uncertified Dumpsite**

Contrary to Clause 57 of the Environment Management Act No 12 of 2011, the Council was operating a temporal dumpsite located in Mwaiseni Village which was not certified by the Zambia Environmental Management Authority (ZEMA). It was also observed that the dumpsite was in close proximity to the main road and a residential area.

**iii. Improper Disposal of Waste**

Contrary to the license conditions that require that waste be buried and not burnt, it was observed that the waste at the temporal dumpsite located in Mwaiseni Village was being burnt, thereby creating a health hazard.

**iv. Failure to Provide Litter Receptacles**

Contrary to the Environmental Management Act of 2011, Section 56 (1) (e) which requires Local Authorities to provide litter receptacles in public places within their area of jurisdiction, the Council did not have a litter receptacle at the main market within the central business area. Consequently, at the market, litter was disposed of haphazardly, posing a health hazard.



## Kabwe Municipal Council

### The Council

17. During the financial year ended 31<sup>st</sup> December 2017, the Council consisted of thirty two (32) members comprising the Mayor, three (3) Aldermen, one (1) Chaplin and twenty seven (27) Ward Councillors.

### Administration

The day to day running of the Council is the responsibility of the Town Clerk who is assisted by Directors of Finance, Human Resource and Administration, Legal Services, Engineering Services, Public Health, Planning and Housing and Social Services.

### Revenue

During the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2017, the Council received grants and generated revenue in amounts totalling K35,687,337 as shown in the table below.

| Source             | Amount<br>K       |
|--------------------|-------------------|
| Owners Rates       | 3,016,435         |
| Fees and Charges   | 6,003,974         |
| Licences           | 192,036           |
| Levies             | 1,408,491         |
| Permits            | 710,729           |
| Land Fees Charges  | 3,269,711         |
| Other Income       | 2,737,904         |
| National Support * | 18,348,057        |
| <b>Total</b>       | <b>35,687,337</b> |

### \*National Support

| Type of Grant           | 2017<br>K         |
|-------------------------|-------------------|
| Grants in Lieu of Rates | 300,000           |
| CDF                     | 2,048,652         |
| Equalisation Fund       | 15,999,404        |
| <b>Total</b>            | <b>18,348,057</b> |

### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the financial year ended 31<sup>st</sup> December 2017 and physical inspections of selected projects carried out in November 2018 revealed the following:

**a. Failure to Fill Authorised Positions in the Establishment**

The Council had an establishment of four hundred and sixteen (416) positions out of which one hundred and ninety-nine (199) were filled leaving two hundred and seventeen (217) vacant as at 31<sup>st</sup> March 2019. Out of the vacant positions, some were key to the smooth running of the organisation such as Legal officers for Deeds and Estates.

**b. Over Employment of Staff**

Although the establishment provided for twenty-eight (28) officers, forty-three (43) officers were employed resulting in over employment of fifteen (15) officers. In this regard, as at 31<sup>st</sup> December 2017, amounts totalling K166,462 had been irregularly paid to the fifteen (15) officers as emoluments.

**c. Uncollected Revenue**

During the period under review the Council was to collect a total amount of K23,714,300 from various revenue streams such as property rates, survey fees and business levy among others. However, only K17,339,280 was collected leaving a balance of K6,375,020 uncollected as at 30<sup>th</sup> September 2018.

**d. Failure to Avail Receipt Books**

Contrary to Local Authorities Financial Regulation No. 28 (1), two hundred and forty (240) Council General Receipt Books were not availed for audit. See table below.

| Date Issued | Range  |         | Receipt Books Not Availed |
|-------------|--------|---------|---------------------------|
|             | From   | To      |                           |
| 30.01.2017  | 468501 | 488500  | 28                        |
| 27.02.2017  | 539501 | 564500  | 19                        |
| 31.03.2017  | 564501 | 589500  | 31                        |
| 15.05.2017  | 638001 | 663000  | 48                        |
| 26.06.2017  | 686001 | 711000  | 12                        |
| 02.08.2017  | 759501 | 784500  | 12                        |
| 05.09.2017  | 808001 | 833000  | 36                        |
| 12.10.2017  | 869001 | 894000  | 21                        |
| 16.11.2017  | 985001 | 1010000 | 33                        |
|             |        |         | <b>240</b>                |

**e. Failure to Insure Movable Assets**

Section 133 of the Roads and Road Traffic Act, Cap 464 of the Laws of Zambia requires that all motor vehicles using public roads must have a minimum of third-party insurance cover.

Contrary to the Act, the Council did not insure fourteen (14) motor vehicles such as earth moving equipment and motor bikes during the period under review. As at 31<sup>st</sup> March 2019, the motor vehicles had not been insured.

**f. Failure to Remit Statutory Obligation**

As at 31<sup>st</sup> December 2017, the Council owed amounts totalling K25,658,202 in respect of unremitted statutory obligations to ZRA, NAPSA and LASF. Included in this amount were penalties amounting to K10,318,253. See table below.

| <b>Institution</b> | <b>Amount<br/>K</b> | <b>Penalty<br/>K</b> | <b>Total<br/>K</b> |
|--------------------|---------------------|----------------------|--------------------|
| ZRA                | 6,818,582           | -                    | 6,818,582          |
| NAPSA              | 3,911,580           | 10,318,253           | 14,229,834         |
| LASF               | 4,609,786           | -                    | 4,609,786          |
| <b>Total</b>       | <b>15,339,949</b>   | <b>10,318,253</b>    | <b>25,658,202</b>  |

**g. Outstanding Staff Obligations**

A review of accounting and other records revealed that the Council was owing amounts totalling K20,620,744 as at 31<sup>st</sup> December 2017, in respect of various staff obligations such as retirement benefits, settling in allowances and long-term bonuses to former and existing employees as shown in the table below.

| <b>DETAILS</b>            | <b>Closing Balance<br/>as at 31/12/2017<br/>K</b> |
|---------------------------|---|
| Terminal Benefits         | 10,643,157  |
| Salary Arrears            | 126,769   |
| Settling -in- Allowances  | 597,345   |
| Long Services Bonus       | 9,018,458   |
| Commutation of Leave Pay  | 12,520  |
| Leave Travel Benefits     | 164,756   |
| Responsibility Allowances | 55,057  |
| Gratuity                  | 2,681   |
| <b>TOTAL</b>              | <b>20,620,744</b>                                 |

**h. Failure to Insure Property**

Contrary to Section 154 of the Local Government Act, 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 did not insure one hundred and twenty (120) properties which included institutional houses, shops, taverns and stadia during the period under review. As at 31<sup>st</sup> March 2019, the properties had not been insured.

**i. Failure to Avail Title Deeds**

Contrary to the Lands Act No. 29 of 1995 which requires that institutions or individuals owning land should have or possess title deeds as proof of ownership, the Council did not possess title deeds for seventy-nine (79) properties under its charge.

**j. Equalisation Funds**

According to the Local Government (Amendment) Act No. 12 of 2014, a Council shall use at least twenty (20) percent of the equalisation funds received in any financial year, to finance capital expenditure while 80% is to be spent on personal emoluments.

During the financial year ended 31<sup>st</sup> December 2017, equalisation funds in amounts totalling K15,999,404 were received from the Central Government.

An examination of records pertaining to the utilisation of the funds revealed the following:

**i. Installation of Street Lighting**

On 10<sup>th</sup> April 2017, the Council contracted Garmortech General Dealers for the supply of electrical equipment and accessories for street lighting along Independence Avenue at a contract sum of K341,782 (VAT Inclusive) and Munkoyo Street at an amount of K156,570.

However, the following were observed:

- **Failure to Declare Interest – Director Engineering**

According to Section 18, subsections (2) and (3) of the Public Procurement Act No. 12 of 2008, which states that “ a member or person who is present at a meeting of a procurement committee or a subcommittee of a procurement committee at which any matter, in which that person or indirectly interested in a private capacity, is the subject of consideration, shall, as soon as is practicable after the commencement of the meeting, disclose the interest and shall not, unless the Procurement Committee or the sub-committee otherwise directs, take part in any consideration or discussion of, or vote on any question relating to that matter. A disclosure of interest made under this section, shall be recorded in the minutes of the meeting at which it is made.”

A search at the Patents and Companies Registration Agency (PACRA) on the ownership of Garmortech General Dealers revealed that the company was owned by the Director of Engineering at the Council. A review of the tender procurement committee minutes for the installation of street lights for Independence Avenue and Munkoyo street revealed that the Director of Engineering participated in the proceedings to award contracts to Garmortech General Dealers without declaring interest contrary to the provisions of the Act.

- **Irregular Payment of VAT to a Non - Registered Supplier**

Contrary to the VAT Act Chapter 331 of the Laws of Zambia, which states that only companies that are registered for VAT can charge VAT, it was observed that although the contractor charged VAT at 16% amounting to K47,142, inquiries made with the Zambia Revenue Authority revealed that the supplier was not registered for VAT.

- **Independence Avenue**

The Council procured electrical components for the installation of street lights along Independence Avenue from Garmortech General Dealers at a total cost of K341,782 made on bank transfer dated 11<sup>th</sup> April, 2017 for the erection of twenty five (25) nine meters double arm steel poles. However, a physical verification revealed that only sixteen (16) steel poles were erected leaving nine (9) poles costing K123,042 unaccounted for including associated fittings, lamps and other accessories.

- **Munkoyo Street**

The Council spent K179,162 on installation of eighteen (18) streetlights on Munkoyo Street of which K156,570 was paid to Garmortech General Dealers on 6<sup>th</sup> February 2017 for the supply of electrical components.

A physical inspection carried out in September 2018 revealed that although the streetlights had been erected they were not functioning.

## ii. Paving of The Civic Centre

In March 2017, the Council engaged Trade Rica Company Limited to pave the Civic Centre driveway and car park at a contract sum of K493,887 with a delivery period of three (3) weeks.

In this regard, Trade Rica Company Limited contracted Contractor Scirocco Enterprises (Oriental Quarries) of Lusaka for supply and delivery of Premix Asphalt and Elimu (Total (Z)) Limited for supply of fuel.

Amounts totalling K534,489 were paid to the main contractor (K312,240) and sub-contractors (K222,349) resulting in an overpayment of K40,602. See table below.

| <b>Contractor</b>        | <b>Amount<br/>K</b> |
|--------------------------|---------------------|
| Trade Ricca              | 222,249             |
| Scirocco Enterprises     | 280,080             |
| Elimu Investments Ltd    | 32,160              |
| <b>Total Expenditure</b> | <b>534,489</b>      |
| Contract Sum             | 493,887             |
| <b>Overpayment</b>       | <b>40,602</b>       |

## iii. Construction of the Lukanga Transit Bus Station

In March 2016, the Council was authorized by the Ministry of Local Government to create a sinking fund which would be used to make repayments towards the loan the Council intended to borrow to finance its capital projects which was estimated at K30,000,000. Among the proposed projects was the construction of the new intercity bus station (Lukanga Transit Bus Station) which was estimated at a cost of K4,500,000. In this regard:

- i. On 22<sup>nd</sup> December, 2016 the Council wrote to the Ministry stating that the Bank had granted a loan facility amounting to K11,000,000 out of which the Council was to do the following;
  - Pay retirees owed from 2002 to 31<sup>st</sup> December, 2012 their benefits amounting to K5,000,000.
  - Start the construction of a Lukanga transit Bus Station at Tushane in Lukanga Area budgeted for at K8,500,000 as referenced in the minute No. KMC/101/1/26 dated 22<sup>nd</sup> December, 2016.
- ii. The Ministry of Local Government signed a contract with Stalwart Investments Limited on 1<sup>st</sup> September, 2017 for the construction of the

Lukanga Transit Station at a Contract sum of K21,997,777 which was for the duration of 12 months. As of March 2019, the contractor had been paid amounts totalling K5,549,553 (including an advance payment of K4,399,553 leaving a balance of K16,448,213.

However, the following were observed:

- It was not clear why retirees' benefits were paid from the contracted loan.
- There was no documentation such as the bill of quantities and other relevant documents to show how the amount was revised from the budgeted amount of K4,500,000 to K8,500,000 and later on the approved contract sum of K21,997,777.
- An analysis of selected items on the Bill of Quantity for the contract sum of K21,997,777 revealed that the project was overpriced by K7,677,730. See table below.

| SUB-STRUCTURE | DESCRIPTION   | UNIT | QUANTITY | IRREGULAR RATE (BOQ) | AMOUNT K     | STANDARD RATE K | RECOMMENDABLE AMOUNT K | DIFFERENCE K |
|---------------|---|------|----------|----------------------|--------------|-----------------|------------------------|--------------|
| H             | Vibrated concrete C25 concrete floor slab 100mm thick   | m2   | 1,365    | 940.00               | 1,283,100.00 | 140.00          | 191,100.00             | 1,092,000.00 |
|               | Note: that the quantity has been changed to m3 and multiplied by the concrete rate per m3. (1365 x 0.1) = 137m3 or std rate per m3 of K1400 x 0.1 | m3   | 137      |                      |              |                 |                        |              |
|               | Steel Bar Reinforcement to Pad footings and Stub Columns  |      |          |                      |              |                 |                        |              |
|               | High steel bar reinforcement  |      |          |                      |              |                 |                        |              |
| A             | 12mm Diameter bars  | Kg   | 2,618    | 75.00                | 196,350.00   | 35.00           | 91,630.00              | 104,720.00   |



|                       |   |      |       |              |              |        |            |                     |
|-----------------------|---|------|-------|--------------|--------------|--------|------------|---------------------|
| B                     | 16mm Diameter bars  | Kg   | 4,370 | 117.00       | 511,290.00   | 35.00  | 152,950.00 | 358,340.00          |
|                       | <b>INTERNAL FINISHINGS Sub Total</b>  |      |       |              |              |        |            | <b>1,555,060.00</b> |
|                       | Supply and fix aluminium suspended ceiling  |      |       |              |              |        |            |                     |
| D                     | 600 x 600 aluminium panels including the structural support framework complete to Architectural approval and satisfaction | m2   | 1,346 | 2,838.91     | 3,821,172.86 | 400.00 | 538,400.00 | 3,282,772.86        |
|                       | <b>SUB STRUCTURE Sub Total</b>  |      |       |              |              |        |            | <b>3,282,772.86</b> |
| <b>EXTERNAL WORKS</b> | <b>DRIVEWAYS AND PARKING AREAS</b>  |      |       |              |              |        |            |                     |
|                       | <u>Mobilisation</u>   |      |       |              |              |        |            |                     |
| A                     | Mobilise on site all necessary plant and equipment  | Item | 1.00  | 1,780,900.00 | 1,780,900.00 | N/A    | NILL       | 1,780,900.00        |

|  |                       |  |  |  |  |  |  |  |                     |
|--|-----------------------|--|--|--|--|--|--|--|---------------------|
|  | <b>EXTERNAL WORKS</b> |  |  |  |  |  |  |  | <b>1,780,900.00</b> |
|  | <b>Sub Total</b>      |  |  |  |  |  |  |  |                     |
|  | <b>SUB TOTAL</b>      |  |  |  |  |  |  |  | <b>6,618,732.86</b> |
|  | <b>VAT @ 16%</b>      |  |  |  |  |  |  |  | 1,058,997.26        |
|  | <b>GRAND TOTAL</b>    |  |  |  |  |  |  |  | <b>7,677,730.12</b> |

Further, it was observed that there was a total of K1,780,900.00 that was included in the bill of quantity for mobilization. However, the contractor was paid a total of K4,399,553 being 20% of the contract sum as advance payment which was meant for mobilization. This therefore, resulted in an overpayment of K2,618,653 on mobilization.

- A physical inspection of the bus station conducted in March 2019 revealed that the sub and super structures had been completed. However, the following works were outstanding; exterior plastering, ceiling, completion of electrical fittings, tiling, fitting of doors, curtain walls and sliding doors, painting, plumbing, landscaping and fencing. It was also observed that the contractor was not on site and the works have stalled due to non-payment.

### **iii. Financing Arrangements**

In order to finance the project, the Ministry gave a guarantee in accordance with the Loans, Grants and Guarantees Authorization Act of 2017 to Zambia National Commercial Bank in which the Ministry stated that K10,000,000 from the total contract price of K21,997,767 was to be funded by the Ministry of Local Government and the balance of K11,997.767 was to be paid by the council using a loan from the bank whose security was based on the sinking fund which was to run for sixty (60) months with monthly installments of K150,000.

Contrary to Chapter 366 of the loans and Guaranties (Authorisation) Act, the functions under the Act such as granting of guarantees among others were delegated to the Permanent Secretary, Ministry of Finance. However, it was observed that the Permanent Secretary under Ministry of Local Government executed these functions without evidence of authority from Ministry of Finance.

### **k. Delays in Implementation of Constituency Development Funds (CDF) Projects - Kabwe Central and Bwacha Constituencies**

During the period under review, the available funds for the Council were K2,410,424 comprising 2017 funding, balances brought forward from 2016 and interest earned.

As at 31<sup>st</sup> December 2017, a total amount of K528,727 had been spent leaving a balance of K1,881,898. See table below.

| Constituency  | Balance Brought Forward<br>K | Funds Received and Interest Earned in 2017<br>K | Total Funds available<br>K | Funds spent as of Dec 2017<br>K | Unspent funds as of December 2017<br>K |
|---------------|------------------------------|---|----------------------------|---------------------------------|--|
| Kabwe Central | 44,943                       | 1,348,983                                       | 1,393,926                  | 165,052                         | 1,228,874                              |
| Bwacha        | 308,135                      | 708,563   | 1,016,698                  | 363,675                         | 653,023                                |
| <b>Total</b>  | <b>353,078</b>               | <b>2,057,546</b>                                | <b>2,410,624</b>           | <b>528,727</b>                  | <b>1,881,898</b>                       |

It was observed that despite the Council receiving funds under CDF in February 2017 (K648,652 – Kabwe Central), May 2017 (K700,000 – Kabwe Central) and October 2017 (K700,000 - Bwacha), the Council only approved the projects in January and April 2018 for Bwacha and Kabwe Central Constituencies respectively. As of March 2019, the projects had not been implemented.

## **I. Environmental Management**

A scrutiny of environmental management related records and a physical inspection of the surrounding Communities and dump site carried out in October 2018 revealed the following:

### **i. Unpaid Service Fees for Transporters**

A review of the documents availed for audit revealed that four (4) Franchise contractors were engaged during the period under review for the collection and transportation of solid waste from various collection points. However, contrary to the Council Minutes No. HES607/09/17 dated 13<sup>th</sup> September, 2017 of Health, Environmental and Education services which approved that each transporter was required to pay a fee in the amount of K4,000 per year to the Council for the collection and transportation of waste, four (4) transporters did not pay a total amount of K14,000 as at 30<sup>th</sup> September 2018. See table below.

| Name                      | Date Agreement Signed | Franchise Fee<br>K |
|---------------------------|-----------------------|--------------------|
| Anga General Dealers      | 23.10.17              | 4,000              |
| Shuffle Contractors       | 23.10.17              | 4,000              |
| Mabaleka Enterprises      | 23.10.17              | 2,000              |
| Garmotech General Dealers | 23.10.17              | 4,000              |
| <b>Total</b>              |                       | <b>14,000</b>      |

**ii. Unpaid Tipping Fees**

A review of the invoices issued by the Council to the various transporters collecting and disposing off waste at the Mukobeko dumpsite revealed that tipping fees in amounts totalling K68,235 had not been paid by the transporters as of March 2019.

**iii. Transporters Operating without Licenses**

Clause 12 Section (1) of the Statutory Instrument which requires every person who intends to handle solid waste to apply to ZEMA for a waste management licence. A review of records of the transporters that were engaged by the Council to collect and dispose of solid waste at the Mukobeko dumpsite during the period under review revealed that two (2) transporters did not have waste management licences.

**iv. Waste Management by the Municipality**

The Council has a Public Health Department under which there is a Waste Management Unit for the collection, management and transportation of solid waste to the dumpsite. The Local Authority collects waste from the town center and any other areas of the city including the markets.

However, a physical inspection of the markets and other points revealed that the Council was not collecting waste at the new bus station area and Kachulu market and as such, waste had covered part of the road thereby posing a health hazard to the surrounding communities. See pictures below.



*Dumped solid waste next to houses*



*Traders Selling secondhand clothes near a*

*Dumpsite - Kachulu Market*



*Uncollected waste at the New bus Station*

**v. Dumpsite Management**

The Council has one disposal site, the Mukobeko dumpsite where all the waste collected by the Council and other transporters is dumped. The site is a disused gravel site and controlled dumping is practiced. The site is managed by two (2) council employees.

However, as at 30<sup>th</sup> September, 2018, the Waste Management Unit had only two functional vehicles, the tractor and the canter, which were being used in waste collection services as the other equipment was not functional. See table below.

| Equipment              | REG No#    | Comment                     | Period not functioned |
|------------------------|------------|-----------------------------|-----------------------|
| Yuejin Light Truck     | GRZ 177 CB | Non -runner                 | 8 years               |
| Yuejin Light Truck     | GRZ 178 CB | Non-Runner                  | 8 years               |
| M Canter               | GRZ 120 BM | Awaiting spares and repairs | 7 months              |
| Nissan Compactor Truck | GRZ 411 CK | Awaiting spares and repairs | 2 years               |

Due to the above non-functional equipment, the dumpsite was not managed well and there were delays in the collection of garbage from the generation points.

In addition, the following were observed:

- There was no weigh bridge at the dumpsite to weigh the tonnage transported and dumped by each transporter.
- Contrary to the license conditions which require the Local Authority to fence the dumpsite in order to protect it and restrict access by unauthorized persons, the Council had not fenced the site.
- There were no warning signs at the dumpsite.

- There was improper dumping of waste by transporters at the disposal site as some waste was lying along the access route to the dumpsite.
- Council workers had no protective clothing.
- Dumping of prohibited electronic equipment at the dump site.
- The Council did not compact and cover the waste with a layer of soil as required
- There were no boreholes for monitoring of ground water quality at the dumpsite.
- Waste at the dumpsite was being burnt thereby posing a health hazard to the community. See pictures below.



*Burnt waste*



*Dumpsite evaded by scavengers due to non-fencing of the dumpsite*



*Disposal of electronic and constructional*



*Non-compaction of waste waste which is not authorised*





*Council workers operating without protective clothing*

## Kalabo Town Council

### The Council

18. During the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017, the Council had twenty-two (22) members comprising the Chairperson and twenty-one (21) Ward Councillors.

### Administration

The day to day running of the Council is the responsibility of the Council Secretary who is assisted by the Director of Works, District Treasurer, District Planning Officer and Chief Administrative Officer.

### Revenue

During the periods under review, the Council received grants and generated funds from various sources in amounts totalling K30,363,718. See table below.

| Source            | 2017<br>K         | 2016<br>K         | 2015<br>K        | Total<br>K        |
|-------------------|-------------------|-------------------|------------------|-------------------|
| Rates             | 653,858           | 192,866           | 113,251          | <b>959,975</b>    |
| Other revenue     | 174,650           | 202,377           | 168,541          | <b>545,568</b>    |
| National Support* | 13,270,608        | 10,057,128        | 5,530,439        | <b>28,858,175</b> |
| <b>Total</b>      | <b>14,099,116</b> | <b>10,452,371</b> | <b>5,812,231</b> | <b>30,363,718</b> |

### \*National Support

| Type of Grant     | 2017<br>K         | 2016<br>K         | 2015<br>K        | Total<br>K        |
|-------------------|-------------------|-------------------|------------------|-------------------|
| Equalisation Fund | 11,870,608        | 10,057,128        | 2,730,439        | <b>24,658,175</b> |
| CDF               | 1,400,000         | -                 | 2,800,000        | <b>4,200,000</b>  |
| <b>Total</b>      | <b>13,270,608</b> | <b>10,057,128</b> | <b>5,530,439</b> | <b>28,858,175</b> |



## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Council for the periods under review and a physical inspection of selected projects carried out in September 2018 revealed the following:

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

A strategic plan defines an organization's future outlook and sets strategies for desired objectives and direction of the entity. Resources are allocated to priority areas as highlighted in the strategic plan.

During the period under review, the Council did not have a strategic plan in place.

### **b. Failure to Prepare a Procurement Plan**

Contrary to Section 42 (1) (d) and (2) of the Public Procurement Act of 2008, which requires a procuring entity to prepare an annual procurement plan that integrates its expenditure budget and submit the same to the Zambia Procurement Authority (ZPPA), the Council did not prepare a procurement plan for the period under review.

### **c. Failure to Produce Receipt Books**

Contrary to Local Authorities Financial Regulation No. 12 (s) which states that the functions of the Treasurer, who is the principal adviser to the Council in matters relating to the general finances of the Council, shall be to produce when required by the Council or by external auditors all books and records or accounting documents in his charge, nine (9) general revenue receipt books used during the period under review were not availed for audit making it not possible to ascertain the amounts collected.

### **d. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 98 (1) which states that all payment vouchers with supporting documents, and any other forms which support a charge entered in the accounts, shall be carefully filed, secured against loss, and be readily available for audit, five (5) payments in amounts totalling K8,350 were not supported with relevant documentation such as letters of transfer or appointment, pay slips and computation schedules among others.

**e. Payments of Subsistence Allowances within Station of Duty**

During the period under review, several officers were paid subsistence allowances in amounts totalling K171,290 for activities undertaken within the district boundaries.

**f. Irregular Refunds for Officers' Medical Bills**

Contrary to Local Government Condition of Service No. 158, which states that an officer shall be refunded all expenses incurred including the cost of medicine and drugs on production of evidence of payment and this shall be made in accordance with any medical aid scheme in force, the Local Authority refunded four (4) officers amounts totalling K10,900 without a medical scheme in place.

**g. Irregular Payments for Officers' Hotel Bills**

During the period under review, amounts totalling K99,535 were paid to settle bills that were accrued by fifteen (15) officers in respect of their accommodation, food and refreshments following their transfer from various Councils to Kalabo Town Council. The payments were irregular in that the officers were not entitled. As at 31<sup>st</sup> March 2019, the funds had not been recovered.

**h. Failure to Avail Activity Reports**

Imprest in amounts totalling K13,730 was issued to three (3) officers to undertake activities such as attending workshops and exchange visits. However, as at 31<sup>st</sup> March 2019, no activity reports had been availed for audit. As a result, it was not possible to ascertain whether the assignments were undertaken.

**i. Overpayment of Subsistence**

On 28<sup>th</sup> December 2015, the Council Secretary was invited for an evaluation and ranking of jobs in the Local Authority workshop in Chongwe. According to the invitation letter, the workshop was for 10 days from 20<sup>th</sup> to 29<sup>th</sup> January 2016 and that each Council was required to meet the cost of subsistence allowance and travel to and from Chongwe.

However, the Council Secretary was issued with imprest for 30 days in amounts totalling K30,000 resulting in an overpayment of K12,000. As at 31<sup>st</sup> March 2019, the overpayment had not been recovered.

**j. Failure to Recover Laptops from Transferred Officers**

In August 2015, the Council procured eight (8) laptops at a cost of K36,000. However, six (6) laptops taken by officers who were transferred from the Council had not been returned as at 31<sup>st</sup> March 2019.

**k. Failure to Remit Tax**

During the period under review, Pay As Your Earn (PAYE) in amounts totalling K238, 200 was deducted from employees’ remunerations. However, as at 31<sup>st</sup> March 2019, the deducted amounts had not been remitted to the Zambia Revenue Authority (ZRA).

**l. Lack of Title Deeds for Properties**

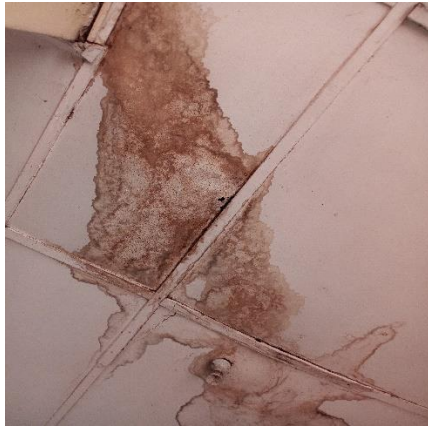
Contrary to the Lands Act No. 29 of 1995, which requires individuals and institutions to possess title deeds as proof of ownership of properties, the Council did not have title deeds for various properties such as the three (3) institutional houses, office block, guest house and markets.

Further, the Council did not insure its properties detailed in the table below.

| <b>Property</b>           |
|---------------------------|
| Civic Centre Office Block |
| Guest House               |
| Kashitu green Market      |
| Shops (12)                |
| Fish Market Building      |
| Munyindei Building        |
| Dwelling Houses (3)       |
| Mbuyu Building            |

**m. Poor Maintenance of Property - Civic Centre Office Block**

A physical inspection of the building carried out in September 2018 revealed that it was in a poor condition, with unkempt environment, cracks on the wall, stained ceiling indicating a leaking roof, damaged ceiling board and broken windowpanes. See pictures below.



*Stained ceiling as a result of leaking roof*



*Damaged Ceiling*

**n. Failure to Update the Valuation Roll**

According to Section 8 (1) of the Rating Act, “for the purpose of levying rates, there shall be maintained by the rating authority, a main valuation roll prepared by the valuation surveyor in which all rateable property in the area shall be listed by number” and part (3) requires 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. Contrary to the Act, as at 31<sup>st</sup> March 2019, the Council had not updated the main valuation roll as it was last updated in 1993.

**o. Inadequate Fire Prevention and Safety Services**

According to the Local Administration (Fire Services) Regulations of 1991, no person shall occupy or use any designated premises in respect of which there is no fire certificate for the following purposes:

- Provision of medical treatment or care.
- Provision of sleeping accommodation.
- Entertainment, recreation or for club, society or association activities.
- Teaching, training instruction or research.
- Premises used as offices or shop premises where more than one person is employed to work either within or outside the building or plant.

Further, according to the provisions of the Trades Licensing Act Cap 393 of the Laws of Zambia, all businesses are required by law to have a fire certificate before they can be issued with a business permit to trade in any premises in the country.

However, a physical inspection of various buildings carried out in September, 2018 revealed that contrary to the provisions of the law:

- Public institutions which included government offices and the Hospital had not been inspected and certified by the Local Authority in terms of fire safety compliances.
- Most of the institutional premises were not fire compliant in that they had neither fire extinguishers, fire escapes, smoke detectors nor fire hoses installed.

Thirty-three (33) businesses and entities had no valid fire certificates.

**p. Environmental Management**

An assessment of the effectiveness of the environmental management in compliance with the Environmental Management Act No. 12 of 2011 at the Council revealed the following:

**i. Lack of Medical Check-ups for Personnel**

Contrary to the standards and conditions of collection and transportation of waste which require that personnel involved in the collection and transportation of waste undergo appropriate medical check-ups annually and results submitted to ZEMA, personnel in the waste management unit of the Council had not undergone any medical check-ups during the period under review.

**ii. Lack of Protective and Safety Clothing**

Contrary to the standards and conditions set by ZEMA on collection and management of waste, the Council did not provide protective and safety clothing for its workers handling waste.

**iii. Lack of an Official Dumpsite**

The Council was not complying with the Waste Management Act in that it did not have a dumpsite but was instead dumping waste in a borrow pit which was not secured thus posing a danger to the public.

Further, the Council was not separating the refuse materials contrary to the requirements of the Environmental Management Act of 2011. See picture below.



*Kalabo Dump Site along Mongu-Kalabo Road*

**iv. Engagement of Unlicensed Transporters**

In 2015, the Council engaged three (3) individuals for collection of solid waste from Kashitu Market to the main dumpsite. In this regard, between 12<sup>th</sup> May and 14<sup>th</sup> July 2015, the Council paid the transporters amounts totalling K13,440. However, there was no written documentation to specify the terms of engagement and the transporters were not licensed by ZEMA.

**v. Lack of Constant Water Supply at Kashitu Main Market Toilet**

A physical inspection of Kashitu Main Market carried out in September, 2018 revealed that the Council toilet lacked constant supply of water. Consequently, the marketeers opted for open defecation in the nearby bush.

**q. Lack of Fire Fighting Services**

Section 61 of the Local Government Act provides that, among other functions, the Council should establish and maintain firefighting, prevention and rescue services, and take measures for the protection of life, property and natural resources from damage by fire within the municipality.

Although the Council had a firefighting unit, it faced the following challenges:

- i. There was no purpose-built fire station
- ii. It was inadequately staffed in that only three (3) out of thirty (30) positions were filled
- iii. It lacked firefighting and rescue services equipment such as fire tender, rescue vehicle, ambulance, communication systems and hydrants.

In this regard, the Council was unable to provide firefighting and rescue services as provided for in the Act.

**r. Management of Land**

**i. Failure to Collect Revenue from the Sale of Residential Plots**

During the period under review, the Council offered one hundred and four (104) residential plots in Kankolola area for sale to the public. In this regard, the Council was expected to collect K520,000 from the sale of plots. However, as at 31<sup>st</sup> March 2019, only K124,000 had been collected leaving a balance of K396,000.

**ii. Failure to Process Files for Applicants**

Although twenty-two (22) successful applicants had paid amounts totalling K110,000 for the plots between January and April 2015, as at 31<sup>st</sup> March 2019, the respective files had not been forwarded to the Ministry of Lands.

**iii. Failure to Revoke Offers not Paid for**

According to terms of offers for plots, payments for land fees were to be made within ninety (90) days from the date of receipt of the offer letters. In the event of failure to pay within ninety 90 days, the offer would be revoked. However, contrary to the terms of the offers, the Council did not revoke the offers for seventy seven (77) plots offered in January, 2015 at premiums totalling K385,000 which had not been paid for as at 31<sup>st</sup> March 2019.

**s. Constituency Development Funds (CDF)**

During the period under review, the Council received Constituency Development Fund (CDF) in amounts totalling K4,200,000 to cater for various activities in Kalabo Central and Liuwa Constituencies. See table below.

| Constituency   | 2017<br>K        | 2016<br>K | 2015<br>K        | Total<br>K       |
|----------------|------------------|-----------|------------------|------------------|
| Kalabo Central | 700,000          | -         | 1,400,000        | 2,100,000        |
| Liuwa          | 700,000          | -         | 1,400,000        | 2,100,000        |
| <b>Total</b>   | <b>1,400,000</b> | <b>-</b>  | <b>2,800,000</b> | <b>4,200,000</b> |

However, the following were observed:

**i. Failure to Utilise Funds**

Contrary to CDF Guideline No. 7, although the Council received the CDF funding for 2017 in October 2018, as at 31<sup>st</sup> March 2019, the funds had not been utilised despite having fifteen (15) approved projects in 2018.

