



**REPUBLIC OF ZAMBIA**

**REPORT**

**OF THE**

**COMMITTEE ON LOCAL GOVERNMENT ACCOUNTS**

**ON THE REPORT OF THE AUDITOR GENERAL ON THE REVIEW OF  
OPERATIONS OF LOCAL AUTHORITIES FOR FINANCIAL YEARS ENDED 31<sup>ST</sup>  
DECEMBER, 2014, 2015 AND 2016**

**FOR THE**

**SECOND SESSION OF THE TWELFTH NATIONAL ASSEMBLY  
APPOINTED ON 21<sup>ST</sup> SEPTEMBER, 2017**

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**REPORT OF THE COMMITTEE ON LOCAL GOVERNMENT ACCOUNTS 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, 2014, 2015 AND 2016, FOR THE SECOND SESSION OF THE TWELFTH NATIONAL ASSEMBLY, APPOINTED ON 21<sup>ST</sup> SEPTEMBER, 2017**

Consisting of:

Mr E J Muchima, MP (Chairperson); Mrs P G M Jere, MP (Vice Chairperson); Mr D Chisopa, MP; Mr G G Zimba, MP; Mr K M Sampa, MP; Mr A C Mumba, MP; Mr D Mulunda, MP; Mr E Mulenga, MP; Ms P C Kucheka, MP; and Mr L K Fungulwe, MP.

The Honourable Mr Speaker  
National Assembly  
Parliament Buildings  
**LUSAKA**

Sir,

Your Committee has the honour to present its Report 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 2014, 2015 and 2016.

**2.0 Functions of the Committee**

In accordance with National Assembly Standing Order No 157(2), the functions of the Committee are to:

- i. study, report and make appropriate recommendations to the Government through the House on the mandate, management and operations of the Government ministries, departments and/or agencies under its portfolio;
- ii. carry out detailed scrutiny of certain activities being undertaken by the Government ministries, departments and/or agencies under its portfolio and make appropriate recommendations to the House for ultimate consideration by the Government;
- iii. make, if considered necessary, recommendations to the Government on the need to review certain policies and certain existing legislation;
- iv. examine annual reports of Government ministries and departments under its portfolio in the context of the autonomy and efficiency of Government ministries and departments and determine whether the affairs of the said bodies are being managed according to relevant Acts of Parliament, established regulations, rules and general orders;
- v. consider any Bills that may be referred to it by the House;
- vi. consider International Agreements and Treaties in accordance with Article 63 of the Constitution;

- vii. consider special audit reports referred to it by The Speaker or an Order of the House;
- viii. where appropriate, hold public hearings on a matter under its consideration; and
- ix. consider any matter referred to it by the Speaker on an Order of the House.

In this regard, the main focus of the Committee is to:

- i. consider the Report of the Auditor General on the Accounts of local authorities, and;
- ii. consider the reports of the Auditor General on the management of constituency development fund and grants to local authorities

### **3.0 Meetings of the Committee**

During the period under review, your Committee held fourteen sittings to consider the Report of the Auditor General on the Review of Operations of Local Authorities for the Financial Years ended 31<sup>st</sup> December 2014, 2015 and 2016.

### **4.0 Procedure Adopted by the Committee**

With technical guidance from the Auditor General, your Committee considered both oral and written submissions from local authorities that were cited in the Report of the Auditor General on the Review of Operations of Local authorities for the Financial Years ended 31<sup>st</sup> December, 2014, 2015 and 2016.

### **5.0 Arrangement of the Report**

The Report is in three parts, as follows: Part I of the Report is the Auditor General's preamble and a summary of all the queries; Part II deals with the response from the Secretary to the Treasury; Part III captures the responses from Controlling Officers on the individual audit queries; Part IV highlights overall recommendations from the Auditor General's Report and Part V contains the findings from the Committee's local tour.

## **PART I**

### **Auditor General's Preamble**

This Report presented the audit findings on the review of operations of councils for the financial years ended 31<sup>st</sup> December, 2014, 2015 and 2016. Local authorities were a key factor in socio-economic development because their operations were directly linked to community activities. An effective monitoring mechanism of their operations was therefore critical in ensuring prudent financial management for sustainable economic and social development in the country.

The *Constitution of Zambia (Amendment) Act, No. 2 of 2016* devolved powers to the local authorities in a quest to decentralise the operations of Government as well as all the Government departments so that institutions were now managed at the local level. This, therefore, entailed greater accountability on the part of the local authorities as they would now be responsible for a lot of government resources for onward service delivery to the general citizenry.

The Report contained paragraphs on thirty-five councils. The audit of selected councils showed that twelve councils did not prepare Financial Statements for the period under review, contrary to

section 52 of the Local Government Act, Chapter 281 of the Laws of Zambia. Further, the Report showed that seven councils did not have strategic plans. It was also observed that councils owned various assets but twenty-two councils did not have title deeds for their properties.

Other issues contained in the report included non-remittance of statutory contributions to the National Pension Scheme Authority (NAPSA), Local Authorities Superannuation Fund (LASF) and Pay As You Earn (PAYE) to the Zambia Revenue Authority (ZRA), unsupported payments, unaccounted for stores, irregular procurements, questionable payments and failure to settle retirees' benefits, among others. A summary of the findings is contained in the table below.

<b>ISSUE</b>	<b>AMOUNT K</b>
Failure to Collect Revenue	4,098,455
Failure to Follow Procurement Procedures	548,916
Failure to Insure Assets	199,474,423
Failure to Remit Statutory Contributions and PAYE	411,597,888
Failure to Pay Staff Obligations	225,811,615
Irregular Payment of Allowances	1,512,320
Misapplication of Funds	8,995,732
Misapplication of Equalisation Funds	14,913,913
Missing Payment Vouchers	3,839,319
Non-Recovery of Salary Advances	93,395
Overpayments	748,934
Questionable Payments	1,670,673
Unaccounted for Revenue	1,367,019
Unaccounted for Stores	18,467,255
Unapproved Payments	254,668
Undelivered Stores	147,378

The audit findings on the local authorities, which included governance, operational and financial matters, required to be addressed in order for the Councils to provide quality service delivery and development in their respective communities. The Secretary to the Treasury responded as set out below.

## **PART II**

### **Submission by the Secretary to the Treasury**

The Secretary to the Treasury informed your Committee that the comments of the Auditor General on the accounts for the Local Authorities for the financial years ended December, 2014, 2015 and 2016 were appreciated. The process of interacting and communicating with the Controlling Officer whose accounts were audited was acknowledged as it provided an opportunity for the Controlling Officer to clarify and take corrective action on the audit findings so that matters were resolved during the process of the audit.



## **Introduction**

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 were as contained in the Constitution, the *Public Finance Act, No. 15 of 2004* and the *Public Audit Act, Chapter 378 of the Laws of Zambia*. The Auditor General was responsible for the audit of all public funds.

The Secretary to the Treasury submitted to your Committee that the facts were correctly stated by the Auditor General as regards his responsibilities and those for the Minister of Finance, his office and the Controlling Officers in the management of public resources, reporting and accountability in Local Authorities.

He further informed your Committee that, he wished to thank the Auditor General for reviewing the operations of the local authorities for the said period. He also explained to your Committee that in order to ensure that Controlling Officers resolved matters during the audit, the revised *Public Finance Management Act, No. 1 of 2018* had included sanctions against public officers who failed to attend to queries during audits. It was in view that this provision would go a long way in ensuring that Controlling Officers responded to and resolved audit queries during the audit process.

## **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Secretary to the Treasury to prod Controlling Officers to expedite the resolution of the outstanding issues Your Committee awaits a progress report on the matter.

### **1. Scope and Methodology**

The Report covered the financial years ended 31<sup>st</sup> December, 2014, 2015 and 2016. The report was as a result of a programmes of test checks, inspection and examination of accounting, stores, projects and other records maintained by the public officers entrusted with handling public resources. The audit programmes were designed to give reasonable assurance of financial management in the local government. They were also intended to provide information which would assist the National Assembly in its oversight responsibility over the application of public resources and execution programmes by the Executive.

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

Your Committee learnt from the Secretary to the Treasury that the facts on the audit scope were as stated by the Auditor General. The Secretary to the Treasury further informed your Committee that the audit scope was suitable as, among other objectives, it was intended to provide information to assist the National Assembly through your Committee in its oversight responsibility over management of public resources and execution of programmes by Government.

## **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the secretary to the Treasury to prod the Controlling Officer to expeditiously resolve the outstanding issues. Your Committee awaits a progress report on the matter.

## **2 Limitation of Scope:**

### **2.1 Budget and Funding**

Your Committee learnt from the Report of the Auditor General that the Republican Constitution mandated the Office of the Auditor General to audit all the local authorities. However, for the audit of the 2016 accounts, there were limited resources for the audit of local authorities under counterpart funding on the Restructuring Institutional Development Project, which ended in December, 2017. For the audit of the 2017 accounts, no budget line had been provided in the Estimates of Revenue and Expenditure for the year 1<sup>st</sup> January to 31<sup>st</sup> December, 2018 for this activity.

The Secretary to the Treasury submitted that the facts on the limitations in scope due to the inadequate budget provisions and the financing were noted. In order to address the lack of a budget line in Estimates of Revenue and Expenditure for the year 1<sup>st</sup> January to 31<sup>st</sup> December, 2018 for this activity, for the audit of the 2017 accounts of local authorities, the Treasury would engage the Auditor General to ensure that a supplementary budget and funding were availed to undertake this important task.

## **Committee's Observations and Recommendations**

Your Committee notes with serious concern the inadequate budget, which limited the scope of the audit. Your Committee directs the Secretary to the Treasury to engage the Auditor General as a matter of urgency, to ensure that the supplementary funding is provided without undue delay to enable the Auditor General to undertake this important task. Your Committee awaits a progress report on the matter.

### **2.2 Staff Constraints**

In 2017, the Office of the Auditor General held discussions with the Ministry of Finance for Treasury Authority to recruit staff for the audit of local authorities as well as to unfreeze 115 positions. However, Treasury Authority for the recruitment of staff for the audit of local authorities was not granted whilst only thirty-nine out of the 115 frozen positions were unfrozen.

Submission by the Secretary to the Treasury

Your Committee heard from the Secretary to the Treasury that the resource envelope was not sufficient to facilitate creation of new positions and unfreezing of frozen positions for audit staff in the financial year ended 31<sup>st</sup> December, 2017. However, the Treasury would continue to engage the Auditor General to ensure staffing levels were increased. This would widen the scope as the number of local authorities to be audited in the financial year ended 31<sup>st</sup> December, 2017 would be increased.

### **Committee's Observations and Recommendations**

Your Committee notes with serious concern the limitation in scope with regard to staff constraints and urges the Secretary to the Treasury to engage the Auditor General with a view to ensure that staffing levels in the Office are increased in order to widen the scope of audits as the number of local authorities to be audited will increase. Your Committee awaits a progress report on the matter.

### **3 Internal Control**

In this report, specific mention was made of non-preparation of financial statements, failure to remit statutory contributions, lack of strategic plans, lack of title deeds, failure to insure assets, lack of debtors' management policies, failure to manage assets, among other issues. These were clear indicators of internal control lapses in some local authorities.

The Secretary to the Treasury informed your Committee that he had taken note of the internal control weaknesses as highlighted by the Auditor General. In order to address those weaknesses, the Treasury had established a Directorate under the Accountant General's Office which would oversee financial management systems in local authorities and ensure compliance with the *Local Government Act, Public Finance Act* and both the *Public and Local Government Financial Regulations*. He also submitted that his office through the Directorate responsible for financial management in local authorities was working with the Ministry of Local Government to develop a standardised integrated financial management system to enhance internal controls, financial accounting and reporting. A strategy and roadmap was being developed to implement this system and build capacity of local authorities in financial management.

To improve accountability of public assets, the revised *Public Finance Management Act, No. 1 of 2018* under section 41, had outlined clear provisions for the management of public assets and stores. In addition, the Treasury had embarked on reforms to migrate from accounting on cash basis to accrual based accounting through the adoption of International Public Sector Accounting Standards (IPSAS). It was expected that a number of public bodies would be using these standards by 2022. Furthermore, the establishment of the Local Government Service Commission would help ensure the recruitment of qualified staff which would in turn enhance professionalism, prudence and accountability in respective local authorities.

### **Committee's Observations and Recommendations**

Your Committee notes with concern the weaknesses in internal controls in the councils audited. Your Committee urges the Secretary to the Treasury to expeditiously implement his undertaking to ensure that internal controls, financial accounting and reporting are enhanced by developing a standardised integrated financial management system.

Your Committee also commends the Secretary to the Treasury for establishing a directorate under the Accountant Generals' Office to oversee financial management systems in local authorities and ensure compliance with the *Local Government Act, the Public Finance Act* and both the Public and local government financial regulations. Your Committee awaits a progress report on the matter.

#### **4. Background**

A local authority (a council) was a body corporate that was established and governed by the *Local Government Act*, Chapter 281 of the Laws of Zambia. The main business of the council in the delivery of basic social and economic services to the people was to discharge all or any of the functions set out in the second schedule of the Act which included, 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 districts through various relevant departments of the Council.

The Secretary to the Treasury submitted that the establishment and mandate of the Local Authority was as stated in the Report by the Auditor General.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission by the Secretary to the Treasury.

#### **5. Sources of Funds**

The revenue of local authorities was as prescribed under Article 161 of the *Constitution of Zambia (Amendment) Act, No. 2 of 2016*. Under this Article, a local authority was competent to levy, impose, recover and retain local taxes as prescribed. In addition, the local authorities received Constituency Development Fund (CDF) and the Local Government Equalisation Fund, as prescribed under Articles 162 and 163 of the Constitution.

Over the years, central government had been channeling a lot of resources in form of grants to local authorities for the provision of services. For instance, in 2016, central government funded amounts totalling K735, 416,178 to 106 local authorities as grants. Out of the 106 local authorities, audits were undertaken on thirty-nine local authorities which were funded amounts totalling K347, 387,769.

Your Committee heard from the Secretary to the Treasury that the facts were as stated by the Auditors.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Secretary to the Treasury to ensure that resources channelled to local authorities in the form of grants, Constituency Development Fund and the Local Government Equalisation Fund are used for quality service delivery and development in their respective communities.

**AUDIT QUERY**

**PARAGRAPH – 6**

**CHINGOLA MUNICIPAL COUNCIL**

#### **Review of Operations**

An examination of accounting records and other relevant documents maintained at Chingola Municipal Council and a physical inspection of assets and projects carried out in October, 2017 revealed various irregularities, to which the Town Clerk responded as outlined below.

**a) Equalisation Fund**

**i. Failure to Avail Tender Document– K1, 750,084**

The Town Clerk submitted that the procurement officer during the period under review was transferred to Luangwa Town Council and the new officer who was attending to the auditors during the audit exercise could not find the box file containing the tender documents at the time. The box file containing the tender documents which were not availed for audit had since been found by the Council and was available for verification.

Further, the Council had developed a system where all copies of the tender documents such as signed contracts, evaluation minutes and adverts were given to all directors for ease of reference.

**Committee’s Observations and Recommendations**

Your Committee expresses disappointment over the failure by the Council to orient the new officers and establish standardised hand over procedures to avoid disruptions in the delivery of services to stakeholders. Your Committee, therefore, urges the Town Clerk to ensure that such irregularities are avoided by ensuring that adequate hand over requirements are enforced so as to avoid disruptions in service delivery. The matter is recommended for closure subject to audit verification.

**ii. Misapplication of funds - K238,007**

The Town Clerk submitted that the Council had treated the expenses on fuels, oils, tyres, spare parts and allowances as a direct cost to the capital projects that were implemented under the 20 percent component of the equalisation grant in the year under review. The Council however, noted the auditor’s observation and had since opened a specific capital development bank account with Investrust Bank in which the 20 percent component of equalisation grant would be deposited to ease accounting for the capital component. He assured your Committee that the K238, 007 would be paid back into the capital account not later than 30<sup>th</sup> August, 2018. With regard to remedial measures, the Council would ensure that only direct capital expenses would be accounted as part of the project cost.

**Committee’s Observations and Recommendations**

In noting the submission, your Committee sternly cautions the Town Clerk against further abuse of the 20 percent Equalisation Fund and urges him to adhere to financial regulations in order to ensure that these funds are solely applied on the developmental projects for which it is appropriated. Your Committee resolves to await a progress report on the matter.

**b) Failure to fill Key Positions**

The Town Clerk submitted that in the year under review, the Council had challenges implementing its budget mainly due to low income received from the mining industry whose operations were greatly affected by low copper prices on the global market. The Council, therefore, could not manage to pay salaries and wages when at the full capacity of its establishment. The key positions such as chief accountant, civil engineer, town planners and other key officers had since been filled by the Local Government Service Commission. Appointment and transfer letters were available for verification.

Further, the Town Clerk added that the Council would continue to engage the Local Government Service Commission to employ and/or transfer officers to the Council whenever key positions fell vacant and the funds became available for the Council to pay.

### **Committee's observations and Recommendations**

In noting the submission, your Committee urges the Town Clerk to continue lobbying the Local Government Service Commission to consider his Council whenever they recruit until all vacant positions are filled up so that service delivery is enhanced. Your Committee resolves to close the matter subject to audit verification.

#### **c) Failure to Collect Revenue from Debtors - K9,552,695**

The Town Clerk submitted that from the highlighted amount of K9,552,695, a total of K5,650,863 was given as rebate to the Konkola Copper Mines (KCM) leaving a balance of K3,901,832 as uncollected revenue from debtors. From this outstanding balance of K3,901,832, the central Government owed a total of K1,088,000 to the Council in respect of unpaid property rates for its properties in the district and engagement to collect the full amounts from the Government were ongoing.

The Town Clerk further submitted that other clients in respect of billboards, mast levy and rentals had financial challenges and, therefore, could not pay on time despite several reminders. He, however, added that a total amount of K200,000 (grant in lieu of rates) had been collected from the Government in respect of property rates arrears and a total of K246,703 had been collected from various individual rate payers by the Sheriff's Department.

A total of K517,535 had been collected from individuals in respect of the outstanding rentals and a total of K534,201 had been collected in respect of billboards. The Council was still pursuing the remaining balance of K2,403,393 and was optimistic that the amount would be collected before end of 2018.

Further, he submitted that the memorandum of understanding for the KCM rebate, the schedules detailing the collected amounts from rates, rentals, billboard and mast levies with the corresponding receipts were available for verification. With regard to remedial measures, he submitted that the Council would engage the Sheriff's Department to assist in collecting the outstanding amounts from defaulters of various amounts payable to the Council.

### **Committee's Observations and Recommendations**

Your Committee expresses concern over the delay by the Council to collect the debts from defaulters, which denied the Council revenue to improve service delivery to areas under its jurisdiction. Your Committee, therefore, urges the Town Clerk to pursue the matter aggressively until the debts are paid in full. Your Committee will await a progress report on the matter.

#### **d) Failure to Collect Penalties from Illegal Settlers - K4,602,500**

The Town Clerk reported that the illegal settlers who were given demand letters for regularisation of their land had challenges to pay their penalty fees in the period under review. He submitted that the Council only collected a total amount of K465,440 out of the expected amount of K4,602,500 and had engaged various media platforms to sensitise the illegal settlers

on the need to regularise their settlements and acquire relevant documents for the land that they occupied.

Further, he submitted that the Council had partnered with different media platforms to educate illegal settlers on the need to pay and have legal documents for the land that they occupied. The Council would seek legal redress and prosecute all the settlers who would not comply by paying regularisation fees by end of 2018.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Town Clerk to keenly pursue the matter until all the debts are paid in full. Your Committee resolves to await a progress report on the matter.

#### **e) Uncollected revenue for plots in Gymkhana Township- K534,900**

The Town clerk reported that the successful applicants had been hesitant to pay for the plots because of the squatters who had heavily encroached and settled in the offered plots. The Council had since managed to remove all the squatters who had taken possession of the land and reminder notices had been sent to all successful applicants for them to pay and take possession of their plots. The Council would repossess and reoffer the plots for all those who would not pay by 31<sup>st</sup> July, 2018. Further, the Council would ensure that before any land was offered to the public, it was free from illegal squatters.

#### **Committee's Observations and Recommendations**

Your Committee notes the planned action to be taken and resolves to await a progress report on the matter.

#### **f) Failure to allocate Plots in Gymkhana- K897,600**

The Town Clerk submitted that eighty-one successful applicants were not allocated their plots because the area was heavily encroached upon by squatters. The Council had managed to remove all the squatters in the area and had since allocated sixty plots to the affected applicants. The remaining twenty-one would be allocated before the end of August, 2018. The register showing the acquittals for the sixty applicants who had since been shown their plots were available for verification. He added that the Council would ensure that before any land was offered to the public, it was free from illegal squatters.

#### **Committee's Observations and Recommendations**

In noting the progress made in the allocation of plots, your Committee resolves to await a progress report on the remaining twenty one plots yet to be allocated.

#### **g) Failure to Collect Land Development Fees from sale of plots – K 858,160**

The Town Clerk submitted that the successful applicants had been hesitant to pay for the plots because of the squatters who had heavily encroached and settled in the offered plots. The Council had since managed to remove all the squatters who had taken possession of the land and had written reminder notices to all successful applicants to pay and take possession of their plots. The Council would repossess and reoffer the plots for all those who would not pay by 30<sup>th</sup>

August 2018. The Council would ensure that before any land was offered to the public it was free from illegal squatters.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee resolves to await a progress report on the matter.

#### **h) Unretired Imprest- K85,575**

The officers did not comply with several reminders which were issued to them urging them to promptly retire their outstanding imprest. A total of eight officers with amount totaling to K25,608 had since retired their imprest, leaving a balance of K59,967 for the six officers who had been transferred to other Councils. Letters had been written to their respective Councils to effect recoveries through the payroll and remit the funds to Chingola Municipal Council. The imprest ledger and the letters of the transferred officers were available for verification. With regard to remedial measures, the Council would ensure that all special imprest issued was retired immediately after the purpose for which it was issued was fulfilled in accordance with financial regulation 119 (1) and (2).

### **Committee's Observations and Recommendations**

Your Committee expresses concern over the manner in which the financial regulations are being flouted with impunity. Your Committee urges the Town Clerk to not only make recoveries from officers who deliberately flout the financial regulations but also to institute disciplinary action against erring officers. Your Committee resolves to await a progress report on the matter.

#### **i) Irregular Payment of Subsistence Allowance on Sponsored Activities - K33,397**

The Town Clerk submitted that the subsistence allowances paid to the officers was meant to cover for the travelling days to and from the venues of the meetings/workshops which were not covered by the sponsors of the programmes. However, the total amount of K18,527 out of the queried amount of K33,397 was paid to the drivers who were supposed to be paid by the Council as organisers of the meeting/or workshops could not meet their logistics, leaving the balance of K14,870.

Out of the remaining balance of K14,870, the Council had effected deductions through the payroll for one officer owing K4,100 and an initial amount of K960 had already been recovered from the officer. Two officers with amounts totaling to K10,770 were transferred to other Councils, but letters had since been written to them requesting them to repay the money before 30<sup>th</sup> August, 2018. Relevant documents were available for audit verification.

The Council would, in future, endeavour to seek proper clarification from the organisers of the sponsored meetings/workshop as regards transport and other, logistics for the invited officers before effecting any payment to the officers.

### **Committee's Observations and Recommendations**

Your Committee notes the submission with concern given that the Council made payments to officers without seeking clarification on what expenses were covered by the sponsors for the workshop, leading to abuse of financial privileges by officers who erroneously received



payments for a sponsored workshop. Your Committee sternly cautions the Town Clerk against the repeat of such erroneous payments and urges him to institute disciplinary action against all officers who perpetrated or abetted this irregularity. Your Committee will await progress report on the matter.

**j) Failure to Compute Fuel Imprest Using Prescribed Formula**

The Town Clerk submitted that the Council had issued a special imprest to the officers in accordance with the financial regulations to cater for fuel and other eventualities that were expected to arise because the vehicles that the officers used were not in good condition. The special imprest that was issued was retired accordingly.

The Council had effected deductions through the payroll from the affected three officers who were still serving with Chingola Municipal Council and a total amount of K2,269 had since been recovered, leaving a balance of K7,069.74. The payroll reports showing the deductions from the cited officers were available for verification. The Council would ensure strict adherence to Cabinet Circular No. 7 of 2012.

**Committee's Observations and Recommendations**

Your Committee expresses serious disappointment over the total disregard of the financial regulations by the Town Clerk and sternly cautions him against such acts. Your Committee calls for full recovery of the funds without any further delay and resolves to await a progress report on the recovery of the remaining balance.

**k) Failure to Constitute a Medical Board- K238,075**

The Town Clerk submitted that the Ministry of Health had not responded to the letter dated 2<sup>nd</sup> November, 2016 in which the Council requested them to constitute a medical board to determine whether the cited officer would be able to continue working or not.

The Council further reminded the Ministry of health, through its letters dated 27<sup>th</sup> February, 2017 and 20<sup>th</sup> April, 2018 as a follow up on the matter. The Council would continue to follow up this matter with the Ministry of Health. The letters were available for verification. With regard to remedial measures, the Council would ensure that help was sought from the Ministry of Local Government and the Local Government Service Commission to facilitate speedy establishment of a medical board by the Ministry of Health.

**Committee's Observations and Recommendations**

Your Committee notes that the first request was only made 3.5 years after the cited officer had been absent from work when the terms and conditions of service for Local Government Service No 169 states that an officer might be absent from duty due to ill health for ninety days, after which a medical certificate should be provided. Your Committee, therefore, sternly cautions the Town Clerk against such laxity and urges him to actively pursue the matter with the Ministry of Local Government and the Local Government Service Commission and ensure that a medical board is constituted at the earliest possible time. Your Committee will await a progress report on the matter.

**l) Travel Abroad Without Authority - K111,262**

The Town Clerk submitted that the two officers and one Councilor were no longer serving at the Chingola Municipal Council. The two officers had been transferred to other Councils and the Councilor was no longer a Councilor of Chingola Municipal Council and this situation had posed challenges to discipline the officers, let alone recover the monies they got from the Council. However, in the letter of authority to travel dated 17<sup>th</sup> September, 2015 from the Ministry of Local Government, the letter did not specify the individuals to travel but instead allowed each individual Councils to choose officers to travel.

The Council had written letters to the officers to ensure that they made necessary arrangements to refund the money paid to them before end of 2018. The letters were available for verification. With regard to remedial measures, the Council would ensure that only officers who were granted authority to travel abroad were the ones that traveled in the future.

**Committee's Observations and Recommendations**

In noting the submission, your Committee insists that the Town Clerk recover the money erroneously paid to officers who traveled abroad without authority before the end of 2018, despite them having left the service of the Council. Your Committee resolves to await a progress report on the matter.

**m) Allocation of Plots in Reserved Areas in Riverside, Chingola South and Lulamba - K34,380**

The Town Clerk submitted that there was no proper reconnaissance survey conducted by Council Surveyors before the actual plot allocation. This was mainly because the Council was in possession of old survey equipment (the odolites and dumpy level) and depended so much on the topographical maps which normally lacked spatial details regarding the actual developments on the ground.

The Council had since relocated the five successful applicants to other designated areas and had since developed an automated Land Management System to improve efficiency in land administration. The Geographic Information System (GIS) and remote sensing techniques had now been fully adopted in land use planning. The Council had also procured and was using modern survey equipment in all cadastral survey work.

Further, the Council would ensure that any area earmarked for allocation was properly surveyed, numbered and serviced before allocation to members of the general public.

**Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

**n) Failure to Pay Staff Obligation- K10,874,161**

The Town Clerk reported that the Council had liquidity challenges in the period under review and concentrated much on liquidating other debts such as trade creditors whenever funds would allow. The Council had since paid a total of K5,168,381 towards retirees and a total of K281,227 towards the outstanding long service bonus and ledgers were available for verification.

Further, the Council would set aside funds every month towards liquidating of staff obligations. Other measures such as updating of the valuation roll and enhanced collection of markets and bus station fees had been taken to improve the revenue collection so as to be able to service staff debt.

#### **Committee's Observations and Recommendations**

Your Committee notes the measures taken to liquidate staff obligations and resolves to await a progress report on the matter.

##### **o) Failure to Remit Statutory Obligations, PAYE and Contributions to Union- K4,767,982**

The Town Clerk submitted that due to liquidity challenges in the period under review, the Council concentrated on liquidating other debts such as trade creditors whenever funds were available.

The Council had, nonetheless finalised the process of swapping a 29 hectare piece of land valued at K2,199,059 with the outstanding workers' contribution with the Local Authorities Superannuation Fund (LASF). The Council had also paid a total of K60,000 towards the outstanding unionised workers' contributions to Zambia United Local Authorities Workers' Union (ZULAWU). Further, a total payment of K58,524.63 had been paid towards the outstanding workers' contributions to the National Authority Pension Scheme (NAPSA) and another K3,983.61 payment towards the outstanding workers' contributions to Fire Services Union of Zambia (FireSUZ) had also been made.

Furthermore, the Council had also paid a total of K1,200,000 towards outstanding Pay As You Earn to Zambia Revenue Authority (ZRA). Relevant documentation was available for verification. Going forward, the Council would set aside funds every month towards liquidating of staff obligations. Other measures such as updating of the valuation roll and enhanced collection of markets and bus station fees had been taken to improve the revenue collection so as to be able to service statutory obligations.

#### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Town Clerk to ensure that funds are set aside on a monthly basis by his Council to liquidate the staff obligations in accordance with the Council's own liquidation plan.

##### **p) Non-Recovery of Salary Advances**

The Town Clerk submitted that the payroll section had only one officer in the period under review which led to failure to promptly update the salary advance ledgers/register. This caused an oversight to promptly record and effect deductions for the salary advances acquired by the eight officers.

The Council had since seconded another officer to the payroll section to assist the other officer who was overwhelmed with the section duties. The Council had since recovered a total amount of K6,250 from the four officers who were still serving with the Chingola Municipal Council.

The other four officers with the amount totaling K15,314 were no longer with Chingola Municipal Council. They had been transferred to other Councils and the letters had been written to their respective Councils requesting their current Councils to deduct the salary advances through the payroll and remit the monies to Chingola Municipal Council. All relevant documents were available for verification.

With regard to remedial measures, the Council would ensure that all salary advances were promptly recorded and deductions effected in the following month in accordance with the Financial Regulations.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Town Clerk to ensure that adequate staffing levels are maintained to avoid a repeat of similar cases in the future. The Town Clerk is also urged to actively pursue the matter of the four officers who were transferred to other councils until the whole K15,314 is recovered. Your Committee resolves to await a progress report on the matter.

#### **q) Failure to Provide Oral Contracts for Casual Workers - K805,883**

The Town Clerk submitted that the Council had allowed individual departments through the office of the head of the department to employ casual workers in collaboration with Finance Department on short term basis in accordance with their needs, without necessarily involving the Administration and Human Resources department. The heads of department did not maintain proper records of their casual workers.

The Council had managed to have all the cited casual workers sign their contracts retrospectively and the responsibility to employ any casual worker in the Council had been given to the Administration and Human Resources department for proper maintenance of the casual workers' records such as signed contracts. All copies of signed oral contracts were available for verification. Further, the Council would ensure that all the workers were employed through its Administration and Human Resources department and that all casual workers contracts were fully signed and properly documented.

### **Committee's Observations and Recommendations**

Your Committee finds this practice at the Council completely unacceptable. Your Committee, further, observes that there is no proof that those purported casual workers who signed the contracts retrospectively were the ones who were initially employed by the council. Your Committee, therefore, also urges the Town Clerk to institute disciplinary action against the officers who employed casual workers without following proper procedures.

#### **r) Payment of Social Holiday Allowance- K30,000**

The Town Clerk submitted that the payment of the social holiday allowance was based on the 1996 conditions of service as read together with the harmonisation of salaries circular of August, 2012 which guided that only allowances that were paid through the payroll were harmonised and consolidated in the new basic pays. Social holiday allowance was paid outside the payroll and therefore was not part of the allowances that were consolidated and harmonised in the new basic pay.

The officers that were paid the social holiday allowance had all been transferred to other Councils and letters had since been written to them to pay back the money to the Council not later than 30<sup>th</sup> August, 2018. The letters were available for verification. Further, the Council would ensure that no officer was paid social holiday allowance until the matter was resolved by Government.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Town Clerk to aggressively pursue the recovery of these funds from the officers and resolves to await a progress report on the matter.

#### **s) Irregular Payment of House Rentals**

The Town Clerk reported that the Council had relied on the letter dated 29<sup>th</sup> August, 2013 from the Local Government Service Commission which authorised: continuation of the tenancy agreement which was between the Council and the landlord; and payment of the rentals outside the payroll for the former Town Clerk after harmonisation of salaries.

Further, the Town Clerk submitted that the Council would seek further guidance on the letter dated 29<sup>th</sup> August, 2013 from the Local Government Service Commission. Going forward, the Council would ensure that all the employees were paid housing allowances through the payroll so that they could pay the rentals individually and also sign tenancy agreements in their individual capacities.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Town Clerk to ensure that conditions of service are adhered to without fail as stipulated by the Local Government Service Commission. Your Committee recommends that the overpaid rentals in relation to the former Town Clerk be recovered. Your Committee will await a progress report on the matter.

#### **t) Management of Non-Current Assets**

##### **i. Lack of Title Deeds- K26,255,791**

The Town Clerk submitted that the Council was unable to secure forty-four properties by obtaining title deeds from the Ministry of Lands. He further submitted that the Council had already commenced the process of obtaining title deeds with the Ministry of Lands. The Council had since generated site plans for the properties in question and had ensured that the properties had been surveyed. The Council was just awaiting survey diagrams from the private surveyors to facilitate the acquisition of title deeds. Currently, Council was in the process of obtaining offer Letters from the Ministry of Lands for the properties in question. Furthermore, the Council would ensure that Title Deeds were obtained for every property that it developed or acquired in the future.

### **Committee's Observations and Recommendations**

In noting the progress, your Committee expresses concern that the Council allowed its property to remain unsecured for a long time. Your Committee, therefore, resolves to await a progress report on the matter.

**ii. Questionable Revaluation of Assets - K8,452,000**

The Town Clerk submitted that the Council had used the services of its valuation officers in the valuation section of the Finance Department to value the properties instead of private valuers or Government Valuation Department officers to value the properties. This was because the Council did not have adequate resources to engage private valuers or Government valuation officers.

Further, the Council had since engaged the Government Valuation Department to value all its properties (land and buildings, plant and equipment and motor vehicles) for accounting purposes so as to reflect a true and fair value of assets in the 2017 Financial Reports. The valuation reports showing the latest values of all Council assets as at 31<sup>st</sup> December, 2017 from the Government Valuation department were available for verification.

Furthermore, the Council would, with effect from the year 2017, progress with the fair values given in the valuation report of the Government Valuation Department for all its assets and would keep revaluing its assets in accordance with the accounting standards.

**Committee's Observations and Recommendations**

In noting the submission, your Committee resolves to close the matter subject to audit verification.

**iii. Lack of Maintenance Policy**

The Council did not have a maintenance policy in place to ensure that buildings were maintained periodically. As a result, the Council's properties were in a general state of disrepair. In particular, the following were observed:

**Council Workshop**

The Town Clerk reported that the Council did not have the a maintenance policy for its assets and had challenges in mobilising resources to rehabilitate its workshop in the period under review.

However, the Council had set aside a total of K120,000 for rehabilitation of the Council workshop in the 2018 budget. The rehabilitation would commence as soon as funds were mobilised before the end of the year. Further, the Council had embarked on a programme of routine maintenance for all its buildings as plans to mobilise adequate resources for major rehabilitation of the buildings was underway.

**Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to wait a progress report on the matter.

**Abattoir**

The Town Clerk submitted that the Council did not have a maintenance policy for its assets and had challenges in mobilising resources to rehabilitate its abattoir during the period under review. However, the Council had set aside a total of K180,000 for rehabilitation of the Council abattoir and workshop in the 2018 budget. The rehabilitations would commence as soon as funds were mobilised before the end of the year. Further, the Council had embarked on a programme to do

routine maintenance for all its buildings as plans to mobilise adequate resources for major rehabilitation of the buildings was underway.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to wait a progress report on the matter.

#### **Twashuka Tarven**

The Town Clerk reported that the Council had challenges in mobilising resources to rehabilitate its Twashuka Tarven in the period under review. The tenant also had challenges paying the rentals as he was not able to fully utilise the building due to its deplorable state and the Council could not renew the contract due to non-payment of rentals by the tenant. However, the Council had set aside a total amount of K200,000 in its approved budget estimates for the year 2018 for the rehabilitation of the tarven. The tenant had since paid all the outstanding rentals amounting to K20,000 to the Council and the tenancy agreement was yet to be renewed.

Further, the Council had embarked on a programme of routine maintenance for all its buildings as plans to mobilise adequate resources for major rehabilitation of the buildings were underway. The Council would not renew tenancy agreements with tenants who were in the habit of not promptly paying rentals to the Council.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Town Clerk to aggressively pursue the outstanding rentals from the tenant. Your Committee also urges the Town Clerk to ensure that rehabilitation works commence at the earliest possible time once the funds for the project are disbursed. Your Committee will await a progress report on the matter.

#### **Chiwempala Community Hall**

The Town Clerk submitted that the Council had challenges in mobilising resources to rehabilitate its Chiwempala Community Hall in the period under review. The Council did not have a written tenancy agreement with the Kingdom Grace Ministries in the period under review. However, the Council had set aside a total amount of K250,000 in the 2018 budget for the rehabilitation of Chiwempala Community Hall. The tenant had so far paid all the outstanding rentals amounting to K2, 150 but a written tenancy agreement was yet to be signed.

The Council had embarked on a programme of routine maintenance for all its buildings as plans to mobilise adequate resources for major rehabilitation of the buildings. Further, the Council would not renew tenancy agreements with tenants who were in the habit of not promptly paying rentals to the Council.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to await a progress report on the matter.

#### **Zhikilalo Jere Library**

The Town Clerk submitted that the Council had challenges in mobilising resources to rehabilitate its Zhikilalo Jere Library in the period under review. However, the Council had set aside a total amount of K150,000 in its approved budget estimates for the year 2018 for the rehabilitation of

the library. Further, the Council had embarked on a programme of routine maintenance for all its buildings as plans to mobilise adequate resources for major rehabilitation of the buildings were underway.

### **Committee's Observations and Recommendation**

Your Committee notes the submission and resolves to await a progress report on matter.

## **AUDIT QUERY                      PARAGRAPHY - 7 CHINSALI MUNICIPAL COUNCIL**

### **Review of Operations**

An examination of accounting and other records for the financial year ended 31<sup>st</sup> December, 2016, maintained at the Council and a physical inspection of projects carried out in October, 2017, revealed various irregularities, to which the Council Secretary responded as set out below.

#### **a)        Failure to Transfer Commercial Plots**

The Council Secretary reported that the delay in transferring the two properties was as a result of the litigant's reluctance in coming forward to choose the appropriate site of preference. The Council Secretary submitted that the Council had since allocated plot Nos. 2000 and 2001 to the litigant and the formal communication for the offer of two commercial plots indicated was available for verification.

The Council Secretary reported that matters to do with litigation were handled according to court instructions to avoid further legal actions and payment of other legal fees, including interest on outstanding amounts.

### **Committee's Observations and Recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

#### **b)        Failure to Prepare Financial Statements**

The Council Secretary reported that the failure to prepare Financial Statements was as a result of the asset valuation process that the Council was still awaiting from the Government Valuation Department. The Council Secretary reported that the Council had since been availed with the asset valuation report and the Council had started working on the Financial Statements.

Your Committee was informed that the Council had in the 2018 budget estimates set aside some amounts to enable it acquire the International Public Sector Accounting Standards (IPSAS) package to effectively apply financial reporting requirements adequately.

### **Committee's Observations and Recommendation**

Your Committee urges the Council to ensure that the valuation of the Council's immovable assets is conducted timely henceforth in order to ascertain their true values. However, your Committee resolves to close the matter subject to verification as the Council has managed to prepare the Financial Statements using the provisional values.



**c) Failure to Adopt Information and Communication Technology (ICT) Frameworks**

The Council Secretary reported that the failure to adopt the ICT Framework was as a result of lack of IT personnel. The Council Secretary reported that the Council had made a request to Dove Computing Services to assist set up an ICT Framework for the Council. In addition, the Local Government Service Commission had since deployed IT personnel and records were available for verification.\

The Council Secretary informed the meeting that the Council would also proceed to acquire an internet facility for the institution to supplement on the management of the Council's automated operations and administration of the ICT environment.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that he requests Local Government Service Commission for IT personnel to manage operations and administration of the ICT environment. Your Committee awaits a progress report.

**d) Lack of Title Deeds and Insurance**

The Council Secretary reported that the non-adherence to the *Lands Act, Chapter 184 of the Laws of Zambia* was as a result of the normalisation process that the Council was still undertaking to ensure that the cited properties had titles and later insured. The Council Secretary further reported that the Council had commenced the process of acquiring titles for all council properties and the Ministry of Lands had since issued the Council with an invitation to treat for some selected properties. Furthermore, the Council had engaged the provincial Survey Department and documents were available for verification. The Council Secretary assured your Committee that the Council had included the insurance component in its 2018 budget provision to cushion incidental loss or damage of properties.

**Committee's Observations and Recommendations**

Your Committee observes with concern the failure by the Council to secure its property, noting that the lack of Title Deeds makes it difficult to verify the ownership of the properties. Further, contrary to the Local Authorities Financial Regulation No. 154, the properties have not been insured. Your Committee recommends that the Council engages the provincial lands office on how best they can help the Council to acquire its Title Deeds promptly, and thereby insure the properties to cushion against loss or damage of properties. Your Committee will await a progress report on the matter.

**e) Failure to Fill Key Positions**

The Council Secretary reported that the failure to fill key positions was due to inaction by the Local Government Service Commission once the staff establishment register/returns had been submitted to them. The Council Secretary also reported that the Local Government Service Commission (LGSC) had since started filling the cited vacant positions and copies of letters of appointments/ transfers were available for verification.

The Council undertook to continue updating the LGSC of the prevailing staff establishment to avoid audit queries in future.

### **Committee's Observations and Recommendations**

Your Committee is aware that the mandate to fill vacant positions, particularly those in Divisions I, II and III lay with the LGSC, established under Article 228 of the Constitution of Zambia, Chapter 1 of *the Laws of Zambia, as amended by Act No. 2 of 2016*. Your Committee urges the Council Secretary to ensure that the Commission is updated on quarterly basis of the Council's staff returns to guarantee the smooth running of the Council. Your Committee awaits a progress report on the matter.

#### **f) Failure to Issue Receipts**

The Council Secretary reported that the failure to issue the receipts was as a result of direct deposits from clients who were paying for some fees and charges. The Council Secretary further reported that although it was difficult for the Council to identify which client had deposited an amount as it did not have adequate information. However, the Council had since receipted the deposit in question and records were available for verification. Consequently, the Council had since introduced online banking facilities with their respective bankers to capture direct/RTGS transactions made by its clients.

### **Committee's Observations and recommendations**

Your Committee notes with concern that the failure to issue receipts was contrary to Local Authorities Financial Regulation No 51(1) and has the potential to compromise accountability for the revenues received. Your Committee thus directs the Council Secretary to ensure that the Council's internal controls are enhanced so that financial regulations are adhered to at all times. Your Committee Recommends that the matter be closed subject to audit verification.

#### **g) Irregular Payment of Subsistence Allowances**

The Council Secretary reported that the irregular payment of subsistence allowance was as a result of payments made to grader operators who were spending nights in Kaso Village, Chilinda Sub-Boma, some 120 km from the civic centre. The Council Secretary informed your Committee that the Council had since directed the Provincial Local Government Officer and copied Cabinet Office to justify the payments and seek authority in retrospect. The Council Secretary assured your Committee that in order to avoid repetition of queries for non-adherence to the Cabinet Office Circular of 2015, the Council would in future seek permission from relevant authorities.

### **Committee's Observations and recommendations**

Your Committee is seriously concerned that the Council appears to be entertaining these irregularities by directing that retrospective authority be sought. In this vein, your Committee directs that disciplinary action be instituted against all officers who authorised these payments. Your Committee further urges the Council Secretary to ensure that the Council's internal controls are enhanced so that financial regulations are adhered to henceforth. Your Committee awaits a progress report on the matter.

#### **h) Allowances Paid to Non-Council Employees without Authority**

The Council Secretary reported that the allowances in question were as a result of payments made to a newly posted staff to Chinsali Municipal Council instead of officers from Cabinet Office as reported by the auditors as well as contributions made by various councils in Muchinga

Province to facilitate the Provincial Local Government Officers' trips to the above indicated meetings. The Council Secretary reported that the Council had since written to Provincial Local Government Officer to assist in the rectification of the matter with the Ministry. Records were available for verification. The Council Secretary further submitted that in future the Council would not proceed to make such payments without written authority from the Ministry of Local Government.

#### **Committee's Observations and recommendations**

Your Committee notes the submission and directs that disciplinary action be taken against the officers who authorised these irregular payments in order to forestall similar irregularities in future. Further, your Committee urges the Council Secretary to ensure that all payments to non-Council employees are only made with prior authority from relevant authorities. Your Committee awaits a progress report on the matter.

#### **i) Irregular Payments of Social Holiday Allowances**

The Council Secretary reported that the irregular payment of social holiday allowance was as a result of payments that were already made prior to the Council's previous appearance before the Committee on Local Governance, Housing and Chiefs' Affairs on a similar query. The Council Secretary submitted that deductions had since been instituted for three out of the five officers who were cited in the initial report. Furthermore, the deductions for the other two officers who had since been transferred to other Councils had also been instituted in form of leave commutation from their outstanding amounts and records were available for verification. The Council had since discontinued the payment of the social holiday allowances following the directive from the Ministry.

#### **Committee's Observations and recommendations**

Your Committee urges the Council Secretary to adhere to Ministry of Local Government and Housing Circular No. MLGH/101/8/4 which abolishes the payment of entertainment allowances such as social holiday and talk time allowances. Your Committee urges the Council Secretary to ensure that stipulated financial regulations are adhered to at all times. In this vein, your Committee urges that disciplinary action be taken against all those involved in approving these payments in contravention of the said circular. Your Committee awaits a progress report on the matter.

#### **j) Unretired Accountable Imprest**

The Council Secretary reported that the outstanding unretired accountable imprest was as a result of the failure by an officer, who had since been transferred to Rufunsa. The Council Secretary informed the Committee that the Council had since instituted recovery of the unretired imprest from her outstanding leave days in form of leave commutation and records were available for verification. The Council Secretary reported that a senior officer had been assigned to oversee matters of imprest acquisition and since then accountable imprests were cleared within forty-eight hours from the holder's return in order to avoid departure from stipulated regulations.

#### **Committee's Observations and recommendations**

Your Committee observes with concern the failure to adhere to Local Government Financial regulation No. 119. Your Committee urges the Council Secretary to write to all the transferred

officers so as to effect recoveries. Your Committee further implores the Council Secretary to ensure that an imprest register is introduced to track retirement of imprest. Your Committee awaits a progress report on the matter.

**k) Failure to Prepare Activity Reports**

The Council Secretary reported that besides the imprests having been duly retired in accordance with Local Government Financial Regulation No. 119, the activity reports presented to external auditors did not meet audit requirements. The concerned officers were instructed to reproduce the reports and they were available for verification. Your Committee heard that heads of department had since been instructed to ensure that the activity reports produced by their subordinates met the audit requirements to avoid reoccurrence of similar queries.

**Committee's Observations and recommendations**

Your Committee observes with concern that there were no reports produced for audit for various activities undertaken by the Council, making it difficult to ascertain whether or not these activities in fact took place. Your Committee urges the Council Secretary to strictly ensure that all activities undertaken are supported by activity reports and accounted for. Your Committee awaits a progress report on the matter.

**l) Unsupported Payments**

The Council Secretary reported that the unsupported payments were as a result of various statutory and professional contributions made by the institution and deposited directly as guided by the respective statutory bodies. The Council Secretary submitted that the Council had since managed to follow up the cited statutory bodies and acknowledgements of payments had been collected and were available for verification. The meeting heard that as much as many institutions were migrating from paper based reports to automated e-payment systems, the Council would ensure that such payments were formally acknowledged by the respective recipients to avoid audit queries.

