



**ANALYSIS OF THE AUDITOR GENERAL'S REPORT ON
THE ACCOUNTS OF LOCAL AUTHORITIES FOR THE
FINANCIAL YEAR ENDED 31ST DECEMBER 2023**

**PARLIAMENTARY BUDGET OFFICE
January 2025**

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LIST OF ACRONYMS

Local Government Equalization Fund	LGEF
Constituency Development Fund	CDF
Eighth National Development Plan	8NDP
Public Financial Management	PFM
Zambia Revenue Authority	ZRA
National Pension Scheme Authority	NAPSA

1. BACKGROUND

The Parliamentary Budget Office (PBO) was established in 2017. The office is meant to strengthen the ability of the National Assembly of Zambia to perform its role as the apex of the accountability process in Public Finance Management (PFM) and the Budget. The PBO provides technical support to committees of Parliament and Members of Parliament to effectively enable them carry out the PFM oversight function.

As Zambia implements the National Decentralisation Policy as espoused in the 8th National Development Plan (8NDP), Local Authorities play a critical role in ensuring that development at the local level is enhanced. Apart from the enhanced Constituency Development Fund (CDF) from K1.6 million to K36.1 million per Constituency in 2025, Local Authorities can also enhance service delivery through local revenue mobilisation measures. This analysis has been conducted based on the Auditor General's Report on the Audit of Accounts of Local Authorities for the Financial Year Ended 31st December 2023, hereafter referred to as 2023 Audit Report on Local Authorities, with a focus on the economic impact of the audit queries.

2. INTRODUCTION

This brief presents the analysis of the 2023 Audit Report on Local Authorities. Based on the mandate of local authorities as espoused in the Local Government Act (2019) to collect revenue within their locations, this brief has made comparisons of audit findings in the 2022 audit report and the 2023 Auditor General's Report on Accounts of Local Authorities. Although the Zambian legal framework provides for fiscal decentralisation, most Local Authorities however still rely on resources from Central Government – with allowance for own source revenue generation.

Some of the issues revealed in the Auditor General's Report include failure to collect revenue, misapplication of funds, failure to settle statutory obligations, failure to settle staff obligations, unsupported payments, among others. Government's goal to decentralise operations of Local Authorities through devolution of Government functions may be hampered by the failure of Local Authorities to collect revenue. This may have a huge impact on sustainable financing of Local Authorities, thereby affecting service delivery in local communities. Although Local Authorities have various opportunities to embark on local revenue generation, there are various operational issues and deficiencies that affect this process.

Apart from the devolution of various government functions to Local Authorities, the Government has also amended the Constituency Development Fund Act, 2024, by streamlining the approval processes. Based on this, the Government is also aligning the CDF Guidelines to the new Act to accelerate the uptake of the CDF.

3. ROLE OF LOCAL AUTHORITIES IN NATIONAL DECENTRALISATION

The importance of Local Authorities in effectively implementing the National Decentralisation Policy is espoused both in the Vision 2030 and the 8NDP. Therefore, the National Decentralisation Policy in Zambia is premised on the aspiration to attain the status of a prosperous middle-income nation by 2030. *Through this Policy, the Government envisions "citizen-driven local governance within a unitary state for sustainable development". This is*

founded on the Government's firm conviction that citizen and community participation in local governance is a key pillar for our country's socio-economic transformation agenda.¹

Between 2023 and 2024, devolution of government functions was undertaken in phases, with the following functions being decentralised to Local Authorities: In Phase One of the devolution function, which was from 1st January to 31st April 2023, two functions from the Ministry of Transport and Logistics were transferred to the Local Authorities.

Phase Two ran from 1st May to 31st August 2023, and the following functions were moved from respective ministries to the Local Authorities:

- 1) vehicle licensing from the Ministry of Transport and Logistics;
- 2) cultural matters from the Ministry of Tourism;
- 3) District Archives from the Ministry of Home Affairs and Internal Security;
- 4) pontoons, ferries, jetties and piers from the Ministry of Transport and Logistics;
- 5) harbours from the Ministry of Transport and Logistics;
- 6) District Health Services from the Ministry of Health;
- 7) Ambulance Services from the Ministry of Health; and
- 8) Veterinary Services from the Ministry of Fisheries and Livestock.

In addition to the above devolved functions to local Authorities in the period 2023 to 2024, the Government will, in 2025, devolve four more functions. These include: livestock and fisheries, agriculture, community development, and social welfare services. All these functions are being devolved with matching resources.²

The devolution of the above functions is intended to enhance public service delivery at the local level. Apart from transfers from Central Government through the CDF and the Local Government Equalisation Fund (LGEF), Local Authorities will therefore earn extra revenue from local sources. This will therefore require enhanced capacity building of local authorities in public finance management, public procurement regulations, etc., to improve transparency in revenue expenditure and generation.