**ii. Over Expenditure – Administrative Costs**

Contrary to CDF guideline No. 17, which states that K20,000 of the Constituency Development Funds shall be retained in the account of the constituency to meet administrative costs, the Council spent amounts totalling K83,612 on administrative activities resulting in an over expenditure in administrative costs amounting to K43,612. See table below.

| <b>Constituency</b> | <b>Amount Spent K</b> | <b>Entitlement K</b> | <b>Over-Expenditure K</b> |
|---------------------|-----------------------|----------------------|---------------------------|
| Kalabo Central      | 35,080                | 20,000               | 15,080                    |
| Liuwa               | 48,552                | 20,000               | 28,552                    |
| <b>Total</b>        | <b>83,632</b>         | <b>40,000</b>        | <b>43,632</b>             |

**iii. Irregular Payment of Allowances**

CDF Guideline No. 3(d), states that duties performed in connection with the administration of the Constituency Development Funds by members shall be part of community contribution and that no allowances whatsoever shall be paid from the Constituency Development Funds. Contrary to the guideline, amounts totalling K49,750 were paid as sitting and subsistence allowances.

**t. Failure to Collect Revenue from Guest House**

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, unpaid rentals in amounts totalling K54,000 accrued by Council officers who occupied the guest house during the period under review had not been collected as at 31<sup>st</sup> March 2019.

**Kaputa Town Council**

**The Council**

**19.** During the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017, the Council had seventeen (17) members comprising the Chairperson, fifteen (15) Ward Councillors and one (1) Chiefs' representative.



## Administration

The day to day running of Council is the responsibility of the Council Secretary who is assisted by the Chief Administrative Officer, Chief Human Resource Officer, Council Treasurer, Director of Works and District Planning Officer.

## Revenue

During the period under review, the Council received grants and generated funds in amounts totalling K22,476,933 as shown in the table below.

| Source of Funds    | 2017<br>K        | 2016<br>K        | 2015<br>K        | Total<br>K        |
|--------------------|------------------|------------------|------------------|-------------------|
| Personal Levy      | 13,888           | 10,340           | -                | 24,228            |
| Business Levy      | 54,680           | 79,520           | -                | 134,200           |
| Business Permit    | 8,960            | 6,160            | -                | 15,120            |
| Fees and Charges   | 241,219          | 273,696          | 257,688          | 772,603           |
| Licences           | 69,351           | 66,622           | -                | 135,973           |
| Local Taxes        | -                | -                | 12,983           | 12,983            |
| Other Income       | 169,053          | 228,414          | 34,447           | 431,914           |
| Equalisation Grant | 8,566,589        | 8,233,454        | 4,149,869        | 20,949,912        |
| <b>Total</b>       | <b>9,123,740</b> | <b>8,898,206</b> | <b>4,454,987</b> | <b>22,476,933</b> |

## Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017 carried out in September 2018 revealed the following:

### a. Failure to Fill Key Positions

The Council had an establishment of ninety-one (91) positions out of which seventy one (71) were filled while twenty (20) were vacant as at 30<sup>th</sup> September 2018. Some of the vacant positions included key positions such as Deputy Council Secretary, Deputy Council Treasurer, Environmental Planner, Building Inspector, Assistant Building Inspector, Chief Health Inspector, Senior Health Inspector and Chief Valuation Officer.

### b. Failure to Acquire Title Deeds

Contrary to the Lands Act No. 29 of 1995 which requires that institutions or individuals owning land should have or possess title deeds as proof of ownership, the Council did not possess title deeds for all of the properties under its charge.

### c. Failure to Insure Property and Office Equipment

Contrary to Section 154 of the Local Government Act, 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,” all Council office equipment, furniture and buildings had not been insured as at 31<sup>st</sup> March 2019.

**d. Lack of a Maintenance Policy**

Although the Council owned various properties, there was no policy in place regarding the maintenance of the buildings. As a result, some of the Council’s properties were in a general state of disrepair. In particular, the Council Workshop was in a deplorable state and was unoccupied.

**e. Lack of a Strategic Plan**

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

**f. Lack of a Risk Management Policy**

A review of the internal control environment revealed that the Council had no risk management policy that would enable the Council to identify and mitigate risks that might be detrimental to its operations.

**g. Failure to Remit Statutory Obligations and Other Contributions**

The Council deducted statutory obligations and other contributions in amounts totalling K4,463,570 from employees’ remuneration. However, as at 31<sup>st</sup> March 2019, the deducted amounts had not been remitted to the respective institutions. See table below.

| <b>Institution</b> | <b>Amount<br/>K</b> |
|--------------------|---------------------|
| ZRA                | 1,405,991           |
| NAPSA              | 1,607,474           |
| LASF               | 1,442,368           |
| ZULAWU             | 7,737               |
| <b>Total</b>       | <b>4,463,570</b>    |

**h. Failure to Produce Waste Management Reports**

Clause 56 section (2) of the Statutory Instrument No. 12 of 2011 states that a local authority shall report annually to the Zambia Environmental Management Agency (ZEMA) on the types of waste and the quantity of each type of waste generated and

disposed of within its area of jurisdiction and on the implementation of its integrated waste management plan.

Contrary to the Statutory Instrument, during the period under review, the Council did not produce waste management reports for submission to ZEMA.

**i. Failure to Cover Waste During Transportation**

Contrary to the requirement that all transporters of solid waste are to cover their vehicle/equipment to avoid littering the city when transporting solid waste to the dumpsite, it was observed that the vehicles/equipment used by the Council were not covered, thereby posing health risks to the community.

**Kasama Municipal Council**

**The Council**

20. During the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017, the Council had eighteen (18) members comprising the Mayor and seventeen (17) Ward Councillors.

**Administration**

The day to day running of the Council is the responsibility of the Town Clerk who is assisted by the Directors of Finance, Human Resources and Administration, Engineering, Planning and Housing and Social Services.

**Revenue**

During the periods under review, the Council received grants and generated funds from various sources in amounts totalling K48,099,224 as shown in the table below.

| Source of Funds       | 2017<br>K         | 2016<br>K         | 2015<br>K        | Total<br>K        |
|-----------------------|-------------------|-------------------|------------------|-------------------|
| Levies                | 1,092,642         | 860,791           | 852,941          | <b>2,806,373</b>  |
| Local Taxes and Rates | 1,833,388         | 975,917           | 1,240,540        | <b>4,049,845</b>  |
| Permits               | 621,430           | 509,673           | 644,205          | <b>1,775,308</b>  |
| Fees and Charges      | 3,690,171         | 2,200,696         | 2,041,491        | <b>7,932,358</b>  |
| Licences              | 80,464            | 46,430            | 24,910           | <b>151,803</b>    |
| Charges               | 1,379,346         | 23,495            | 31,296           | <b>1,434,136</b>  |
| Market Fees           | -                 | -                 | -                | -                 |
| Other Income          | 42,468            | 9,512             | 136,462          | <b>188,441</b>    |
| National Support*     | 14,672,731        | 10,755,247        | 4,332,982        | <b>29,760,960</b> |
| <b>Total</b>          | <b>23,412,639</b> | <b>15,381,759</b> | <b>9,304,826</b> | <b>48,099,224</b> |

### \*National Support

| Grant                  | 2017<br>K         | 2016<br>K         | 2015<br>K        | Total<br>K        |
|------------------------|-------------------|-------------------|------------------|-------------------|
| Equalisation Grant     | 12,532,430        | 8,471,508         | 4,332,982        | 25,336,920        |
| Health Grant           | -                 | 1,882,399         | -                | 1,882,399         |
| Road Grant             | -                 | 1,340             | -                | 1,340             |
| CDF                    | 1,400,000         | -                 | -                | 1,400,000         |
| Grant in Lieu of Rates | 740,301           | 400,000           | -                | 1,140,301         |
| <b>Total</b>           | <b>14,672,731</b> | <b>10,755,247</b> | <b>4,332,982</b> | <b>29,760,960</b> |

### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the period under review and a physical inspection of projects carried out in November 2018 revealed the following:

**a. Failure to Fill Key Positions**

During the period under review, the Council had an establishment of three hundred and eighty-six (386) positions out of which one hundred and ninety (190) were filled leaving one hundred and ninety-six (196) vacant. Out of the vacant positions, some such as Director of Public Health were key to the smooth running of the Council. As at 31<sup>st</sup> March 2019, the positions had not been filled.

**b. Failure to Control and Manage New Town Market**

Contrary to the Market Act of the Laws of Zambia Chapter 290 Section 4(a) which states that every market established in the area of a local authority shall be under the control and management of that local authority, the Council did not control or manage the New Town market, which was left under the control and management of the community market committee.

A check at the market revealed that the duties such as collection of market levy and disposal of refuse were entirely left in the hands of the market committee.

**c. Lack of a Strategic Plan**

A strategic plan defines an organisation's outlook and sets strategies for desired objectives and direction of the entity. It outlines the allocation of resources to priority areas. However, during the period under review, the Council operated without a strategic plan.

**d. Lack of a Risk Management Policy**

A risk management policy expresses an organization's commitment to risk management and clarifies its general direction or intention in respect of identification and mitigation of these risks. It was however observed that during the period under review, the Council operated without a risk management policy.

**e. Lack of Billboard Policy**

A Billboard policy provides guidance on how the Council is supposed to charge fees for billboards and other outdoor advertising. It was however, observed that during the period under review, the Council operated without a billboard policy.

**f. Failure to Adopt ICT Frameworks**

During the period under review, the Council used Dove payroll software to manage its payroll and point of sale systems. However, the Council had not adopted any ICT framework to manage the operations and administration of the Information and Communication Technology (ICT) environment. There were no approved information security and backup systems and post-acquisition service level agreement (SLA) with the supplier of the software.

**g. Failure to Insure Fire Officers**

Contrary to Section 20 of the Fire Services Brigade Standing Orders which requires among other things, that all Fire Officers should be insured, the Council did not insure its fire officers.

**h. Failure to Settle Staff Obligations**

As at 31<sup>st</sup> March 2019, the Council owed amounts totalling K4,067,046 in respect of long service bonus, terminal benefits and settling in allowances among others. Some of which has been outstanding since 2008. See table below.

| <b>Details</b>        | <b>Balances as at<br/>31.09.2018<br/>K</b> |
|-----------------------|--|
| Long Service Bonus    | 1,237,474                                  |
| Settling in Allowance | 380,618                                    |
| Terminal Benefits     | 2,448,954                                  |
| <b>Total</b>          | <b>4,067,046</b>                           |

**i. Failure to Settle Statutory Obligations and Other Contributions**

During the period under review, the Council owed various statutory bodies and union amounts totalling K6,790,731 in unsettled obligations such as Pay As You Earn (PAYE), pensions and union contributions. See table below.

| Details                       | Balances as at 31.09.2018 (K) |
|-------------------------------|-------------------------------|
| Pensions Contributions (LASF) | 1,613,465                     |
| NAPSA                         | 3,987,172                     |
| ZRA                           | 1,154,416                     |
| Union Contributions (ZULAWU)  | 35,677                        |
| <b>Total</b>                  | <b>6,790,731</b>              |

**j. Outstanding Receivables**

During the period under review, the Council did not collect debts in amounts totalling K3,605,181 in respect of rentals, property rates and billboard levies among others. See table below.

| Details        | Total K          |
|----------------|------------------|
| Rentals        | 66,680           |
| Property Rates | 3,282,759        |
| Bill Boards    | 50,000           |
| Others         | 205,742          |
| <b>Total</b>   | <b>3,605,181</b> |

As at 31<sup>st</sup> March 2019, the outstanding debt had not been collected.

**k. Missing Payment Vouchers**

Contrary to the Local Authorities Financial Regulation No. 98, thirteen (13) payment vouchers in amounts totalling K146,965 were not availed for audit.

**l. Unretired Accountable Imprest**

Contrary to Local Authorities Financial Regulation No. 119, accountable imprest in amounts totalling K258,692 issued to various officers during the period under review had not been retired as at 31<sup>st</sup> March, 2019.

**m. Unapproved Payment Vouchers**

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, five (5) payments in amounts totalling K37,192 paid during the period under review had not been approved by a responsible officer as at 31<sup>st</sup> March, 2019.

**n. Failure to Produce Activity Reports**

During the period under review, imprest in amounts totalling K340,186 was paid to various officers to undertake various activities. However, as at 31<sup>st</sup> March 2019, no activity reports were produced for audit making it not possible to ascertain whether the activities were undertaken.

**o. Unaccounted for Stores**

Contrary to Local Authorities Financial Regulation No. 145, various stores items costing K1,061,425 (General Stores – K547,128 and Fuel – K514,297) procured during the period under review were not accounted for in that there were no receipt and disposal details.

**p. Irregular Hiring of a Motor Vehicle**

On 27<sup>th</sup> December 2016, the Council paid K17,850 for hire of a motor vehicle ADB 836 for the use of His Worship the Mayor for twenty-one (21) days. However, the hire of a motor vehicle was irregular as it was not authorised by the Council.

**q. Failure to Collect Revenue from the Sale of Plots**

During the period under review, the Council offered six hundred and sixty-six (666) plots in Forest P47 Area to successful applicants from which amounts totalling K15,109,700 were to be collected. However, only K6,565,360 was collected leaving a balance of K8,544,340 as at 31<sup>st</sup> March, 2019.

**r. Failure to Effect Recoveries of Salary Advances**

Contrary to the Conditions of Service for Local Government Officers No. 105 (d) which 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, recoveries in respect of advances in amounts totalling K34,171 paid to eighteen (18) officers during the period under review had not been effected as at 31<sup>st</sup> March, 2019

**s. Misapplication of Equalisation Funds**

In 2017, the Council received equalisation funds in amounts totalling K12,734,938 out of which K519,000 was for Councillors' allowances while K2,443,188 was for capital projects and K9,772,750 was for recurrent expenditure.

Out of the K2,443,188 meant for capital projects, only K875,243 was utilised on capital projects while the balance of K1,567,944 was applied on unrelated activities such as purchase of fuel, spare parts, tyres and payments of salaries and allowances.

**t. Failure to Maintain Buildings**

The Council did not have a maintenance policy to give guidance on how buildings were to be maintained. As a result, the Council's properties were in a general state of disrepair. In particular, the following were observed:

- **Bantungwa Tarven**

Though the tavern is currently occupied by a church, the terms of occupancy were not clear as the tenancy agreement was not availed for audit.

A physical inspection of the building carried out in November 2018 revealed that the building was in a poor condition as the roof was damaged, windows were broken and the plumbing pipes were damaged. See pictures below.



*Dilapidated building - Bantungwa Tarven*

- **Abattoir**

A physical inspection of the premises carried out in November 2018 revealed that the abattoir was used as a storage by an unknown person. See picture below.



*Abattoir not in use*



- **Buseko Community Hall**

The hall was leased out to a church. However, the tenancy agreement was not available for audit making it not possible to ascertain the conditions of the lease.

A physical inspection of the building carried out in November, 2018 revealed that the building was in a state of disrepair in that windows were broken, plaster was peeling off the walls and the ceiling board was falling. See pictures below.



*Leased out Buseko Community Hall Classrooms*

It was further observed that there was a building with seven (7) classrooms within the premises of the community hall which was also leased out to a community school. However, the tenancy agreement was not available for audit making it not possible to ascertain the conditions of the lease.

A physical inspection of the building revealed that the building was in a state of disrepair in that windows were broken, plaster was peeling off the walls and the ceiling board was falling. See pictures below.



*Classroom block*

*Broken windows*

*Damaged ceiling board*

**u. Environmental Management**

An examination of the Council's operations regarding its environment management revealed the following:

**i. Lack of Operating License**

Contrary to Clause 55(1) (b-d) of Statutory Instrument No. 12 of 2011 which states that the Zambia Environmental Management Agency (ZEMA) may upon application, issue a waste management license to a person to allow the person

to collect and dispose of waste from industrial, commercial, domestic or community activities and transport the waste to a disposal site, own, construct or operate a waste dumpsite or other facility for the permanent disposal or storage, it was observed that the Council did not have licenses from ZEMA to transport waste and to operate a disposal site.

**ii. Poor Management of the Dump Site**

A physical inspection of the dump site carried out in September 2018 revealed that the Council was not complying with the Waste Management Act. In particular, the following were observed:

- The Council did not fence off the dump site to protect it from access by unauthorised persons
- The dumpsite was close to the main road.
- The waste was improperly dumped in that some waste was found lying along the access route to the dumpsite.
- The Council was not monitoring ground water quality at the site. See pictures below.



*Unfenced dump site*



*improperly dumped waste at the dumpsite*

**Kawambwa Town Council**

**The Council**

21. During the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017, the Council had twenty three (23) members comprising the Chairperson, nineteen (19) Ward Councillors and three (3) Chiefs' representatives.

## Administration

The day to day running of the Council is the responsibility of the Council Secretary who is assisted by the District Planning Officer, Council Treasurer, Director of Works and Chief Human Resource Officer.

## Revenue

During the period from 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2017, the Council received grants and generated funds from various sources in amounts totalling K18,888,576 as shown in the table below.

| Source of Funds       | 2017<br>K        | 2016<br>K        | 2015<br>K        | Total<br>K        |
|-----------------------|------------------|------------------|------------------|-------------------|
| Personal Levy         | 30,109           | 3,863            | 12,332           | 46,303            |
| Local Taxes and Rates | 27,197           | 21,112           | 18,359           | 66,668            |
| Permits               | 130,080          | 43,850           | 159,665          | 333,595           |
| Fees and Charges      | 660,972          | 239,643          | 639,955          | 1,540,570         |
| Licences              | 3,110            | 2,320            | 10,665           | 16,095            |
| Loading Fees          | 293,019          | 199,284          | 179,478          | 671,781           |
| Market Fees           | 14,350           | 19,005           | 14,617           | 47,972            |
| Other Income          | 408,327          | 1,050,875        | 327,651          | 1,786,853         |
| National Support*     | 7,667,821        | 3,607,514        | 3,103,405        | 14,378,740        |
| <b>Total</b>          | <b>9,234,984</b> | <b>5,187,465</b> | <b>4,466,127</b> | <b>18,888,576</b> |

### \*National Support

| Grant                  | 2017<br>K        | 2016<br>K        | 2015<br>K        | Total<br>K        |
|------------------------|------------------|------------------|------------------|-------------------|
| Equalisation Grant     | 7,367,821        | 3,607,514        | -                | 10,975,335        |
| Salaries Grant         | -                | -                | 3,103,405        | 3,103,405         |
| Grant in Lieu of Rates | 300,000          | -                | -                | 300,000           |
| <b>Total</b>           | <b>7,667,821</b> | <b>3,607,514</b> | <b>3,103,405</b> | <b>14,378,740</b> |

## Accounting and other Irregularities

An examination of accounting and other records maintained at the Council for the period under review and physical inspections of selected projects carried out in February 2019 revealed the following:

### a. Failure to Collect Revenue - Billboards

During the period under review, various institutions erected billboards from which amounts totalling K56,440 were to be collected. However, as at 31<sup>st</sup> March 2019, only K27,402 was collected leaving a balance of K29,038 some of which had been outstanding from as far back as 2015.

**b. Failure to Acquire Title Deeds**

Contrary to the Lands Act No. 29 of 1995 which requires institutions or individuals owning land to have title deeds as proof of ownership, the Council did not have title for three (3) properties shown in the table below.

| Property                          | Location       |
|-----------------------------------|----------------|
| Civic Centre                      | Town Center    |
| Munkanta Guest House              | Chibwe Village |
| Chimfwembe Market and Bus Station | Kawambwa Town  |

Further, the values of the three (3) properties could not be ascertained as they had not been valued.

**c. Failure to Insure Immovable Properties**

Contrary to the Local Authorities Financial Regulation No. 154 which requires the Council to insure its properties, various properties which included the Civic Centre Buildings, Chimfwembe market and Munkanta guest house were not insured during the period under review. As at 31<sup>st</sup> March 2019, the properties had not been insured.

**d. Loss of Revenue in the Leased-out Council Building**

On 16<sup>th</sup> January 2007, the Council leased out its former bus shelter building in Matelo Village of Mukanta Chiefdom in Kawambwa district to Chita Lodge to be used as an office block with permission to transform it into a commercial utility.

The building was leased out under the following conditions:

- i. That the monthly rentals shall be at K300 (K300,000 un-rebased) renewable yearly.
- ii. That the lease be for an initial period of two (2) years subject to review.
- iii. That the tenant shall undertake to renovate the building to acceptable standards after the completion of the bill of Quantities (BOQ) which shall be agreed upon with the landlord.
- iv. That an initial upfront payment of six (6) months towards rentals be effected by the tenant.
- v. That after six (6) months, the subsequent rental charges shall partly be in cash and partly be recoverable from the BOQ for rehabilitation costs.

Although the lessee transformed the property into a guest house in accordance with the terms of the lease, the following were observed:

- Council minutes of the meetings where resolutions to lease the said building were made were not availed for audit.
- In 2009, the tenant claimed to have spent K200,000 (K200,000,000 un-rebased), on the construction of a guest house. However, there was no evidence that the BOQ for the construction of the guest house was agreed upon by the two parties.
- The monthly rental had not been reviewed since the property was leased out contrary to condition No. (i) of the agreement. Consequently, it will take fifty-five (55) years to recover the cost of renovations as shown in the table below.

| <b>BOQ Amount<br/>K</b> | <b>Monthly Rental<br/>K</b> | <b>Expected Months to Recover BOQ Amt<br/>(BOQ/Rentals)</b> | <b>No.of years<br/>666.67 / 12</b> |
|-------------------------|-----------------------------|---|------------------------------------|
| 200,000                 | 300                         | 666.67 months   | 55.56                              |

**e. Failure to Collect Outstanding Receivables**

The Local Authorities Financial Regulation No. 12 requires the Council to collect punctually all revenue and other Council money which becomes due and payable to the Council.

A scrutiny of the debtors’ schedule for the period under review revealed that as at 31<sup>st</sup> December 2017, the Council was owed amounts totalling K232,890 by three (3) institutions in respect of uncollected levies and lease rentals for periods of more than twelve (12) months.

A further scrutiny carried out in February 2019, revealed that the position had not changed.

**f. Failure to Settle Outstanding Debts**

As at 31<sup>st</sup> March 2019, the Council had an outstanding debt of K626,222 in respect of terminal benefits, long service bonus, gratuities, insurance cover and Councillors’ allowances. The unsettled debt accumulated from as far back as 2015.

## Livingstone City Council

### The Council

22. During the financial year ended 31<sup>st</sup> December 2017, the Council had twenty-one (21) members comprising the Mayor and seventeen (17) Ward Councillors and three (3) Chiefs' representatives.

### Administration

The day to-day operations of the Council is the responsibility of the Town Clerk who is assisted by seven (7) Directors of Finance, Human Resource and Administration, Legal Services, Engineering Services, City Planning, Public Health and Housing and Social Services.

### Revenue

The Council received grants from Central Government and generated funds from various sources in amounts totalling K50,517,455. See table below.

| Sources            | Amount<br>K       |
|--------------------|-------------------|
| Local Taxes/ Rates | 9,918,012         |
| Fees & Charges     | 6,771,209         |
| Permits            | 1,715,473         |
| Licenses           | 49,515            |
| Service Charges    | 16,054,810        |
| Levies             | 1,676,601         |
| National Support*  | 14,331,834        |
| <b>Total</b>       | <b>50,517,455</b> |

### \*National Support

| Sources                 | Amount<br>K       |
|-------------------------|-------------------|
| Equilization Fund       | 13,481,834        |
| Grants in Lieu of rates | 150,000           |
| CDF                     | 700,000           |
| <b>Total</b>            | <b>14,331,834</b> |

In addition, an amount of K277,913 was brought forward from the previous year bringing the total funds available to K50,795,368. As at 31<sup>st</sup>December 2017, amounts totalling K45,862,737 had been spent leaving a balance of K4,932,631.

### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the period under review and a physical inspection of projects carried out in November 2018 revealed the following:

**a. Failure to Fill Positions in the Establishment**

A scrutiny of the Establishment Registers and Staff Returns revealed that eighty-seven (87) positions had not been filled during the period under review. The vacant positions include key positions of Chief Administrative Officer, Legal Officer and Senior Valuation Officer among others. It was also observed that most of these positions had been vacant from 2013.

**b. Employees without Requisite Qualifications**

Contrary to the Terms and Conditions of Service for Local Authorities which provide for minimum qualifications for officers occupying various positions, it was observed that fourteen (14) members of staff did not meet the requisite educational and professional qualifications for the positions they were holding.

| Position                     | Required Qualification  | Actual Qualification  |
|------------------------------|---|---|
| IT Manager                   | Degree in Information Technology  | Grade twelve certificate, Diploma in computer studies   |
| Senior Programmer            | Degree in Computer Sciences   | Grade twelve certificate, Advanced diploma in Computer Sciences   |
| Programmer                   | Degree in Computer Sciences   | Grade twelve certificate, Diploma in IMIS   |
| Senior Legal Assistant       | Degree in Law   | Grade twelve certificate, diploma in legal studies  |
| Health Inspector             | Degree in Environmental Health  | Grade twelve certificate, Diploma in Environmental Health   |
| Administrative Officer       | Diploma in Public Administration, Human Resource Management or equivalent | Grade nine (9) certificate  |
| Senior Committee Clerk       | Degree in Public Administration or equivalent                             | Grade twelve certificate, Diploma in Public Administration.   |
| Senior Committee Clerk       | Degree in Public Administration or equivalent                             | Grade twelve certificate, Diploma in Public Administration, certificate in Committee Clerk skills               |
| Revenue Collector            | Grade twelve certificate, Basic Accounting                                | None  |
| Revenue Collector            | Grade twelve certificate, Basic Accounting                                | None  |
| Revenue Collector            | Grade twelve certificate, Basic Accounting                                | Grade nine (9) certificate  |
| Senior Building Inspector    | Bachelors degree in building Science or equivalent                        | Grade twelve certificate, Technician diploma in construction crafts, certificate in brick laying and plastering |
| Senior Accountancy Assistant | Degree in Accountancy, Full ACCA, ZICA or equivalent                      | Grade twelve certificate, ZICA Technician, Pastel Accounting  |
| Senior Accountancy Assistant | Degree in Accountancy, Full ACCA, ZICA or equivalent                      | Grade twelve certificate, Diploma in local government Finance   |

**c. Under Collection of Dog Licencing Fees**

The Control of Dog Act, Cap 247 of the Laws of Zambia, empowers the Council to issue licences to all dog owners in the district. The dog owners are required to take dogs to the Council for Licencing at a fee of K50 for each adult dog and K10 for a small dog.

In this regard, the Council made a budget provision of K25,000 as expected revenue from dog Licencing for the period under review. However, only an amount of K2,580 was collected resulting in a deficit of K22,420.

**d. Failure to Remit Statutory and other Contributions**

Amounts totalling K24,542,717 that were deducted from employees' salaries and wages had not been remitted to the respective institutions as at 31<sup>st</sup> March, 2019.

| <b>Institution</b>     | <b>Amount<br/>K</b> |
|------------------------|---------------------|
| ZRA                    | 16,176,322          |
| NAPSA                  | 1,246,216           |
| LASF                   | 6,943,899           |
| FIRESUZ (HEADQUATER)   | 1,009               |
| FIRESUZ (FTUZ)         | 706                 |
| FIRESUZ (LOCAL BRANCH) | 1,818               |
| ZULAWU (HEADQUARTERS)  | 46,314              |
| ZULAWU (ZCTU)          | 124,680             |
| ZULAWU (PROVINCIAL)    | 1,753               |
| <b>Total</b>           | <b>24,542,717</b>   |

**e. Outstanding Staff Obligations**

A review of accounting and other records revealed that the Council was owing amounts totalling K1,511,253 as at 31<sup>st</sup> March 2019 in respect of long service bonuses.

**f. Unaccounted for Stores**

There were no receipt and disposal details in respect of building materials costing K45,959 procured during the period under review.

**g. Waste Management - Lack of Perimeter Boundary to the Dumpsite**

The Livingstone City Council has one dumpsite situated approximately 3 km from the city centre. A physical inspection of the dumpsite revealed that the Council was not complying with the Waste Management Act which requires that the site should be secured. See pictures below.





*Unsecured dumpsite*

## Luano Town Council

### The Council

23. During the period under review, the Council had seventeen (17) members comprising the Chairperson, ten (10) Ward Councillors, three (3) co-opted Councilors and three (3) representatives of Chiefs.

### Administration

The day to day running of Council is the responsibility of the Council Secretary who is assisted by Director of Works, District Planning Officer, District Council Treasurer and Chief Human Resource Officer.

### Revenue

During the period from 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2017, the Council generated revenue and received grants in amounts totalling K13,995,094 as shown in the table below.

| Source of Funds       | 2017<br>K        | 2016<br>K        | 2015<br>K        | Total<br>K        |
|-----------------------|------------------|------------------|------------------|-------------------|
| Personal Levy         | 8,238            | 7,035            | 5,290            | 20,563            |
| Local Taxes and Rates | 34,642           | 34,642           | 53,985           | 123,269           |
| Permits               | 39,037           | 9,364            | -                | 48,401            |
| Fees and Charges      | 2,510            | 23,070           | 42,130           | 67,710            |
| Licences              | 6,050            | -                | -                | 6,050             |
| Other Income          | 246,676          | 128,569          | 245,331          | 620,576           |
| National Support*     | 7,944,928        | 3,495,985        | 1,667,612        | 13,108,525        |
| <b>Total</b>          | <b>8,282,081</b> | <b>3,698,665</b> | <b>2,014,348</b> | <b>13,995,094</b> |

### \*National Support

| Grant                  | 2017<br>K        | 2016<br>K        | 2015<br>K        | Total<br>K        |
|------------------------|------------------|------------------|------------------|-------------------|
| Equalisation Grant     | 6,444,928        | 3,435,985        | 1,667,612        | <b>11,548,525</b> |
| CDF                    | 1,400,000        | -                | -                | <b>1,400,000</b>  |
| Grant in Lieu of Rates | 100,000          | 60,000           | -                | <b>160,000</b>    |
| <b>Total</b>           | <b>7,944,928</b> | <b>3,495,985</b> | <b>1,667,612</b> | <b>13,108,525</b> |

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Council and an inspection of selected projects for the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017 carried out in October 2018 revealed the following:

### **a. Failure to Fill Vacant Positions**

The Council had an establishment of eighty-two (82) positions out of which only thirty-five (35) were filled leaving a total of forty-seven (47) vacant positions which had not been filled as at 31<sup>st</sup> March 2019.

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

A strategic plan defines an organization'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. However, during the period under review, the Council operated without a strategic plan.

### **c. Lack of a Risk Management Policy**

A review of the internal control environment revealed that the Council had no risk management policy that would enable the Council to identify and mitigate risks that might be detrimental to its operations.

### **d. Failure to Avail Records on Formation of the Audit Committee**

A review of documentation and inquiry from management revealed that the Council had constituted an Audit Committee, which was responsible for monitoring, evaluation and making recommendations on the following:

- i. The integrity of the financial and management systems of the Council
- ii. The effectiveness of the Council's internal audit unit, to strengthen the Council's financial control systems, risks management systems and internal audit unit
- iii. To evaluate the external auditors' independence, objectivity and effectiveness.

According to the guidelines on the composition of the membership, the Committee was to include three (3) outsiders out of which one was to be a financial expert and prior to the recommendation to the Council, the Council Secretary was to solicit for nomination of the three (3) individuals to be appointed to the Committee from professional bodies.

It was however observed that there was no documentation to show how the outsiders were appointed. In addition, there was no evidence that there was anyone who had financial expertise thereby rendering the credibility of the resolutions and deliberations on all financial matters and audit findings questionable.

**e. Unaccounted for Revenue**

Contrary to the Local Authorities Financial Regulation No. 72, which states that the treasury shall ensure that collectors of revenue account for the amount of the moneys collected by them on a daily basis, the Council collected amounts totalling K886,569 out of which only K657,579 was banked while the balance of K228,990 was unaccounted for. See table below.

| DETAILS                            | 2017<br>K     | 2016<br>K     | 2015<br>K      | TOTAL<br>K     |
|------------------------------------|---------------|---------------|----------------|----------------|
| Revenue Cashbook/Receipt Statement | 337,153       | 202,680       | 346,736        | 886,569        |
| Bank Statements                    | (239,227)     | (176,952)     | (241,401)      | (657,579)      |
| <b>Unaccounted for Revenue</b>     | <b>97,926</b> | <b>25,728</b> | <b>105,335</b> | <b>228,990</b> |

**f. Failure to Collect Land Charges on Plots**

In July 2016, the Council offered a total of two hundred and sixty-five (265) plots to members of the public from which there was an expected revenue collection of K1,300,800. However, only K256,915 had been collected leaving a balance of K1,043,885. As at 31<sup>st</sup> March 2019, there was no evidence of action taken by the Council on the unpaid for plots.

**g. Failure to Avail Authority for Plots Offered at Discounted Prices**

In 2016 and 2017, thirty (30) plots were offered to a Member of Parliament, eight (8) Councillors and fourteen (14) Council employees at 10% of the commercial price which was applicable to members of staff. However, as at 31<sup>st</sup> March 2019, there was no evidence availed for audit to support the decision to offer the plots to the Member of Parliament and Councillors at discounted prices.

**h. Failure to Avail Receipt Books for Audit**

Contrary to Local Authorities Financial Regulation No. 28 (1), twenty-six (26) receipt books were not availed for audit. See table below.

| Type                  | Range     | Quantity |
|-----------------------|-----------|----------|
| General Receipt Books | 0001 5000 | 16       |
| Treasury Receipt Book | 001 0500  | 10       |

**i. Misapplication of Funds - Rural Water Account**

During the period under review, a total amount of K116, 276 was irregularly varied from the Rural Water Account and spent on activities that were not related to the purposes of the funds without authority from the Secretary to the Treasury.

**j. Missing Payment Vouchers**

Contrary to Local Authorities 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 readily available for audit, payment vouchers for payments in amounts totalling K89,329 made during the period under review were not availed for audit.

**k. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No.86, twenty-six (26) payment vouchers in amounts totalling K361,324 were not supported with relevant documents such as receipts and invoices.

**l. Unapproved Payments**

Contrary to Local Authorities Financial Regulation No.82 (1) which states that the original payment voucher shall be signed or approved by the controlling officer, treasurer or any officer authorized by the treasurer, payment vouchers in amounts totalling K827,383 made during the period under review were not signed or approved by either the Council Secretary or any other authorised officer.

**m. Unacquitted Allowances**

The Local Authorities Financial Regulation No.106, states that where the employees do 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.

Contrary to the regulation, accountable imprest in amounts totalling K157,626 were issued to various officers for the payment of allowances. However, there was neither evidence that the allowances were acquitted nor banked.