**Committee's Observations and recommendations**

Your Committee observes with concern that Local Authority Financial Regulation No. 86 has been abrogated. Your Committee thus directs the Council Secretary to ensure that the Council's internal controls are enhanced so that financial documents are secured to avoid recurrence of this irregularity. Your Committee awaits a progress report on the matter.

**m) Unaccounted for Stores**

The Council Secretary attributed the unaccounted for stores cited in the query to lack of qualified personnel, as a result the Council failed to produce records. However, the amount of stores items costing K58,056 in respect of general stores and fuel had since been normalised and records were available for verification. Your Committee further heard that the Council had since written to the Local Government Service Commission requesting that qualified stores staff be deployed to the Council to assist administer and manage stores issues in accordance with the relevant regulations.

### **Committee's Observations and recommendations**

Your Committee finds the failure to account for stores unacceptable. Your Committee strongly urges the Council Secretary to ensure that Financial Regulation No. 145, are strictly adhered to at all times. Your Committee awaits a progress report on the matter.

#### **n) Failure to Remit Statutory Contributions, PAYE and Contributions to Unions**

The Council Secretary reported that the failure to remit statutory contributions was as a result of the Council's narrow revenue base due to lack of economic activities in the district. However, the Council had engaged NAPSA over a debt swap with land and the institution had indicated willingness to accept the proposal. Meanwhile, a letter to ZRA, proposing a flexible payment plan, had been written and records were available for verification. The Council Secretary reported that the Council would continue to engage the statutory bodies for possible exchange of outstanding amounts with land in order to liquidate the outstanding amounts.

### **Committee's Observations and Recommendations**

Your Committee finds the non-remittance of statutory contributions to the National Pension Scheme Authority (NAPSA) and PAYE unacceptable and implores the Council Secretary to expeditiously follow up on the proposed debt swaps in order to clear the arrears. Further, your Committee urges the Council Secretary to ensure that monthly payments towards these obligations should continue to avoid the debts accruing. Your Committee awaits a progress report on the matter.

#### **o) Outstanding Staff Obligations**

The Council Secretary reported that the outstanding staff obligations were due to financial constraints as a result of a limited revenue base. The Secretary reported that the Council had been settling the outstanding amounts as and when the funds become available. Records were available for verification. The Committee Secretary reported that the Council would continue attending to staff obligation matters as and when the financial position improved to avoid accruing unsustainable staff debt situation.

### **Committee's Observations and Recommendations**

Your Committee urges the Council Secretary to ensure that part payments for terminal benefits are made on a monthly basis so that they are liquidated as and when they fall due. Your Committee awaits a progress report on the matter.

#### **p) Outstanding Receivables**

The Council Secretary reported that the outstanding receivables cited were as a result of unpaid property rates due to the fact that prior to the previous two valuation updates, the local authority had not collected and updated the main valuation roll in twenty years. The Council Secretary reported that the Council had continued sensitising the property owners on the importance of paying rates. Further, the Council had issued demand notices and would issue warrants of distress in accordance with the *Rating Act, Chapter 192 of the Laws of Zambia* against all those that would not settle their outstanding amounts. However, some property owners had started clearing their outstanding amounts and records were available for verification. The Council Secretary informed your Committee that the Council would continue to pursue the outstanding

amounts as provided for in the *Rating Act* and ensure that the Council's main valuation roll was prepared and updated as and when it was due for an update to avoid an information gap.

### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council to ensure that it collects all the rates to boost its revenue. Your Committee will await a progress report on the matter.

## **AUDIT QUERY**

## **PARAGRAPHY 8**

### **CHIPATA CITY COUNCIL**

#### **Review of Operations**

An examination of accounting records and other relevant documents maintained at the Chipata City Council and a physical inspection of selected projects carried out revealed the following.

##### **a) Lack of Strategic Plan**

The Town Clerk submitted that the local authority had no strategic plan during the period under review. This was caused by lack of key personnel in the Planning Department who were key in the formulation of the institution's strategic plan. Following the recruitment of the key personnel in planning department, the Council had drafted a strategic plan to be adopted by the full Council. The draft was ready for audit verification. The local authority would endeavour to be updating its strategic plan ever after five years to ensure that its goals and objectives in terms of service delivery and operations were communicated.

#### **Committee's Observations and Recommendations**

In noting the submission, your Committee resolves to await progress report on the adoption of the draft strategic Plan.

##### **b) Lack of Risk Management Policy**

The Town Clerk submitted that there was no risk management policy in place due to lack of key staff under Internal Audit Section that could have spearheaded the formulation of a risk management policy in consultation with other departments. Further, the local authority had taken note of the auditors' query and the Council had started drafting a risk management policy which would be presented before a full Council for approval. Once the policy on risk management was approved, the local authority would implement it.

#### **Committee's Observations and Recommendations**

Your Committee finds it unacceptable that the City Council has been operating without a risk management policy, which is supposed to aid the Council to identify and mitigate risks. Your Committee, therefore, urges the Town Clerk to expedite the drafting process and submission of the policy to the full Council for approval. Your Committee awaits a progress report on the matter.

##### **c) Outstanding Receivables- K6,011,207**

The Town Clerk submitted that the Council faced a number of challenges in terms of staffing levels in many departments. For example, the Council lacked key staff in the Finance

Department who could have coordinated debt management for the Council. Property owners were being engaged on a one to one basis on the need to pay property rates in order for the authority to improve service delivery. The Council had engaged bailiffs to recover all outstanding property rates. Further, the Council had issued demand notices to all debtors and in some cases the authority was actively pursuing those debtors for recoveries.

With regard to remedial measures, the Council had continued to sensitise and engage property owners on the need to comply with the *Rating Act* before warrants of distress could be considered. The Council was now producing debtors ageing listing to ensure that all debts were timely collected.

### **Committee's Observations and Recommendations**

In noting the steps being taken by the Council to reduce on the outstanding receivables, your Committee urges the Council to pursue debtors in a timely manner so as to alleviate the cash flow challenges it currently faces. Your Committee resolves to await a progress report on the matter.

#### **d) Failure to Fill Vacant Positions**

The Town Clerk submitted that following the amendment of the *Local Government Act Chapter 281 by Act No. 12 of 2014* staff matters were now dealt with by the Local Government Service Commission and the Council had no jurisdiction to hire staff to fill vacant positions.

The Council had submitted all vacant positions to the Local Government Service Commission. The Local Government Service Commission had filled most of the key positions. The Council would endeavour to actively engage the Commission to have the remaining key positions filled.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Town Clerk to ensure that requests to fill vacant positions are submitted to the Local Government Service Commission in time and not to wait until audit queries have been raised. Your Committee will await a progress report on the remaining vacancies yet to be filled.

#### **e) Failure to Obtain Title deeds - K180,000**

The Town Clerk submitted that the Council acknowledged the auditor's observation. He stated the Council had since started the process of obtaining title deeds for the property. To that effect, it had engaged the Department of Physical Planning to survey the land and prepare necessary drawings for the processing of the title deeds. Furthermore, the Council would ensure that all Council properties were surveyed and title deeds obtained.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Town Clerk to expedite the process of acquiring the Title Deeds for the farm along Chadiza Road. Your Committee awaits a progress report on the matter.

**f) Missing Payment Vouchers**

Your Committee heard from the Town Clerk that most of the missing payment vouchers were either misfiled or misplaced. Further, there inadequate supervision of finance staff as the key positions, including that of Director of Finance, remained vacant for a long period of time until in 2017 when the Acting Director of Finance and other support staff were deployed to the Council by the Local Government Service Commission. Missing payment vouchers had since been traced and placed on respective files, ready for audit verification.

With regard to remedial measures, payment vouchers were being filed immediately a transaction was completed. There was now maximum supervision of finance staff to ensure that all payment vouchers were filed correctly. Internal audit was now carrying out post audit of all transactions to ensure that there was compliance with financial regulations.

**Committee's Observations and Recommendations**

Your Committee is seriously concerned with the trend of waiting for an audit query before corrective measures are taken by councils. Your Committee, therefore, sternly cautions the Town Clerk against such laxity and urges him to institute disciplinary action against any officer who will be found wanting in this regard. Your Committee resolves to close the matter subject to audit verification.

**g) Unretired Imprest - K42,450**

The Town Clerk submitted that the Council did not have adequate finance staff as it only depended on a few who during the period under review could not follow up, to ensure that the imprest holders accounted for it timely.

Compounded by poor record keeping, it was difficult to enforce Local Government (Financial) Regulation 119 to recover imprest. The Council had since initiated recoveries of all outstanding imprest through the payroll. Records were available for audit verification. Further, the Council was enforcing Financial Regulation 119 and any imprest advanced to any officer was immediately recovered from ones salary if not retired within the allowable time frame.

**Committee's Observations and Recommendations**

Your Committee notes with serious concern that despite inadequate staffing levels, the Finance Department was able to make payments, but the same staff was deemed inadequate when it came to enforcing financial control measures to deter irregularities such as unretired imprest. Your Committee, therefore, urges the Town Clerk to ensure that in addition to halting issuance of any further imprest to those officers with outstanding imprest, recoveries are instituted immediately, followed by disciplinary action whenever officers fail to retire their imprest within the minimum period stipulated by the Local Government Financial Regulation No. 119. Your Committee resolves to close the matter subject to audit verification.

**h) Unsupported Payments - K175,229**

The Town clerk submitted that due to a poor filing system, most of the supporting documentation was filed separately and not attached to payment vouchers. Supporting documents had since been traced and attached to some payment vouchers. The Council had continued to search for the remaining supporting documentation so that all transactions could be supported. The



documentation was available for audit verification. Further, a senior finance officer checked all payment vouchers to ensure that they were adequately supported with relevant documents before and after the completion of a payment. Internal audit unit was also carrying out post audit to ensure that all payments were adequately supported.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee highly questions the authenticity of the supporting documents which were only traced for purposes of the appearance before your Committee, as opposed to availing these documents to the external auditors during the audit process. Your Committee sternly cautions the Town Clerk against poor record keeping and urges him to institute disciplinary action against all officers who would be found wanting in this regard. Your Committee directs that all supporting documents be presented for audit verification, and will await a progress report on the remaining supporting documents which are yet to be traced and attached to payment vouchers.

#### **i) Unaccounted for Stores - K82,637**

The Town Clerk submitted that the Council had a shortage of appropriate personnel in the stores section with only one junior officer during the period under review. The weaknesses in the controls were mostly due to delays in attaching the appropriate documentation or the lack of follow up with suppliers to issue the receipts to the Council. All stores items queried by the auditors had been accounted for. Fuel ledgers, stores and fuel requisitions and bin cards had been updated and attached to necessary vouchers.

Goods Received Notes (GRN) and disposal details had also been attached to the vouchers queried by the auditors. The Local Government Service Commission had since adequately staffed the Purchasing, Supplies and Stores Units. Records were available for audit verification. As a remedial measure, all goods procured by the Council were passing through stores where inspection was done and GRNs were generated and thereafter, stores requisitions were approved by relevant officers which were used to issue stores items to end users.

### **Committee's Observations and Recommendations**

Your Committee is concerned over the volume of records which were not availed to auditors during the audit, only to resurface at the time of appearing before your Committee. Your Committee urges the Town Clerk to ensure that best practices in record keeping are upheld in light of the improved staffing levels. The Town Clerk is, therefore, urged to, henceforth, mete out disciplinary action against any officers who fail to maintain records. Closure of the matter is recommended subject to audit verification.

#### **i. Failure to Transfer Funds to the Project Account - K1,151,872**

The Town Clerk submitted that as of December, 2017, the funding for the Council was not adequate in that the Equalisation Fund could not even cater for monthly net wage bill for the Council. In that regard, it was difficult for the Council to set aside at least 20 per cent of the funds for capital expenditure as it had to struggle to meet the shortfall on salaries. Accordingly, the local authority had requested for an increment in funding through the Ministry of Local Government. To that effect, the Council had written to the Ministry of Local Government to

consider increasing the Equalisation Fund considering that the Council had now been given city status, which had culminated in the creation of other departments.

Further, the Council had stepped up efforts to collect local revenue to sustain its operations. To that effect, a substantial amount of funds totaling K120,000 had been paid back to the project account for capital expenditure. Records were available for audit verification. The Town Clerk added that the Council would endeavour to set aside the required 20 per cent of local government equalisation fund for capital expenditure through intensive mobilisation of local resources to cater for operations.

### **Committee's Observations and Recommendations**

Your Committee expresses great concern in the way that Councils in general, and Chipata City Council in particular, have been flouting financial regulations on the utilisation of the 20 per cent Equalisation Fund meant for capital projects with impunity. Your Committee, therefore, sternly cautions the Town Clerk to forthwith desist from misapplying the 20 percent reserved for capital projects from the Equalisation Fund on operational expenditures. Your Committee reiterates that it will not tolerate any further misapplication of these funds as they are intended to benefit the communities in these areas. Your Committee further urges the Town Clerk to expedite the repayment of the funds misapplied by the Council on operational expenses. Your Committee will await a progress report on the matter.

#### **ii. Failure to Remit Statutory obligations and PAYE - K10,061,323**

The Town Clerk submitted that the Council has been operating under liquidity difficulties as it was struggling to meet its financial obligations. The Council could not even meet its net salaries and wages obligations for its employees during the period under review. He reported that the Council had since entered into a payment plan with Zambia Revenue Authority in which payment of statutory obligations had commenced. The local authority had also engaged other bodies like NAPSA and LASF and discussions were under way for possible debt swaps. The Council would ensure that payments were made towards the indebtedness as funds became available.

### **Committee's Observations and Recommendations**

Your Committee notes the submission, including the debt swap initiative and resolves to await a progress report on the matter.

## **AUDIT QUERY**

## **PARAGRAPH 9**

## **CHIPILI DISTRICT COUNCIL**

### **Review of Operations**

A review of accounting and other records maintained at the Council and a physical inspection of projects carried out in October 2017 revealed various irregularities, to which the Council Secretary responded as outlined below.

**a) Failure to Fill Vacant Positions**

In response to the query, the Council Secretary reported that the vacant positions were in Divisions 1, 2, and 3 and that the filling of these positions were the preserve of the Local Government Service Commission (LGSC). The Council might only recruit staff in Division 4, with authority from the Ministry of Local Government.

The Council Secretary further reported that quarterly staff returns had been submitted for the attention of the LGSC and the matter had been followed up. The LGSC had since sent a Chief Administrative Officer, Deputy Director of Works and District Planning Officer, among other staff to Chipili District Council. However, the positions of Deputy Council Secretary, Assistant Divisional Fire Officer and Stores Officer were still vacant. The staff establishment return as at 31<sup>st</sup> December, 2017 and a letter requesting for the key staff were available for verification. The Council Secretary also submitted that it would endeavour to work closely with the LGSC to ensure that all the key vacant positions were filled by August, 2018.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Local Government Service Commission to fill all vacant positions at the Council without delay. Your Committee will await a progress report on the matter.

**b) Non-Preparation of Financial Statements**

The Council Secretary stated that the query arose due to the transfer of key staff in the Finance Department. He reported that the Financial Statements for the financial years 2015 and 2016 had since been prepared in consultation with some transferred officers and were available for verification. The Council Secretary also submitted that the Council would endeavour to make sure that Financial Statements were prepared promptly in conformity with relevant International Financial Regulations and Standards (IFRS) as stipulated in the Local Government Financial Regulations and other relevant pieces of legislation and would strictly adhere to relevant accounting systems.

**Committee's Observations and Recommendations**

Your Committee notes the progress made by the Council in the preparation of the Financial Statements and directs that the Council should prepare all the remaining Financial Statements without undue delay. Your Committee further urges the Local Government Service Commission to institute disciplinary action against Town Clerks and Council Secretaries who fail to supervise their officers adequately, resulting in failure to adhere to the provisions of the Financial Regulations such as requirements to prepare Financial Statements. Your Committee will await a progress report on the matter.

**c) Failure to Adopt ICT Frameworks**

The Council Secretary informed your Committee that the query arose due to the fact that the Council systems were not computerised and in some instances there were no service level agreements with suppliers of the software. He explained that only the payroll system was computerised. However, efforts were being made to ensure that all departmental systems in the Institution were computerised by December, 2018. To this effect, the procurement unit had sought quotations from reputable companies in the quest to have the accounting and revenue

functions computerised. The quotation was available for verification. The Council was also considering interlinking all the Council departments by installing the Local Area Network (LAN) at the Chipili Civic Centre by December, 2018.

The Council Secretary stated that the Council would endeavour to put in place a well-coordinated and computerised system and adopt the ICT framework, which would enable it to be efficient and effective in the provision of services to the people and minimise red tape in the service delivery process. The Council would also ensure that all ICT information was properly backed up by temporarily engaging ICT personnel on a quarterly basis to offer technical assistance on backup of information as there was no position for ICT officer on the district staff establishment.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission and recommends that the Council should prioritise the adoption of the ICT framework in order to better manage the operations and administration of the Council. Your Committee will await a progress report on the matter.

#### **d) Unaccounted for Stores-K149,764**

The Council Secretary explained that the query arose due to the fact that during the period under review a qualified stores officer to specifically handle the stores section was not yet deployed to the Council by the LGSC. He reported that all missing stores records had been traced and were available for verification. Additionally, a clerical officer had been assigned the task of making sure that stores items received were well recorded, received and issued, and of maintaining a proper file for auditing purposes as the Council awaited a response from the LGSC on the deployment of a qualified stores officer.

The Council Secretary added that the Council would endeavour to make sure that proper stores records were maintained at all times. Additionally, the Council would follow up the issue of deployment of a qualified stores officer with the Local Government Service Commission. He was hopeful that the officer could be deployed to the Council by August, 2018.

#### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Council Secretary to maintain updated stores records at all times in accordance with Local Authorities Financial Regulation No.145. Your Committee resolves to close the matter subject to audit verification.

#### **e) Equalisation Funds**

The Council Secretary explained that the query arose because the 20 per cent allocation for capital projects was used for administrative purposes as the Council was in its infancy stage at that time, with no reliable source of revenue for its daily operations.

The Council Secretary further reported that from 2016, only projects of capital nature were funded from the 20 per cent capital projects component in accordance with the provisions in the *Local Government Act*, as amended by *Act No. 12 of 2014* on the utilisation of the 20 per cent of the Equalisation Fund. The Council Secretary further reported that projects earmarked for the

capital component for 2016 and 2017 were implemented. These included the opening up of township roads and maintenance of boreholes in the District.

The Council Secretary stated that the Council would endeavour, at all times, to make sure that the guidelines for all the funds it received were adhered to as stipulated in the financial regulations and other pieces of legislation.

### **Committee's Observations and Recommendations**

Your Committee observes that the Councils are spending the 20 percent project component of the Equalisation Fund on non-capital projects and, therefore, strongly recommended that the Ministry of Local Government should sensitise the Town Clerks and Council Secretaries on the need to broaden their revenue bases in order to stop misapplying the Equalisation Fund on non-capital projects such as personal emoluments. Your Committee further urges Chipili District Council to ensure that it utilises the 20 per cent capital component of the Equalisation Fund on capital projects only. Your Committee directs the Council to repay back the money misapplied and resolves to close the matter subject to audit verification.

## **AUDIT QUERY                      PARAGRAPH 10**

### **CHISAMBA DISTRICT COUNCIL**

#### **Review of Operations**

A review of accounting and other records maintained at the Council and a physical inspection of projects carried out in October 2017 revealed various irregularities, to which the Council Secretary responded as set out below.

#### **a)        Failure to Produce Receipt Books**

The Council Secretary submitted that there was no particular person assigned to be a custodian of the used receipts at the Council. This was why they got misplaced. He further submitted that the Council had continued to search for the receipts and that some had been found and would be availed to the auditors for verification while others were yet to be located. The Council Secretary, however, assured your Committee that it had taken a number of measures to avoid the recurrence of the problem, including assigning an officer as custodian of the receipt books after use. Furthermore, the receipt books were kept in a secured place.

On the issue of the Council not providing receipts to support payment of amounts totalling K77,058, the Council Secretary reported that it was an omission by officers. He informed your Committee that some receipts had since been traced and attached while the Council continued to search for others. To avoid the loss of documents, the Council Secretary submitted that Management had introduced a system to ensure that before any deposit was made, receipts were attached to the daily cash collection sheets or returned on daily basis.

#### **Committee's Observations and Recommendation**

Your Committee is seriously concerned that the Council is failing to maintain receipt books as this may result in abuse of funds. It, therefore, urges the Council devise a system of securing all

accountable documents and to mete out disciplinary action against officers who failed to adhere to the Financial Regulations, resulting in this query.

**b) Unaccounted for Revenue – K5,260**

The Council Secretary submitted that the funds were not deposited but used on funeral arrangements by one of the Council staff and it was to be repaid as soon as possible by Madison Life Funeral funeral policy cover. Unfortunately the officer was transferred to Petauke District Council before the refund was effected. The Council Secretary further informed your Committee that the Council had written to Petauke District Council to help effect the deduction from the earnings of the officer. She assured the Committee that the Council had since stopped using any council funds before depositing.

**Committee's Observations and Recommendation**

Your Committee finds it unacceptable that funds are used at source in total disregard of the Financial Regulations. The Council Secretary is urged to ensure that all revenues are banked within the times stipulated by law without fail forthwith and that disciplinary action is taken against all officers who approved this irregular use of revenue immediately.. Your Committee will await a progress report on this matter.

**c) Missing Payment Vouchers – K84,807**

The Council Secretary reported that the payment vouchers were not filed immediately after the payment, leading to misplacements. Your Committee was informed that the Council had since put a system in place where payment vouchers were filed for custody upon completion of the payment. Further, some officers had been assigned to file the documents as part of their job description. In addition, specific officers had been assigned to code and file payment vouchers and would be held accountable for any missing vouchers.

**Committee's Observations and Recommendation**

Your Committee is concerned about the poor record keeping in the Council which has led to misplacement of accountable documents. Your Committee notes that payment vouchers are very important documents which should be filed systematically for easy retrieval. Your Committee urges the Council Secretary to devise a system of securing accountable documents. Your Committee further urges the Council Secretary to institute disciplinary action against all officers responsible for this irregularity. The matter recommended for closure subject to audit verification.

**d) Unapproved Payments – K21,019**

The Council Secretary submitted that the final approval was restricted to the Controlling Officer. Unfortunately, officers did not take the payment for approval until the time of the audit. Your Committee was informed that the payment in question had since been approved and officers had been warned against making any payment without approval by the Controlling Officer or other authorised officers. Further, she assured your Committee that a system had been put in place to ensure that no payment was made without approval by a relevant officer.

### **Committee's Observations and Recommendation**

Your Committee finds it disturbing and unacceptable that a payment could be made without approval by a Controlling Officer. In this regard, your Committee calls for stern disciplinary action to be meted out against the officers who perpetrated this irregularity and a full criminal investigation into the transaction as it appears that there was collusion among the officers involved in this process. Further, your Committee urges the Council Secretary to ensure that no payment can be effected without the approval of the Controlling Officer. Your Committee will await a progress report on the matter.

#### **e) Un acquitted Allowances – K82,347**

The Council Secretary submitted that acquittal sheets were misplaced at the time of the audit. However, the acquittal sheets had since been traced, attached and were available for verification. Further, a procedure had been designed to attach the acquittal sheets during the processing of payments and that officers had been assigned to ensure that the acquittal sheets were attached. In addition, this procedure had been included in officers' job descriptions.

### **Committee's Observations and Recommendation**

In noting the submission, your Committee urges the Council Secretary to ensure that officers are sternly cautioned for the failure to acquit allowances in line with the Financial Regulations. Your Committee further urges the Council Secretary to effect deductions from the officers' emoluments for the failure to acquit the allowances as stipulated in the Financial Regulation. The matter is recommended for closure subject to audit verification.

#### **f) Unsupported Payments – K344,124**

The Council Secretary submitted that it was an omission on the part of the Council to fail to attach the receipts, purchase order and delivery notes. Your Committee was informed that receipts, purchase orders and other documents had since been traced and attached. Your Committee assured that procedures had been put in place to ensure that processing of payments for suppliers of goods and services was properly done.

### **Committee's Observations and Recommendation**

Your Committee urges the Council Secretary to institute disciplinary action against erring officers for their failure to attach receipts, purchase orders and delivery notes. To avoid the recurrence of this irregularity, a system should be devised to ensure that the documents are always attached to the payment vouchers. The matter is recommended for closure subject to audit verification.

#### **g) Unaccounted for Stores and Undelivered Materials**

Your Committee was informed that during the period under review, the records of receipts and issue of stocks were maintained in a 32 paged ledger book. However, despite availing these records, they did not satisfy the auditors who expected to see ledger cards. Nonetheless, the Council had now started preparing ledger cards. On the issue of undelivered materials, your Committee was informed that the supplier who had been contracted to supply quarry had no capacity, hence the failure. Further, there had been an increase in the prices of goods between the time the quotations were collected and the time of issuing the purchase order which led to less items being supplied than quoted.

Further, your Committee was informed that the Council did not have a Stores Officer and that the Council had in this regard requested the Local Government Service Commission to deploy one. With regard to the supplier of quarry dust, your Committee was informed that the Council had written for a refund to be made and that K5, 000 had been refunded so far, leaving a balance of K8, 500. The Council was also intending to report the matter to Zambia Police. Your Committee was assured that the Council would be adhering to the Financial Regulations by paying for goods supplied.

#### **Committee's Observations and Recommendation**

Your Committee is concerned that the Council failed to account for stores and undelivered materials. In this vein, your Committee directs the Local Government Service Commission Management to ensure that a qualified stores officer is deployed to the Council through the to manage stores with immediate effect. With regards the non-delivery of building materials, your Committee directs the Council Secretary to report the matter to law enforcement agencies. Your Committee awaits a progress report on the matter.

#### **h) Irregular Refunds – K50,183**

The Council Secretary submitted that the authority for payments were not attached at the time of audit because they were still on the subject and personal files of officers as they awaited approval by the Principal Officer. Your Committee was informed that prior authority from the Council Secretary had been attached. The Council Secretary assured your Committee that before any payment was made, the procedure would provide that prior approval should be sought from the Principal Officer or any other authorised officer.

#### **Committee's Observations and Recommendation**

Your Committee is disturbed over the incidence of payments being made without prior authority and calls for a thorough investigation into this matter. To deter a recurrence of similar nature, disciplinary action should be taken against all officers who may be found culpable in this matter in accordance with the provisions of the law. Your Committee awaits a progress report on the matter.

#### **i) Unretired Accountable Imprest – K14,118**

The Council Secretary submitted that, as a way to curb the vice, officers had been reminded about the requirement of the Local Government Financial Regulation No. 119 for officers to retire imprest within 48 hours after use. The imprest forms had also been traced and attached and were available for verification. Also, a system had been put in place to effect deductions from the respective employee's salary or wage if any imprest was not retired within 48 hours after use.

#### **Committee's Observations and Recommendation**

Your Committee expresses concern on the matter of unretired accountable imprest and directs Management to be proactive to audit queries in curbing this vice. In this regard, it directs Management to institute deductions for any outstanding imprest. It further directs the Council Secretary to ensure that laid down rules are adhered to at all times whenever imprest is issued. The matter is recommended for closure subject to audit verification.



**j) Irregular Use of Imprest – K144,775**

The Council Secretary submitted that the Council had since stopped using imprest to procure goods and services. All procurements of goods and services were being conducted through the procurement unit and payments were made directly to the suppliers. Your Committee was assured that the Council would strictly adhere to the *Procurement Act of 2008 (Please cite the law correctly and in full)* and the relevant regulations.

**Committee’s Observations and Recommendations**

Your Committee finds the reason given by the Council Secretary unacceptable and directs that accountable imprest should only be issued to facilitate the purchase of goods and services in accordance with the provisions of the Financial Regulations. Further, your Committee directs the Council Secretary to ensure that the procurement of all other goods and services is conducted in conformity with the stipulated procurement process. Your Committee further calls for disciplinary action against all officers who approved the irregular use of imprest. Your Committee awaits a progress report on the matter.

**k) Failure to Prepare Activity Reports – K104,338**

Your Committee was informed that although some officers produced activity reports, others failed to produce these reports to the expectation of the auditors. Your Committee was informed that to address the challenge of officers not producing activity reports, a policy had been designed whereby officers would not be allowed to undertake another trip before the activity report for the previous trip was submitted.

**Committee’s Observations and Recommendations**

Your Committee urges the Council Secretary to ensure that the officers are sternly cautioned over their failure to prepare activity reports every time they undertake trips. The matter is recommended for closure subject to audit verification.

**l) Irregular Payment of Talk Time Allowance – K30,600**

Your Committee was informed that the talk time bought was meant for buying internet bundles to facilitate connection to the internet since the council was not connected yet. In this regard, the council bought talk time for the internet modem and updating of anti-viruses on Council Computers. Therefore, the talk time mentioned in the audit report was not for personal cellular phones but for the office. Your Committee was further informed that the Council had since bought a Router (Modem) for internet connection and did not require talk time to be given to individual department heads, so the practice had been discontinued.

**Committee’s Observations and Recommendations**

Your Committee urges the Council Secretary to adhere to the Financial Regulations before processing any payment at all times. Further, all payments should be backed by necessary authority. The matter is recommended for closure subject to audit verification.

**m) Failure to Remit Tax to ZRA – K97,890**

Your Committee was informed that failure to remit tax to ZRA was due to inadequate funds to meet payment for salaries. The Local Government Equalisation Fund that the Council was receiving was not adequate to meet the its salaries and wages, thereby negatively affecting

payment of statutory deductions, especially Pay As You Earn, to ZRA. However, the Council had started remitting monthly statutory deductions and was up to date. Your Committee was further informed that the Council would engage the Ministry of Local Government with a view to having the Local Government Equalisation Fund increased. Furthermore, the Council had proposed some by-laws which would enhance local revenue generation once approved.

### **Committee's Observations and Recommendations**

Your Committee is concerned that the Council has so far failed to broaden its revenue base and is instead relying on the Local Government Equalisation Fund to fund its operations. Your Committee, therefore, urges the Council Secretary to come up with income generating ventures and other measures to broaden the revenue base so that it is able to deliver necessary services and meet various statutory obligations. Your Committee awaits the progress report on the matter.

#### **n) Unauthorised Training – K74,158**

The Council Secretary explained that one of the reasons why this happened was that the Local Government Service Commission was not in place to approve training, hence the Council approved all training pending regularisation by Local Government Service Commission. She further reported that the Council had since written to the Local Government Service Commission to regularise the decision by the Council and the officer had been bonded. However, your Committee was assured that the Council had since stopped taking officers for training before approval by the Commission and would ensure that all officers trained by the Council were bonded.

### **Committee's Observation and Recommendation**

Your Committee insists that approval should still have been sought for the training from the relevant authority at that time. Your Committee reiterates that it will not tolerate blatant disregard of laid down procedures by the Council. In this vein, your Committee calls for disciplinary action to be taken against all erring officers in this matter and urges the Council Secretary to ensure that approval is sought from the Local Government Service Commission before sending an officer for training henceforth. It further directs that all officers who are sent for training by the Council be bonded without fail in accordance with prescribed procedures. The matter is recommended for closure subject to audit verification.

#### **o) Unaccounted for Fuel – K134,500**

The Council Secretary explained that the system which existed did not allow the immediate attachment of disposal details to the payment voucher as the disposal details were kept by Administration Department instead of Finance. As a result of this, the disposal details were not attached at the time of the audit, hence the misplacement. She however, informed your Committee that the disposal details had since been attached and that the system had changed whereby the Finance Department was now accountable for fuel inventory. Further, a system had been established to keep a fuel statement and the disposal details as the fuel coupon was being issued. Also a specific officer had been assigned to issue fuel and to keep all the necessary documentation.

### **Committee's Observations and Recommendations**

Your Committee finds it unacceptable that fuel was unaccounted for at the Council. Your Committee urges the Council Secretary to ensure that all necessary processes required for withdrawal of fuel are followed to the letter. Further, it recommends that all officers who failed to maintain these records and avail them for audit should face disciplinary action for the lapse. Your Committee awaits progress report in the matter.

#### **i. Questionable Payment of Refund – K157,000 (and Overpayment of K15,000)**

The Council Secretary did not satisfactorily provide the reasons for the irregular payments with regards to the refunds for the plots amounting to K157,000. She explained that the Council refund the settlers on kamaila land because they were already settlers in the land. However, informed your Committee that the Council had written to the individual to refund the amount that was erroneously paid to his account when he did not have the power of attorney and provide the deposit slip for the over payment of K15,000. She also, assured your Committee that the Council would strictly ensure that no further payment was made which required a power of attorney without written representation.

### **Committee's Observations and Recommendations**

Your Committee finds the response insufficient and completely unacceptable. Your Committee is further displeased that this has led to loss of public funds. Accordingly, your Committee calls for disciplinary action to be taken immediately against all officers involved in the matter, who occasioned this loss of a colossal sum of public funds, including those who approved the payments in the absence of necessary documentation. In this regard, the funds should be recovered in full from the emoluments of the officers involved, commencing immediately. In addition, your Committee directs that the matter be reported to the investigative wings for further inquiry. Your Committee, furthermore, urges the Council to henceforth strictly adhere to the Financial Regulations whenever making payments and any officer who deviates from or violates the Financial Regulations should face disciplinary action without waiting for the audit process. Your Committee awaits a progress report in the matter.

#### **ii. Questionable Payment of Refund – K9000**

The Council Secretary informed your Committee that the Council refunded an individual who claimed to have made a double deposit on an offer for Stand No. CHISA/LN 8831/372 of Kamaila Suburbs without attaching a deposit slip for K9,000. She further submitted that the Council had written to the individual to refund or provide the deposit slip for the over payment of K9,000. The Council Secretary also assured your Committee that the Council would strictly ensure the supporting documents were properly verified before any payment is made.

### **Committee's Observations and Recommendations**

Your Committee finds it disappointing and unacceptable that the Council could refund an individual without verifying the claim of a double payment, resulting in loss of public funds to the tune of K9,000, especially in the face of the financial constraints that the country is facing. Accordingly, your Committee calls for disciplinary action to be taken immediately against all officers involved in the matter, who occasioned this loss of these public funds, including those who approved the payments in the absence of necessary documentation. In this regard, the funds should be recovered in full from the emoluments of the officers involved, commencing

immediately. In addition, your Committee directs that the matter be reported to the investigative wings for further inquiry. Your Committee, furthermore, urges all officers at the local authority to exercise utmost diligence in the performance of their duties so as to safeguard the public assets and resources entrusted to their custody. Your Committee urges the Council Secretary and the Local Government Service Commission to institute disciplinary action against any officer who fails to exercise the required levels of diligence without waiting for the audit process. Your Committee awaits a progress report in the matter.

**i. Failure to Follow Tender Procedures**

The Council Secretary submitted that the Council constructed a township road without following tender procedures. However, she explained that the Council did not obtain the authority from the tender committee because the engagement of the Rural Roads Unit was not on commercial basis. This arrangement only needed authority from the Provincial Permanent Secretary before the Rural Roads Unit was surrendered to Zambia National Service. The Council, however, had noted the omission and assured that the same would not be repeated. She also assured your Committee that Management would strictly adhere to the tender procedures as enshrined in the *Procurement Act of 2008* (please ensure correct citation of the Act).

**Committee's Observations and Recommendations**

Your Committee is disappointed that the Council Secretary appears to be justifying the disregard of the law by the Council. This is not acceptable at all and the Council Secretary is cautioned to desist from the practice as laws are in place for the purpose of protecting and safeguarding public resources. Your Committee directs that the Council Secretary should henceforth ensure that Management adheres to the *Zambia Public Procurement Act* (Ensure correct citation) and all relevant regulations before procuring any works. Your Committee resolves to close the matter subject to audit verifications.

**ii. Lack of Terms of Engagement for Rural Roads Unit**

The Council Secretary admitted that the Council did not adequately indicate the terms of engagement in the letter to the Permanent Secretary. She, however, had noted the omission and assured your Committee that the same would not be repeated. She stated that in future the Council Management would strictly adhere to the project management rules and issue completion certificates once the project was completed.

**Committee's Observation and Recommendation**

Your Committee is disappointed over the lackadaisical attitude exhibited by the Council Secretary on this matter and calls upon the Local Government Service Commission to taken an interest in it so that corrective action can be taken in a timely manner if necessary. Your Committee further directs that all contracts should have clear terms of engagement to avoid the breach of contract. Your Committee also directs the officers to adhere to the provisions of the *Zambia Public Procurement Act* and all relevant regulations when drafting contract documents. Your Committee resolves to close the matter subject to audit verification.

**p) Constituency Development Funds (CDF) – Fuel costing K73,258**

The Council Secretary submitted that this happened because the existing system as the time did not allow the immediate attachment of disposal details to the payment voucher as the disposal

details were kept by the Administration Department instead of the Finance Department; as result the documents were not attached at the time of the audit, hence the misplacement. Your Committee was informed that the disposal details had since been attached and the system had changed as the Finance Department accounted for fuel inventory. Further, a system had been established to keep a fuel statement and the disposal details as the fuel coupon was being issued and the task had been assigned to a specific officer who would be held accountable.

### **Committee's Observations and Recommendations**

Your Committee finds it unacceptable that fuel was unaccounted for at the Council. Your Committee urges the Council Secretary to ensure that all necessary processes required for withdrawal of fuel are followed to the letter. Further, it recommends that all officers who failed to maintain these records and avail them for audit should face disciplinary action for the lapse. Your Committee awaits progress report in the matter.

#### **i. Mortuary**

Your Committee was informed that there was lack of proper supervision from the qualified staff assigned on the project because the Council had no Director of Works at the time the project was being implemented. Your Committee was further informed that the works which were not properly executed were re-done after a Director of works was deployed by the Local Government Service Commission. Your Committee was assured by the Council Secretary that the Council would ensure proper supervision of all future projects to avoid the incidence from recurring.

### **Committee's Observations and Recommendations**

Your Committee urges the Council Secretary to ensure that all projects are properly supervised by qualified officers to ensure value for public money. Your Committee also directs the Council Secretary that qualified staff should be engaged to avoid delays in project implementation and completion before any project is commenced. The matter is recommended for closure subject to audit verification.

#### **ii. Dip Tanks**

Your Committee was informed that the dip tanks were not adequately funded adding that the projects were funded with the view that the respective communities would provide up front local materials of which did not happen causing under funding on the project. Further, the community needed to water the projects after construction but did not effectively do so. Your Committee was informed that the Council had requested the community to apply for rehabilitation of the dip tanks under 2018 Constituency Development Fund. Further, the Council would embark on the sensitization of the community on projects which requires upfront materials. The council would explore other options available to avoid the situation from recurring such as consideration to enter into a full contract with the Contractor and ensuring that projects were fully funded.

### **Committee's Observation and Recommendation**

Your Committee urges the Council Secretary to ensure that the community is sensitised on projects which require upfront materials to avoid wasteful expenditure. Further, the Council should make an assessment to ascertain whether these types of contracts are the most effective

way of implementing projects before moving to full contracts. The matter is recommended for closure subject to audit verification.

## **AUDIT QUERY                      PARAGRAPH 11**

### **CHOMA MUNICIPAL COUNCIL**

#### **a)        Equalisation Funds**

##### **i.        Failure to Transfer Funds to the Project Account - K1,558,064.51**

The Town Clerk submitted that the Council had started transferring the 20 percent capital component of the Equalisation Fund to the project account. To this effect, the Council had transferred K45,000 out of K321,326 leaving the balance of K276,326 which would be transferred in due course as funds were made available. He further assured your Committee that the Council would be transferring the 20 percent capital component from the Equalisation Funds, each time it received the funds.

##### **Committee's Observation and Recommendation**

Your Committee observes with concern that the Council is not adhering to the *Local Government (Amendment) Act No. 12 of 2014, of the Laws of Zambia* which provides that a Council shall use at least 20 percent of the Equalisation Fund received in any financial year, to finance capital expenditure. Your Committee directs the Town Clerk to ensure that resources are expended as per law. Your Committee awaits a progress report on the matter.

##### **ii.       Misapplication of Funds – K348,558.67**

The Town Clerk submitted that the misapplication of funds occurred due to financial constraints which the Council faced such as bailiff's fees that had confiscated the Council's only reliable vehicle and installation of the mayor. However, the Council had started transferring the misapplied funds to the project account. To this effect, the Council had transferred K45,000 out of K302,695 leaving the balance of K257,695 which would be transferred in due course as funds are made available. The Council had also made budget provisions in the 2018 budget. The Town Clerk assured your Committee that the Council no longer used the capital funds account on unrelated expenses any more.

##### **Committee's Observations and Recommendation**

Your Committee observes with concern that the Council is not adhering to Financial Regulation No. 31(1), which states that Treasury authority should be obtained on varying funds. In this regard, the Town Clerk should ensure that all funds paid towards allowances are deducted from the emoluments of the officers concerned and any other resources spent on other activities should be paid back into the capital funds account. Your Committee awaits a progress report on the matter.

#### **b)       Weaknesses in Accounting for Revenue from Sale of Plots - K1, 895,000**

The Town Clerk submitted that prior to 2017 the Council had challenges in resolving land issues with squatters and was not able to deal with the issue as provided for by law. However, in 2017, the Council had normalised the allocation of plots and had collected an amount of K887,000 out

of K950,950, leaving a balance of K63,950 which was being followed up. Further, the Council was undertaking audit of all plots that were given out a long time ago in 2014 and beyond to see which ones had been paid for and taken possession. Also the Council was adhering to procedures on land allocation and developmental control as well as keeping and updating records of all land allocations for easy of accountability and reference.

#### **Committee's Observation and Recommendation**

Your Committee urges the Town Clerk to ensure that a comprehensive land register is compiled for all plots offered by the Council, complete with details of offers and amounts paid. All revenues received from the sale of plots should be receipted and periodically reconciled with the land register. Your Committee further directs the Town Clerk to sternly warn and caution officers deliberately misfiling documents. Your Committee awaits a progress report on the matter.

#### **i. Outstanding Receivables – K2,060,5865**

Your Committee was informed that the Council had since made adequate mechanisms and strategies to collect all incomes due through various measures such as: Engaging with the business community, church leadership, tenants on one to one basis, use of public address system, Radios and TV adverts; and engagement of bailiffs. Further the Council made sure that it delivered bills on time, made sensitization announcements to residents on their obligation towards payment of local taxes and had established a legal unit to prosecute defaulters.

#### **Committee's Observations and Recommendation**

Your Committee expresses concern that the Council Management was not adhering to the Local Authorities Financial Regulations Nos. 12(h) and 76 which states that all revenue and other Council monies, which become due and payable to the Council, must be collected punctually. The Town Clerk is directed to seriously come up with adequate mechanisms and strategies to collect all incomes without delay as indicated. Your Committee awaits a progress report on the strategies to be put up in a comprehensive report during the fourth coming audit verification.

#### **ii. Failure to Deduct Tax – K68,103.58**

Your Committee was informed that the failure to deduct tax was due to the assumption that the payment was an annual allowance below ZRA annual tax band. However, the Council had started imposing a tax on the allowances and recovering the overpaid amounts. The Council also no longer treated the allowance as an annual allowance and thus, deducted the tax accordingly.

#### **Committee's Observation and Recommendation**

Your Committee expresses concern that the Council failed to adhere to the *Income Tax Act Chapter 323 of the Laws of Zambia* by not deducting PAYE from officers. The Town Clerk is directed to ensure that all taxes are remitted without fail. Your Committee resolves to close the matter subject to audit verification.

#### **iii. Failure to Pay Payables (Creditors) – K13,188,129.76**

The Town Clerk submitted that the Council had been making payments as and when resources were available. The Council had also made adequate budget provisions of K2.2 million in 2018. Further, the Council had a program to liquidate the debt following the valuation roll approval.

An amount of K200,000 had been set aside for monthly statutory payments of both arrears and current charge payments and a further K30,000 was paid to other creditors inclusive of staff related debts.

#### **Committee's Observations and Recommendation**

Your Committee expresses concern at the failure by management to settle terminal benefits, long service bonuses and statutory obligations as the Council risked accumulating the obligations to unmanageable levels. Your Committee worries about this omission because it may attract litigation which may result in the loss of the much needed funds. Your Committee urges the Council to ensure that the severance packages and statutory obligations are budgeted for annually and that the debt liquidation plan is followed to avoid the accumulation of debt and litigation. Your Committee awaits a progress report.

#### **iv. Fuel Drawn by Private Vehicles – K30,057.09**

The Town Clerk submitted that the Council had a challenge of non-availability of official vehicles to carry out its duties hence resorted to the use of private vehicles with the authority of the Principal Officer. However, your Committee was assured that the Council had since stopped the practice having procured three new vehicles and repaired those that were broken down at the time. The Council also provided for the procurement of two more new vehicles in the 2018 budget and regularly serviced its fleet.

#### **Committee's Observations and Recommendation**

Your Committee urges that the drawing of fuel into private motor vehicles should be stopped immediately without fail since the Council has procured motor vehicles. Your Committee resolves to close the matter subject to audit verification.

#### **v. Failure to Inscribe Government Assets – K24,270.00**

The Town Clerk submitted that the Council had written to the Office of Provincial Works and Supply for branding of all Council assets. Further, the Council had also engaged the Ministry of Works and Supply to undertake the exercise.

#### **Committee's Observation and Recommendation**

Your Committee expresses concern that the Council failed to adhere to the 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 Government property. Your Committee directs the office of provincial works and supply to expedite the branding of all Council assets without fail. Your Committee resolves to close the matter subject to audit verification.

#### **vi. Weakness in Management of Properties**

##### **a) Lack of Title Deeds for Properties**

Your Committee was informed that the Council had embarked on a programme to survey and number all properties for purposes of obtaining title deeds from the Ministry of Lands. He informed your Committee that the Council had also made a provision in the 2018 budget to procure Global Positioning System (GPS) and other survey equipment as a priority so that all



properties are surveyed and numbered for title deed issuance. Your Committee was assured that all future plots would be numbered and surveyed before being offered.

#### **Committee's Observation and Recommendation**

Your Committee observes with concern that Council properties do not have titles deeds. It urges Management to ensure that the matter is followed up with the Ministry of Lands and Natural Resources in order for them to finalise the issuance of title deeds and to further ensure that all properties are surveyed. Your Committee awaits a progress report on the matter.

#### **ii. Lack of Tenancy/Lease Agreements**

Your Committee was informed that the Council had since issued tenancy or lease agreements to all tenants that were occupying its properties. The Council had also made model lease agreement to standardise the leases.

#### **Committee's Observation and Recommendation**

Your Committee expresses concern that the Council is not adhering to the *Landlord and Tenant (Business Premises) Act, Chapter 193 of the Laws of Zambia* which provides that all properties leased out should be accompanied by a tenancy or lease agreement. This is important because it protects property against loss of revenues. Your Committee further directs the Town Clerk to ensure that agreements are signed all the time without fail. Your Committee resolves to close the matter subject to audit verification.

#### **iii. Failure to Maintain Properties**

The Town Clerk responded that the Council had embarked on the program of rehabilitating all Council properties as provided for in the 2018 budget for general rehabilitation and maintenance that includes the following among others:

- Choma House no. CHO/1003
- Batoka lodge
- Batoka House

He further explained that the Council had made provisions in the 2018 budget to carry out rehabilitation of buildings and other assets on its assets register. The Council had so far rehabilitated the Administration Block, Council Chamber, Finance offices, Fire brigade and built a new Public Toilet among other things. He further informed the Members that the Council had prioritised rehabilitation of its infrastructure and shall continue to provide for this activity in its annual budgets

#### **Committee's Observation and Recommendation**

Your Committee urges the Town Clerk to ensure that all properties are periodically maintained and that property maintenance is allocated for in the annual budget of the Council. Your Committee resolves to close the matter subject to audit verification.