3.1. Public Financial Management and Decentralisation Reforms

At the Local Government or Sub-National level, Public Financial Management (PFM) is the appropriate steps taken to ensure proper revenue generation and further utilisation of financial resources in line with Local Government objectives, goals and citizens expectations.³ PFM reforms, as in the case of Zambia, are vital to attaining the expected benefits of decentralisation because of their critical role in maintaining fiscal discipline and stability, efficient provision of public services, and accountability of subnational governments to higher levels of government and local constituents. As such, subnational governments can be critical actors in the effective implementation of PFM reforms in countries where they have been fiscally empowered through decentralisation reforms (the case of Zambia).⁴ Based on the above background, PFM is focused with collection of revenue and transparent utilization of public resources (expenditure).

¹ The National Decentralization Policy-Realising Local Development through citizen participation. March 2023. Pg. 4.

² Budget Speech (2025) by the Minister of Finance and National Planning, Dr. Situmbeko Musokotwane, MP.

³ Financial Management in Local Government: the challenges and prospects of the 21st century - Nigeria perspective: International Journal of Economics, Commerce and Management.

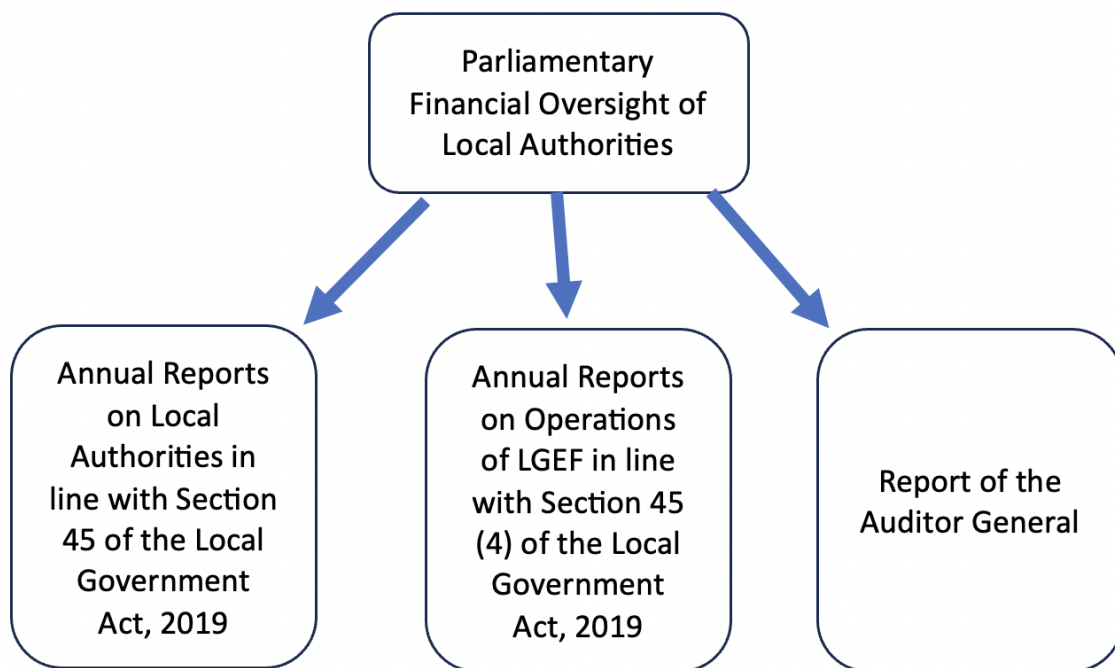
⁴ Public Finance Management and its Emerging Architecture. Marco Cangiano, et al. Pg. 363.

The ability of Local Authorities to raise revenue at the local level while at the same time being transparent in expenditure will affect fiscal sustainability and public service delivery. Apart from raising their own revenues, Local Authorities also receive transfers from Central Government through the LGEF and the CDF.

3.2. Enhancing Oversight in Local Authorities

The legal framework on Local Authorities (LAs) provides three main windows of exercising financial oversight of councils as shown in Figure 1 below. First is when an annual report is submitted to the National Assembly. Second is when the annual report on the operation of the LGEF is submitted to the National Assembly. Third is when the Report of the Auditor General is submitted.

Figure 1: Financial Oversight Opportunities of Local Authorities



Currently, oversight is being exercised through the consideration of reports of the Auditor General. Since the country has adopted Output Based Budgeting, consideration of annual reports is now cardinal as overall performance is supposed to be contained in these reports. For a start, it may be important to just ensure that these reports are submitted to the National Assembly as required by law.

The next section has therefore analysed the various findings by the Auditor General on the Accounts of Local Authorities, which poses a threat on local revenue mobilisation, public finance management, and overall aspirations of decentralisation.

3.3. Analysis of Cross Cutting Observations in the Auditor General's Report

Before analysing the cross-cutting issues in the Auditor General's Report, below are some initial observations.

Coverage of Audit Report

There was 100 percent coverage of LAs. This is important as the 2023 information can be used as baseline to assess changes in respective LAs in future audit reports.

Audit Opinions

When compared to the financial year ended 31 December 2022, there was significant improvement as only three local authorities – Livingstone City Council, Nchelenge Town Council, and Ndola City Council had qualified audit opinions in both financial years 2022 and 2023.