**n. Questionable Payments**

A review of expenditure documents revealed that a total amount of K153,053 involving

thirty- two (32) transactions was made during the period under review. However, the payments were questionable in that one (1) payment voucher did not state who the beneficiaries were, thirty-one (31) payments did not state the reason for the payment while one (1) payment was signed by a person different from the beneficiary. Therefore, it was not possible to ascertain if the payments were made for the correct activities and whether the right beneficiaries received the funds.

**o. Procurement of Goods and Services and Stores Management**

**i. Failure to Follow Procurement Procedures**

Contrary to Public Procurement Guidelines, payments in amounts totalling K71,803 in respect of goods and services procured during the period under review were processed without obtaining competitive quotations.

**ii. 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 K344,209 (General Stores - K218,944 and Fuel - K125,265) were unaccounted for in that there were no receipt and disposal details.

**iii. Questionable Procurement of Solar Panels**

On 18<sup>th</sup> February 2016, the Council procured ten (10) solar panels and accessories at a total cost of K34,098 for use at the temporal Civic Centre in old Mkushi. A scrutiny of the quotations collected from suppliers and the procurement unit analysis sheet revealed that Radian stores quoted K22,670 while Chloride Zambia which was given the contract quoted K34,098. A saving of K11,428 could have been realised had the order been offered to Radian stores.

It was also observed that the procurement unit analysis sheet was not approved by both the Controlling Officer and officers who scrutinized the quotations.

**p. Unretired Accountable Imprest**

Contrary to Local Authorities Financial Regulation No. 119 (1), accountable imprest in amounts totalling K220,233 issued to several officers during the period under review had not been retired as at 31<sup>st</sup> March 2019.

**q. 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 values cannot be ascertained at the time”. It was however observed that imprest in amounts totalling K75,670 was issued to various officers to procure goods and services whose values could be ascertained.

**r. Failure to Provide Activity Reports**

During the period under review, imprest in amounts totalling K466,848 was issued to various officers to enable them to undertake various activities such as inspection of projects and attending workshops and meetings among others. However, no activity reports were produced for audit, making it not possible to ascertain whether the activities were undertaken.

**s. Irregular Payment of Subsistence Allowance**

Contrary to Cabinet Circular Minute of 2015 dated 30<sup>th</sup> December 2015, which states that subsistence allowance shall be paid to an officer to cover expenses he or she has to meet when travelling on duty away from his or her normal station of duty where an overnight stay is expected, subsistence allowances totalling K142,651 were paid to various officers who were carrying out official duties within the district boundaries.

**t. Irregular Refunds**

Refunds in amounts totalling K153,109 were paid to various officers who used their money to undertake activities during the period under review. However, there was no prior authority from the Council Secretary or any other authorised officer to allow these officers to commit the Council to the expenditure.

**u. Irregular Payment of Subsistence Allowance on Sponsored Activities**

During the period under review, officers were irregularly paid subsistence allowances in amounts totalling K13,920 to attend programmes that were fully sponsored in that accommodation had been arranged and all costs such as out of pocket allowances and transport refunds were paid. As at 31<sup>st</sup> October 2018, the amount had not been recovered from the concerned officers.

**v. Wasteful Expenditure**

During the period under review, the Council Secretary and Deputy Director of Works were paid a total amount of K12,298 to take the payroll and a cheque of K917 to Madison insurance, which could have been delivered by one person so as to reduce on the cost of delivering thereby rendering the payment wasteful.

**w. Questionable Payments**

During the period under review, the Council paid amounts totalling K114,631 for various activities such as allowances for an officer to get quotations from Lusaka, taking cheques for statutory contributions to Lusaka instead of Kabwe.

It was also observed that the Council Secretary was requesting and approving his own payments. The payments were irregular in that it was not justifiable for an officer to get 5 days for the purpose of collecting quotations and taking cheques to Lusaka. Further, the Council Secretary approving his own payments was irregular as that was an indication that there was no segregation of duties.

**x. Transport Management**

**i. Irregular Drawing of Fuel**

Although the Council Chairperson and the Council Secretary receive fuel allowances which is paid through the payroll, during the period under review, the officers irregularly drew fuel costing K11,394 from the pool account.

**ii. Failure to Insure Motor Vehicles**

Contrary to Section 133 of the Roads and Road Traffic Act which requires that all motor vehicles using public roads must have a minimum of third-party insurance cover, the Council did not insure its fleet of five (5) motor vehicles and specialised equipment valued at K3,442,900 during the period under review. See table below.

| <b>Make</b>          | <b>Reg No.</b> | <b>Value<br/>K</b> |
|----------------------|----------------|--------------------|
| Drill Rig/Tipper     | Unavailable    | 2,550,000          |
| Yuejin               | Unavailable    | 250,000            |
| Nissan<br>Hardbody   | GRZ 368<br>CK  | 300,000            |
| Mitsubishi<br>Pajero | GRZ 555<br>CA  | 300,000            |
| Motor Bike           | Unavailable    | 42,900             |
| <b>Total</b>         |                | <b>3,442,900</b>   |

As at 31<sup>st</sup> March 2019, the motor vehicles and specialised equipment had not been insured.

In addition, the Council owed the Zambia State Insurance Corporation (ZSIC) outstanding insurance premiums amounting to K67,712 for motor vehicles insured for the period from 31<sup>st</sup> March 2016 to 31<sup>st</sup> March 2017.

**y. Sponsorship of Officer for Training without Authority from the Commission**

According to the Local Government Act, principal officers and officers of the Council are required to obtain authority from the Local Government Commission to go for training. Contrary to the Act, the Council spent amounts totalling K34,508 to sponsor an officer to undertake a one-year training programme without authority from the Commission.

**z. Failure to Remit Statutory Obligations and Other Contributions**

During the period under review, statutory obligations and other contributions in amounts totalling K751,193 were deducted from employees' salaries and other emoluments. However, the deducted amounts had not been remitted to the respective institutions as at 31<sup>st</sup> December 2017.

| <b>Institution</b> | <b>Amount<br/>K</b> |
|--------------------|---------------------|
| ZRA                | 596,854             |
| NAPSA              | 57,193              |
| LASF               | 95,771              |
| Unions             | 1,375               |
| <b>Total</b>       | <b>751,193</b>      |

Further, it was observed that NAPSA had charged the Council penalties and interest as a result of delays in submitting and failure to remit the contributions, which resulted in the Council owing NAPSA a total amount of K463,893 as at 31<sup>st</sup> December 2017.

**aa. Outstanding Staff Obligations**

During the period under review, the Council owed retirees, administrators of the deceased employees and those who had resigned amounts totalling K1,749,012 in unpaid terminal benefits, settling-in allowances, Councilors' allowances and salary/wages arrears. See table below.



| Staff Obligation      | Outstanding balance as at 31st December 2015<br>K | Outstanding balance as at 31st December 2016<br>K | Outstanding balance as at 31st December 2017<br>K |
|-----------------------|---|---|---|
| Settling in Allowance | 43,816  | 13,752  | 93,151  |
| Leave pay benefits    | 746,219   | 746,219   | 291,341   |
| Salary Arreas/Wages   | 395,452   | 536,352   | 594,070   |
| Councilors Allowances | 21,000  | 7,000   | 770,450   |
| <b>Total</b>          | <b>1,206,488</b>                                  | <b>1,303,323</b>                                  | <b>1,749,012</b>                                  |

As at 31<sup>st</sup> March 2019, the owed amounts had been outstanding for periods of more than three (3) years.

**bb. Irregular Payment of Social Holiday Allowances**

Contrary to the Ministerial Circular No. MLGH/101/8/4 of 2014 which abolished the payment of entertainment allowances such as social holiday allowances, the Council paid social holiday allowances in amounts totalling K23,000 to two (2) officers during the period under review.

**cc. Irregular Payment of Repatriation**

Contrary to Terms and Conditions of Service No. 168 (1) which states that a repatriation allowance for an officer who retires from the Local Government Service shall be paid as prescribed in the Collective Agreements or Circulars issued by the Secretary to the Cabinet from time to time, repatriation allowances in amounts totalling K16,000 were paid to three (3) officers who were still serving in the Council.

**dd. Non-recovery of Salary Advances**

Contrary to the Terms and Conditions of Service for the Local Authorities No. 105 (d), recoveries in respect of salary advances amounting to K72,750 paid to several officers during the period under review had not been effected as at 31<sup>st</sup> March 2019.

**ee. Irregular Payment of Salary Advances**

The Terms and Conditions of Service for the Local Authorities No. 110 (3) and (4) state that a salary advance shall not exceed an officer's gross monthly salary and net pay shall not fall below the prescribed minimum take home pay threshold and shall be recovered in six equal instalments. It was however observed that two (2) officers were paid a total amount of K80,000 in salary advances which were beyond their gross salaries.

**ff. Non-deduction of NAPSA Contributions**

A review of documents pertaining to the payment and management of wages for casual workers engaged by the Council revealed that the Council had engaged casual workers for a period of more than twenty-four (24) months and had paid them wages amounting to K19,006. It was however observed that management did not deduct NAPSA contributions from the casual workers contrary to the provisions of the NAPSA Act, of 1996, Section 15 which States that the employee and employer shall contribute 5% each.

**gg. Equalisation Funds**

According to the Local Government (Amendment) Act No. 12 of 2014, a Council shall use at least twenty (20) percent of the equalisation funds received in any financial year, to finance capital expenditure while 80% is to be spent on personal emoluments.

However, the following were observed:

**i. Misapplication of Capital Funds**

During the period under review, the Council received grants amounting to K9,870,913 out of which K1,872,183 representing 20% (after Councilors allowances) was to be spent on capital projects. However, it was observed that only a total amount of K485,811 was spent on capital projects while amounts totalling K1,000,170 were applied on unrelated activities such as attending Provincial committee meetings, purchase of airtime and allowances among others leaving a bank balance of K386,201. See table below.

| Year         | Grants Received<br>K | 20% Capital Allocation (After Councillors Allowances)<br>K | Capital Expenditure<br>K | Closing Bank Balances<br>K | Misapplied Funds<br>K |
|--------------|----------------------|--|--------------------------|----------------------------|-----------------------|
| 2016         | 3,425,985            | 670,397  | 142,779                  | 19,725                     | 507,893               |
| 2017         | 6,444,928            | 1,201,786  | 343,032                  | 366,476                    | 492,278               |
| <b>Total</b> | <b>9,870,913</b>     | <b>1,872,183</b>   | <b>485,811</b>           | <b>386,201</b>             | <b>1,000,170</b>      |

**ii. Construction of Dwelling Quarters**

In May 2016, the Council started a project of constructing a 1x8 roomed flat at a total cost of K285,496 in old Mkushi, which was to be used as domestic accommodation for officers before the Government completes the construction of officers' houses and other public infrastructure in Luano district.

The construction of the flats was to be done in a phased approach since it was to be financed monthly from the capital component of the equalisation funds. A review of documents pertaining to the construction of the flats revealed the following:

- According to the bill of quantities (BOQ), the project was estimated at a cost of K285,496. However, the total expenditure was K367,671. There was no documentation to explain the over expenditure of K82,174.
- Included in the expenditure of K367,671 was an amount of K71,656 paid to Nyakola Business Services for the construction of the dwelling quarters. However, no contract was availed for audit in respect of the works that were done. Therefore, it was not possible to ascertain the scope of works and the contract amount. An inquiry made with the Patents and Companies Registration Agency (PACRA) revealed that Nyakola Business Services was not registered for construction works but was registered for accounting, bookkeeping, audit activities, tax consultancy and retail in non-specialized stores. It was not clear how a company that was not registered for construction works was engaged to offer the services of construction thereby rendering the engagement questionable.
- There were no supporting documents for amounts totalling K17,191 spent on supervision and the contingency amount of K10,069.

A physical inspection conducted in October 2018 revealed that the structures had been roofed and painted. However, the following were observed:

- Cracks had developed in the walls.
- Electrical wiring had not been done and facial boards had not been fixed.
- There was no spoon drain that was done therefore the strength of the building would be compromised as years go by. See picture below.



*No spoon drain was done*

**iii. Failure to Insure Buildings**

Contrary to Section 154 of the Local Government Act, 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,” it was observed that a total of twenty two (2) properties with a net book value of K905,309 were not insured by the Council. See table below.

| No. | Name of Property                | No. of Properties |
|-----|---------------------------------|-------------------|
| 1   | Institutional Houses            | 19                |
| 2   | Mboroma police station building | 1                 |
| 3   | National Assembly building      | 1                 |
| 4   | Old post office buildings       | 1                 |
|     |                                 | 22                |

It was further observed that the Council was not collecting rentals from the occupants of these properties’ contrary to the Council resolution minute number LDC/C/21/02/16 which resolved that the tenants should be given notice for rental payments.

**hh. Constituency Development Funds (CDF)**

**i. Misapplication of CDF Funds**

In 2015, a total amount of K97,781 was transferred from the CDF account to the district fund account to cater for daily operations of the Council without authority from the Secretary to the Treasury.

**ii. Unsupported CDF Payments**

Contrary to Local Authorities Financial Regulation No. 86, three (3) payments in amounts totalling K2,550,687 made for the procurement of a drilling rig and fuel were not supported with relevant documents such as receipts.

## Lufwanyama Town Council

### The Council

24. During the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017, the Council had twenty (20) members comprising the Chairperson, sixteen (16) Ward Councillors and three (3) representatives of Chiefs.

### Administration

The day to day running of Council is the responsibility of the Chairperson who is assisted by Director of Works, the Council Treasurer, District Planning Officer, Chief Human Resource Officer and Chief Administrative Officer.

### Revenue

During the period from 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2017, the Council received grants and generated funds from various sources in amounts totalling K30,839,042 as shown in the table below.

| Source of Fund                   | 2017<br>K         | 2016<br>K        | 2015<br>K        | Totals<br>K       |
|----------------------------------|-------------------|------------------|------------------|-------------------|
| Property Rates                   | 1,077,379         | 1,091,156        | 890,600          | 3,059,135         |
| Personal Levy                    | 23,014            | 19,035           | 17,685           | 59,734            |
| Fees, Charges & other income     | 4,737,141         | 1,590,925        | 3,940,204        | 10,268,270        |
| National Support*                | 8,649,720         | 4,972,530        | 3,829,653        | 17,451,903        |
| <b>Total Funding/ Collection</b> | <b>14,487,254</b> | <b>7,673,646</b> | <b>8,678,142</b> | <b>30,839,042</b> |

### \*National Support

| Grant                         | 2017<br>K        | 2016<br>K        | 2015<br>K        | Total<br>K        |
|-------------------------------|------------------|------------------|------------------|-------------------|
| Equalisation Fund             | 7,949,720        | 4,972,530        | 3,829,653        | 16,751,903        |
| Constituency Development Fund | 700,000          | -                | -                | 700,000           |
| <b>Total</b>                  | <b>8,649,720</b> | <b>4,972,530</b> | <b>3,829,653</b> | <b>17,451,903</b> |

### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017 and physical inspections of selected projects carried out in October 2018 revealed the following:

#### a. Failure to Fill Vacant Positions

The Council had an establishment of three hundred and five (305) positions out of which eighty four (84) were filled leaving two hundred and twenty one (221) vacant as at 31<sup>st</sup> March 2019. Out of the vacant positions, some positions were key to the smooth running

of the organisation such as Director Community Development, Chief Accountant, Chief Procurement and Supplies Officer, Senior Internal Auditor, Network Administrator under Information Management System and the Divisional Fire Officer.

**b. Failure to Collect Telecommunication Mast Fees**

The Council was owed amounts totalling K15,000 by Zamtel Limited in respect of telecommunication mast fees, some of which had been outstanding since 2016. As at 31<sup>st</sup> March 2019, the outstanding fees had not been collected.

**c. Failure to Collect Property Rates from Emerald Mines**

During the period under review, the Council did not collect property rates in amounts totalling K5,770,248 from one hundred and five (105) emerald mines, some of which had been outstanding since 2015. As at 31<sup>st</sup> March 2019, the outstanding rates had not been collected.

**d. Failure to Remit Statutory Obligations**

Statutory obligations in amounts totalling K700,855 deducted from employees' salaries during the period under review had not been remitted to the respective institutions as at 28<sup>th</sup> February 2019. See table below.

| Statutory Institution | Amount K       |
|-----------------------|----------------|
| ZRA                   | 64,896         |
| NAPSA                 | 351,209        |
| LASF                  | 284,750        |
| <b>Total</b>          | <b>700,855</b> |

**e. Non-Recovery of a Salary Advance**

Contrary to the Local Government Terms and Conditions of Service No. 105(d), recoveries in respect of a salary advance of K8,000 paid to the former Internal Auditor on 2<sup>nd</sup> February 2015 had not been effected as at 28<sup>th</sup> February 2019.

**f. Lack of Title Deeds**

Contrary to the Lands Act No. 29 of 1995 which requires that institutions or individuals owning properties have or possess title deeds as proof of ownership, the Council did not have title deeds for the Civic Centre building and sixteen (16) residential houses which were included in its assets register.

**g. Failure to Collect Land Fees from Sale of Plots**

During the period from 2013 to 2015, the Council offered a total of eight hundred and thirty-five (835) plots to the public with a view of realizing a total amount of K12,631,500. It was however, observed that out of the targeted revenue collection of K12,631,500, only K4,385,570 was collected leaving a balance of K8,245,930.

**h. Inadequacies in Provision of Fire Fighting and Rescue Services**

Section 61 of the Local Government Act, requires the council to, among other things, provide firefighting and rescue services. However, a review of the fire fighting and rescue section revealed the following:

**i. Lack of a Fire Station**

An inquiry made with management revealed that the Council did not have a fire station.

**ii. Failure to Insure Fire Officers**

Contrary to the Fire Services Brigade Standing Orders, the Council did not insure its fire officers during the period under review.

## **Lundazi Town Council**

### **The Council**

25. During the financial year ended 31<sup>st</sup> December 2017, the Council had thirty-one (31) members comprising the Chairperson, twenty-eight (28) Ward Councillors and two (2) Chiefs' representatives.

### **Administration**

The day to day administration of the Council is the responsibility of the Council Secretary who is assisted by the Director of Works, Council Treasurer and District Planning Officer.

### **Revenue**

The Council received grants and generated funds in amounts totalling K27,814,632 as shown in the table below.

| <b>Revenue</b>        | <b>Amount<br/>K</b> |
|-----------------------|---------------------|
| Personal Levy         | 183,411             |
| Local Taxes and Rates | 766,842             |
| Permits               | 799,106             |
| Fees and Charges      | 2,316,420           |
| Licences              | 915,260             |
| Loading Fees          | 551,585             |
| Market Fees           | 258,719             |
| Other Income          | 489,015             |
| National Support*     | 21,534,274          |
| <b>Total</b>          | <b>27,814,632</b>   |

**\*National Support**

| <b>Grant</b>               | <b>Amount<br/>K</b> |
|----------------------------|---------------------|
| Equalisation Grant         | 9,134,274           |
| CDF                        | 2,800,000           |
| Grant in Lieu of Rates     | 100,000             |
| Other grants (Fire Tender) | 9,500,000           |
| <b>Total</b>               | <b>21,534,274</b>   |

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Council for the period under review and a physical inspection of selected projects carried out in September 2018 revealed the following:

**a. Lack of a Strategic Plan**

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

**b. Lack of a Risk Management Policy**

A review of the internal control environment revealed that the Council had no Risk Management Policy to enable the Council identify and mitigate risks that could be detrimental to the operations of the Council.

**c. Uncollected Revenue**

The Local Authorities Financial Regulation Nos. 12 (h) and 76 state that all revenue and other Council moneys which become due and payable to the Council must be collected punctually. However, a scrutiny of the Financial Statement for the period under review revealed that amounts totalling K577,532 owed to the Council in form of property rates, telemast levy, billboards, staff advances, ground rent and rentals from properties had not



been collected from various institutions and individuals as at 31<sup>st</sup> December 2017. As at 31<sup>st</sup> March 2019, a total of K195,550 had been collected leaving a balance of K381,982. See table below.

| Revenue Type  | Amount Due<br>K | Amount Collected<br>as at 31st March<br>2019<br>K | Balance<br>K   |
|---------------|-----------------|---|----------------|
| Trade debtors | 332,761         | 195,550   | 137,211        |
| Other debtors | 244,771         | -   | 244,771        |
| <b>Total</b>  | <b>577,532</b>  | <b>195,550</b>                                    | <b>381,982</b> |

Further, there was no evidence that the Council had taken any action such as issuance of warrants of distress to recover the outstanding debts.

**d. Missing Payment Vouchers**

Contrary to Local Authorities Financial Regulation No. 98 (1), four (4) payment vouchers in amounts totalling K33,567 made during the period under review were not availed for audit.

**e. Irregular Use of Imprest**

Contrary to Financial Regulation No. 86(c), imprest in amounts totalling K24,650 was issued to various officers to procure goods and services whose values were readily obtainable on the market.

**f. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, ten (10) payments in amounts totalling K43,250 made during the period under review were not supported with relevant documents such as invoices and receipts among others.

**g. Irregular Medical Refunds**

Section 156 of Part VII of the Conditions of Service states that officers and dependents are entitled to free medical attention from an approved medical institution provided that the medical services have been authorised by the supervising officer on the recommendation of an approved medical officer and entitled to a refund on production of evidence of payment in accordance with any medical aid scheme in force.

During the period under review, the Council paid medical refunds in amounts totalling K4,850 to two (2) officers. However, the refunds were irregular as the Council did not have a medical scheme in place.

## **h. Equalisation Funds**

During the period under review, Lundazi Town Council received equalisation funds in amounts totalling K9,546,435 from the Central Government.

In line with the amended Local Government Act No. 12 of 2014, twenty percent (20%) of the equalisation funds was earmarked for capital expenditure while eighty percent (80%) was for recurrent expenditure. In this regard, Lundazi Town Council was required to set aside twenty percent (20%) for capital expenditure from the Salaries Account into which the grant was received. The eighty percent (80%) balance was to be used for payment of salaries and other recurrent expenditure activities.

However, the following were observed:

### **i. Misapplication of Funds – Capital Account**

Contrary to Financial Regulation No. 31(1), out of the amount of K1,546,223 transferred to the capital account, amounts totalling K50,666 were spent on unrelated activities such as maintenance of vehicles, among others, without authority from the Secretary to the Treasury.

### **ii. Failure to Remit Statutory Obligations and PAYE**

A review of records and inquiries with management revealed that during the period under review, the Council owed various statutory bodies amounts totalling K2,498,637 in unremitted statutory obligations such as pension contributions and Pay As You Earn (PAYE). See table below.

| <b>Institution</b>                         | <b>Amount<br/>K</b> |
|--|---------------------|
| Zambia Revenue Authority                   | 1,537,198           |
| Local Authority Superannuation Fund (LASF) | 618,939             |
| National Pension Scheme Authority          | 342,500             |
| <b>Total</b>                               | <b>2,498,637</b>    |

### **i. Constituency Development Funds**

During the period under review, the Council received Constituency Development Funds (CDF) in amounts totalling K2,800,000 with a total amount of K377,523 brought forward bringing the total funds available for utilisation to K3,177,523 as shown in the below.

| CONSTITUENCY | BALANCE<br>B/F<br>K | DATE FUNDS<br>RECEIVED | AMOUNT<br>RECEIVED<br>K | AVAILABLE<br>FUNDS<br>K |
|--------------|---------------------|------------------------|-------------------------|-------------------------|
| Lundazi      | -                   | 18.05.2017             | 700,000                 | 700,000                 |
| Lumezi       | 377,523             | 18.05.2017             | 700,000                 | 1,077,523               |
|              | -                   | 01.01.2018             | 700,000                 | 700,000                 |
| Chasefu      | -                   | 16.10.2017             | 700,000                 | 700,000                 |
| <b>Total</b> | <b>377,523</b>      |                        | <b>2,800,000</b>        | <b>3,177,523</b>        |

The construction of a market shelter at Chimtyulu Market in Lundazi constituency was allocated K50,000 out of which K41,810 was spent on procurement of materials. A physical inspection of the project carried out in March 2019 revealed that the structure was at foundation level. The following other observations were made:

- i. The Council did not avail building plans and the bill of quantities for audit.
- ii. Further, although the works had commenced, the contract document was not availed for audit.
- iii. Outstanding works included completion of casting the foundation and as at 31<sup>st</sup> March 2019, works had stalled.

**j. Lack of Title Deeds for Council Property**

Contrary to the Lands Act No. 29 of 1995 which requires that institutions or individuals owning properties should have or possess title deeds as proof of ownership, the Council did not have title deeds for thirty (30) of its properties valued at K5,705,000.

Consequently, as at 31<sup>st</sup> March 2019, the Council had not insured its properties.

**k. Weaknesses in the Management of Tigone Motel**

Tigone Motel is a commercial venture operating as a lodge and is wholly owned by Lundazi Town Council. In addition, the motel management is also in charge of a Rest House and Twikatane Night Club and its income streams include accommodation and sale of meals and beverages.

An examination of accounting records and other related documents maintained at Tigone Motel and a physical inspection of assets carried out in September 2018 revealed the following:

**i. Non-Preparation of Financial Statements**

According to the existing arrangement, the Council was required to prepare financial statements for the motel annually to show its profitability. However, as at 31<sup>st</sup> March 2019, the Council had not prepared the financial statements.

**ii. Operating without Registration and Licence**

According to the Tourism and Hospitality Act No. 13 of 2015, a business that offers tourism related services such as providing accommodation is a tourism enterprise. No persons were to operate a tourism enterprise and without registering the business as a tourism enterprise in accordance with the Companies Act.

However, Tigone Motel was operating without a licence from the Zambia Tourism Agency.

**iii. Failure to Charge Service Charge**

The Tourism and Hospitality Regulations of 2016 require that an accommodation and restaurant shall keep a record of service charge collected and paid monthly for purposes of verification by the Agency.

However, contrary to the regulations, the Council did not maintain such a record.

Further, there was no evidence that the service charge was imposed on the bills for sale of accommodation, food and beverages.

**iv. Failure to Register for Income tax**

Contrary to the Income Tax Act Chapter 323 of the Laws of Zambia, the Council had not registered Tigone Motel for income tax as at 31<sup>st</sup> March 2019.

**I. Environmental Management**

An assessment of the effectiveness of the environmental management at the Council revealed the following:

**i. Lack of Operating Licenses**

Contrary to Statutory Instrument No. 12 of 2011 which states that the Agency may upon application, issue a waste management license to a person to allow the person to collect and dispose of waste from industrial, commercial, domestic or community activities and transport the waste to a disposal site, own, construct or operate a waste disposal site or other facility for the permanent disposal or storage, it was observed that the Council did not have licenses from the Zambia Environmental Management Agency to transport waste and operate a disposal site.

**ii. Lack of Council By-Laws**

Contrary to Section 76 of the Local Government Act, the Council was operating without by-laws relating to the disposal of waste.

**iii. Failure to Produce Waste Management Report**

Statutory Instrument No. 12 of 2011 states that a Local Authority shall report annually to the Agency on the types of waste and the quantity of each type of waste generated and disposed of within its area of jurisdiction and on the implementation of its integrated waste management plan. Contrary to this regulation, no waste management report on tonnage of waste handled and dumped at the dumpsite was submitted to ZEMA.

**iv. Failure to Take Medical Examination**

Contrary to the Environmental Management Act of 2011 which requires persons handling waste to undertake medical examinations twice a year, there was no evidence that staff handling waste underwent medical examinations.

**v. Dumpsite**

The Council had one dumpsite where all the waste collected was dumped.

However, the following were observed:

- **Lack of Weigh Bridge**

There was no weigh bridge at the dumpsite to weigh the tonnage transported and dumped. Consequently, the Council was unable to prepare and submit to ZEMA annual reports on tonnage of waste handled and dumped at the dumpsite.

- **Dumpsite Not Fenced**

Contrary to Statutory Instrument No. 112 of 2013 which requires the Local Authority to fence the dumpsite for protection against access by unauthorised persons, the Council did not fence the facility.

- **No Warning Signs**

The Environmental Management Act of 2011 requires that warning signs are displayed to warn the general public of the existence of the dumpsite and

to restrict access by unauthorised persons. However, as at 31st March 2019, there were no warning signs displayed at the dumpsite.

- **Dumpsite Not Manned by Security Personnel**

The dump site was not manned by security personnel leading to scavengers accessing the site.

- **Lack of Borehole**

There was no borehole at the dumpsite for monitoring of ground water quality.

## Lusaka City Council

### The Council

26. During the financial year ended 31<sup>st</sup> December 2017, the Council had thirty-one (31) members comprising the Mayor, twenty eight (28) Ward Councillors and two (2) Chiefs' representatives.

### Administration

The day to day operation of the Council is the responsibility of the Town Clerk who is assisted by Directors of Finance, Human Resources and Administration, Legal Services, Engineering Services, City Planning, Valuation and Real Estate Management, Housing and Social Services and Public Health.

### Revenue

During the period under review, the Council received grants and generated income in amounts totalling K220,593,612 as shown in the table below.

| Source            | Amount<br>K        |
|-------------------|--------------------|
| Local Taxes       | 67,666,747         |
| Fees and Charges  | 83,972,682         |
| Licenses          | 2,141,396          |
| Permits           | 8,624,482          |
| Charges           | 133,282            |
| Other Income      | 3,419,609          |
| National Support* | 54,635,414         |
| <b>Total</b>      | <b>220,593,612</b> |

### \*National Support

| Description       | Amount<br>K       |
|-------------------|-------------------|
| Equalisation Fund | 47,135,414        |
| CDF               | 7,500,000         |
| <b>Total</b>      | <b>54,635,414</b> |

#### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the period under review and a physical inspection of projects carried out in December 2018 revealed the following:

##### a. Failure to Fill Vacant Positions

The Council had an authorized staff establishment of 4,273 positions out of which 2,338 were filled leaving 1,935 positions vacant as at 31<sup>st</sup> December 2018. See table below.

| Department                        | Staff<br>Establishment | Filled<br>Positions | Vacant<br>Positions |
|-----------------------------------|------------------------|---------------------|---------------------|
| Finance                           | 413                    | 385                 | 28                  |
| Human Resource and Administration | 581                    | 483                 | 98                  |
| Housing and Social Services       | 850                    | 522                 | 328                 |
| Valuation                         | 45                     | 23                  | 22                  |
| City Planning                     | 126                    | 55                  | 71                  |
| Legal Services                    | 58                     | 27                  | 31                  |
| Engineering                       | 1,426                  | 404                 | 1,022               |
| Public Health                     | 774                    | 439                 | 335                 |
| <b>Total</b>                      | <b>4,273</b>           | <b>2,338</b>        | <b>1,935</b>        |

##### b. Failure to Collect Rental Income

The Council owns twelve (12) residential houses of which one is occupied by the Town Clerk and eleven (11) are rented out. The houses are located in Olympia Park, Rhodes Park and Ibex Hill. According to the agreements signed between each tenant and the Council, rent charged for each house during the period under review was K4,500 per month exclusive of withholding tax. The rent was payable three (3) months in advance.

However, contrary to the tenancy agreements, rentals which should have been paid in advance in amounts totalling K315,125 had not been collected as at 31<sup>st</sup> December 2018.

##### c. Failure to Avail Details of Motor Vehicles Procured

On 1<sup>st</sup> December 2017, the Council obtained a bank guarantee amounting to K3,041,143 (US\$226,444) from Indo-Zambia Bank in respect of motor vehicles purchased from Vehicle Centre Limited. However, details of the motor vehicles purchased and minutes

of the full Council meeting where the resolution to procure motor vehicles was passed were not availed for audit.

**d. Missing Payment Vouchers**

Contrary to the Local Authorities Financial Regulation No. 98 (1), eighty-four (84) payment vouchers in amounts totalling K3,899,693 processed during the period under review were not availed for audit scrutiny.

**e. Unsupported Payments**

Contrary to the Local Authorities Financial Regulation No. 86, four hundred and eighty-four (484) payments in amounts totalling K16,672,859 made during the period under review were not supported with relevant documents such as receipts.

**f. Unacquitted Allowances**

Contrary to the Local Authorities Financial Regulation No. 106, payments in amounts totalling K3,736,009 had neither been acquitted by the respective beneficiaries nor was cash found on hand.

**g. Unretired Accountable Imprest**

Contrary to the Local Authorities Financial Regulation No. 119 (1), which states that imprest shall be retired immediately the purpose for which it is issued has been fulfilled, accountable imprest in amounts totalling K994,718 issued to eleven (11) officers had not been retired as at 31<sup>st</sup> March, 2019.

**h. Failure to Deduct Tax**

Contrary to the Income Tax Act, during the period under review, the Council paid commutation of leave days and settling in allowances in amounts totalling K1,487,766 to one hundred and eighty (180) officers without deducting Pay As You Earn (PAYE).

**i. Unaccounted for Stores**

Contrary to the Local Authorities Financial Regulation No. 145, stores items costing K18,443,745 (General Stores - K7,949,107 and Fuel - K10,494,638) procured during the period under review were not accounted for in that they had no receipt and disposal details.



**j. Unauthorised Drawing of Fuel**

A review of fuel coupons and logbooks revealed that during the period under review fuel costing K29,258 was drawn by thirty-nine (39) vehicles without authority from the heads of departments.

**k. Irregular Payment of Transport Allowance**

During the period under review, the Council paid transport allowance in amounts totalling K74,400 to accounts officers that were running bank errands. However, the payments were irregular as the officers were not entitled.

**l. Wasteful Expenditure on Storage Services**

On 27<sup>th</sup> August 2013, the Council procured storage services from Hill and Delamin Limited (Zambia) for storage of two (2) refuse compactors, one hundred and twelve (112) skip bins and twenty (20) closed rollon bins. The items were to be stored in a warehouse for a period of one month starting from 27<sup>th</sup> August 2013. However, the Council exceeded the agreed time limit by nine (9) months in that the items were stored up to 30<sup>th</sup> May 2014 and this resulted in penalties.

Consequently, on 24<sup>th</sup> January 2017, the Council paid an amount of K32,848 to Hill and Delamin Limited (Zambia) as penalties for having exceeded the agreed time of storage.

**m. Payroll Management**

**i. Over Payment of Transport Allowance**

According to the Ministry of Local Government and Housing Circular MLGH/71/6/93 dated 15<sup>th</sup> October 2012, all allowances payable to staff were consolidated into basic pay. Transport allowance was among the new conditions that were introduced and it was to be paid to eligible employees through the payroll at the rate of 10% of monthly basic salary.

However, contrary to the circular, during the period under review, the Council paid transport allowances to 15,128 officers at rates ranging from 11% to 18% of monthly salaries thereby resulting in overpayments in amounts totalling K149,714.