**CHONGWE MUNICIPAL COUNCIL****a) Failure to Fill Vacant Positions**

The Town Clerk submitted that the Local Government Service Commission was responsible for filling vacant positions and had been making efforts to ensure that this was done. Further, in order to ensure that vacancies were filled in good time, the Council submitted that staff returns on a quarterly basis to the Commission so that the Commission could make decisions on various staff matters, including the filling of vacant positions.

**Committee's Observations and Recommendations**

Your Committee observes with concern that service delivery may be compromised in the newly upgraded Municipal Council if recruitment to fill the vacant positions is delayed further. Your Committee urges the Local Government Service Commission to ensure that quarterly reports on vacant positions are acted upon and the vacancies filled without undue further delay. Your Committee resolves to close the matter subject to audit verification.

**b) Weakness in the Management of Properties and other Movable Assets****i. Failure to Insure Motor vehicles**

The Town Clerk submitted that the Council had managed to have some assets insured and was in the process of insuring other assets. Your Committee was assured that the Council would ensure that upon acquisition of assets, there would be measures in place to ensure that the assets were insured against losses, damage and risk.

**Committee's Observations and Recommendations**

Your Committee draws the attention of the Council to Local Authorities Financial Regulation No.154, which requires the Council to take out insurance cover in relation to its assets. In this regard, your Committee directs the Town Clerk to abide by the above Regulation and insure all insurable Council assets without further delay. Your Committee resolves to await a progress report.

**ii. Failure To Avail Assets Ownership Documents****Motor Vehicles**

The Town Clerk submitted that some motor vehicles had been insured although some white books were yet to be found. In future, the Council would ensure that all relevant documents relating to ownership of assets were kept safe and availed during the audit.

**Committee's observations and recommendations**

Your Committee expresses concern that the Council is not complying with the *Roads and Roads Traffic Act Chapter 464 of the Laws of Zambia*, which requires motor vehicles and earth moving equipment to be registered with Road Transport and Safety Agency. This is very important because it will provide proof of ownership of the assets by the Council. In this regard, your calls for disciplinary action against all officers who failed to perform their duties of having the motor

vehicles registered and securing the documents and present them to the auditors when so requested during the audit process. Your Committee urges the Town Clerk to ensure that all motor vehicles and other equipment are registered without fail. Your Committee awaits a progress report on the matter.

### **Land and Buildings**

The Town Clerk submitted that the Council had applied for title deeds at the Ministry of Lands and Natural Resources and was awaiting a response. In future, the Council would ensure that all assets had relevant documents relating to ownership such as title deeds or any other purchase documents necessary.

### **Committee's Observations and Recommendations**

Your Committee observes that failure to obtain titles deeds for land and building is a very common problem among the councils in the country. This has, in part, caused a lot of encroachments on Council land, which is negatively affecting service delivery. Your Committee, therefore, calls upon the Ministry of Local Government to intervene and ensure that all Councils obtain title deeds for their properties. Your Committee, further, directs the Town Clerk to ensure that the Council complies with the *Lands Act, Chapter 184 of the Laws of Zambia*, which requires that institutions or individuals owning land must possess title deeds as proof of ownership. Your Committee resolves to await a progress report.

#### **iii. Failure To Change Ownership of Motor Vehicles – K610,000**

The Town Clerk submitted that the Council had since written to the Royal Danish Embassy requesting for the registration documents for the two vehicles. However, your Committee was informed that the recent findings were that the Danish embassy may have been closed. In this regard, the Council was seeking guidance from the Ministry on how to handle the matter. He, however, assured your Committee that the Council would ensure that change of ownership was effected upon acquisition of assets.

### **Committee's Observations and Recommendations**

Your Committee expresses concern over the inordinate delays in changing ownership of the two vehicles by the Council. Your Committee observes with dismay that the Council failed to resolve the matter from 2011. Your Committee directs the Town Clerk to resolve the matter as a matter of urgency by obtaining guidance from the Ministry of Local Government. Your Committee awaits a progress report.

#### **iv. Irregularities in The Procurement of Two New Motor Vehicles From Toyota Zambia Limited –K926,209**

The Town Clerk responded that the Council had taken note of the concerns by the auditors and the guidance given by ZPPA. Your Committee was informed that the matter would not be repeated in future and the Council would also ensure that tender procedures were followed.

### **Committee's Observation and Recommendation**

Your Committee finds the response of the Town Clerk unacceptable and calls for disciplinary action to be taken against all officers responsible for this irregularity. Your Committee further urges the Town Clerk to ensure that the Council Management abides by ZPPA Circular No. 1 of

2013, on the procurement threshold for goods and services without fail. It also directs the Town Clerk to ensure that International Accounting Standards 16 on Property, Plant and Equipment which requires depreciation to be charged only when the asset is available for use for its intended purpose is strictly adhered to, so as to be able to produce reports which reflect a true and fair position on the statement of affairs and avoid misrepresentation. Your Committee resolves to await a progress report on the matter.

**v. Failure To Value Disposed of Motor Vehicles**

Your Committee was informed that the Council had engaged the Government Valuation Department to carry out the exercise and a request had been sent to the Department to provide a copy of the valuation report. Your Committee was assured that the Council would ensure that valuation reports were filed accordingly and availed for audit review.

**Committee's Observations and Recommendations**

Your Committee is disappointed that the motor vehicles were disposed of in contravention of the provisions of section 67 of the *Local Government Act, Chapter 281 of the Laws of Zambia*, which provides guidelines and conditions for disposition of Council property. Your Committee therefore, calls for disciplinary action against all officers who are responsible for this irregularity. Further, your Committee urges the Council to strictly adhere to the provisions of the law in all dispositions of Council property. Your Committee in order to curb possible abuse of the process resolves to await a progress report on the matter.

**vi. Failure To Revalue Council Properties**

The Town Clerk submitted that the Government Valuation Department had been engaged and work was in progress. The Council also assured your Committee that it would ensure that valuation of properties was carried out after five years.

**Committee's Observations and Recommendations**

Your Committee urges the Town Clerk to ensure that the Council adheres to International Accounting Standard (IAS) 16 which provides for periodic revaluation of property, plant and equipment. Your Committee notes that non-valuation of assets hinders the preparation of Financial Statements. Your Committee directs the Town Clerk to expedite the re-valuation of the Council properties. The Council awaits a progress report on the matter.

**vii. Failure to Maintain the Council Abattoir**

Your Committee was informed that the abattoir had since been closed to facilitate rehabilitation. Council clients had been advised to use private abattoirs. Further, the Council was carrying out a Supplementary Valuation Roll and more funds would be allocated towards the continuous maintenance of the Council abattoir. In future, the Council would ensure that the abattoir was under constant maintenance.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Council was failing to maintain critical public infrastructure like the abattoir. Your Committee directs the Town Clerk to ensure that funds are provided in the budget for the overall rehabilitation of the abattoir without undue delay. Further,

the Town Clerk should ensure that the Council routinely maintains its assets to avoid disruption of provision of services. Your Committee will await a progress report on the matter.

**c) Irregularities in the Management of Fuel**

**i. Fuel Drawn by Motor Vehicles Not Belonging to the Council – K15,149**

Your Committee was informed that the private vehicles belonged to Council staff who were from time to time assigned to perform council duties and had to use personal vehicles due to inadequate transport. The Town Clerk assured your Committee that the Council would ensure that a resolution was made to support the allocation of fuel where need would arise.

**Committee's Observations and Recommendations**

Your Committee is disappointed over this development and wonders why the Town Clerk did not seek assistance or at least approval from the Ministry. Your Committee, therefore, urges the Town Clerk that the drawing of fuel to be used in private motor vehicles should be stopped immediately without fail because it is not supported by law.. Your Committee resolves to close the matter subject to audit verification.

**ii. Irregular use of Imprest to Procure Fuel**

Your Committee was informed that the Council no longer paid suppliers using imprest. The payments were being made directly to the supplier through the procurement process. Further, the Council would maintain the ledger for fuel suppliers with constant monitoring of movements in transactions.

**Committee's Observations and Recommendations**

Your Committee expresses concern over this practice and calls for disciplinary action against the officers responsible for this irregularity. Your Committee further reiterates that the Council Management is required to comply with Financial Regulation No. 86(c) at all times. Your Committee resolves to close the matter subject to audit verification.

**d) Failure To Remit Statutory and Union Contributions – K8,727,570**

The Town Clerk informed your Committee that the Council had dealt with the matter as follows:

- LASF – the Council had been making efforts to pay K10,000.00 at least every month towards settling of the debt;
- NAPSA – the Council entered into a debt swap agreement with NAPSA to settle debt in full with the current outstanding amounting being only for April, 2018; and
- ZRA – the Council was considering negotiating a debt swap with ZRA regarding the debt.

The Town Clerk further assured your Committee that the Council would ensure that all statutory bodies were engaged and payment plans were put in place.

### **Committee's Observations and Recommendations**

Your Committee observes with concern that failure to remit statutory obligation may result in the accumulation of debt which may attract penalties and interest. The accumulating of debt may, therefore, adversely affect the provision of critical public services by the Council. Your Committee, therefore, urges the Management to ensure that the Council raises enough revenues by broadening the revenue base and paying the statutory obligations without further delay because the debt swap is not sustainable. Your Committee also strongly urges Management to ensure that adequate provision is made for statutory contributions in the annual budget and that the payment plans are strictly adhered to. Your Committee resolves to await progress report on the matter.

#### **e) Outstanding Staff Obligations – K3,804,549**

Your Committee was informed that the Council had dealt with this matter as follows:

- Leave days – officers had since been encouraged to go on leave;
- Terminal Benefits – the Council had been paying the few staff owed and the amount had continued to reduce; and
- Long service bonus – payment plan had been designed on how best this could be settled.

Further, the Council would carry out an age analysis in relation to obligation, claims or debts to ensure that obligations were not outstanding for extended periods.

### **Committee's Observations and Recommendations**

Your Committee is concerned over the failure by Management to settle staff obligations as they risk accumulating arrears to unmanageable levels. Also, staff obligations could eventually attract litigation which may result in increased liabilities through legal costs and interest. Your Committee urges the Council to ensure that the severance packages are budgeted for annually and also to put in place a debt liquidation plan. Your Committee awaits a progress report.

#### **f) Equalisation Fund - K11,569,330**

The Town Clerk acknowledged the observations made by the auditors. He submitted that the Council would ensure that information was made available for audits.

### **Committee's Observations and Recommendations**

Your Committee observes with concern that the Council has violated the *Local Government Act, Chapter 281 of the Laws of Zambia as amended by Act No. 12 of 2014*, by not reserving at least 20 percent of the Equalisation Fund for capital expenditure. Your Committee directs the Town Clerk to ensure that resources are expended in strict compliance with the law and that all misapplied funds are refunded immediately. Your Committee awaits a progress report on the matter.

**KABWE MUNICIPAL COUNCIL****Review of Operations**

An examination of accounting and other related records maintained at Kabwe Municipal Council and a physical inspection of projects revealed various irregularities, to which the Town Clerk responded as set out below.

**a) Failure to Collect Land Charges on Plots - K10,893,503**

The Town Clerk submitted that management had noted the observation of the auditors and wished to report that failure to collect land charges on plots was as a result of the delayed reconciliation of the Indo Zambia Transit Account due to staff transfers. The background of the matter was that most of the people offered plots paid the land charges for the plots through the Bank and could not obtain receipts from the council in time for reconciliation purposes, thereby creating a low revenue collection under this vote as highlighted by the auditor.

The suspension of the land agency of Kabwe Municipal Council by the Ministry of Lands had also contributed to the low levels of revenue collection for land charges on plots. Further, Management had since re-advertised on the radio to warn the people offered plots to pay the required land charges or have their offer letters revoked. The Council had also responded to the allegations that led to the suspension of the land agency. In addition, the Council had also started collecting funds for land charges. With regard to remedial measures, the Town Clerk submitted that once the land agency had been restored to the Council, it would re-install the confidence to members of the public in Kabwe to pay the land charges for the plots they were offered.

**Committee's Observations and Recommendations**

Your Committee finds the reasons given by the Town Clerk unacceptable as this clearly shows that officers at the Council neglected to guide the land buyers to take the bank deposit slips to the Council after depositing the money for issuance of a receipt. Your Committee, consequently, urges the Town Clerk to ensure that records are normalised in the shortest possible time to avoid possible pilferage by some defiant officers due to this financial weakness which, among other things, could have led to the suspension of the land agency by the Ministry of Lands and Natural Resources.

The Town Clerk is also urged to institute disciplinary measures against officers who neglected to advise the land buyers to take the deposit slips to the Council to signify their payment of the requisite charges. Your Committee resolves to await a progress report on the matter.

**b) Failure to Revoke Offers Not Paid for - K7,455,800**

Your Committee heard from the Town Clerk that the failure to revoke offers not paid for was as a result of the delayed reconciliation of the Indo Zambia Transit Account due to staff transfers. The background to this matter is that most of the people offered plots paid the land charges and plots through the bank and could not obtain receipts from the Council in time for reconciliation purposes, thereby creating a low revenue collection under this vote as highlighted by the

auditors. The suspension of the land agency of Kabwe Municipal Council by the Ministry of Lands had also contributed to the low levels of revenue collection for land charges on plots.

Management had since re-advertised on the radio to warn and sensitise the people offered plots to pay the required land charges or have their offer letters revoked once the land agency is restored. The council had also responded to the allegations that led to the suspension of the land agency and was awaiting the restoration of the land agency. The Council had reconciled the records and account statements of all those that were allocated plots. It was expected that once the land agency was restored to the Council, it would restore public confidence in the Council and members of the public would pay the land charges for the plots they were offered.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to await a progress report on the matter.

#### **c) Issuance of Plots under Special Conditions to Council Employees - K850,500**

The Town Clerk submitted that management had noted the observation of the auditors on the issuance of plots under special conditions to Council employees and wished to report that the cause of issuing plots under special condition was because the Council was a body corporate and autonomous to formulate its own policies, fees and charges and by-laws as prescribed in section 69, 70 and 76 of the *Local Government Act Cap 281 of the Laws of Zambia*.

Further, management had written to the Ministry of Local Government and Housing to seek guidance on the matter. As soon as the Council received a response on the way forward, a decision would be made over the matter.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee resolves to await a progress report on the matter.

#### **d) Outstanding Receivables - K3,019,965**

The Town Clerk submitted that the cause of failure to collect revenue in terms of rates in the period under review was as a result of the non-operation of the major debtors of the Council namely; Zambia Mulungushi China Textiles and Kabwe Industrial Fabrics Company. Zambia Railways Limited were also facing financial challenges at the time.

Management had since engaged a debt collector, who was currently on the ground. This could be verified by the contract and the records of how much had been collected after the debt collector was engaged. The debt collector had helped the council to collect a total of K1,200,000 from the total debt of K2,322,076. The process of collecting the balance was ongoing.

In addition, management submitted that they had put in place a Debtors Management Policy to assist the Council to provide guidance on how to handle outstanding debts.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee resolves to wait a progress report on the collection of the outstanding balance.



**e) Missing Payment Vouchers - K68,668**

The Town Clerk submitted that the cause of missing payment vouchers was misfiling. The payment vouchers had since been located. Further, Management had assigned and oriented an officer who would be in charge of filing payment vouchers as they were being processed.

Furthermore, management would ensure that payment vouchers were correctly filed in the relevant box files. The automated Palmsoft software would alleviate the issues of missing payment vouchers.

**Committee's Observations and Recommendations**

In noting the submission, your Committee cautions the Town Clerk against the trend of finding the misfiled documents only when called to appear before your Committee. The Town Clerk is particularly urged to institute disciplinary action against officers who failed to secure the supporting documents and avail them for audit review when called upon to do so. The matter is recommended for closure subject to audit verification.

**f) Unsupported Payments - K214,984**

The Town Clerk submitted that the cause of unsupported payments was the non-orientation of accounting staff in the period under review. The supporting documents had since been traced and were available for audit verification. The accounting staff had also been oriented through in-house trainings conducted monthly by the Director of Finance. The newly purchased Palm Soft Accounting Package would eliminate the loss of payment vouchers as the payment vouchers were generated and stored in the system. In addition, management would ensure that all relevant documents were attached to payment vouchers.

**Committee's Observations and Recommendations**

In noting the submission, your Committee notes that by virtue of their training, accounting staff ought to be aware, without the need for special orientation, that supporting documents have to be properly secured and availed for audit. Your Committee, therefore, directs that disciplinary action be meted out against all accounting staff who failed to secure and avail the documents for audit review. Your Committee also wonders how the internal audit allowed unsupported payments. Your Committee urges the Town Clerk to strengthen his internal audit function in order to avoid a repeat of such anomalies. Further, in as much as your Committee appreciates the new Palmsoft Software your Committee still urges the Town Clerk to always ensure that new staff are oriented in their new roles to avoid such irregularities, which point to poor supervision. Your Committee resolves to await a progress report on the matter.

**g) Unapproved Payments - K14,924**

The Town Clerk submitted that the reason for the unapproved payments was that most of the senior officers were out of the office on the material day when those payments were made. The payment vouchers in question had since been approved by the relevant Senior Management Officers in accordance with the Local Authorities Financial Regulation No 82 of 1992. The payment vouchers were available for the auditors' verifications.

Further, the Council had since increased the number of management officers signing and approving payments to act as a remedy in cases where the Town Clerk was out of town.

### **Committee's Observations and Recommendations**

Your Committee is very disappointed over the attempt by the Town Clerk to justify this serious irregularity. It is apparent to your Committee that there is a total breakdown in the financial controls at the Council, given that payments can be made without approval. Your Committee is of the view that the Town Clerk is not in control of the financial operations of the Council and public resources may not be secure in the circumstances. In this light, your Committee implores the Local Government Service Commission to urgently inquire into its concerns so as to take remedial action immediately. Further, your Committee cautions the Town Clerk against abrogating well established Financial Regulations in any circumstances as these Regulations are promulgated by the duly appointed authorities under the delegation of Parliament, and are intended to safeguard public resources.

The Town Clerk is further reminded that the law does not provide for retrospective approval of payments. It is also telling that the retrospective approval was done after the auditors raised the queries. Your committee resolves to seek a progress report on the matter.

#### **h) Unacquitted Allowances- K51,328**

The Town Clerk submitted that the failure to avail acquittal sheets was due to misfiling. Further, he submitted that the misfiled acquittal sheets had since been traced and attached to the relevant payment vouchers. The acquittal sheets together with the vouchers were available for audit verification.

Furthermore, the Town Clerk assured your Committee that Management would ensure that acquittal sheets were properly filed and an officer had been assigned to be in charge of attaching acquittal sheets to payment vouchers on a daily basis.

### **Committee's Observations and recommendations**

In noting the submission, your Committee urges the Town Clerk to mete out disciplinary action against officers who failed to secure the documents and avail them to the auditors. Your Committee further reminds the Town Clerk that he is required to ensure that important documents are not misfiled and are made available for audit review as required by law. Your Committee will await a progress report on this matter.

#### **f) Unaccounted for Stores- K154,019**

The Town Clerk submitted that the reason for unaccounted for stores in the period under review was inadequate trained staff in the stores section. Further, he submitted that the issue of unaccounted for stores items had since been resolved. The receipt and, disposal details were available for audit verification. In addition, the deployment of trained officers to the Council had helped to mitigate issues of unaccounted for stores for the Council.

### **Committee's Observations and recommendations**

Your Committee is dismayed over the growing trend of key accounting documents not being availed to the auditors during audits and only being made available during meetings of your Committee. Your Committee, therefore, urges the Town Clerk to sternly discipline all officers responsible for this irregularity. Your Committee will await a progress report on the matter.

**g) Irregular Payments- K60,599**

The Town Clerk submitted that the cause of the irregular payments was that employees were made to work for more than eight hours in far flung areas of the district and therefore, needed lunch for them to work effectively and produce results against the given targets. Further, the reason for not using a formula was due to the fact that officers in question were below the position of LGSS03 and needed imprest to be retired as guided by the Local Authorities Financial Regulations of 1992.

The Council had since deducted the irregularly paid out lunch and subsistence allowances from various officers who were working within the district contrary to Cabinet Office Circular No. 11 of 2013. The pay slips and payroll schedules for the affected employees were available for audit verification. In addition, he assured your Committee that his Council would ensure that all the employees were sensitised through the office of the Chief Human Resource Officer about the new condition of service which stipulated that lunch and subsistence allowances were only paid when employees worked for more than eight hours outside the district.

**Committee's Observations and Recommendations**

In noting the submission, your Committee cautions the Town Clerk against breach of well established Financial Regulations. Further, your Committee sternly cautions the Town Clerk from condoning such financial irregularities and urges him to institute punitive measures against all officers who facilitated this irregularity. Your Committee awaits a progress report.

**h) Irregular Drawing of Fuel - K23,803**

The Town Clerk submitted that the cause of the irregular drawing of fuel as observed by the auditor was the fact that before 7<sup>th</sup> October, 2016, when the Ministry of Local Government and Housing issued a circular on remuneration of Mayors and Council Chairpersons, which was implemented in January, 2017, the Mayor was not entitled to fuel allowance at the rate of 30 percent through the payroll. Hence the provision of weekly fuel allocation at the time, to enable his mobility during official duties. Further, the balance of K342 of fuel allocated to Mayor's office was used for other official duties. The vehicle of the Mayor had been removed from the weekly fuel allocation. The approved requisition forms indicating the Mayor's official duties were available for audit verification. He further submitted that the Mayor's vehicle would only be allocated a kilometre fuel allowance whenever he was travelling on duty outside station and not on pool weekly fuel allocation

**Committee's Observations and Recommendations**

In noting the submission, your Committee cautioned the Town Clerk to abide by the given Conditions of Service to avoid abuse. Your Committee resolves to close the matter subject to audit verification.

**i) Failure to Insure Assets**

**a) Buildings/Properties - K36,860,594**

The Town Clerk submitted that the cause of not having all the properties insured was inadequate funds in the period under review as the amounts involved were too huge to manage.

The Council had since engaged Madison Insurance Company to cover all the Council property and that monies be paid in installments. A payment voucher indicating a part payment towards Madison Insurance concerning insuring property and the insurance cover was available for audit verification. Further, he submitted that the Council would endeavour to adhere to the agreement made between Madison Insurance and the Council concerning insurance of all Council property.

#### **Committee's Observations and Recommendations**

In noting the submission, your Committee expresses disappointment at the failure by the Council to insure the property posing a risk of loss of Council property in the event of a calamity such as fire. Your Committee also notes the insurance cover obtained through Madison Insurance as it is a move in a positive direction. The Committee resolves to await a progress report on the full insurance cover of all Council properties.

#### **ii. Motor Vehicle - K97, 870.00**

The Town Clerk reported that the Council could not insure its motor vehicles in question because of inadequate funds in the period under review. He however, informed your Committee that the fleet of Council motor vehicles in question had since been insured. The Council had also received a report of the accident from the Accident Board Committee, and the driver who was involved in the accident was reprimanded. The matter had been taken to the Kabwe Magistrate Court for recovery of the said amount. The documentation of the above queries were available for audit verification.

With regard to remedial measures, the Council would endeavor to adhere to the requirements of insuring all the motor vehicles in accordance with the fleet management policy.

#### **Committee's Observations and Recommendations**

Your Committee expresses disappointment at the failure by the Council to insure motor vehicles contrary to section 133 of the *Roads and Road Traffic Act, Chapter 464 of the Laws of Zambia* and further expresses worry on the unjustified overpayment in repairing the damaged vehicle. The Committee, therefore, urges the Town Clerk to ensure that the overpayment is recovered from the officers responsible for the overpayment. Further, your Committee calls for disciplinary action to be meted out against all the officers responsible for this loss of public funds in order to deter recurrence of such a practice. Your Committee further cautions the Town Clerk against flouting Financial Regulations by authorising payments above his allowable threshold. Your Committee will await a comprehensive progress report on the matter.

#### **n) Failure to Follow Tender Procedures - K50,000**

The Town Clerk submitted that the payments were made as per transaction and did not amount to above K50,000. Records held by management revealed that all the payments made were below the threshold of the Town Clerk. He further submitted that requests for the procurement of workstations were made at different intervals from different user departments as earlier explained in the previous response and that the Finance Department was instructed by management to start meeting urgent requests as and when fund were available in parts.

Furthermore, he submitted that that the Council would endeavour to always follow the tender procedures as per the *Procurement Act number 12 of 2008* by ensuring that annual procurement

plans were prepared to highlight the consolidated way of procuring the items so that it was not seen to conflict in any way with the *Zambia Public Procurement Authority (ZPPA) Regulations*. Additionally, the 2018 procurement plan had since been put in place. Management had also started sensitising its suppliers and contractors on the importance of indicating the Tax Payer Identification Number (TPIN) on their business documents.

### **Committee's Observations and Recommendations**

Your Committee expresses disappointment over the level of defiance in the Council as regards the failure to follow tender procedures. In this vein, your Committee calls upon the Local Government Service Commission to probe the Management of the Council and take action to arrest the situation as a matter of urgency. Further, your Committee calls upon the law enforcement agencies to follow up the case of overpayment by K19,600 to Daviba General Dealers owned by a Mr David Banda, an accounting officer at the Council, and any other procurement irregularities that may border on criminality.. Your Committee further directs the Town Clerk to forthwith comply with all the Financial Regulations, including those prohibiting the authorisation of payments above his threshold. Your Committee further directs that all relevant documents be presented to the Auditor General for verification and resolves to await a progress report on the overpayment case and any other cases.

#### **o) Irregular Medical Refunds - K55,738**

The Town Clerk submitted that the cause of not making all payments directly to the provider of the health facility but to a group of employees as refunds on bills already incurred was due to non-availability of a medical scheme by the Kabwe Municipal Council at the time of audit. The medical scheme had since been obtained with Kabwe General Hospital and relevant documentation was available for audit verification.

### **Committee's Observations and Recommendations**

Your Committee observes that direct payment to the officers, without a medical scheme, was irregular and finds it disappointing and unacceptable that the Town Clerk appears to be justifying these irregularities. Whilst appreciating the procured medical scheme with Kabwe General Hospital, your Committee directs the Town Clerk to make recoveries on the refunds that were irregularly paid without any medical aid scheme in force. Your Committee will await a progress report on the matter.

#### **p) Irregular Hire of Skip Bins - K502,000**

The Town Clerk reported that the cause of the irregularity was that the relevant contract signed between Pot Luck Den and the Council for this service was misplaced at the time of audit. The contract signed between Pot Luck Den and the Council was not meant to be permanent but a temporary measure to deal with the accumulating garbage. The contract had since been traced and was available for audit verification. Further, he added that the contract documents would always be kept in the safe and copies of it would be given to all departmental heads just in case of misplacements.

### **Committee's Observations and Recommendations**

Your Committee is seriously concerned over the number of important documents being misplaced at the time of audit only to be found at the time of appearing before your Committee.

As far as your Committee is concerned, the authenticity of such documents cannot be proved during the meetings. Your Committee, therefore, sternly warns the Town Clerk against this trend and directs him to institute disciplinary measures against all officers who failed to secure and avail such important documents during the audit. Your Committee will await a report on the matter.

**q) Unretired Accountable Imprest - K146,396**

The Town Clerk submitted that the cause of the unretired imprest was as a result of lack of an appropriate accounting package in the Department of Finance. He added that Palmsoft accounting package had since been procured to alleviate the problems of unretired imprest.

**Committee's Observations and recommendations**

Your Committee finds the answer given by the Town Clerk unacceptable and urges the Town Clerk to tighten the internal control measures to avoid such levels of financial indiscipline in the Council. Your Committee further directs the Town Clerk to immediately institute recoveries from all the officers who have unretired imprest. Further, as a deterrent, your Committee urges the Town Clerk not to pay any imprest to officers without standing unretired imprest until the whole amount of K146,396 has been recovered. Your Committee will await a progress report on the matter.

**r) Failure to Remit Statutory Contributions and PAYE - K11,932,377**

The Town Clerk submitted that the cause of the non-remittances was inadequate funds to pay gross monthly salaries and wages for all Council employees. Currently, the Council could only manage to pay net salaries and wages for all Council employees

Council management had since engaged all the statutory bodies highlighted by the auditors and had entered into a ten year liquidation plan coupled with the debt swaps using Council Land to clear all the outstanding statutory contributions. Relevant documents in this regard were available for the auditors' verification.

**Committee's Observations and recommendations**

In noting the submission, your Committee urges the Town Clerk to ensure that the debt liquidation plan is strictly followed. Closure of the matter is recommended subject to audit verification.

**s) Irregular Payment of Social Holiday Allowances - K32,600**

The Town Clerk submitted that clause 185 of the Conditions of Service for Local Government Officers (1996) Divisions I, II and III did provide for such an allowance. It was the belief of management that the Conditions of Service cited above superseded the Ministerial Circular MLGH/101/8/4 of 2014 which was not backed by any statute at all. He further, he submitted that the regularly paid out social holiday allowances, as observed by the auditors, were being deducted from the affected officers through the payroll even if they were struggling to effect deductions on officers who had been transferred to other Councils. The payroll and pay slip schedules were available for audit verification. Going forward, the council would endeavor to abide by the Ministerial Circular No. MLGH/101/8/4 of 2014 to avoid future audit queries. Management had since been informed accordingly.

### **Committee's Observations and Recommendations**

Your Committee notes with concern on the refusal by the Council to abide by the parent Ministry's circular and calls upon the Local Government Service Commission to probe this matter with a view to taking necessary action to address the situation as a matter of urgency. Your Committee further urges the Town Clerk to take seriously, all the circulars issued by the Government through its parent Ministry. Your Committee resolves to await a progress report on the matter.

#### **t) Failure to provide Lease Agreement**

The Town Clerk submitted that the failure to provide contract documents at the time of audit was as a result of inadequate staff at the Housing Department to gather data and monitor the highlighted properties in the period under review. He further submitted that the Council had since issued eviction notices to tenants and had begun issuing lease agreements. Lease agreements were available for audit verification. In addition, he reported that management would ensure that the departments of Legal Services and Housing would ensure that tenancy agreements were formulated and signed with tenants in time before the property was allocated.

### **Committee's Observations and Recommendations**

Your Committee finds the Council's failure to secure lease agreements unacceptable as this could be a conduit for siphoning money from the Council as it makes it difficult to ascertain collectable rentals. Your Committee strongly cautions the Town Clerk against such laxity as it finds the excuse given unacceptable. Your Committee resolves to await a comprehensive report on the matter.

#### **u) Outstanding Staff Obligations - K20,022,827**

The Town Clerk submitted that the cause of the outstanding staff obligations was inadequate funds to pay outstanding staff obligations for all Council employees during the period under review. Management came up with a debt liquidation plan and Kabwe Municipal Council management had started paying off the outstanding staff obligations. The payment voucher and liquidation plan were available for auditor's verification.

### **Committee's Observations and Recommendations**

Your Committee expresses concern over the Council's failure to settle outstanding obligations as this failure could dampen the morale among the affected officers. In noting the formulated liquidating plan, your committee resolves to await a progress report on the matter.

#### **v) Failure to Provide Reports - K72,117**

The Town Clerk submitted that the cause of the non-remittance of activity reports by officers of the Council attending sponsored workshops was lack of orientation of the members of staff on the new requirement to submit reports. Further, he submitted that the Council had received activity reports from all the officers who travelled for Council sponsored workshops and programmes and the reports were available for audit verification. Furthermore, all Council employees had since been sensitized on the need to provide activity reports whenever they travelled on Council sponsored programmes, failure to which Management would recover the amounts paid for their participation from their personal emoluments.

### **Committee's Observations and Recommendations**

Your Committee wonders how officers could undertake various activities such as inspections and monitoring without a record of these activities for the benefit of the Council. Your Committee finds lackadaisical attitude by the Town Clerk and his management team unacceptable and urges the Town Clerk not only to make recoveries from such officers but institute disciplinary action against them forthwith. Your Committee resolves to await a progress report on the matter.

#### **w) Environmental Audits**

##### **i. Failure to Produce Waste Management Reports**

The Town Clerk submitted that the cause of the failure to produce reports was that the municipality did not have a weigh bridge at the dumpsite to know the quantities it was disposing of. Further, he reported that the rate of generation was higher in comparison to collection due to inadequate sanitary and dumpsite facilities and equipment arising from inadequate resources. Further, he reported that the team would provide reports specifically estimated in the current conditions next year. The process of procuring facilities and equipment for the dumpsite had started. Going forward, he reported that once the construction of the weigh bridge at the dumpsite had been finalised together with the procurement of facilities and equipment, the submission of the reports to Zambia Environmental Management Agency (ZEMA) would be enhanced.

### **Committee's Observations and Recommendations**

In noting the submission, your committee resolves to await a progress report on the matter.

##### **ii. Transport and Management of Waste**

The Town Clerk submitted that the cause of the engagement of three companies, to collect solid waste from various households and business centres was lack of financial resources to procure equipment and waste disposal vehicles. Further, he submitted that the local authority had zoned the District into ten zones, which would be advertised to the public. The clients were given temporal contracts to collect solid waste and dispose at the dumpsites. Furthermore, they were advised to register their companies with PACRA, failure to which their companies would be stopped from trading within the jurisdiction of the municipality. In addition, all the three contractors were requested by the municipality to obtain licenses from ZEMA to transport waste, failure to which they would attract penalties from the municipality. The temporal contracts to collect solid waste and dispose off at the dumpsites were available for audit verification.

With regard to remedial measures taken, he submitted that once the ten zones were advertised and given to contractors, the whole district would be catered for in terms of garbage collection and disposal unlike what was obtaining. Furthermore, each zone would have a specific contractor who would manage the waste, thereby reducing accumulation of historical waste.

### **Committee's Observations and Recommendations**

Your Committee notes the submission with concern on the engagement of garbage collecting companies despite them not meeting the required conditions and without valid documentation, contract period and no contract amount. Your Committee implores the Local Government Service Commission to inquire into this matter and address the serious Management lapses at the



Council as a matter of urgency. Your Committee further recommends that other law enforcement agencies should also take keen interest in the procurement of these service providers. Your Committee resolves to await a progress report on the matter.

- **Collection of Waste in Excess of the Licence**

The Town Clerk submitted that the cause of collection of waste in excess of the license was that the service provider never consulted the Council prior to their submission to ZEMA on the total tonnage of waste disposed per year. The council noted the observations of the auditors and the Public Health Department and now recorded the quantity of solid waste that each contractor disposed of at the dumpsite on a daily basis. This would enable the Council to know how much waste each contractor disposed of at the dumpsite annually. Records of the quantity of solid waste collected were available for audit verification.

Further, in noting the observation of the auditors, the Council would be submitting returns to ZEMA every six months showing how much solid waste each contractor had disposed of at the dumpsite.

#### **Committee's Observations and Recommendations**

Your committee notes the submission and resolves to await a progress report on the matter.

- **Dumping of Waste without Authority**

The Town Clerk submitted that the two companies disposed of waste at the dumpsite without authority from the Council because the dumpsite was not yet fenced. However, the Municipality had since employed a dumpsite attendant to control illegal dumping of solid waste by unauthorised dealers in the district. A letter of employment of the dumpsite attendant was readily available for audit verification. Further, the Council was mobilising resources to fence the dumpsite to avoid unauthorised dealers from dumping solid waste.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Town Clerk to expedite the erection of the wall fence at the dumpsite in order to protect the site from illegal dumping. Your Committee will await a progress report on the matter.

#### **Failure to cover waste during transportation**

The Town Clerk submitted that the failure to cover waste during transportation was due to the fact that the Council bought covers at the beginning of the year but they got worn out during the year. Polythene tents had now been provided and were being used to cover waste during transportation. Documentation was available for auditors' verification.

Going forward, the Council would ensure that waste was always covered during transportation to the dumpsite to avoid littering the town..

#### **Committee's Observations and Recommendations**

In noting the submission, your Committee resolves to close the matter subject to audit verification.

### **Use of Uninsured Vehicles by Transporters**

The Town Clerk submitted that the reason for the uninsured motor vehicles by transporters was the expiry of the insurance covers during the year when in fact at the time of engaging them, the motor vehicles were fully covered. The transporters had since abided with the requirements of registering with PACRA, ZEMA and undertaking motor vehicle insurance. Documents were available for auditors' verification.

Further, he submitted that the Council would endeavour to engage transporters with valid comprehensive insurance cover for the whole year to avoid similar queries in future. The council had indicated this as a prerequisite for qualification before engagement of the transporters.

### **Committee's Observations and Recommendations**

In noting the submission, your committee resolves to close the matter subject to audit verification.

#### **iii. Collection of Waste by the Council**

The local authority is in charge of collection of waste from the central business district and all other areas of the town, including markets, not covered by the three transporters. However, an examination of records and physical inspection of the markets and other collection points revealed various irregularities as shown below.

#### **Lack of Medical Check-ups for staff**

The Town Clerk submitted that lack of medical check-ups for staff was as a result of employing workers on temporary basis. The Council had since employed staff in public health on permanent establishment and had taken all of them for medical check-ups. Further, the Council had since engaged Kabwe General Hospital to be examining Kabwe Municipal Council general workers every six months.

### **Committee's Observations and recommendations**

In noting the submission, your Committee resolves to close the matter subject to audit verification.

#### **Lack of Waste Holding Points**

The Town Clerk submitted that the waste holding points were being abused and some stolen by vendors. Further, he reported that Sun he and Mobile City had since donated forty metal drums for temporary storage of waste and they had been put in markets. Furthermore, the council had ordered every shop owner to provide his or her own waste bin. Photos were available for verification. In addition, he submitted that the Council would ensure that the metal drums would be safely secured in the waste holding points.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee resolves to close the matter subject to audit verification.

### **Failure to Provide Waste Receptacles**

A visit at the green market and new market where the Council collected garbage revealed that no receptacles were provided by the Council, resulting in waste being dumped by the roadside.

#### **x) Failure to Collect Waste**

The Town Clerk submitted that the cause of failure to provide waste receptacles was a result of street vendors throwing litter at an authorised place. A skip bin had since been placed for temporary storage of waste and litter was being collected and transported to the dumpsite on a weekly basis. Further, the Council would ensure that litter was being collected and transported to the final disposal area.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Town Clerk to ensure that trading areas are provided with skip bins in order to avoid the spread of diseases. Your Committee resolves to close the matter subject to audit verification.

### **Burning Waste in Communities and Markets**

The Town Clerk submitted that the reason for burning waste in communities was that restaurant owners were not sensitised on the dangers of burning waste. The Council had since received adequate health education officers to sensitise and monitor the public against burning waste in public places and the sensitisation programmes were ongoing. The burning of waste in public places had ended. In addition, the Council had embarked on a massive sensitisation of restaurant owners and the general members of the public.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

#### **y) Failure to Maintain Equipment**

The Town Clerk submitted that failure to maintain equipment was as a result of inadequate resources to pay for service for the stated Council motor vehicles because of the huge fleet of Council vehicles. He further reported that the Council had engaged the motor vehicle dealers into credit facility where payments were made in instalments after servicing had been done. Payment vouchers pertaining to the payments stated above were available for audit verification. The Town Clerk also assured your Committee that the Council would procure brand new motor vehicles and equipment to avoid recurrence of the same audit queries.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Town Clerk to ensure that serviceable vehicles are repaired and those that prove to be unserviceable are disposed of. Your Committee resolves to await a progress report on the matter.

#### **z) Mukobeko Dumpsite**

The Town Clerk reported that the cause of the issues surrounding the Mukobeko dumpsite was inadequate resources to maintain the dumpsite. The Council had since lobbied for donor support from the World Bank to construct a landfill which would answer all the concerns pertaining to

the maintenance of the dumpsite. Once the landfill was constructed, all the issues raised by the auditors would be resolved.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Town Clerk to ensure that all the issues surrounding Mukobeko Dumpsite with regard to complying with the *Waste Management Act* (full and correct citation of statute, please) are sorted out.

## **AUDIT QUERY                      PARAGRAPH 14**

### **KALOMO DISTRICT COUNCIL**

#### **Review of Operations**

An examination of accounting and other records maintained at the Council for the financial years ended 31<sup>st</sup> December, 2014, 2015 and 2016 revealed various irregularities, to which the Council Secretary responded as set out below.

#### **a)        Failure to Prepare Financial Statements**

The Council Secretary informed your Committee that the Council failed to prepare financial statements because of Council assets not being valued due to lack of valuation officers in the Council establishment, coupled with limited revenue base. However, the Council had since requested the Local Government Service Commission to recruit a valuation officer for Kalomo Town Council. The Local Government Service Commission had since recruited and deployed a valuation officer who had started working on the valuation of the properties.

#### **Committee's Observations and Recommendations**

Your Committee observes that the Council failed to adhere to section no. 43 (3) of the *Local Government Act, Chapter 281 of the Laws of Zambia*, which require the preparation of Financial Statements within a period of six months after the end of the financial year. Your Committee further notes that the failure was due to lack of asset values to be included in the Financial Statements. Your Committee encourages the Council to conclude the valuation of assets without fail following recruitment of the Valuation Officer. Your Committee awaits a progress report on the matter.

#### **b)        Weaknesses in the Management of Revenue - Failure to Provide General Revenue Receipt Books**

The Council Secretary submitted that the books in question were not accurate revenue receipt books but abattoir animal slaughter report books which were given to the veterinary and health inspector for use during meat inspections. However, at the time of audit, the officers with the books were on leave, making it difficult for the auditors to check the receipt books in question. The receipt books had since been retrieved and were available for verification by the auditors. She further informed your Committee that the Council had received health inspectors who would be in charge of the books and answerable for the report books.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Council failed to adhere to Local Authorities Financial Regulation No.72 (5) by failing to provide general revenue receipt books to the auditors, making difficult to ascertain revenue received. Your Committee notes that failure to produce the receipt books for audit could expose the Council to loss of revenue through theft. Your Committee urges the Council Secretary to ensure that all accountable documents are properly stored and the officers responsible are cautioned for the lapse. Your Committee awaits a progress report on the matter.

#### **c) Outstanding Receivables – K1,046,952**

The Council Secretary responded that due to massive transfers in the Local Government Service most policies and programmes which were put in place suffered a setback due to the movement of members of staff from one station to another, which resulted in inadequate staffing levels. She further informed your Committee that the Council had since requested the Commission to deploy adequate members of staff to fill the vacancies. She also informed your Committee that the Council had formed a taskforce to foster debt collections and had also received three revenue collectors who had been trained on debt and revenue collection and recoveries had been effected. The documents were available for verification.

### **Committee's Observations and Recommendations**

Your Committee urges the Council to develop a strategy to collect debts so as to improve its financial position. Further, following the reported deployment of fully qualified revenue collectors, your Committee expects to see an improvement in debt collection generally and in particular the amount cited by the auditors. Your Committee further directs the Local Government Service Commission to hasten the employment of necessary staff at the Council. Your Committee awaits a progress report on the matter.

#### **d) Outstanding Statutory and Other Obligations – K5,720,777**

Your Committee was informed that the Council's failure to pay statutory and other obligations was due to insufficient funding and a low revenue base. However, the Council had embarked on the rehabilitation of its commercial ventures and updating its valuation roll so as to broaden its revenue base. The payment plan had since been affected. Further, a data base of all revenue sources was being updated to ensure that all monies due to the Council were collected which would improve its capacity to meet staff and other statutory obligations.

### **Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by Management to settle staff obligations as they risked accumulating debt to unmanageable levels. This may eventually attract litigation which may result in loss of funds through costs and interest. Your Committee urges the Council to ensure that the severance packages are budgeted for annually and that a debt liquidation plan is put in place to avoid accumulating debt and possible litigation. Your Committee awaits a progress report.

**e) Weaknesses in the Management of Properties**

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

The Council Secretary submitted that the Council had faced a lot of challenges with the office of the Surveyor General in Southern Province. The Council requested the Office of the Surveyor General to produce survey diagrams for the planned areas in Kalomo but all in vain. This had rendered it difficult to obtain certificates of title for the general public and for Council properties. However, your Committee was assured that the Council had continued to pursue the matter with the Provincial Surveyor and that so far one title had been obtained. The Council had since received a land surveyor who would be dealing with the matters of land surveying.

**Committee's Observations and Recommendations**

Your Committee observes with concern that the Council's properties are not secure as they are not on title. Your Committee, therefore, urges Management to follow up the matter with the Surveyor General in order for them to finalise the preparation of survey diagrams and to further ensure that all properties are surveyed. Your Committee awaits a progress report on the matter.

**ii. Failure to Insure Council Property**

The Council Secretary submitted that the failure to insure Council property was due to lack of valuation of the properties and inadequate resources coupled with huge historical debts. She further informed your Committee that the Council had since started insuring its movable property as it awaited the values of the immovable assets being worked on by the newly employed valuation officer. The Council had also provided for insurance in the 2018 budget and would continue to budget for it.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Council failed to adhere to the Local Authorities Financial Regulations No. 154, by failing to insure its property. This exposes the property to risk in case of any unforeseen occurrence. Your Committee directs the Council to ensure that all council properties are insured to absorb the risk. Your Committee resolves to await a for progress report on the matter.

**iii. Failure to Maintain Properties – Topper Bar, Drive Inn Guest House and Getters Tavern**

The Council Secretary agreed with the observation of the auditors with regard to failure to maintain properties. Your Committee was informed that this was due to inadequate qualified civil engineers and limited resources coupled with huge historical debts. Your Committee was, however, informed that the Council had provided for rehabilitation of the queried assets in the 2018 budget. Materials for the works had since been procured and rehabilitation works had commenced. Further, the Council had received a buildings officer, foreman and an electrician who would be overseeing the periodic maintenance of the properties of the Council.

**Committee's Observations and Recommendations**

Your Committee urges the Council Secretary to ensure that all properties are periodically maintained and that funds are allocated for property maintenance in the annual budget of the Council. Your Committee further directs the Local Government Service Commission to employ

qualified engineers at the Council. Your Committee resolves to close the matter subject to audit verification.

## **AUDIT QUERY**

## **PARAGRAPH 15**

### **KAOMA DISTRICT COUNCIL**

#### **Review of Operations**

An examination of accounting and other records maintained at the Council and review of operations revealed various irregularities, to which the Council Secretary responded as indicated below.

#### **a) Failure to Fill Key Positions**

The Council Secretary submitted that much as the establishment provided for the positions in question at that time, the budgetary provision restricted the filling of all positions. However, the mandate to employ officers in the category in question was the preserve of the Local Government Service Commission. Further, she submitted that the Council communicated to the Local Government Service Commission on the key vacant positions at its sitting of 28<sup>th</sup> September, 2017 in Kaoma for its consideration and a number of vacant positions were filled forthwith. Furthermore, she assured your Committee that the Council would endeavour to promptly communicate to the Local Government Service Commission over any vacant positions.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council Secretary to always ensure that communication to the Local Government Service Commission is done in a timely manner whenever key positions fall vacant so as not to disrupt the Council operations. Closure of the matter is recommended subject to audit verification.

#### **b) Failure to Utilise Software – K20,000**

Your Committee heard from the Council Secretary that although the Baxcel package was procured in March, 2016, training on the use of the package was unfortunately not done and the software could not be used. In addition, the Ministry of Local Government had since suspended the use of the same software in preference for the FMS.

Further, she reported that the Financial Management System which software was provided and supported by the Government was now used by the council to produce the Financial Statements. The 2016 and 2017 Financial Statements had since been produced and were available for verification. She also assured your Committee that the council would endeavour to abide by the provisions of the *Public Finance Act* (full citation, please) and financial regulations in the utilisation of public funds.

#### **Committee's Observations and Recommendations**

Your Committee finds this wasteful expenditure intolerable as no due diligence or needs assessment was exercised by the officers who authorised the purchase of application packages which were never used your Committee sternly cautions the Council Secretary to exercise prudence in the utilisation of public funds, especially in the midst of competing needs. In other

words, the Council Secretary should ensure that money is only spent on goods and services that will add value to the council or the public.

Your Committee therefore urges the Council Secretary to surcharge all officers who were involved in the planning and procurement of the application package which was never used. Your Committee resolves to close the matter subject to audit verification.

**c) Failure to Prepare Financial Statements**

The Council Secretary also reported that the Financial Management System which software was provided and supported by the Government was then used by the council to produce the financial statements. The 2016 and 2017 Financial Statements had since been produced and were available for audit. Furthermore, the Council would endeavour to abide by the provisions of the *Public Finance Act* (full citation please) and Financial Regulations in the utilisation of public funds.

**Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Council Secretary to ensure that the Council complies with the *Local Government Act, Chapter 281 of the Laws of Zambia* in terms of preparation of annual financial accounts for the Council. Your Committee, therefore, urges the Council Secretary to ensure that all annual financial accounts under review are also prepared. Closure of the matter is recommended subject to audit verification.

**d) Lack of Cash Collection Sheets - Market Fees**

The Council Secretary acknowledged the auditors' observation and submitted that daily collection sheets for the market fees were now maintained separately and were banked in the service provision account. She added that the daily cash collection sheets maintained now, clearly illustrated how much was collected from different revenue sources, inclusive of market fees.

She further submitted that the market fees were deposited in one council account and ledgers were maintained for each revenue stream. The daily cash collection sheets and the ledgers were available for audit verification. Going forward, she submitted that the Council would endeavour to abide by the provisions of the *Public Finance Act* and Financial Regulations in the maintenance of books of accounts.

**Committee's Observations and Recommendations**

In noting the submission, your Committee is highly disappointed that cash collection sheets were initially not being used. Your Committee is of the view that unscrupulous officers could have been pilfering the public funds without a trace. Your Committee, therefore, urges the Council Secretary to mete out disciplinary action against all officers responsible for this lapse and henceforth seal all loopholes in the handling of public funds. Your Committee resolves to close the matter subject to audit verification.

**e) Under Collection of Revenue – K6,963,911**

The Council Secretary submitted that the under collection of revenue was due to resistance by the people to pay the required fees as required and also due to the Council's outdated valuation roll. The Council had embarked on having stakeholder meetings where the need for all



proprietors to pay the various fees and charges as stipulated by law was explained. The Council Secretary reported that the Council had so far held two meetings, which had culminated in an improvement regarding revenue collection. Further, she added that revenue collection had been intensified following the receipt of more finance staff and the in the establishment of a task force on revenue collection. Bills for owner's rates had also since been issued to rate payers. With regard to remedial measures, the Council Secretary submitted that the Council would endeavour to abide by the provisions of the *Local Government Act* and Financial Regulations regarding the implementation of Council budgets.

#### **Committees Observations and Recommendations**

Your Committee notes the submission from the Council Secretary and urges her to expedite the updating of the valuation roll so as to enhance revenue mobilisation by the Council.. Your Committee further urges the Council Secretary to ensure that her Council strives towards attaining 100 per cent collection of all collectable revenue through public sensitisation and her strengthened financial staff so as to ease financial challenges being faced by the council. Your Committee awaits a progress report on the matter.

#### **f) Outstanding Receivables – K18,400**

The Council Secretary submitted that the rentals accrued due to the absence of tenancy agreements on shops. Further, the owners of shops who built on Council land resisted paying ground rent on the premise that they did not understand what it was. She further submitted that the lease agreements with tenants occupying council shops and shop owners who had built on council land had since been signed and were available for verification. The revenue ledgers were now maintained and updated accordingly. The signed lease agreement forms were available for verification. The Council Secretary furthermore, assured your Committee that her council would in future, endeavour to enforce all agreements entered into, in a bid to avoid a repeat of the anomaly.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission and cautions the Council Secretary against such laxity which have cost the Council some irrecoverable revenues due to lack of tenancy agreements. Your Committee also notes the efforts being made to normalise the situation and resolves seek a progress report on the matter.

#### **g) Failure to Collect Quarry Levy – K375,900**

Your Committee heard from the Council Secretary that the three companies in question refused to pay the quarry levy, giving an excuse that the levy was not factored in the contract sum signed with RDA, and that they would only pay if a variation of contracts was done to include the levy. In addition, the Council engaged RDA over the payment of quarry levy by the three companies to which RDA guided that owing to the contracts having already been signed between Government and the contractors, there was no provision for payment of such fees.

She further submitted that the Council would endeavour to abide by the provisions of budgeting guidelines in terms of revenue sources.

### **Committee's Observations and recommendations**

In noting the submission, your Committee urges the Council Secretary to ensure that the quarry levy is collected in full as it is part of the law and ignorance of its existence on the part of the three companies at the time of entering into a contract with the RDA does not constitute a defence or sufficient excuse for the levy to be waived. Further, your Committee urges the Council Secretary to ensure that information on chargeable levies is disseminated to all stakeholders, in order to avoid resistance such as that experienced on the quarry levy. Your Committee will await a progress report on the matter.

#### **h) Lack of Billboard Policy**

The Council Secretary submitted that the Council had a formula it had been using in computing chargeable fees for all billboards within its jurisdiction. The billboard policy was being developed at Ministerial level as a generic policy for all local authorities. Failure to collect was due to RDA claiming payment for the same billboards that the Council billed, thereby resulting in the refusal by clients to pay.

Further, she informed your Committee that the Council had since written to the Ministry of Local Government seeking guidance on the billboard policy, considering the fact that the Ministry had commenced the process of formulating a generic policy to be followed by all local authorities in the country. Furthermore, RDA engaged local authorities to discuss the modalities on which billboards would be charged by the council and which billboards would be charged by the Agency. Furthermore, the Council would endeavour to follow up the matter with the Ministry of Local Government so as to obtain the billboard policy.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Ministry of Local Government to ensure that the Billboard Policy is in place within the shortest period of time so as to bring to a stop the wrangles between the local authorities and RDA, which have been observed in most Councils by your Committee. Your Committee awaits a comprehensive report on the matter.

#### **i) Unsupported Payments – K54,004**

The Council Secretary submitted that some supporting documents such as invitation letters for meetings were filed separately from the payment vouchers. The Council had since traced the missing documents and they were available for verification. Further, the Council had tasked the internal auditor to be undertaking quarterly post audit checks of payments so as to verify the availability of supporting documents.

### **Committee's Observations and recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that record keeping by her staff is enhanced to avoid misplacing important documents such as payment vouchers. Your Committee further urges the Council Secretary to take disciplinary action against the officers who misfiled these important documents so that they were as not availed for audit review and to submit them for verification. Your Committee will await a progress report on the matter.

**j) Irregular Refunds – K17,492**

The Council Secretary submitted that she acknowledged the auditor's observation and regretted the trend. She further submitted that the practice had since been stopped and all council employees had been notified to the effect that prior authority from the Council Secretary should be sought before committing any personal funds on Council programmes and activities. Relevant documents were available for verification.

**Committee's Observations and Recommendations**

In noting the submission,, your Committee sternly cautions the Council Secretary against the use of personal funds on Council activities as it is a breach of the Financial Regulations. Your Committee reiterates that no personal funds should be applied on Council business forthwith. Closure of the matter is recommended subject to audit verification.

**k) Approval of Payments by Payee – K33,256**

The Council Secretary submitted that she acknowledged the auditor's observation and regretted the trend. The Council had since stopped the practice and imprest was no longer issued. She further submitted that the Council had strengthened the internal controls to prevent such practices.

**Committee's Observations and Recommendations**

Your Committee does not accept the reasons given by the sub-warrant holder as this was a serious breach of good corporate governance, and your Committee finds it unacceptable. Your Committee recommends that the matter should be resolved without any further delay, and deductions should be instituted on the erring officer. Further, disciplinary action should be meted out against the officer without delay. Your Committee will await a progress report on the matter.

**l) Unretired Accountable Imprest – K43,992**

Your Committee heard from the Council Secretary that at the time of audit, the imprest retirement forms were filed separately from the payment vouchers. The retirement forms had since been attached to the payment vouchers for ease reference and completeness.

Further, the Council Secretary submitted that one file was now maintained for both payment vouchers and imprest retirements. Furthermore, use of imprest had since been reduced to almost none except for Councillors' sitting allowance in respect of committee and council meetings.

**Committee's Observations and Recommendations**

Your Committee finds it unacceptable that documents are only found after audits, as some queries can be avoided if all documentation was availed to auditors during their audits. Your Committee sternly cautions the Council Secretary against this practice in her Council and urges her to institute disciplinary action against officers who failed to cooperate with auditors by availing necessary documentation which only surfaces during your Committee's meetings. Your Committee directs the Council Secretary to submit the documents for audit verification and resolves to await a progress report on the matter.

**m) Irregular Use of Imprest – K39,163**

The Council Secretary submitted that she acknowledged the auditors' observation and regretted the trend. The council had since stopped the use of imprest to procure goods and services. Further, the Council had strengthened the internal controls to prevent such practices.

**Committee's Observation and Recommendations**

In noting the submission from the Council Secretary, your Committee finds it inconceivable that financial regulations are being abrogated with impunity by the Council. Your Committee sternly cautions the Council Secretary against the recurrence of this practice and urges her to take disciplinary action against all officers that failed to adhere to the laid down Financial Regulations in this case. Your Committee resolves to close the matter subject to audit verification.

**n) Unacquitted Payments – K17,720**

Your Committee heard from the Council Secretary that at the time of audit, the acquittal sheets for the amounts in question were unfortunately not attached to the payment vouchers. That was because those payments were arrears to councillors who had served previously and had to be located in their various wards. The payments were, therefore, done over a number of days as the communication had to be sent to the beneficiaries and cashiers were holding onto the acquittals to facilitate easy access and payment to the beneficiaries. Suffice to mention that those councillors did not have bank accounts.

Further, she reported that the Council had restricted the use of imprest and petty cash to specific payments which were done immediately such as Councillors' sitting and transport allowances for committee and council meetings. These were immediately acquitted and acquittal sheets attached to the payment vouchers for completeness and easy reference. The acquittal sheets for the queried payments were available for verification.

**Committee's Observations and Recommendations**

In noting the submission from the Council Secretary, your Committee resolves to close the matter subject to audit verification.

**o) Irregular Refund of Medical Bills – K11,774**

The Council Secretary submitted that refunds of medical expenses were done in line with the provisions of the conditions of service as the Council did not have a scheme but was obliged to meet the medical bills for officers and their eligible family members. The Council had since opened a medical scheme with the Kaoma District Hospital. Further, the Council would endeavour to adhere to the established rules and guidelines.

**Committee's Observations and Recommendations**

Your Committee notes the submission and wonders why a medical scheme was only opened after the audit query. Your Committee urges the Council Secretary to desist from such practices and resolves to close the matter subject to audit verification.

**p) Irregular Payment of Social Holiday and Other Allowances – K16,500**

The Council Secretary submitted that the officer was appointed to act as Council Secretary for the period 1<sup>st</sup> April, 2015 to 31<sup>st</sup> December, 2015 by the Local Government Service Commission.

The appointment letter stated that the officer was entitled to acting allowance and all other allowances available to the office of Council Secretary. The Council had not been able to recover the funds because the officer had no leave days and was no longer in the local government service.

His appointment letter to act as Council Secretary was available for verification. The matter has been tabled before the Council for offsetting as bad debt.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission but resolves that the irregular allowances cannot be written off. It reiterates that it is incumbent upon the Council Secretary to trace the former Council official and recover these public funds from him in full. Your Committee awaits a progress report on the matter.

#### **q) Irregular Payment of Settling in Allowances – K35,800**

Your Committee heard from the Council Secretary that the payment to the officer was not settling in allowance but rather wrongly claimed salary underpayments between LGSS04 and LGSS05. The Council immediately placed the officer on his correct salary scale of LGSS05 and had since recovered the funds from his accrued leave days dues as the officer had since been transferred to Choma Municipal Council. The ledger of his leave days dues showing the recovery of K35,800 was available for verification.

Further, she added that the Council would endeavour to follow strictly the instructions as written in the appointments/transfer letters by the Local Government Service Commission as read together with the obtaining Conditions of Service.

#### **Committee's Observations and Recommendations**

Your Committee reiterates its concerns with regard to numerous erroneous payments which in some cases have resulted in loss of public funds. In this vein, your Committee calls for disciplinary action to be taken against the responsible officers in this matter and directs that all relevant documentation be submitted for audit verification. Your Committee will await a progress report on the matter.

#### **r) Payment for Training Expenses without Authority – K20,637**

The Council Secretary regretted the trend and submitted that the Council had recovered the funds paid for their training expenses accordingly. The ledgers and pay slips showing the recovery of those funds were available for verification. Further, she submitted that the Council would endeavour to follow the laid down procedures before any expenditure.

#### **Committee's Observations and Recommendations**

In noting the submission, your Committee sternly cautions the Council Secretary to desist from entertaining payments for training without first seeking authority from the Local Government Service Commission. Further, your Committee calls for disciplinary action to be instituted against all officers who were responsible for this serious irregularity. Your Committee resolves to seek a progress report on the matter.

**s) Misapplication of Funds – K11,208**

The Council Secretary submitted that the funds were paid to the officers on the understanding that once they received their logistical funds from Electoral Commission of Zambia (ECZ), they would immediately refund the Council funds. However, the ECZ activities were called upon without the immediate corresponding funding.

The Council had since recovered the funds from one of the two officers involved through his accrued leave day dues who had since been transferred to Sioma Council. Recoveries from the other officer were not effected as the officer had no dues with Kaoma Town Council and was no longer in the local government service. The Council shall endeavour to adhere to guidelines in the utilisation of council resources.

**Committee’s Observations and Recommendations**

Your Committee observes with great disappointment that the Council once again lost money due to non-adherence to Financial Regulations. In this regard, your Committee resolves that the misapplied funds cannot be written off. It reiterates that it is incumbent upon the Council Secretary to trace the former Council official and recover these public funds from him in full. Alternatively, the officers who authorised this payment should pay back the funds in full. Your Committee, further, sternly cautions the Council Secretary to avoid a repeat of similar misapplication of funds. Your Committee awaits a progress report on the matter.

**i. Misapplication of Equalisation Fund- K1,424,612**

Your Committee heard from the Council Secretary that arising from its low revenue base and inadequate grant allocation, most of the grant went towards settling the wage bill, outstanding retirees’ terminal benefits and unpaid Councillors’ allowances, among others. The Council was now implementing capital projects using the 20 per cent from the Equalisation Fund accordingly.

Further, she submitted that the Council would endeavour to adhere to guidelines in the utilisation of Local Government Equalisation Fund.

**Committee’s Observations and Recommendations**

In noting the submission, your Committee cautions the Council Secretary from utilising the 20 percent Equalisation Fund on non-capital projects. Accordingly, your Committee emphasises that the misapplied funds should be paid back in full without undue delay so that the planned projects can be implemented. Your Committee awaits a progress report on the matter.

**t) Failure to Settle Personal Emolument Arrears – K1,111,122**

The Council Secretary reported that failure to settle personal Emolument arrears was due to limited funds by the Council. The Council had made efforts to pay arrears and the amount owed had reduced from K1,111,122 to K338,045.52 inclusive of recently transferred staff. Further, the updated status and the debt servicing plan was available for verification. She also added that the Council would endeavour to further reduce the outstanding arrears as provided for in the debt servicing plan.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Council Secretary to strictly adhere to the debt servicing plan so that all the arrears are paid off in the shortest possible time. Your Committee awaits a progress report on the matter.

#### **u) Failure to Remit Statutory Contributions and PAYE – K361,681**

The Council Secretary submitted that the failure was due to limited financial resources. The Council had since cleared all the outstanding statutory contributions and PAYE accordingly save for the disputed K1, 000,000 claimed by NAPSA as penalty for the alleged unremitted funds prior to 2013. Records, however, indicated that the Council had paid off all the amounts due. Further, the Council was paying all the statutory contributions and PAYE as it paid salaries and wages monthly.

### **Committee's Observations and recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

#### **v) Over - Payment of Settling in Allowance – K111,753**

Your Committee heard from the Council Secretary that the overpayment was due to the wrong way of maintaining and misposting accounting information where all unpaid dues to employees were consolidated in a ledger named "settling in allowance". Non-deduction of tax on settling in allowance was purely an error in the understanding of tax administration by the officers involved. The Council had since recovered the overpaid amounts of settling in allowances from the affected officers through the payroll and accrued leave days as verified. The Council would endeavour to correctly compute and post accounting information in line with financial regulations.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Council Secretary to ensure that her accounting officers are acquainted with existing accounting guidelines to avoid a repeat of such errors. Closure of the matter is recommended subject to audit verification.

#### **w) Irregular Signing of Memorandum of Understanding (MoU)**

Your committee heard from the Council Secretary that the memorandum of understanding with Indo-Zambia bank was only entered into after the matter was approved by the Council and the minutes to that effect were available for verification.

Further, the Council made available the minute on which the MOU was approved to the auditors. The Council would always endeavour to follow the laid down procedures before entering into an MOU with any partner.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

**x) Non Recovery of Salary Advances**

Your Committee heard from the Council Secretary that she regretted the trend. The Council had recovered the advances through the payroll and accrued leave days and was still recovering from the officers who had since been transferred from Kaoma Council to other councils through commitments made by the respective officers as communicated through their principal officers. The copies of payslips and correspondence with transferred staff were available for verification. The Council had since enhanced the payroll management system by ensuring that inputs to the payroll were strictly verified by the audit and human resource units.

**Committee's Observations and Recommendations**

Your Committee finds it unacceptable that deductions were only effected after an audit query was raised by auditors, given that advances paid in 2015 and 2016, had not yet been affected by 31<sup>st</sup> December, 2017. Your Committee directs the Council Secretary to immediately institute disciplinary action against the officers who failed to effect recoveries of these salary advances and sternly cautions her to take charge of the financial operations of the Council so as to avert recurrence of similar anomalies going forward. Your Committee awaits a progress report on the matter.

**y) Drawing of Fuel into Private Motor Vehicles without Prior Authority – K16,008**

Your Committee heard from the Council Secretary that she acknowledged the auditors' observation and regretted the trend which was due to the Council not having official utility vehicles at the time. The Council had since acquired two vehicles and had also requested for authority from the Ministry of Local Government to procure another two.

Further, she submitted that the Council would endeavour to adhere to guidelines and would ensure that only private vehicles with prior authority from the principal officer would be used for discharge of council duties.

**Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Council Secretary to desist from the practice of allowing private motor vehicles from drawing fuel. Your Committee resolves to close the matter subject audit verification.

**z) Unaccounted for Stores –K360,481**

The Council Secretary submitted that the disposal details were erroneously kept separately from the payment vouchers. The Council had since attached the documents and were available for verification.

Further, the council had enhanced the management of stores upon the receipt of a qualified stores officer and would endeavour to adhere to guidelines as provided for by Financial Regulations governing stores.

**Committee's Observations and Recommendations**

Your Committee finds it unacceptable that receipt and disposal details for stores were only found after the audit and urges the Council Secretary to mete out disciplinary action against the officers responsible for this lapse. Further, your Committee urges the Council Secretary to ensure that



local government financial regulations on stores are strictly adhered to henceforth and to submit all relevant documentation for audit verification. Your committee will await a progress report on the matter.

**aa) Management of Council Property, Plant and Equipment**

The Council owned various plant and equipment, motor vehicles and buildings which included an office block, a hall, markets and shops, an institutional house. The following were observed:

**i. Wasteful Expenditure on Procurement of a Gear Box – K52,000**

The Council Secretary submitted that due to liquidity problems, the council decided to procure spare parts needed to put the vehicle on the road in a phased manner, starting with the gear box. Unfortunately the Council did not manage to buy the other spares within a reasonable period as per plan due to inadequate funds.

The Council had since procured the transfer case and would soon procure service parts to have the vehicle completely worked on. The Council would endeavour to adhere to guidelines in the utilisation of public resources.

**Committee's Observations and Recommendations**

Your Committee notes the submission and is dismayed at the wastage of resources at the Council in light of competing needs. Your Committee awaits a progress report on the matter.

**ii. Lack of Title Deeds**

The Council Secretary reported that failure to acquire title deeds for council properties was due to a number of preliminary requirements such as the plot numbers, site plans and survey diagrams which were not done at the time of audit.

The Council had since started the process of obtaining land ownership documents as approved by the Council and a provision for the exercise had been factored in the 2018 annual Council budget. Further, the Council would endeavour to acquire documents for all its assets.

**Committee's Observations and Recommendations**

In noting the submission from the Council Secretary, your Committee calls for greater care to secure the assets of the Council and resolves to await a progress report on the matter.

**iii. Failure to Insure Council Property**

The Council Secretary submitted that failure to insure council properties was due to the unavailability of ownership documents for the properties concerned. The vehicles in question were initially project vehicles which became council vehicles after the projects wound up. However, the white books for the vehicles were not handed over. Currently, the vehicles in question were non-runners.

She further submitted that the Council had insured its current fleet of vehicles whilst still working to conclude ownership documents of council buildings so as to facilitate their insurance. RTSA was also engaged so as to provide duplicate white books. Furthermore, the Council would endeavour to adhere to guidelines in the management of council properties.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that all Council properties are insured in the shortest possible time in conformity with the local government regulations. Your Committee awaits a progress report on the matter.

### **Failure to Dispose of Unserviceable Plant, Vehicles and Equipment – K560,000**

The Council Secretary submitted that the matter was reported to the Council for approval to dispose of the unserviceable and obsolete council assets. Further, she added that the Council had written to the Government Valuation Department inviting them to come and value the said assets.

Furthermore, the Council would endeavour to adhere to guidelines in the management of council assets.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee resolved to await a progress report on the matter.

#### **iv. Illegal Occupation of Council Hall – K73, 200**

The Council Secretary reported that the tenant was not cooperative in performing his part of the tenancy agreement, resulting in the failure to collect the accrued rentals, despite several reminders.

The Council had since sued Makono for non-payment of the accrued rentals and illegal occupation of the said premises. In the future, the Council would endeavour to enforce all agreements entered into, in a bid to avoid a repeat of such an anomaly.

### **Committee's Observations and Recommendations**

Your Committee finds it unacceptable that the Council had not evicted the defiant tenant from its hall in the last ten years and had further failed to collect the outstanding rentals from the said tenant in the midst of conflicting financial demands. Your Committee, therefore, directs the Council Secretary to:

- (i) evict the defiant tenant from its hall forthwith;
- (ii) sue for any damage to the hall that could have come about through the said tenant;  
and
- (iii) claim for rentals for the whole period the tenant has been using the hall illegally.

Your Committee will await a progress report on the matter.

#### **bb) Failure to Prepare an Integrated Waste Management Plan**

The Council Secretary submitted that the Council had made a budgetary provision in the 2018 annual estimates for the formulation of the plan with assistance from ZEMA who had since been written to. Further, the Council would endeavour to adhere to guidelines in conformity to requirements of the Zambia Environmental Management agency.

### **Committee's Observations and Recommendations**

Your Committee expresses concern over the Council's laxity to prepare an Integrated Waste Management Plan which seemingly was only included in its budgetary provision for 2018, after the auditors queried the anomaly. Your Committee sternly cautions the Council Secretary over such kind of laxities as its neglect and failure to prepare an Integrated Waste Management Plan is a direct assault on Governments quest to keep Zambia clean. Your Committee awaits a progress report on the matter.

#### **cc) Capital Projects – K218,854**

During the period under review, the Council spent amounts totaling K218,854 on capital projects. The following were observed:

##### **i. Construction of Abattoir – K29,133**

The Council Secretary reported that failure to connect the facility was due to erratic water supply hence the Council planned to have a production borehole drilled with support from African development. However, when the project support team verified the sites, the facility was not listed as a priority as it was within the township. Fortunately, the Water Supply Company concluded the drilling of four (4) production boreholes in December 2017 which improved water supply upon which the Council applied to the Western Water and Supply Company for connection to its main so as to ensure constant supply of water which had since been done. The Council had since connected water to the facility through the main and the facility was in use. Further, the Council would endeavour to adhere to guidelines in the utilisation of council resources.

### **Committee's Observations and Recommendations**

Your Committee notes the progress made and resolves to close the matter subject to audit verification.

##### **i. Supply of Faulty Banana Boats – K59,200**

The Council Secretary submitted that the supplier was not cooperative in performing his part of the contract as far as specific performance of the boats was concerned even after being written to, to replace the boats. Further, the Council had since sued Tomacha General Dealers for failure to replace the cracked boats. The Council would in future, endeavour to enforce all agreements entered into, in a bid to avoid repeat of such anomaly.

### **Committee's Observations and Recommendations**

Your Committee finds it unacceptable to entertain such wasteful expenditure and urges the Council Secretary to pursue the matter to the latter with the supplier until every part of the contract by the supplier has been performed or revoke the contract and demand repayment plus damages for inconveniencing the Council through the courts of law. Your Committee awaits progress report on the matter.

**KAPIRI MPOSHI DISTRICT COUNCIL****Review of Operations**

A review of accounting and other records maintained at the Council and a physical inspection of projects carried out in October, 2017 revealed the following:

**a. Failure to produce Receipt Books (58)**

The Council Secretary submitted that at the time of audit the officer in-charge of receipt books was on transfer and had gone to report at his new station. However, the officer had since handed over all the fifty-eight receipt books and they were available for audit verification. The Council Secretary stated that the Council would ensure all receipt books were kept under custody.

**Committee's Observations and Recommendations**

The Committee notes the submission and resolves to close the matter subject to audit verification.

**b. Delayed Banking-K37,553**

The Council Secretary submitted that there was delayed banking because some revenue collection points were far away from the offices and management felt it would not make sense to bank money daily and incur more costs than the revenue collected. However, the Council had stopped delaying banking and all revenue collected was banked within two days. The Council Secretary would further ensure that systems were reviewed and aligned with the Local Authorities Financial Regulations.

**Committee's Observations and Recommendations**

The Committee directs the Council Secretary to ensure that the officers abide by the Local Authorities Financial Regulation No. 19 and cease the practice of delaying the banking of revenue completely. In the meantime, your Committee recommends that the Ministry of Local Government consider adjusting the regulations to allow stations that are located far away from banking facilities some extra time in which to bank revenue since it is economically counter productive for them to travel to the banks at a cost which is sometimes higher than the revenue to be banked. The Committee calls upon the Council Secretary to submit all the relevant documentation for audit verification and will await a progress report on the matter.

**c. Failure to Update Valuation Roll**

The Council Secretary informed your Committee that the delayed appointment of the Valuation Surveyor had contributed to the failure to update the Valuation Roll. The Council had since received the grant in lieu of rates to help it update the Valuation Roll. Furthermore, the Ministry of Local Government appointed the Valuation Surveyor who had since completed the process of valuation and the draft Valuation Roll would soon be submitted to the Council for inspection. The Council Secretary stated that the Council would endeavor to update the Valuation Roll timely.

### **Committee's Observations and Recommendations**

Your Committee observes that an updated Valuation Roll will indicate the potential revenue for the local authority from the ratable properties and capture all the ratable properties in the District has the potential to boost the Council's revenue. In this regard, your Committee directs the Council Secretary to ensure that the process of updating the Valuation Roll is completed without any further delay in line with the *Rating Act, No. 12 of 1997*. Your Committee awaits a progress report on the matter.

#### **d. Unaccounted for Funds K23,580**

The Council Secretary informed your Committee that there were unaccounted for funds at the time of audit because some officers were in school and others on leave at the time of audit. The officers had since acquitted all the allowances amounting to K23, 580 and the acquittal sheets were available for verification. The Council Secretary stated that the Council would ensure that all allowances were acquitted and acquittal sheets attached to the respective payment vouchers.

### **Committee's Observations and Recommendations**

The Committee notes the submission and resolves to close the matter subject to audit verification.

#### **e. Unsupported Payments K165,418**

The Council Secretary informed your Committee that some payments were inadequately supported because supporting documents were still with suppliers and some were misplaced at the time of audit. However, the Council had traced all supporting documents and attached them to the respective payment vouchers. The payment vouchers were available for audit verification. Your Committee was also informed that the Council would ensure that all supporting documents were attached to the respective payment vouchers in future.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that record keeping by her staff is enhanced to avoid misplacing important financial documents. Your Committee further urges the Council Secretary to take disciplinary action against the officers who failed to secure these important documents so that they were as not availed for audit review. Your Committee further directs that all the relevant document were submitted for verification. Your Committee will await a progress report on the matter.

#### **f. Unaccounted for Stores K70,724**

The Council Secretary informed the Committee that some stores items were unaccounted for due to the fact that some receipt and disposal documents were still with user departments at the time of audit. The Council had since traced all receipt and disposal details such as stores ledgers, fuel reconciliations, Goods Received Notes, Goods Issue Notes and registers and they were available for audit verification. The Council Secretary also stated that in future the Council would ensure that all stores were accounted for in line with the financial regulations.

### **Committee's Observations and Recommendations**

The Committee notes the Council Secretary's submission that all the relevant documents have been traced and urges the Council Secretary to ensure that receipt and disposal documents are

secured at all times and made available for audit when required. In this vein, your Committee urges the Council Secretary to take disciplinary action against the officers who failed to secure these important documents and to submit them for verification. Your Committee will await a progress report on the matter.

**g. Irregular Refunds - K23,790**

The Council Secretary informed your Committee that the master file with authority minutes from the Council Secretary was not audited alongside the respective payment vouchers. The Council Secretary further informed your Committee that the Council had traced the Council minutes in which approval was given for the officers to commit the Council to the expenditure in question. The minutes had been attached to the respective payment vouchers and were available for audit verification. The Council Secretary also stated that the Council would ensure that Council approval was sought before committing any expenditure and the relevant approval attached to payment vouchers.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that all necessary documents are available to the auditors to avoid unnecessary queries. In this vein, your Committee urges the Council Secretary to take disciplinary action against the officers who failed to produce these important documents for audit review. Further, all the documents should be submitted for verification. Your Committee will await a progress report on the matter.

**h. Unretired Accountable Imprest- K377,216**

The Council Secretary informed the Committee that imprest retirement forms and other details were filed separately from payment vouchers. In addition, some officers who were supposed to retire the imprest were still at school and others had gone on leave at the time of audit. The Council Secretary further submitted that all imprest retirement forms and other details had been traced, attached to respective payment vouchers and were available for audit verification. The officers that were at school had also been compelled to retire the said imprest.

The Council Secretary stated that the Council would ensure that all imprest retirement forms were attached to the payment vouchers and kept under custody. The Council would further ensure that only applications without outstanding imprest were approved.

**Committee's Observations and Recommendations**

The Committee notes the submission and cautions the Council Secretary to ensure that all relevant documents are submitted during the audit process to avoid unnecessary queries. However, your Committee resolves to close the matter subject to audit verification.

**i. Irregular Use of Imprest-K524,034**

The Council Secretary informed the Committee that the irregular use of imprest was because most of the suppliers in the District did not have bank accounts and preferred cash to cheques. Some of the goods and services were procured outside the District, hence the need to get quotations from Kabwe, Ndola or Lusaka and then get back to Kapiri-Mposhi to prepare payments. This process was expensive and the Council, therefore, resorted to the using imprest

to procure goods and services. The only reliable suppliers in the District, Shoprite Zambia and ZAMBEEF Products Plc, were not accepting cheques.

The Council Secretary stated that the situation had improved as the Council had developed a good relationship with suppliers. The Council had also signed agreements with Shoprite Zambia and ZAMBEEF Products Plc for them to be accepting payments by cheque.

#### **Committee's Observations and Recommendations**

Your Committee finds the submission by the Council Secretary unacceptable and cautions the Council Secretary against committing irregularities relating to procurement with impunity. Your Committee recommends that the matter be closed subject to audit verification.

#### **j. Failure to Prepare Activity Reports**

The Council Secretary submitted that the master file with activity reports was misplaced at the time of audit. The master file with the activity reports had since been retrieved and was available for audit verification. The Council Secretary stated that the Council would ensure that all reports and files were easily accessed and made available for audit in future.

#### **Committee's Observations and Recommendations**

In noting the submission, your Committee directs the Council Secretary to admonish his officers for the failure to avail the reports during the audit process. Nevertheless, your Committee resolves to close the matter subject to audit verification.

#### **k. Irregular Payment of Social Holiday Allowances-K29,500**

The Council Secretary submitted that the Social Holiday Allowance in question was paid before the abolition of the allowance. The Council had since stopped approving computations and payments of Social Holiday Allowance and would ensure that no Social Holiday Allowance was paid. The Council would also ensure that instructions, regulations and other circulars were adhered to.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

#### **l. Failure to Register a Tractor and Trailer with RTSA**

The Council Secretary submitted that the failure to register a tractor and trailer with RTSA was because the documentation was still with the supplier at the time of audit. However, the documentation had been traced and the process of registering the tractor and trailer with RTSA had since commenced. The Council would ensure that all the equipment was registered in good time in future.

#### **Committee's Observations and Recommendations**

Your Committee notes the Council's submission that the Council has commenced the process of registering the tractor and trailer with RTSA and, therefore, resolves to await a progress report on the matter.

**m. Failure to Insure Motor Vehicles and Specialised Equipment**

The Council Secretary submitted that the failure to insure the motor vehicles and special equipment was due to financial constraints. The Council Secretary further submitted that the process of insuring the motor vehicles and special equipment was underway and that in future, the Council would ensure that all motor vehicles and special equipment was insured in good time.

**Committee's Observations and Recommendations**

Your Committee notes the submission that the Council has commenced the process of insuring the motor vehicles and specialised equipment and awaits a progress report on the matter.

**n. Failure to Obtain Title deeds**

The Council Secretary submitted that the Council had been unable to trace documents to start the process of obtaining title deeds because most buildings in question were very old. The Council Secretary further submitted that the Council had started the process of acquiring title deeds for the properties in question and would soon engage surveyors to quicken the process.

**Committee's Observations and Recommendations**

In noting the submission, the Committee urges the Council to expedite the process of acquiring title deeds for the properties in question and resolves to await a progress report on the matter.

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

The Council Secretary informed your Committee that the master file with lease agreement was misplaced at the time of audit. However, the Council had since traced the lease agreement and it was ready for audit verification.

The Council Secretary further submitted that the Council would ensure that lease agreements were properly filed and kept under custody.

**Committee's Observations and Recommendations**

The Committee observes that the failure to make available the lease agreement makes it impossible for auditors to ascertain the revenue from the property concerned and, therefore, cautions the Council Secretary for the lapse. Your Committee further urges the Council Secretary to ensure that all staff in the Council take audits seriously and ensure that the Council and specifically officers responsible for specific activities such as real estate make all auditable documents available when requested to do so. Furthermore, the Council Secretary should ensure that lease agreements were properly kept at all times. Your Committee resolves to close the matter subject to audit verification.

**p. Outstanding Obligations-K16,211,613**

The Council Secretary informed your Committee that the outstanding statutory obligations were due to financial constraints. While the wage bill was K1,100,000 the usage balance of the Equalisation Fund after subtracting Councillors' allowances and the 20 percent capital expenditure was K698,439.38. This translated into a salary deficit of K401,560.62. The Council Secretary also submitted that the Council's revenue base was meagre and that the Council would



liquidate the debt using locally generated funds. Furthermore, the Council was in the process of signing agreements with LASF and NAPSA to facilitate debt swapping.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Council risks litigation unless it institutes sustainable measures to settle the outstanding obligations. In view of this, your Committee recommends that the Council urgently concludes negotiations on the proposed debt swaps with the agencies concerned. Your Committee further recommends that the Council should settle obligations related to personal emoluments owed to serving staff. Your Committee resolves to await a progress report on the matter.

#### **q. Equalisation Funds**

A total amount of K8,675,850 was received by the Council as Equalisation Funds for the year ended 31<sup>st</sup> December, 2016. It was observed that, contrary to the guidelines governing the Funds, the Council transferred a total amount of K1,604,084 to the account for capital projects representing 18.49 percent instead of K1,735,170 resulting in a variance of K131,086. Out of the total amount of K1,604,084, which was transferred to the account for capital projects, K722,079 had been spent, leaving a balance of K882,005 as of September, 2017.

Several other observations were made, to which the Council Secretary responded as indicated here below.

#### **(i) Irregular Payment of Value Added Tax (VAT)-K10,678**

The Council Secretary informed the Committee that the irregular payment of VAT was as a result of the supplier indicating the ZRA TPIN for income tax and VAT. It was discovered during audit that the TPIN indicated on the supplier's documents was not for VAT but income tax purposes. The Council had since written to the supplier requesting a refund of the amount of VAT paid to him and would ensure that it engaged suppliers who were registered for value VAT purposes.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and sternly cautions the Council Secretary against committing financial irregularities. In this vein, your Committee expects that all necessary due diligence is always undertaken before any payments are effected. To this effect, your Committee urges the Council Secretary to mete out disciplinary measures against all officers who failed to perform due diligence in this case and caused this irregular payment, which has the potential to result in loss of public funds. Your Committee awaits a progress report on the matter.

#### **(ii) Misapplication of Equalisation Funds-K169,029**

The Council Secretary informed your Committee that the misapplication of capital funds was as a result of the riotous behavior of the retirees and the threat to take the Council to court. The Council borrowed these funds with a view to paying back. The Council Secretary further informed your Committee that the Council had since paid back the funds borrowed and would ensure that funds for capital projects were not borrowed.

### **Committee's Observations and Recommendations**

Your Committee, in noting the submission, cautions the Council Secretary against this practice. Your Committee, however, resolves to close the matter subject to audit verification.

#### **r. Constituency Development Fund - Failure to Implement Projects Timely**

The Council Secretary submitted that the unspent funds for projects dating back to 2012 were for the works that had not yet been certified for payment at the time of audit. Further, the master file with expenditure details for the balance of K128,430 was not audited alongside the payment vouchers. The Council Secretary further submitted that the failure to implement the projects was due to the late receipt of the CDF funds and the lengthy procurement procedures.

The Council Secretary stated that the unspent funds had been mopped by the Ministry of Finance and the Council wrote to the Ministry of Finance requesting a refund. The Council Secretary also stated that the expenditure details had been traced and funds amounting to K128,430 had since been accounted for.

### **Committee's Observations and Recommendations**

Your Committee is of the view that the people of Kapiri Mposhi District expect better services from the local authority and, therefore, finds it unacceptable that the Council failed to implement projects that could have benefited the local people. Your Committee sternly cautions the Council Secretary for the failure and urges him to ensure that this does not recur and will await a progress report on the matter.

#### **s. Environmental Management**

An assessment of the effectiveness of waste management at the Council was carried out in August, 2017. The following pieces of legislation that governed the management of solid waste by local authorities were considered:

- *Local Government Act, Chapter 281 of the Laws of Zambia* Sections 61(1), 62(2, 3(a, b, c), 4) and 63;
- *Public Health Act, Chapter 295 of the Laws of Zambia*;
- *Environmental Management Act, No.12 of 2012* on the role of the Council in managing waste; and
- The Local Government (Solid Waste Management) Regulations, 2011.

A review of documents, site inspections and inquiries from Management revealed the following:

#### **i. Lack of Environmental Management Policy and By laws**

The Council Secretary submitted that the Council had inadequate funds to finance the preparation of the Environmental Management Policy. However, the preparation of the Environmental Management Policy was underway and the draft was ready for audit verification.

### **Committee's Observations and Recommendations**

Your Committee notes the Council's submission that it has commenced the preparation of the Environmental Management Policy and resolves to await a progress report on the matter.

#### **ii. Lack of Council By – Laws**

The Council Secretary submitted that the Council had all By-laws and Council resolutions to govern environmental management. However, the Environmental Planner who was the custodian of these documents had gone to attend the workshop at the time of audit. The Council had since traced all the By-Laws and they were available for audit verification.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee expresses concern that the absence of one officer can result in documents not being availed during the audit process and accordingly directs that a hand over system be implemented to ensure continuity in case of absence from office by some officers. Your Committee resolves to close the matter subject to audit verification.

#### **iii. Lack of Operating Licenses**

The Council Secretary submitted that the Council had been under the impression that using the *Public Health Act, Chapter 295 of the Laws of Zambia* and the *Local Government Act, Chapter 281 of the Laws of Zambia* was enough to transport waste and operate a disposal site, respectively. Following the audit, the Council had engaged the Zambia Environmental Management Agency (ZEMA) in order to acquire the operating license.

### **Committee's Observations and Recommendations**

The Committee notes the submission and is disappointed over the level of ignorance of the law exhibited by the Council. Your Committee emphasizes that Council management team to familiaris themselves with the provisions of the law. Your Committee awaits a progress report on the Council's acquisition of the operating license.

#### **iv. Non Maintenance of Drainages**

The Council Secretary informed your Committee that the Council did not have adequate funds to maintain and clean drainages. However, the Council had since engaged casual workers to unblock the said drainages and the Council had provided for maintenance of drainages in the 2018 budget.

### **Committee's Observations and Recommendations**

The Committee notes the submission and resolves to close the matter subject to audit verification.

**KASAMA MUNICIPAL COUNCIL****Review of Operations**

An examination of accounting and other records maintained at the Council carried out in October, 2017 revealed various irregularities, to which the Town Clerk responded as indicated below.

**a) Equalisation Funds****i. Missing Payment Vouchers – K188,726**

The Town Clerk noted the audit query and reported that the payment vouchers were not availed to the auditors because they were missing. Two payment vouchers amounting to K29,380.00 had since been found and were ready for verification and the Council had continued searching for the remaining missing payment vouchers. The meeting was informed that Management had secured lockable metal cabinets and introduced a voucher movement register. Management was also ensuring that payment vouchers were filed by a responsible officer soon after a payment was made.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the Council's non-adherence to the Local Authorities Financial Regulation No. 98. Your Committee, therefore, urges the Town Clerk to mete out disciplinary action against all officers who were involved in this irregularity in order to deter recurrence. Further, your Committee implores the Council to adhere to the Financial Regulations all the time. Your Committee will await a progress report on the matter.

**ii. Questionable Introduction of Officer on Payroll- K20,684**

The Town Clerk submitted that the officer was introduced on the payroll upon being transferred from Ndola City Council to Kasama Municipal Council by the Local Government Service Commission. However, the officer failed to report back after leave and the Council removed him from the payroll. The transfer letter was ready for verification. The Town Clerk further submitted that the Council had written to Ndola City Council to recover the amount paid to the officer and that in future the payroll would be circulated on a monthly basis to the human resources office for verification before payments were effected to avoid such occurrences.

**Committee's Observations and Recommendations**

Your Committee is disappointed over the apparent poor payroll management practices of the Council and called for disciplinary action against all those involved in the matter. Your Committee will await a progress report on the matter.

**iii. Irregular Payment of Responsibility Allowance- K7,474**

The Town Clerk informed your Committee that the Council had resolved under Minute No.KMC/FHRGPC/21/07/14 to pay the officer responsibility allowance at the rate of 15 per cent of basic salary and the officer was duly informed in a letter dated 23<sup>rd</sup> January 2015. The letter was available for verification. The Council had since stopped paying the responsibility

allowance as the officer was no longer in charge of the management of parks and gardens and the irregular payment would be recovered in eight installments effective May, 2018.

#### **Committee's Observations and Recommendations**

Your Committee cautions the Council against disregard or violation of the Financial Regulations and would, therefore, await a progress report on the recovery of the money.

#### **iv. Irregular Payment of Allowances in Lieu of Personal to Holder Vehicles- K29,122**

The Town Clerk submitted that the payment was an error. Management had since recovered K1,986.21 from one affected officer currently working for Kasama Municipal Council in May, 2018 through the payroll and would continue until the whole amount was fully recovered. A letter had also been written to Lusaka City Council to effect recovery from the officer who was transferred from Kasama Municipal Council to Lusaka City Council as the officer had no outstanding accrued benefits. The pay slip and letter were available for verification.

#### **Committee's Observations and Recommendations**

Your Committee expresses displeasure that the Council had continued making irregular payments to officers. Your Committee reiterates that adherence by the Council to the conditions of service and Financial Regulations is mandatory and not voluntary. In this vein, all the allowances that were paid irregularly should be recovered in full from the beneficiaries without any delay. If the beneficiaries cannot be traced, recoveries should be effected from the officers who authorised the payments. Your Committee will await a progress report on the matter.

#### **v. Irregular Payment of Allowances - K3, 750 and K2,350**

The Town Clerk reported that Management had since recovered the K3,750 and K2,350 from the officers' accrued leave days as per attached letters and would ensure that officers were not paid allowances for sponsored workshops.

#### **Committee's Observations and Recommendations**

Your Committee observes that a letter written to an officer is not be proof that money has been recovered as anyone can write it. However, your Committee resolves to close the matter subject to audit verification.

#### **vi. Unauthorised Payments - K290,691**

The Town Clerk informed your Committee that the query arose due administrative lapses and that payment vouchers amounting to K133,629.92 had been authorised and approved by the responsible officer. Management had also written to the former Town Clerk and Director of Finance requesting them to travel to Kasama and approve the remaining payment vouchers in retrospect. The Council had also requested the Local Government Service Commission to direct these officers to normalise the payments at their own cost and letters were available for verification. The Council stated that it would ensure that payment vouchers were fully approved before processing payments.

#### **Committee's Observations and Recommendations**

Your Committee finds the response from the Council unacceptable as approving payment vouchers in retrospect is against the Financial Regulations. In this regard, your Committee

directs that rather than the Council engaging in another irregularity, the funds should simply be recovered from the emoluments or benefits of the officers responsible for the unauthorised payments. Additionally your Committee urges the Council to adhere to Financial Regulations all the time. Your Committee will await a progress report on the matter.

**vii. Failure to Recover Salary Advances- K35,474**

The Town Clerk informed your Committee that the document for salary advance recoveries was not availed at the time of the audit and that there were lapses in the monitoring of advance recoveries. Management had since effected recoveries from the May, 2018 payroll for employees currently at Kasama Municipal Council and had recovered from accrued leave days for employees who had been transferred. The payslips were ready for verification. Management would also ensure that salary advances were recovered through the payroll as soon as they were paid.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council to adhere to the Terms and Conditions of Service for Local Government Officers with regard to salary salary advances. Your Committee will await a progress report on the matter.

**viii. Failure to Remit Statutory Contributions- K8,924,471**

The Town Clerk submitted that Management had started remitting the statutory contributions to statutory institutions. Further, a debt liquidation plan had been prepared to address the backlog and attend to current obligations. The Town Clerk further submitted that Management would ensure that statutory contributions were remitted on a monthly basis.

**Committee's Observations and Recommendations**

Your Committee notes the response and resolves to await a progress report on the dismantling of the arrears in statutory contributions.

**b) Constituency Development Fund (CDF)**

**i. Missing Payment Vouchers-K418, 365**

The Town Clerk acknowledged the audit findings and submitted that Management had managed to trace twenty-one payment vouchers, which were verified by the Office of the Auditor General in Kasama. The Town Clerk further submitted that Management had reported to the Council that fifteen payment vouchers amounting to K418,365 were still missing. The Council at its Sixth Ordinary Meeting held on Monday, 26<sup>th</sup> March, 2018 resolved that the former Director of Finance be requested in writing to clarify the matter and had since been written to as per attached letter.

**Committee's Observations and Recommendations**

Your Committee notes the response with disappointment and urges the Local Government Service Commission to closely monitor the performance of the officers they deploy to the various local authorities so as to ensure that all officers perform to expectations. Your Committee resolves to await a progress report on the matter.

**ii. Unapproved Payment Vouchers-K175,195.00**

The Town Clerk informed your Committee that Management had reported to the Council that twenty-two payment vouchers amounting to K175, 195 were not approved by the Controlling Officer. The Council at its proceedings of the Sixth Ordinary Meeting held on Monday, 26<sup>th</sup> March, 2018 under Minute No. KMC/AUD/07/02/18 resolved that the former Town Clerk be requested in writing to normalise the transactions by approving the payment vouchers in retrospect. The former Town Clerk had since been written to. Management had also put measures in place not to allow any payment before the payment voucher was fully signed by the responsible office.

**Committee's Observations and Recommendations**

Your Committee finds the response from the Council unacceptable as retrospective approval would violate the Financial Regulations. In this regard, your Committee directs that this matter be reported to the investigative wings for further probe, rather than the Council engaging in another irregularity through retrospective approval. If the payments cannot be authenticated, your Committee recommends that the funds should simply be recovered from the emoluments or benefits of the officers responsible for the unapproved payments. Additionally your Committee urges the Town Clerk to strongly caution all officers to adhere to Financial Regulations at all times so as to avoid such irregularities. Your Committee will await a progress report on the matter. Your Committee notes the response and resolves to close the matter subject to audit verification.