Councils are established under Article 152 (3) of the Constitution of Zambia as amended in 2016. The mandate of councils is to deliver basic social and economic services to the people as set out in the Local Government Act No. 2 of 2019, which include, power to make by-laws and regulations, imposition of levies, fees, and other charges and to formulate local policies to promote, guide and regulate development in the district.

The 2023 Audit Report on Local Authorities has revealed cross cutting audit observations across the 116 Local Authorities. Cross cutting audit observations refer to findings generally found in most councils which reveal consistent internal control deficiencies and non-compliance with various legal provisions. There are various irregularities in Local Authorities which affect their ability to carry out their mandate. The cross-cutting audit observations have been listed under revenue and expenditure components. Below are some of the irregularities revealed in the 2023 Audit Report on Local Authorities.

Revenue Management

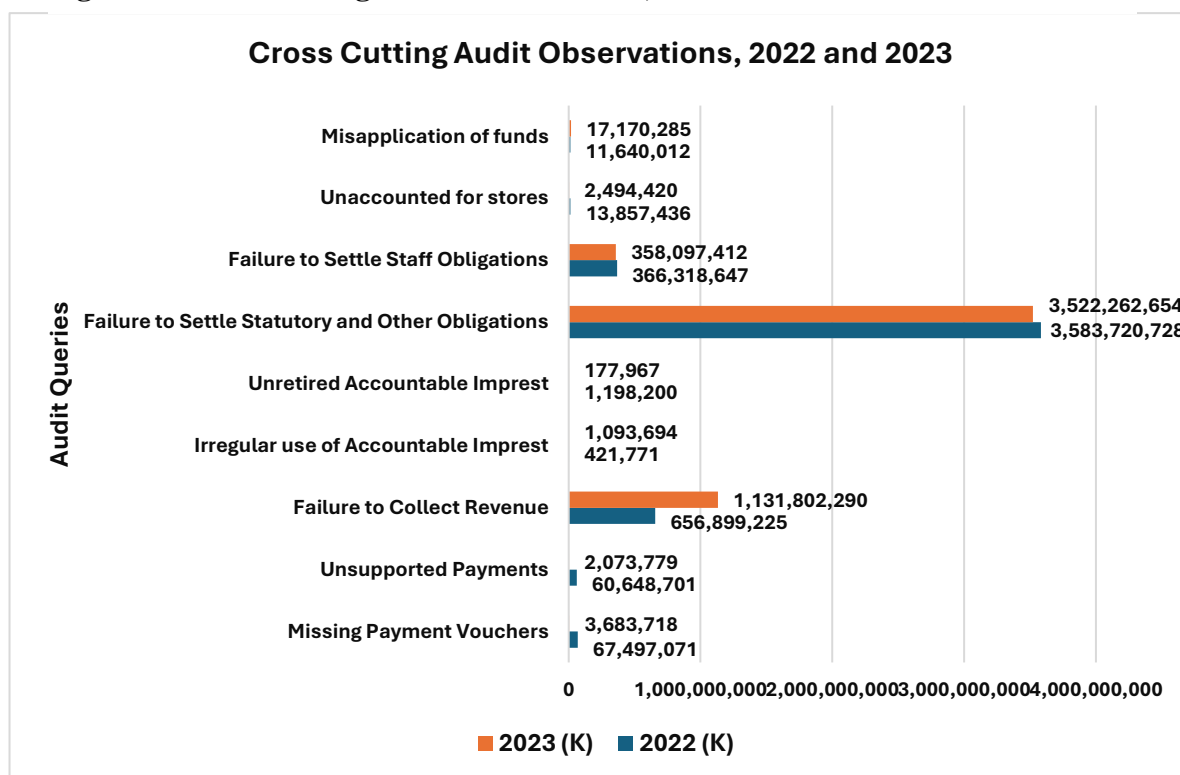
- 1) Failure to collect revenue
- 2) Failure to prepare/manage valuation roll
- 3) Missing receipt books

Expenditure Matters

- 1) Unsupported payments
- 2) Missing payment vouchers
- 3) Irregular use of accountable imprest
- 4) Unretired accountable imprest
- 5) Irregular cash withdraws
- 6) Unacquitted payments
- 7) Failure to settle statutory obligations
- 8) Failure to settle staff obligations
- 9) Misapplication of funds

The selected audit queries in the period under review were compared with the 2022 Auditor General’s Report on Local Authorities. It has been observed that the above irregularities have

Figure 2: Cross Cutting Audit Observations, 2022 and 2023



Source: Constructed by PBO using data extracted from the Auditor General’s Report on Accounts of Local Authorities (2022 and 2023).

increased by 5.4 percent, from K4.8 billion in 2022 to K5 billion in 2023. This has been compounded by an increase in failure to collect revenue by 72 percent, irregular use of accountable imprest by 159 percent, and increase in misapplication of funds by 47.5 percent. In addition, there has been an observed decline in other audit queries during the same period, such as: unsupported payments (96.6 percent); missing payment vouchers (94.5 percent); unretired accountable imprest (85 percent); unaccounted for stores (82 percent); failure to settle staff obligations (2.2 percent); failure to settle statutory and other obligations (1.7 percent), among others. This has been demonstrated in Figure 2 and Table 1 below.