**ii. Irregular Payment of Ration Allowance**

Contrary to Conditions of Service for Local Government, which state that ration allowance shall be paid to all fire officers through the payroll at 10% of basic salary per

person per shift, the Council paid an amount of K7,076 to an officer in Management at 12%.

**n. Misapplication of Equalisation Funds Meant for Capital Projects**

During the period under review, the Council received amounts totalling K47,135,414 as Equalisation funds out of which at least K9,427,083 was to be used on capital projects. However, K3,108,965 was used to procure motor vehicles for senior management.

Although in their response dated 26<sup>th</sup> March 2019, management stated that the misapplied funds had been refunded to the capital account, as at 31<sup>st</sup> March 2019, there was no evidence that funds had been refunded.

**o. Constituency Development Funds (CDF)**

During the period under review, the Council received Constituency Development Funds (CDF) in amounts totalling K7,500,000 for the seven (7) constituencies in Lusaka District. See table below.

| Constituency   | Funds Received<br>K |
|----------------|---------------------|
| Kabwata        | 700,000             |
| Kanyama        | 700,000             |
| Mandevu        | 700,000             |
| Munali         | 1,200,000           |
| Chawama        | 1,400,000           |
| Lusaka Central | 1,400,000           |
| Matero         | 1,400,000           |
| <b>Total</b>   | <b>7,500,000</b>    |

There was a balance of K1,435,017 brought forward from the previous year, bringing the total amount available to K8,935,017.

However, the following were observed:

**i. Failure to Handover Rehabilitated SOS Police Post**

The contract for the alteration and rehabilitation of the SOS Police Post in Matero Constituency was awarded to Mokashi Import and Export Construction on 17<sup>th</sup> September 2015 at a contract sum of K632,302 and the works were to be completed in twenty (20) weeks. As at 31<sup>st</sup> December 2018, the contractor was paid in full.

Although the project was completed in 2016, as at 31<sup>st</sup> December 2018, the project had not been handed over to Government and had not been occupied by Zambia Police thereby exposing the building to vandalism. See picture below.



*Rehabilitated SOS Police Post which has remained non-operational since 2016*

**ii. Construction of Storm Water Drainage Network in Chozi Road - Silwiza Ward 13, Northmead**

On 21<sup>st</sup> April 2017, the Council awarded a contract for the construction of a Storm Water Drainage Network along Chozi Road, Silwiza Ward 13 in Northmead to Stomp Investment Limited at a contract sum of K246,306 with a contract period of six (6) weeks. As at 31<sup>st</sup> December 2018, the contractor had been paid the full contract amount of K246,306.

However, as at 31<sup>st</sup> December 2018, although the works had been completed some concrete covers used to cover the entire drainage network had started collapsing as they were made of weak material. See pictures below.



Damaged Drainage Concrete Covers along Chozi Road at Northmead Market

**iii. Wasteful Expenditure - Construction of a Vegetable Shelter**

In 2016, the Council spent amounts totalling K153,113 to construct a vegetable shelter at Ng'ombe market in Roma Ward 7. However, a physical inspection of the shelter carried out in December 2018 revealed that the shelter was not in use rendering the expenditure wasteful. See picture below.



*Unoccupied newly constructed Ng'ombe Market Shelter*

**p. Motor Vehicles Involved in Road Traffic Accidents**

During the period under review, three (3) motor vehicles and two (2) fire tenders were involved in road traffic accidents. However, there were no loss, accident and police reports availed for audit. See table below.

| No. | Motor Vehicle Make | Reg No.    |
|-----|--------------------|------------|
| 1   | Toyota Hilux       | ABR 3528   |
| 2   | Toyota Hilux       | ABV 6893   |
| 3   | Nissan NP 200      | ALF 310    |
| 4   | Fire Tender        | ABJ 514    |
| 5   | Fire Tender        | GRZ 354 CK |

Further, although the vehicles involved were insured, the Council was not compensated as it had outstanding premiums of K8,697,380 and K9,724,893 as at 31<sup>st</sup> December 2017 and 2018 respectively.

**q. Failure to Register Motor Vehicles**

During the period under review, eighteen (18) motor vehicles were not registered with the Road Transport and Safety Agency (RTSA). As a result, the motor vehicles did not bear motor vehicle registration numbers contrary to the RTSA Act.

**r. Lack of Title Deeds**

The Lands Act No. 29 of 1995 requires that institutions or individuals owning properties should have or possess title deeds as proof of ownership. Contrary to the Act, the Council did not have title deeds for the Civic Centre buildings and its twelve (12) residential houses situated in Ibex Hill (10), Olympia Park (1) and Rhodes Park (1).

Consequently, the properties had not been insured as at 31<sup>st</sup> March 2019.

**s. Failure to Maintain the Council Residential Houses**

Lusaka City Council owns twelve residential houses which apart from the one occupied by the Town Clerk, all are on rent to sitting tenants. These houses are in Olympia Park, Rhodes Park and Ibex Hill.

A physical inspection of the properties revealed that some houses and buildings were in a state of disrepair due to lack of maintenance. The following were observed:

**i. Stand No. KABUL/100/522 – Ibex Hill**

- Some sockets inside the house were not working.
- One communal toilet was not in use.
- One windowpane in dining room was broken.
- Both geysers in the house were not working.
- Two front doors were not locking.
- Both rear and front house verandas were in a poor state.
- The foyer had cracked tiles.
- Kitchen cabinets were in a dilapidated state.
- The house required painting.

See pictures below.



**ii. Stand No. KABUL/100/524 – Ibex Hill**

The house which was not occupied was in a dilapidated state and needed major renovations.

**iii. Stand No. KABUL/100/525 – Ibex Hill**

- The aluminium sliding door separating the kitchen and the living room had a broken glass and was no longer sliding.

- The inbuilt wardrobe for the master bedroom had no hang rod.
- One geyser was not working while the other although it was working was leaking.
- Six (6) floor kitchen tiles needed replacement.

**iv. Stand No. KABUL/100/526 – Ibex Hill**

- The ceiling board in the laundry room was falling off.
- The kitchen cabinets were dilapidated.
- The kitchen sink needed to be replaced.

**v. Stand No. KABUL/100/527 – Ibex Hill**

- Kitchen cabinets were dilapidated.
- The front fascia board was broken.
- One geyser in the house was not working.
- The house required painting.

**vi. Stand No. KABUL/100/528 – Ibex Hill**

- The house required painting.
- Both geysers in the house were not working.
- Sewer concrete covers were broken.
- Four (4) cracks had developed on outside walls.
- Curtain rails for the master bedroom and the dining room had fallen.
- Ceiling board in the kitchen was curving in.
- Curtain rail boards in the sitting room were missing.

**vii. Stand No. KABUL/100/533 – Ibex Hill**

- Fascia boards and skirting needed to be painted
- One of the two (2) geysers for the house had been removed.
- Door handles for the in-built wardrobe in one of the bedrooms had been removed.

**viii. Stand No. LUS/6287 – Olympia Park**

- The fascia boards were rotten.
- The asbestos roof was cracked.
- The house had no spoon drain.
- The PVC floor tiles needed to be replaced.
- Tiles in one of the bedrooms were removed.
- The kitchen window wire gauze was damaged.
- The kitchen wooden cabinets needed to be replaced.
- The kitchen window frame was worn out.
- The roof for the servants' quarters was dilapidated.

**ix. Stand No. LUS/1382 – Rhodes Park**

- Some roof tiles were broken.
- Wire vents were broken.
- The extended roof on the veranda was broken.
- There was no spoon drain.
- Some floor tiles had come out.
- The ceiling board in one of the bedroom rooms was cracked.
- The in-built wooden wardrobe in one of the bedrooms was damaged.
- The security light was falling.
- The door frame for the servant's quarters was broken.
- The fascia boards for the servant's quarters was rotten.
- The septic tank manhole cover was broken.

**x. Stand No. LUS/2173/B – Cleansing Depot (Boma Area off Kabelenga Road)**

- Roofs in offices were leaking and some windowpanes were broken.
- The restaurant and storage room required painting.

- Outside toilets were in a deplorable state. See pictures below.



*Toilets and Office block at the Cleansing Depot*

**xi. Stand No. LUS/35300 - Kabwata Maintenance Offices, Burma Road, Kabwata**

- Big cracks had developed on the wall of the main building
- Some windowpanes were broken.
- The roof for the extension to the main building was leaking and was covered by a tarpaulin. See pictures below.



*Main building*



*Extension*

**xii. Kiosk HK2, Nationalist Road**

- Leaves and fallen tree branches had accumulated on top of the roof of the kiosk.
- The surrounding area of the kiosk had been turned into a dumping site for garbage.
- The kiosk was not operational. See pictures below.





*Council Kiosk along Nationalist Road*

**t. Failure to Remit Statutory and Other Contributions**

As at 31<sup>st</sup> December 2017, the Council owed Pay as You Earn (PAYE) and other contributions in amounts totalling K160,705,911 deducted from employees' earnings which had not been remitted to the respective institutions. See table below.

| Institution                                     | Amount<br>K        |
|---|--------------------|
| Zambia Revenue Authority (ZRA)                  | 89,640,895         |
| National Pension Scheme Authority (NAPSA)       | 44,444,717         |
| Local Authority Superannuation Fund (LASF)      | 25,261,750         |
| Zambia Union of Local Authority Workers (ZULAW) | 1,358,549          |
| <b>Total</b>                                    | <b>160,705,911</b> |

Included in the amount of K25,261,750 owed to LASF was interest in amounts totalling K673,413 that had accumulated in the year 2017 due to non-remittance of statutory obligations.

**u. Outstanding Staff Obligations**

A review of accounting and other records revealed that the Council owed former and existing employees staff obligations such as terminal benefits, long service bonus and workers compensation in amounts totalling K97,787,115 as at 31<sup>st</sup> December 2018. See table below.

| Description          | Amount<br>K |
|----------------------|-------------|
| Terminal Benefits    | 20,161,506  |
| Long Service Bonus   | 73,118,174  |
| Workers Compensation | 4,507,435   |
| Total                | 97,787,115  |

**v. Unaccounted for Fuel and Lubricants - Cholera Funds**

During the period from November, 2017 to January, 2018, the Council procured fuel and lubricants at a total cost of K2,048,463 for the cholera mitigation exercise. However, no receipt and disposal details such as fuel ledgers, statements from the filling stations,

approved fuel requisition records, fuel coupons and logbooks for vehicles which drew fuel from the account were availed for audit.

**w. Questionable Repair of a Weighbridge**

On 17<sup>th</sup> January 2017, the Council paid an amount of K25,000 to Scalenet Investments Limited for the supply of a weighbridge indicator main supply board, load cell cables and repair of a computer at the dumpsite.

However, as at 31<sup>st</sup> December 2018, the weighbridge was not operational. Further inquiries revealed that the weighbridge had not been operational since 2013 thereby rendering the payment for repairs questionable.

**x. Environmental Management**

A scrutiny of environmental related records and a physical inspection of the surrounding communities and of the dumpsite carried out in November 2018 revealed the following:

**i. Operation of a Dumpsite without ZEMA License**

Clause 12 Section (1) of the Statutory Instrument No. 13 of the Environmental Management Act requires that before operating any intended dumpsite by the Council, a license must be obtained from ZEMA and that the issuance of a license for utilization of a dumpsite must be after carrying out an inspection by ZEMA, which must be satisfied with the required standards for utilization of a dumpsite. It was however observed that the Council was operating its main dumpsite (Chunga dumpsite) in Lusaka district without obtaining a license from ZEMA.

**ii. Failure to Produce Plans and Reports**

Contrary to Clause 17 Section (1) of the Statutory Instrument No. 13 of the Environmental Management Act which states that a Local Authority shall prepare and submit to ZEMA every three (3) years an integrated waste management plan, the Council did not prepare and submit a waste management plan during the period under review. It was further observed that there were no implementation progress reports prepared by the Council during the period under review.

**iii. Failure to Engineer the Dumpsite**

A physical inspection of the Chunga dumpsite carried out in November 2018 revealed that the area was divided into four (4) cells which were supposed to be

engineered before utilization as solid waste dumpsite. Engineering of a dumpsite involves excavation works, the placing of pipes and material such as plastic or rubber at the base of the dumpsite to prevent poisonous liquids coming from solid waste from contaminating the underground water.

However, only one (1) cell was engineered while the other three (3) were not. It was also observed that the area was filled with high tonnage of solid waste that covered even the cells that were not engineered. This posed a danger of contaminating the underground water and a risk to human health of the surrounding community. See picture below.



*Chunga Dumpsite*

**iv. Failure to Secure the Dumpsite**

The dumpsite was not properly secured in that some parts of the wall fence had fallen.

**v. Failure to Conduct Medical Checkups**

Contrary to the Environmental Management Act of 2011 which requires persons handling waste to undertake medical examinations twice a year, there was no evidence that staff handling waste underwent medical examinations.

**vi. Non-adherence to Environmental Health Regulations**

According to Environmental Health Regulations, the community surrounding the dumpsite must be at a minimum distance of five hundred (500) metres away from the area. It was however observed that the community was only four (4) metres away from the area.

**vii. Failure to Renovate Structures at the Dumpsite**

The Council structures at the dumpsite such as weighing office, change rooms, toilets and bathrooms were in a state of disrepair. See pictures below.



*Change room*



*Shower room*

**viii. Failure to Collect Refuse by the Council**

A physical inspection of some selected collection points carried out in November 2018 in peri-urban areas within the city of Lusaka revealed that the Council did not collect garbage timely, which led to accumulation of garbage at the collection points. See pictures below.



*Kaunda Square Stage I Market*



*Mtendere collection point near a pub*

**Mansa Municipal Council**

**The Council**

27. During the financial year ended 31<sup>st</sup> December 2017, the Council had twenty two (22) members comprising the Mayor, eighteen (18) Ward Councillors and three (3) representatives of Chiefs.

**Administration**

The day to day running of the Council is the responsibility of the Town Clerk who is assisted by six (6) Directors of Housing, Legal, Planning, Engineering, Finance and Administration.

## Revenue

During the period under review, the Council received grants and generated amounts totalling K20,911,092 as shown in the table below.

| Revenue               | Amount<br>K       |
|-----------------------|-------------------|
| Personal Levy         | 15,460            |
| Local Taxes and Rates | 960,883           |
| Permits               | 103,735           |
| Fees and Charges      | 609,842           |
| Licences              | 243,722           |
| Loading Fees          | 285,906           |
| Market Fees           | 154,711           |
| Other Income          | 4,046,795         |
| National Support*     | 14,490,040        |
| <b>Total</b>          | <b>20,911,092</b> |

### \*National Support

| Grant                  | Amount<br>K       |
|------------------------|-------------------|
| Equalisation Grant     | 11,490,040        |
| CDF                    | 2,800,000         |
| Grant in Lieu of Rates | 200,000           |
| <b>Total</b>           | <b>14,490,040</b> |

## Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the period under review and physical inspections of selected projects carried out in November 2018 revealed the following:

### a. Non-Preparation of Financial Statements

Contrary to Section 43 (3) of the Local Government Act, Cap 281 of the Laws of Zambia which requires the Council to prepare financial statement for each financial year within six (6) months after the end of the financial year of the Council or within such longer period as the Minister may determine, the Council did not prepare financial statements for the financial year ended 31<sup>st</sup> December 2017.

### b. Failure to Provide Lease Agreements

During the period under review, the Council rented out a total of fifteen (15) shops. However, the Council did not have lease agreements for three (3) shops from main market and two (2) shops from Senama market. In this regard, it was not possible to ascertain when the tenants occupied the shops and the amount of rentals which were collectable.

**c. Outstanding Obligations**

According to paragraph 1 of the Local Government Circular dated 10<sup>th</sup> February 2016, from the Ministry of Local Government and Housing, the Councils were advised to liquidate external and internal debt from local revenues as a measure to manage the indebtedness. However, the Council's outstanding obligations increased from K19,214,051 in 2017 to K32,107,966 as at 31<sup>st</sup> October, 2018. See table below.

| Outstanding Obligation | As at 31.12.17    | AS AT 31ST OCTOBER 2018 |                           |                   |
|------------------------|-------------------|-------------------------|---------------------------|-------------------|
|                        |                   | Principal Amount<br>K   | Interest & Penalties<br>K | Total<br>K        |
| Staff Dues             | 3,018,869         | 3,789,303               | -                         | 3,789,303         |
| ZCTU                   | 43,069            | 57,124                  | -                         | 57,124            |
| ZULAWU                 | 21,471            | 71,507                  | -                         | 71,507            |
| LASF                   | 945,841           | 1,171,865               | -                         | 1,171,865         |
| NAPSA                  | 6,806,237         | 8,180,293               | 9,418,445                 | 17,598,738        |
| ZRA                    | 7,839,491         | 9,085,880               | 33,299                    | 9,119,179         |
| Trade Creditors        | 539,073           | 300,249                 | -                         | 300,249           |
| <b>Total</b>           | <b>19,214,051</b> | <b>22,656,221</b>       | <b>9,451,744</b>          | <b>32,107,966</b> |

As at 31<sup>st</sup> March 2019, there was no evidence of how the Council was planning to dismantle the debt given that the Council on average collects revenue of K7,084,771 annually.

**d. Failure to Collect Billboard Levy**

During the period under review, various institutions erected billboards from which amounts totalling K364,974 were to be collected. However, as at 31<sup>st</sup> March 2019, the Council had not actede outstanding amounts.

**e. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, three (3) payments amounting to K14,719 made from the Equalisation Fund were not supported with relevant documents.

**f. Failure to Recover Salary Advances**

Contrary to Terms and Conditions of Service for the Local Government No. 105 (d), recoveries in respect of salary advances amounting to K11,500 paid to four (4) officers in May and June 2017 had not been effected as at 31<sup>st</sup> March, 2019.

**g. Irregular Payment of Sitting Allowances**

Contrary to Cabinet Office Circular No.11 of 2013 which abolished the payment of sitting allowances with effect from 1st September 2013, the Council paid sitting allowances in

amounts totalling K12,600 to officers who attended procurement and evaluation committee meetings.

#### **h. Irregular Payment of Social Holiday Allowance**

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 16<sup>th</sup> February 2017, an amount of K1,875 was paid to the then Director of Finance as social holiday allowance. As at 31<sup>st</sup> March 2019, the amount had not been recovered.

### **Mbala Municipal Council**

#### **The Council**

28. During the period under review, the Council had thirteen (13) members comprising the Mayor, nine (9) Ward Councillors, and three (3) Chiefs' representatives.

#### **Administration**

The day to day running of Council is the responsibility of the Town Clerk who is assisted by Directors of Finance, Human Resources and Administration, Engineering Services, Housing and Social Services, Planning and Public Health.

#### **Revenue**

During the period under review, the Council received grants and generated funds in amounts totalling K33,461,442 as shown in the table below.

| <b>Source of Funds</b> | <b>2017<br/>K</b> | <b>2016<br/>K</b> | <b>2015<br/>K</b> | <b>Total<br/>K</b> |
|------------------------|-------------------|-------------------|-------------------|--------------------|
| Personal Levy          | 21,207            | 11,427            | 23,214            | 55,848             |
| Local Taxes and Rates  | 86,705            | 83,052            | 755,148           | 924,905            |
| Permits                | 228,154           | 105,904           | 59,352            | 393,410            |
| Fees and Charges       | 1,923,582         | 942,976           | 1,728,438         | 4,594,996          |
| Licences               | 9,795             | 2,657             | 62,848            | 75,300             |
| Loading Fees           | 296,452           | 152,417           | 78,525            | 527,394            |
| Other Income           | 2,363,202         | 450               | 488,037           | 2,851,689          |
| National Support*      | 10,291,361        | 8,568,475         | 5,178,064         | 24,037,900         |
| <b>Total</b>           | <b>15,220,458</b> | <b>9,867,358</b>  | <b>8,373,626</b>  | <b>33,461,442</b>  |

#### **\*National Support**

| <b>Grant</b>            | <b>2017<br/>K</b> | <b>2016<br/>K</b> | <b>2015<br/>K</b> | <b>Total<br/>K</b> |
|-------------------------|-------------------|-------------------|-------------------|--------------------|
| Equalisation Grant      | 752,969           | 630,000           | -                 | <b>1,382,969</b>   |
| Salaries Grant          | 7,738,392         | 6,633,408         | 5,072,747         | <b>19,444,547</b>  |
| Grant in Lieve of Rates | 1,800,000         | 1,305,067         | 105,317           | <b>3,210,384</b>   |
| <b>Total</b>            | <b>10,291,361</b> | <b>8,568,475</b>  | <b>5,178,064</b>  | <b>24,037,900</b>  |

## Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017 and inspection of selected projects carried out in September 2018 revealed the following:

### a. Outstanding Receivables

According to the Local Authorities Financial Regulation No. 12, the function of the Treasurer is to collect punctually all revenue and other Council money which become due and payable to the Council among others.

Contrary to the regulation, the Treasurer did not punctually collect revenue. In this regard, the Council was owed amounts totalling K1,381,698 in uncollected rates, telephone mast charges, meat export fees and wayleave by various institutions for periods of more than (12) months as at 31<sup>st</sup> March 2019.

### b. Failure to Remit Statutory Obligations

Statutory obligations in amounts totalling K5,798,736 deducted from employees earnings during the period under review had not been remitted to the respective institutions as at 31<sup>st</sup> March 2019.

| Institution  | Amount<br>K      |
|--------------|------------------|
| ZRA          | 2,822,562        |
| NAPSA        | 1,946,002        |
| LASF         | 1,030,172        |
| <b>Total</b> | <b>5,798,736</b> |

### c. Failure to Collect Land Development Fees from Sale of Plots

During the period under review, the Council offered seventy-five (75) plots at a price of K8,400 to the general public and K4,200 to the Council employees in Makanta Township. The expected amount to be realised from the plots offered was K562,800 out of which K361,954 was collected leaving a balance of K200,846. See table below.

| Area   | Size (m) | No. of<br>Plots | Service<br>Charges<br>K | Expected<br>Amount<br>K | Amount<br>Collected<br>K | Uncollected<br>K |
|--|----------|-----------------|-------------------------|-------------------------|--------------------------|------------------|
| Makanta High Cost                              | 40x50    | 59              | 8,400                   | 495,600                 | 298,927                  | 196,673          |
| Makanta High Cost -<br>Council Employees (50%) | 40x50    | 16              | 4,200                   | 67,200                  | 63,027                   | 4,173            |
| <b>Total</b>                                   |          | <b>75</b>       |                         | <b>562,800</b>          | <b>361,954</b>           | <b>200,846</b>   |

As at 31<sup>st</sup> March 2019, the uncollected amount was still outstanding.



#### **d. Failure to Transfer Equalisation Funds**

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

During the period under review, the Council received equalisation funds in amounts totalling K10,165,933 out of which amounts totalling K2,033,187 being 20% of the funded amounts were to be transferred to the capital account.

However, only amounts totalling K1,502,678 were transferred to the capital account leaving a balance of K530,508 which was applied on unrelated activities such as payment of imprest and procurement of goods and services. As at 31<sup>st</sup> August 2018, the funds had still not been transferred.

### **Mongu Municipal Council**

#### **The Council**

29. During the financial year ended 31<sup>st</sup> December 2017, the Council had twenty-eight (28) members comprising the Mayor, twenty-four (24) Ward Councillors and three (3) Chiefs' representatives.

#### **Administration**

The day to day running of Council is the responsibility of the Town Clerk who is assisted by Directors of Administration, Planning, Finance, Engineering and Housing.

#### **Revenue**

The Council received grants and generated funds totalling K18,069,507 as shown in the table below.

| <b>Source</b>            | <b>Amount<br/>K</b> |
|--------------------------|---------------------|
| Local taxes/rates        | 697,957             |
| Fees                     | 1,220,191           |
| Permits                  | 471,769             |
| Charges and other Income | 1,074,365           |
| Business Levy            | 932,200             |
| National Support*        | 13,673,025          |
| <b>Total</b>             | <b>18,069,507</b>   |

### \*National Support

| Grant                  | Amount<br>K       |
|------------------------|-------------------|
| Equalisation Grant     | 13,173,025        |
| Grant in Lieu of Rates | 500,000           |
| <b>Total</b>           | <b>13,673,025</b> |

#### Accounting and Other Irregularities

An examination of accounting and other records maintain at the Council for the financial year ended 31<sup>st</sup> December 2017 and physical inspections of projects carried out in September 2018 revealed the following:

**a. Failure to Prepare a Procurement Plan**

Contrary to Section 42 (1) d and (2) of the Public Procurement Act of 2008, which requires a procuring entity to prepare an annual procurement plan that integrates its expenditure budget and submit to the Zambia Public Procurement Authority (ZPPA), the Council did not prepare a procurement plan for the period under review.

**b. Lack of an Approved Information Security Policy**

An Information security policy outlines all the policies, procedures, plans, processes, practices, roles, responsibilities, resources and structures that are used to protect and preserve information. It should be approved by management, published and communicated to all employees and relevant external parties.

According to ISO/IEC 27001:2013 A.5 on security policy, the objective of an information security policy is to provide management direction and support for information security in accordance with business requirements and relevant laws and regulations.

However, a review of records revealed that the Council did not have an information security policy.

**c. Under Collection of Revenue**

During the period under review, the Council budgeted to raise amounts totalling K6,915,265 from local taxes and rates, fees, business levies and permits among others. However, the Council collected amounts totalling K4,396,482 resulting in an under collection of revenue of K2,518,783.

**d. Payment of Subscription Fees to Professional Bodies**

Contrary to Cabinet Office Circular No. B18 of 2014 which abolished payment of subscription fees for membership to professional bodies for employees, amounts totalling K16,940 were irregularly paid to five (5) professional bodies for eight (8) officers during the period under review.

**e. Retired Town Clerk**

On 14<sup>th</sup> March 2016, the Town Clerk was retired from Local Government Service. However, the following were observed:

**i. Irregular Payment of Allowances**

The former Town Clerk was still receiving Housing, Fuel and Education allowances and as at 30<sup>th</sup> September, 2018, he had been paid amounts totalling K213,570 (Housing allowance - K61,020, Fuel allowance - K91,530 and Education allowance - K61,020).

**ii. Irregular Increase of Salary**

The Town Clerk was awarded salary increments after retirement and as at 31<sup>st</sup> March 2019, he had been irregularly paid amounts totalling K35,032.

**f. Failure to Remit Tax**

During the period under review, Pay As You Earn (PAYE) in amounts totalling K57,331 was deducted from settling in allowances and commutation of leave days from various employees. However, as at 31<sup>st</sup> March 2019, the funds had not been remitted to the Zambia Revenue Authority (ZRA).

**g. Failure to Deduct Tax**

Contrary to the Income Tax Act, during the period under review, leave commutation and settling in allowances in amounts totalling K149,540 were paid to nineteen (19) officers without deducting Pay As You Earn (PAYE).

**h. Outstanding Staff Bills**

As at 30<sup>th</sup> September 2018, the Council owed one hundred and one (101) employees amounts totalling K3,414,914 in respect of terminal benefits, long service bonuses and settling in allowances. See table below.

| <b>Outstanding Bill</b> | <b>No. of Employees</b> | <b>Amount K</b>  |
|-------------------------|-------------------------|------------------|
| Terminal Benefits       | 13                      | 2,047,133        |
| Long Service Bonus      | 5                       | 547,358          |
| Settling - in Allowance | 83                      | 820,423          |
| <b>Total</b>            | <b>101</b>              | <b>3,414,914</b> |

**i. Failure to Insure Motor Vehicles**

Contrary to Road and Road Traffic Act, during the period under review, the Council did not insure two (2) motor vehicles valued at K140,000. See table below.

| <b>Vehicle Make</b>  | <b>Reg No.</b> | <b>Estimated Value K</b> |
|----------------------|----------------|--------------------------|
| Isuzu Fire Track Van | GRZ 847 CN     | 90,000                   |
| Toyota Land Cruiser  | ABP 6056       | 50,000                   |
|                      |                | <b>140,000</b>           |

As at 31<sup>st</sup> March 2019, the motor vehicles had not been insured.

**j. Lack of Title Deeds**

The Lands Act No. 29 of 1995 requires that institutions or individuals owning properties should have or possess title deeds as proof of ownership. A review of records revealed that the Council had twenty-nine (29) properties with an estimated value of K1,548,351 comprising of markets, shops, bus station, staff houses, offices and motel, among others under its custody. However, contrary to the requirement, the Council did not have title deeds for the properties as proof of ownership as at 31<sup>st</sup> March 2019.

**k. Poor Maintenance of Property**

A physical inspection of a selected number of Council structures carried out in September 2018 revealed that the structures were poorly maintained. In particular, it was observed that buildings which included offices, were in a state of disrepair as no periodical maintenance was undertaken.

**l. Failure to Control Illegal Developments - Encroachments on the Water Reserve Well Field**

The Urban and Regional Planning Act No. 3 of 2015 provides for a planning authority to plan and control developments on state land within its jurisdiction. However, contrary to the Act, the Council had failed to control development of illegal structures and encroachment on the area reserved for the main water well field along Kambule stream

where boreholes belonging to the Western Water and Sewerage Company that supply water to the whole of Mongu town are situated.

A check carried out in September 2018 revealed that some structures which included shops, residential houses, latrines, septic and soak away had been built on areas very close to the boreholes thereby posing a risk of underground water contamination. In some cases, boreholes were completely enclosed by illegal structures and almost inaccessible by the utility company.

**m. Environmental Management**

The Council is charged with collection, management and transportation of waste to disposal sites within its municipal jurisdiction. The Council manages the undertaking through the Public Health Department.

In Mongu town, waste is generated mainly from the central business area, markets, bus stations and streets. The waste is collected from these areas and transported to a dumpsite.

A review of records, inquiries made and physical inspections carried out in September 2018 revealed the following:

**i. Failure to Produce Waste Management Reports**

Contrary to Clause 56 section (2) of Environmental Management Act which provides that the local authority submits annually, reports to the Zambia Environmental Management Agency (ZEMA) on the types of waste and tonnage of each type of waste generated and disposed of within its area of jurisdiction, during the period under review, the Council did not prepare and submit waste management reports to ZEMA.

**ii. Failure to Provide Waste Receptacles/Refuse Bays**

A visit to five (5) markets located in Imwiko, Mulambwa and Mongu Central areas revealed that there were no waste holding points, receptacles or refuse bays as designated collection places before transporting the waste to the dumpsite. As a result, waste generated from these places was dumped haphazardly.

**iii. Lack of Medical Check-ups for Personnel**

Contrary to the Environmental Management (Licensing) Regulations, 2013, which require that personnel involved in the collection and transportation of waste undergo appropriate medical check-ups annually and records of fitness submitted

to ZEMA, personnel involved in the collection and transportation of waste at the Council did not undergo any medical check-ups during the period under review.

**n. Constituency Development Funds (CDF) - Nalikwanda Constituency**

In 2017, The Council received an amount of K700,000 for Nalikwanda Constituency, which had an opening balance of K18,912. In addition, the Council received Constituency Development Funds for 2016 that had been mopped by the Treasury amounting to K1,100,000. Further, interest in amounts totalling K41,924 was earned on the account bringing the total funds available for utilisation to K1,860,836.

During the period under review, twenty-one (21) projects valued at K1,014,357 were approved for implementation and as at 30<sup>th</sup> September 2018, amounts totalling K836,612 had been spent leaving a balance of K1,015,360.

However, the following were observed:

**i. Unauthorised Retention of Interest Earned**

During the period from January 2017 to May 2018, bank interest in amounts totalling K41,924 was earned on the Constituency Development Funds.

However, the interest had not been declared to the Ministry of Local Government and the Ministry of Finance contrary to the Public Finance Act No. 15 of 2004.

**ii. Failure to Implement Approved Projects**

Out of the twenty-one (21) projects that were approved during the period under review, seven (7) projects costing K315,000 had not been implemented as at 31<sup>st</sup> March 2019. See table below.

| <b>Project Name</b>  | <b>Approved Amounts K</b> |
|--|---------------------------|
| Completion of Namufolo 1*2 CRB                                     | 70,000                    |
| Completion of 1*2 CRB at Imalyo                                    | 50,000                    |
| Completion of 1*2 CRB at Lushi Community School                    | 40,000                    |
| Completion of 1*2 CRB at Sibongo Primary School                    | 40,000                    |
| Proposed Construction of a staff house at Nangalata Primary School | 35,000                    |
| Moulding of blocks at Kaamba Community School                      | 30,000                    |
| Repair of blown off roof at Simulombe Primary School               | 50,000                    |
| <b>Total</b>   | <b>315,000</b>            |

## Monze Town Council

### The Council

30. During the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017, the Council had twenty-seven (27) members comprising the Chairperson, twenty three (23) Ward Councillors and three (3) Chiefs' representatives.

### Administration

The day to day operations of the Council is the responsibility of the Council Secretary who is assisted by four (4) Heads of Departments namely; Finance and Administration, Development, Planning and Information, Works and Public Health Services.

### Revenue

The Council received grants from Central Government and generated funds from various sources in amounts totalling K33,009,672. See table below

|                   | 2017<br>K         | 2016<br>K        | 2015<br>K         | Total<br>K        |
|-------------------|-------------------|------------------|-------------------|-------------------|
| Local Taxes       | 906,572           | 587,018          | 822,684           | 2,316,274         |
| Fees and Charges  | 1,227,199         | 871,968          | 655,742           | 2,754,909         |
| Licenses          | 345,033           | 488,543          | 163,182           | 996,758           |
| Levies            | 257,952           | 179,103          | 381,522           | 818,577           |
| Permits           | 482,918           | 881              | 150               | 483,949           |
| Charges           | 445,478           | 193,496          | 291,740           | 930,714           |
| Other incomes     | 129,041           | 170,616          | 181,930           | 481,587           |
| National Support* | 9,316,051         | 5,535,082        | 9,375,771         | 24,226,904        |
| <b>Total</b>      | <b>13,110,244</b> | <b>8,026,707</b> | <b>11,872,721</b> | <b>33,009,672</b> |

### \*National Support

| Type of Grant           | 2017<br>K        | 2016<br>K        | 2015<br>K        | Total<br>K        |
|-------------------------|------------------|------------------|------------------|-------------------|
| Grants in Lieu of Rates | 200,000          | 3,000            | 200,000          | 403,000           |
| Restructuring Grant     | -                | 150,000          | -                | 150,000           |
| Capital                 | -                | -                | 500,000          | 500,000           |
| Equalization Fund       | 7,016,051        | 5,382,082        | 4,475,771        | 16,873,904        |
| Other Grants (CDF)      | 2,100,000        | -                | 4,200,000        | 6,300,000         |
| <b>Total</b>            | <b>9,316,051</b> | <b>5,535,082</b> | <b>9,375,771</b> | <b>24,226,904</b> |

### Accounting and Other Irregularities

An examination of accounting and other record maintained at the Council for the period under review and physical inspections of projects carried out in September 2018 revealed the following:

#### a. Irregular Payment of Sitting Allowances

Contrary to Cabinet Office Circular No. 11 of 2013 which abolished payment of administrative allowances to officers in the public service, sitting allowances in

amounts totalling K80,588 were paid to various officers for attending procurement meetings.