**iii. Unsupported Payment Vouchers-K164,472**

The Town Clerk submitted that the query was as result of administrative lapses and Management had since written to the Procurement Officer to explain why the provisions of the *Zambia Public Procurement Act* were ignored. Management would in future ensure that all supporting documents were attached as per Financial Regulations No. 45 and 52 and Public Stores Regulation No. 14 read together with the Government Office Instruction No. 51 (g).

**Committee's Observations and Recommendations**

Your Committee notes the response and recommends that disciplinary action be taken against officers responsible for this irregularity without delay. Further, your Committee directs that Kasama Municipal Council should adhere to Financial Regulations at all times. Your Committee resolves to close the matter.

**iv. Unretired Accountable Imprest-K33,367**

The Town Clerk informed your Committee that the query arose due to the failure by Management to ensure that all the contract workers had operational bank accounts. Management reported the unretired accountable imprest to the Council under Minute No.KMC/AUD/07/02/18 of the Sixth Ordinary Council meeting held on 26<sup>th</sup> March, 2018. Management had since attached acquittal sheets and receipts to payment vouchers amounting to K25,162. The remaining amount of K8,202 had been recovered from the officers' accrued leave days and the documents were ready for verification.

Management had also stopped issuing imprest to officers to pay for labour costs and other administrative costs as contract employees were being paid through the bank electronically.

### **Committee's Observations and Recommendations**

Your Committee notes the response, cautions the Council to strictly adhere to the provisions of the Financial Regulations and resolves to close the matter subject to audit verification.

#### **v. Unaccounted for Fuel-K274,638**

Your Committee was informed that Management had written to the former Stores Officer requesting an explanation regarding the circumstances that led to the failure to prepare fuel disposal details and other statements. Management had also put in place the following measures:

- a) the user departments should raise requisitions to the Controlling Officer for approval;
- b) the Stores Officer should prepare coupons for fuel issued to each vehicle (capturing the details of motor vehicle, name of the driver, litres issued and the purpose); and
- c) fuel reconciliation statements should be approved by the Director of Finance.

### **Committee's Observations and Recommendations**

Your Committee notes the response and strongly cautions Kasama Municipal Council to desist from flouting the Public Stores Regulations. The Town Clerk is urged to institute disciplinary action against the officer responsible for this irregularity without delay. Further, should any amount of fuel remain unaccounted for, the amount should be recovered from the officers responsible immediately. Your Committee resolves to await a progress report on the matter.

#### **vi. Payments to Unapproved Project-K29,135**

The Committee was informed that the Council under Minute KMC/FHRGDC/112/03/15 approved the funding of the said project through a Council meeting held on 21<sup>st</sup> April, 2015. However, the resolution was not taken back to the CDC for approval. In this regard, Management had reported the matter to the Council under Minute No. KMC/AUD/07/02/18 of the proceedings of the Sixth Ordinary Council Meeting held on 26<sup>th</sup> March, 2018 to request the Council to seek the approval of the CDC. The Council had since requested the New CDC Committee to ratify the projects that were reported under Minute No. KMC/FHRGDC/112/03/15, since the projects were already implemented.

### **Committee's Observations and Recommendations**

Your Committee observes that the Council has deliberately ignored to seek final approval from the CDC and urges the Council to ensure that only Projects that are approved by the CDC and the Ministry of Local Government are implemented. In this regard, disciplinary action should be taken against all officers responsible for this irregularity without any delay. Your Committee resolves to see a progress report on the matter.

#### **vii. Failure to Implement Approved Projects - K70,500.**

The Town Clerk submitted that the query arose due to unavailability of funds and changes made to the original approved projects. Management would therefore, resubmit the approved and unfunded projects to the new CDC for possible funding and ensure that the approved and funded projects were implemented on time. Management would also ensure that only approved projects were funded once funding was allocated. The Department of Planning would conduct monitoring



and evaluation on time while the Department of Finance would open project ledgers to monitor disbursement of funds.

#### **Committee's Observations and Recommendations**

Your Committee observes that the failure to implement approved projects would deprive the local people of enjoyment of various services and, therefore, recommends that the Council should refund the K70,500 and use it to implement the projects which the funds were originally meant for. Your Committee will await a progress report on the matter.

#### **viii. Irregular Payments for Projects Under Lukashya Constituency- K57,835**

The Town Clerk informed your Committee that at the time of payments there were lapses in the management of important accountable documents like cheque books , the cash book and project ledgers. Management reported to the Council to seek authority to reimburse the Kasama Central Constituency CDF account an amount of K57,835 as per Minute No. KMC/AUD/07/02/18 contained in the Report of the Sixth Ordinary Council Meeting held on 26<sup>th</sup> March, 2018. The reimbursement would be from the 2017 funding. The Town Clerk stated that Management would ensure that projects were paid from the respective accounts as approved by CDC and the necessary books of prime entry were updated and reconciled on time.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and resolves to await a progress report on the reimbursement of the Kasama Central Constituency CDF account.

#### **ix. Irregular Payments for Projects under Kasama Central Constituency- K115,774**

The Town Clerk informed your Committee that at the time of payments there were lapses in the management of important accountable documents like cheque books , the cash book and project ledgers. Management reported to the Council to seek authority to reimburse the Lukashya Constituency CDF account an amount of K115,774 as per Minute No. KMC/AUD/07/02/18 contained in the Report of the Sixth Ordinary Council Meeting held on 26<sup>th</sup> March, 2018. The reimbursement would be from the 2017 funding. The Town Clerk stated that Management would ensure that projects were paid from the respective accounts as approved by CDC and the necessary books of prime entry were updated and reconciled on time.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and resolves to await a progress report on the reimbursement of the Lukashya Constituency CDF account.

#### **x. Failure to Deliver Building Materials Lukashya CDF**

The Town Clerk submitted that the Management had become too negligent and were colluding with suppliers to defraud the Council and deny the public a service for social services infrastructure. The Council, under Minute No KMC/AC/02/06/17 resolved that the two suppliers should be formally requested to pay back the money for the goods they did not supply. The two suppliers had both responded and agreed to pay in four equal instalments. However, Bormac General Dealers had so far paid K24,500 and Julai had only paid K10,000.00. The receipts and minutes were available for verification. Due to the fraudulent nature of these transactions, the matter was reported to the Drug Enforcement Commission (DEC) for possible prosecution. The

Town Clerk also stated that Management would ensure that the public got value for money in the spending of public finances.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and implores the Local Government Service Commission to take appropriate action against the Management team which was said to have been colluding with service providers to defraud the Council. Your Committee resolves to await a progress report on the matter.

#### **xi. Irregular Drawing of Accountable Imprest-K6,000**

Your Committee was informed that the query arose as a result of the authorised signatories' pre-signing cheques and the cashier took advantage. The matter had been reported to the Drug Enforcement Commission for further investigations since it involved fraud. The Town Clerk stated that Management would ensure that all payments were made directly to suppliers and contractors for the goods and services provided to the Council and no pre-signed cheques were left behind.

#### **Committee's Observations and Recommendations**

Your Committee observes that the pre-signing of cheques is a bad practice which exposed the Council to possible fraud. Therefore, your Committee recommends that Management should stop pre-signing cheques to avoid the drawing of unauthorised funds. Your Committee will await a progress report on the matter.

#### **xii. Weaknesses in the Implementation of CDF Projects and other Irregularities**

##### **a) Lukashya Constituency - Construction of Mukanga Bridge-Lusenga Ward**

Your Committee was informed that the delay in the completion of the project was due to lapses in following the laid down procurement procedures and CDF guidelines. Management had since reported the delayed completion of the project to the Council under Minute No.KMC/AUD/08/02/18 contained in the Report of the Sixth Ordinary Council Meeting held on 26th March, 2018. The Council had, therefore, included the project in the 2018 budget. However, due to the urgency of the matter, letters requesting for possible funding had been written to the Ministry of Local Government.

#### **Committee's Observations and Recommendations**

Your Committee notes with dismay the failure by the Council to complete the construction of Mukanga Bridge within the stipulated time and urges the Council to always follow the provisions of the Ministerial Circular MLGH/102/28/1 of 26<sup>th</sup> December, 2006, when implementing projects funded from CDF in the communities. Your Committee further strongly recommends that the Council should ensure that the project is completed without any further delay as it will be of great benefit to the community once completed. Your Committee will await a progress report on the completion of the project.

## **Kasama Central Constituency**

### **i. Wasteful Expenditure - Procurement of a 16 HP Power Tiller-Lukupa Ward**

The Town Clerk submitted that the project identification was not exhaustive and the end users were not adequately identified. Management had since reported the delayed completion of the project to the Council under Minute No.KMC/AUD/08/02/18 contained in the Report of the Sixth Ordinary Council Meeting held on 26<sup>th</sup> March, 2018. Management had also directed the Engineering Department to retrieve the tiller from the community member in Lukupa ward for safe custody and servicing by the Council before handing it over to Misolo Farmers Group. Management had further written to the District Agriculture Coordinator to engage the Agriculture Camp Officer to train Misolo Farmers Group on the use of the Tiller before it was handed over to the Farmers' Group.

### **Committee's Observations and Recommendations**

Your Committee notes the response and seeks a progress report on the matter.

### **xiii. Rehabilitation of 1x3 CRB at Milungu Primary School - Julia Chikamoneka Ward**

The Town Clerk submitted that the query arose as a result of the failure to follow tender procedures and seek approval for variations. Management had since reported to the Council under Minute No.KMC/AUD/09/02/18 of the Sixth Ordinary Council Meeting held on 26<sup>th</sup> March, 2018. Management had also written to the officers responsible to explain why they spent above their threshold without authority from the District Procurement Committee. The Town Clerk stated that Management would ensure that all procurement of goods and services for CDF projects were within the approved thresholds as guided by the *ZPPA Act*.

### **Committee's Observations and Recommendations**

Your Committee observes that officers at Kasama Municipal Council have a tendency of flouting Financial Regulations and CDF Guidelines with impunity. In this regard, your Committee urges the Town Clerk to mete out stern disciplinary action against officers involved in this clear disregard of Financial Regulations. Further, your Committee calls upon the Ministry of Local Government and the Local Government Service Commission to take keen interest in the operations of the Council in order to stem the financial irregularities and ensure that the residents are not deprived of necessary services.

## **AUDIT QUERY**

## **PARAGRAPH 18**

## **KASEMPA DISTRICT COUNCIL**

### **a) Non-Preparation of Final Statements**

The Council Secretary informed your Committee that the Council did not prepare Financial Statements for the years ended 31<sup>st</sup> December, 2015 and 2016 because its immovable assets had not been valued by certified Government valuers to give a correct position of the values obtaining on the market. However, the Treasury Department had come up with provisional values and the financial statements had since been prepared and were available for verification. The Council had also made arrangements with the Certified Government valuator to carry out valuation of all the assets and it had engaged the Ministry of Local Government to assist the

Council access funds for conducting the valuation of all the assets as it was an expensive exercise.

#### **Committee's Observations and Recommendations**

Your Committee urges the Council to ensure that the valuation of the Council's immovable assets is conducted to ascertain their true values. However, your Committee resolves to close the matter as the Council has managed to prepare the Financial Statements using the provisional values.

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

The Council Secretary submitted that the Council had a strategic plan. However, it was considered to be out dated as it did not incorporate the provisions of the Seventh National Development Plan. The Council was in the process of updating the strategic plan in line with the Seventh National Development Plan.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council to expedite the preparation of an updated strategic plan that is in line with the provisions of the Seventh National Development Plan. Your Committee awaits a progress report on the matter.

#### **c) Lack of Risk Management Policy**

The Council Secretary submitted that the Risk Management Policy was available but that it was not presented to the auditors at the time of audit. The Council had since retrieved the document which available for verification.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council Secretary to take disciplinary action against the officers who failed to produce the necessary documentation to the auditors. Your Committee resolves to close the matter subject to audit verification.

#### **d) Lack of Billboard Policy**

The Council Secretary submitted that the Billboard Policy was available. However, it was not presented to the auditors at the time of audit because the officer who had kept it was at school. The Council had since retrieved the document which was available for verification.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council Secretary to take disciplinary action against the officers who failed to produce the necessary documentation to the auditors. Your Committee resolves to close the matter subject to audit verification

#### **e) Lack of Procurement Plan**

Your Committee was informed that the Council had a no procurement plan for the period under review. However, at the time of audit the auditors were not shown the 2017 procurement plan by mistake. The procurement plan was available for verification. The Council had instructed Management to maintain copies of any accountable documents for reference in case the original copies were misplaced.

### **Committee's Observations and Recommendations**

**f)** Your Committee notes the response and urges the Council Secretary to take disciplinary action against the officers who failed to produce the necessary documentation to the auditors. Your Committee resolves to close the matter subject to audit verification.

### **g) Failure to Update Valuation Roll**

The Council Secretary informed your Committee that the delay in having an updated valuation roll was due to the financial constraints faced by the Council. The Council had since appointed a Government Valuer to develop the new valuation roll subject to the availability of funds. The Council had also engaged the Ministry of Local Government to assist the Council access funds for the same exercise. The documents relating to the same were available for ease of reference.

### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council to expedite the updating of the valuation roll in order to comply with the provisions of the *Rating Act, No. 12 of 1997*. The Committee resolves to await a progress report on the matter.

### **h) Unaccounted for Revenue- K747,547**

The Council Secretary submitted that the monies did not appear to have been deposited due to the fact that the auditors just aggregated the total receipt books from each revenue point and wanted to find where that was banked without taking into consideration daily cash and daily banking summaries. Your Committee was informed that the funds in question were being deposited and the documents relating to the same were available for ease of reference and verification. The Council had since directed management to keep documents relating to financial matters safely.

### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council Secretary to take disciplinary action against the officers who failed to produce the necessary documentation to the auditors. Your Committee resolves to close the matter subject to audit verification.

### **i) Un supported Payments - K454,655**

Your Committee was informed that the allegedly unsupported payment vouchers were actually supported. Unfortunately, the officer who was assigned to the auditors could not explain properly for them to understand that the payment vouchers were supported. The payment vouchers had been thoroughly scrutinised and were available for verification.

### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council Secretary to take disciplinary action against the officers who failed to produce the necessary documentation to the auditors. Your Committee resolves to close the matter subject to audit verification.

### **j) Unretired Accountable Imprest-K 377,216**

The Council Secretary reported that at the time of audit, the records on the retirement of imprest were not availed for audit as they were misplaced by the officer who was maintaining the imprest ledger. The officer had been seriously warned to desist from such short comings in future and

the documents had since been located. The ledger had been updated and availed for verification. The Treasurer had started monitoring to ensure that imprest was retired within forty-eight hours upon return at the station.

**Committee’s Observations and Recommendations**

Your Committee notes the response and urges the Council Secretary to take disciplinary action against the officers who failed to produce the necessary documentation to the auditors. Your Committee resolves to close the matter subject to audit verification.

**k) Irregular Use of Accountable Imprest- K265,435**

Your Committee was informed that the use of irregular accountable imprest was as a result of most suppliers preferring payment in cash to cheques. Since there was no permanent bank in Kasempa, money had to be drawn by a Council agent. The money was then paid to the supplier and treated as imprest, which was retired using the same receipts and acquittal sheets. The imprest had since been retired and the documents were available for verification.

**Committee’s Observations and Recommendations**

Your Committee notes the response and urges the Council Secretary to take disciplinary action against the officers who failed to produce the necessary documentation to the auditors regarding these transactions. Further, your Committee sternly warns the Council against the irregular use of imprest as it violates the Financial Regulations. Your Committee resolves to close the matter subject to audit verification.

**l) Unapproved Payment Vouchers - K27,350**

The Council Secretary submitted that the eleven unapproved payment vouchers were processed at Kasempa Town Council without the approval of the Controlling Officer. The eleven payment vouchers totalling K27,350 had since been approved and were available for verification. The Council had also instructed Management to monitor all transactions closely through both the Internal Audit Section and the Finance Department to ensure that all the vouchers were approved and fully acquitted.

**Committee’s Observations and Recommendations**

Your Committee notes the response and urges the Council Secretary to mete out stern disciplinary action against all officers who occasioned this irregularity in order to deter recurrence of this practice. Your Committee further strongly advises the Council to strictly adhere to the financial regulations. Your Committee also resolves to a progress report on the matter.

**m) Irregularities in the Management of Assets**

**i. Outstanding Receivables- K97,056**

Your Committee was informed that the Council had entered into an arrangement with the tenants to allow them to renovate the buildings using their money, which would be recovered from the rentals. Consequently the tenants would only start paying the rent once they had recovered their money. The Council had put in place a payment plan for tenants who owed the Council in form of rentals after their arrangement periods expired and they had started paying the rent. The

documents were available for verification. The Council also resolved to be renovating its buildings that were in a deplorable state and advertise them after renovations.

### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council to ensure that it collects all the rentals from the Council buildings to boost its revenue. Further, your Committee urges the Council Secretary to take disciplinary action against the officers who failed to avail the necessary documentation on this arrangement to the auditors. Your Committee will await a progress report on the matter.

#### **ii. Lack of Title Deeds**

The Council Secretary submitted that the properties did not have title deeds as they were not yet valued. The Council had written to the Government valuers to value the properties before applying for title from the Ministry of Lands and Natural Resources and all correspondence on the matter was available for verification. The Council had directed the Management to engage the Ministry over the title deeds and to source funds for the valuation exercise.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Council has no title deeds for a number of its properties and, therefore, recommends that the Council should expeditiously undertake the valuation exercise and engage the Provincial Lands Office to ensure that the Council acquires title deeds promptly. The Committee will await a progress report on the matter.

#### **iii. Failure to Insure Council properties**

The Council Secretary submitted that the properties were not insured because the Zambia State Insurance Corporation had delayed to assess the properties. The Zambia State Insurance Corporation had since assessed the properties and the Council had come up with a proposed payment plan since the money involved was colossal. The Council also directed Management to start saving funds for the insurance of the properties to avoid losses.

### **Committee's Observations and Recommendations**

Your Committee expresses concern at the non-insurance of the Council's properties and urges the Council to insure the properties without fail as that guaranteed compensation in the event of any loss or damage. Further, your Committee recommends that the issue of insurance should be factored into the Council's budget on annual basis.

#### **iv. Failure to Dispose of Unserviceable Vehicles**

Your Committee was informed that the Council did not write to the Ministry to have the motor vehicles boarded as the Mitsubishi Colt Registration ABG 8071 and Yuinjin Canter were serviceable. The Council Secretary stated that the Council had started mobilising the funds needed to repair the Yuinjin which helped in garbage collection. The other two vehicles which were boarded were disposed of. The Council Secretary further stated that the Council planned to repair the vehicles using the Equalisation Fund as there was a budget line for vehicle repairs.

### **Committee's Observations and Recommendations**

Your Committee notes the response and is disappointed that this information was not availed to the auditors to avoid this unnecessary query. Your Committee calls for disciplinary action to be taken against the officers who occasioned the query. The Council Secretary is strongly advised to caution all officers at the Council to fully cooperate with the auditors at all times. Your Committee resolves to close the matter subject to audit verification.

#### **v. Failure to Register Assets with Road Transport and Safety Agency ( R TSA )**

The Council Secretary informed your Committee that the delay in the registration of the equipment was as result of the non-insurance of the equipment as insurance was among the requirements to have a vehicle registered. The Council had directed Management to put measures in place to ensure that the vehicles were registered and insured without further delay.

### **Committee's Observations and Recommendations**

Your Committee observes that the response from the Council is not factual as a vehicle has to be registered first before being insured. Your Committee, therefore, sternly warns the Council Secretary against misleading Parliament as this is a punishable offence under the law. Your Committee recommends that the Council should register all the equipment without any further delay. Your Committee will await a progress report on the registration of the equipment.

#### **n) Staff Related Matters**

##### **i. Failure to fill Key positions**

The Council Secretary submitted that only the Local Government Service Commission had power to employ officers in the positions that were still vacant. The Council had, therefore, written to the Commission requesting it to fill the position of Director of Works. The position of Internal Auditor had been filled.

### **Committee's Observations and Recommendations**

Your Committee notes the response and calls upon the local Government Service Commission to attend to the request from the Council expeditiously. Your Committee will await a progress report on the matter.

##### **ii. Outstanding Staff Obligations-K1,179,763**

The Council Secretary submitted that the Council had a historical debt dating as far back as 2007 when Councils paid their staff from locally generated revenue. Management was trying to dismantle the arrears slowly. However, the debt had started to grow recently following the massive transfers as the affected officers had to be paid settling-in and travel allowances. The Council planned to engage the Commission on the issue of massive transfers.

### **Committee's Observations and Recommendations**

Your Committee notes the response and expresses its concern over the negative impact on the balance sheets of local authorities of the transfers initiated by the Local Government Service Commission. Your Committee recommends that this matter should be carefully handled so as to minimise the challenges for the Councils. Your Committee resolves to await a progress report on the settlement of outstanding staff obligations.



**o) Management of Grants**

During the period under review, the Council had a budget of K5,609,650 for Government Equalisation Grants against which amounts totalling K5,609,650 were funded. Further, out of the total funded Equalisation Fund, 20 per cent (K1,085,542) was meant for capital projects. The following were observed:

**i. Unsupported Payments Vouchers-K278,082**

Your Committee was informed that the payment vouchers that the auditors deemed unsupported were in fact supported. Unfortunately, the officer who was assigned to the auditors could not explain properly to the auditors that the payment vouchers were supported and the matter was also not reported in the Exit Report. The payment vouchers had been thoroughly scrutinised and were available for verification.

**Committee's Observations and Recommendations**

Your Committee notes the response and is disappointed that the Council appears not to have taken the audit process seriously. In this vein, your Committee sternly cautions the Council Secretary and all officers at the Council to henceforth take all audits seriously and cooperate fully therewith. Your Committee, further, urges the Council Secretary to take disciplinary action against the officers who failed to avail the necessary documentation and provide the required explanations to the auditors. Meanwhile all the documents should be submitted for audit verification forthwith. Your Committee resolves to seek a progress report on the matter..

**ii. Unaccounted for Stores-K472,571**

The Council Secretary informed your Committee that the stores items worth K472,571 were actually recorded in the Stores Ledger. However, at the time of audit, the receipt and disposal details were misplaced by the Stores Officer. The Council Secretary also reported that all the documentation that was misplaced by the Stores Officer had been traced and was available for verification. Further, the Council had introduced a stores management system that monitored the re-order levels through the relevant user departments and all stores were reconciled on a monthly basis.

**Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council Secretary to take disciplinary action against the officer who failed to produce the necessary documentation to the auditors. Your Committee resolves to close the matter subject to audit verification.

**iii. Irregular Use of Imprest to Procure Goods and Services - K612,760**

Your Committee was informed that the use of irregular accountable imprest was as a result of most suppliers preferring to be paid cash instead of cheques. Since there was no permanent commercial bank in Kasempa, money had to be drawn by a council agent and paid to the supplier. It was then treated as imprest and retired using the same receipts and acquittal sheets. The imprest had since been retired and the documents were available for verification.

### **Committee's Observations and Recommendations**

Your Committee notes the response and reiterates that the Council must adhere to the provisions of the Financial Regulations in all transactions. In any case, your Committee resolves to close the matter subject to audit verification.

#### **iv. Questionable Drawing of Fuel - K34, 210**

Your Committee was informed that the use of fuel without a bill of quantities was due to the nature of the routine work of grading feeder roads every year, which needed only requisitions from the user department, the Department of Works. Your Committee was further informed that Management had prepared disposal details and would endeavour to prepare the bill of quantities for the maintenance of feeder and township roads. The Council would also ensure adherence to procurement procedures to safeguard Council resources.

### **Committee's Observations and Recommendations**

Your Committee is dismayed over the laxity exhibited by the Council Secretary in relation to the need to adhere to stipulated procedures and reiterates that the Council must adhere to the provisions of the Financial Regulations without fail. Noting the response, your Committee sternly cautions the Council Secretary that it will henceforth not tolerate disregard of the Financial Regulations. Your Committee notes resolves to close the matter subject to audit verification.

## **AUDIT QUERY**

## **PARAGRAPH 19**

### **KAZUNGULA DISTRICT COUNCIL**

#### **Review of Operations**

An examination of accounting and other records maintained at the Kazungula District Council for the period January, 2015 to December, 2016 revealed the following:

#### **a) Equalisation Funds**

According to the *Local Government Act, Chapter 281 of the Laws of Zambia* as amended by Act No. 12 of 2014, a Council shall use at least 20 per cent of the equalisation funds received in any financial year to finance capital expenditure. However, the following were observed:

#### **i. Failure to Transfer Funds to the Project Account – K152,438**

The Council Secretary submitted that the Council did not transfer the whole K1,042,022 to the project account because of the liquidity challenges it was facing. The Council only transferred K889,584 and the rest of the funds amounting to K152,438 were used to meet administrative expenses. However, the project account had since been reimbursed with K152,437.62. The Council transferred K246,875.86, which included K152,437.62 and a part reimbursement of the K201,881.07 that had also been borrowed to meet administrative expenses.

The Council Secretary stated that the Council had put measures in place to transfer the 20 percent project fund from the Government grant immediately it was received. Further, the Council had intensified its local revenue collection and had suspended some of the unnecessary administrative expenses.

### **Committee's Observations and Recommendations**

Your Committee strongly cautions Kazungula District Council to desist from breaking the law. Your Committee reiterates its call to the Ministry of Local Government to review the administration of the Equalisation Fund with the aim of strengthening controls so that the capital funds are applied for the intended purpose. The Committee resolves to close the matter subject to audit verification.

#### **ii. Misapplication of Funds - K201,881**

The Council Secretary submitted that the Council misapplied the funds because of the liquidity challenges it was facing which made it fail to meet its administrative expenses. The money was therefore, used to meet some administrative expenses. The Council Secretary further submitted that K246,875.86, was transferred into the project account, of which K94,438.24 was part of the reimbursement of the K201,881.07 borrowed to meet administrative expenses and the balance was a reimbursement towards the K1,042,022 project fund.

The Council had also put measures in place to transfer the 20 per cent project fund from the Government grant immediately it was received. Further, the Council had intensified its local revenue collection and had suspended some of the unnecessary administrative expenses.

### **Committee's Observations and Recommendations**

Your Committee observes that the Council acted contrary to the *Financial Regulations, 2006* and specifically *Financial Regulation No. 31(1)* by willfully misapplying the funds without treasury authority. In this regard, your Committee urges the Council to desist from misapplication of public funds as it will not be tolerated. Your Committee further directs that the Council reimburses the remaining funds meant for capital projects in full, and without any further delay.

#### **b) Misapplication of Funds - Plot Fees -K822,922**

The Council Secretary submitted that the Ministry of Local Government issued annual budget guidelines in which Councils were expected to channel at least 40 per cent of the estimated local revenue towards service provision. In this regard, the said expenses were within budget guidelines from the Ministry of Local Government. The Council Secretary submitted that the Council would continue to adhere to the budget guidelines provided by the Ministry of Local Government from time to time and would endeavour to spend according to approved budget lines.

### **Committee's Observations and Recommendations**

Your Committee observes that the Council acted in contravention of Local Authorities Financial Regulation No. 10(1). Further, your Committee notes that the issuance of annual budget guidelines to Councils by the Ministry of Local Government cannot be construed as authority for Councils to misapply funds meant for specific services such as service delivery to newly allocated plots with impunity. The Council was supposed to apply for supplementary provision as stipulated in the Financial Regulations, which it failed to do. Your Committee, therefore, finds the submission from the Council unacceptable and strongly cautions the Council Secretary to desist from disregarding the Financial Regulations. Your Committee, therefore, recommends that the Council should reimburse the funds meant for service delivery to newly allocated plots in full. Your Committee awaits a progress report on the matter.

**c) Unsupported Payment Vouchers -K55,818**

The Council Secretary submitted that the audit query arose because all the relevant supporting documents were still with the suppliers at the time of audit. The Council had, however, collected all the supporting documents for the four transactions amounting to K55, 818 and the documents were available for verification. Management had assigned a senior officer to be checking and ensuring that all payment vouchers were duly signed and the necessary supporting documents were attached before filing them.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that payment vouchers are supported by relevant documents, secured and readily available for audit at all times, in accordance with Local Authorities Financial Regulation Nos. 86 (1) and 98 (1). Your Committee recommends that the matter be closed subject to audit verification.

**d) Unapproved Payment Vouchers - K16, 180**

The Council Secretary submitted that the payment vouchers in question were not approved because they were filed before the Acting Principal Officer had appended a signature to approve the payment vouchers. The payment vouchers totalling K7,215.29 had, however, been approved in retrospect.

The Council Secretary further submitted that the Council had procured a Palmsoft accounting software that had a facility of generating payment vouchers and approving them electronically before printing. The accounting staff had also been instructed to always ensure that electronically approved payment vouchers once printed, were fully signed in ink by the respective approving officers before filing them. In addition, a senior officer had been assigned to supervise the officers in charge of expenditure to ensure that payment vouchers were fully signed before they were filed.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that payment vouchers are appropriately approved in line with Local Authorities Financial Regulation No.82 whenever they are issued. Your Committee further notes that retrospective approval is in violation of the Financial Regulations and should not even arise. In this vein, your Committee recommends that disciplinary action be taken against all officers responsible for this irregularity, after which all documents should be submitted for audit verification and the matter closed.

**e) Over Payment -Commutation of Leave Days - K15,116**

The Council Secretary informed your Committee that the Council had based the calculations on the provisions of Statutory Instrument No. 115, which defined basic pay as including all other allowances. The Council had, however, recalculated the number of leave days commuted based on the basic pay in order to offset the overpayment of K15,116. The Council increased the number of leave days commuted by officers so that the difference could offset the overpayment. The Council had also instructed accounting staff to ensure that both leave commutation computation forms as well as leave commutation application forms were attached to payment vouchers before they were filed.

### **Committee's Observations and Recommendations**

Your Committee finds it difficult to believe that the Council did not know the correct formula to be used to calculate the commutation. In this regard, your Committee calls for disciplinary action against all officers involved in this irregularity in order to deter others. Further, all relevant document should be presented to the Auditor General for verification. Your Committee resolves to await a progress report on the matter..

#### **f) Irregular Procurement of Goods and Services Using Imprest- K43,700**

The Council Secretary informed your Committee that accountable imprest was used to procure goods and services because most suppliers in Kazungula District did not have bank accounts into which transfers or cheques could be made or paid, respectively. The suppliers with bank accounts were in other districts such as Livingstone and Lusaka, thereby making it difficult to pay the suppliers for goods and services procured directly. The Council Secretary submitted that the Procurement Officer had been instructed to ensure that all procurement of goods and services was paid for directly to suppliers with bank accounts and those without were encouraged to open accounts.

### **Committee's Observations and Recommendations**

Your Committee finds the submission by the Council Secretary unacceptable and cautions the Council Secretary to desist from committing irregularities relating to procurement with impunity. Your Committee recommends that the Council makes a bank account one of the prerequisites for any supplier to do business with the Council. Your Committee recommends that the matter be closed subject to audit verification.

#### **g) Irregular Payment of Subsistence and Meal Allowances within the District -K82,216**

The Council Secretary informed your Committee that the Council paid the allowances as per respective approved budget provisions and in some instances officers were assigned to perform duties which did not allow them to break for lunch as they were carrying out urgent assignments. The Council Secretary stated that Management had put measures in place to ensure that meals were provided to officers assigned to undertake urgent assignments or attending meetings depending on the duration of the meeting.

### **Committee's Observations and Recommendations**

Your Committee observes with dismay that the Council willfully chose to disregard the provisions of Cabinet Circular Minute of 30<sup>th</sup> December, 2015 in irregularly paying subsistence and meal allowances to officers who were not eligible. Your Committee, therefore, sternly cautions the Council Secretary to desist from making irregular payments to undeserving officers. In this vein, your Committee recommends that appropriate disciplinary action be meted out against all officers who were involved in this matter, including those who approved the irregular payments. Additionally, the irregularly paid allowances should be recovered from the officers concerned immediately. Your Committee will await a progress report on the matter.

#### **h) Unaccounted for Stores- K72,905**

The Council Secretary submitted that the accountable documents were misplaced at the time of audit and the bulk fuel was as a result of the absence of an effective disposal system. The Local Government Service Commission had since employed a qualified Stores Officer who had been

instructed to ensure that disposal details were made available and attached to the payment vouchers. The Council had also introduced a stores requisition system to help track usage and ensure that all procured goods were accounted for.

**Committee’s Observations and Recommendations**

Your Committee notes the submission and directs the Council Secretary to ensure that the missing receipt and disposal details are traced and made available for audit, and disciplinary action taken against all erring officers in this matters. The Committee awaits a progress report on the matter.

**i) Outstanding Receivables- K251,180**

The Council Secretary informed your Committee that the updated ledgers went missing and efforts to have them recovered proved futile as they were done manually. The ledger had since been updated and amounts correctly identified. The ledgers were available for verification.

The Council had also procured Palmsoft Accounting Software that had a facility of electronically managing debtors and creditors ledgers for purposes of monitoring and acknowledging them in the statements of accounts. The accounting staff had undergone training on the new system and progress on entering data was being monitored regularly. Further, the Internal Audit Section had been beefed up with an additional auditor to help boost the oversight role of the Audit Unit. The auditor had being oriented on the operation of the accounting package.

**Committee’s Observations and Recommendations**

Your Committee finds it suspicious that the debtors’ ledgers could go missing after being updated. In this vein, your Committee urges the Council Secretary to institute disciplinary action against the erring officers and report this matter to the investigative wings for a further probe. The Council is further urged to ensure that it develops a debtor management policy which will serve as a guide in debt management. Your Committee further directs the Council Secretary to ensure that the Council collects the moneys owed to it so as to boost its revenue. Your Committee awaits a progress report on the matter.

**j) Outstanding Statutory and Other Obligation-K962, 996**

<b>Institution</b>	<b>Details</b>	<b>Amount K</b>
ZRA	PAYE	275,047
NAPSA	Pension Contribution	669,383
ZSIC	Insurance	15,000
SWASCO	Water Bills	3,566
<b>Total</b>		<b>962,996</b>

**Committee’s Observations and Recommendations**

Your Committee observes that the Council has not responded to the audit query and, therefore, resolves to keep the matter open. Your Committee awaits a status report on the matter through the treasury minutes.

## **k) Weaknesses in the Management of Properties**

### **i. Lack of Title Deeds for Properties**

The lack of the title deeds for Council properties was because the properties had not been surveyed. The Council had since approved management's recommendation to have all Council properties registered or titled in the name of the Council. The recommendation had been forwarded for processing to the Provincial Lands Office in Choma.

### **Committee's Observations and Recommendations**

Your Committee is concerned at the Council's failure to acquire title deeds for Council properties and recommends that the Council follows up the matter with the Ministry of Lands and Natural Resources and expedite the securing of title deeds. Your Committee awaits a progress report on the matter.

### **ii. Failure to Insure Council Property**

The Council Secretary informed the Committee that the properties were not insured due to financial constraints. The Council Secretary further informed the Committee that all Council vehicles had been adequately insured with the Zambia State Insurance Corporation and the respective insurance policy documents were available for verification. Further, the Council had made arrangements to have the Civic Centre fully insured.

The Council Secretary stated that the Council would endeavour to make adequate budget provisions in its annual estimates of income and expenditure to cover for all insurance expenditure.

### **Committee's Observations and Recommendations**

Your Committee bemoans the failure by the Council to insure its property. It is concerned that in the absence of indemnity, the Council risks losses in case of unforeseen events such as fire. In this regard, your Committee directs the Council management to ensure that all Council property is insured forthwith. Your Committee awaits a progress report on the matter.

## **AUDIT QUERY**

## **PARAGRAPHY 20**

## **KITWE CITY COUNCIL**

### **Review of Operations**

An examination of accounting records and other relevant documents maintained at the Kitwe City Council and a physical inspection of selected projects carried out in March, 2017 and July 2017 revealed various irregularities, to which the Town Clerk responded as set out below.

### **a) Failure to Prepare Financial Statements**

The Town Clerk submitted that the Council failed to prepare Financial Statements as it had inadequate experienced staff in the Finance Department. The Town Clerk further submitted that the Council had commenced a programme of updating the financial statements using a newly developed system called the Palmsoft Accounting and Financial Management Information System [PAFMIS]. The roadmap was to prepare the statement of affairs as at 31<sup>st</sup> December,

2012, which would be used as take-on balances in the preparation of the 2013 Accounts and then roll over the updating process to prepare the 2014 to 2017 Financial Statements. However, the programme was delayed due to transfers of key personnel involved in the programme by the Local Government Service Commission in the 3<sup>rd</sup> quarter of 2017. Thus, to-date the Council was training newly transferred officers who would carry on with the programme scheduled to be completed by 31<sup>st</sup> December, 2018.

Your Committee was also informed that Kitwe City Council had developed an integrated Accounting and Financial Management Information System [PAFMIS] and was currently being upgraded to include the Fixed Assets Module and Procurement Module. The completion of the upgrade would see financial statements being prepared with ease. Further, officers were being capacity built in desk processing procedures for incorporation in the team which was working on the updating of Financial Statements.

### **Committee’s Observations and Recommendations**

Your Committee notes the submission and directs the Town Clerk to prepare the Financial Statements in question without undue delay. Your Committee will await a progress report on the matter.

#### **b) Grants Received- K76,870,820**

During the period under review, amounts totalling K76,870,820 were received as grants and Constituency Development Funds (CDF) as shown in the table below.

<b>Grant</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>
Restructuring Grant	1,000,000	-	-	1,000,000
Recurrent Grant	12,937,294	-	-	12,937,294
Equalisation Fund	-	33,639,053	22,494,473	56,133,526
Grant in Lieu of rates	-	800,000	400,000	1,200,000
CDF	-	5,600,000	-	5,600,000
<b>Total</b>	<b>13,937,294</b>	<b>40,039,053</b>	<b>22,894,473</b>	<b>76,870,820</b>

#### **i. Local Government Equalisation Fund**

The Town Clerk submitted that Kitwe City Council recognised the input and agreements made in the meeting held on 25<sup>th</sup> February, 2016 at the Government Complex with stakeholders, among others, City, Municipal and Town Councils as well as unions in the Local Government Service over the allocation and utilisation of the Local Government Equalisation Fund. The Town Clerk stated that the 20 per cent capital component of the Local Government Equalisation Fund did not apply to the entire period under review adding that before 2016, the grant was purely for salaries. The advice to set aside at least 20 percent of the total Local Government Equalisation Fund allocation for capital expenditures in line with the *Local Government Act, Chapter 281 of the Laws of Zambia*, as amended by Act 2014, came via Circular No. MLGH/71/6/119 dated 10<sup>th</sup> February 2016, thus culminating into the meeting of 25<sup>th</sup> February 2016. The Local Government Equalisation Fund was about 75 percent of the wage bill and if it were not for the grant being received in the period under review, the Council would have witnessed workers going on strike.

As regards the advice to set aside 20 percent for capital projects, the Council adhered to the advice and only K458,910.44 of the 2016 capital component remained unspent as at 31<sup>st</sup>



December, 2016. This was applied towards purchase of 150 bags of cement for paving walkways along President Avenue worth K8, 250 in April, 2017 and purchase of a Minibus worth K442,700 in May, 2017 for the Inspectorate Unit. The payment vouchers were available for verification.

The Council had since January, 2017 been deducting the 20 per cent as soon as the grant was received and monthly utilisation reports were availed to the Local Government auditors for verification.

### **Committee's Observations and Recommendations**

Your Committee observes that the local authorities have been misapplying the Equalisation Funds and, therefore, strongly recommends that the Ministry of Local Government should sensitise the Town Clerks and Council Secretaries on the need to broaden their revenue bases in order to stop misapplying the 20 percent Equalisation Fund on non-capital projects such as personal emoluments. Your Committee further cautions the Town Clerk against misapplication of Equalisation Funds and resolves to close the matter subject to audit verification.

#### **ii. Constituency Development Fund (CDF) - Contract for the Supply and Installation of Street Lights along Twatasha –Garnatone Road**

The Town Clerk submitted that Kitwe City Council was merely executing conditions as stipulated in the terms of the contract. However, the contractor had failed to fulfil his side of the obligations as agreed despite numerous engagements. As regards the delay in taking further action, your Committee was informed that the Council wanted to ensure that both parties to the contract exhausted all disputes amicably before resorting to litigation as per Clause No. 13 of the General Conditions of Contract. Thus, having exchanged several correspondence, the Council had written a final instruction giving the contractor twenty-one days to refund the advance payment, failure to which litigation should be instituted. The twenty-one days had since elapsed and the Council advocate had taken up the matter to seek legal redress.

### **Committee's Observations and Recommendations**

The Committee notes the submission and resolves to await a progress report on the outcome of the court process.

### **Questionable Payments**

#### **i. Government Valuation Department**

The Town Clerk submitted that the payment of valuation fees into a personal account of an employee of the Government Valuation Department was as advised by the Government Valuation Department, which in their letter of quotation for the preparation of the 2014 Main Valuation Roll did indicate in paragraph one “that it will cost K1,200,000 to prepare a new valuation roll for the Council, payable in installments to the appointed Valuation Surveyor as per Section 3(5) of the *Rating Act, Chapter 192 of the Laws of Zambia*”. The fee was the lowest bargain amount for approximately 50,000 properties including mining companies.

The Town Clerk stated that the Council did not understand why the payment should be questionable as the Council was merely adhering to the conditions of the quotation from the

Government Valuation Department. The person in question was the appointed Valuation Surveyor approved by the Hon Minister of Local Government and Housing as per appointment letter Ref No. MLGH/101/27/25 dated 27<sup>th</sup> October, 2014. Furthermore, the Council was merely a beneficiary of the service provided and could not take control of the administrative arrangements in terms of who received the payment. The quotations were, therefore, received with the instructions of how the payments were to be paid as per details which were available for verification.

The Town Clerk further submitted that the Council was of the view that the Government Valuation Department should themselves be audited for their administrative arrangements and that the matter should not be extended to the Council, which merely complied with the instructions.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee is of the view that the payment should have been made to the Government Valuation Department and not to an employee of the Department. Your Committee, therefore, recommends that there should be clear guidance from the Ministry of Local Government on the issue in relation to payment procedures, to avoid any doubts in future. Your Committee will await a report on this matter.

#### **ii. Surveyor General**

The Town Clerk informed your Committee that the payment of survey fees into a personal account of an employee of the Survey Department in the Ministry of Lands was as per advice provided in both the quotation and first instalment acknowledgement letters Ref No. NRSO/101/1/2 dated 2<sup>nd</sup> June, 2015 and 8<sup>th</sup> July, 2015, respectively by the Survey Department. The last paragraph of each letter clearly indicated the payee. The fees were for the perimeter survey of the former Council farm and the cadastral survey of the Ichimpe Landfill.

The Town Clerk submitted that the Council was of the considered view that the audit should have been directed at the Survey Department since the Council was merely adhering to the conditions of the quotation from the Survey Department and that the payment to the appointed Surveyor was not questionable as the due process was followed. The Town Clerk stated that the Council could not assume responsibility of the administrative arrangements of the Survey Department in terms of who received the payment. The quotations were, therefore, received with the instructions of how the payments were to be paid.

The Town Clerk further submitted that the Council was of the view that the Survey Department should themselves be audited for their administrative arrangements and that the matter should not be extended to the Council, which merely complied with the instructions.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee is of the view that the payment should have been made to the Survey Department and not to an employee of the Department. Your Committee recommends that there should be clear guidance from the Ministry of Local Government on the issue in relation to payment procedures, to avoid any doubts in future.

**c) Outstanding Receivables-K98,652,195**

According to the Council’s existing Debt Management Policy, receivables were supposed to be collected within thirty days. It was, however, observed that as at 31<sup>st</sup> December, 2016, the Council was owed amounts totalling K98,652,195, some of which had been outstanding from as far back as 2014 as tabulated below.

<b>Year</b>	<b>Receivables K</b>	<b>Collections K</b>	<b>Uncollected K</b>	<b>Percentage Collection</b>
2014	92,236,112	27,765,321	64,470,791	30%
2015	105,256,697	34,507,804	70,748,893	32%
2016	137,943,066	39,290,871	98,652,195	28%

**Committee’s Observations and Recommendations**

Your Committee is concerned at the Council’s failure to collect outstanding amounts owed to it and, therefore, urges the Council to ensure that it collects all the outstanding amounts to boost its revenue. Your Committee resolves to await a progress report on the matter.

**d) Irregular Payment of Long Service Bonus**

The Town Clerk submitted that the Council did try to seek mutual understanding with Lusaka City Council where the Director of Finance had previously served in order for Kitwe City Council to pay his long service bonus. However, the efforts yielded no results hence the matter was reported to Council which made a resolution under Minute No. C/94/03/16 Part III (b). Further, Mr Samuel Mumba was transferred to Kitwe City Council on 11<sup>th</sup> July, 2012 stating that he was still covered under Circular No. MLGH/71/6/93. As regards the circular of transferring liabilities, the same came much later in 2014 after most of the employees had already started receiving payments in that respect.

Further, in the letter of the Local Government Service Commission to Shibuyunji District Council Ref No. LGSC/SHIB/2 dated 15<sup>th</sup> July, 2016, paragraph three indicated that under the unified Local Government Service, officers were transferable and so were the liabilities in terms of personal and other emoluments. It was in this vein that the matter was reported to Council and a pay plan put in place. The letter to Shibuyunji District Council was available for verification.

The Town Clerk also informed your Committee that the matter was reported to the Government investigative wings and was with the Anti-Corruption Commission. The Council had suspended the officer and put him on half salary as per the conditions of service.

**Committee’s Observations and Recommendations**

The Committee notes that the matter has been taken over by the Anti-Corruption Commission and will, therefore, await a progress report on the matter.

**e) Wasteful Expenditure - Procurement of Poor Quality Paint**

The Town Clerk submitted that the Council tried the paint and discovered that it was of a substandard nature. For this reason, the paint was rejected and returned to the supplier way back before the audit was undertaken. Reports were then made to inform both the Plans and Works Committee and the Audit Committee of the eventuality. The supplier and Council, however, we

could not reach a common ground with the supplier in terms of them giving us the paint of the desired quality, hence our resolve to obtain a refund for the 135 by 5 Litres of the unused paint. The supplier failed to refund the Council for the returned paint.

In view of the delay in receiving the refund, the Council identified a need for the same substandard paint returned in that it could be used to paint curb stones along the recently paved Freedom Way walkways. Thus, an agreement was reached with the supplier of Dukon Paint to instead supply the Council with 135 by 5 litres containers of paint. The paint had since been delivered except for 2 by 5 litres of black paint to conclude the supply. Documents pertaining to the communication were available for verification.

The Council Management had advised the supplier to take due diligence before making supplies in future, especially that his Company had been one of the most reputable suppliers of quality paint in the past.

#### **Committee's Observations and Recommendations**

The Committee notes the submission and resolves to close the matter subject to audit verification.

#### **g) Unremitted Pay As You Earn (PAYE)-K43,705,000**

The Town Clerk submitted that the Government took over the payment of salaries from the local authorities effective August, 2012. The payroll for the Council was furnished to the Government through the Ministry of Local Government to facilitate 100 per cent funding inclusive of all statutory obligations. However, the Government had not been sending the 100 percent salary grants and as such the Council could not meet the said obligations. The Council was of the conviction that the Government should be sending the gross pay as opposed to the current net pay remittance in order for the Council to pay related obligations on time.

The Council had since 18<sup>th</sup> May, 2017 entered into a payment plan with ZRA to pay K100,000 on a monthly basis. The amount was subject to quarterly reviews and had since been increased to K159, 000 per month. The commitment letter was available for verification.

#### **Committee's Observations and Recommendations**

Your Committee observes that the Council has been deducting PAYE but has not been remitting to ZRA. Your Committee finds this unacceptable and recommends that the Council should ensure that it honours its statutory obligations by adhering to the payment plan entered into with ZRA to remit to ZRA K159,000 per month. Your Committee awaits a progress report on the matter.