Table 1: Comparison of Cross Cutting Audit Observations 2022 and 2023

Audit Observations	2022 Audit Report (K)	2023 Audit Report (K)	% change
Missing payment vouchers	67,497,071	3,683,718	-94.5%
Unsupported payments	60,648,701	2,073,779	-96.6%
Failure to collect revenue	656,899,225	1,131,802,290	72%
Failure to recover salary advance	416,231		-100%
Irregular use of accountable imprest	421,771	1,093,694	159%
Unretired accountable imprest	1,198,200	177,967	-85%
Failure to collect revenue from billboards	458,325		-100%
Failure to settle statutory obligations	3,583,720,728	3,522,262,654	-1.7%
Failure to settle staff obligations	366,318,647	358,097,412	-2.2%
Unaccounted for stores	13,857,436	2,494,420	-82%

Misapplication of funds	11,640,012	17,170,285	47.5%
Failure to reimburse borrowings	17,174,909		-100%
Total common irregularities	4,780,251,258	5,038,856,219	5.4%

3.3.1. Audit Observations

Focus of the analysis was on revenue and expenditure management in Local Authorities. Findings are detailed below.

Overall Budget Performance

The variances between budget and outturn are within acceptable levels indicating favourable aggregate fiscal discipline. The aggregate absorption capacity at 98.7 percent indicates a good overall performance though there are variations when LAs are examined on individual basis.

Table 2: Budget Versus Actual

	Budget/Funded (K'Million)	Actual (K'Million)	Variance (%)
Income	3,765	3,430	-8.9
Expenditure	3,430	3,385	-1.3

Source: Constructed by PBO using data extracted from the Auditor General's Report on Accounts of Local Authorities for the Financial Year Ended 31st December 2023.

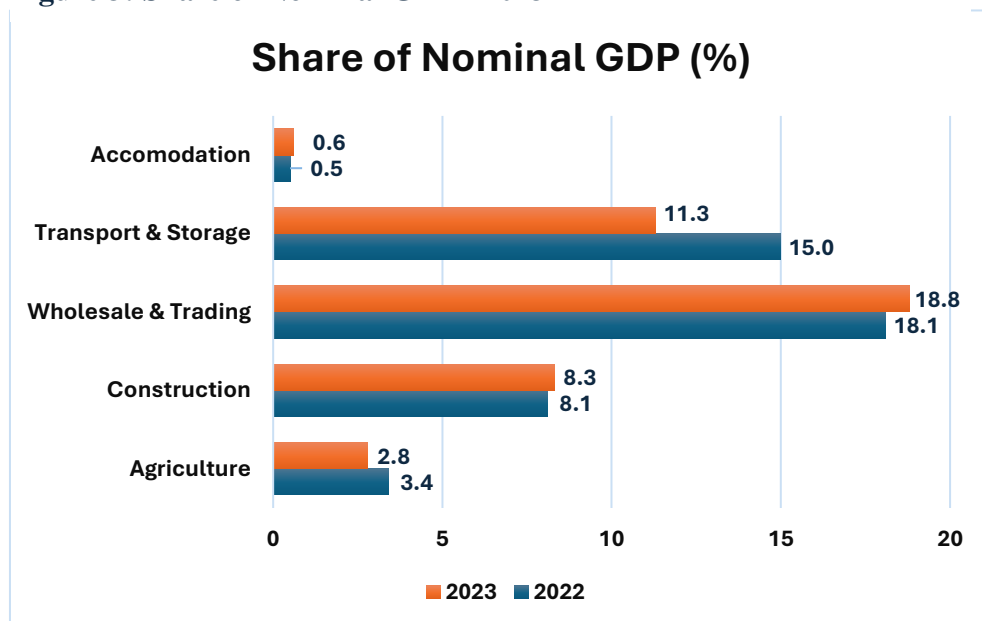
a. Revenue Management

The Constitution of Zambia (Amendment) Act No. 2 of 2016 states that a local authority is competent to levy, impose, recover and retain local taxes. Further, regulation 9 (h) of the Public Finance Management (General) Regulations of 2020 requires the head of the accounting unit of a local authority to collect in a timely manner all revenue and other public monies due and payable to the local authority.

General Domestic Economic Performance of the 2023 Financial Year

In 2023, real GDP growth was recorded at 5.4 compared to 5.2 in 2022. Growth was largely driven by the information and communication technology and construction sectors. Notably, mining and agriculture posted negative growth, due to operational challenges at some mines and adverse weather conditions