**b. Irregular Payment of Subsistence Allowance**

Contrary to Cabinet Circular Minute of 2015 dated 30<sup>th</sup> December 2015 which states that subsistence allowance shall be paid to an officer to cover expenses he or she has to meet when travelling on duty away from his or her normal station of duty where an overnight stay is expected, subsistence allowances in amounts totalling K19,080 were paid to officers for attending a workshop within the district boundary.

**c. Misappropriation of Funds**

During the period under review, the accounts officer misappropriated amounts totalling K100,500. Although the officer who misappropriated the funds was suspended, there was no evidence that the matter was reported to police and no recoveries had been made as at 31<sup>st</sup> March, 2019.

**d. Irregular Payment of Medical Allowance on a Monthly basis through the Payroll**

During the period under review, the Council paid amounts totalling K1,200,372 to various officers as monthly medical allowances through the payroll. However, the payment of medical allowance was irregular as it was not part of the officers' entitlements.

**e. Failure to Remit Statutory Obligations**

During the period under review, statutory contributions in amounts totalling K3,263,401 deducted from various personal emoluments as Pay As You Earn (PAYE), National Pension Scheme Authority (NAPSA) and Local Authority Superannuation Fund (LASF) had not been remitted to the respective statutory institutions as at 31<sup>st</sup> March, 2019. See table below.

| <b>Institution</b> | <b>Balance As At 31.12.17<br/>K</b> | <b>Balance As At 31.12.16<br/>K</b> | <b>Balance As At 31.12.15<br/>K</b> |
|--------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| ZRA                | 1,286,544                           | 740,280                             | 331,744                             |
| NAPSA              | 1,544,564                           | 1,487,607                           | 993,673                             |
| LASF               | 432,293                             | 375,871                             | 273,722                             |
| <b>Total</b>       | <b>3,263,401</b>                    | <b>2,603,758</b>                    | <b>1,599,139</b>                    |

**f. Outstanding Staff Obligations**

The Council owed amounts totalling K974,836 in respect of various staff obligations such as leave days, terminal benefits, long service bonuses and salary arrears to former



and existing employees as at 31<sup>st</sup> December 2017. However, at the time of audit in August 2018, the amount owed had accumulated to K1,365,082. See table below.

| Type of Obligation | Balance As At<br>31.12.15<br>K | Balance As At<br>31.12.16<br>K | Balance As At<br>31.12.17<br>K | Balance As At<br>31.08.18<br>K |
|--------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Long Service Bonus | 286,081                        | 286,081                        | 71,124                         | 79,513                         |
| Leave days         | 347,516                        | 529,529                        | 581,129                        | 919,179                        |
| Terminal Benefits  | 517,023                        | 481,896                        | 322,582                        | 366,390                        |
| <b>TOTAL</b>       | <b>1,150,619</b>               | <b>1,297,505</b>               | <b>974,836</b>                 | <b>1,365,082</b>               |

**g. Weaknesses in the Management of Properties**

During the period under review, the Council owned ninety-one (91) properties comprising shops, offices, houses and undeveloped plots among others. See table below.

| Property Details | Location  | No. of Property |
|------------------|---|-----------------|
| Tarven/Bars      | Nchete market, Chisekesi, Manungu, bakery, Nchete guest house | 5               |
| Houses           | Chisekesi, Manungu  | 6               |
| Community Hall   | Nchete Market   | 1               |
| Public Toilet    | Nchete Market, Railside, Hamusonde                            | 3               |
| Shops            | Nchete Market   | 54              |
| Abattoir         | Behind Zesco Offices  | 1               |
| Guest Houses     | Kotukala, Nchete  | 2               |
| Offices          | Civic Centre, Manungu, DC Offices                             | 3               |
| Conference Hall  | Nchete Guest House  | 1               |
| Shops            | Nchete Guest House  | 6               |
| Mother's Shelter | Nchete  | 1               |
| Stadium          | Opposite Zesco Studium  | 1               |
| High Cost Plots  | Mainza Chona  | 5               |
| Show Ground      | Near Namwala/Niko turn off                                    | 1               |
| Post Office      | Chisekesi   | 1               |
| <b>Total</b>     |   | <b>91</b>       |

However, the following were observed:

**i. Lack of Title Deeds for Properties**

Contrary to the Lands Act No. 29 of 1995 section 8 which requires individuals and institutions to possess title deeds as proof of ownership of properties, the Council did not have title deeds for twenty-one (21) properties.

**ii. 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 the head of department, the Council had not insured some of its properties valued at K6,500,000. See table below

| Property details                 | Stand No. | Date of Purchase | Zoning        | Location                      | Estimated Market Price K |
|----------------------------------|-----------|------------------|---------------|-------------------------------|--------------------------|
| Nchete Guest House               | 374       | 1969             | Commercial    | Nchete                        | 2,000,000                |
| Council Offices                  | 101       | 1962             | Institutional | Civic Centre off L/Stone Road | 4,500,000                |
| <b>Total Gross Capital Value</b> |           |                  |               |                               | <b>6,500,000</b>         |

### iii. Failure to Maintain Properties

A physical inspection of selected properties owned by the Council carried out in September 2018 revealed that some properties were dilapidated and abandoned as they had not been used for some time as evidenced by their surroundings. See details below.

- **Nkotukala Lodge - Manungu Area**

The Lodge was in a deplorable state as doors and ceiling board required replacement. See pictures below.



*Damaged ceiling*

- **Old Nchete Main Tavern and Houses**

The main tavern building was not in use and required rehabilitation. See picture below.



*Old Nchete Main Tavern*

- **Nchete Beer Hall**

The property was leased out to a tenant who was using it as a bakery. However, the building had developed a crack that had not been attended to as at 30<sup>th</sup> November 2018. See picture below.





**i. Constituency Development Funds - Weaknesses in the Management of CDF Projects**

During the period under review, the Council received Constituency Development Funds (CDF) in amounts totalling K6,300,000 for three (3) Constituencies in the district namely; Monze Central, Bweengwa and Moomba. In addition, amounts totalling K2,680,045 were brought forward from 2014 bringing the total funds available to K8,980,045. As at 31<sup>st</sup> August 2018, a total amount of K7,120,472 had been spent leaving a balance of K1,859,573 unspent.


An examination of accounting and other records carried out at the Council and a physical inspection of projects carried out in September 2018 revealed that there were weaknesses in the manner in which projects under CDF were managed 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 below.

| Constituency | Project Name                       | Contractor         | Contract Date / duration | Contract sum<br>K | Allocated amount<br>K | Expenditure to date |             |                              | Scope of works   | Observations/status   |
|--------------|------------------------------------|--------------------|--------------------------|-------------------|-----------------------|---------------------|-------------|------------------------------|--|---|
|              |                                    |                    |                          |                   |                       | Full contract<br>K  | Labour<br>K | Materials and transport<br>K |  |   |
| Moomba       | Construction of Kaumba Staff House | Lyansa Contractors | 17/12/2014 to 17/03/2015 |                   | 95,887                |                     | 22,015      | 73,872                       | Construction of substructure, construction of superstructure walls to gable, flooring and plastering, fitting window frames, door frames, and air vents, construction of roof, fitting doors and | <ul style="list-style-type: none"> <li>As at 5<sup>th</sup> November 2018, the project had not been completed, forty-two (42) months after the expected completion date. The outstanding works included fitting of 10 windowpanes and 8 doors and painting.</li> </ul> <p>The following other observations were made:</p> <ul style="list-style-type: none"> <li>Cracks had developed on the floor and wardrobe.</li> <li>13x20litres of PVA paint, 11x5 litres of gloss paint bought by the</li> </ul> |

|        |                                     |                           |                          |  |        |  |        |  |  |
|--------|-------------------------------------|---------------------------|--------------------------|--|--------|--|--------|--|--|
|        |                                     |                           |                          |  |        |  |        | locks, glass panes, window handles and peg stay and painting and drainage works. | <p>Council costing K4,155 had expired</p>  <p><i>Expired paint</i></p>  <p><i>Cracks in the wardrobe</i></p> |
| Moomba | Completion of Sikabenga Health Post | Chapmurch General dealers | 21/01/2016 to 21/02/2016 |  | 13,000 |  | 11,375 | Fitting of air vents, glass panes, handles and peg stays doors and locks,        | <p>As at 5<sup>th</sup> November 2018, the project had not been completed.</p> <p>The remaining works included:</p>  |

|          |                                |                           |                          |        |  |        |  |  |  |  |
|----------|--------------------------------|---------------------------|--------------------------|--------|--|--------|--|--|--|--|
|          |                                |                           |                          |        |  |        |  |  | Complete painting<br>Drainage construction   | <ul style="list-style-type: none"> <li>• Drainage</li> <li>• 2 doors and 2 windows not fitted.</li> <li>• painting</li> </ul> <p>Further inquiries revealed that the project stalled since 2016.</p>   |
| Bweengwa | Construction of Chuungu bridge | Hola Construction Limited | 03/06/2016 to 03/08/2016 | 75,666 |  | 66,688 |  |  | Excavation, stabilization, steel reinforcement , casting in situ concretes and formwork, backfilling, installation of culverts, protection works | <p>As at 5<sup>th</sup> November 2018, the project was not completed twenty-seven (27) months after the expected completion date.</p> <p>The following other observations were made:</p> <ul style="list-style-type: none"> <li>• There were cracks on nine (9) culverts.</li> <li>• There were gaps between culverts.</li> <li>• Protection works were not done.</li> </ul> |

|          |  |                           |                          |        |  |        |  |  |   |  |
|----------|--|---------------------------|--------------------------|--------|--|--------|--|--|---|--|
|          |  |                           |                          |        |  |        |  |  |   | <ul style="list-style-type: none"> <li>• The culverts were not properly aligned.</li> <li>• Drainage works were not done.</li> </ul>   |
| Bweengwa | Construction of culvert at Kanundwa Road | Hola Construction limited | 03/06/2016 to 03/08/2016 | 45,162 |  | 39,533 |  |  | Excavation, stabilization, steel reinforcement, casting in situ concretes and formwork, backfilling, installation of culverts, protection works | <p>As at 5<sup>th</sup> November 2018, the culverts were constructed. However, the following were observed:</p> <ul style="list-style-type: none"> <li>• Apron was not done at culvert 1.</li> <li>• 4 guard posts were not fitted on culvert 2.</li> <li>• There were cracks on the 4 wing walls of culvert 2.</li> <li>• The culverts were not raised</li> </ul> |

|  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |  <p><i>Culvert not raised</i></p> |
|--|--|--|--|--|--|--|--|--|--|--|



## Ndola City Council

### The Council

31. During the financial year ended 31<sup>st</sup> December 2017, the Council had thirty-one (31) members comprising the Mayor, twenty-eight (28) Ward Councillors and two (2) representatives of Chiefs.

### Administration

The day to day operations of the Council is the responsibility of the Town Clerk who is assisted by directors of Finance, Human Resources and Administration, Legal Services, Engineering Services, Planning, Valuation and Real Estate, Housing and Social Services and Public Health.

### Revenue

During the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2017, the Council received grants and generated funds from various sources in amounts totalling K84,382,005 as shown in the table below.

| Source of Funds                 | Amount<br>K       |
|---------------------------------|-------------------|
| Rates                           | 30,041,034        |
| Personal Levy                   | 262,281           |
| Office & Shops Rent, House Rent | 1,229,681         |
| Fees and Charges                | 14,491,491        |
| Permits                         | 7,538,513         |
| National Support*               | 30,819,005        |
| <b>Total</b>                    | <b>84,382,005</b> |

#### \* National Support

| Grant                  | 2017<br>K         |
|------------------------|-------------------|
| Grant in Lieu of Rates | 350,000           |
| CDF                    | 6,754,007         |
| Equalization Fund      | 23,714,998        |
| <b>Total</b>           | <b>30,819,005</b> |

### Accounting and other Irregularities

An examination of accounting and other records maintained at the Council for the period under review and physical inspections of selected projects carried out in November 2018 revealed the following:

**a. Failure to Fill Vacant Positions**

The Council had an establishment of eight hundred and fourteen (814) positions out of which three hundred and two (302) were filled leaving five hundred and twelve (512) vacant positions as at 31<sup>st</sup> March 2019. Out of the vacant positions, some positions were key to the smooth running of the organisation such as Director of Public Health, Assistant Director of Engineering Services, Chief Accountant, Chief Buildings Inspector and Mechanical Engineer.

**b. Outstanding Receivables – Land Rates**

A scrutiny of records revealed that the Council collected land rates in amounts totalling K24,687,545 during the period under review, from the expected revenue of K108,929,744 resulting in outstanding receivables of K84,242,199. See table below.

| <b>Details</b>        | <b>Amounts<br/>K</b> |
|-----------------------|----------------------|
| Arrears b/f from 2016 | 78,584,354           |
| Charge for the year   | 30,345,390           |
| <b>Total</b>          | <b>108,929,744</b>   |
| Less amounts received | 24,687,545           |
| <b>Amount Due</b>     | <b>84,242,199</b>    |

**c. Under Collection of Revenue**

During the period under review, the Council expected to collect revenue in amounts totalling K26,511,717 in respect of reserved car parks, billboards and outdoor advertising, telecommunication masts and rental charges.

However, a review of records revealed that only amounts totalling K8,682,030 were collected resulting in under collection of K17,829,687. See table below.

| <b>Revenue Type</b>                | <b>Expected<br/>Income<br/>K</b> | <b>Actual Income<br/>Collected<br/>K</b> | <b>Balance<br/>uncollected<br/>K</b> |
|------------------------------------|----------------------------------|--|--------------------------------------|
| Reserved Car Park                  | 894,240                          | 564,912                                  | 329,328                              |
| Bill Board and Outdoor Advertising | 14,617,891                       | 7,103,870                                | 7,514,021                            |
| Telecommunication Masts            | 3,990,250                        | 717,524                                  | 3,272,726                            |
| Rental charges                     | 7,009,335                        | 295,724                                  | 6,713,611                            |
| <b>Total</b>                       | <b>26,511,717</b>                | <b>8,682,030</b>                         | <b>17,829,687</b>                    |

**d. Failure to Effect Increase in Fees**

The Statutory Instrument No. 41 of 2015 of the Fees and Fines Act revised the fees and penalty units upwards from twenty ngwee to thirty ngwee.

However, the Council did not effect the revision and consequently, during the period under review, there was a loss in revenue in amounts totalling K1,169,786. See table below.

| <b>Description</b>     | <b>Amount Collected K</b> | <b>Revised Amount K</b> | <b>Revenue Loss K</b> |
|------------------------|---------------------------|-------------------------|-----------------------|
| Business Permits       | 1,214,041                 | 2,045,653               | 831,612               |
| Manufacturing Licenses | 190,499                   | 317,488                 | 126,988               |
| Wholesale Licenses     | 213,800                   | 424,986                 | 211,186               |
| <b>Total</b>           | <b>1,618,341</b>          | <b>2,788,127</b>        | <b>1,169,786</b>      |

**e. Loss of Revenue Due to Non-Issuance of Fire Certificate**

A review of records at the fire department of the council revealed that a total of 161 business premises did not have fire certificates for the year 2017 resulting in the loss of revenue in amounts totalling K134,200. A failure to enforce the requirement for every business to have a fire certificate puts the public at risk.

**f. Missing Payment Vouchers**

Contrary to Local Authorities Financial Regulation No.98(1) which requires that all payment vouchers with supporting documents, and other forms which support a charge entered into the account, shall be carefully filed, secured and be readily available for audit, two hundred and thirty one (231) payment vouchers in amounts totalling K6,093,965 were not availed for audit.

**g. Unsupported Payment Vouchers**

Contrary to Local Authorities Financial Regulation No. 86, three hundred and ninety-eight (398) payments in amounts totalling K2,855,924 were not supported with relevant documents such as quotations and invoices.

**h. 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 K850,714 procured during the period under review were not accounted for in that there were no receipt and disposal details

**i. Failure to Follow Tender Procedures**

During the period under review, the Council spent amounts totalling K455,345 on the procurement of stores items and rehabilitation works. However, it was observed that the payments to three (3) suppliers were split to circumvent the procurement procedures.

| Payee                        | Date     | Amount K       | Details   | Comments   |
|------------------------------|----------|----------------|---|--|
| Zamm Imports                 | 27/04/17 | 50,000         | Assorted Items For Labour day.                    | The threshold for the warrant holder is K50,000. The total cost of K159,795 was split into three (3) payments to avoid subjecting the procurement to tender. |
| Zamm Imports                 | 27/04/17 | 50,000         | Assorted Items For Labour day                     |  |
| Zamm Imports                 | 27/04/17 | 59,975         | Final Payment Against Labour Day Items            |  |
| Nolu Mugs and Wide           | 9/6/2017 | 35,000         | Branding of ZITF Stand. Total amount K55,370      | The threshold for the warrant holder is K50,000. The total cost of K55,370 was split into two (2) payments to avoid subjecting the procurement to tender.    |
| Nolu Mugs and Wide Trade Ltd | 26/06/17 | 20,370         | branding of ZITF Stand                            |  |
| Lambangoza General Dealers   | 27/04/17 | 70,000         | 200 corporate shirts @ K350 for fire fighters day | The threshold for the warrant holder is K50,000. The total cost of K240,000 was split into four (4) payments to avoid subjecting the procurement to tender.  |
| Lambangoza General Dealers   | 2/5/17   | 40,000         | 500 Caps @ K90, 500 T. Shirts @ K250              |  |
| Lambangoza General Dealers   | 26/05/17 | 80,000         | 500 Caps @ K90, 500 T. Shirts @ K250              |  |
| Lambangoza General Dealers   | 21/06/17 | 50,000         | Final Payment for 500 Caps and 500 T. Shirts      |  |
| <b>Total</b>                 |          | <b>455,345</b> |   |  |

**j. Unretired Accountable Imprest**

Contrary to Local Authorities Financial Regulation No. 119, accountable imprest in amounts totalling K249,202 issued to nine (9) officers during the period under review had not been retired as at 31<sup>st</sup> March 2019.

**k. Irregular Payment of Holiday Allowance**

Contrary to Ministry of Local Government and Housing Circular No. MLGH/101/8/4 of 2014, which abolished the payment of social holiday allowances, six (6) officers at the Council were paid social holiday allowances in amounts totalling K54,000 during the period under review.

**l. Un-acquitted Allowances**

Contrary to Local Authorities Financial Regulation No.106(2), amounts totalling K225,649 paid to seven (7) officers in respect of wages and allowances for various beneficiaries had not been acquitted as at 31<sup>st</sup> March 2019 and the cash was neither banked nor found on hand.

**m. Failure to recover Loans and Salary Advances**

During the period under review, amounts totalling K584,194 were paid to one hundred and forty-six (146) officers as loans and salary advances. However, no documentary evidence was availed to show that recoveries for the Loans and advances had been effected.

**n. Transport Management**

**i. Failure to Insure Motor Vehicles**

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 did not insure thirty-nine (39) motor vehicles during the period under review and as at 31<sup>st</sup> March 2019, the motor vehicles had not been insured.

**ii. Failure to Report an Accident - Ford Ranger Registration No. BAC 7530**

On 4<sup>th</sup> September 2017, a Ford Ranger registration number BAC 7530 which was procured in April 2016 at a cost of K540,209 was involved in a road traffic accident whilst being driven by the Director of Finance.

Although the matter was reported to the police and the officer was charged with careless driving on 13<sup>th</sup> September 2017, management had not reported the accident to the Full Council and no action had been taken against the officer as at 30<sup>th</sup> September 2018.

Further, there was no evidence that the officer had competence certificate to drive Government Vehicles.

**iii. Failure to Surrender Council Vehicles by Suspended Officers**

During the period under review, four (4) senior officers were placed on suspension. The letters of suspension stated that while on suspension, the officers were to surrender any Council property/assets that may have been in their custody. However, the officers did not surrender the vehicles that were in their custody. See table below.

| Position                  | Make of Vehicle | Reg No   | Comment        |
|---------------------------|-----------------|----------|----------------|
| Town Clerk                | Pajero          | ALZ 3037 | Not surrenderd |
| Director of Legal Service | Ford Ranger     | BAC 7602 | Not surrenderd |
| Director of Housing       | Ford Ranger     | BAC 4119 | Not surrenderd |
| Director of Planning      | Ford Ranger     | BAC 7530 | Not surrenderd |

**o. Failure to Avail Lease Agreements**

During the period under review, the Council leased out twenty-eight (28) properties. However, the Council did not avail lease agreements for twenty-three (23) properties. In this regard, it was not possible to ascertain when the tenants occupied the properties and the amount of rentals which was collectable.

**p. Engagement of Staff without Authority**

During the period under review, the Council engaged fifty (50) officers on contract basis. In this regard, wages in amounts totalling K1,497,170 were paid for the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2017. However, the engagement of the officers was irregular in that the Council did not obtain authority from the Local Government Service Commission.

Further, the Council paid wages in amounts totalling K198,975 involving ten (10) transactions to casual workers to carry out various activities under departments of Engineering, Housing, Parks and Gardens. However, there were no oral contracts availed for audit.

**q. Failure to Remit Statutory Obligations**

The Council deducted amounts totalling K76,024,793 as Pay As You Earn (PAYE) and other statutory contributions from employees' remuneration. However, as at 31<sup>st</sup> March 2019, the deducted amounts had not been remitted to the respective institutions. See table below:

| Institution  | Amount Owed<br>K  |
|--------------|-------------------|
| PAYE         | 37,678,135        |
| NAPSA        | 14,955,489        |
| LASF         | 23,391,169        |
| <b>Total</b> | <b>76,024,793</b> |

**r. Misapplication of Equalisation Fund**

During the period under review the Council received amounts totalling K23,714,998 as equalization funds. According to the Local Government (Amendment) Act No. 12 of 2014, a Council shall use at least 20% of the equalisation fund received in any financial year to finance capital expenditure. In this regard, amounts totalling K4,743,000 were allocated to capital projects.

A scrutiny of accounting records revealed that the Council utilised K4,541,400 on capital projects while the balance of K201,600 was applied on unrelated activities.

**s. Land Management**

During the period under review, the Council offered 1,550 plots for sale to the public. See table below.

| Area         | Number<br>of Plots |
|--------------|--------------------|
| Dola Hill    | 1,170              |
| Mishishi     | 147                |
| Chibolele    | 134                |
| Golf View    | 73                 |
| Stadium      | 21                 |
| Mitengo      | 2                  |
| Hillcrest    | 3                  |
| <b>Total</b> | <b>1,550</b>       |

However, the following were observed:

**i. Uncollected Land Fees**

Out of the 1,550 plots offered, 1,125 plots had not been paid for as at 31<sup>st</sup> March 2019 and the Council had not taken any action against the defaulters. See table below.

| Name         | No. Plots    | Amount Outstanding K |
|--------------|--------------|----------------------|
| Dola Hill    | 812          | 9,004,200            |
| Mishishi     | 114          | 1,266,205            |
| Chibolele    | 105          | 1,282,750            |
| Golf View    | 73           | 815,417              |
| Stadium      | 21           | 262,500              |
| <b>Total</b> | <b>1,125</b> | <b>12,631,072</b>    |

## ii. Failure to Allocate Plots

Although the Council collected amounts totalling K4,042,203 from prospective buyers in respect of the sale of 330 plots in Dola Hill, Mishishi, Chibolele, Mitengo and Hillcrest as shown in the table below, as at 31<sup>st</sup> March 2019, the buyers had not been allocated plots.

| Area         | Number of Plots | Amount K         |
|--------------|-----------------|------------------|
| Dola Hill    | 269             | 3,296,953        |
| Mishishi     | 29              | 348,750          |
| Chibolele    | 27              | 334,000          |
| Mitengo      | 2               | 25,000           |
| Hillcrest    | 3               | 37,500           |
| <b>Total</b> | <b>330</b>      | <b>4,042,203</b> |

## iii. Allocation of Plots to More than One Buyer

A review of land records revealed that the Council allocated plots to two (2) or more buyers in respect of the sale of ninety-five (95) high cost plots in Dola Hill, Mishishi and Chibolele. In this regard, the Council collected amounts totalling K2,537,500 from two hundred and four (204) prospective buyers. See table below.

| Area         | Number of Buyers | Number of Plots | Amount K         |
|--------------|------------------|-----------------|------------------|
| Dola Hill    | 192              | 89              | 2,387,500        |
| Mishishi     | 8                | 4               | 100,000          |
| Chibolele    | 4                | 2               | 50,000           |
| <b>Total</b> | <b>204</b>       | <b>95</b>       | <b>2,537,500</b> |

## t. Constituency Development Funds - (CDF)

During the period under review, the Council received CDF in amounts totalling K6,754,007 from the Ministry of Finance (MoF) for four (4) constituencies. The Council had a balance



brought forward in amounts totalling K370,044 bringing the total available funds to K7,124,051.

As of September 2018, amounts totalling K1,808,323 had been spent leaving a balance of K5,315,728. See table below.

| Constituency  | Balance B/f<br>K | 2017 Funding<br>K | Total available<br>K | Expenditure<br>K | Unspent funds<br>K |
|---------------|------------------|-------------------|----------------------|------------------|--------------------|
| Ndola Central | 13,396           | 2,321,490         | 2,334,886            | 953,471          | 1,381,415          |
| Bwanamkubwa   | 15,559           | 1,551,368         | 1,566,927            | 39,906           | 1,527,021          |
| Kabushi       | 27,948           | 2,181,150         | 2,209,097            | 652,070          | 1,557,028          |
| Chifubu       | 313,141          | 700,000           | 1,013,141            | 162,876          | 850,265            |
| <b>Total</b>  | <b>370,044</b>   | <b>6,754,007</b>  | <b>7,124,051</b>     | <b>1,808,323</b> | <b>5,315,728</b>   |

The following were observed:

**i. Construction of a Market Shelter and Erection of Tables at Kabushi Market - Kabushi Constituency**

On 4<sup>th</sup> August 2016, the Council engaged Pine Innovations Ltd of Luanshya for the construction of a market shelter and erection of tables at Kabushi Market at a contract sum of K230,514. The contract period was twelve (12) weeks from 7<sup>th</sup> August to 20<sup>th</sup> December 2016.

The scope of works included the construction of the sub and superstructure, roofing, metal work, steel works, plastering, painting and external works. As at 30<sup>th</sup> September 2018, the contractor had been paid amounts totalling K208,534 leaving a balance of K21,980.

A physical inspection carried out in September 2018 revealed that the market shelter had been constructed and tables erected, with the following works still outstanding:

- Construction of a spoon drain on either side of the structure
- Floor screed inside of the market shelter
- Construction of four (4) concrete ramps
- Cladding on gable sides - painting

The contractor was not on site.

**ii. Construction of Kalande Foot Bridge in Yengwe Ward - Ndola Central Constituency**

On 29<sup>th</sup> August 2016, the Council engaged Velvex Construction Limited of Ndola to construct Kalande Foot Bridge in Yengwe Ward at a contract sum of K200,948 with a completion period of twenty-four (24) weeks from 1<sup>st</sup> September 2016 to 1<sup>st</sup> March 2017. The scope of works included construction of reinforced concrete lumps, decking and handrails, earth drain and walkway on left hand side of bridge, concrete lined drain and concrete walkway on right hand side and painting of the handrails.

As at 30<sup>th</sup> September 2018, the contractor had been paid the full contract amount.

However, although the contractor was paid in full, a physical inspection carried out on 27<sup>th</sup> February 2019 revealed that the works were incomplete in that the drainage (stone pitching) had not been constructed on one side of the bridge.

**iii. Completion of Riverside Market Shelter and Construction of an Ablution Block in Nkwazi – Ndola Central Constituency**

On 6<sup>th</sup> July 2016, the Council engaged EPPO Contractors Ltd of Lusaka to construct an ablution block and completion of the Riverside Market Shelter at a contract sum of K240,404 with a completion period of eight (8) weeks from 6<sup>th</sup> July 2016 to 10<sup>th</sup> September 2016.

The scope of works for the completion of the market shelter included demolition, concrete works, brick and block works, painting and decoration and external works while the scope of works for the ablution block included construction of sub and super structures, plastering, painting and decoration, roofing, carpentry, joinery iron mongery, floor finishes, electrical installation and external works. As at 30<sup>th</sup> September 2018, the contractor had been paid amounts totalling K156,351 leaving a balance of K84,052.

A review of the documents and a site visit carried out in September 2018 revealed that both structures had not been completed as the following works were still outstanding:

**Market Shelter**

- Erection of market stands

- Floor finishes
- Painting and decorating
- External works (spoon drain)



*Uncompleted Market Stands*

### **Ablution Block**

- Fitting of 6 doors (3 in gents and 3 in ladies' toilets)
- Fitting of toilet pans and urinals
- Fitting of ceiling board
- Glazing
- Plastering of front and inside of the block.
- Painting the internal and external walls



*Uncompleted Ablution Block.*



*Toilets without toilet pans fitted in the Gents*

### **u. New Ambassador Hotel**

The New Ambassador Hotel is a hotel that is wholly owned by the Council and is operated as a separate commercial venture. A review of records at the hotel for the period under review revealed the following:

**i. Failure to Collect Outstanding Receivables**

The New Ambassador Hotel was owed amounts totalling K74,720 in respect of accommodation, food and beverages by various institutions and the amounts had been outstanding for periods exceeding 90 days.

**ii. Unsupported Payment Vouchers**

There were fifty-nine (59) payments in amounts totalling K146,476 that were not supported with relevant documents such as quotations and invoices.

**iii. Employment of Temporal Workers (Casualization)**

The Employment Act No. 15 of 2015 states that a body corporate that engages a casual employee for a job that is permanent in nature commits an offence and is liable upon conviction. The Hotel paid wages in amounts totalling K218,026 to nine (9) temporal employees who were engaged as waiters, watchmen, bar tenders, cleaners and receptionists during the period under review. Further, there was no evidence that the temporal employees were making contributions to the National Pensions Scheme Authority (NAPSA).

**Petauke Town Council**

**The Council**

32. During the financial year ended 31<sup>st</sup> December 2017, the Council had twenty-four (24) members comprising the Chairperson, twenty (20) Ward Councillors and three (3) Chiefs' representatives.

**Administration**

The day to day administration of the Council is the responsibility of the Council Secretary who is assisted by the Director of Works, Council Treasurer and District Planning Officer.

**Revenue**

The Council received grants and generated funds in amounts totalling K14,364,650. See table below.

| <b>Revenue</b>        | <b>Amount<br/>K</b> |
|-----------------------|---------------------|
| Personal Levy         | 13,556              |
| Local Taxes and Rates | 742,958             |
| Permits               | 314,051             |
| Fees and Charges      | 870,497             |
| Licences              | 19,830              |
| Loading Fees          | 306,993             |
| Market Fees           | 121,001             |
| Other Income          | 1,646,960           |
| National Support*     | 10,328,804          |
| <b>Total</b>          | <b>14,364,650</b>   |

**\*National Support**

| <b>Grant</b>       | <b>Amount<br/>K</b> |
|--------------------|---------------------|
| Equalisation Grant | 8,228,804           |
| CDF                | 2,100,000           |
| <b>Total</b>       | <b>10,328,804</b>   |

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Council for the period under review and a physical inspection of selected projects carried out in September 2018 revealed the following:

**a. Missing Receipt Books**

According to Local Authorities Financial Regulation No. 28 (1) (b) and (2), receipts of all types are to be preserved for ten (10) years and notwithstanding the periods specified in subsection (1), the records shall be kept until they are audited or until a court case relating thereto, if any, is settled.

Contrary to the regulation, four (4) receipt books were not availed for audit.

**b. Failure to Collect Revenue**

Contrary to Local Authorities Financial Regulations Nos. 12 (h) which requires that all revenue and other Council moneys which become due and payable to the Council must be collected punctually, amounts totalling K1,496,948 owed to the Council by various individuals and institutions during the period under review had not been collected as at 31<sup>st</sup> March, 2019. See table below.

| Station                   | Revenue type           | Amount<br>K      |
|---------------------------|------------------------|------------------|
| Petauke Distict Council   | Property rate          | 1,287,269        |
| Petauke Distict Council   | Sale of Council Houses | 16,300           |
| Petauke Distict Council   | Billboard levy         | 230,228          |
| Petauke Distict Council   | Rentals                | 87,151           |
| Less Recoveries (Bailifs) |                        | (124,000)        |
| <b>Total</b>              |                        | <b>1,496,948</b> |

**c. Misapplication of Equalisation Funds**

Contrary to the Local Government (Amendment) Act No. 12 of 2014, amounts totalling K231,770 meant for capital projects were applied on personal emoluments.

**d. Failure to Recover Salary Advances**

Contrary to the Terms and Conditions of Service for Local Government Officers No. 105 which states that an advance of salary shall be repaid within a reasonable period of time but not exceeding six (6) months, salary advances in amounts totalling K23,500 paid to seven (7) officers during the period under review had not been recovered as at 31<sup>st</sup> March, 2019.

**e. Failure to Remit Statutory Obligations**

Amounts totalling K2,131,127 deducted from various employees' personal emoluments as Pay As You Earn (PAYE) and Pension contributions (NAPSA and LASF) had not been remitted to the respective institutions as at 31<sup>st</sup> March 2019. See table below.

| Institution  | Amount<br>K      |
|--------------|------------------|
| ZRA          | 1,649,421        |
| NAPSA        | 382,349          |
| LASF         | 99,357           |
| <b>Total</b> | <b>2,131,127</b> |

**f. Lack of Title Deeds for Council Property**

Contrary to Lands Act No. 29 of 1995, which requires individuals and institutions to possess title deeds as proof of ownership of properties, the Council had no title deeds for eleven (11) properties.

Consequently, as at 31<sup>st</sup> March 2019, the Council was unable to insure its properties.

**g. Environmental Management**

An assessment of the effectiveness of the environmental management at the Council revealed the following:

**i. Dumpsite**

The Council had a dumpsite, where all the waste collected was dumped.

However, the following were observed:

- **Illegal Use of Dumping Site**

Contrary to Statutory Instrument No. 112 of 2013, the Council did not have a license from the Zambia Environmental Management Agency (ZEMA) to transport waste and operate a dumpsite.

- **Lack of Weigh Bridge**

There was no weigh bridge at the dumpsite to weigh the waste transported and dumped.

- **Dumpsite not Fenced**

Contrary to Statutory Instrument No. 112 of 2013 which requires the Local Authority to fence the dumpsite in order to protect it from access by unauthorised persons, the Council did not fence the dumpsite.