#### **h) Non Remittance of Pension Contributions – NAPSA and LASF-K34,929**

The Town Clerk informed your Committee that the Government was responsible for payment of salaries on gross pay to enable the Council to remit the related statutory obligations. Thus, as a result of the inadequate funding, the Council always struggled to remit NAPSA and LASF obligations on time. Nevertheless, the Council had been making frantic efforts to pay LASF and NAPSA obligations from locally generated resources. The Council had entered into a payment plan with LASF and NAPSA to pay current obligations in full and another amount towards

payment of arrears. The Council agreed with LASF to be paying around K298,000 per month to stop the debt from accumulating and a further K150,000 towards payment of arrears. There were also discussions towards cancelling the debt through a land swap.

As for the NAPSA contributions it was agreed that the Council should be paying around K315,000 to stop the debt from accumulating and a further K50,000 towards payment of arrears. The Council was negotiating a debt swap against land rates to go towards offsetting the accumulated arrears in the sum of K826,243.

### **Committee's Observations and Recommendations**

Your Committee observes with concern that the Council risks possible litigation for non-payment of statutory obligations. Your Committee recommends that the Town Clerk should ensure that the Council expedited the dismantling of outstanding statutory obligations by strictly adhering to the payment plan entered into with LASF and NAPSA. The Council is further urged to explore more sources of revenue and collection options to improve its revenue. Your Committee resolves to await a progress report on the matter.

#### **i. Failure to Settle Terminal Benefits-K33,815,091**

The Town Clerk submitted that the problem of unpaid terminal benefits was historical and dated back to the time of the enactment of the *Local Authorities Superannuation Fund (Amendment) Act, No. 27 of 1992*, which made it mandatory for Council employees or staff who had served local authorities for twenty-two years or more to retire. Meanwhile no provision was made by Government to fund local authorities' payments made in these unbudgeted terminal benefits to retiring employees. Over the years, liquidity problems had caused the terminal benefits obligations to swell to unmanageable levels. However, the Council had come up with a payment plan of paying K500, 000 per month towards retirement benefits.

As at 31<sup>st</sup> December, 2016 the Council had paid out a total sum of K32,262,801.47 out of K66,810,173.86 representing 51.3 percent of the total retirement bill.

In February, 2018, the Council disposed of three commercial properties and the entire amount realised was channeled towards reducing the indebtedness on retirement benefits. A total of K6,137,946.16 was paid to retirees in March, 2018.

The Council would continue to allocate a substantial amount on a monthly basis towards payment of retirement benefits.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to await a progress report on the settlement of the outstanding terminal benefits.

**(j) Irregularities in the Management of Assets**

**i. Dilapidated Kitwe Bamboo Workshop Buildings**

Physical inspection of the Kitwe Bamboo Workshop premises revealed that the building was in a poor condition with an unkempt environment, broken window panes and dysfunctional workshop equipment.

**ii. Failure to Maintain a Shop , Bakanda Hall, Plot 4149 Nyerere Road, Stand No. 1301- Council Abattoir, Stand No. 68 BUC – Buchi Domestic Science Training Centre, Stand No. 66BUC- Buchi Hotel, Block Three Shop No. 7 Buchi Kamitondo**

The Town Clerk submitted that all these buildings were work places used by Council officers in the past, but were abandoned in the later years due to Government reforms. This left the Council with no option but lease them at economical rental fees. Dilapidation set in because the funds collected as lease charges from these buildings were not enough to be channelled back into their rehabilitation, especially that it was at the same time when the Council faced financial challenges caused by the some of the reforms. A directive was issued early in 2000 to disinvest and so most of these structures were reclassified as being held for sale, but were not bought. Most structures purchased were taverns and bars because they were perceived as being profitable commercial ventures then by the general public.

The Council had, therefore, implemented the following measures:

- a) the Council under Minute No. VCU/32/08/15 resolved that 40 percent of the moneys raised from lease charges on Council properties be channelled towards the maintenance of these commercial buildings;
- b) A memorandum was written to the Director of Engineering Services to prepare Bills of Quantities (BOQ) but these had not yet been prepared because the Council had been operating without quantity surveyors to prepare the BOQs due to staff turnover and transfers to other Councils by the Local Government Service Commission without replacements;
- c) the Council resolved under Minute No. VCU/32/08/15 to redevelop Buchi Hotel, to meet the required standards of a hotel. This resolution was done in the hope that the Council could start operations of a hotel nature at the property;
- d) there is a budgetary provision in the 2018 budget amounting to K6,120,633 to facilitate repairs and maintenance of Council properties; and
- e) regarding Management failing to collect outstanding rental arrears, a thirty days ultimatum demand notice had been prepared and served on tenants. In addition, the Council had, since 2016, formed a task force to enforce the demand notices on the arrears.

The Council had appointed a Commercial Manager in 2015 and had begun to commercialise. Further, some of the properties such as Plot 4149 Nyerere Road and Stand No. 1301 – Council Abattoir had been sold to raise funds for payment of retirement benefits.

### **Committee's Observations and Recommendations**

Your Committee observes that the failure by the Council to sale the properties is as a result of the dilapidated state of the properties and, therefore, urges the Town Clerk to embark on a rehabilitation exercise of the properties before advertising them for sale. Your Committee resolves to close the subject to audit verification.

#### **v. Lack of Title Deeds**

The Town Clerk informed your Committee that the Directorate of Development Planning was attending to the numbering process of the properties in question. As soon as this process was completed, the Directorate of Legal Services would engage the Ministry of Lands and Natural Resources over the numbered plots for eventual issuance of titles. The numbering process had taken long because of the massive staff turnover in the Departments of Planning and Engineering Services. The Council had until October, 2017 been operating without Land Surveyors since 2014 when all the three Land Surveyors were transferred at once without replacements. The matter had since been reported to Council under Minute No. PWD&RE/16/07/14 and approved for implementation. The Local Government Service Commission had since started to send Land Surveyors to Kitwe City Council.

### **Committee's Observations and Recommendations**

The Committee notes the submission and urges the Council to seriously pursue the matter of title deeds with the Ministry of Lands and Natural Resources. The Committee will await a progress report on the matter.

#### **vi. Failure to Insure Assets**

The Town Clerk submitted that the seventy-nine properties were not insured as they were in a dilapidated condition adding that the Zambia State Insurance Corporation (ZSIC) was not willing to provide cover until they were worked on. It was upon inspection that the twelve were approved for insurance. The Council had embarked on a rehabilitation exercise of its major properties and that those properties that were not potentially viable commercially would be earmarked for disposal.

The Town Clerk further submitted that the premiums were an added cost and in the event that the properties did not realise any returns, then the purpose for insurance was eroded.

### **Committee's Observations and Recommendations**

Your Committee observes that the Council has challenges with the maintenance of Council properties, thereby failing to insure them. In this regard, your Committee recommends that the Council should expedite the rehabilitation of properties in order to fulfill the requirements for the provision of insurance cover by ZSIC. Your Committee resolves to await a progress report on the matter.

#### **k) Demolition of Structures**

The Town Clerk submitted that the demolitions were not done with the intention of allocating plots to the victims but rather to eject them from private land which did not belong to them. The construction of the houses under review was illegal there was no need to take inventory of what was being demolished as no compensation was envisaged. However, stakeholders, including

Government, sympathised with the encroachers hence the introduction of compensation in the matter.

As regards the criteria used in allocating plots to the victims of the demolition, the capturing of the details of the affected persons was not conducted by the Council as Council's interest in the matter was merely to restore the land which was invaded by encroachers back to the rightful owners. Thus the census of who was affected was conducted by the Disaster Management and Mitigation Unit acting together with the Red Cross Society through the guidance of the Office of the District Administrator. Naturally, this caused problems in collating the list with what was on the ground because the matter was eventually politicised.

A total of 324 plots were issued and the matter was put to rest. However, because the advice of the Council was not taken on board at that time, the same people who were allocated plots had moved back to the same private land and sold the plots which the Council allocated to them.

#### **Committee's Observations and Recommendations**

The Committee notes the submission and resolves to close the matter subject to audit verification.

#### **Staff Related Matters**

##### **i. Failure to Fill Vacant Posts**

The Town Clerk submitted that the mandate to employ was vested in the Local Government Service Commission and the Council just made recommendations to the Local Government Service Commission for employment.

#### **Committee's Observations and Recommendations**

Your Committee observes with concern the huge number of vacant positions at Kitwe City Council and therefore, directs the Town Clerk to urgently pursue the matter with the Local Government Service Commission to ensure that the Council has the relevant personnel to provide services to the public.

##### **iii. Employees Without Requisite Qualifications**

The Town Clerk submitted that only thirteen officers on the schedule of the query did not have requisite qualifications. Those who had no requisite qualifications as dictated by the current position they held under Divisions I, II and III, were advised to further their studies in line with their duties.

In the past, the Council had a staff development policy where every year it was sending four employees per Department for training at various colleges and universities to further their education. This was no longer the case because the training needs of Council employees were subject to the Local Government Service Commission's approval. The Council would, therefore, continue to send recommendations of those who should enhance their qualifications for training on an annual basis to the Local Government Service Commission.



### **Committee's Observations and Recommendations**

In noting the submission the Committee resolves to close the matter subject to audit verification.

#### **m) Irregularities in the Management of the Payroll**

##### **i. Employees with withheld Net Pay**

The Town Clerk submitted that during the period under review, salaries for the Council were in arrears. For this reason, employees with urgent problems requested that their salaries be paid early as they were already due. In order to avoid double payments, such requests were entered on the payroll. Such an entry on the payroll naturally reduced the net pay due to zero. Thus, the amounts indicated as deductions included such figures as net salaries paid before the payroll was paid in full. These entries directly on the payroll were meant to avoid double payment when the pay schedule was eventually produced.

There were, however, few of those whose negative salaries were as a result of over indebtedness and such related to employees who got requisites from the union shop. When the recoveries were actioned, their salaries became negative.

The union officials had been advised to check the employees' pay statements before allowing them to get requisites on credit from the union shop. The early payments had drastically reduced since the salaries were on time, currently and employees only asked for an advance payment when they were bereaved.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee resolves to close the matter subject to audit verification.

##### **ii. Failure to Remove Separated Employees from the Payroll**

The Town Clerk submitted that employees were removed from the payroll immediately the Department of Finance received letters of transfer and were paid their subsistence allowance. The dates on the transfer letters did not necessarily reflect the day when an officer actually received the letter of transfer. There were postal problems within the Local Government Service Commission because the letters were not dispatched as soon as they were written and sometimes letters were received weeks or even a month later. As a consequence, the receipt date was different from the issue date.

In addition, payments for passage for the officer to travel to the new station were delayed. In a few cases the period of handing over also caused delays in the departure date of the transferred officer.

Thus the delays in removing officers from the payroll were not deliberate but were due to logistical problems. However, the Local Government Service Commission had devised a better way of dispatching the transfer letters where individuals concerned were called directly by the Commission to collect their letters, which also indicated the period within which to report at their new stations.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

#### **AUDIT QUERY**

#### **PARAGRAPH 21**

#### **LIVINGSTONE CITY COUNCIL**

##### **Review of Operations**

An examination of accounting and other records maintained at the Council for the financial year ended 31st December 2016 carried out in October 2017 revealed the following:

##### **a) Failure to Transfer Funds to the Project Account**

The Town Clerk submitted that the reason why the council did not transfer funds to the project account was due to liquidity challenges. The Town Clerk further explained that 80 per cent of the Grant was inadequate to cover the wage bill of the Council and as such the entire Grant was varied to salaries. However, the Council had since paid back the K 500,000 to the project account. The Electronic Fund Transfer (EFTA) copy dated 16<sup>th</sup> February, 2018 was available for verification. Your Committee was then assured that measures had been put in place to Transfer the twenty percent 20 per cent project fund from the Government Grant immediately the Grant was received and that in future, funds would not be varied to other activities.

##### **Committee's Observation and Recommendation**

Your Committee observes with concern that the councils are not adhering to the *Local Government (Amendment) Act No. 12 of 2014* which states that a Council shall use at least 20 per cent of the Equalisation Fund received in any financial year, to finance Capital Expenditure. Your Committee directs the Town Clerk to ensure that resources are expended as per the law and that the 20 per cent for infrastructure is kept in a separate account. Your Committee awaits a progress report on the matter.

##### **b) Unsupported Payment Vouchers – K584,167**

The Town Clerk submitted that the receipts and acquittals were misplaced and could not be availed to auditors at the time of audit because they were being filed separately and were not attached to the relevant payment vouchers. He stated that the supporting documents such as the receipts, acquittals and quotations had since been attached to the relevant Payment Vouchers. In addition, a Procurement Officer had been assigned to ensure that receipts and Goods Received Notes (GRNs) for the paid and delivered supplies were attached to the payment vouchers immediately. Further, a Senior Accountant had been assigned to ensure all acquittals were attached to the relevant payment vouchers immediately the payments were acquitted and filed to avoid misplacements of acquittal sheets.

##### **Committee's Observation and Recommendation**

Your Committee finds the explanation given by the Town Clerk unacceptable. Your Committee directs the Town Clerk to ensure that as per Local Authorities Financial Regulations No.98 all payments are supported by relevant documents. Your Committee further directs the Town Clerk to ensure that a proper filing system is put in place to keep all accountable documents in one

place and that all erring officers should be sternly cautioned for the lapse. Your Committee resolves to await a progress report on the matter.

**c) Irregular Payment of Social Holiday Allowances – K139,000**

The Town Clerk acknowledged the irregular payment of Social Holiday Allowance and attributed the same to the omission to apply the changed new harmonised conditions of service. He reported that recoveries had since been made from the accrued leave days and that Personal ledgers were available for verification. He further assured your Committee that the Council would ensure strict adherence to the current stipulated conditions of service to avoid recurrence of the anomaly.

**Committee's Observation and Recommendation**

Your Committee expresses concern on the non-adherence to the Ministry of Local Government and Housing Circular No. MLGH/101/8/4 of 2014, which abolished the payment of Social holiday allowances. Your Committee directs the Town Clerk to ensure that directives are strictly followed and that recoveries are instituted immediately from all officers who received the allowance. Your Committee resolves to await a progress report on the matter.

**d) Irregular refunds of Medical Expenses – K17,962**

The Town Clerk acknowledged the observation made by the auditors that the refunds for medical expenses were obtained prior to approval from the Principal Officer. He informed your Committee that letters had been written to all the employees with outstanding medical imprest and that recoveries had since been effected. He further informed your Committee that members of staff had been informed via a memorandum written by the principal officer dated 21<sup>st</sup> September, 2017 that no medical refunds shall be paid without prior approval by the principal officer and that a medical prescription must be produced by the claiming officer. In the case of a private clinic, a referral letter must be obtained from the Government Hospital.

**Committee's Observation and Recommendation**

Your Committee expresses concern that the Council failed to adhere to Council condition of service part (vii), section 156 which clearly states that officers and dependants 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 that officers are entitled to a refund on the production of evidence of payment in accordance with any medical aid scheme in force. Your Committee observes that Management allowed refunds of medical expenses even without prior approval. Your Committee in this regards directs the Town Clerk to ensure that this anomaly is corrected and deductions are instituted on all officers who got refunded without prior approval. Further, your Committee directs the Town Clerk to sternly caution the staff on the practice. Your Committee awaits a progress report on the matter.

**e) Irregular Payment of Sitting Allowances – K38,345**

The Town Clerk submitted that the payments were made based on the Local Government Service Commission Circular No.9 of 2017 on administrative allowances for audit and Procurement Committees. He informed your Committee that the Local Government Service Commission Circular No.9 of 2017 on administrative allowances for audit and Procurement Committees were

available for verification. He further assured your Committee that the Council would ensure strict adherence to the regulation in force.

#### **Committee's Observation and Recommendation**

The expresses concern that the Council failed to adhere to Cabinet Office Circular No.11 of 2013 which banned the payment of administrative allowances. Your Committee directs the Town Clerk to clarify the matter with the Local Government Service Commission and the Ministry with regard to the Local Government Service Commission Circular No.9 of 2017. Your Committee resolves to await a progress report on the matter.

#### **f) Outstanding Receivables – K248,783**

The Town Clerk submitted that the amount outstanding on billboard was due to resistance to pay by some billboard owners and difficulties to trace some of the billboard owners. He informed your Committee that a Task force on revenue collection had been formed to maximise on revenue collection through public announcements and community sensitisation on the need to pay to the Council, and that some billboards whose owners had not been traced had been brought down. The Council had also engaged bailiffs to help collect debt. He assured your Committee that to avoid loss of revenue, the Council was in the process of creating a database for all billboards in Town to ensure ease of billing for billboards and also ease of identification with the owners.

#### **Committee's Observation and Recommendation**

Your Committee observes that the Council failed to adhere to the Local Authorities Financial Regulations Nos. 12 (h) which states that all revenue and other Council moneys which become due and payable to the Council must be collected in good time. This is despite the fact that the Council is currently experiencing financial problems. Your Committee urges the Town Clerk to ensure that the Council comes up with a Debt Management Policy which will guide debt management. Your Committee cautions the Council that the failure to collect revenue will grossly affect the much needed public service delivery. Therefore, your Committee resolves to await a progress report on the matter.

#### **g) Missing Payment Vouchers – K381,026**

The Town Clerk informed your Committee that the non-availability of payment vouchers during audit was because of misplacement of records. The Council reported that the missing payment vouchers had since been located and were available for audit verification. The Council further informed your Committee that a Senior Accountant had been charged with the responsibility of ensuring that all payment vouchers were properly filed immediately after payments are made to avoid misplacements.

#### **Committee's Observation and Recommendation**

Your Committee is concerned about the poor record keeping in the Council which leads to misplacements of accountable documents. It should be noted that payment vouchers are very important documents because they contain details of the payments and to this end they should be filed systematically for easy retrieval. Your Committee seriously urges the Town Clerk to devise a system of keeping the documents in a secure place and to ensure that all erring officers are

sternly cautioned for failing to implement the filing system. The matter is recommended for closure subject to audit verification.

**h) Unretired Accountable Imprest – K64,571**

The Town Clerk reported that during the period under review, unretired accountable imprest accrued due to poor attitude of the imprest holders. The Council had since commenced recoveries for the unretired accountable imprest from the concerned officers and that pay slips were available for verification. He further informed the Committee that some Officers had been warned to retire imprest within forty 48 hours after the purpose for which the imprest was gotten had expired and failure to which recoveries would be made from their salaries without further notification.

**Committee’s Observation and Recommendation**

Your Committee expresses concern on the matter of unretired accountable imprest and directs Management to be proactive and not reactive in curbing this vice. In this regard, Management is directed to institute deductions for any outstanding imprest. Your Committee further directs the Council Secretary to ensure that the laid down rules are adhered to all the time imprest is issued. The matter is recommended for closure subject to audit verification.

**AUDIT QUERY**

**PARAGRAPH 22**

**LUANGWA DISTRICT COUNCIL**

**a) Failure to Prepare Financial Statements**

Your Committee was informed that during the period under review, the Council did not have the Net Book Values for assets because of irregular application of depreciation rates to various property categories which lead to a failure to prepare Financial Statements. Your Committee was, however, informed that the normalization process on the irregularities of figures in the Books of Accounts with regard to Net Book Values of assets had since commenced. Further, the Government Valuation Department had since been engaged to value the various Council assets. Your Committee was assured that as soon as the revaluation of properties process was finalized, the Council would adjust its records and immediately commence the production of Financial Statements in retrospect.

**Committee’s Observation and Recommendation**

Your Committee observes that the Council failed to adhere to *Section No. 43 (3) of the Local Government Act, Chapter 281 of the Laws of Zambia, which provides* that the accounts of a council shall be made up and balanced for each financial year of the council and a summarized statement thereof certified under the hand of the treasurer of the council shall be presented to the council at a meeting to be held within six months after the end of the financial year of the council, or within such longer period as the Minister may determine. While your Committee appreciates that the failure to prepare financial statements was due to asset values to the absence of Net Book Values emanating from the irregular application of depreciation rates to various property categories, it directs the Council undertake valuation of assets and apply acceptable accounting standards without fail. Your Committee awaits a progress report on the matter.

**b) Failure to Fill Vacant Positions**

Your Committee was informed that during the period under review, the Local Government Service Commission had not filled the vacant positions. The Local Government Service Commission, which was mandated to employ Council officers, had since embarked on a recruitment exercise to fill up the vacancies in all the Councils. Your Committee was assured that in future that the Council would be updating its staff returns quarterly and submit to the Local Government Service Commission.

**Committee's Observation and Recommendation**

Your Committee observes with concern that the delay in filling positions in the establishment may negatively affect service delivery. Your Committee urges the Council to devise a system of reporting vacant positions to the Local Government Commission regularly so that vacancies can be filled without delay. Your Committee resolves to close the matter subject to audit verification.

**c) Non Revaluation of Council Properties**

The Council Secretary acknowledged the observations of the auditor and reported that the evaluation of assets was not done because the council had no valuation officer during the period under review. He submitted that Management had since engaged the Ministry of Lands and Natural Resources through the surveyor General to have the buildings surveyed, numbered and given a current market value. He further informed your Committee that the valuation officer had since been employed and the officer was in charge of implementing the valuation and revaluation of council property.

**Committee's Observation and Recommendation**

Your Committee urges the Council Secretary to ensure that Council properties are periodically re-valued. Your Committee further directs the Council to make a follow-up with the Ministry of Lands and Natural Resources through the Surveyor General without any further delay. Your Committee resolves to close the matter subject to audit verification.

**d) Lack of Title Deeds**

Your Committee was informed that at the time of audit, the properties cited were not yet surveyed and, therefore, it could not apply for title deeds. Your Committee was further informed that the Ministry of Lands and Natural Resources had been engaged through the office of the Surveyor General to have the buildings surveyed and numbered, a process which would lead to the acquisition of Title Deeds for the cited Council properties. Your Committee was assured that in future, the Council would endeavour to ensure that its properties were surveyed and put on title in accordance with the law.

**Committee's Observation and Recommendation**

Your Committee finds it unacceptable that the Council is not getting title deeds for properties because they are not surveyed. This is clear indication that the Council has not prioritised the issue of obtaining title deeds and may have problems proving ownership of these assets in the absence of titles. Your Committee, therefore, directs the Council Secretary to expedite the application for title deeds through the Ministry of Lands and Natural Resources and ensure that follow-ups are made regularly. Your Committee resolves to await a progress report.

**e) Failure to Insure Assets**

The Council Secretary reported that the failure to insure assets was as a result of the Council's narrow revenue base and inadequate funding. The Council Secretary reported that it had started the process of negotiating payment plans to have all its assets insured at all times. Therefore, the Council had included the insurance component in the approved budget for 2018.

**Committee's Observation and Recommendation**

Your Committee draws the attention of the Council 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 heads of departments. In this regard, your Committee directs the Council Secretary to ensure that it abides by the above regulation and insures all the insurable Council assets without further delay. Your Committee resolves to await a progress report.

**f) Failure to Update the Main Roll**

Your Committee was informed that the failure to update the main roll was due to the lengthy legislation procedures and a lack of Council by-laws for valuation. Your Committee was further informed that the main valuation roll was in the process of being updated. Further, your Committee was informed that all properties in the Town had since been surveyed and valued adding that the Council was still awaiting the Tribunal to sit and approve the Valuation Roll. Documentation was available for audit verification. Your Committee was assured that the Council had put in place measures to ensure that immediately the Valuation Roll expired, a revaluation exercise would be undertaken.

**Committee's Observation and Recommendation**

In noting the submission, your Committee urges the Council Secretary to ensure that the Valuation Roll is updated regularly as provided for by the law and that all properties are surveyed and valued. Your Committee resolves to await a progress report on the matter.

**g) Unretired Imprest – K29,865**

The Council Secretary submitted that during the period under review, the documents were misplaced. The unretired imprest in question had since been normalized and documents were available for audit verification. The Council was making sure that no Officer would be issued with fresh imprest until outstanding imprest was retired and would ensure that Local Authorities Financial Regulation No. 119 was strictly adhered to.

**Committee's Observation and Recommendation**

Your Committee expresses concern on the matter of unretired accountable imprest and directs Management to be proactive in curbing this vice. In this regard, Management is directed to institute deductions of any outstanding imprest. Your Committee further directs the Council Secretary to ensure that the laid down rules are adhered to all the time imprest was issued. The matter is recommended for closure subject to audit verification.

**h) Failure to Prepare Activity Reports – K8,350**

The Council Secretary acknowledged the observation of the auditor and attributed the failure to prepare activity reports to misfiling. Your Committee was informed that the Council had since

traced all of the activity reports and they were available for verification. In future, the Council would endeavour to ensure that all activities undertaken were supported by activity reports and accounted for timely.

#### **Committee's Observation and Recommendation**

In noting the submission, your Committee urges the Council Secretary to ensure that the officers are sternly cautioned for failure to prepare activity reports every time they undertake trips. The matter is recommended for closure subject to audit verification.

#### **i) Irregular Use of Imprest to Procure Goods and Services – K76,488**

The Council Secretary acknowledged that during the period under review the financial regulations were not followed in the procurement of goods and services. However, your Committee was informed that the purchase of items was made through the procurement office and payments to suppliers of goods and services were made by cheques. Your Committee was further informed that all purchases of goods and services were now paid for by cheques and not through imprest. Further, the Council would ensure that Financial Regulation No.86 (c) was strictly adhered to.

#### **Committee's Observation and Recommendation**

Your Committee finds the reason given to be unacceptable and directs the Council Secretary to ensure that accountable imprest are issued to facilitate the purchase of goods and services whose value cannot be ascertained at the time of procurement as per Financial Regulations. Further, your Committee directs the Council Secretary to ensure that the procurement of all other goods and services was made through the authorised procurement process. Your Committee awaits progress report on the matter.

#### **j) Unaccounted for Stores – K55,745**

Your Committee was informed that during the period under review, the Council's failure to avail disposal records to auditors was due to misplacement of the relevant documentation. However, the respective receipts and disposal records had since been retrieved and were ready for audit verification. He assured your Committee that the Council shall ensure that there was proper filing and record keeping of all accountable documents. Further, the Council would ensure strict adherence to Local Authorities Financial Regulation No. 145.

#### **Committee's Observation and Recommendation**

Your Committee expresses concern that the Council failed to account for stores thereby risking loss of stores through theft. In this vein, your Committee directs Management to ensure that a qualified officer is employed through the Local Government Service Commission to man the stores with immediate effect. The matter is recommended for closure subject to audit verification.

#### **Failure to Remit Statutory Contributions and PAYE – K3,924,756**

The Council Secretary submitted that the Non-payment of the statutory contributions during the period under review was due to liquidity problems being faced by the Council. The Council had since started negotiations for debt swap with NAPSA, where NAPSA would be given a piece of land in exchange for the part of the amount. The Council was still engaging ZRA and LASF to



agree on payment plans with them as well. Further, Management had put up a programme to liquidate the arrears by paying monthly commitments, at the same time liquidate the current obligations as, and when they fall due to avoid debts accruing over a period.

#### **Committee's Observation and Recommendation**

Your Committee observes with concern that failure to remit statutory obligation may result in accumulating debt which may attract penalties and interests. The accumulating of debt may eventually affect the provision of critical public services. Your Committee, therefore, urges the Management to ensure that the Council raised enough revenues by broadening the revenue base and to pay the statutory contributions without further delay. Your Committee also urges Management to ensure adequate provision is made for statutory deductions in the annual budget and that the payment plan is strictly adhered to. Your Committee resolves to close the matter subject to audit verification.

#### **k) Failure to Pay Benefits – K2,374,772**

The Council Secretary attributed the non-payment of benefits to employees to financial constraints. Your Committee was informed that the Council had committed itself to offsetting the outstanding amounts and had since started paying off the outstanding obligations. Further, part payments for terminal benefits were made on a monthly basis to ensure that terminal benefits were liquidated as and when they fall due.

#### **Committee's Observation and Recommendation**

Your Committee expresses concern at the failure by Management to settle staff obligations thereby risking accumulating the obligations to unmanageable levels. This may eventually attract interest and penalties which may result in loss of the much needed funds. Your Committee urges the Council to ensure that the severance packages are budgeted for annually and that the debt liquidation plan is put in place to avoid accumulating debt. Your Committee awaits a progress report.

#### **l) Lack of Bill Board Policy**

The Council Secretary submitted that the Ministry of Local Government was working on the Outdoor Advertising Policy, which was expected to be ready before the end of 2018. This policy would guide the Councils in all matters relating to outdoor advertising. The Council would ensure that a billboard policy was always in place in order to maximise collection of outdoor advertising fees.

#### **Committee's Observation and Recommendation**

Your Committee urges the Council to make a follow up with the Ministry of Local Government on the Outdoor Advertising Policy to ensure that the Council does not lose revenue any more. Your Committee resolves to await a progress report on the matter.

#### **m) Failure to Dispose of Unserviceable Motor Vehicles**

The Council Secretary reported that the Council was in the process of seeking authority from the Minister of Local Government in accordance with the section 67 of the Local Government Act to dispose of all the unserviceable motor vehicles. In future, the Council would ensure that

authority to dispose of assets was sought from the Minister immediately movable assets become unserviceable.

#### **Committee's Observation and Recommendation**

Your Committee expresses concern that Council fails your adhere to the laws governing public finance on matters of disposing of unserviceable plant or vehicles. Committee directs the Council to ensure that authority is obtained from the Board of Survey and dispose of all unserviceable vehicle and plant without delay. Your Committee resolves to await a progress report on the matter.

#### **n) Equalisation Fund Misapplication**

The Council Secretary submitted that during the period under review, 20 per cent Local Government Equalization fund was used to meet wages and salaries because the net wage bill was higher than the 80 per cent of Local Government Equalisation Fund meant for recurrent expenditure. However, your Committee was informed that the Council had since started reimbursing the 20 per cent capital component of the Equalization Fund from locally generated funds. Your Committee was assured that the Council would endeavour not to utilise project funds without authority from the Controlling Officer.

#### **Committee's Observation and Recommendation**

Your Committee observes with concern that generally the Councils are with impunity, not adhering to the *Local Government (Amendment) Act No. 12 of 2014, of the Laws of Zambia* which provides that a Council shall use at least 20 per cent of the Equalisation Fund received in any financial year, to finance capital expenditure. Your Committee directs the Council Secretary to ensure that resources are expended according to the law. Your Committee awaits a progress report on the matter.

### **AUDIT QUERY**

### **PARAGRAPH 23**

### **LUANSHYA MUNICIPAL COUNCIL**

#### **Review of Operations**

An examination of accounting and other related records maintained at Luanshya Municipal Council and a physical verification of Projects carried out in September, 2017 revealed various irregularities, to which the Town Clerk responded as set out below.

#### **a) General Administration**

##### **i. Employment of Casual Workers**

The Town Clerk informed your Committee that the Council decided to employ casual workers in critical departments at the time because the labour force was not at optimum level.. However, these casual employees were inadvertently kept for a longer period than six months. The Council had since undertaken a staff audit of casual workers to ascertain whether they were needed on a permanent basis or not. The staff audit revealed that there were 138 casual employees and thirty-one employees were on fixed term contracts. Further, the Council had engaged the Ministry of Labour and Social Security in its letter dated 30<sup>th</sup> November, 2017 to

seek guidance on the matter as some casual workers had worked for the institution for fifteen years. The Council also wrote to the Ministry of Local Government to seek authority to retain some of the casual workers on permanent basis but the request was turned down by the Ministry of Local Government in its letter dated 9<sup>th</sup> January, 2018.

The Council had, therefore, embarked on a redundancy exercise, in which the first five casual employees had been given redundancy notice effective 24<sup>th</sup> April, 2018.

#### **Committee's Observations and Recommendations**

Your Committee observes that the Council had clearly acted in contravention of the law on the employment of casual workers. Your Committee is concerned that although the Council has commenced the redundancy exercise, indications are that the exercise will take much longer than desired to be completed considering the number of casual workers being laid off at a time. Your Committee sternly cautions the Town Clerk for the failure and urges the Town Clerk to ensure that this does not occur again in future. Your Committee will await a progress report on the redundancy exercise.

#### **ii. Failure to Pay Benefits-K26,030,716**

The Town Clerk informed your Committee that the failure to pay benefits was due to the financial challenges the Council was facing. However, the revenue base was being restructured, currently, with a view to collecting all revenues due to the Council.

The Council had further proposed the establishment of the five year Sinking Funding in the Medium Term Expenditure Framework (MTEF) for 2018 to 2020. The projects to be financed from this Fund included, among others, the payment of terminal benefits using the First in First out (FIFO) method. The Council would endeavour to offset the outstanding amounts as and when funds were available.

The Town Clerk also submitted that a reconciliation of the ledgers revealed that the figure for terminal benefits as at December, 2016 was K26,077,779.37. The Council had paid K4,275,167.61 towards the benefits as at 30<sup>th</sup> April, 2018 leaving a balance of K21,802,611.76. Documentation was available for audit verification.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Council to settle outstanding staff benefits as this has a negative effect on employee morale and motivation. Your Committee is further concerned that the Council owes some retirees terminal benefits and warns that this may attract legal action against the Council. In light of this, your Committee urges the Town Clerk to put measures in place to liquidate the debt owed to staff and especially retirees in order to avoid litigation. The Council is further urged to ensure that it collects all the funds owed to it in order to boost its revenue. Your Committee will await a progress report on the matter.

#### **b) Maintenance of Multiple Bank Accounts**

The Town Clerk submitted that the Council had closed two accounts while two out of the remaining accounts were specifically being used as commercial and fire brigade accounts. The

Town Clerk also stated that the Council had started adhering to the purpose of each account and would endeavour to maintain a minimum number of accounts.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

#### **c) Income**

During the period under review, the Council failed to collect various types of income due to poor or lack of enforcement of debt collection as detailed below:

##### **i) Failure to Collect Property Rates - K21,899,325**

The Town Clerk submitted that the query arose due to the closure of some companies. The final demand notices had been issued to clients with arrears which had since expired. Further, Council had resolved to invoke the provisions in the *Rating Act, No. 12 of 1997* as regards the recovery of rates in order to improve collection efficiency.

Regarding the different amounts for the debtors' figure captured in the Financial Statements and the figure obtained from the Revenue Section, the Town Clerk explained that the difference was caused by the change in the status of the clients and adjustments had since been made to the debtors' amount as at 31<sup>st</sup> December, 2015 and 2016. Collection efficiency had also improved and the receipts and ledgers were available for audit verification. As at 31<sup>st</sup> December, 2017 Luanshya Municipal Council had collected a total of K 15,225,230.85 in property rates. The Council would freeze all closed companies on the system once approval was sought but would continue to engage the Office of the Administrator General.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to await a progress report on the matter.

##### **ii) Failure to Collect Revenue - Bill Boards and Outdoor Advertising-K278,700**

The Town Clerk submitted that the Council had collected amounts totalling K45,695.00 leaving a balance of K233,005 and those with outstanding balances had since been written to demanding payment. Further, some companies whose bill boards were still erected had since ceased to operate and the Council was in the process of amending its records accordingly, once there was approval. The Council was currently reconciling the debtors' ledgers and the documents were available for audit verification.

### **Committee's Observations and Recommendations**

Your Committee notes that despite the Council having collected K45,695, it is still owed a colossal amount and, therefore, urges the Town Clerk not to relent in the collection of outstanding revenues. Your Committee awaits a progress report on the collection of outstanding revenues.

##### **iii. Delays in Effecting Increase in Rental Charges**

The Town Clerk submitted that the Council resolved to delay the increase in rental charges due to the prevailing poor economic conditions in the mining towns at the time. The increase in rental

charges was only effected in March, 2017 after the economy started showing some signs of recovery.

#### **Committee's Observations and Recommendations**

Your Committee cautions the Town Clerk and his staff to desist from disregarding the resolutions of the Council with impunity as that has the potential to undermine the authority of the Council. Your Committee resolves to close the matter.

#### **iv. Failure to Provide Lease Agreements**

During the period under review, the Council leased out twenty-one properties which included shops, guest house and bars. However, the lease agreements were not availed for audit, making it difficult to ascertain the terms and the conditions and the amounts the tenants were supposed to pay.

#### **Committee's Observations and Recommendations**

Your Committee observes that the Council has not responded to the audit query and, therefore, resolves to keep the matter open. Your Committee awaits a status report on the matter through the Treasury Minutes.

#### **v. Uncollected Rental Charges -K1,389,705**

The Town Clerk informed your Committee that the Council had issued final demand notices to the cited clients. The Council had further resolved to evict and pursue all tenants with outstanding arrears. Out the K1,389,705 queried amounts, K358,094 had been collected as at 22<sup>nd</sup> December, 2017, leaving a balance of K1,031,602. The Council had further collected K80,645 leaving a balance of K950,957.

#### **Committee's Observations and Recommendations**

Your Committee bemoans the failure by the Council to collect rental charges for the period under review, which are a stable source of revenue for the Council. Your Committee, however, notes the measures that the Council has put in place to improve the collection of rental charges and urges the Town Clerk to ensure that all the outstanding rental charges are collected without any further delay. Your Committee awaits a progress report on the matter.

#### **d) Expenditure**

##### **i. Unsupported Payment Vouchers-K222,874**

Contrary to the Local Authorities Financial Regulation No. 86, seventeen payment vouchers in amounts totaling K222,874 raised during the period under review were not supported with relevant documents such as receipts, invoices, and requisition forms, among others.

The Town Clerk informed your Committee that fourteen transactions amounting to K180,874.39 had been supported leaving only three transactions amounting to K42,000.00. Further, the Council had improved the control environment and internal audit had been instructed to review their effectiveness regularly. The documents were ready for audit verification.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and directs the Town Clerk to ensure that the documents in support of the remaining payment vouchers are found and made available for audit verification. Your Committee further urges the Town Clerk to take disciplinary action against all officers who failed to secure these supporting documents and avail them to the auditors in accordance with the law, Your Committee resolves to await a progress report on the matter.

#### **ii. Failure to Remit Statutory Obligations-K13,939,124.71**

The Town Clerk submitted that the Council, at its sitting held on 18<sup>th</sup> December, 2017 resolved to do a debt swap with NAPSA, The Council had offered NAPSA a piece land within the boundaries of the District and NAPSA would in turn consider the outstanding statutory contributions as having been cleared. Furthermore, a payment plan with ZRA would be structured in the first quarter of 2018 once the two parties agreed as discussions were still under way. Correspondence was available for audit verification.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to await a progress report on the matter.

#### **iii. Misapplication of Funds – Salaries Account-K8,121,072**

The Town Clerk informed your Committee that the Council maintained two salaries accounts, one with the Zambia National Commercial Bank and the other one with Atlasmara Bank Zambia Limited. The salaries account held with Atlasmara was used for non payroll related payments, including retirees' payments. However, the Council regretted the payment towards the purchase of fuel using this account. This was due to inadequate financial resources. The Council resolved to change the account name from wages to operations in a letter dated 15<sup>th</sup> January, 2018. The documents were ready for verification.

### **Committee's Observations and Recommendations**

Your Committee cautions the town clerk to keep proper records so as to avert unnecessary audit queries. Your Committee resolves to close the matter.

#### **e. Management of Council Assets**

##### **i. Failure to Provide Proof of Ownership and Insurance – K30,432,884**

The Town Clerk informed your Committee that the Council had put measures in place to secure titles for all Council assets. Site plans had been prepared and payment to Ministry of Lands and Natural Resources had already been made. The documents were available for verification. Further, proof of ownership for motor vehicles was available for verification. The Town Clerk further informed your Committee that the Council had commenced the process to insure all the Council property and the Zambia State Insurance Cooperation had been engaged to actualise this. Correspondence was available for audit verification.

The Council had also written to the Ministry of Lands and Natural Resources to request for copies of title deeds in a letter dated 5<sup>th</sup> February, 2018 as the original title deeds could not be traced. The documents were ready for verification.

### **Committee's Observations and Recommendations**

Your Committee bemoans the failure by the Council to secure title deeds for and insure its property as this exposes the property to the risk in case of unforeseen events such as fire. Your Committee, therefore, directs Council Management to ensure that all Council property is insured without any further delay. Your Committee further directs Council Management to follow up the issue of title deeds with the Ministry of Lands and Natural Resources and expedite the process. Your Committee awaits a progress report on the matter.

#### **ii. Irregularities in the Leasing out of Baluba Motel**

The Town Clerk submitted that the issue was still in the courts of law. A response would be provided once the case was concluded. Documentation was available for audit verification.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to await a progress report on the matter.

#### **iii. Failure to Avail Breakdown for Investment Amounts**

The Town Clerk submitted that the audit query arose due to lack of share certificates. The Council had, therefore, engaged both Kafubu Water and Sewerage Company and Cop waste in a letter dated 15<sup>th</sup> January, 2018 regarding the issuance of share certificates. The Council would endeavour to disclose investments in the Financial Statements at fair values and with authentic share certificates. Correspondence to Kafubu Water and Sewerage Company and Cop waste was available for audit verification.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to await a progress report on the matter.

#### **iv. Irregularities in the Procurement of a Fire Tender**

The Town Clerk informed your Committee that the procurement of the fire tender was conducted at the Province as the amount was above the Council's threshold. The Council had further written to the supplier on 21<sup>st</sup> August, 2017 to attend to the faulty fire tender as provided for by warranty clauses. The fire tender had been worked on and the engine had been certified fit for both light and heavy duty. The Town Clerk stated that the Council would endeavour to certify all equipment upon delivery.

### **Committee's Observations and Recommendations**

Your Committee expresses concern at the whole transaction surrounding the fire tender especially that the Council ended up with second hand equipment instead of a brand new one as agreed in the contract. Your Committee strongly recommends that the investigative wings should, as a matter of urgency, fully the transaction. Your Committee resolves to await a progress report on the matter.

#### **v. Physical Inspection of Assets**

A physical inspection of Council assets carried out in September, 2017 revealed weaknesses in that some assets were dilapidated, unoccupied but not secured, vandalised and not supervised. The Town Clerk responded to these irregularities as set out below.

### **Muchinshi Cocktail Bar – Mikomfwa Township**

The Town Clerk submitted that the Council had advertised the building to the general public and the shops had been allocated to successful applicants. Furthermore, the Council had started renovating the property.

### **Committee’s Observations and Recommendations**

Your Committee observes with dismay the failure by the Council to positively utilise the property in question, which has the potential to generate substantial revenues for the Council. Your Committee, therefore, directs the Town Clerk to ensure that the Council finds tenants for the property without any further delay and expedites the renovations. Your Committee resolves to await a progress report on the matter.

### **The Council Abattoir**

The Town Clerk submitted that the cash collection sheet was available for audit verification. The Council was exploring the option of finding an equity partner under the public-private partnership arrangement.

### **Committee’s Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

### **Council Factory**

The Town Clerk submitted that the Council had advertised the shops to the general public and the shops had been allocated to successful applicants. The property had also been renovated.

### **Committee’s Observations and Recommendations**

Your Committee rejects the response from the Council as it was not addressing the audit query. Accordingly, your Committee strongly cautions the Town Clerk to take Parliamentary oversight work seriously and ensure that the Council responds to audit queries adequately when requested to do so. Your Committee resolves to await a progress report on the matters raised by the Auditor General.

### **Civic Centre**

The Town Clerk submitted that the leaking taps in the men’s toilets had been repaired and were ready for audit inspection.

### **Committee’s Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

## **f) Land Management**

### **(i) Failure to Collect Revenue from Sale of Plots-K2,533,775**

The Town Clerk submitted that the Council had collected K2,734,320 as at 31<sup>st</sup> December, 2017. Further, strategies such as public advertisement and threat of repossession for non-payment would continue to be explored.



The Council had since resorted to issuing successful applicants with invitation to treat and offer letters only upon final payment of plot premiums. Further, the Council had automated the plot management system using GIS and was currently working on linking the system to other departments.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

#### **(ii) Failure to Allocate Plots**

The Town Clerk submitted that the Global Positioning System (GPS) had a fault, resulting in the stalling of the surveying. However, it had since been repaired and all the remaining forty- six applicants were allocated their plots. The Council would ensure that the GPS system was well maintained to avoid such occurrences in future. The documents were ready for verification.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

### **AUDIT QUERY                      PARAGRAPH 24**

#### **LUSAKA CITY COUNCIL**

#### **Review of Operations**

A review of accounting and other records maintained at Lusaka City Council for the period from 1st January, 2016 to 31st December, 2016 that was carried out in April and August, 2017 revealed various irregularities, to which the Town Clerk responded as outlined below.

#### **a) Under Collection of Revenue – K78,284,802**

The Town Clerk acknowledged the observation by the auditors that it did not collect all the revenues budgeted. He submitted that the under-collection of revenue was due to a number of reasons. Some of the reasons were as set out below.

- i. There was a general lack of willingness to pay rates, especially by residential rate payers in the city. This was common especially in an election year.
- ii. The dissolution of the Ward Development Committees in 2016 that helped the Council in the distribution of bills for ground rent affected the Council negatively as it did not have enough revenue collectors to do so.
- iii. The markets at the time were less than 50 per cent occupied as most of the traders were on the streets. This affected revenue collection.

To improve revenue collection, the Town Clerk informed your Committee that the Council had put some measures in place, as follows:

- i. intensified awareness campaigns on the obligations of all rate payers to pay property rates on radio and in the print media;
- ii. engaged the Office of the Under Sherriff to help recover unpaid rates through the issuance of warrants of distresses and the execution of the same. Further the Council resolved to engage a private debt collector to help recover arrears that residential rate payers owed the Council; and
- iii. moved back into the markets and revenue collection in the market had greatly improved.

Further, the Town Clerk informed your Committee that the Council had taken some remedial measures as follows:

- i. commenced the process of automating bill distribution via short message system (SMS) and email in order to eliminate the lost time in the physical distribution of bills;
- ii. was working on providing alternative methods of payment to the Council. This was through the provision of off-site pay points and online payment methods through various platforms such as payment direct through various banks and point of sale and e-wallets; and
- iii. sought to enhance revenue collection in the markets and bus stations through the use of mobile point of sale machines. This would see the elimination of cash collection using manual receipt books that were prone to manipulation.

### **Committee's Observations and Recommendations**

Your Committee notes that Article 151(1) (a) of the *Constitution of Zambia, Chapter 1 of the Laws of Zambia, as amended by Act No.2 of 2016*, provides for a local government system where a sound financial base is established for each local authority with reliable and predictable sources of revenue. In Article 151(2) (f) and (g), the Constitution provides that a local government system shall promote social and economic development and encourage the involvement of communities and community organisations in matters of local government. Your Committee expresses concern that there is a general lack of willingness to pay rates, especially by residential rate payers in the city. Your Committee also notes that market occupancy is greatly affected by traders preferring to be on the street than occupying markets.

In this regard, your Committee directs the Town Clerk to expedite and intensify the implementation of the following proposed measures:

- i. intensified awareness of the obligations of all rate payers in paying property rates on radio and in the various print media;
- ii. engage the office of the Under Sherriff to help recover unpaid rates through the issuance of warrants of distresses and the execution of the same;
- iii. encourage the traders to move back into the markets; and

- iv. commence the process of automating bill distribution through SMS and email in order to eliminate the lost time in physical distribution of bills.

Your Committee resolves to await a progress report on the matter.

**b) Memorandum of Agreement for Partnership on Parking Slots Management and Tow Services**

**i. Failure to Provide Procurement Process Records**

The Town Clerk submitted that the Council in 2012 advertised and duly awarded the contract for the installation and operation of the car parking metre system in the central business district. This was after the advertisement was floated in the press and thirteen companies bid for the same. However, at the time of audit, the box file containing all the documents relating to the procurement were taken last year by the Anti-Corruption Commission and had not been returned to date. The Town Clerk informed your Committee that the Council had requested to make copies of the requested documents and now awaited a response from the Anti-Corruption Commission. He assured your Committee that the Council would ensure it made copies of all files and documents given out in order to remain with a record. However, the Council resolutions approving the advertising of improved parking management system, the advertisement for expression of interest, the bid opening report and the letter of award had been found and were available for verification.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Anti-Corruption Commission to provide authenticated copies of the documents to the Council for audit purposes. Your Committee resolves to await a progress report on the matter.

**ii. Failure to sign the Working Contract**

The Town Clerk informed your Committee that the Council in 2012 advertised in the press for an expression of interest for the provision of parking management in the central business district of Lusaka. The Council received bids from thirteen companies. After the selection process, Parkrite Zambia was selected.