Figure 3: Share of Nominal GDP - 2023

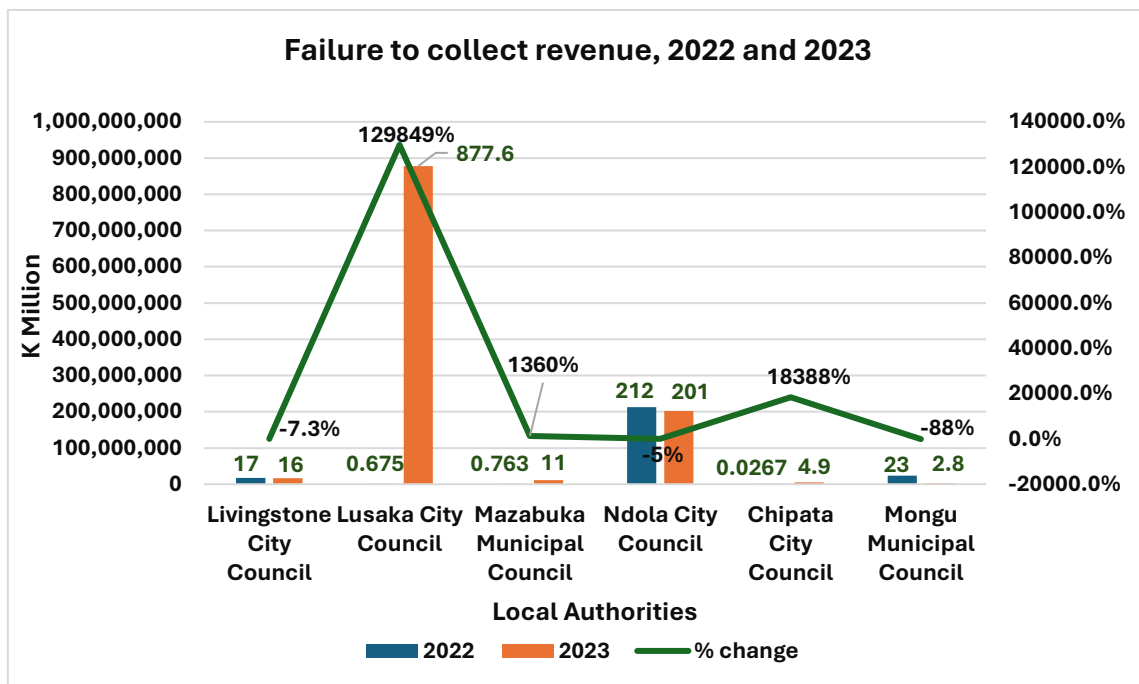


Major Sectors Contributing to Revenue in Local Authorities

Among the key sectors contributing to the revenue base of local authorities’ accommodation and food services, wholesale and retail trade, construction recorded growth in their nominal share of GDP in 2023 compared to 2022. The growth of these key sectors has significant implications for revenue collection in local authorities offering opportunities to increase and stabilise collections. Agriculture and transport and storage sectors contracted in terms of nominal contribution to GDP could have affected revenue sources such as crop levy.

During the period under review, nineteen (19) councils failed to collect revenues in amounts totalling K1.1 billion, compared to 2022 in which seventy-three (73) councils failed to collect revenues in amounts totalling K656.9 million. Of the budgeted K1.4 billion by the 19 councils, only 21.8 percent or K315 million was collected, leaving a balance of K1.1 billion. The failure to collect revenues by local authorities has increased by 72 percent between 2022 and 2023, with the highest being Lusaka City Council which accounted for 78 percent of the K1.1 billion, at K877.6 million. Figure 3 below is a comparative analysis between 2022 and 2023 of six (6) selected local authorities out of the nineteen (19) that failed to collect revenues in amounts totalling K1.1 billion in the 2023 Audit Report.

Figure 4: Failure to collect revenue by selected Local Authorities



Source: Constructed by PBO using data extracted from the Auditor General’s Report on Accounts of Local Authorities (2022 and 2023).

The failure to collect revenue poses a threat on the ability of local authorities to mobilise revenue and provide services to the local population, thereby affecting fiscal decentralisation in general. The failure to collect revenue has potential to affect the Councils ability to carrying out their mandate as prescribed in the Constitution.

Table 3 below on revenue performance of councils, shows that 87 councils, representing 75 percent, experienced adverse collection outcomes, which could be due to inefficiencies in collection systems, lack of capacity, or socio-economic factors affecting ability to pay. Further, 25 percent (29 councils) achieved favourable revenue performance.

Table 3: Comparison of Revenue Collection by Local Authorities

Revenue Performance	Number	Proportion (%)
Adverse Collection	87	75
Favourable Collection	29	25
Total	116	100

Note: From 29 councils, over collections amounted to K46,257,334.36.

i. Adverse Performance on Revenue Collection

A similar occurrence in many Local Authorities' lack to collect revenue has been attributed among other things to: failure to update valuation rolls, missing receipt books, failure to control markets, and failure to collect taxes. For example, Mumbwa Town Council in 2023 budgeted to collect K22.5 million in local revenues. However, there was an under-collection of K13 million, leading to a negative variance of 41 percent. The under-performance was attributed to under-collection in local taxes (43 percent); levies; (67 percent); permits (75 percent); fees and charges (25 percent), among others. Only one revenue source (licences) was above target by 2 percent. See Table 4 below.