- **Lack of Warning Signs**

The Environmental Management Act of 2011 requires that warning signs are displayed to warn the general public of the existence of the dumpsite and to restrict access by unauthorised persons. However, as at 31<sup>st</sup> March 2019, there were no warning signs displayed at the dumpsite.

- **Lack of Borehole**

There was no borehole at the dumpsite for monitoring of ground water quality.

- **Exposure of Community to Health Hazards**

Contrary to Statutory Instrument No. 112 of 2013 which requires that the waste be buried and not burnt, the Council did not bury the waste but instead burnt it thereby exposing the community to health hazards.

**ii. Failure to Prepare an Integrated Waste Management Plan**

Regulation No. 56 (f) of the Environmental Management Act of 2011 requires Local Authorities to prepare and submit an integrated waste management plan to ZEMA for approval. As at 31<sup>st</sup> March 2019, the Council had not submitted a waste management plan to ZEMA.

**iii. Failure to Take Medical Examination**

Contrary to the Environmental Management Act of 2011 which requires persons handling waste to undertake medical examinations twice a year, there was no evidence that staff handling waste underwent medical examinations.

## **Rufunsa Town Council**

### **The Council**

33. During the financial years ended 31<sup>st</sup> December 2016 and 2017, the Council had fourteen (14) members comprising the Chairperson, ten (10) Ward Councillors and three (3) Chiefs' representatives.

### **Administration**

The day to day operations of the Council is the responsibility of the Council Secretary who is assisted by the Council Treasurer, the Director of Works and the District Planning Officer.

### **Revenue**

During the period under review, the Council received grants and generated funds from various sources in amounts totalling K7,175,647 as shown in table below.



| <b>Source</b>     | <b>2017<br/>K</b> | <b>2016<br/>K</b> |
|-------------------|-------------------|-------------------|
| Fees and Charges  | 17,600            | 85,064            |
| Levies            | 306,937           | 84,249            |
| Licences          | 1,000             | 485               |
| Permits           | 6,420             | 24,709            |
| Charges           | 109,100           | 18,000            |
| Rentals           | 1,251             | 5,150             |
| Other Incomes     | 600,000           | 4,660             |
| Equalisation Fund | 6,133,339         | 4,417,780         |
| <b>Total</b>      | <b>7,175,647</b>  | <b>4,640,097</b>  |

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Council for the financial years ended 31<sup>st</sup> December 2016 and 2017 and a physical inspection of projects carried out in September 2018 revealed the following:

**a. Failure to Fill Vacant Positions**

The Council had an authorized staff establishment of seventy-two (72) positions of which fifty two (52) were filled leaving twenty (20) positions vacant as at 31<sup>st</sup> December, 2018. Among the vacant positions were positions of the Buildings Inspector, Town Sergeant, Stores Officers and Committee Clerk which were critical to the operations of the Council.

It was further observed that there were seven (7) employees who were employed on positions not existing in the authorized establishment.

**b. Failure to Maintain a 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 valuation roll, the Council did not maintain a valuation roll.

**c. Unsupported Payments**

Contrary to the Local Authorities Financial Regulation No. 86, twenty-two (22) payment vouchers in amounts totalling K158,858 raised 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).

**d. Unretired Accountable Imprest**

Contrary to the Local Authorities Financial Regulation No. 119 (1), accountable imprest in amounts totalling K24,944 issued to three (3) officers had not been retired as at 31<sup>st</sup> March, 2019.

**e. Unacquitted Allowances**

Contrary to Local Authorities Financial Regulation No. 106, imprest amounting to K15,289 issued to an officer to facilitate payment of allowances was neither acquitted by the respective beneficiaries nor was cash found on hand as at 31<sup>st</sup> March, 2019.

**f. Failure to Avail Activity Reports**

During the period under review, imprest in amounts totalling K25,346 was issued to three (3) officers to enable them undertake various activities such as monitoring and attending workshops. However, as at 31<sup>st</sup> March, 2019, no activity reports were availed for audit making it not possible to ascertain whether the activities were actually undertaken.

**g. Failure to Remit Tax**

During the period under review, the Council deducted tax in amounts totalling K280,211 from payments of settling in allowances and commutation of leave days. However, as at 31<sup>st</sup> March 2019, the deducted tax had not been remitted to ZRA.

**h. Failure to Deduct Tax**

Contrary to the Income Tax Act, the Council made payments of settling in allowances and commutation of leave days in amounts totalling K49,071 to thirteen (13) officers without deducting Pay As You Earn (PAYE).

**i. Payment of Social Holiday Allowance**

Contrary to Ministry of Local Government and Housing Circular No. MLGH/101/8/4 of 2014 which abolished the payment of social holiday allowance, the Council paid social holiday allowance amounting to K12,000 to the former Council Secretary. As at 31<sup>st</sup> March 2019, the amount paid to the officer had not been recovered.

**j. Lack of Title Deeds**

Contrary to the Lands Act No. 29 of 1995 which requires institutions or individuals owning land to possess title deeds as proof of ownership, the Council did not have title deeds for its land and buildings valued at K4,887,000.

Consequently, the Council was unable to insure its land and buildings.

**k. Poor Management of Guest Houses**

The Council owns two (2) guest houses namely; Luangwa Bridge and Shikabeta guest houses which were not in use during the year under review due to their dilapidated state. A physical inspection of the guest houses revealed the following:

- The surrounding of the guest houses was unkempt.
- Shikabeta guest house was used as teachers' accommodation from the Ministry of Education who were teaching at a nearby school without paying rent to the Council.

**l. Investment in Lusaka Water and Sewerage Limited**

The Council is one of the shareholders in Lusaka Water and Sewerage Company Limited through the transfer of assets to the Company in 2000. However, the Council did not avail for audit the cost and type of assets transferred.

Further, the Council had not received any dividends from the company.

**Serenje Town Council**

**Council**

34. During the financial year ended 31<sup>st</sup> December 2017, the Council had twenty-three (27) members comprising the Chairperson, twenty three (23) Ward Councilors and three (3) representatives of Chiefs.

**Administration**

The day to day running of Council is the responsibility of the Council Secretary who is assisted by the Council Treasurer, Director of Works, Chief Administrative Officer and the District Planner.

## Revenue

During the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2017, the Council received grants and generated funds in amounts totalling K12,687,605 as shown in the table below.

| Source of Funds        | Collections<br>K  |
|------------------------|-------------------|
| Council Property Rates | 1,010,421         |
| Personal Levy          | 98,758            |
| Fees and Fines         | 1,226,010         |
| Licenses               | 291,085           |
| Levies                 | 325,139           |
| Business Permits       | 87,168            |
| Charges                | 1,165,269         |
| Other Income           | 261,163           |
| National Support*      | 8,222,591         |
| <b>Total</b>           | <b>12,687,605</b> |

### \*National Support

| Source of Funds                | Collections<br>K |
|--------------------------------|------------------|
| Equalisation Funds             | 6,822,591        |
| Constituency Development Funds | 1,400,000        |
| <b>Total</b>                   | <b>8,222,591</b> |

## Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the financial year ended 31st December 2017 and physical inspections of selected projects carried out in October 2018 revealed the following:

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

The Council had an establishment of one hundred and sixty (160) positions out of which one hundred and seven (107) were filled leaving fifty-three (53) vacant as at 31<sup>st</sup> March 2019. Out of the vacant positions, some were key to the smooth running of the Council such as Health Education Officer, Buildings Inspector and Assistant Internal Auditor.

### b. Employees without Requisite Qualifications

Contrary to the Terms and Conditions of Service for the Local Authorities which provide for minimum qualifications for officers occupying various positions, it was observed that two (2) members of staff did not meet the requisite educational and professional qualifications for the positions they were holding. See table below.

| Position           | Requisite Qualification  | Qualification Held              |
|--------------------|--|---------------------------------|
| Commercial Manager | Full Form V/ Grade 12 School Certificate, Degree in Business Administration, Minimum of 5 years experience with 2 years at senior management level | Diploma in hotel management     |
| Town Planner       | Full Form V/ Grade 12 School Certificate, Degree in Urban and Regional Planning or equivalent, 3 years working experience                          | Bachelor of Arts with Education |

**c. 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 Council operated without a strategic plan.

**d. Failure to Meet Revenue Targets**

The Council collected amounts totalling K2,803,587 from four (4) main sources of revenue against a revenue estimate of K6,637,840 resulting in an under collection of K3,834,254. See table below.

| Source of Revenue | Budget<br>K      | Collections<br>K | Under<br>Collection<br>K |
|-------------------|------------------|------------------|--------------------------|
| Fees and Fines    | 4,708,772        | 1,226,010        | (3,482,762)              |
| Levies            | 398,368          | 325,139          | (73,229)                 |
| Business Permits  | 111,950          | 87,168           | (24,782)                 |
| Charges           | 1,418,750        | 1,165,269        | (253,481)                |
| <b>Total</b>      | <b>6,637,840</b> | <b>2,803,587</b> | <b>(3,834,254)</b>       |

**e. Failure to Present Receipt Books for Audit**

Contrary to Local Authorities Financial Regulation No. 28 (1), thirty-five (35) Council General Receipt Books were not presented for audit. As a result, it was not possible to ascertain the total revenue collected during the period under review.

**f. 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”, a scrutiny of daily collection summaries, receipts, deposit slips and bank statements revealed that amounts totalling K81,929 were unaccounted for in that the funds did not reflect on the bank statements.

**g. 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 (2) days after the day of receipt, there were delays in banking of revenue in amounts totalling K39,418 for periods ranging from two (2) to sixty (60) days.

**h. Unsupported Bank Deposits**

Contrary to Local Authorities Financial Regulation No. 69 (1) which states that a receipt shall be issued by the receiving officer whenever Council money is received. A review of bank statements revealed that amounts totalling K180,377 involving eighty-eight (88) transactions were deposited. However, supporting documents such as daily cash summaries, treasury receipts and deposit slips were not availed for audit. It was therefore not possible to ascertain whether funds deposited were the correct amounts the Council had collected from all its collection points.

**i. Failure to Update 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”, it was observed that during the period under review, the Council did not have an updated valuation roll, as it was last updated in 2006.

In this regard, the Council did not collect rates from manganese mines and other newly developed properties as they were not captured in the valuation roll.

**j. Uncollected Revenue from Sale of Plots**

During the period under review, the Council offered a total of sixty (60) plots to the public with a view of realizing a total amount of K540,000. See table below.

| Area                 | Plot Category        | No. of Plots | Premium Amount<br>K | Amount<br>K    |
|----------------------|----------------------|--------------|---------------------|----------------|
| New Apostolic Church | High Cost            | 6            | 9,000               | 54,000         |
| New Apostolic Church | High Cost Commercial | 4            | 9,000               | 36,000         |
| Salala Lodge         | High Cost            | 50           | 9,000               | 450,000        |
| <b>Total</b>         |                      | <b>60</b>    |                     | <b>540,000</b> |

However, as at 31<sup>st</sup> March 2019, the Council had not collected the funds.

**k. Failure to Enforce Debt Management Policy**

According to minute number FHRGP/183/08/17, it was reported that the Council’s debt had accrued over a long period despite having a debt management policy in place. A review of management reports and other relevant documentation revealed that the Council was owed a total amount of K791,035 as at 30<sup>th</sup> September 2018. See table below.

**Outstanding Debt as at 30<sup>th</sup> September 2018**

| No. | Period                                | Debtor                 | Amount K       |
|-----|---------------------------------------|------------------------|----------------|
| 1   | 01/01/2013 to 01/09/2018              | TAZARA                 | 178,034        |
| 2   | 01/01/2017 to 01/09/2018              | Container Vendors      | 57,000         |
| 3   | As at 30 <sup>th</sup> September 2018 | Owners Rate            | 178,289        |
| 4   | As at 30 <sup>th</sup> September 2018 | Office & House Rentals | 334,712        |
| 5   | As at 30 <sup>th</sup> September 2018 | Market Shop Rentals    | 43,000         |
|     | <b>Total</b>                          |                        | <b>791,035</b> |

Further, it was observed that as of October 2018, there was no evidence that the Council had enforced the Debt Management Policy to reduce the receivables.

**l. Irregular Payment of Rural Hardship Allowance**

Contrary to the Terms and Conditions of Service for the Local Government, eighty four (84) employees of the Council were paid amounts totalling K545,359 during the period under review as rural hardship allowances despite not being eligible to receive such allowances as they were not stationed at places designated as rural areas.

**m. Failure to Deduct Pension Contributions**

During the period under review, the Council paid wages in amounts totalling K82,514 to eight (8) officers without deducting statutory contributions payable to National Pensions Scheme Authority (NAPSA) and Local Authority Superannuation Fund (LASF).

**n. Failure to Avail Contracts for Casual Workers**

During the period under review, the Council engaged fifty (50) casual workers to carry out various activities such as revenue collection, cleaning markets and garbage collection. In this regard, wages in amounts totalling K174,157 were paid. However, no contracts were

availed for audit thereby making it not possible to ascertain the basis on which the payments of wages were made.

**o. Non-Remittance of Statutory Obligations**

As at 31<sup>st</sup> March 2019, the Council owed amounts totalling K3,953,116 to ZRA, NAPSA and LASF in respect of unremitted statutory obligations. See table below.

| Institution Name | Penalties<br>K   | Unremitted Amount<br>K | Total<br>K       |
|------------------|------------------|------------------------|------------------|
| ZRA              | -                | 79,539                 | 79,539           |
| NAPSA            | 2,621,540        | 466,972                | 3,088,512        |
| LASF             | -                | 785,065                | 785,065          |
| <b>Total</b>     | <b>2,621,540</b> | <b>1,331,576</b>       | <b>3,953,116</b> |

**p. Unsupported Payments**

Contrary to Local Authorities Financial Regulations No. 86, nineteen (19) payment vouchers in amounts totalling K71,009 were not supported with relevant documents such as receipts and invoices.

**q. Failure to Register and Insure Specialised Equipment**

Contrary to the Roads and Road Traffic Act which requires that all motor vehicles and earth moving equipment to be registered with RTSA, the Council did not register two (2) of its specialised equipment with the Agency. In addition, as at 31<sup>st</sup> March 2019, the equipment had not been insured. See table below.

| Make/Model             | Type         | Value<br>K | Engine No. | Chassis No. |
|------------------------|--------------|------------|------------|-------------|
| Tafe Tractor           | Tractor      | 95,000     | 097416     | 429381      |
| Grader Caterpillar-12B | Earth moving |            |            | S.A2Y4287   |

**r. Irregular Payment of Refunds**

During the period under review the Council paid amounts totalling K52,990 as refunds to six (6) successful applicants who were offered plots. However, the payments were not supported with relevant documents such as copies of deposit slips, receipt, offer letters and refund claims rendering the refunds irregular.



**s. 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 when going 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 K16,200 in tuition fees, allowances, examination fees and subsistence allowances during the period under review.

Further, contrary to the Local Authorities Terms and Conditions of Service No. 148 (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.

**t. Wasteful Expenditure**

In February 2017, the Council procured an accounting package (BAXEL Software) for the purpose of producing reports for the Motel and the Council Office at a cost of K13,000. In this regard, officers were trained at a cost of K5,292 bringing the total cost to K18,292.

It was however, observed that although the accounting package was procured and officers trained, the package was not used as at 31<sup>st</sup> March 2019 rendering the expenditure wasteful.

**u. Lack of a Maintenance Policy**

Although the Council owned seventeen (17) properties, there was no evidence of a policy in place regarding the maintenance of the buildings. As a result, the following were observed:

**i. Ibolelo Valley View Inn**

The Council runs Ibolelo Valley View Inn as a Commercial Venture. The Guest House has thirty-four (34) rooms, a dining room and a bar.

A physical inspection of the guest house carried out in October 2018 revealed that the building needed urgent attention as the roof was leaking in many areas, ceiling

boards were falling, damaged and dilapidated kitchen cabinets, kitchen and dining room floor tiles peeled off, peeled paint on doors and dilapidated toilets among others. See pictures below.



*Kitchen cabinet*



*Cracked floor*



*leaking ceiling*



*Damaged ceiling board in corridor*



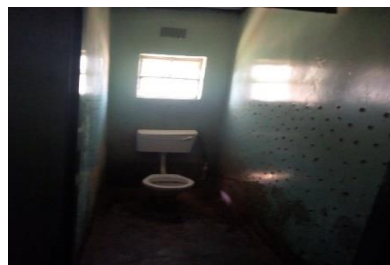
*leaking roof at the reception entrance*



*Improvised Gents Bar Toilet*



*Deplorable Gents Bar toilet (Urinary)*



*Communal Toilet*



*Communal bathroom*

**ii. None Payment for Accommodation by Council Employees and Councillors**

A scrutiny of invoices, registers for accommodation and other documents revealed that the Council incurred bills in amounts totalling K68,250 in respect of

accommodation for members of staff who had been transferred from various stations. The accrued bills to the Council were irregular in that during the same period, the officers received housing allowance in amounts totalling K13,484.

Further, a review of the guest registers of accommodation and other relevant documentation revealed that the Council did not collect revenue in amounts totalling K4,110 towards accommodation and meals accrued by the area Councillors.

**v. Commitment of Funds without Authority**

In August 2017, management procured a Mazda BT50 double cab from Pilatus Engineering Company Ltd costing K315,000 whose authorized budget limit was K200,000 thereby exceeding the budget by K115,000 without authority from the full Council.

**w. Constituency Development Fund (CDF)**

During the period under review, seven (7) projects valued at K667,102 were implemented under Muchinga Constituency and twenty (20) projects valued at K1,057,103 were implemented under Serenje Central Constituency. A review of the documentation related to utilization of CDF revealed the following:

**i. Procurement of Building Materials**

Various building materials costing K617,348 were procured for various projects under Serenje Central Constituency. However, the following were observed:

- **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, contractors' bids, evaluation minutes and adverts for all the contractors in Serenje Central Constituency for which amounts totalling K40,671 were paid during the period under review were not availed for audit thereby rendering it not possible to ascertain whether the procurement process was transparent.

- **Unaccounted for Building Material**

During the period under review, the Council procured various building materials at a cost of K523,969 to be used on all the projects under the Serenje Central Constituency. However, as at 31<sup>st</sup> March 2019, the materials were unaccounted for in that there were no disposal details.

- ii. Unauthorised Retention of Interest Earned**

Contrary to the Public Finance Act No. 15 of 2004, which states that “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 K15,240 earned on various bank accounts maintained by Muchinga (K14,513) and Serenje Central (K728) constituencies during the period from January to December 2017 had not been remitted to the Treasury as at 31<sup>st</sup> March 2019.

- x. Environmental Management**

A scrutiny of environmental management related records and a physical inspection of the surrounding communities and dump site carried out in October 2018 revealed the following:

- i. Failure to Produce Waste Management Reports**

Contrary to Clause 56 Section (2) of the Statutory Instrument No. 12 of 2011 on environmental management which states that a local authority shall report annually to the Zambia Environmental Management Agency (ZEMA) on the types of waste and the quantity of each type of waste generated and disposed of within its area of jurisdiction and on the implementation of its integrated waste management plan, it was observed that there was no evidence that the Council prepared and submitted waste management reports to ZEMA.

- ii. Operating without a ZEMA Licence**

Contrary to clause 55 Section (2) of the Statutory Instrument No. 12 of 2011 on environmental management, which requires that a person who owns, constructs or operates a waste disposal site or other facility for the permanent disposal or storage of waste should obtain a waste management licence from ZEMA, during the period

under review, the Council operated a dumpsite without obtaining a waste management licence from ZEMA.

### **iii. Waste Management by the Serenje Town Council**

The Council has a Public Health Department under which there is a Waste Management Unit for the collection, management and transportation of solid waste to the dumpsite. The local authority is in charge of collection of waste from the town center and any other areas of the city including the markets. However, an examination of records and physical inspection of the markets and other collection points revealed the following:

- Waste was not collected at the junction collection point and Chisaka market resulting in dumping of waste in open areas.
- Contrary to Section 11, of the Environmental Management (Licensing) Regulation of 2013, which prohibits open air burning of waste without written consent from ZEMA, it was observed that waste was being burnt at the generation point by the community due to non-collection of waste by the Council without obtaining written consent from ZEMA.



*Waste being burnt at dumpsite*

### **iv. TAZARA Dumpsite**

The Council has one disposal site, the TAZARA dumpsite where all the waste collected by the Council is dumped. The land in use belongs to TAZARA and is used as a temporary dump site.

A physical inspection of the site carried out in November 2018 revealed the following:

- The Council had one functional Hino light truck, registration No. GRZ 365 CP which was used for all waste collection services resulting in delay in the collection of waste.
- Contrary to the license conditions, which require the Local Authority to fence the dumpsite in order to protect it from being accessed by unauthorized persons, the Council did not fence the facility.
- There were no warning signs at the dumpsite
- Contrary to waste management regulations, the authority did not doze and cover the dumpsite with a layer of soil
- There were no boreholes for monitoring of ground water quality at the dumpsite.

### **Sesheke Town Council**

#### **The Council**

35. During the financial years ended 31<sup>st</sup> December 2015, 2016 and 2017, the Council had ten (10) members comprising the Chairperson, eight (8) Ward Councillors and one (1) Chiefs' representative.

#### **Administration**

The day to day operations of the Council is the responsibility of the Council Secretary who is assisted by the Director of Works, District Treasurer, District Planning Officer, Chief Human Resource Officer and the Chief Administrative Officer.

#### **Revenue**

The Council received grants and generated funds in amounts totalling K26,530,828 as shown in the table below.

| Source of Funds   | 2017<br>K        | 2016<br>K        | 2015<br>K         | Total<br>K        |
|-------------------|------------------|------------------|-------------------|-------------------|
| Owners Rates      | 470              | 596              | 9,841             | 10,907            |
| Local Taxes       | 15,210           | 7,440            | 32,340            | 54,990            |
| Fees and Charges  | 1,015,331        | 1,067,828        | 2,473,196         | 4,556,355         |
| Licences          | 26,098           | 19,835           | 47,500            | 93,433            |
| Levies            | 129,355          | 130,205          | 666,827           | 926,387           |
| Permits           | 45,184           | 29,805           | 54,855            | 129,844           |
| Charges           | 22,344           | 505,905          | 131,000           | 659,249           |
| Other Income      | 8,727            | 9,990            | 43,880            | 62,597            |
| National Support* | 6,608,075        | 5,667,276        | 7,761,718         | 20,037,069        |
| <b>Total</b>      | <b>7,870,794</b> | <b>7,438,880</b> | <b>11,221,157</b> | <b>26,530,831</b> |

### \*National Support

| Grant                  | 2017<br>K        | 2016<br>K        | 2015<br>K        | Total<br>K        |
|------------------------|------------------|------------------|------------------|-------------------|
| Equalisation Grant     | 6,508,075        | 5,567,276        | 7,523,114        | <b>19,598,465</b> |
| Grant in Lieu of Rates | 100,000          | 100,000          | 238,604          | <b>438,604</b>    |
| <b>Total</b>           | <b>6,608,075</b> | <b>5,667,276</b> | <b>7,761,718</b> | <b>20,037,069</b> |

### Accounting and Other Irregularities

An examination of financial and other records maintained at the Council for the period under review and a physical inspection of selected projects carried out in September 2018 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 and outlines the allocation of resources to priority areas. However, the Council operated without a strategic plan during the period under review.

#### b. Lack of a Risk Management Policy

A risk management policy expresses an organization's commitment to risk management and clarifies its general direction or intention in respect of identification and mitigation of these risks. It was however observed that during the period under review, the Council operated without a risk management policy.

#### c. Lack of a Billboard Policy

A billboard policy provides guidance on how the Council is supposed to charge for billboards and other outdoor advertising fees. It was however, observed that during the period under review, the Council operated without a billboard policy.

**d. Lack of a Valuation Roll**

Section 8 (3) of the Rating Act, No. 12 of 1997 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. Contrary to the Act, as at 31<sup>st</sup> March 2019, the Council had not prepared a valuation roll.

**e. Attending Training Without Authority**

The Local Government Service Commission Circular No. 6 of 2014 requires Councils to obtain authority from the Local Government Service Commission for officers to go for training. However, contrary to the circular, an officer proceeded on training without authority from the Local Government Service Commission.

In this regard, payments in amounts totalling K16,490 in respect of training costs for the officer were irregular.

**f. Irregular Refunds of Medical Expenses**

According to the Local Government Condition of Service No. 159, an officer shall be refunded all expenses incurred including the cost of medicine and drugs on production of evidence of payment and this shall be made in accordance with any medical aid scheme in force. However, during the years under review, the Council refunded medical expenses in amounts totalling K10,579 to seven (7) officers without a medical scheme in place rendering the refunds irregular.

**g. Misapplication of Equalisation Funds**

During the period under review, equalisation funds in amounts totalling K1,255,614 were received for the implementation of capital projects. However, out of the amount received for capital projects, amounts totalling K145,300 were applied on general administrative activities not related to the purpose for which funds were appropriated.

**h. Payment of Salary Advances to Officers with Net Pay Below 40%**

Contrary to Public Service Management Division Circular No. B19 of 2007 which states that the net pay, after deductions, should not be less than 40 percent of the basic pay,



salary advances in amounts totalling K45,000 were paid to ten (10) officers whose net pay was below 40%.

**i. Outstanding Statutory Obligations**

The Council owed Pay As You Earn (PAYE) and pension contributions in amounts totalling K2,518,567 to various statutory bodies. See table below.

| <b>Institution</b> | <b>Total<br/>K</b> |
|--------------------|--------------------|
| ZRA                | 1,232,479          |
| LASF               | 802,433            |
| NAPSA              | 483,654            |
| <b>Total</b>       | <b>2,518,567</b>   |

**j. Failure to Settle Staff Obligations**

As at 31<sup>st</sup> December 2017, the Council owed staff salary arrears, long service bonus and settling in allowances in amounts totalling K2,334,394. Some of which has been outstanding since 2007. See table below.

| <b>Outstanding Bill</b> | <b>Total<br/>K</b> |
|-------------------------|--------------------|
| 2012 Salary Arrears     | 228,171            |
| Settling-in Allowance   | 139,845            |
| Long Service Bonus      | 1,966,378          |
| <b>Total</b>            | <b>2,334,394</b>   |

**k. Failure to Insure Motor Vehicles**

Contrary to Road Traffic Act No. 86(3) of 2002, which states that, “Notwithstanding the provision of any other written law, there shall be in respect of all Government vehicles such a policy of insurance of such in respect of third party risks referred to in sub-section (1) as the Minister, in consultation with the Agency, may prescribe,” two (2) motor vehicles valued at K220,200 had no valid insurance cover as at 31<sup>st</sup> March 2019. See table below.

| <b>Vehicle Make</b> | <b>Reg No.</b> | <b>Estimated<br/>Value<br/>K</b> |
|---------------------|----------------|----------------------------------|
| Nissan Patrol       | ABZ 1017       | 148,000                          |
| Land Cruiser        | ABP 607        | 72,200                           |
| <b>Total</b>        |                | <b>220,200</b>                   |

**l. Lack of Title Deeds and Insurance Policies**

According to Section 54 of the Lands and Deeds Registry Act, ownership of land should be evidenced through a certificate of title. During the period under review, the Council

had five (5) properties in its records for which it did not have certificate of title to prove ownership. See table below.

| No. | Property             |
|-----|----------------------|
| 1   | Council Rest House   |
| 2   | Council Offices      |
| 3   | Council Staff Houses |
| 4   | Central Market       |
| 5   | Council Welfare Hall |

It was also observed that 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 five (5) properties were not insured.

**m. Failure to Maintain Properties**

A physical inspection of some Council properties which included offices, abattoir, market and toilets carried out in September 2018 revealed that the structures were in a poor state due to lack of periodical maintenance and general repair.

In particular, the following observations were made:

**i. Council Offices**

- The ceiling had fallen off or eaten by termites in the corridors and toilets.
- Outside toilets were dilapidated and the floors and walls were cracked. See pictures below.



*Ceiling Board eaten by termites*



*Ceiling Board at Council Offices*



*Cracked corridor floors*



*Dilapidated outside toilets*

## **ii. Council Abattoir**

- There were cracks and potholes on the floor.
- There was no proper drainage system.
- Waste such as blood and water from the slaughter was collecting and remained stagnant in potholes while some drained through the cracks.
- There was poor ventilation in that there were no air conditioners, fans or adequate window spaces.
- The septic tank and soak away were blocked resulting in backflow of effluent.

Further, it was observed that the waste from the abattoir was hazardous to the surrounding community as the abattoir was situated near a residential area. See pictures below.



*Dilapidated Abattoir structure*



*Abattoir floor with potholes and cracks*

**n. Lack of Fire Fighting and Rescue Services**

Section 61 of the Local Government Act provides that, among other functions, the Council should establish and maintain fire-fighting, prevention and rescue services, and take measures for the protection of life, property and natural resources from damage by fire within the municipality.

However, the Council did not have a fire station, firefighting staff, fire-fighting and rescue services equipment such as fire tender, rescue vehicle, ambulance, communication systems and hydrants. In this regard, the Council was unable to provide fire-fighting and rescue services contrary to the Act.

**o. Environmental Management**

The Council is charged with the responsibility of managing the collection, transportation and disposal of waste within its municipal jurisdiction. The Council manages waste through the Environmental Unit under the Public Health Department.

In Sesheke town, waste is generated mainly from the central business area, markets, bus stations and streets in the town centre and Katima Mulilo. The waste is collected from these areas and transported to a disposal site located three (3) kilometres from the town centre.

However, the following were observed:

**i. Undertaking of Waste Management Activities Without a License**

Section 55 of the Environmental Management Act of 2011 requires that, among other things, a waste management agent such as the municipality, which is involved

in collection, transportation and disposing of waste within its jurisdiction, is licensed annually by the Zambia Environmental Management Agency (ZEMA).

However, during the period under review, the Council operated without a license.

**ii. Failure to Produce Waste Management Reports**

Contrary to Clause 56, Section (2) of the Environmental Management Act which provides that the local authority submits annually, reports to ZEMA on the types of waste and tonnage of each type of waste generated and disposed of within its area of jurisdiction, the Council did not prepare and submit waste management reports to ZEMA.

**iii. Inadequate Staff**

The Public Health and Environmental Services Unit under which the solid waste management function falls was not adequately staffed in that there were only two (2) positions that were filled out of an establishment of eleven (11).

**iv. Collecting Waste Without Protective and Safety Gear**

A physical inspection carried out at the Council premises revealed that the staff assigned to manage waste collection and disposal were not equipped with adequate protective and safety clothing.

**v. Failure to Cover Waste During Transportation**

Contrary to the requirement that transporters cover the waste during transportation to the dumpsite to avoid littering, the tractor used by the Council had no covers thereby posing health risks to the community.



*Uncovered waste being transported*

**vi. Management and Operation of the Dumpsite**

An inspection of the dumpsite site carried out in September 2018 revealed that the Council had not complied with provisions of the Environmental Management Act of 2011 with respect to management of a dumpsite. In particular, the following were observed:

- **Lack of a Weigh Bridge**

There was no weigh bridge at the dumpsite to weigh the tonnage transported and dumped. Consequently, the Council was unable to prepare and submit to ZEMA annual reports on tonnage of waste dumped at the dumpsite.

- **Dumpsite Not Fenced**

Contrary to Statutory Instrument No. 112 of 2013, which requires the Local Authority to fence the dumpsite for protection from access by unauthorised persons, the Council did not fence the facility.

- **No Warning Signs**

The Environmental Management Act of 2011 requires that warning signs are displayed to warn the general public of the existence of the dumpsite and to restrict access by unauthorised persons. However, as at 31<sup>st</sup> March 2019, there were no warning signs displayed at the dumpsite.

## **Siavonga Town Council**

### **The Council**

36. During the financial year ended 31<sup>st</sup> December 2017, the Council had thirteen (13) members comprising the Chairperson, ten (10) Ward Councillors and two (2) Chiefs' representatives.

### **Administration**

The day to day running of Council is the responsibility of the Council Secretary who is assisted by the Director of Works, Council Treasurer and District Planning Officer.

## Revenue

During the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2017, the Council received grants and generated funds in amounts totalling K15,721,058 as shown in the table below.

| Sources           | Amount<br>K       |
|-------------------|-------------------|
| Rates             | 4,757,410         |
| Personal levy     | 11,882            |
| Fees & Charges    | 430,041           |
| Licences          | 118,284           |
| Levies            | 1,541,392         |
| Permits           | 23,195            |
| Service charges   | 619,030           |
| Other income      | 59,412            |
| National Support* | 8,160,412         |
| <b>Total</b>      | <b>15,721,058</b> |

### \*National Support

| Grant             | Amount<br>K      |
|-------------------|------------------|
| Equalisation Fund | 7,460,412        |
| CDF               | 700,000          |
| <b>Total</b>      | <b>8,160,412</b> |

## Accounting and Other Irregularities

An examination of accounting and other records maintained at the Council for the financial year ended 31<sup>st</sup> December 2017 and physical inspections of selected projects carried out in September and December 2018 revealed the following:

### a. Unsupported Payments

Contrary to the Local Authorities Financial Regulation No.86, twenty-three (23) payments in amounts totalling K170,763 made during the period under review were not supported with relevant documents such as receipts and purchase orders.

### b. Unretired Accountable Imprest

Contrary to the Local Authorities Financial Regulation No.119, accountable imprest in amounts totalling K84,150 issued to eighteen (18) officers during the period under review had not been retired as at 31<sup>th</sup> March 2019.

**c. Unaccounted for Stores**

Contrary to the 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 K93,070 (General Stores – K23,070 and Fuel – K70,000) procured during the period under review were unaccounted for in that there were no receipt and disposal details.

**d. Failure to Avail Activity Reports**

During the period under review, imprest in amounts totalling K290,453 was issued to various officers to enable them undertake activities such as inspection of projects, attending workshops and meetings. However, no activity reports were availed for audit, making it not possible to ascertain whether the activities were undertaken.

**e. 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 the head of department, four (4) vehicles valued at K1,277,630 were not insured during the period under review. As at 31<sup>st</sup> March 2019, the motor vehicles had not been insured.

**f. Failure to Remit Statutory Obligations**

Contrary to the Income Tax Act and the LASF Act, statutory obligations in amounts totalling K3,955,130 deducted from employees' salaries had not been remitted to the respective institutions as at 31<sup>st</sup> December 2018. See table below.

| <b>Institutions</b> | <b>Amount<br/>K</b> |
|---------------------|---------------------|
| ZRA                 | 3,678,044           |
| LASF                | 277,086             |
| <b>Total</b>        | <b>3,955,130</b>    |



## Solwezi Municipal Council

### The Council

37. During the period under review, the Council had seven (7) members comprising the Mayor, five (5) Ward Councillors and one (1) representative of Chiefs.