Your Committee was informed that a memorandum of agreement (MOA) was signed on 12<sup>th</sup> October, 2016 with Parkrite Zambia Limited. This MOA was valid for a period of three months and under the recitals it provided that the two parties (Lusaka City Council and Parkrite) needed to sign a working contract within the three months from the date of signing the memorandum of agreement. At the expiration of the three months, the Council undertook to provide a working contract according to the MOA.

Your Committee was further informed that the MOA under recitals provided that if after three months from the date of signing the MOA, Parkrite determined that the efficacy of the project would not be achieved due to social-political factors, Parkrite would give notice to the Council of their intention to terminate the Contract. The notice under the provisional termination and breach clauses was three months. This clearly meant that the MOA would remain in force until the expiration of that notice given. Similarly, if parties after three months still decided to

proceed to sign the working contract, the MOA would still be in force. The working contract would be for purposes of facilitating and specifically dictating all terms necessary for the full execution of the project defined in the MOA. In this regard, the Council, resolved to sign the working contract with Parkrite. The working contract was submitted on 15<sup>th</sup> September, 2017 to the Ministry of Local Government for onward submission to the Attorney General's Chambers for clearance. The Council still awaited the response from the Attorney Generals chambers on the matter. The Town Clerk also informed your Committee that the Council would in the future recommend the re-engineering of operational processes to avoid red tape or bureaucracy in decision making.

### **Committee's Observation and Recommendation**

Your Committee expresses concern that the failure by the Council to sign a working contract within the stipulated time is highly irresponsible on the Council. Your Committee notes that the lack of a working contract may lead to loss of revenues, considering that the company did not terminate the MOA within three months. Your Committee directs the Ministry of Local Government and the Attorney General's chambers to render an opinion and clear the proposed working contract without any further delay. Your Committee resolves to await a progress report on the matter.

### **iii. Non Remittance of Revenue to the Council**

The Town Clerk submitted that the MOA provided under Clause 7 that Parkrite Zambia would remit 40 per cent of the parking profits as revenue proceeds to the Council on the tenth day of the next month after submission of all financials to the Finance Department. The Council did not provide any audited statements for Parkrite Zambia Limited as this was not provided for in the MOA.

Further, Parkrite reported losses in the initial three months as it was expected to meet in full the capital expenditure required in the implementation of the parking system (Smart Park System). The revenues in the first three months were additionally affected by the reservation of parking bays having been already paid to Lusaka City Council at the time Parkrite was taking over. The company's average monthly collections were around K290,000 over the first three months while their expenses were above K400,000.

Your Committee was further informed that the Council ensured that Parkrite took over all the parking sites in the central business district as contained in the MOA. This had resulted in an increase in the average revenue collected by the company to an average of K570,000. The company's average costs were around K500,000 hence the current payments of K25,000 to the Council. The Council had further in the working contract proposed to be collecting from Parkrite 35 per cent of the gross revenue generated in order to maximise the Council's collections from the revenue generated. This would see the Council receive around K200, 000 on a monthly basis. This position of the Council had already been agreed with the company and awaited implementation as soon as the working contract was executed by both parties.

The Town Clerk stated that the Council had, however, resolved to be engaging a transaction advisor to be conducting feasibility studies for all projects to provide an independent analysis of the state of affairs.

### **Committee's Observations and Recommendations**

Your Committee is of the view that the only sure way that the Town Clerk can determine the 40 percent share of the profit is through the Financial Statements. The Council risks losing colossal sums of money through its failure to determine the expenses of the other party which are deducted in computing the profits. In addition, the reporting of losses in the first three months arising from the purported full capital expenditure of implementing the parking system is also highly irregular because no physical infrastructure has been erected in the central business district. Your Committee, therefore, directs the Town Clerk to ensure that audited financial statements are submitted before any remittance is made.

#### **c) Failure to Fill Positions in the Establishment**

The Town Clerk reported that, during the period under review, the positions stated by the auditors were indeed not filled by the Local Government Service Commission following the transfer of the office holders to other Councils. Your Committee was informed that the Local Government Service Commission had since filled all the positions highlighted by the auditors. Your Committee was further assured that the Council would ensure it continued to submit regularly staff returns so that vacant positions could be filled promptly by the Local Government Service Commission.

### **Committee's Observations and Recommendations**

Your Committee observes with concern that the delay in filling the vacant positions in the establishment may grossly affect service delivery by the Council and calls upon the Local Government Service Commission to monitor the staff situation in the Council and to ensure that vacancies are filled without delay. Your Committee resolves to close the matter subject to audit verification.

#### **d) Outstanding staff Obligations – K27,816,181 Terminal Benefits and K20,038,195 Long Service Bonuses.**

The Town Clerk acknowledged the observations made by the auditors and stated that the Council owed both former and existing staff a total of K27,816,181 in terminal benefits. Your Committee was further informed that at the time of the audit, the Council had put in place a debt liquidation plan that helped the Council to systematically liquidate the debt. The Council had set aside a total of K250,000 in the debt liquidation plan to pay the retirees weekly while a total of K500,000 on a monthly basis would be payable to existing staff. Your Committee was assured that the Council would endeavour to stick to the current debt liquidation plan which would see the settlement in full of the existing debt owed to retirees by the first quarter of the year 2020.

### **Committee's Observations and Recommendations**

Your Committee expresses concern over the failure by Management to settle terminal benefits and long service bonuses to both existing and retired officers as it risks accumulating obligations to unmanageable levels. This could eventually attract litigation, which could result in even bigger financial obligations in the form of penalties and interest. Your Committee, therefore, urges the Council to ensure that the severance packages are budgeted for annually and that the debt liquidation plan is strictly adhered to in order to avoid accumulating further debt and possible litigation. Your Committee awaits a progress report on the matter.

**e) Failure to Remit Statutory Contributions and PAYE – K106,336,983**

The Town Clerk explained that the debt was accumulated over a number of years and it included penalties and interest. He, however, informed your Committee that the Council had entered into payment plans with all the statutory bodies except for the Zambia Revenue Authority. The Council had just finished reconciling the debt with the Zambia Revenue Authority and had since written to the Commissioner General of the Zambia Revenue Authority committing to be paying K250, 000 monthly to start with towards the accumulated historical debt subject to annual reviews. He assured your Committee that the Council would ensure that it fulfilled the provisions of the proposed payment plans so that the accumulated debt could be liquidated.

**Committee’s Observations and Recommendations**

Your Committee observes with concern the failure to remit statutory obligations by the Council, which has resulted in the accumulation of debt and has attracted penalties and interest. The accumulation of debt will inevitably adversely affect the provision of critical public services by the Council. Your Committee, therefore, urges Management to ensure that the Council raises sufficient revenues by broadening the revenue base and liquidating these outstanding statutory obligations without further delay. Your Committee also urges Management to ensure adequate provision for statutory obligations in the annual budget and also that payment plans should be strictly adhered to. Your Committee awaits a progress report on this matter.

**AUDIT QUERY                      PARAGRAPH 25**

**LUWINGU DISTRICT COUNCIL**

**Review of Operations**

An examination of accounting records and other relevant documents maintained at the Council and a physical inspection of the projects for the financial years ended 31<sup>st</sup> December, 2015 and 2016 carried out in August, 2017 revealed various irregularities, to which the Council Secretary responded as set out below.

**a) Lack of Title Deeds**

The Council Secretary submitted that the query arose because the Council at the time of audit had not formalized the acquisition of title deeds. The Council had since started the process of obtaining title deeds by having the cited properties surveyed. The survey diagrams would be submitted to the Ministry of Lands and Natural Resources for issuance of title deeds as per Council resolution on the matter obtained on 21<sup>st</sup> June, 2017. Further, an application for extension to a ninety-nine year lease had been submitted to the Ministry of Lands and Natural Resources and a response was awaited. Correspondence was available for verification. The Council would ensure that all council properties were surveyed within the stipulated time frame for obtaining title deeds.

**Committee’s Observations and Recommendations**

Your Committee notes with concern the lack of title deeds for the Council properties and urges the Council Secretary to ensure that all properties are secured with title deeds, as it is the only sure way of proving ownership for properties. Your Committee awaits progress report on the matter.

**b) Failure to Insure Council Properties – Buildings – K8,646,290**

The Council Secretary submitted that the failure to insure Council properties was due to non-availability of title deeds. The Council had since started the process of issuance of the title deeds. Once the title deeds were acquired, the Council would insure the properties. Further, the Council would ensure that it obtained title deeds for its existing and future landed properties and insure them annually.

**Committee’s Observations and Recommendations**

Your Committee observes with concern the lack of title deeds and insurance for the Council properties and fears that the Council could lose everything in the event of fire or an accident that resulted in the destruction of the properties. In noting the submission, your Committee urges the Council Secretary to urgently pursue the issuance of title deeds and subsequently, insurance of the properties without any further delay. Your Committee awaits a progress report on the matter.

**c) Outstanding Receivables – K586,770**

The Council Secretary submitted that the query arose due to the negative attitude people had towards the local authority. The Council, therefore, found it difficult to collect the cited amounts. The Council had since made efforts to collect the overdue receivables through sensitisation programmes. This had resulted in the reduction of the amount. The Council would always engage the community so as to make them appreciate the need to pay taxes.

**Committee’s Observations and Recommendations**

Your Committee notes the submission with concern and finds it unacceptable that funds which could enhance service delivery for the council had remained uncollected for about two years due to inadequate sensitisation programmes. Your Committee, therefore, urges the Council Secretary to ensure that the sensitisation programme is continued, so that once sensitised, penalties could be imposed on the defaulters who deliberately refuse to pay in order to discourage would be defaulters. Your Committee awaits a progress report on the matter.

**d) Outstanding Debts – K5, 545,910**

The Council Secretary submitted that the amounts were outstanding due to liquidity challenges faced by the Council. Further, she submitted that a debt repayment plan had since been put in place where NAPSA was paid a minimum of not less than K10,000 per month and retirees a minimum of K13,000.00 in total per month. Further, the Council had since engaged ZRA and LASF to enter into payment plans. Additionally, negotiations with NAPSA had been started so as to do a debt swap. Documentation was available for audit verification. Furthermore, she assured your Committee that the Council would ensure that all accounts were serviced on a regular basis.

**Committee’s Observations and Recommendations**

In noting the submission, your Committee is concerned that the payment plan was only put in place after an audit query. Your Committee cautions the Council Secretary against such laxity and resolves to await a progress report on the matter.

**e) Failure to Deduct Pay As You Earn (PAYE) Tax - K11,158**

The Council Secretary submitted that the PAYE was deducted from the officers the remittances were not done to ZRA. This was due to liquidity challenges faced by the Council. The cited amount had since been paid and documentation was available for verification. Going forward, the Council would always remain committed to ensuring that statutory obligations were attended to.

**Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

**f) Weaknesses in the Utilisation of Equalisation Funds – K9,463,881**

The following were observed:

**i. Sponsorship of Officers for Training without Authority from the Commission – K15,190**

The Council Secretary submitted that there was an oversight on part of the Council in that the decision to sponsor the officers was based on minute No FHRGPC 45/09/14 and Council Resolution No OC 25/09/14. Further, the Council Secretary submitted that a letter had written to the Local Government Service Commission so as to obtain Authority in retrospect. However, the action was deeply regretted and would not be repeated. Furthermore, the bonding had been done and the documents were available for verification. With regard to remedial measures, the Council would always ensure that it sought permission and authority for its staff proceeding on training in compliance with the laid down procedures.

**Committee's Observations and Recommendations**

Your Committee observes, with concern, the trend of seeking retrospective authority in among councils, which is in direct abrogation of the Local Authorities Terms and Conditions of Service. Your Committee, therefore, calls for disciplinary action against officers who approved this sponsorship in excess of their jurisdiction. Additionally, your Committee cautions the Council Secretary against this trend and will await a progress report on the matter.

**i. Procurement of an Engine - Nissan Navara – K68,500**

The Council Secretary submitted that the supplier had delivered an engine with wrong specifications. He was then requested to supply the right engine, which he said would cost more than the other one. The decision to pay was made owing to the fact that the vehicle had over stayed in Lusaka hence the agreement to top up on the payment.

Further, the Council Secretary reported that the vehicle in question was in Luwingu and efforts were being made to ensure that it was worked on. In an effort to avoid similar situations, Management wished to report that the Council would only procure brand new vehicles as per the new guidelines from the Ministry which may not have been in place when the transaction took place.



### **Committee's Observations and Recommendations**

Your Committee finds this level of wasteful expenditure unacceptable and sternly cautions the Council Secretary against a repeat of such wastefulness. Further, your Committee calls for stern disciplinary action to be instituted against all officers responsible for this serious irregularity and that they be made to pay back the wasteful expenditure. Your Committee also urges the Council Secretary to have the vehicle worked on without further delay. Your Committee will await a progress report on the matter.

## **AUDITQUERY**

## **PARAGRAPH 26**

### **MANSA MUNICIPAL COUNCIL**

#### **Review of Operations**

A review of financial, stores and other relevant documents for the period 1<sup>st</sup> January, 2014 to 31<sup>st</sup> December, 2016 and a physical inspection of selected projects carried out in October, 2017 revealed various irregularities, to which the Town Clerk responded as set out below.

#### **a) Non Preparation of Financial Statements**

The Town Clerk informed Your Committee that during the period under review, Mansa Municipal Council did not have adequate competent personnel to produce final accounts, but the Council requested for the recruitment of qualified and experienced accountants from the Local Government Service Commission. The Council received ten Accounting Officers and so far the 2014, 2015, 2016 and 2017 draft Financial Statements had been prepared. The Financial Statements were yet to pass through the Finance Committee and Council. The new accountants were being trained on the use of Pastel Software as well as the Financial Management System.

#### **Committee's Observations and Recommendations**

Your Committee observes that the preparation of Financial Statements is a requirement by law and urges the Council not to wait for auditors to remind them to prepare Financial Statements. Your Committee resolves to close the matter subject to audit verification.

#### **b) Unsupported Payment Vouchers-K235,507**

The Town Clerk informed your Committee that at the time of audit, no officer was assigned to keep and file expenditure documents. However, the Council had appointed one Senior Assistant Accountant to keep and file accountable documents under the Expenditure Unit. The officer responsible for expenditure had been instructed to only process those payments that were duly supported by all necessary documents such as invoices, receipts and claim forms.

#### **Committee's Observations and Recommendations**

Your Committee is seriously disappointed over this matter and calls for disciplinary action against all officers who caused this irregularity. Further, your Committee resolves to await a progress report on the efforts by the Council to have the payment vouchers supported.

#### **c) Unaccounted for Stores-K 137,966**

The Town Clerk informed your Committee that various stores items costing K137,966 procured during the period under review were not accounted for in that there were no receipt and disposal

details. However, the documents in question for the period under review had been recovered and the documents were available for verification. After realising the need to have qualified officers in the Stores Section, Management requested qualified officers from the Local Government Service Commission and the officers had since reported for work.

**Committee’s Observations and Recommendations**

Your Committee recommends that the matter be closed subject to audit verification.

**d) Irregular Payments of Social Holiday Allowances-K19,881**

The Town Clerk submitted that the query arose due to the misinterpretation between the revised Conditions of Service of August, 2012 and the old Conditions of Service of 1996 for Management in respect of officers who held those positions beyond August, 2012. The Council resolved under Minute Number MMC/AC//03/18 to recover the amount from their leave days and the former officers had since been informed as per attached copies of journals and letters. The Council had also suspended the payment of Social Holiday Allowance.

**Committee’s Observations and Recommendations**

Your Committee calls upon the Town Clerk to immediately institute recoveries of the irregular payments. Further, your Committee directs the Town Clerk to take disciplinary action against the officers who committed these financial irregularities. Your Committee resolves to await a progress report on the matter.

**e) Irregular Use of Imprest-K24,680**

The Town Clerk informed your Committee that accountable imprest in amounts totalling K24, 680 were disbursed because at the time of using inmates the Correctional Service Authority did not maintain a bank account for state guests. The Council agreed not to disburse funds to the Correctional Service project using imprest in future. The Council had since been transacting with all public institutions using cheques or bank transfers.

**Committee’s Observations and Recommendations**

Your Committee finds the submission from the Council unacceptable and calls for disciplinary action to be taken against all officers who committed or abetted this. Your Committee resolves to await a progress report on the matter.

**f) Failure to Inscribe Government Assets**

The Town Clerk informed your Committee that the Council had inscribed the assets in question through the Valuation and Information Technology Section. The Council had directed the Procurement and Stores Section to always have the assets inscribed once procured before delivering them to the user departments, as per Public Stores Regulation No. 154.

**Committee’s Observations and Recommendations**

Your Committee notes the Council’s submission and recommends that the matter be closed subject to audit verification.

**g) Irregular Payment of Sitting Allowances-K18,773**

The Town Clerk, in acknowledging the audit finding, informed your Committee that the Council had written to its former employees, notifying them of the development on the matter and the decision to recover the amounts from their leave benefits. To this effect, the Council had since updated the records. The Council had, further, stopped the payment of sitting allowances to officers who attended the Procurement Committee meetings.

**Committee's Observations and Recommendations**

In noting the submission, your Committee yet again cautions the Town Clerk and his officers against committing financial irregularities. In this vein, your Committee calls for disciplinary action to be meted out against all officers involved in this irregularity. Your Committee resolves to await a progress report on the matter.

**h) Irregular Payment of Allowances-K17,462**

The Town Clerk informed your Committee that the Council paid these allowances due to the fact that officers were tasked to accomplish the assignment within a stipulated schedule. Subsistence allowances were paid owing to the fact that officers were expected to spend some days in remote areas of the district to accomplish the assignment. The Council paid the allowances using the Local Government Conditions of Service.

**Committee's Observations and Recommendations**

Your Committee observes with dismay that the Mansa Municipal Council has become notorious for committing financial irregularities and once more cautions the Town Clerk and his officers against committing financial irregularities. Your Committee resolves to await a progress report on the recovery of the irregularly paid allowances.

**i) Misapplication of Equalisation Funds-K3,088,164**

The Town Clerk informed your Committee that amounts totalling K3,088,164 were applied on activities related to payment of personal emoluments because personal emoluments were not funded at gross. The Council had been covering the deficit on salaries and wages using local revenue, although it was still not adequate to cover statutory obligations.

**Committee's Observations and Recommendations**

Your Committee is saddened by the Council's failure to allocate 20 percent of the Equalisation Fund towards capital projects. It is of the view that this failure disadvantages the residents of the municipality who are the potential beneficiaries of such capital projects. Your Committee urges the Council to strictly adhere to the provisions of the law in the utilisation of the Equalisation Fund and to immediately refund the misapplied funds so that the planned projects can be undertaken. Further, reiterating that it will not tolerate a recurrence of this irregularity, your Committee calls for stern disciplinary action to be taken against all officers who perpetrated and abetted this serious irregularity. Your Committee resolves to await a progress report on the matter.

**j) Outstanding Obligations-K18,310,407**

The Town Clerk submitted that the Council was negotiating with institutions such as ZRA, NAPSA and LASF on how the outstanding obligations would be liquidated. Furthermore, the

Council had written to these institutions proposing to do a debt swap using land. The Council had also committed itself to be paying the current obligations on a monthly basis. He reported that in the case of ZRA, the Council was paying K50,000 besides the current bill as per attached copies of ZRA receipts.

**Committee’s Observations and Recommendations**

In noting the submission, your Committee is concerned that the Council risks litigation unless it institutes viable measures to settle the outstanding obligations. In view of this, your Committee recommends that the Council urgently concludes negotiations on the payment plans and the proposed debt swaps with the agencies concerned. Your Committee further recommends that the Council should settle obligations related to personal emoluments owed to serving staff. Your Committee will await a progress report on the matter.

**k) Failure to Fill Vacant Positions**

The Town Clerk submitted that the Council had been submitting staff returns to the Local Government Service Commission requesting that the positions in question be filled and that critical positions had since been filled. The Council had continued to update the Commission by submitting staff returns on a quarterly basis.

**Committee’s Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

**l) Failure to Acquire Title Deeds**

The Town Clerk informed your Committee that the Council had no title deeds for its thirteen properties due to lack of qualified staff such as surveyors to conduct surveys as well as equipment such as the GPS. However, the Council had employed qualified surveyors and had since started the process of acquiring title deeds for the buildings in question. The Town Clerk stated that the Council would be taking inventory of all Council properties quarterly and keeping the related documents in the Valuation Department in collaboration with the Real Estates Section.

**Committee’s Observations and Recommendations**

In noting the submission, your Committee urges the Council to expedite the process of acquiring title deeds for all Council properties and resolves to await a progress report on the matter.

**m) Failure to Insure Council Properties**

The Town Clerk informed your Committee that the Council had commenced the process of insuring its properties such as the Civic Centre and Civic Hotel. The Council had further resolved to insure its properties every year.

**Committee’s Observations and Recommendations**

Your Committee notes the Council’s submission and will, therefore, await a progress report on the matter.

**n) Failure to Maintain Properties**

The Town Clerk informed your Committee that the Council was yet to consider and pass a resolution to have the structures demolished and put up a new structure at its next meeting scheduled for June, 2018. Meanwhile, the Civic Centre and other buildings had been allocated an amount of over K1million for rehabilitation and other works. The Council would continue to budget for the rehabilitation of buildings every year.

**Committee's Observations and Recommendations**

Your Committee notes the submission and will await a progress report on the decision of the Council. Your Committee, however, advises the Council to endeavour to maintain Council properties as they can be a reliable source of revenue if well managed.

**AUDIT QUERY**

**PARAGRAPHY 27**

**MKUSHI DISTRICT COUNCIL**

**1.1 Review of Operations**

An examination of the financial and other records maintained at the Mkushi Town Council and physical inspection of assets and projects carried out in April, 2017 revealed various irregularities, to which the Council Secretary responded as outlined below.

**a) Failure to Collect Budgeted Revenue–K14,892,301**

The Council Secretary submitted that failure to collect all revenues budgeted for was attributed to non-allocation of land by the local authority as was anticipated. That had a huge impact on charges collected by the Council. Further the non-receipt of Constituency Development Fund during the years under review had an implication on the revenues received by the Council which was further worsened by the non-receipt of the general grants in full. Furthermore, the Council had made strides in ensuring that only available and planned land and confirmed funding was factored in the budget to ensure that the Council had a realistic and attainable budget.

**Committee's observations and Recommendations**

In noting the submission, your Committee urges the Council Secretary to ensure that only realistic revenue sources are factored in their budgets when coming up with figures for their expected revenues. Your Committee recommends the matter for closure subject to audit verification.

**b) Lack of a Strategic Plan**

The Council Secretary submitted that the non-preparation of the strategic plan was mostly attributed to lack of capacity in terms of human resource and finances. With the posting of key personnel, especially in the Planning Department by the Local Government Service Commission such as the District Planning Officer, Social Economic Planner, Town Planner and the incorporation of the skilled devolved staff, the local authority had commenced the preparation of the plan.

The Technical Committee to spearhead the process was constituted and the team had so far held various community meetings and collected data in all the fourteen wards of the district. The

procurement of a consultant to compile the data was in process. It was anticipated that the plan would be launched by the end of the third quarter 2018. With regard to remedial measures, the local authority would always ensure that all planning documents were budgeted for and prepared accordingly. The strategic plan would be updated periodically.

#### **Committee's observations and Recommendations**

Your Committee finds it inconceivable for a council to be operating without a strategic plan which should give a general direction for achievement of the set objectives. Your Committee, therefore, urges the Council Secretary to expedite preparation of the strategic plan in order to enhance efficiency in the dispensation of its services to the general public within its jurisdiction. Your Committee awaits a progress report on the matter.

#### **c) Outstanding Receivables - K3,890,647**

The Council Secretary submitted that the Council had debts that had not been collected and had continued to accrue over a period of time. The Council had since engaged the bailiffs to collect the debt and had further computerised the billing system to have a correct record of what was owed. A Debt Management Policy had since been prepared and adopted by the council. With the computerised billing system now in place, the Council would ensure that correct bills were produced and served to clients on time and records updated accordingly.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council Secretary to ensure that timely collection of accrued debts and all collectable revenues is stepped up. Your Committee awaits a progress report on the matter.

#### **d) Outstanding Statutory Obligations and PAYE - K7,188,470**

The Council Secretary submitted that the Council had been failing to remit funds to statutory bodies because of cash flow stress. Further, the Council had engaged the pension funds for the purpose of doing debt swaps while at the same time making some cash payments periodically. She also assured your Committee that the Council would continue engaging the statutory bodies in liquidating the historical debts so as to make it easy to handle the current obligations as well.

#### **Committee's Observations and Recommendations**

Your Committee finds the Council's failure to remit statutory obligations unacceptable and calls for a specific update as regards the K7,188,470 cited in the Report of the Auditor General.

#### **e) Outstanding Staff Obligations - K2,539,589**

The Council Secretary submitted that the local authority had not been able to liquidate the staff debts because of cash flow stress. The Council had from time to time been making part payments towards liquidating these debts. In 2017, a total of K457, 482 was paid towards those debts. Further, the Council was exploring engaging the banks to source funds to pay off those debts.

### **Committee's Observation and Recommendations**

Your Committee notes the efforts being made towards liquidation of debts but expresses dissatisfaction over the matter. Your Committee, therefore, calls for more concerted efforts to clear these outstanding obligations, and awaits a progress report.

#### **f) Accident Vehicle – Toyota Prado – ALC 2074**

The Council Secretary submitted that the Council Chairman drove the vehicle without authority and had no driver's license. Since the said person was no longer with Mkushi Council, the Council had since authorised writing off the asset as it was not economical to repair the vehicle. Further, the Council would endeavor to ensure that vehicles were not driven by unauthorised individuals.

### **Committee's Observation and Recommendations**

Your Committee finds the lack of timely action by the Council in this matter unacceptable as it poses the risk of occasioning irrecoverable loss to the Council. In this vein, your Committee calls upon the Council to immediately trace the former Chairperson so that he can be made to pay for the damaged asset. Further your Committees sternly cautions the Council Secretary to ensure that henceforth, there should be no driving of Council vehicles by unauthorised persons to avoid possible loss of Council property. Your Committee will await a progress report on the matter.

#### **g) Creditors - Council Motel – K71,387**

The Council Secretary submitted that the bills had accumulated overtime and had remained unpaid as the venture was experiencing liquidity problems. The Council had since drilled a borehole at the Motel to avoid incurring more bills. The Council had further engaged Lukanga Water and Sewerage Company and bills were being paid on a monthly basis to offset the debt, and to settle current bills.

### **Committee's Observations and Recommendations**

In noting the submission from the Council Secretary, your Committee resolves to await a progress report on the matter.

#### **h) Failure to Fence the Dumpsite**

The Council Secretary submitted that the Council had not fenced the dumpsite as it was in the process of relocating the dumpsite to another area as recommended by ZEMA. The Council had since identified a suitable site and was awaiting necessary procedures in the process of opening the new dumpsite.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Council Secretary to expedite the procedures for opening the new dumpsite and resolves to await a progress report on the matter.

**MONGU MUNICIPAL COUNCIL****Review of Operations**

An examination of accounting and other records maintained at the Council revealed various irregularities, to which the Council Secretary responded as set out below.

**a) Unaccounted for Revenue – K58,691**

The Council Secretary informed your Committee that this query arose due to the fact that the affected revenue collectors had not returned the receipts to the Council which related to the period 2014 to 2015. This was partly because of the poor internal control environment during that period. The Council has since suspended the officers involved and to pay back the unaccounted for funds to the council. In this regard, the Council Secretary informed your Committee that out of the cited amount of K58,861, K23, 724 had since been recovered from the cited officers and that the balance of K35,137 had since been recovered from the salary arrears and long service bonus for the officer who failed to pay back on time. The Council assured your Committee that the controls on the management of revenue would be strengthened and the receipt books for revenue collectors were now checked and audited by internal audit before cashing in at the cash office.

**Committee's Observation and Recommendation**

(Council Sec submits that all funds have been recovered already!!!)

Your Committee recommends the matter for closure subject to audit verification.

**b) Unsupported Payments – K19,420**

The Council Secretary acknowledged the auditors observations and stated that the unsupported payments were due to the fact that some documents were kept by the human resource such as oral contracts for casual workers, who were out of town at the time of the audit and had not handed over the office. The Council stated that the documents had been traced and were availed for verification. The Council further assured your Committee that the controls had been strengthened and that an officer had been assigned to be responsible for ensuring that all payments documents were filed with full documentation.

**Committee's Observation and Recommendation**

Your Committee urges the Council Secretary to ensure that all documents are properly stored and that officers are sternly cautioned for misplacing these documents. To avoid the reoccurrence of this lapse a system should be devised to ensure that the documents are always attached to the payment vouchers. The matter is recommended for closure subject to audit verification.

**c) Unretired Imprest – K15,174**

The Council Secretary acknowledged the auditors' observations and stated that the unretired imprest arose due to weaknesses in the management of imprest system. The Council informed your Committee that recoveries for unretired imprest had been effected from the affected



officers and the documents are available for verification. The Council further assured your Committee that the controls had been strengthened and that an officer had been assigned the responsibility of issuing and retiring imprest.

#### **Committee's Observation and Recommendation**

Your Committee expresses concern on the matter of unretired accountable imprest and directs management to be proactive in curbing this vice. In this regard, Your Committee directs Management to institute deductions for all outstanding imprest. Your Committee further directs the Council Secretary to ensure that the laid down rules are adhered to whenever imprest is issued. The matter is recommended for closure subject to audit verification.

#### **d) Payment for Medical Bills - K46,536**

The Council Secretary submitted that the reason for the query on payments for medical bills was because the council refunded fifteen officers upon production of evidence of payment of an amount of K46,536 without a medical scheme in place. The Council informed your Committee that it had since engaged Lewanika General Hospital with a view of coming up with a medical scheme. To avoid the anomaly, the council had since suspended the payment of medical refunds until the medical scheme was put in place.

#### **Committee's Observation and Recommendation**

Your Committee expresses concern that the Council was not adhering to the Local Government Condition of Service No. 160, 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. Your Committee directs the Council Secretary to ensure that a medical scheme was put in place and that only refunds of medical expenses from a medical scheme was approved. Your Committee awaits a progress report on the matter.

#### **e) Irregular Payment of Guest hotel Bills – K50,627**

The Council Secretary responded that the query arose because the council paid guest hotel bills for four officers an amount of K50,627 for officers who were transferred to Mongu. However, after realizing that the officers were not entitled to housing allowance, the Council had since started recovering the same from the existing officers for the period they were accommodated. The Council assured your Committee that it had since stopped paying hotel accommodation costs for new officers transferred to Mongu Municipal Council to comply with financial regulations.

#### **Committee's Observation and Recommendation**

Your Committee expresses concern that the Council Management was failing to follow regulation in making payments. The payment of hotel accommodation to staffs that are not entitled to is unacceptable. Your Committee, therefore, directs the Council to ensure that the recoveries are made and going forward, such allowances should only be paid to entitled officers. Your Committee resolves to close the matter subject to audit verification.

**f) Non Recovery of Salary Advances – K5,866**

The Council Secretary acknowledged the observation of the auditors that an advance is supposed to be recovered in not more than six consecutive monthly instalments. He stated the Council could not deduct the advance within the stipulated period because the two officers were transferred to other councils before the advances could be recovered. He further informed your Committee that the council had written to the respective councils where the officers were transferred to with a view of recovering the advances on behalf of Mongu District Council. He assured your Committee that a system was now in place where all the officers had to be cleared by finance before they were allowed to report at the new stations.

**Committee's Observation and Recommendation**

Your Committee expresses concern that the Council Secretary was failing to adhere 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 consecutive monthly instalments starting in the month following the one in which the advance was paid. Your Committee directs the Council Secretary that all officers who were transferred to other Councils were not allowed to go before agreeing on how they were going to clear their indebtedness. Further the Councils where the officers are transferred should be informed of the debt. Your Committee resolves to close the matter subject to audit verification.

**g) Irregular Signing of Memorandum of Understanding (MoU)**

The Council Secretary agreed with the observation of the auditors with regards the MoU not been approved by the Council. He, however, informed your Committee that the Memorandum of Understanding (MoU) with Indo - Zambia Bank was taken to the Council for approval and had since been approved. The full Council minutes were available for verification. The Council Secretary further assured your Committee that in future Management will ensure that all Memorandum of Understanding (MoU) were always approved by the council.

**Committee's Observation and Recommendation**

Your Committee urges the Council Secretary to ensure that all Memoranda of Understanding (MoU) are approved by the Council before being implemented without fail. Your Committee resolves to close the matter subject to audit verification.

**h) Fuel and Lubricants without Disposal Details – K16,017**

The Council Secretary reported that the query of fuel and lubricants without disposal arose because of weaknesses in the stores management systems. He informed your Committee that all documents with disposal details were now ready and available for verification. The Council had since put in place controls in stores management to curb the reoccurrence of the same.

**Committee's Observation and Recommendation**

Your Committee expresses concern that the disposal of fuel and lubricants without disposal detail may lead to the Council losing fuel and lubricants through theft. Your Committee, therefore, directs the Council Secretary to ensure that stores controls are put in place to curb the reoccurrence of the same. Further, the officers should be sternly cautioned over the lapse. Your Committee resolves to close the matter subject to audit verification.

## **i) Management of Land**

### **Failure to Collect Revenue from the Residential Plot Premium**

The Council Secretary responded that the uncollected premium was due to the fact that the successful applicants were only allocated plots once they had paid in full, hence, the applicants were not given offers if they had not paid. He informed your Committee that the Council had written the demand notices to the affected applicants to remind them to pay the outstanding plot premiums. Following the reminder, an amount of K161,433.51 had been collected against the cited amount of K1,564,650. The demand notices were available for verification. The Council Secretary further informed your Committee that controls on land management and accountability had been strengthened with the establishment of a legal unit, with key officers now in place. It was therefore expected that there would be improvement in the way land was being managed.

### **Committee's Observation and Recommendation**

Your Committee expresses concern that the Council was failing to collect the much needed revenues. The failure to collect the revenue may compromise the provision of public service delivery. Your Committee directs the Council Secretary to come up with a robust debt collection strategy to enhance collections and a debt management policy to provide guidance on debt issues. The Council should also prepare and update land register to avoid loss of revenues. Your Committee awaits a progress report on the matter.

### **Action taken Failure to Survey the Plots**

The Council Secretary acknowledge the observations of the auditors but submitted that contrary to what was reported, the plots were actually surveyed but the beacons and pegs were removed by unknown people in Kasima. He informed your Committee that the plots were resurveyed and that had pegs and beacons removed by unknown people and that Management had intensified patrols for areas where there were plots for the Council.

### **Committee's Observation and Recommendation**

Your Committee expresses concern that the Council Secretary failed to adhere to Circular No. 1 of 1985 issued by the Ministry of Lands and Natural Resources which requires that plots are surveyed, beaconed and numbered before advertising them for public offering. Your Committee directs the Council Secretary to ensure that patrols are intensified in the surveyed areas to avoid vandalism by removing pegs and beacons. Your Committee observes that resurveying the plots will lead to increasing revenue. Your Committee resolves to close the matter subject to audit verification.

## **j) Maintenance of Parks and Gardens**

The Council Secretary responded that the main reason why the Council was not maintaining the parks and gardens was because the Council was facing some financial challenges to engage people to maintain the gardens and parks. He further informed your Committee that the council had instructed the surveyor to constantly check on the reserved sites for gardens and parks to avoid encroachment by the local communities. The Council had since conducted a tree planting exercise at the purported park in Kasima. Further, the Council had taken note of the Auditors' recommendations and had made a request to the Local Government Service Commission for a trained officer to be in charge of parks and gardens.

### **Committee's Observation and Recommendation**

Your Committee observes that the parks have not been maintained. It is aware that if the parks are not maintained the local community will encroach in these facilities. In this regard, your Committee urges the Council Secretary to ensure that the Local Government Act Section 61 (33) that states that the local authority is mandated to maintain the gardens and parks is adhered to. It also directs the Local Government Service Commission to expedite the recruitment of a trained officer to be in charge of parks and gardens. Your Committee resolves to close the matter subject to audit verification.

### **k) Illegal Development of Structures on Council Property (Bus Station)**

The Council Secretary acknowledged the observations of the auditors that there were neither formal lease agreements between the Council and operators nor any Council authority given for development of permanent structures on Council property at the bus station. He stated that Management had written and penalised the bus operators who had developed the illegal structures. He further stated that the cited bus operators had started paying penalties and that this can be verified. The Council Secretary further informed your Committee that all property developers had been warned of stiff penalties for developing without the approval of the Council and that the premises had since been fenced to avoid encroachment on the property.

### **Committee's Observation and Recommendation**

Your Committee expresses concern that the Council Management has allowed developers to develop structures at the bus stop without following procedure with impunity. Your Committee notes that the Council had since started writing letters these developers, but he Committee cautioned the Council of being reactive. In this regards, it directs the Council Secretary to ensure that all developers follow the laid down procedures before embarking on any project. Further, your Committee directs the Council to issues lease agreements all time without fail. Your Committee resolves to await a progress report.

### **l) Failure to Register and Insure Tractors**

The Council Secretary Submitted that the tractor had not been registered because the documents relating to it were not availed to the council by Selim project that is under the European Union. He stated Management had started the process of registering and insuring the Tractor. He further assured your Committee the council would ensure that there were smooth handovers of equipment with full documentations in future.

### **Committee's Observation and Recommendation**

In noting the submission, Your Committee urges the Council Secretary to ensure that two tractors are registered and insured without any further delay. Your Committee resolves to await a progress report.

### **m) Businesses Operating without Licenses**

The Council submitted that the unlicensed bars were issued with closure notices. He stated that the ones that were purported to be bars were actually *shabeens* on which from time to time patrol operations were conducted to control the vice. He further explained that the council had a total number of 37 guest houses among which 28 guest houses were licensed; two guesthouses were not open to public at the time of inspection, one was issued with warning notice and six were

issued with closure notices. Further, two night clubs in Mongu were also licensed. 9 per cent of bars were licensed and only 10 per cent were not licensed. The unlicensed bars were issued with closure notices. To improve the inspection of these businesses the council had formed a task force to intensify enforcement of licenses in terms of liquor

#### **Committee's Observation and Recommendation**

Your Committee expresses concern that businesses are operating without being registered and unlicensed. Your Committee directs the Council Secretary to ensure that all businesses are registered and licensed to ensure proper enforcement of regulations. Further, licensing of properties is a way of raising the much needed revenue; therefore, if properties are not registered it may lead to loss of revenues. Your Committee resolves to await a progress report.

#### **n) Failure to Maintain an Updated Valuation Roll**

The Council Secretary submitted that the Council had delayed to update the Valuation Roll because of the lengthy process that involved aligning property details amidst many traditional properties. He informed your Committee that the Council had since updated the Evaluation Roll and that the first and second reports had been released for any amendments. To ensure that no more lapses are experienced in this the Council had since employed two qualified valuation officers in order to address all matters that related to valuation.

#### **Committee's Observation and Recommendation**

In noting the submission the Council Secretary is urged to ensure that for the purpose of levying rates, main roll is prepared by the valuation surveyor in which all rateable property in the area shall be listed by number. Further your Committee urges the Council Management to expedite the process of updating the roll to improve revenue sources. Your Committee resolves to await a progress report on the matter.

#### **o) Failure to Prepare an Integrated Waste Management Plan**

The Council Secretary acknowledged the observations made by the auditor and explained that the reason why the plan document were not availed to the auditors at the time of the audit was because the document was kept by the coordinator for the Solid Waste Management Project, who was not around at the time of the audit because his contract had expired. Further he reported that the Council had now prepared an Integrated Waste Management Plan which was approved by the Zambia Environmental Management Agency. This was one of the reasons why the European Union had agreed to fund the Waste Management Project. He assured your Committee that in future all key documents would always be kept in safe places where they could easily be traced.

#### **Committee's Observation and Recommendation**

Your Committee notes the adherence 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. Further your Committee notes the efforts being made by the Council by preparing and submitting an Integrated Waste Management Plan to Zambia Environmental Management Agency for approval. Your Committee therefore directs the Council Secretary to ensure that the plan is implemented and resolves to close the matter subject to audit verification.

**p) Irregularities in Waste Management Operations**

**i. Failure to obtain waste management Licence**

The Council Secretary submitted that the License from Zambia Environmental Agency which was for the period 25<sup>th</sup> September, 2014 to 24<sup>th</sup> September, 2017 was valid at the time of audit, but was due to expire before the end of the year. He informed your Committee that the Council had since started the process of renewing the licence for the next three years and ZEMA came to conduct inspections for the renewal of the license. He further assured your Committee that the council would ensure that all licenses were processed before they expired.

**Committee's Observation and Recommendation**

The Council Secretary is urged to ensure that the Licence for waste management was renewed as per the provision of the Law without fail.

**ii. Operation of Uncertified Dumpsite**

Your Committee was informed that the Council Secretary agreed with the observation of the auditor and explained that there was a court case regarding the dumpsite between the encroachers and the Council. This was the reason the Council was temporarily not using the dumpsite. However, immediately the court case was disposed, the Council would get back to the designated dumpsite. He further reported that the Council had designated a dumpsite that had been planned for in Kasima Township and that internal technical assessment had since been done by officers to ascertain the environmental, economic and social impact. The council will ensure that a certified dump site was available for waste disposal.

**Committee's Observation and Recommendation**

The Council Secretary is urged to ensure that the process of designating certified dump site in Kasima Township is expedited. The Council should also ensure that there are no encroachers at the site to avoid another prolonged litigation process. In addition, the Council should take into account proper measures for the disposal of waste because certain types of wastes can be hazardous and can contaminate the environment if not handled properly. These types of waste also have the potential to cause diseases like cholera.

Additionally, although waste is the unwanted by-product of industrial, in other countries priority was being given to the reduction of waste at source; it's re-use, its recovery by recycling and the use of waste as a source of energy. As a way forward, the Council should be exploring these initiatives. In this regard, Your Committee resolves to await a progress report on the matter.

**q) Inadequacies in Provision of Fire Fighting and Rescue Services**

**i. Lack of Appropriate Communication System**

The Council submitted that the delay in installing communication facilities was caused by lack of a fire brigade building which had since been constructed. He further reported that the Council cited Equipment had since been procured and had a toll free number installed. However, the toll free number only worked for few days and it developed a fault. In this regard, the Council had engaged ZAMTEL on the matter. He assured your Committee that in future the council will always prioritise matters that related to fire services.

### **Committee's Observation and Recommendation**

The Council Secretary is urged to ensure that the Communication System was in a sound working condition to be able to respond to emergencies promptly and avoid fire disasters. Your Committee resolves to await a progress report on the matter.

#### **ii. Lack of Adequate Fire Hydrants in the Township**

The Council Secretary acknowledged the observation of the auditors and informed your Committee that the Council was working with Western Water and Sewerage Company to address the problem although there had been a delay in implementation due to lack of funds. He assured your Committee that as soon as funds are available the Council would engage Western Water and Sewerage Company to install two fire hydrants.

### **Committee's Observation and Recommendation**

The Council Secretary is urged to ensure that the Council works with Western Water and Sewerage Company in making sure that fire hydrants are installed in public places to be able to effectively respond to fire emergencies. Fire hydrants provide a consistent place for water supply and storage. Your Committee notes that in many areas, especially in cities where many people live and work, fire hazards are a constant worry. For that reason, it's essential for fire protection services and systems that a supply of water be local and quickly accessible. In this regard, Your Committee resolves to await a progress report on the matter.

#### **o) Failure To Remit Statutory Contributions – K882,388**

The Council Secretary responded that it experienced insufficient funding during the period under review which made it difficult to remit statutory contribution. The Council was experiencing liquidity problems because of a limited revenue base. The Council had however, engaged Zambia Revenue Authority for possible debt swap with Land. This had reached an advanced stage with Zambia Revenue Authority. He, further, stated that the Council was working to broadening the revenue base.

### **Committee's Observation and Recommendation**

The Council Secretary is urged to ensure that the Council remits statutory contribution as provided for by the law. Your Committee also urges the Council to explore some other revenue measures to improve liquidity. Your Committee cautioned the Council that accumulating debt and entering in debt swap with land was not sustainable. Your Committee resolves to await a progress report on the matter.

#### **p) Equalisation fund - Capital Projects**

##### **i. Rehabilitation of Sir Mwanawina Motel III lot 1**

The Council Secretary agreed with the auditors that there were weaknesses in the management which led to delayed completion of the structure. He reported that the Contractor had been written to advising him to quicken up the completion of the works and the contractor was on site finalising the works. Physical progress report from the Engineers is available for verification. The Council has committed itself to make sure that in future the projects are strictly supervised in order to complete them on time.

### **Committee's Observation and Recommendation**

The Council Secretary is urged to ensure that projects are properly monitored to void poor workmanship and delayed completion of projects. Your Committee resolves to await a progress report on the matter.

#### **ii. Construction of Shops at the Main Station**

The Council Secretary submitted that the delay was caused by the failure by the supplier to deliver building materials as agreed. He informed your Committee that the Council had written to the supplier to cancel the order made to him and the supplier had refunded the Council in full. Further, the Council had bought the building materials from the different supplier and had delivered the material. The project was 100 per cent completed and the shops had been offered to the tenants. The status report was available for verification. To ensure speedy completion of projects, the Council had put in place measures like applying damages where there were delays.

### **Committee's Observation and Recommendation**

The Council Secretary is urged to ensure that projects properly monitored to avoid delays in completion. Your Committee directs the Council Secretary to ensure that only credible suppliers are awarded contracts to supply building materials to ensure smooth implementation of works. Your Committee resolves to close the matter subject to audit verification.

#### **iii) Construction of Wall Fence At Main Bus Station**

The Council Secretary acknowledged the observation of the auditor and explained that the delay was caused by the delay in the supply of materials. He informed your Committee that the Council had bought building materials and that the project was 100 per cent complete. Further the Council had in place measures to ensure that projects are strictly supervised in order to complete them in time.

### **Committee's Observation and Recommendation**

The Council Secretary is urged to ensure that projects are properly monitored to avoid delays in completion. Your Committee resolves to close the matter subject to audit verification.

## **AUDIT QUERY**

## **PARAGRAPH 29**

## **MPOROKOSO DISTRICT COUNCIL**

### **REVIEW OF OPERATIONS**

A review of accounting and other records maintained at the Council and Physical inspection of projects carried out in October, 2017 revealed the following:

#### **a) Failure to Insure Council Properties – Buildings.**

Contrary to Local Authorities Financial Regulations No.154, which states that the Treasurer shall take out Insurance cover against losses, damages, risks and liabilities which the Council may incur and shall regularly review such cover in consultation with the end of department, the Council had not insured its properties such as Civic center buildings, Stores premises and welfare halls among others subjecting Government to potential loss.



The Council Secretary submitted that the observations of the Auditors were correct. However, the Ministry wishes to report that during the period under review Council had challenges in insuring Council buildings due to financial constraints. The current position is that the Council had not yet insured its building but has since finalised its valuation roll and all Council Buildings have been valued and the cost has been ascertained for consideration when insuring the properties. Documentation was available for verification. The Council in future shall insure its buildings using some additional funds to be collected from rates upon the approved and award of the roll by the Rating Valuation Tribunal which sat on 20<sup>th</sup> April, 2018 to consider awarding Mporokoso the mandate to collect rates from property owners and the process insuring the buildings shall begin in the fourth quarter of 2018.

#### **Committee Observation and Recommendation**

Your Committee cautions the Council Secretary to ensure that all assets are insured and the Committee will await a progress report.

#### **b) Failure to Insure Movable Assets**

Contrary to Section 133 of the *Roads and Road Traffic Act, Cap 464 of the Laws of Zambia* which requires that all motor vehicles using public roads must have a minimum of third party insurance cover, two (2) motor vehicles belonging to Mporokoso District Council were not insured as of August 2017. This exposed the assets and users to risk without indemnity in cases of eventualities. Further, the values for these assets could not be ascertained as of 31st December, 2017.