Table 4: Mumbwa Town Council-Adverse Performance on Revenue Collection

Internal Generated Revenue	Budget 2023 (K)	Actual 2023 (K)	Variance (K)	Variance (%)
Local taxes	2,696,394	1,524,260	(1,172,134)	-43%
Fees and Charges	9,617,121	7,222,742	(2,394,379)	-25%
Licences	2,380,300	2,418,644	38,344	2%
Levies	2,361,156	781,946	(1,579,210)	-67%
Permits	5,125,403	1,299,446	(3,825,957)	-75%
Commercial Venture	98,448	-	(98,448)	-100%
Other Receipts	200,000	76,160	(123,840)	-62%
Sub Total	22,478,822	13,323,198	(9,155,624)	-41%

Source: Constructed by PBO using data extracted from the Auditor General's Report on Local Authorities for the Financial Year Ended 31st December 2023

Further to this, Mumbwa Town Council did not meet various targets in its planned 2023 approved activities, in programmes such as education and skills development; social protection; resource mobilisation and management; and housing and community amenities. The failure to collect revenue is therefore a threat to meeting planned targets by various local authorities.

Table 5 shows the occurrence of queries on the management of revenue among the Local Authorities. Highest occurrence is on failure to collect revenue affecting 16 percent of councils.

Table 5: Overall Findings on Revenue Management

Query Category	Specific Query	Occurrence (%)
Management of Revenue	1) Failure to Collect Revenue	16.4
	2) Failure to Prepare/ Manage Valuation Rolls	8.6
	3) Missing Receipt Books	3.4

Source: Constructed by PBO using data extracted from the Auditor General's Report on Accounts of Local Authorities for the Financial Year Ended 31st December 2023.

Although statistically, failure to manage or prepare Valuation Rolls is not a widely occurring challenge among the LAs – 8.6 percent, for purposes of revenue generation, it is important to ensure that up-to-date Valuation Rolls are in place in the ten affected councils:

- 1) Chama Town Council;
- 2) Lundazi Town Council;
- 3) Chifunabuli Town Council;
- 4) Chipili Town Council;
- 5) Milenge Town Council;
- 6) Chilubi Town Council;
- 7) Kaputa Town Council;
- 8) Lupososhi Town Council;
- 9) Luwingu Town Council; and
- 10) Luangwa Town Council.

ii. Comparison of own source revenue and Government Transfers

Local Authorities receive funding from the Central Government through Transfers and the Local Government Equalisation Fund. This is in addition to locally generated revenues by the Local Authorities. Table 6 and Figure 5 below, show a comparison of own source revenue and funds through National Support to budgets of Local Authorities. Four local Authorities were picked for illustration purposes.

Table 6: Comparison of Own Source Revenue and National Support

Local Authority	National Support (K)	Local Revenue (K)	Total Revenue (K)	Percentage of Local Revenue to Total Revenue
Livingstone City Council	15,575,828	57,700,191	73,276,019	78.7%
Chipata City Council	13,287,450	32,959,559	46,247,009	71.3%
Mumbwa Town Council	17,652,892	13,323,198	30,976,090	43%
Mongu Municipal Council	21,222,284	10,004,188	31,226,472	32%

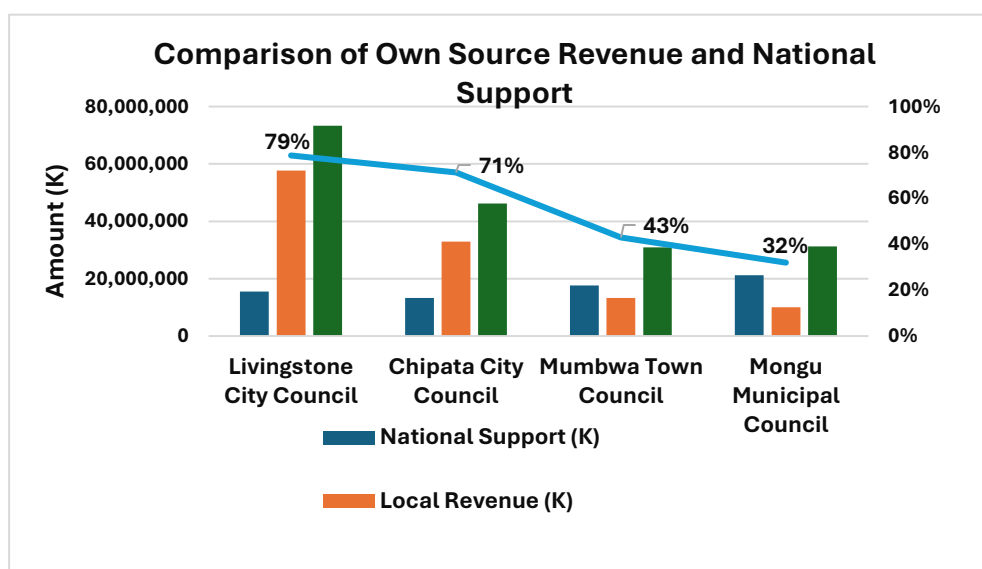
Source: Constructed by PBO using data extracted from the Auditor General's Report on Accounts of Local Authorities for the Financial Year Ended 31st December 2023.