### Administration

The day to day running of the Council is the responsibility of the Town Clerk who is assisted by the Directors of Finance, Human Resources and Administration, Engineering Services, Development Planning, Public Health, and Housing and Social Services.

### Revenue

During the period under review, the Council received grants and generated funds in amounts totalling K47,511,146 as shown in the table below.

| Source            | Amount<br>K       |
|-------------------|-------------------|
| Owner Rates       | 31,331,407        |
| Fees and Charges  | 2,580,541         |
| Levies            | 1,881,711         |
| Licenses          | 439,423           |
| Permits           | 940,869           |
| Service Charges   | 553,490           |
| Other Income      | 151,865           |
| National Support* | 9,613,840         |
| <b>Total</b>      | <b>47,493,146</b> |

#### \*National Support

| Type of Grant     | Amount<br>K      |
|-------------------|------------------|
| Equalisation Fund | 8,913,840        |
| CDF               | 700,000          |
| <b>Total</b>      | <b>9,613,840</b> |

### Accounting and other Irregularities

An examination of accounting and other records maintained at the Council for the financial year ended 31<sup>st</sup> December 2017 and physical inspections of projects carried out in September 2018 revealed the following:

**a. Lack of a Risk Management Policy**

A review of the Internal Control Environment revealed that the Council had no Risk Management Policy to enable the Council identify and mitigate risks that could be detrimental to the operations of the Council.

**b. Lack of Title Deeds**

Contrary to the Lands Act No. 29 of 1995 which requires that institutions or individuals owning land must possess proof of ownership, the Council had a total of eleven (11) properties valued at K14,340,000 for which it did not have Title Deeds.

**c. Failure to Collect Revenue - Bill Boards**

As at 31<sup>st</sup> March 2019, various institutions owed the Council amounts totalling K420,571 in respect of unpaid invoices for bill boards.

**d. Failure to Collect Revenue – Quarry and Sand Levies**

A review of the Medium-Term Expenditure Framework Estimates for 2017 to 2019 revealed that the Council budgeted to collect amounts totalling K600,000 in 2017 from quarry and sand levies. See table below.

| <b>Income Detail</b> | <b>2017<br/>Budget<br/>Amount<br/>K</b> |
|----------------------|---|
| Quarry Levy          | 100,000                                 |
| Sand Levy            | 500,000                                 |
| <b>Total</b>         | <b>600,000</b>                          |

However, as at 31<sup>st</sup> December 2017, no revenue was collected from the activities.

**e. Failure to Collect Rentals - Kyawama Market**

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 K693,000 in respect of rent from twenty one (21) shops located at Kyawama Market had not been collected since the time the shops were leased out in 2007. See table below.

| <b>Period</b> | <b>No. of Months</b> | <b>Monthly Rental K</b> | <b>No. of shops</b> | <b>Total K</b> |
|---------------|----------------------|-------------------------|---------------------|----------------|
| 2007-2016     | 108                  | 250                     | 21                  | 567,000        |
| 2017          | 12                   | 500                     | 21                  | 126,000        |
|               |                      |                         |                     | <b>693,000</b> |

**f. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, five (5) payment vouchers in amounts totalling K81,557 made during the period under review were not supported with relevant documentation.

**g. Unretired Accountable Imprest**

Contrary to Local Authorities Financial Regulation No. 119, accountable imprest in amounts totalling K90,727 issued to three (3) officers during the period under review had not been retired as at 31<sup>st</sup> March, 2019.

**h. 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 K317,305 was issued to five (5) officers for the procurement of various items whose values were obtainable on the market.

**i. 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 K148,723 (General Stores – K143,723 and Fuel – K5,000) procured during the period under review were unaccounted for in that there were no receipt and disposal details.

**j. Failure to Inscribe Council Assets**

Contrary to Public Stores Regulation No. 154 which states that “all furniture and equipment belonging to the government must be clearly marked with distinguishing letters in an inconspicuous part of the asset to identify it as a government property”, television sets, desktops and Laptops costing K51,734 procured during the period under review had no identification marks.

**k. Failure to Recover 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 in amounts totalling K4,000 paid to two (2) officers during the period under review had not been effected as at 31<sup>st</sup> March, 2019.

**l. Over Payment of Subsistence Allowances**

During the period under review amounts totalling K4,478 were paid to two (2) officers. However, a scrutiny of approved imprest request forms revealed that the officers requested for imprest in amounts totalling K2,303 resulting in an overpayment of K2,175. As at 31<sup>st</sup> March 2019, no recoveries had been made.

**m. Failure to Remit Statutory Obligations**

A review of accounting and other records revealed that as at 31<sup>st</sup> December 2017, statutory contributions in amounts totalling K10,898,269 which were deducted from employees' salaries had not been remitted to National Pensions Scheme Authority (NAPSA) as at 31<sup>st</sup> March, 2019.

**n. Irregular Payment of Weekday Overtime Allowance**

Contrary to Terms and Conditions of Service for Local Government Officers No. 167 (c), which states that ordinary overtime allowance shall be paid to officers who may be called upon to perform their duties outside normal working hours, excluding officers in Division I, the Council irregularly paid Weekday Overtime Allowance in amounts totalling K40,495 to three (3) officers in Division I. As at 31<sup>st</sup> March 2019, the amounts had not been recovered.

**o. Environmental Management**

Section 56 of the Environmental Management Act of 2011 requires that among other things, a Local Authority shall, within its area of jurisdiction, collect and dispose of or arrange for the collection and disposal of all household waste in accordance with the Act. The Act also requires that the Local Authority ensures that waste management services are provided within its jurisdiction in a manner which prioritises the recovery, re-use or recycling of waste and provides for the treatment and safe disposal of waste.

However, the following were observed:

**i. Failure to Prepare an Integrated Waste Management Plan**

Contrary to Regulation No. 56 (f) of the Environmental Management Act of 2011, which requires Local Authorities to prepare and submit for approval to the Zambia Environmental Management Agency (ZEMA) an integrated waste management plan, the Council did not have a waste management plan.

**ii. Irregularities in the Management of a Contract with Wana Cleaning and Refuse Collection Services**

In 2009, Solwezi Municipal Council signed two (2) Memoranda of Understanding (MOUs) with Wana Cleaning and Refuse Collection Services, to collect waste in Solwezi District and to manage the Kipemba dumpsite, for a period of ten (10) years.

However, the following were observed:

• **Failure to Conduct Evaluation of the Services of Wana Cleaning and Refuse Collection Services**

According to the agreement, the Council in cooperation with Wana Cleaning and Refuse Collection Services and the Chief of the area were supposed to meet every three (3) years, to evaluate the services provided by Wana Cleaning and Refuse Collection Services. However, as at 31<sup>st</sup> March 2019, no evidence was availed for audit to show that such meetings were held.

• **Failure to Conduct Medical Examination of Staff**

Contrary to the Environmental Management (Licensing) Regulations, 2013 and ZEMA licence number ZEMA/NDL/WM/00382/Z08/2014/1 condition number 13, which state that the personnel involved in the collection and transportation of waste shall undergo appropriate medical check-ups annually and medical reports shall be kept, staff employed by Wana Cleaning and Refuse Collection Services to handle solid waste were not subjected to medical examinations during the period under review.

- **Failure to Provide Protective Clothing**

Contrary to Section 13 (1) (f) of the Local Government (Solid Waste Management) Regulations, 2011 and ZEMA licence conditions which require waste managers to provide all employees engaged in solid waste management services with appropriate protective clothing, Wana Cleaning and Refuse Collection Services did not provide protective clothing for its employees. See picture below.



*Employees sorting waste at the dumpsite without protective clothing*

- **Failure to Provide Safe and Secure Sitting Facilities on Dump Trucks**

Contrary to the ZEMA licence condition which requires Wana Cleaning and Refuse Collection Services to provide safe and secure sitting facilities on the vehicles used for transportation of waste, it was observed that no safe and secure sitting facilities were provided. See picture below.



*Vehicle without safe and secure sitting place*

- **Indiscriminate Dumping of Medical waste**

Contrary to ZEMA licence number ZEMA/NDL/HDW/00382/Z08/2014/1 condition Number 1 which authorised Wana Cleaning Services to transport

health care waste from the Solwezi private hospitals and business offices to the Urban Clinic incinerator only in Solwezi District, medical waste was dumped at Kipemba dumpsite instead of being incinerated at Solwezi Urban Clinic. See picture below.



*Medical waste dumped at Kipemba dumpsite*

**iii. Burning of Waste**

Contrary to the ZEMA licence condition that disallowed the open air burning of waste, it was observed that there was open air burning of waste at the Kipemba dumpsite. See picture below.



*Burnt waste*

**iv. Failure to Fence Dumpsite**

Contrary to ZEMA licence conditions which require the local authority to fence the dumpsite in order to protect it from scavenging and unauthorised access, only 300 metres out of the perimeter of 2,000 metres of the dumpsite was fenced.

## Zambezi Town Council

### The Council

38. During the period under review, the Council had twenty (20) members comprising the Chairperson, sixteen (16) Ward Councillors, and three (3) chiefs' representatives.

### Administration

The day to day operations of the Council is the responsibility of the Council Secretary who is assisted by five (5) Heads of Departments namely; Chief Human Resource Officer, Chief Administrative Officer, Director of Works, District Planning Officer and Council Treasurer.

### Revenue

During the period from 1<sup>st</sup> January 2016 to 31<sup>st</sup> December 2017, the Council received grants and generated funds in amounts totalling K19,564,047 as shown in the table below.

| Source             | 2017<br>K         | 2016<br>K        | Total<br>K        |
|--------------------|-------------------|------------------|-------------------|
| Local Taxes/Rates  | 380,161           | 529,766          | 909,927           |
| Fees and Charges   | 667,502           | 131,509          | 799,011           |
| Other Income       | 201,550           | 120,787          | 322,337           |
| National Support * | 10,670,499        | 6,862,273        | 17,532,772        |
| <b>Total</b>       | <b>11,919,712</b> | <b>7,644,335</b> | <b>19,564,047</b> |

### \*National Support

| Source            | 2017<br>K         | 2016<br>K        | Total<br>K        |
|-------------------|-------------------|------------------|-------------------|
| Equalisation Fund | 9,270,499         | 6,862,273        | 16,132,772        |
| CDF               | 1,400,000         | -                | 1,400,000         |
| <b>Total</b>      | <b>10,670,499</b> | <b>6,862,273</b> | <b>17,532,772</b> |

### Accounting and other Irregularities

An examination of accounting and other records maintained at the Council for the financial years ended 31<sup>st</sup> December 2016 and 2017 and physical inspections of on-going projects carried out in September 2018 revealed the following:

#### a. Lack of a Strategic Plan

A strategic plan defines an organization'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. However, during the period under review, the Council operated without a strategic plan.

**b. Failure to Update the 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, the Council did not have an updated valuation roll during the period under review.

**c. Lack of Title Deeds**

Contrary to the Lands Act No. 29 of 1995 which requires that institutions or individuals owning land must possess title deeds as proof of ownership, the Council had a total of eleven (11) properties for which it did not have title deeds.

**d. Failure to Collect Shop Rentals**

During the period under review, the Council did not collect shop rentals from seven (7) tenants at the main market. As at 30<sup>th</sup> September 2018, the rental arrears were K34,424.

Further, signed lease agreements for thirteen (13) shops occupied by various tenants at the main market were not availed for audit. As a result, it was not possible to ascertain the rentals that should have been collected.

**e. Missing Receipt Books**

Contrary to Local Authorities Financial Regulation No.28 (1) which states that receipts of all types shall be preserved for a period of ten (10) years, forty-nine (49) receipt books were not availed for audit. In this regard, it was not possible ascertain how much revenue was collected.

**f. 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, revenue receipted in amounts totalling K177,870 was unaccounted for in that the funds were neither deposited nor was cash found on hand. See table below.

| Period       | Account Name             | Collected Revenue<br>K | Banked<br>K   | Unaccounted for Funds<br>K |
|--------------|--------------------------|------------------------|---------------|----------------------------|
| 2016         | Main Account (Licensing) | 162,075                | 27,606        | 134,469                    |
| 2017         | Main Account (Licensing) | 43,401                 | -             | 43,401                     |
| <b>Total</b> |                          | <b>205,476</b>         | <b>27,606</b> | <b>177,870</b>             |

**g. Unsupported Payments**

Contrary to Local Authorities Financial Regulation No. 86, three hundred and thirty (330) payments in amounts totalling K2,708,235 made during the period under review were not supported with relevant documents such as Goods Received Vouchers (GRVs), receipts, letters of appointment, computations, pay slips and Local Purchase Orders (LPOs) among others.

**h. Missing Payment Vouchers**

Contrary to Local Authorities 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 seventy two (172) payment vouchers in amounts totalling K2,673,898 made during the period under review were not availed for audit.

**i. 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 K310,978 (General Stores – K290,643 and Fuel – K20,335) procured during the period under review were not accounted for in that there were no receipt and disposal details.

**j. Unretired Accountable Imprest**

Contrary to Local Authorities Financial Regulation No. 119, accountable imprest in amounts totalling K371,023 issued to twenty-nine (29) officers during the period under review had not been retired as at 31<sup>st</sup> March, 2019.

**k. 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 K826,113 was issued to thirty-one (31) officers for procurement of goods whose values were obtainable on the market.

**l. Irregular Payment of Sitting Allowances**

Contrary to Cabinet Office Circular No. 11 of 2013 which abolished payments of administrative allowances, during the period under review, the Council paid sitting allowances in amounts totalling K7,100 to sixteen (16) officers for attending Procurement Committee meetings. As at 31<sup>st</sup> March 2019, the irregularly paid allowances had not been recovered.

**m. Irregular Payment of Night Duty and Responsibility Allowances**

During the period under review, Night Duty, Duty Facilitation and Responsibility allowances in amounts totalling K17,380 were paid to three (3) officers. However, the payments were irregular in that they were not provided for in the Terms and Conditions of Service. As at 31<sup>st</sup> March 2019, the funds had not been recovered.

**n. Irregular Payment of Subsistence Allowances**

According to Cabinet Office Circular Minute of 2015 dated 30<sup>th</sup> December 2015, subsistence allowance was not to be paid to officers working within the district boundary.

However, during the period under review, the Council paid subsistence allowance in amounts totalling to K52,990 to twenty-one (21) officers who were working within the district boundary.

**o. Un-acquitted Allowances**

Contrary to Local Authorities Financial Regulation No. 106 (2), amounts totalling K59,705 drawn to facilitate payment of allowances to various officers had not been acquitted making it not possible to ascertain whether the funds were received by the intended beneficiaries. Further, the un-acquitted funds were neither banked nor was the cash found at hand.

**p. Unapproved Payments**

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

or any officer authorised by the Treasurer, thirty-two (32) payments in amounts totalling K183,731 were not approved by a responsible officer.

**q. Wasteful Expenditure**

During the period under review, two (2) officers namely; Deputy Treasurer and Director of Works were paid subsistence allowances in amounts totalling K4,800 to accompany a driver who was travelling to Lusaka to take a motor vehicle for service.

The payment of subsistence allowances to the two (2) officers to accompany a driver was wasteful as their role in the assignment was not clear.

**r. Questionable Payment of Subsistence Allowances**

On 3<sup>rd</sup> May 2016, the District Accountant withdrew cash in the amount of K7,950 to pay subsistence allowances to three (3) officers for three (3) nights for a trip to Solwezi to change signatories for the ECZ account. However, on the same date, an amount of K26,000 was also drawn by a General Worker to pay the same officers subsistence allowances for the same purpose thereby rendering the payments questionable.

Further, it was observed that whereas the amount drawn by a General Worker was K26,000, the amount that was approved on the voucher was K20,000 resulting in an over drawing of K6,000, which was not approved.

**s. Failure to Insure Motor Vehicles**

The Road Traffic Act of 2002 Section 86 stipulates that no person shall use or cause or permit any person to use a motor vehicle or trailer on a road unless there is such a policy of insurance or such a security in respect of third-party risks.

Contrary to the above, two (2) motor vehicles belonging to the Council were not insured during the period under review.

**t. Failure to Account for a Motor Vehicle**

A physical inspection of the Council's assets conducted on 17<sup>th</sup> September, 2018 revealed that one (1) motor vehicle, Mitsubishi Colt Registration No. ABD 9229 could not be accounted for as its whereabouts were not known. As at 31<sup>st</sup> March 2019, the matter had not been reported to the Police.

**u. Employment of Casual Workers**

Employment Act No. 15 of 2015 states that a body corporate that engages a casual employee for a job that is permanent in nature commits an offence and is liable upon conviction. However, during the period from January to December 2017, the Council engaged twenty-three (23) persons as casual workers for jobs in the categories of Chef, Council Police and Mechanic/driver that were permanent in nature. Further, the workers were recruited without authority from the Local Government Service Commission. In this regard, the Council irregularly paid the workers, wages in amounts totalling K233,744.

**v. Double Payment of Salary**

A scrutiny of accounting and payroll records revealed that a driver, Mr. Mushanga Joshua, was paid K2,753 as salary for October 2016 through direct bank credit. However, he was also paid an amount of K2,743 from cash withdrawn on 27<sup>th</sup> December 2016 as salary for the same month of October 2016, resulting in a double payment. As at 28<sup>th</sup> February 2019, the overpaid funds had not been recovered.

**w. Employees Without Requisite Qualifications**

Contrary to the Terms and Conditions of Service for Local Authorities Part II Section 9 (a) which provides for minimum qualifications for officers occupying various positions, it was observed that five (5) employees did not meet the requisite professional qualifications for the positions they were holding.

| <b>Position</b>               | <b>Required Qualification</b>                                      | <b>Current Highest Qualification</b>       |
|-------------------------------|--|--|
| Chief Administrative Officer  | University Degree  | Diploma in Local Government Administration |
| Procurement Officer           | University Degree  | Advance Diploma in Procurement and Supply  |
| Internal Auditor              | Professional Qualification (ACCA, ZICA, CIMA) or University Degree | Diploma in Banking and Finance             |
| Community Development Officer | University Degree  | Diploma in Rural and Urban Management      |
| Council Treasurer             | Professional Qualification (ACCA, ZICA, CIMA) or University Degree | Diploma in Auditing                        |

**x. Outstanding Staff Entitlements**

A review of accounting and other records revealed that as at 31<sup>st</sup> December 2017, the Council was owing former and existing employees amounts totalling K6,652,074 in respect of various staff entitlements such as long-service bonus, settling in allowances, salary arrears and terminal benefits. See table below.

| <b>Detail</b>                | <b>Outstanding Amounts K</b> |
|------------------------------|------------------------------|
| Terminal Benefits            | 2,236,887                    |
| Long Service Bonus           | 1,266,034                    |
| Salary Arrears(2011 to 2015) | 980,665                      |
| Salary Arrears               | 1,608,392                    |
| Leave Days                   | 560,095                      |
| <b>Total</b>                 | <b>6,652,074</b>             |

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

A review of accounting and other records revealed that as at 31<sup>st</sup> December 2017, statutory contributions in amounts totalling K1,195,708 that were deducted from employees' remunerations had not been remitted to the respective institutions as at 31<sup>st</sup> March, 2019. See table below.

|               | <b>Total K</b>   |
|---------------|------------------|
| ZRA           | 691,310          |
| NAPSA         | 356,438          |
| LASF          | 147,960          |
| <b>Totals</b> | <b>1,195,708</b> |

**z. Failure to Avail Activity Reports**

During the period under review, imprest in amounts totalling K171,608 was issued to thirteen (13) officers in order to cater for various activities such as monitoring projects, site assessment visits and performance assessments among others.

However, there were no activity reports availed for audit making it not possible to ascertain whether the activities were undertaken.

**aa. Misapplication of Equalisation Funds**

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

During the period from January to December 2017, the Council received equalization funds in amounts totalling K8,498,556 out of which amounts totalling K1,699,711 being 20% of the funded amounts were transferred to the Projects account.

However, it was observed that amounts totalling K606,542 meant for capital projects were spent on unrelated activities such as payment of wages for casual workers, councilor's allowances, terminal benefits, subsistence allowances and service of motor vehicles among others. As at 31st March 2019, the funds had not been reimbursed.

**bb. Management of Constituency Development Funds (CDF)**

During the period under review, the Council received Constituency Development Funds in amounts totalling K1,400,000 while amounts totalling K14,982 were brought forward as unspent funds for the year 2015 and prior years bringing the total funds available to K1,414,982. See table below.

| Constituency | Opening Balances<br>K | Amounts Received<br>in 2017<br>K | Total Funds<br>Available<br>K |
|--------------|-----------------------|----------------------------------|-------------------------------|
| Zambezi East | 9,830                 | 700,000                          | 709,830                       |
| Zambezi West | 5,152                 | 700,000                          | 705,152                       |
|              | <b>14,982</b>         | <b>1,400,000</b>                 | <b>1,414,982</b>              |

However, the following were observed:

**i. Unspent Funds**

Out of available funds of K1,414,982 for CDF in 2017, amounts totalling K715,839 had been utilized as at 31<sup>st</sup> March 2019 leaving a balance of K699,143 unspent.

**ii. Misapplication of Funds**

Amounts totalling K16,030 meant for CDF projects were spent on unrelated activities and programmes such as payment of sitting allowances for CDF Committee members. See table below.

| Constituency  | No. of Transactions | Amount<br>K   | Applied On                    |
|---------------|---------------------|---------------|-------------------------------|
| Zambezi East  | 1                   | 5,000         | Sitting and other Allowances  |
| Zambezi West  | 2                   | 11,030        | Payment of sitting allowances |
| <b>Totals</b> | <b>3</b>            | <b>16,030</b> |                               |

As at 31<sup>st</sup> March 2019, the funds had not been reimbursed.

## **Overall Recommendation**

39. The following are the overall recommendations:

- i. All Councils should prepare financial statements as required by the Local Government Act.
- ii. All Councils should ensure that all books of accounts and appropriate records are maintained and retained in line with regulations.
- iii. All Councils should ensure that all revenue is collected and accounted for appropriately.
- iv. All Councils should ensure that statutory obligations are settled as they fall due.
- v. All Councils should update their valuation rolls as these form the basis of charging rates.
- vi. All Councils should ensure that they obtain title deeds for properties under their charge.
- vii. The Councils should ensure that all positions key to their operations are filled to enable them provide quality and sustainable social services.
- viii. All Councils should ensure that properties under their charge are well maintained.
- ix. All Councils should ensure that they adhere to the provisions of the Environmental Management Act.



## **Conclusion**

40. This Report has highlighted various areas of weaknesses in the management of Councils and it is imperative that these weaknesses are addressed for these institutions to deliver their mandates effectively.



**AUDIT HOUSE**

**HAILE SALASSIE AVENUE**

**LUSAKA**

13<sup>th</sup> May 2019

**Davison K. Mendamenda**

**ACTING AUDITOR GENERAL**

**REPUBLIC OF ZAMBIA**

**TREASURY MINUTES ON THE MANAGEMENT OF CONSTITUENCY DEVELOPMENT FUNDS AND GRANTS TO LOCAL AUTHORITIES FOR THE FINANCIAL YEARS ENDED 31<sup>ST</sup> DECEMBER 2011 to 2015**

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIFTH SESSION OF THE TENTH NATIONAL ASSEMBLY ON 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 2011**

**Paragraph 7 - Luapula Province**

Paragraph 7 (4) ii) Weaknesses In Internal Controls Unsupported Payments K750,619,594

Paragraph 7 (4) Missing Payment Vouchers K260,464,985

Paragraph 7 (4) Unretired Imprest K50,556,960

Paragraph 7 (4) Unaccounted for Building Materials K1,402,665,810

Paragraph 7 (4) iv) Misapplication of Funds – Kawambwa District Council- (K249,280,000)

Paragraph 7 (4) vi) Wasteful Expenditure (K89,626,000)

Paragraph 7 (4) vii) Projects Running for More Than 12 Months (K1,734,686,186)

Paragraph 7 (4.4.1) I) Lack of Expenditure Returns-( K100,000,000)

Paragraph 7 (4 ii) Delays in the Implementation of Projects (K156,000,000)

Paragraph 7 (4) Bahati Constituency – (K145,810,000) I. Undelivered Building Materials

Paragraph 7 (4) ii. Poor Record Keeping – Bahati Constituency, Mansa (K125,000,000)

Paragraph 7 (4.4.2) a. Questionable Purchase of an Ambulance – Mwansabombwe Constituency

Paragraph 7 (4.4.2) b) Irregularities in the Procurement of an Ambulance (Pambashe Constituency)

Paragraph 7 (4.4.2) a) Irregular award of Contracts – Mwense District Council

**WESTERN PROVINCE**

Paragraph 7 (4.5) i) Weaknesses in Internal Controls

Paragraph 7 (4.5) ii) Misapplication of Funds

Paragraph 7 (4.5) iii. Unapproved Projects

Paragraph 7 (4.5) iv. Funding of Individual Business Entities

Paragraph 7 (4.5) v. Projects Running for More Than 12 Months.

Paragraph 7 (4.5.1) a. Nalikwanda Constituency i. Misapplication of Funds

Paragraph 7 (4.5.1) ii) Failure to Certify Works

Paragraph 7 (4.5.1) iii. Failure to Follow Tender Procedures

Paragraph 7 (4.5.1) b) Mongu Central Constituency i. Irregular Payments - K184,000,000

*Paragraph 7 (4.5.1) ii. Failure to Execute Works – Sinking of Boreholes*

*Paragraph 7 (4.5.1) iii) Unaccounted for Fuel - Grading of Township Roads*

*Paragraph 7 (4.5.1) iv) Rehabilitation of Chisonga Road.*

*Paragraph 7 (4.5.1) v. Construction of Fee-Paying Toilets - K24,600,000*

*Paragraph 7 (4.5.1) vi. Unaccounted for Building Materials*

*Paragraph 7 (4.5.1) c. Misappropriation of Funds - Luena Constituency*

*Paragraph 7 (4.5.2) a. Undelivered Hammer Mill - Mangango Constituency*

*Paragraph 7 (4.5.2) b. Procurement of Hammer Mills - Luampa Constituency*

*Paragraph 7 (4.5.3) Sinjembela Constituency a. Procurement of Motor Vehicles*

*Paragraph 7 (4.5.3) b. Construction of Mother’s Shelter i. Failure to Produce Contract*

*Paragraph 7 (4.5.3) ii. Over Payment on Supply of Building Materials*

*Paragraph 7 (4.5.3) iii. Undelivered Materials*

*Paragraph 7 (4.5.3) c. Stalled Project - Construction of 1x3 Class Room Block*

*Paragraph 7 (4.5.3) d. Failure to Commence the Construction of 1x3 Classroom Block i. Unauthorized Issuance of Building Materials*

*Paragraph 7 (4.5.3) ii. Undelivered Building Materials*

*Paragraph 7 (4.5.4) i. Failure to Appraise Projects*

*Paragraph 7 (4.5.4) ii. Failure to Certify Construction Works*

*Paragraph 7 (4.5.4) iii. Stalled Works - Construction of a 1x3 Class Room Block at Katima Basic School*

*Paragraph 7 (4.5.5) Mwandu Constituency i. Questionable Payment*

*Paragraph 7 (4.5.5) ii. Unaccounted for Funds - Bush Clearing at Mwandu Cemetery*

**SOUTHERN PROVINCE**

*Paragraph 7 (4.6) a. Unspent Funds*

*Paragraph 7 (4.6) b. Missing Payment Vouchers*

*Paragraph 7 (4.6) c. Misapplication of Funds*

*Paragraph 7 (4.6) d. Unsupported Payments*

*Paragraph 7 (4.6) e. Unapproved Payments – Namwala District Council*

*Paragraph 7 (4.6) f. Unretired Imprest – Livingstone City Council*

*Paragraph 7 (4.6) g. Unaccounted For Stores*

*Paragraph 7 (4.6.1) Livingstone Constituency a. Failure to Implement Approved Projects*

*Paragraph 7 (4.6.1) a. Poor Project Management*

*Paragraph 7 (4.6.2) Namwala Constituency - Unaccounted for Hammer Mills - Namwala District Council*

*Paragraph 7 (4.6.3) Poor Project Management - Gwembe District Council*

*Paragraph 7 (4.6.4) Monze District Council - Poor Project Management*

*Paragraph 7 (4.6.5) Sinazongwe District Council – Poor Project Management*

*Paragraph 7 (4.6.6) Siavonga District Council – Siavonga Constituency a. Unaccounted for Fuel*

*Paragraph 7 (4.6.6) a. Weaknesses in Project Implementation*

*Paragraph 7 (4.6.7) a. Mbabala Constituency - Projects Running for More than 12 Months*  
*Paragraph 7 (4.6.8) a. Dundumwezi Constituency i. Non-Implementation of Projects.*  
*Paragraph 7 (4.6.8) ii. Grading of Kalomo Chikanta Road*  
*Paragraph 7 (4.6.8) iii. Weaknesses in the Management of Projects – Dundumwezi Constituency*  
*Paragraph 7 (4.6.8) b. Kalomo Central Constituency - Construction of a Bridge*

#### **LUSAKA PROVINCE**

*Paragraph 7 (4.7) a. Unspent Funds*  
*Paragraph 7 (4.7) b. Poor Management of Projects - Lusaka City Council*  
*Paragraph 7 (4.7.1) a. Misapplication of Fund - Chongwe Constituency i. Electrification of Schools – Questionable Payment*  
*Paragraph 7 (4.7.1) ii. Poor Project Management*  
*Paragraph 7 (4.7.1) c. Rufunsa Constituency i. Unaccounted for Funds*  
*Paragraph 7 (4.7.1) ii. Poor Project Management*  
*Paragraph 7 (4.7.2) Kafue Constituency a. Unaccounted for Stores*  
*Paragraph 7 (4.7.2) b. Undelivered Grader*  
*Paragraph 7 (4.7.2) c. Poor Project Management Kafue and Chilanga Constituencies (Kafue Constituency)*  
*Paragraph 7 (4.7.2) d. Chilanga Constituency – Poor Project Management*  
*Paragraph 7 (4.7.3) Feira Constituency a. Failure to Reimburse Borrowed funds*  
*Paragraph 7 (4.7.3) b. unretired imprest*  
*Paragraph 7 (4.7.3) c. Poor Project Management*

#### **COPPERBELT PROVINCE**

*Paragraph 7 (4.8) ii. Unsupported Payments*  
*Paragraph 7 (4.8) iii. Lufwanyama District Council - Unauthorised Payments*  
*Paragraph 7 (4.8) iv. Unaccounted for Stores Items*  
*Paragraph 7 (4.8) c. Misapplication of Funds*  
*Paragraph 7 (4.8) d. Unapproved Projects*  
*Paragraph 7 (4.8) e. Wasteful Expenditure – Procurement of a Grader – Ndola City Council*  
*Paragraph 7 (4.8) f. Poor Management of Projects*

#### **NORTH WESTERN PROVINCE**

*Paragraph 7 (4.9) a. Unspent Funds*  
*Paragraph 7 (4.9) b. Weaknesses in Internal Controls*  
*Paragraph 7 (4) c. Unretired Imprest- K104,075,000*  
*Paragraph 7 (4.9) d. Unaccounted for Stores - K813,750,944*  
*Paragraph 7 (4.9) e. Unapproved Payments - K630,450,900*  
*Paragraph 7 (4.9) f. Misappropriation of Funds*

*Paragraph 7 (4.9) g. Undelivered Building Materials*

*Paragraph 7 (4.9) h. Misapplication of Funds*

*Paragraph 7 (4.9) f. Questionable Purchase of Toyota Hiace – Solwezi East*

*Paragraph 7 (4.9) g. Weaknesses in the Management of Projects - Solwezi Municipal Council*

### **NORTHERN PROVINCE**

*Paragraph 7 (4.10) a. Unspent Funds*

*Paragraph 7 (4.10) b. Unsupported Payments*

*Paragraph 7 (4.10) c. Misapplication of Funds*

*Paragraph 7 (4.10) d. Undelivered Building Materials and Equipment*

*Paragraph 7 (4.10) e. Poor Management of Projects*

### **EASTERN PROVINCE**

*Paragraph 7 (4.11) a. Unspent Funds*

*Paragraph 7 (4.11) b. Weaknesses in Internal Controls*

*Paragraph 7 (4.11) c. Missing Vouchers*

*Paragraph 7 (4.11) d. Unaccounted for Building Materials*

*Paragraph 7 (4.11.1) a. Failure to Raise Payment Vouchers*

*Paragraph 7 (4.11.1) b. Irregular Payments to Suppliers*

*Paragraph 7 (4.11.1) c. Failure to Reimburse Borrowed Funds*

*Paragraph 7 (4.11.1) d. Irregular Payment of Allowances*

*Paragraph 7 (4.11.1) e. Failure to Deliver Building Materials–Wamwai Plumbing and General Services*

*Paragraph 7 (4.11.1) f. Failure to Produce Monitoring Reports*

*Paragraph 7 (4.11.1) g. Chama South Constituency i. Grading of Feeder Road from Chasato River to Junction of Chief Chikwa*

*Paragraph 7 (4.11.1) h. Chama North Constituency i. Unaccounted for Building Materials*

*Paragraph 7 (4.11.1) ii. Diversion of Funds*

*Paragraph 7 (4.11.1) iii. Construction Staff Houses*

*Paragraph 7 (4.11.1) iv. Irregular Expenditure – Maintenance of Chilumbi - Muliro Road*

*Paragraph 7 (4.11.1) v. Lundazi District Council - Poor Implementation of Projects*

*Paragraph 7 (4.11.2) a. Misapplication of Funds – Purchase of Motor Vehicles*

*Paragraph 7 (4.11.2) b. Poor Projects Implementation*

*Paragraph 7 (4.11.3) a. Wasteful Expenditure - Procurement of Motor Vehicle*

*Paragraph 7 (4.11.3) b. Irregular Payment - Procurement of Hand Pumps*

*Paragraph 7 (4.11.4) a. Irregular Payment*

*Paragraph 7 (4.11.4) a. Poor Project Implementation*

## **CENTRAL PROVINCE**

*Paragraph 7 (4.12) a. Bwacha Constituency i. Misapplication of Funds*

*Paragraph 7 (4.12.1) ii. Road Rehabilitation*

*Paragraph 7 (4.12.1) b. Construction of Maternity Wing - Kabwe Central Constituency*

*Paragraph 7 (4.12.2) a. Serenje Central Constituency i. Undelivered Coffin Lowering Tool*