Note: The total budget for Livingstone City Council was K84 million, of which K65 million was to come from locally generated revenue and K18 million from National Support through the Local Government Equalization Fund. However, the actual funding to the Council was K73 million, of which 78.7 percent or K57.7 million was from locally generated revenue. Mumbwa Town Council had actual funding of K30 million, of which only 43 percent was locally generated, while locally generated revenue at Mongu Municipal Council only

accounted for 32 percent of the actual budget of the Council. A percentage less than 50 means that the LA is more dependent on National Support.

According to Section 31 (h) of the Local Government Act, No.2 of 2019, one of the functions of the National Government is to “finance Local Authorities in order to execute their devolved functions”. However, this does not stop local authorities to find own source revenues, instead of depending on funding from the Central Government.

Figure 5: Comparison of Own Source Revenue and National Support



Source: Constructed by PBO using data extracted from the Auditor General’s Report on Accounts of Local Authorities for the Financial Year Ended 31st December 2023.

The concept of decentralisation of Government functions is key in enhancing own source revenue collection in Local Authorities. As depicted in the Table above, some Council’s own source revenue account for high amounts towards the total budget of the Council. However, there is still need to build capacity in some councils that are not able to collect enough revenue for their operations. This includes adhering to regulations in the Public Finance Management (General) Regulations, among others.

Potential for Self-Sustainability

The councils listed in Table 7 have uncollected revenue exceeding the financial support they received from the Central Government, indicating the potential for improved financial independence with better revenue collection systems.

Table 7: Sustainability of Revenue Collection in Local Authorities

No.	Council	Own Source Revenue	National Support	Uncollected Revenue
1	Chingola	81,847,862	12,172,748	(15,316,612)
2	Luanshya	47,721,463	14,373,936	(15,956,581)
3	Lusaka	329,711,942	42,877,993	(52,325,876)
4	Kalumbila	123,153,587	4,033,689	(20,158,410)
5	Solwezi	93,271,170	8,390,826	(18,536,891)
	Total	675,706,024	81,849,192	(122,294,370)

If these cited councils effectively collected all their projected revenue, they would no longer require Central Government transfers to sustain their operations. This shift would free up K81.8 million to reallocate to other priority areas.

b. Expenditure Management

Generally, the specific queries on expenditure management are not widely occurring ranging from 4.3 to 12.9 percent as shown in Table 8 below. However, it is important for the Committee to take special interest in unsupported payments, irregular cash payments and misapplication of funds whose occurrence is above 10 percent.

Table 8: Expenditure Management

Query Category	Specific Query	Occurrence (%)
Expenditure Matters	1) Unsupported payments	10.3
	2) Missing payment vouchers	5.2
	3) Irregular use of accountable imprest	5.2
	4) Unretired accountable imprest	4.3
	5) Irregular cash withdrawals	12.9
	6) Unacquitted payments	1.7
	7) Misapplication of funds	12.9

Source: Constructed by PBO using data extracted from the Auditor General's Report on Accounts of Local Authorities for the Financial Year Ended 31st December 2023.

Further to the above findings, Table 9 below compares expenditure related queries in the 2022 and 2023 Auditor General's Report.

Table 9: Comparison of Expenditure Matters in Local Authorities – 2022 and 2023

Observed Weakness	2022 Audit Report (K)	2023 Audit Report (K)	% Change	Comment
Unsupported payments	60,648,701	2,073,779	-96.6%	Contrary to Public Finance Management (General) Regulations, payments made at 12 Councils were not supported with relevant documents. This is a reduction from the 41 Councils in the 2022 Audit Report.
Missing payment vouchers	67,497,071	3,683,718	-94.5%	Contrary to Public Finance Management (General) Regulations, there were 202 payment vouchers not availed for audit by six (6) Councils, a reduction from the 3,036 payment vouchers not availed in the 2022 Audit at 28 Councils.
Irregular use of accountable imprest	421,771	1,093,694	159%	Six Councils were issued accountable imprest for procurement of goods on the market.
Unretired accountable imprest	1,198,200	177,967	-85%	Contrary to Public Finance Management (General) Regulations of 2020, accountable imprest was not retired immediately after the purpose for which it was issued, at five (5) Councils. This has reduced from the 19 Councils in 2022.

Source: Constructed by PBO using data extracted from the Auditor General's Report on Accounts of Local Authorities for the Financial Year Ended 31st December 2022 and 2023.

The expenditure matters listed above are recurring in the 2022 and 2023 Auditor General's Reports. Although some queries have reduced in amounts and number of councils involved, the 2023 Report has new irregularities such as irregular cash withdrawals and unacquitted payments. Most of the audit queries observed above are as a result of lack of compliance by Local Authorities to the Public Finance Management (General) Regulations of 2020.

The concept of Output Based Budgeting is key in ensuring accountability in the utilisation of public resources as it emphasises that public resources allocated to a programme (project) should be equivalent to the output attained. Therefore, as the Committee interrogates individual Local Authorities, they should explain shortcomings in attaining planned targets.

c. Human Resource Management

In the period under review, queries related to Human Resource Management were common in about a third of LAs with the exception of the issue on casualisation as shown in Table 10 below. More effort is required to address the queries particularly employing persons without requisite qualifications involving 36 percent of councils.