*Paragraph 7 (4.12.2) ii. Failure to Follow Procurement Guidelines*

*Paragraph 7 (4.12.2) iii. Tarring of Serenje Bus Station*

*Paragraph 7 (4.12.3) ii. Unaccounted for Building Materials*

*Paragraph 7 (4.12.4.1) ii. Poor Projects Implementation*

*Paragraph 7 (4.12.4.1) iii. Abandoned Water Project – Mungule Clinic*

*Paragraph 7 (4.12.4.1) iv. Wasteful Expenditure - Mulundu Water Trust Project*

*Paragraph 7 (4.12.4.2) ii. Unsupported Payment*

*Paragraph 7 (4.12.4.2) iii. Misapplication of Funds*

*Paragraph 7 (4.12.4.2) vi. Unaccounted for Funds*

*Paragraph 7 (4.12.4.2) vii. Weaknesses in the Management of Projects*

## **MINISTRY OF LOCAL GOVERNMENT AND HOUSING HEAD QUARTERS**

*Paragraph 8 (2) Support to Institutions (Local Council) a. Failure to Maintain Accounting Records*

*Paragraph 8 (2) b. Missing Payment Vouchers*

*Paragraph 8 (2) c. Unsupported Payments*

*Paragraph 8 (2) d. Unretired Imprest*

*Paragraph 8 (2) e. Unaccounted for Stores*

*Paragraph 8 (2) f. Misapplication of Funds*

*Paragraph 8 (2) Misapplication (cont'd)*

*Paragraph 8 (2) Misapplication (cont'd)*

*Paragraph 8 (2) h. Failure to Remit Statutory Contributions*

*Paragraph 8 (2) ii. Undelivered Cell Phones – Serenje District Council*

*Paragraph 8 (2) j. Unaccounted for Funds Sinazongwe District Council*

*Paragraph 8 (2) Chama District Council – K24,000,000*

*Paragraph 8 (2) k. Wasteful Expenditure - Kaoma District Council*

*Paragraph 8 (2) l. Over Payment to Contractor – Mwinilunga District Council*

*Paragraph 8 (2) m. Weaknesses in The Survey of Plots – Chongwe District Council*

*Paragraph 8 (2) n. Unsupported Cash Withdrawals - Chama District Council*

*Paragraph 7 (4) o. Management of Capital Projects Kawambwa District Council*

*Paragraph 8 (2) Mongu Municipal Council*

*Paragraph 8 (2) Kaoma District Council*

*Paragraph 8 (2) Monze District Council*

*Paragraph 8 (2) Chama District Council*

*Paragraph 8 (2) Chadiza District Council*  
*Paragraph 7 (4) Nyimba District Council*  
*Paragraph 8 (2) Mambwe District Council*  
*Paragraph 8 (2) i. Construction of Mwinilunga Civic Centre*

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIFTH SESSION OF THE TENTH NATIONAL ASSEMBLY ON 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**

**MINISTRY OF LOCAL GOVERNMENT**

*Paragraph 6 (2) 1.1 b Irregularities in the Procurement of Earth Moving Equipment*  
*Paragraph 6 (2) a. Missing Payment Vouchers - K337, 484,440*  
*Paragraph 6 (2) b. Unsupported Payments-K5,250,574,050*  
*Paragraph 6 (2) c. Unapproved Payment Vouchers K172,242,000*  
*Paragraph 6 (2) d. (i) Irregular Payment of Allowances K 238,154,200*  
*Paragraph 6 (2) d. (ii) Irregular Payment of Allowances – K 238,154,200*  
*Paragraph 6 (2) e. Excess Expenditure on Administrative Activities K438,059,030*  
*Paragraph 6 (2) f. Unretired Imprest- K108,717,000*  
*Paragraph 6 (2) g. Unaccounted for Stores - K 816,327,278*

**LUAPULA PROVINCE**

*Paragraph 6 (2) 1.2 b. Procurement of a Grader – Chembe Constituency*  
*Paragraph 6 (2) c. Project Management Chienge, Bahati, Mwense*

**NORTH WESTERN PROVINCE**

*Paragraph 6 (1.3) d. Solwezi East Constituency-Electrifying of Kabulobe Basic*

**COPPERBELT PROVINCE**

*Paragraph 6 (1.4) a. Misapplication of Funds – Masaiti District Council K16,000,000.00*

**CENTRAL PROVINCE**

*Paragraph 6 (1.5.) b. Unapproved Projects – Keembe Constituency*  
*Paragraph 6 (1.5.2) a. Kabwe Municipal Council - i. Kasanda Malombe Primary School*  
*Paragraph 6 (1.5.2) a. Kabwe Municipal Council ii. Failure to Commission a Project - Kaputula Police Post- K119, 460,000*  
*Paragraph 6 (1.5.3) Project Management*

*Paragraph 6 (1.5.4) Chibombo District - a. Irregularities in the Purchase of a Grader – Chibombo Council*

### **NORTHERN PROVINCE**

*Paragraph 6 (1.6) a. Misapplication of Funds - Luwingu District Council - K7,670,000*

*Paragraph 6 (1.6) a Kaputa District Council - K118,108,480*

*Paragraph 6 (1.6) a Mporokoso District Council-K168,342,000*

*Paragraph 6 (1.6) a. Chilubi District Council – K18,000,000*

*Paragraph 6 (1.6) b. Failure to Implement Approved Projects*

*Paragraph 6 (1.6) c. Excess Expenditure on Projects*

*Paragraph 6 (1.6) d. Irregular Payments for Projects - Kaputa Constituency*

*Paragraph 6 (1.6) e. Procurement of Hammer Mills – Lukashya Constituency*

*Paragraph 6 (1.6.1) b. Kasama Central Constituency – (i) Irregular Award of Contract - Construction of the Recreation Hall*

*Paragraph 6 (1.6.1) c. Lukashya Constituency – (i) Supply of Building Materials - Overpayment*

*Paragraph 6 (1.6.2) a. Mporokoso District Council - Misappropriation of Funds K69,607,070*

*Paragraph 6 (1.6.2) b.Mporokoso District Council – Over Payment to Contractor*

*Paragraph 6 (1.6.2) d. Mporokoso District Council - Construction of a Laboratory – Lunte Constituency*

*Paragraph 6 (1.6.3) Project Management*

*Paragraph 6 (1.6.2) (i) Mporokoso Constituency - Electrification of Kawikisha Basic School*

*Paragraph 6 (1.6.2) (ii) Mporokoso Constituency - Construction of Mporokoso District Bus Station*

### **WESTERN PROVINCE**

*Paragraph 6 (1.7) b Irregularities in the Awarding of Contracts – Mongu Central*

*Paragraph 6 (1.7.2) a. Kalabo District Council - Questionable Payment - Completion of Friary House - Kalabo Central Constituency*

*Paragraph 6 (1.7.2) b (i). Liuwa Constituency - Construction of a 1x2 Classroom Block (CRB) – Poor Workmanship*

*Paragraph 6 (1.7.2) b (ii) Liuwa Constituency - Delayed Works - Construction of 1x2 and 1x1 VIP Toilets*

*Paragraph 6 (1.7.2) c (i) Sikongo Constituency - Construction of 1x2 CRB at Nyengo Basic School*

*Paragraph 6 (1.7.2) c (ii) Sikongo Constituency - Construction of a Staff house at Honge*

*Paragraph 6 (1.7.3) a. Senanga District Council - Irregular Transfer of Funds – Senanga District Council*

*Paragraph 6 (1.7.3) c (i) Nalolo Constituency - Construction of 1 x 3 Classroom Block (CRB)*

*Paragraph 6 (1.7.3) c (ii) Project Status - Construction of a 1x2 Semi Permanent Classroom Block (Mud and Pole)*

*Paragraph 6 (1.7.3) c (iii) Unaccounted for Funds – K4,500,00*

*Paragraph 6 (1.7.3) d.(ii) Construction of 1 x 2 CRB at Maziba Basic School*

*Paragraph 6 (1.7.3) d. (iii) Construction of mother's shelter at Muoyo Rural – Building materials costing K2,000,000 not delivered*

*Paragraph 6 (1.7.3) d. (iv) Completion of staff house at Nasiwayo Basic School – Ongoing project*



*Paragraph 6 (1.7.5) Project Management - Construction of 1 x 2 CRB at Mangongi Basic School*  
*Paragraph 6 (1.7.5) Project Management - Completion of a staff house at Mulalila Basic School*  
*Paragraph 6 (1.7.5) Project Management - Completion of a 1x3 CRB at Kanyenze Basic School*  
*Paragraph 6 (1.7.5) Project Management - Completion of a 1x3 CRB at Namasheshe Basic School*  
*Paragraph 6 (1.7.5) Project Management - Construction of a staff house at Mushwala Basic School.*

### **SOUTHERN PROVINCE**

*Paragraph 6 (1.8) a. Mazabuka Municipal Council - Drilling of forty (40) boreholes*  
*Paragraph 6 (1.8) b. Mazabuka Municipal Council - Construction of 1 x 4 CRB at Kaleya Basic School*  
*Paragraph 6 (1.8) c. Mazabuka Municipal Council - Construction of a staff house at Itebe RHC*  
*Paragraph 6 (1.8) (3.10.2) (i) Monze District Council - Monze Central Constituency Projects - Harry Mwanga Nkumbula Stadium Change Room.*  
*Paragraph 6 (1.8) (3.10.2) (ii) Monze District Council - Bweengwa Constituency Projects-Chuungu Bridge Rehabilitation Project*  
*Paragraph 6 (1.8) (3.10.2) (iii) Monze District Council - Moomba Constituency Projects- Njola Mwanza Rural Health Centre*  
*Paragraph 6 (1.8) (3.10.2) (iii) Monze District Council - Nampeyo Rural Health Centre*  
*Paragraph 6 (1.8) (3.10.2) b. Monze District Council - Misapplication of funds*  
*Paragraph 6 (1.8) (3.10.2) c. Monze District Council - Failure to Account for Pigs - Nakatuba Club*  
*Paragraph 6 (1.8) (3.10.2) d. Monze District Council - Rearing of Dairy Animals at Chuungwe Cooperative*  
*Paragraph 6 (1.8) (3.10.2) f. Monze District Council - Rehabilitation of Hikaunu Bridge – Bweengwa Constituency*  
*Paragraph 6 (1.8) (3.10.2) g.(i) Poor Project Management - Construction of waterborne toilets at Manungu Market*  
*Paragraph 6 (1.8) (3.10.2) g.(ii) Monze District Council - Construction of 1 x 3 CRB at Tusole Community School*  
*Paragraph 6 (1.8.1) Sinazongwe District Council - Failure to Implement Approved Projects Sinazongwe Constituency - Misapplication of Funds*  
*Paragraph 6 (1.8.1) Sinazongwe Constituency - Poor Project Management*  
*Paragraph 6 (1.8.1.1) Kazungula District Council – Procurement of Earth Moving Equipment - Failure to Follow Payment Procedures*  
*Paragraph 6 (1.8.1.1) a. Kazungula District Council - Failure to Deliver the Earth Moving Equipment*  
*Paragraph 6 (1.8.2) Kalomo District Council - Procurement of Defective Earth Moving Equipment*  
*Paragraph 6 (1.8.3) Choma Municipal Council - Procurement of Earth Moving Equipment*  
*Paragraph 6 (1.8.4) a. Siavonga District - Irregularities in the Procurement of a Grader*

### **MUCHINGA PROVINCE**

*Paragraph 6 (1.9) b. Chama Council - Construction of Water Kiosk – Isoka Constituency*

### **EASTERN PROVINCE**

*Paragraph 6 (1.10) a. Katete - Unapproved Projects*  
*Paragraph 6 (1.10) b. Chipata - Irregular Awarding of Borehole Drilling Contract*

*Paragraph 6 (1.10) c. Kasenengwa - Undelivered Materials*

*Paragraph 6 (1.10) d (i)Chadiza District Council - . Project Management - Completion of a 1x2 CRB and construction of 1x3 CRB at Chamaseche Basic School*

*Paragraph 6 (1.10) d. (ii) Lundazi District Council - Nkhanga Health Post – Construction of staff house*

*Paragraph 6 (1.10) d. (ii) Emusa Basic School – Completion of 1X3 Classroom block*

*Paragraph 6 (1.10) d. (iii) Mambwe District Council – Poor project implementation*

## **LUSAKA PROVINCE**

*Paragraph 6 (1.11) a. Misapplication of Funds - K13,889,800*

*Paragraph 6 (1.11) b.(i). Kanyama Constituency - Projects Running For More Than One (1) Year*

*Paragraph 6 (1.11) b.(i). Construction of Plain View Police Post in Garden House – K 220,854,311*

*Paragraph 6 (1.11) b.(ii). Chilanga District Council - Construction of Sekelela Health Post – K51,812,000*

*Paragraph 6 (1.11) b.(ii). Chilanga District Council - Construction of a 1 x 2 Classroom Block at Chigwirizano Community School – K57,400,000*

*Paragraph 6 (1.11) b.(iii). Rufunsa District Council - Construction of Rural Health Post in Lubalashi – K15,914,000*

*Paragraph 6(1.11) b.(iii). Rufunsa District Council - Rehabilitation of classroom block into a health post – K15,914,000*

*Paragraph 6 (1.11) b.(iii). Rufunsa District Council - Completion of one staff house (1X3 flats) and VIP toilets at Nkalamabwe Primary School – K5,000,000*

*Paragraph 6 Luangwa District Council - Construction of an admission ward and store room at Chitope RHC – K50,637,000.*

*Paragraph 6 (1.11) b.(iv). Luangwa District Council - Mandombe Rural Health Centre construction of maternity ward – K60,950,000*

## **MINISTRY OF LOCAL GOVERNMENT AND HOUSING**

*Paragraph 6 (a) Local Government Administrations - Missing Payment Vouchers*

*Paragraph 6 (b) Mafinga District Council- Unsupported Payments K780,000*

*Paragraph 6 (c ) Kings Logistics - Building materials for toilet at Sinazeze Rest House - K8,050,000*

*Paragraph 6 (d) Harshard Bazaar - K4,880,000*

*Paragraph 6 (e ) D & D Worthy - Purchase of spare parts - K2,070,000*

*Paragraph 6 (f) Delta Auto Equipment - K2,576,640*

*Paragraph 6 (g) Mpongwe District Council-54,869,360*

*Paragraph 6 (h) Unaccounted for Funds - Samfya District Council - K37,121,780*

*Paragraph 6 (i) Misapplication of Funds - K2,735,524,080*

*Paragraph 6 (j) Kalabo District Council- K230, 582,000*

*Paragraph 6 (k) Lundazi District Council-K400,331,604*

*Paragraph 6 (l) Mansa Municipal Council - Failure to Remit Statutory Contributions – K110, 698,933*

*Paragraph 6 (m) Livingstone City Council - Fraudulent Payments – K16,341,000*  
*Paragraph 6 (n) Livingstone City Council - Over Payment of Settling in Allowance*  
*Paragraph 6 (o) Payment of Non-Detrimental Allowances - Livingstone City Council*  
*Paragraph 6 (q) Management of Capital Projects - Kaoma District Council-K84,712,171*

**TREASURY MINUTE ON THE REPORT OF COMMITTEE ON LOCAL GOVERNANCE, HOUSING AND CHIEFS' AFFAIRS ON THE 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**

***Paragraph 8 - Chibombo District Council***

*Paragraph 8 (a) Lack of Audited Financial Statements*  
*Paragraph 8 (d) Misappropriation of Funds - K33, 431.46*  
*Paragraph 8 (g) Overdue Receivables - K 396,911*  
*Paragraph 8 (h) Missing Receipt Books*  
*Paragraph 8 (i) Missing Copies of Cancelled Receipts*  
*Paragraph 8 (j) Unaccounted for Revenue - K180,170*  
*Paragraph 8 (k) Questionable Refunds - K63,216.00*  
*Paragraph 8 (l) Unretired Imprest - K67,092*  
*Paragraph 8 (n) Irregular Payment of Subsistence Allowances - K58,733*  
*Paragraph 8 (o) Failure to Prepare Activity Reports - K92,398*  
*Paragraph 8 (p) Unaccounted for Funds - K59,180*  
*Paragraph 8 (q) Questionable Allowances - K16,727*  
*Paragraph 8 (r) Unsupported Payments - K708,198*  
*Paragraph 8 (s) Missing Payment Vouchers - K284,639*  
*Paragraph (8) Unaccounted for General Stores - K683,324*  
*Paragraph 8 (w) Supply of Grader –*  
*Paragraph 8 (x) Failure to Fill Key Positions*  
*Paragraph 8 (y) Officers Occupying Positions without Authority*  
*Paragraph 8 (z) Failure to Remit Statutory and Union Contributions - K3,767,313*  
*Paragraph 8 (aa) Outstanding Staff Obligations - K4,521,804*

***PARAGRAPH 9 - CHILANGA DISTRICT COUNCIL***

*Paragraph 9(a) Lack of Strategic Plan*  
*Paragraph 9(b) Lack of Council Bye - Laws and Valuation Roll*  
*Paragraph 9(c) Failure to Prepare Financial Statements*  
*Paragraph 9 (d) Failure to Fill Positions in the Establishment*  
*Paragraph 9 (e) Failure to Provide Receipt Books*  
*Paragraph 9 (f). Failure to Prepare Bank Reconciliation Statements*

*Paragraph 9(g) Missing Payment Vouchers - K197,722*  
*Paragraph 9 (h) Inadequately Supported Payments - K218,792*  
*Paragraph 9 (i) Failure to Insure Movable Assets*  
*Paragraph 9 (j) Unremitted Statutory Deductions - K K849,039*  
*Paragraph 9 (k) Failure to Provide Supporting Invoices for Payables - K257,194*  
*Paragraph 9 (l) Construction of ten (10) Medium Cost Houses*

#### **PARAGRAPH 10 - CHINSALI MUNICIPAL COUNCIL**

*Paragraph 10 (a) Failure to Prepare Financial Statements*  
*Paragraph 10 (b) Lack of Strategic Plan*  
*Paragraph 10 (c) Employment of Staff without Requisite Qualifications*  
*Paragraph 10 (d) Missing Payment Vouchers - K119,613*  
*Paragraph 10 (e) Inadequately Supported Payments - K202,637*  
*Paragraph 10 (f) Unaccounted for Stores - K K850,375*  
*Paragraph 10 (g) Failure to Provide Oral Contracts for Casual Workers*  
*Paragraph 10 (h) Sponsorship of Officers for Training without Authority from the Commission*  
*Paragraph 10 (i) Unretired Imprest - Land Development Fund -*  
*Paragraph 10 (k) Failure to Avail Tender Documents*  
*Paragraph 10 (l) Irregular Payments of Social Holiday Allowances*  
*Paragraph 10 (m) Irregular Payment of Transport Allowances - K17,996*  
*Paragraph 10 (n) Unremitted Statutory Contributions*  
*Paragraph 10 (o) Failure to Deduct Tax*  
*Paragraph 10 (q) Failure to Insure Council Properties*  
*Paragraph 10 ( r). Failure to Avail Bank Statements*  
*Paragraph 10 (s) Failure to Collect Property Rates*

#### **Paragraph 11 Chipata Municipal Council**

*Paragraph 11(a) Non-Preparation of Financial Statements*  
*Paragraph 11(b) Lack of Strategic Plan*  
*Paragraph 11(c) Failure to Collect Property Rates – K5,133,334*  
*Paragraph 11(e) Misapplication of funds – Retirees benefits – K827,156*  
*Paragraph 11(f) Lack of Title Deeds*  
*Paragraph 11(g) Failure to Remit Statutory Contributions – K43,774,346*  
*Paragraph 11(h) Failure to Pay Benefits*  
*Paragraph 11(i) Staff Establishment*  
*Paragraph 11(j) Employment of Unqualified Officers to Key Positions*

## **Paragraph 12 Chirundu District Council**

*Paragraph 12(f) Lack of Title deeds*

*Paragraph 12(g) Failure to Register Assets with Road Transport and Safety Authority (RTSA)*

## **Paragraph 13 - Kabwe Municipal Council**

*Paragraph 13(a) Lack of Strategic Plan*

*Paragraph 13 (b) Non-Preparation of Financial Statements*

*Paragraph 13(c) Lack of a Debtor's Management Policy*

*Paragraph 13(d) Failure to Recover Money from Anti-Fraud Unit of Zambia Police*

*Paragraph 13(e) Failure to remit Statutory Obligations*

*Paragraph 13(f) Outstanding Terminal Benefits*

*Paragraph 13(g) Lack of Title Deeds and Failure to Insure Properties*

*Paragraph 13(h) Deplorable state of Mulungushi Motel*

*Paragraph 13(i) Inadequate Fire Fighting Equipment*

*Paragraph 13(j) Wasteful Expenditure - Construction of a Maternity Wing at Waya Ward*

*Paragraph 13(k) Offer of Unnumbered Plots*

*Paragraph 13(l) Allocation of Plots in Graveyards*

## **Paragraph 14 - Kafue District Council**

*Paragraph 14 (a) Failure to Prepare Financial Statements*

*Paragraph 14 (b) Failure to Collect Property Rates*

*Paragraph 14 (c) Uncollected Rent Charges – K25,000*

*Paragraph 14 (d) Failure to Collect Revenue - Bill Boards and Outdoor Advertising*

*Paragraph 14 (e) Missing Payment Vouchers – K20,346*

*Paragraph 14 (f) Inadequately Supported Payments – K3,183,289*

*Paragraph 14 (g) Unaccounted for Stores – K290,610*

*Paragraph 14 (h) Failure to Avail Activity Reports*

*Paragraph 14 (i) Unacquitted Allowances – K86,340*

*Paragraph 14 (j) Irregular Payment of Sitting Allowances – K7,200*

*Paragraph 14(k) Non-Refund of Funds – K4,000*

*Paragraph 14(l) Failure to Insure Office Equipment and Other Assets- K169,155*

*Paragraph 14(m) Failure to Update the Main Roll*

*Paragraph 14(n) Failure to Remit Statutory Contributions - K3,664,404*

*Paragraph 14(o) Failure to Settle Amounts Owed to Separated Employees – K11,514,906*

*Paragraph 14 (p) Failure to Fill Vacant Positions*

*Paragraph 14 (q) Unrecovered Salary Advances – K264,256*

*Paragraph 14 (r) Lack of Title Deeds*

*Paragraph 14 (t) Failure to Insure Buildings*

*Paragraph 14 (v) Failure to develop land – Metropolitan College and School Limited*

*Paragraph 14 (w) Failure to Maintain Beit Hall*

***Paragraph 15 - Kasama Municipal Council***

*Paragraph 15 (a) Lack of Strategic and Annual Plan*

*Paragraph 15(b) Non-Preparation of Financial Statements*

*Paragraph 15 (c) (i) Failure to Collect Revenue*

*Paragraph 15 (c) (ii) Outstanding Bill Board Lev*

*Paragraph 15 (d) (i) Appointment and Promotion of Staff without Authority*

*Paragraph 15 (d) (iii.) Unremitted Statutory Obligations – K1,181,805*

*Paragraph 15 (d) (iv) Non-Remittance of Pension Contributions to NAPSA – K547,985*

*Paragraph 15 (d) (v) Non-Payment of Terminal Benefits – K3,308,078*

*Paragraph 15 (f) Irregularities in the Allocation and Sale of Plots*

*Paragraph 15 (g) Lack of Title Deeds*

*Paragraph 15(h) Construction of the New Civic Centre*

***Paragraph 16 - Katete District Council***

*Paragraph 16 (a) Lack of a Strategic Plan*

*Paragraph 16 (b) Lack of a Procurement Plan*

*Paragraph 16 (c) Employment of an Unqualified Officer to a Key Position*

*Paragraph 16 (d) Failure to Prepare Financial Statements*

*Paragraph 16 (e) Lack of Ownership Documents for Properties*

*Paragraph 16 (f) Failure to Insure Council Property*

*Paragraph 16 (g) Failure to Dispose off Unserviceable Vehicles*

*Paragraph 16 (h) Failure to Maintain Client Databases*

*Paragraph 16 (i) Missing Receipt Books*

*Paragraph 16 (j) Lack of General Revenue Cash Book - Market Fund Account*

*Paragraph 16 (k) Outstanding Lodging Fees and Other Receivables – Mphangwe Motel – K376,785*

*Paragraph 16 (l) Unacquitted Allowances – K12,232*

*Paragraph 16 (m) Unsupported Payments – K18,500*

*Paragraph 16 (n) Failure to Remit Statutory Contributions – K1,850,490*

*Paragraph 16 (p) Unauthorized retention of interest earned – K58,615*

*Paragraph 16 (q) Failure to Correct Errors on Bank Statements*

**Paragraph 17- Livingstone City Council**

*Paragraph 17 (a) Failure to Prepare Strategic Plan*

*Paragraph 17 (b) Failure to Prepare Audited Accounts and Annual Reports*

*Paragraph 17 (c) Lack of Title Deeds*

*Paragraph 17 (d) Failure to Provide Tenant/Lease Agreements*

*Paragraph 17 (e) Failure to Produce Receipt Book*

*Paragraph 17 (g) Unaccounted for Revenue – K25,266*

*Paragraph 17 (j) Payment of Overtime Outside Payroll – K41,324*

*Paragraph 17 (k) Non-Recovery of Salary Advances – K77,817*

*Paragraph 17(l) Missing Payment Vouchers -K631,269*

*Paragraph 17 (m) Inadequately Supported Payments – K252,677*

*Paragraph 17 (n) Payment of Meal Allowances Within the Station – K109,353*

*Paragraph 17 (o) Overpayment on Procurement of Meals – K22,850*

*Paragraph 17 (p) Irregular Payment of Subsistence Allowance*

*Paragraph 17 (q) Misapplication of Funds – K3,110,839*

*Paragraph 17 (r) Unretired Imprest – K265,327*

*Paragraph 17 (s) Unaccounted for Stores - K448,440*

*Paragraph 17 (t) Fuel Drawn by Unknown Vehicles – K8,489*

*Paragraph 17 (v) Failure to Produce Documentation on Disposal of Motor Vehicles*

*Paragraph 17 (w) Failure to Collect Revenue – K919,027*

*Paragraph 17 (x) Failure to Remit Statutory Obligations and Union Contributions – K5,751,886*

*Paragraph 17 (y) Failure to Maintain Properties*

*Paragraph 17 (y) i. Stand No. LIVS/0270/RE - Sichango Road*

*Paragraph 17 (y) ii. Offices of the Dambwa Housing Unit*

*Paragraph 17 (y) iii. Tukongote Bar*

*Paragraph 17 (y) iv. Offices and Stores in Maramba*

*Paragraph 17 (z) Delayed Construction of Highlands Shelter Market*

*Paragraph 17 (aa). Delayed Completion of Project – Street Lighting*

**Paragraph 18 - Lusaka City Council**

*Paragraph 18 (a) Failure to Produce Audited Financial Statements*

*Paragraph 18 (b) Failure to Collect Property Rates - K828,026.*

*Paragraph 18 (c) Uncollected Rental Revenue - K772,340*

*Paragraph 18 (d) Irregular Sale of Assets*

*Paragraph 18 (e) Failure to Pay Retirement and Terminal Benefits - K32,441,819*

*Paragraph 18 (f) Failure to Remit Statutory Contributions - K276,735,045*

*Paragraph 18 (g) Purchase of Office Furniture*

*Paragraph 18 (h) Failure to Supply Elevators at the Civic Centre*

*Paragraph 18 (i) Overpayment to Contractor - Construction of the Ticketing Office Block at Intercity Bus Terminus*

***Paragraph 19 - Mongu Municipal Council***

*Paragraph 19 (f) Samuel Kaywala vs Mongu Municipal Council*

***Paragraph 21 - Samfya District Council***

*Paragraph 21 (a) Non - Preparation of Financial Statements*

*Paragraph 21 (b) Failure to Acquire Title Deeds*

*Paragraph 21 (c) Failure to Provide and Maintain Fire Fighting Services*

*Paragraph 21 (d) Unaccounted for Revenue - K4,116*

*Paragraph 21 (g) Failure to Pay Retirement Benefits - K468,775*

*Paragraph 21 (h) Failure to Remit Pay As You Earn (PAYE) - K13,462*

***Paragraph 22 - Senanga District Council***

*Paragraph 22 (a) Lack of Strategic Plan*

*Paragraph 22 (b) Lack of Bill Board Policy*

*Paragraph 22 (c) Failure to Prepare Financial Statements*

*Paragraph 22 (f) Use of Outdated Valuation Roll*

*Paragraph 22 (g) Failure to adopt ICT Frameworks*

*Paragraph 22 (i) Failure to Collect Property Rates - K571,430.*

*Paragraph 22 (j) Failure to Prepare Bank Reconciliation Statements*

*Paragraph 22 (k) Missing Receipt Books*

*Paragraph 22 (l) Unaccounted for Revenue - K675,617*

*Paragraph 22 (n) Missing Payment Vouchers*

*Paragraph 22 (o) Unsupported Payments*

*Paragraph 22 (p) Unretired Imprest - K222,995*

*Paragraph 22 (q) Questionable Payment of Allowances - K202,702*

*Paragraph 22 (s) Unrecovered Salary Advances - K199,529*

*Paragraph 22 (t) Payment of Salary Advances above Gross Pays - K49,238*

*Paragraph 22 (u) Irregular Signing of Memorandum of Understanding (MoU)*

*Paragraph 22 (v) Unaccounted for Stores - K116,024*

*Paragraph 22 (w) Management of Properties and Other Moveable Assets*

*Paragraph 22 (x) Failure to Deduct Tax from Terminal Benefits*

*Paragraph 22 (y) Irregular Payment of Social Holiday Allowance*

*Paragraph 22 (aa) Failure to Remit Statutory Contributions - K3,435,023*



*Paragraph 22 (bb) Irregular Payment of an Advance using CDF*  
*Paragraph 22 (dd) Questionable Payment*  
*Paragraph 22 (ff) Funding of a Business Entity Using CDF*  
*Paragraph 22 (gg) Management of the Commercial Venture – Mwanambinyi Motel*

***Paragraph 23 - Sioma District Council***

*Paragraph 23 (a) Lack of Audited Financial Statements*  
*Paragraph 23 (c) Failure to Adopt ICT Frameworks*  
*Paragraph 23 (e) Unsupported Payments - K94,448*  
*Paragraph 23 (f) Misapplication of Funds – K4,000*  
*Paragraph 23 (g) Over Payment of Settling in Allowance - K55,475*  
*Paragraph 23 (h) Unretired Imprest - K84,570*  
*Paragraph 23 (i) Questionable Retirement of Imprest - K51,400*  
*Paragraph 23 (j) Irregular Payment of Social Holiday Allowance - K22,600*  
*Paragraph 23 (k) Unaccounted for Stores - K59,375*  
*Paragraph 23 (l) Failure to Recover Salary Advances - K41,500*  
*Paragraph 23 (m) Overpayment of Emoluments - K527,004*  
*Paragraph 23 (n) Irregular Payment of Leave Days - K74,000*  
*Paragraph 23 (o) Failure to Remit Statutory Contributions and Tax - K440,346*

***Paragraph 24 - Solwezi Municipal Council***

*Paragraph 24 (a) Unaccounted for Revenue - K110,814*  
*Paragraph 24 (b) Failure to Bill Rates - K234,643*  
*Paragraph 24 (c) Missing Payment Vouchers - K15,097,411*  
*Paragraph 24 (d) Unsupported Payments - K6,493,196*  
*Paragraph 24 (e) Unretired Imprest - K12,720,215*  
*Paragraph 24 (f) Unauthorised Overdrafts – Finance Pool Account*  
*Paragraph 24 (h) Failure to Produce Activity Reports - K531,631*  
*Paragraph 24 (i) Over Payment of Subsistence Allowances - K485,520*  
*Paragraph 24 (j) Irregular Payment of Allowances - K374,873*  
*Paragraph 24 (k) Irregular Purchase of Phones for Senior Officers*  
*Paragraph 24 (l) Overpayment of Settling in Allowance - K151,929*  
*Paragraph 24 (m) Irregular Payment of Sitting Allowances - K68,820*  
*Paragraph 24 (o) Irregular House Rentals - K86,170*  
*Paragraph 24 (p) Failure to Bond Officers*  
*Paragraph 24 (q) Failure to Recover Salary Advances - K279,170*  
*Paragraph 24 (r) Unaccounted for Stores - K4,732,155*

*Paragraph 24 (s) Failure to Follow Procurement Procedures*  
*Paragraph 24 (t) Unaccounted for Funds - K170,000*  
*Paragraph 24 (u) Unapproved Compensation Payments - K1,491,213*  
*Paragraph 24 (v) Failure to Remit Tax - K40,616*  
*Paragraph 24 (w) Travels Abroad Without Authority*

***Paragraph 25 - Ministry of Local Government and Housing - Grants***

*Paragraph 25 (a) Unspent funds - K802,894*  
*Paragraph 25 (b) Misapplication of Funds - K10,073,948*  
*Paragraph 25 (c) Failure to Deduct Tax - K98,621*  
*Paragraph 25 (e) Failure to Approve Payments – Zambezi District Council - K1,233,190*  
*Paragraph 25 (f) Poor Record Keeping (Recurrent Grant) – Zambezi District Council*  
*Paragraph 25 (g) Questionable Payments – Zambezi Council - K862,276*  
*Paragraph 25 (i) Stores Items Without Receipt and Disposal Details - K140,037*  
*Paragraph 25 (j) Unretired Accountable Imprest - K499,106*  
*Paragraph 25 (k) Failure to Remit Statutory and Union Contributions - K85,623,868*  
*Paragraph 25 (l) Failure to Report Motor Vehicle Accident to the Standing Accidents Committee -Nchelenge District*  
*Paragraph 25 (n) Irregular Payment of Rural Hardship Allowance – Lundazi Council - K408,044*  
*Paragraph 25 (o) Irregular Payment of Housing Allowance - K31,701*

***Paragraph 26 - Ministry of Local Government and Housing - CDF***

*Paragraph 26 (c) Unapproved Payments - K691,780*  
*Paragraph 26 (d) Unsupported Payments - K709,323*  
*Paragraph 26 (e) Unauthorised Retention of Interest Earned - K140,302*  
*Paragraph 26 (f) Failure to Prepare Bank Reconciliations*  
*Paragraph 26 (g) Irregular Payment of Value Added Tax (VAT) – Kitwe City Council - K59,203*  
*Paragraph 26 (h) Unaccounted for Stores - K445,040*  
*Paragraph 26 (i) Undelivered Stores Items - K299,632*  
*Paragraph 26 (j) Questionable Retirement of accountable Imprest –Namwala Council - K9,850*  
*Paragraph 26 (l) Non-Operational Projects – Chilanga District Council*  
*Paragraph 26 (n) Questionable Hiring Out of CDF Equipment*  
*Paragraph 26 (o) Project Management*