Table 10: Human Resource Management in Local Authorities

Query Category	Specific Query	Occurrence (%)
Human Resource Management	1) Over employment of staff	28.4
	2) Failure to fill vacant positions	31.9
	3) Employees without requisite qualifications	36.2
	4) Employment of temporary workers (casualisation)	6.9

Source: Constructed by PBO using data extracted from the Auditor General's Report on Accounts of Local Authorities for the Financial Year Ended 31st December 2023.

There may be some relief on the filling of vacant positions. Press reports (Times of Zambia, January 14, 2025) indicate that the Local Government Service Commission has employed 856 new staff in 96 Local Authorities. However, this is only 26 percent of the reported vacant position in the year under review.

d. Management of Liabilities

Management of liabilities comes out as a challenge facing most LAs with the major being statutory and other obligations affecting 94 percent of councils as shown in Table 11 below. Recent press reports indicate that some councils are facing litigation for failure to honour National Pension Scheme Authority obligations – Luwingu and Lupososhi (Times of Zambia, January 14, 2025). Unfortunately, the two councils are among those listed as having failed to manage/prepare Valuation Rolls to enhance revenue collection which could contribute in clearing the liabilities.

Table 11: Management of Liabilities in Local Authorities

Query Category	Specific Query	Occurrence (%)
Management of Liabilities	1) Failure to settle statutory and other obligations	94
	2) Failure to settle staff obligations	70

Source: Constructed by PBO using data extracted from the Auditor General's Report on Accounts of Local Authorities for the Financial Year Ended 31st December 2023.

Below are further observations on the liabilities.

- 1) Outstanding Statutory and other obligations ranged between K454,000 and K1.2 billion during the period under review with some dating back as far as 2013.
- 2) Outstanding staff obligations ranged between K93,000 and K48,300,000 during the period under review with some dating back as far as 2009.
- 3) During the period under review consolidated outstanding liabilities were 113 percent of the total income of all LAs.

Table 12: Comparison of Liabilities in Local Authorities – 2022 and 2023

Observed Weakness	2022 Audit Report (K)	2023 Audit Report (K)	% Change	Comment
Failure to settle statutory and other obligations	3,583,720,728	3,522,262,654	-1.7%	This query has reduced by 1.7 percent compared to the 2022 Audit Report. Further, the number of councils not settling statutory obligations has reduced from 113 to 109. The highest being Lusaka City Council at K1.2 billion followed by Kapiri-Mposhi Town Council at K221 million. <i>In 2022 Audit Report however, Lusaka recorded K1.7 billion (a reduction by 31 percent) while Kapiri recorded K43.5 million (an increase by 408 percent)</i>
Failure to settle staff obligations	366,318,647	358,097,412	-2.2%	A reduction by 2.2 percent in failure to settle staff obligations, in addition to the number of Councils involved from 91 Councils to 81 Councils.

Source: Constructed by PBO using data extracted from the Auditor General's Report on Accounts of Local Authorities for the Financial Year Ended 31st December 2023.

Failure by Local Authorities to settle statutory obligations has potential to affect the country's domestic resource mobilisation efforts, thereby affecting sustainable financing of the National Budget. Payment of taxes is a requirement by the Zambia Revenue Authority (ZRA), while payment of statutory obligations like pension is a requirement under Section 14 (1) of the National Pension Scheme Act.

e. Misapplication of Funds

Compared to the 2022 Audit Report, misapplication of funds has increased by 47.5 percent as shown in Table 13. Fifteen (15) Councils misapplied funds meant for capital projects on

operational expenses. Although the amount has increased, the number of councils has reduced, compared to the twenty-two (22) councils revealed in the 2022 Report.

Table 13: Comparison of Misapplication of Funds in Local Authorities - 2022 and 2023

Observed Weakness	2022 Audit Report (K)	2023 Audit Report (K)	% Change
Misapplication of funds	11,640,012	17,170,285	47.5%

Source: Constructed by PBO using data extracted from the Auditor General’s Report on Accounts of Local Authorities for the Financial Year Ended 31st December 2023.

f. Management of Local Government Equalization Fund

With an occurrence rate of 39 percent, failure to follow laid down procedures in the management of LGEF is a more common query among the councils as shown in the Table 14.

Table 14: Management of Local Government Equalization Fund

Query Category	Specific Query	Occurrence (%)
Management of LGEF	Failure to observe LGEF statutory requirements	39.4 *

** This is out of the sixty-six councils only*

4. CONCLUSION

Local Authorities play a key role in public service delivery at the local level, through decentralized operations. The analysis of the Auditor General’s Report has brought out key issues and weaknesses in operations of Local Authorities which need urgent attention for Councils to operate effectively in their mandate. It is evident that financial management, revenue generation and investment in capacity enhancement for effective delivery of socio-economic development need to be prioritized. The various irregularities revealed by the Auditor General’s Report indicate the continuous need for trainings in various aspects of financial management, filling up of vacancies for key positions, in addition to scaling up interventions to promote transparency and accountability.