The Council Secretary submitted that it was regrettable that at the time of audit the moveable assets were not insured. The Council, therefore, reported that due to financial constraints they could not insure their movable assets as it had only one reliable vehicle which was comprehensively insured. The current position was that the Council had since sourced the funds and the movable assets had now been insured. Documentation was available for verification. The Council had put in measures of securing some funds raised from rates charged to ensure that all its moveable assets were being insured on time.

#### **Committee Observation and Recommendation**

In noting the submission, your Committee urges the Council Secretary to ensure that all newly procured movable assets were insured as soon as they were procured to avoid recurrence. The matter is recommended for closure subject to audit verification.

#### **c) Outstanding Receivables- K2,622,249**

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 totaling K2,622,249 owed to the Council by Food Reserve Agency in respect of crop levy for the 2015/2016 marketing season had not been collected as at 31<sup>st</sup> December 2017.

The Council Secretary admitted that the observation by the auditors was correct. However, the Council billed FRA but had challenges in collecting Crop Levy as FRA had its own interpretation of the circular authorising Local Authorities to collect crop levy. The Council

Secretary informed the Committee that the letter was written to the Food Reserve Agency (FRA) over the matter, although FRA had disputed the matter. Documentation was available for verification. The Council would be sensitising the community through the media to pay crop levy directly to the council. Exporters of maize would be made to pay the constructed barrier at the border with Lunte, Nsama and Kawambwa. During the purchase of maize by FRA, the Council would be there to collect crop levy from farmers.

#### **Committee Observation and Recommendation**

Your Committee observes with concern that despite the dispute which arose between Food Reserve Agency and the Council regarding outstanding crop levy, the Council has not shown any efforts of pursuing the matter through other means. Your Committee feels that this was a clear indication of negligence of duty by the responsible officers. What worries the Committee most is that the Council is grappling with huge debts or payables yet it is not aggressive in following up with its debtors so as to improve the Council's liquidity. Your Committee directs the Controlling Officer, specifically, to intervene into this matter by ensuring that the Food Reserve Agency is pursued and the matter resolves to its logical conclusion without any further delay. Your Committee will await a progress report on the matter.

#### **d) Poor Debt Management -K12, 734,511 (Statutory contribution - K2,987,486, Trade creditors - K5,246,930 and Staff creditors - K4,500,094).**

A review of accounting and other related records revealed that as at 31<sup>st</sup> December 2016, the local authority had an outstanding debt of K12,734,511 dating back from 2012 broken down as follows: (Statutory contribution - K2,987,486, Trade creditors - K5,246,930 and Staff creditors - K4,500,094). An inquiry made from management revealed that the institution had no short or long term debt service plan to dismantle outstanding arrears.

The Council Secretary submitted that the Council had for a very long time poor revenue base hence financial constraints and the debts kept on accumulating. The current position was that the Council was dismantling the outstanding debt by paying different debts monthly. The liquidation of the debt included Retirees Packages, Salary Arrears, Councillors allowances, NAPSA and many more debts owed by the Council. Documentation was available for verification. However, measures had since been put in place to improve the revenue base of the council i.e. Valuation Roll, Construction of Bus Station and erection of barriers on roads.

#### **Committee Observation and Recommendation**

Your Committee notes the submission but implored the Council Secretary to impress upon the Controlling Officer to consider liaising with the Secretary to the Treasury on the possibility of paying at source or increasing their allocation on the Local Authorities Equalisation Funds to enable the Council dismantle its debt on statutory obligations. Your Committee will await a progress report on the matter.

#### **e) Sponsorship of Officers for Training without Authority - K7,000**

The *Local Government Act No. 6 of 2010* states that principal officers and officers of the Council shall obtain authority from the Local Government Commission to go for training. However Contrary to the Act, amounts totaling K7, 000 had been paid as tuition fees for two (2) officers

who were pursuing academic studies under Council sponsorship without authority from the Local Government Service Commission.

The Council Secretary informed the Committee that it was regrettable that two (2) officers pursued academic studies under council sponsorship without authority from the Local Government Service Commission at the time of audit. The Council Secretary admitted that this was an oversight on their part.. The current position was that the two (2) officers involved had since paid back the funds in amounts totalling K7, 000. Documentation was available for verification. In future, the Council would ensure that condition of services were adhered to and shall not send any officer for training without prior authority from the Commission.

**Committee Observation and Recommendation**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

**f) Equalisation Fund**

According to the *Local Government (Amendment) Act No. 12 of 2014*, a Council shall use at least 20 percent of the Equalisation Fund received in any financial year, to finance capital expenditure. During the period under review, amounts totaling K9,683,467 were received as equalisation fund, out of which 20 per cent amounting to K1,936,693.40 was allocated to capital projects. See table below.

S/NO.	YEAR	TOTAL FUNDS RECEIVED (K)	20% CAPITAL ALLOCATION (K)	BALANCE (80%) (K)
1	2015	4,002,611.00	800,522.20	3,202,088.80
2	2016	5,680,856.00	1,136,171.20	4,544,684.80
	<b>TOTAL</b>	<b>9,683,467.00</b>	<b>1,936,693.40</b>	<b>7,746,773.60</b>

However, the following were observed:

**i. Misapplication of Equalisation Fund -K47, 100**

Contrary to Financial Regulation No. 31(1), which states that “treasury authority should be obtained on varying funds,” Equalisation funds amounts totaling K47,100 were spent on unrelated activities such as allowances for CDF project monitoring teams and Electoral Commission activities.

The Council Secretary informed the Committee that it was regrettable that amounts totalling K47,100 were misapplied. He, however, reported that due to financial constraints the Council used some funds on CDF monitoring allowances and on the ECZ activities. The current position was that The Council Secretary had since started paying back and an amount of K11,000 had so far been paid from locally generated funds leaving a balance of K36,100 which would be paid as soon as the funds were available. Documentation was available for verification. The Council had taken note of the auditor’s observation and in future the Council would desist from using funds meant for other activities.

### **Committee Observation and Recommendation**

Your Committee finds it unacceptable that funds are varied without authority which was a direct abrogation of Financial Regulation No. 31(1). Your Committee observes that using the Equalisation Fund on activities unrelated to its intended purpose is a serious disregard of its purpose and your Committee took much exception on this fact. The Council Secretary is sternly cautioned to desist from abrogating financial regulations at will. The Controlling Officer is, specifically, urges to ensure that the Council management is charged for this anomaly. Further, the Council Secretary is urged to ensure that the remaining balance is reimbursed without any further delay. The Committee will await a progress report on the matter.

### **ii. Weaknesses in the Project Implementation of Equalisation Funds on Capital Projects**

#### **Construction of a Wall fence at Mikomba Guest House**

During the May 2016 and November 2016, Mporokoso District Council paid amounts totaling K199, 692 to Demos Company for construction of a wall fence at Mikomba guest house. According to the Bill of Quantities (BOQ) attached to one of the payment vouchers, the scope of works included: Construction of a two hundred and eighty (280 meters) superstructure wall, fitting of razor wire two (2) lines on top, fitting of four (4) meters sliding gate and a pedestrian gate among others. The following were observed:

#### **Lack of stage completion Certificates - K199,692**

Although the whole amount of K199,692 was paid to the contractor, the payments were not supported by stage completion certificates.

The Council Secretary informed the Committee that it was regrettable that payments in amounts totalling K199,692 were made without supporting stage completion certificate. He, however, reported that invoices from the contractor accompanied by certificate at each stage were issued as a basis for payment each time the claim was presented. Further, the council had no qualified Director of Works during the period under review hence the lapses notes. The Local Government Service Commission had since employed a qualified Director of Works for the Council to undertake the works. Documentation was available for verification. The Council had taken note of the auditor's observation and in future such lapses would not re-occur. The Council had taken note of the auditor's observation and in future such lapses would not re occur.

### **Committee Observation and Recommendation**

Your Committee notes the submission and recommended the matter for closure subject to audit verification.

#### **Failure to Provide Pre-Award Contract Documents**

Contrary to Section 38 of the *Public Procurement Act No. 12 of 2008* and ZPPA Regulation No. 18 and 20, which requires that records of all procurement proceedings are maintained, management failed to avail important documents such as quotations, suppliers' bids, evaluation minutes, adverts to the prospective bidders and signed contract for audit scrutiny.

The Council Secretary submitted that at the time of audit, the pre award of contract documents were not availed for audit due to poor record keeping and lack of qualified procurement officer. The Council Secretary had since retrieved the documents for the awarding of the contract of the project and minutes of the valuation and tender committees. Documentation were available for verification. The Council had requested the Local Government Commission to employ a qualified procurement officer to avoid such lapses.

**Committee Observation and Recommendation**

In noting the submission, your Committee urges the Controlling Officer specifically to ensure that capacity is built at this council and further that he impressed upon the Local Government Service Commission to consider employing a qualified procurement officer, expeditiously, in order to avert this problem. Your Committee, however, resolves to keep the matter in view during future audits.

**Inflated Pricing of a Four (4) Meters Sliding and Pedestrian Gates**

A scrutiny of the Bill of Quantities (BOQ) revealed that the sliding and the pedestrian gates were quoted at a total cost of K35,000 four 4 meter ‘s sliding gate – K30,000 and pedestrian gate – K5,000). However, an inquiry made from the independent suppliers on the open market who supplied the similar types of the gates carried out in August 2017 revealed that the four (4) meter’s sliding gate was costing K8, 000 while a pedestrian gate was costing K1,000 bringing the total cost to K9,000. In this regard, the Council was made to pay K35,000 instead of K9,000 for purchase of the above gates thereby losing K26,000 as shown in the table below.

ITEM DESCRIPTION	QTY	CONTRACTOR COST (K)	OPEN MARKET COST (K)	OVER PRICED (K)
Sliding gate 4m	1	30,000.00	8,000.00	22,000.00
Pedestrian gate	1	5,000.00	1,000.00	4,000.00
<b>Total</b>		<b>35,000.00</b>	<b>9,000.00</b>	<b>26,000.00</b>

A physical inspection of the site carried out in August, 2017 revealed the following:

The block work was not completed and there was poor workmanship as the wall was not firm. As at 31<sup>st</sup> December,2017, the Council had not taken any action against the Contractor.

The Council Secretary reported that the rehabilitation of Mikomba Guest House and the construction of the wall fence were awarded to the contractor as full contract, meaning that the contractor was procuring all the necessary materials to be used on the project. The Council had engaged the said contractor on several occasions through letters and one on one discussion and later engaged law enforcers to drag the Contractor to court and seek court intervention. Documentations were available for verification. The Council had taken not of the auditor’s observation and would ensure that contracts were scrutinised to ensure that contractor quote correct prices were reasonable.

**Committee Observation and Recommendation**

As the matter was under court process, your Committee resolves to await a progress report.

**g) Constituency Development Fund (CDF) - K1,400,000**

Amounts totaling K1,400,000 were brought forward to 2015 as 2014 Constituency Development Funds for Mporokoso Constituency. An examination of accounting and other records maintained at the Council pertaining to CDF revealed the following:

**i. Irregular Payments for Unapproved Projects**

CDF Guideline No 7 states that project proposals shall be identified and prepared for submission by communities to the Constituency Development Committee (CDC) before receipt of the funds and only projects which have been appraised and approved by the Council shall be funded. The Council shall inform the CDC of its decision. Contrary to the guidelines and directive from the Ministry of Local Government and Housing, the council spent amounts totaling K250,705 on the rehabilitation of Mikomba guest house and bar, projects which were not recommended by the communities to the Constituency Development Committees (CDC).

The Council Secretary submitted that at the time of audit, the letter of approval was not availed for audit due to poor record keeping. However, the Council Secretary reported that approval was granted by the Ministry. The Council had since retrieved the letter from the Ministry. Documentation was available for verification. The Council had opened project file where all correspondence for each project was kept.

**Committee’s Observations and Recommendations**

Your Committee notes the submission but urges the Council Secretary to ensure that erring officers are disciplined for making payments to unapproved projects. The matter is recommended for closure subject to audit verification.

**ii. Rehabilitation of Mikomba Recreation Centre**

On 15<sup>th</sup> October, 2015, Mporokoso Council engaged Demos Company of Mporokoso District to rehabilitate Mikomba Recreational Centre at a contract sum of K175,595 comprising supply and delivery of building materials - K147,795 and Labour - K27,959. The scope of works included replacement of the entire roof and floor, painting internal and external walls, fitting of door and window frames, fitting of doors and locks, glazing, sanitary works, electrical fittings and construction of drainage. The works were to be executed within sixty days from the date of signing the contract and the expected completion date was 15<sup>th</sup> December, 2015. As of August, 2017, a total amount of K313,329 had been paid to the contractor from both CDF account and Equalisation funds as shown in the table below.

Source of Funds	Amount (K)	
2014 CDF	183,495.00	
Equalisation funds-2016	129,834.00	
<b>Total</b>	<b>313,329.00</b>	

An examination of contract documents and payments made towards the project revealed various irregularities, to which the Council Secretary responded as set out below.

### **Lack of Site Possession Certificate**

There was no possession certificate availed for audit to ascertain when the contractor took possession of the site.

### **Lack of Variation Orders - Rehabilitation of Mikomba Guest House**

Contrary to Zambia Public Procurement Regulation No 20 (3b), amounts totaling K137,575 were paid to Demos Company Limited for supply and fitting of the ceiling board materials, wall extension and other roofing materials for rehabilitation of Mikomba Guest House which were not supported by a variation order and were not part of the initial scope of works outlined in the contract document.

The Council Secretary informed the Committee that the Council did not adhere to the procurement guidelines due to lack qualified personnel in the procurement department. Further, the Council did not prepare a variation order. The Council Secretary had since prepared and approved the variation order. Documentation was available for verification. The Local Government Service Commission had now employed a qualified Director of Works to do all these works.

### **Committee's Observations and Recommendations**

Your Committee expresses serious concern over the submission and calls for disciplinary action to be taken against all officers involved in this matter, who clearly violated the law.

### **Double payments for Building Materials - Rehabilitation of Mikomba Guest House**

In April 2016, the Mporokoso local authority processed four separate payments totaling K142,359 to Demos Company Limited. The payments were for the supply and delivery of building materials for the wall extension, the ceiling boards, roof construction materials and labour among others. These payments were made from both the CDF and Equalisation Fund Accounts as shown in the table below.

<b>Source of Funds</b>	<b>Amount (K)</b>
CDF	75,050.00
Equalisation funds	67,309.00
<b>Total</b>	<b>142,359.00</b>

An analysis of the payment vouchers revealed that on 4<sup>th</sup> April, 2016, the local authority paid the contractor a total amount of K67,309 on Cheque No. 004035 (K47,000) and Cheque No. 004038 (K20, 309) for the supply and delivery of building materials for the wall extension and labour. Further, on 20<sup>th</sup> April, 2016, the same contractor was paid a total amount of K75, 050 on Cheque No. 100230 (K45, 050) and Cheque No. 100231 (K30,000) for supply and delivery of building materials for the wall extension and labour. A scrutiny of the supporting documents revealed that Items costing K30,000, though paid for on 4<sup>th</sup> April, 2016 under Cheque Nos. 004035 and 004038 were also paid for on 20<sup>th</sup> April 2016 under Cheque Nos. 100230 and 100231, resulting in double payment of K30,000.

A physical inspection of the site carried out in August, 2017 revealed the following:

The contractor had only done works relating to construction of the roof costing K47, 295 and ceiling board costing K45, 050 despite being paid a total amount of K313, 329. Works such as fittings, iron mongery and supply of electrical materials, sanitary fittings and other materials costing K220, 984 had not been done despite being paid for. As of August, 2017, the contractor had not completed the remaining works and had abandoned the site.

The Council Secretary reported that the concerns of the auditors had been noted and that he had since written to the contractor to come back to the site and resolve all the concerns raised, including completion of the works. However, the contractor had not returned to the site. Correspondence was available for verification. The Council had since instituted measures to ensure that due diligence was undertaken before awarding contracts and would ensure that the contractor was not given chance to participate in future contracts.

### **Committee Observation and Recommendation**

Your Committee is disappointed over the failure by the Council Secretary to resolve the matter promptly but wait until the auditors' visit to attempt to resolve it. Your Committee directs the Council Secretary to aggressively pursue the contractor for recovery of the public funds that had been paid for which no work had been done and for any other relief for breach of contract in accordance with the provisions of the contract. Your Committee directs that these actions be initiated immediately so that another contractor can be engaged in order that the remaining works can be completed expeditiously. Your Committee resolves to await a progress report on the matter.

## **AUDIT QUERY**

## **PARAGRAPH 30**

## **MUFURILA MUNICIPAL COUNCIL**

### **Review of Operations**

An examination of accounting and other records maintained at the Council and physical inspection of projects carried out in September, 2017 revealed the following:

#### **a) Outstanding Amounts Due on Leased Property**

The Town Clerk reported that there was some misunderstanding as some of the tenants had intentions of buying the same properties and were highly expectant that the properties would be sold to them. The Council had been engaging the tenants on how best they could liquidate the debt before other legal avenues were sought and some of them had entered into payment plans with the Council. The Council had constituted a revenue collection task force which was constantly following up this matter with the defaulting tenants.

### **Committee's Observations and Recommendations**

Your Committee observes with concern the failure by the Council to pursue this matter aggressively despite facing serious liquidity challenges. Your Committee takes exception to the laissez-faire approach of the Town Clerk to such serious matters and directs him to ensure that all available options, including issuance of warrants of distress, are pursued in ensuring that all outstanding amounts are recovered from the tenants without any further delay. Your Committee will await a progress report on the matter.



**b) Licences issued Without Fire Certificates**

The Town Clerk reported that the practice was that the Council issue done fire certificate for some buildings which were housing a number of shops, hence the difference between the number of licenses and fire certificates issued. The Town Clerk had since started complying with the advice of the auditors and was now issuing individual fire certificates for each business.

**Committee's Observations and Recommendations**

Your Committee sternly cautions the Council Secretary to strictly comply with prevailing regulations at all times to avoid recurrence of this irregularity. The matter is, however, recommended for closure subject to audit verification.

**c) Failure to Prepare Financial Statements**

The Town Clerk reported that the accounting package used by the Council was not complete as the asset management component not purchased and the payroll package was from a different supplier which was distorted the records when they were exported to the Palmsoft software. The Council was working on preparing the Financial Statements for the years ending 31<sup>st</sup> December, 2014, 2015 and 2016 manually and the draft reports were available. The Council had recently finalised the negotiations with the package developer to include the missing components and the supplier was in the process of upgrading the system so that in future it would be much easier to prepare the Financial Statements.

**Committee's Observations and Recommendations**

Your Committee does not accept the reasons given by the Town Clerk as it is clear that there is laxity on the part of management as evidenced by its failure to update the accounting software package. It is worrying that this Council operated for three consecutive years without audited Financial Statements, which is against financial regulations. Your Committee directs the Town Clerk to ensure that the system is upgraded without any further delay and that all outstanding Financial Statements are prepared and availed for audit. Your Committee will await a progress report on the matter.

**d) Procurement of Goods and Services Using Imprest**

The Town Clerk reported that due to financial challenges, most suppliers were rejecting cheques from the institution due to fear that they would bounce.. The Council was striving to build its image with local suppliers in order to ensure strict adherence to financial regulations.. The Council had noted the auditors' observation and had since discontinued the trend of using imprest to procure goods and services but instead paid directly to suppliers.

**Committee's Observations and Recommendations**

Your Committee does not accept the reasons given by the Council Secretary as it is clear that he allowed this irregularity to continue unabated in the name of building the image of the institution. Your Committee sternly cautions the Council Secretary to desist from this practice and calls for disciplinary action against all officers who perpetrated or abated it. Your Committee will await a progress report on the matter.

**e) Irregular Appointment of Bailiffs**

The Town Clerk reported that the Council had been lack of resources, hence going to the extreme measure of engaging debt collectors before approval in order to meet the ever growing demand for service provision. The Council was currently working with the Office of the Sheriff on terms of reference in order to engage them to recover the outstanding debt. The Council would be engaging the Sheriff's office as recommended by the Auditors.

**Committee's Observations and Recommendations**

Your Committee is deeply disappointed over the response by the Town Clerk and strongly warns him to desist from such practices. Further, your Committee calls for disciplinary measures to be instituted against all officers responsible for this irregularity. Your Committee will await a progress report on the matter.

**f) Issuance of Plots to Council Staff at a Discounted Price**

The Town Clerk reported that the Council had since recovered the difference from the affected employees' personal emoluments.

**Committee's Observations and Recommendations**

Your Committee cautions the Council Secretary to ensure that he complies with prevailing regulations at all times to avoid recurrence of this irregularity. Further, your Committee calls for disciplinary action to be taken against all officers responsible for this irregularity. Your Committee will await a progress report on the matter.

**g) Amounts Owed to Retirees**

The Town Clerk reported that the query was caused by the financial challenges facing the Council. He added that the Council was striving to clear all outstanding retirees' payments and had a quarterly payment plan which was strictly being adhered to.

**Committee's Observations and Recommendations**

Your Committee urges the Town Clerk to ensure that the Council explores the possibilities for widening the revenue base so as to be able to pay retirees' benefits as and when they fell due. Your Committee further directs the Council to ensure that it adheres to the payment plan and clears all outstanding payments to avoid litigation. Your Committee will await a progress report on the matter.

**h) Under - Collection of Receivables**

The Town Clerk reported that in order to curb illegal allocation of plots in newly opened areas, personal accounts were created for all the plots initially offered to the successful applicants. These applicants later failed to pay the plot premiums, which the system erroneously denoted as rates. The plots had since been re-advertised on first come first served basis and there had been an overwhelming response so far. The Council was working with the systems developer to come up with a separate package to account for plots offered for development.

### **Committee's Observations and Recommendations**

Your Committee cautions the Council Secretary to ensure that he complies with governing provisions at all times to in order to avoid recurrence of this irregularity. The matter is, however, recommended for closure subject to audit verification.

#### **i) Property Management**

The Town Clerk reported that the matter was historical and efforts were being made to normalise the situation. The Council had started the process of acquiring title for all the properties under its custody.

#### **ii) Physical Status of Houses and Buildings - K1,345,692.41**

The Town Clerk reported that the Council had been finding it difficult to maintain all the properties due to inadequate finances. The Council had made a provision of K1,345,692.41 in the 2018 budget for renovations and maintenance of council buildings and was engaging the Ministry of Local Government to seek authority to dispose of some properties that were not adding value to the operations of the council.

### **Committee's Observations and Recommendations**

Your Committee notes the submission of the Council and directs the Council to explore avenues of widening its revenue base so as to be able to maintain properties. The Committee will await a progress report on the matter.

## **AUDIT QUERY**

## **PARAGRAPH 31**

## **MUMBWA DISTRICT COUNCIL**

### **Review of Operations**

An examination of accounting and other records maintained at the Council carried out during the period from October to December, 2017 for the financial years ended 31<sup>st</sup> December, 2014, 2015 and 2016 revealed various irregularities, to which the Council Secretary responded as outlined below.

#### **a) Use of Revenue Before Banking – K308,169**

The Council Secretary submitted that the Council used receipted cash before banking during the time under review because the bank signatories were out of station and there was an urgent matter which needed the payments to be processed. However, he reported that the cash was being reimbursed whenever the signatories were back in office and banked. He assured the Committee that the Council had in place strict measures to ensure that no cash was used before banking.

### **Committee's Observations and Recommendations**

Your Committee expresses concern at the Council's decision to use revenue before banking as this compromised internal controls and could result in loss of public funds. Your Committee directs the Council Secretary to adhere to the Local Government Financial Regulations No 19 (1) that 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. Your Committee strongly cautions the Council Secretary

against using cash before banking and calls for disciplinary measures against all officers who perpetrated and abetted this irregularity. Your Committee awaits a progress report on the matter.

**b) Outstanding Receivables – K6,303,439**

The Council Secretary reported that the Debtors' Management Policy was in draft form at the time of audit. Further, the Council Secretary informed your Committee that the ledgers were not availed to the auditor at the time of audit because the officer responsible for the custody of the ledgers had just been transferred and had not yet handed over the office. In addition he informed your Committee that the Debtor's Management Policy was now ready and available for verification. The ledgers had also been handed over by the transferred officer and were available for verification. He assured your Committee that the Council would always ensure that all Council Policy documents were prepared and updated on regular basis.

**Committee's Observation and Recommendation**

Your Committee urges the Council Secretary to expedite the finalisation of a Debtor Management Policy so as to the Councils debt issuance practices adhere to various laws and regulations. The policy should be updated regularly to meet the ever changing trends in the market. This will help the Council to know the debtor profile, which can aid debt collection and hence improve liquidity. Your Committee awaits progress report in the matter.

**c) Failure to Settle Outstanding Bills – Payables**

**i. Unremitted Statutory Contributions and PAYE – K16,497,458**

The Council Secretary acknowledged that the Council did not settle the statutory obligations as required because of the liquidity challenges that the Council was going through. He, however, indicated that the Council had entered into payment plan regarding the outstanding arrears with the statutory bodies, while ensuring that monthly obligations were settled as and when they fell due. In future, the Council would ensure that the payment plan was maintained so that it did not fall back into the debt trap.

**Committee's Observations and Recommendations**

Your Committee observes with concern that failure to remit statutory obligations may result in accumulating debt which may attract penalties and interest. The accumulation of debt may adversely affect the provision of critical public services by the Council. Your Committee, therefore, urges Management to ensure that the Council raises enough revenues by broadening the revenue base so as to pay the statutory obligations timely. Your Committee also urges Management to ensure that adequate provisions are made for statutory deductions in the annual budget and that the payment plan is strictly adhered to.

**ii. Other Payables – K4,054,947**

The Council Secretary explained that the ledgers were not availed to the auditors at the time of audit because the officer responsible for the custody of the ledgers had just been transferred and had not yet handed over the office. The ledgers had been handed over and were available for verification. The Council had since started to update the ledgers whenever a transaction had occurred. In future, the Council would always ensure that proper records of its creditors were maintained.

### **Committee's Observations and Recommendations**

Your Committee finds the submission by the Council Secretary unacceptable and directs that officers who are transferred to other Councils should handover before being allowed to vacate the office in order to ensure continuity. Your Committee resolves to close the matter subject to subject audit verification.

#### **d) Land Acquisition**

The Council Secretary reported that land management was not streamlined between the Works and Planning Departments. This resulted in the duplication, as well as omissions in terms of records of parcels of land that were being acquired by the Council in the township extension programme. This further affected the generation of updated debtors' ledgers for the land that was acquired under the township boundary extension programme. However, since 2015, management of land had been streamlined and that all matters were under Planning Department. The Council had, further, consolidated all agreements with settlers who offered land to the Council. Contracts were available for inspection. The Council had since received senior officers under Registry, who had since been deployed to the Deeds Registry to help in records management. Furthermore, Management had assigned land record management to a particular department and to an identified senior officer and deployed senior qualified personnel to manage the Deeds Registry.

### **Committee's Observations and Recommendations**

Your Committee observes with concern that the Council is failing to maintain proper records for the land it acquired under the township boundary extension Programme. This may lead to duplications and litigations which could cost substantial sums of money. Your Committee strongly urges that a land records management system should be put in place and that ledgers should be updated frequently. Your Committee resolves to await a progress report on the matter.

#### **e) Lack of Title Deeds – K781,000**

The Council Secretary reported that at the time of audit, the Council had not yet received feedback from the Ministry of Lands on the progress made with regard to the request to generate duplicate certificates of title and also survey all the un-surveyed Council properties for purposes of issuing certificates of title. In this regard, Management had written a follow up letter to the Commissioner of Lands requesting for duplicate title deeds and had since managed to have some of the council properties surveyed for purposes of getting certificates of title. Extracts of the council minutes recommending for survey and generation of certificate of title deeds and the request letter from management were available for verification. Further, Management had surveyed all Council properties for purposes of acquiring certificates of title. It had, therefore ensured that all properties that were acquired recently for the Council were surveyed in readiness for acquisition of title deeds.

### **Committee's Observations and Recommendations**

Your Committee finds it unacceptable that the Council is requesting the Ministry to generate duplicate titles without conclusively explaining the whereabouts of the original titles. This is a clear indication that the Council has poor record keeping. Your Committee therefore urges the Council to caution all officers charged with the custody of these documents to avoid recurrence.

With regard to buildings without title deeds, the Council should expedite the process of acquiring these titles. Your Committee resolves to await a progress report on the matter.

**f) Management of Commercial Ventures**

**i. Unreimbursed Borrowing – K11,000**

The Council Secretary responded that the Council accommodated employees on transfers from other Councils and those on first appointment at the Rest House and the Council paid the Rest House for meals and accommodation for those employees. The amounts indicated in the schedule were for that purpose. To avoid this query in future, the Council had provided for a maximum of 14 days stay at the Rest House with expenses paid for by the Council. To this end, the Council would ensure that staff did not overstay at the Rest House.

**Committee's Observations and Recommendations**

The Council Secretary is urged to ensure that the laid down procedures are followed when handling officers transferred from other Councils and those on first appointment with regard to meals and accommodation. Your Committee strongly urges the Council Secretary to desist from borrowing funds from other accounts without reimbursing. In this light, disciplinary action should be taken against all officers who perpetrated or abetted this practice in order to deter other officers from engaging in it. Your Committee will await a progress report on the matter.

**ii. Use of Revenue Before Banking – K14, 021**

The Council Secretary responded that the Rest House used cash raised from the accommodation and meals to cater for the Rest House expenses at the time because the signatories to the bank Account were out of the station and there was an urgent need to procure food stuff to cater for the workshops and other customers who were booked at the rest House. However, he informed your Committee that the Local Government Service Commission had employed an Assistant Commercial Manager to manage the Rest House who shall ensure that the Rest House is adequately stocked with food items and other logistics for the smooth operation of the Rest House and avoid stock run outs. Further, the Assistant Commercial manager would ensure that adequate stock levels were maintained at the Rest House to avoid stock run outs which leads to use of cash in the event that the signatories were out of station.

**Committee's Observation and Recommendation**

Your Committee expresses concern at the Council's decision to use revenue before banking because this is going to compromise internal control and hence loss of revenue. Your Committee strongly cautions the Council against using cash before banking and resolves to close the matter subject to audit verification.

**iii. Deplorable State of Mumbwa Tavern – K235,000 and K416,000**

The Council secretary submitted that the Mumbwa Tavern was in a deplorable state at the time of Audit because the Council had liquidity challenges to undertake repairs to the building. He, further, reported that Council Management would be presenting a report to the next Council proposing the creation of residential plots on the land the Tavern was sitting for construction of council houses and the tavern changed into sub centre office. The Council would ensure that all

Council buildings were maintained as and when required and adequate budgetary provision made in the Council Annual Budgets.

### **Committee's Observation and Recommendation**

Your Committee notes the submission of the Council Secretary regarding the deplorable state of the Mumbwa Tavern due to liquidity challenges. Your Committee urges the Council to maintain property frequently to avoid dilapidation. Your Committee strongly urges the Council to expedite the creation of residential plots to avoid wasting of the asset.

## **AUDIT QUERY**

## **PARAGRAPH 32**

### **MWENSE DISTRICT COUNCIL**

#### **Review of Operations**

A review of financial, stores and other relevant documents maintained by the Council for the period 1<sup>st</sup> January 2014 to 31<sup>st</sup> December 2016 and physical inspection of some projects carried out in April, 2017 revealed the following:

#### **a) Failure to Provide and Maintain Fire Fighting Services**

CAP 281 of the Laws of Zambia, section 61, requires the council to establish and maintain fighting and prevention services, and to take required measures for the protection of life, property and natural resources from damage by fire. It was, however, observed that as at 31<sup>st</sup> December, 2017, the Council did not have a firefighting department in place.

The Council Secretary admitted that the Council failed to provide and maintain firefighting services at the time of audit because it was not yet established as a Fire Authority. This entailed that the Council had no power at that time to provide and maintain firefighting services until 14<sup>th</sup> August, 2017 when it was conferred. Mwense Town Council was among the Councils declared as Fire Authority on 14<sup>th</sup> August, 2017 and out rightly the 5<sup>th</sup> Ordinary Council meeting that sat on Friday 29<sup>th</sup> September, 2017 resolved through Minute No.MTC/CM/91/09/17 to allocate adequate land for the purpose of developing a fire station. The extract minutes of the 5<sup>th</sup> Ordinary Council meeting that sat on 29<sup>th</sup> September, 2017 and a letter which the Council Secretary wrote to Ministry of Lands and Natural Resource seeking for approval for the land intended for construction of the fire station were available for audit verification.

#### **Committee Observation and Recommendation**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

#### **b) Failure to acquire title deeds**

Although the *Land Act No 29 of 1995* requires that institutions or individuals owning land should have or possess title deeds as proof of ownership, the Council did not have titles for seven of its properties. Further the properties had not been valued as at 31<sup>st</sup> December 2017.

The Council Secretary admitted that the Council did not acquire the title deeds at the time of audit because the processing of the title deeds had not been concluded by Ministry of Lands and

Natural Resources. The Council Secretary had since engaged Ministry of Lands and Natural Resources to speed up the processing of the title deeds. A letter that was sent to the Ministry of Lands and Natural Resources to apply for numbering and processing of title deeds was available for audit verification and he pledged to ensure that going forward, the Council would process the Title Deeds for its properties as soon as it acquired them.

#### **Committee Observation and Recommendation**

Your Committee observed with concern the inordinate delays it had taken for the Council to acquire title deeds for its properties in accordance with the *Land Act No 29 of 1995*. Your Committee directs the Controlling Officer, specifically, to engage his counterpart in the Ministry of Lands and Natural Resources to ensure that the matter is resolved without any further delay. The Committee will await a progress report on the matter.

#### **c) Failure to maintain property - Natwange Bar**

The bar situated behind Council guest house was dilapidated and not fit for human habitation due to lack of maintenance. It was last used in 1983.

The Council Secretary submitted to your Committee that the property was not maintained because of non-availability of funds. The Senior Health Inspector carried out an inspection on the said property to determine its suitability for habitation and recommended that the building had since outlived its span and needed to be demolished. An extract copy of the minutes of the 6<sup>th</sup> Ordinary Council meeting which resolved through Minute No.MTC/DC/94/01/18 to approve the recommendation of the Senior Health Inspector to have the building demolished was available for audit verification. The Council further resolved Vide No. SC/03/11/17 approved the Construction of a modern bar and a Conference hall in the 2018 budget estimates using the 20 per cent capital component as attached to the report. The Council would construction of a modern bar and conference hall should commence this year as budgeted.

#### **Committee Observation and Recommendation**

Your Committee bemoans the lack of seriousness and negligence of duty by Council management. It worries the Committee to note that action about the property which belonged to them is only seen after auditors visited them. Your Committee sternly cautions management to desist from these laissez-faire behaviours which were costly and capable of causing loss of public funds. He is also directed to ensure that funds are secured to construct a new facility after demolishing the old structure as per resolutions contained on Minute No.MTC/DC/94/01/18 and Vide No.C/03/11/17, respectively. The Committee resolves to close the matter subject to audit verification.

#### **d) Failure to recover funds – K11,500**

In March 2010, the Ward Councillor of Mweshi Ward misappropriated an amount of K5,500 meant for the payment of the contractor working on the construction of Chifuntwe Community School at a contract sum of K6,000. In this regard in November 2016 the contractor claimed and was paid K5500 bringing the total amounts spent on the project to K11,500. As at 31<sup>st</sup> December 2017 the misappropriated funds had not been recovered from the Councillor.



The Council Secretary informed your Committee that the Council made the payment on instruction from the Provincial Local Government Officer. The letter from the Provincial Local Government Officer explaining the circumstances that caused the Council to pay the Contractor who was engaged by a Councillor in Chipili was available for audit verification. It suffices to say that the Councillor who was supposed to pay the contractor had since died at the time and Chipili had already parted from Mwense District, making all claims difficult. The Council Secretary, however, informed your Committee that they now strictly adhered to the Public Procurement Act, 2008 by committing funds to contractors who had adequately competed for works and won contracts than paying to an individual councillor as was the case in this issue.

#### **Committee Observation and Recommendation**

Your Committee observes with concern the weak internal controls at the Council and wonders how a civic leader, who must ordinarily be outside the payment systems, will be allowed to handle cash. Your Committee recommends for a reprimand to the erring officers who processed the payment in the Councillor's name together with the officers who authorized the payment in cash form without any security measure. Your Committee will await a progress report on the reprimands only then would the matter be closed.

#### **e) Failure to remit PAYE, Statutory and other Contributions**

During the period under review, the council deducted amounts totaling K591,720 (NAPSA K130,154, PAYE- K446,663 and Union Fees-K14,903) as statutory contributions. However as at 31<sup>st</sup> December 2017, the deducted amounts had not been remitted to the respective institutions.

The Council Secretary submitted that they did not have sufficient funds to pay for statutory and other contributions when the fall due. The Council had written to ZRA and LASF to commit to settling the debts by paying the current obligations and part payment towards the arrears every month. Letters written to ZRA and the MOU with LASF plus latest statements and recent payments made towards the commitment were available for audit verification. The Council would ensure that it paid the statutory and other contributions as and when they fell due.

#### **Committee Observation and Recommendation**

Your Committee notes the submission but implored the Council Secretary to impress upon the Controlling Officer to consider liaising with the Secretary to the Treasury on the possibility of paying at source or increasing their allocation on Equalisation fund to enable the Council dismantle its debt on statutory obligations. Your Committee will await a progress report on the matter.

**AUDIT QUERY**

**PARAGRAPH 33**

**NAKONDE DISTRICT COUNCIL**

#### **Review of Operations**

An examination of accounting and other records maintained at the Council for the financial years ended 2013, 2014 and 2015, and a physical inspection of projects carried out in October, 2017, revealed the following weaknesses to which the Council Secretary responded as set out below.

**a) Failure to Prepare Financial Statements**

The Council Secretary reported that the non-preparation of financial statements by Nakonde Town Council was due to lack of Net Book Values of Assets. The Council Secretary also reported that the Council had since engaged the Ministry of Lands, through the surveyor general and the Government valuation department, to have the buildings surveyed and numbered, a process which would lead to the acquisition of Title Deeds.

The Council Secretary submitted that at the time of inspection, the Council had started the normalisation process on the irregularities of figures in the books of accounts with regard to Net Book Values of Assets. Further, the Government Valuation Department had since been engaged to value the various Council assets. The Council Secretary assured your Committee that as soon as the valuation process of properties was finalised, the Council would adjust its records and immediately commence the production of financial statements in retrospect.

**Committee's Observations and Recommendations**

Your Committee observes with concern the failure by the Council to prepare financial statements for the years under review, in accordance with Section 52 of the *Local Government Act, Chapter 281 of the Laws of Zambia*. Your Committee urges the Council Secretary to ensure that the Council adopts and implements the International Public Sector Accounting Standards (IPSAS) without further delay. Your Committee awaits a progress report on the matter.

**b) Lack of Strategic Plan**

The Council Secretary reported that during the period under review, the Council operated without a strategic plan due to understaffing in the planning department. He, however, reported that K215,000 had since been set aside for the Strategic Plan in the 2018 Budget. He further stated that the Council would ensure that the next strategic plan was in place immediately the one in operation expired so that there was no reoccurrence of the Council not having a strategic plan.

**Committee's Observations and Recommendations**

Your Committee is of the view that failing to anticipate or preparing for fundamental changes will result in the Council losing valuable time and momentum to combat them when they actually do occur. Therefore, your Committee is of the view that Nakonde Town Council should develop strategic plans to clearly provide a strategic framework on how it intends to achieve its goals and vision and not stall. Your Committee awaits a progress report on the matter.

**c) Failure to Update Asset Register**

The Council Secretary acknowledged the auditors' observation and submitted that the failure to update the asset register was due to an oversight during the updating of the asset register. He reported that the Council had since updated its asset register to include the procured assets. Documentation was available for audit verification.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Council to update its asset register contrary to the *Public Stores Regulation No. 99*, which requires controlling officers to maintain a register of all machinery and equipment on their charge. Your Committee sternly cautions the

Council Secretary against such laxity and directs him to ensure that the assets register is updated regularly. Your Committee awaits a progress report on the matter.

**d) Failure to Fill Key Positions**

The Council Secretary submitted that at the time of audit, the cited positions were not yet filled by the Local Government Service Commission (LGSC), which was mandated to fill up vacancies in local authorities. Further, the Council Secretary reported that the LGSC had since been written to and staff returns submitted. The Commission had since started filling up the cited vacant positions and documentation was available for audit verification.

Further, the Council Secretary submitted that the Council would be updating the LGSC, quarterly, of its staff returns so that there were no vacant positions.

**Committee's Observation and recommendations**

Your Committee is aware that the mandate to fill vacant positions, particularly those in Divisions I, II and III lays with the Local Government Service Commission (LGSC), established under Article 228 of the *Constitution of Zambia (Amendment) Act No. 2 of 2016*. Your Committee urges the Council Secretary to ensure that the Commission is updated, quarterly, of the Council's staff returns to guarantee the smooth running of the Council. Your Committee awaits a progress report.

**e) Unaccounted for Revenue – K168,763**

The Council Secretary informed the Committee that the matter of unaccounted for revenue in amounts totalling K168,763 was reported to the Drug Enforcement Commission (DEC,) who were actively investigating the officers involved. The Council Secretary also informed the Committee that the Council Secretary and treasurer who had served during the period under review were each serving a prison sentence of seven years.

**Committee's Observation and recommendations**

Your Committee observes with concern that contrary to Local Authorities Financial Regulation No. 72, which states that the treasurer shall ensure that collectors of revenue account for the money collected on a daily basis, Nakonde Town Council has failed to comply.

Your Committee has thus directed the Council Secretary to ensure that the Council's internal controls are enhanced so that financial documents are secured to avoid reoccurrence. Your Committee awaits a progress report on the matter.

**f) Misappropriation of Funds – K40,530**

The Council Secretary reported that it was computing the former officer's terminal benefits from which the cited amount would be offset so as to recover the misappropriated funds.

**Committee's Observation and recommendations**

Your Committee strongly cautions the Council Secretary against inordinate delays in recovering monies that have been misappropriated by officers. Your Committee thus directs the Council Secretary to ensure that the Council's internal controls are enhanced so that financial documents are secured to avoid reoccurrence. Your Committee awaits a progress report on the matter.

**g) Missing Payment Vouchers – K502,397**

The Council Secretary reported that the non-availability of payment vouchers amounting to K502, 397 and their appropriate supporting documents was because of misfiling of records. However, the Council Secretary submitted that the missing payment vouchers, which were kept in separate box files, had since been traced and put back in their appropriate box files. The vouchers were available for verification.

It was reported that the Council treasurer and the internal auditor had strengthened the internal controls on record-keeping management.

**Committee’s Observation and recommendations**

Your Committee finds it unacceptable that such important documents can go missing during audit and reappear immediately after. Your Committee directs the Council Secretary to ensure that officers responsible for safe-keeping of these documents are disciplined for this serious lapse. Your Committee thus directs the Council Secretary to ensure that the Council’s internal controls are enhanced so that financial documents are secured to avoid reoccurrence. Your Committee awaits a progress report on the matter.

**h) Unsupported Payment Vouchers – K483,010**

The Council Secretary submitted that the relevant documents were misfiled due to lack of proper filing system. However, the Committee was informed that the Council treasurer and the internal auditor had strengthened the internal controls on record- keeping management.

Further, your Committee was informed that the internal auditor was ensuring that all payment vouchers were fully supported and that good filing and record- keeping systems were instituted as per financial regulations.

**Committee’s Observation and recommendations**

Your Committee finds it unacceptable that such excessive amounts can be paid out without supporting documents. Your Committee strongly cautions the Council Secretariat and further directs the Council Secretary to ensure that the Council’s internal controls are enhanced so that financial documents are secured to avoid reoccurrence. Your Committee awaits a progress report on the matter.

**i) Failure to Avail Contracts for Court Cases – K200,000**

The Council Secretary reported that at the time of the audit, the contracts were neither availed nor signed with the legal firms that were representing the Council. The Council Secretary stated that the contracts with legal firms had since been signed and were ready for verification. Your Committee was assured that financial regulations would be adhered to before any payments were made.

**Committee’s Observation and recommendations**

Your Committee urges the Council Secretary to ensure that the Council adheres to the financial regulations before any payments are made. Your Committee awaits a progress report on the matter.

**j) Unretired Accountable Imprest – K93,214**

The Council Secretary reported that the Council had since commenced recoveries of the unretired imprest from the salaries of the affected officers. Additionally, the Council had resolved that no officer would be issued with fresh imprest until outstanding imprests were fully retired.

**Committee’s Observation and recommendations**

Your Committee notes the submission and awaits a progress report on the matter.

**k) Irregular Use of Imprest – K232,304**

The Council Secretary admitted that financial regularities were not followed during the time of audit in the procurement of goods and services, and reported that purchase of items was now done through the procurement office and payments to the suppliers of goods and services were done through cheques.

**Committee’s Observation and recommendations**

Your Committee notes that according to *Financial Regulation No. 86(c)*, imprest is money that is used as payment to facilitate the purchase of goods and services whose value cannot be ascertained at a particular time. Your Committee strongly urges the Council Secretary to ensure that all purchase of goods and services is done by cheque and not through imprest. Your Committee awaits a progress report on the matter.

**l) Failure to Prepare Activity Reports**

The Council Secretary acknowledged the auditor’s findings but attributed this to misfiling. He, however, reported that some activity reports had been traced and were available for verification. The Council Secretary submitted that the Council would ensure that all activities undertaken were supported by activity reports and accounted for timely. The Council had since put in place measures to ensure that activity reports were prepared and that this had been the norm for the current year.

**Committee’s Observation and recommendations**

Your Committee observes with concern that there are no reports produced for audit for various activities undertaken by the Council, making it difficult to ascertain whether or not these activities took place. Your Committee urges the Council Secretary to ensure that all activities undertaken are supported by activity reports and accounted for. Your Committee awaits a progress report on the matter.

**m) Irregular Refunds – K26,612**

The Council Secretary stated that irregular refunds were due to not seeking prior authority. The Council had since done away with the trend of refunding payments made without prior written authority and had since put up measures to ensure that all activities were only undertaken with prior approval from the relevant authority.

**Committee’s Observation and recommendations**

In noting the submission, your Committee strongly cautions the Council to adhere to the financial regulations. Your Committee directs the Council Secretary to ensure that prior written

authority is sought with the appropriate authorising officer before officers use personal money on official activities. Your Committee awaits a progress report on the matter.

**n) Allowances Paid to Non-Council Employees without Authority – K172,319**

The Council Secretary attributed the payment of allowances to non-council employees to not seeking prior authority. The Council Secretary reported that the Council had since done away with the trend of making payments to non-Council employees without first seeking prior written authority from the relevant controlling officers. Further, the Council had put up measures to ensure that all payments to non-Council employees were only made with authority from the relevant authorities.

**Committee's Observation and recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that all payments to non-Council employees are only made with prior authority from relevant authorities. Your Committee awaits a progress report on the matter.

**o) Over Payments – K60,000**

The Council Secretary reported that investigations into the matter had since been instituted to determine how the overpayment was made. Your Committee was informed that the Council treasurer and the internal auditor had strengthened the internal controls to ensure strict adherence to stipulated financial regulations.

**Committee's Observation and recommendations**

Your Committee finds the overpayment unacceptable. Your Committee further directs the Council Secretary to ensure that the Council's internal controls are enhanced so that lapses of this nature do not reoccur. Your Committee awaits a progress report on the matter.

**p) Irregular Payments of Allowances**

**i. Subsistence and Meal Allowances**

The Council Secretary reported that deductions to recover the irregularly paid allowances from the cited officers had since been effected through the payroll, and that the Council treasurer and internal auditor had since strengthened the internal controls to ensure strict adherence to stipulated financial regulations.

**Committee's Observation and recommendations**

Your Committee is aware that Cabinet Circular Minute dated 30<sup>th</sup> December, of 2015 impedes the payment of subsistence and meal allowances for activities undertaken within the district boundary. Your Committee urges the Council Secretary to ensure that the Council treasurer and internal auditor strengthen the internal controls to ensure strict adherence to stipulated financial regulations.

**ii. Social Holiday Allowance**

The Council Secretary submitted that Conditions of Service were silent on the payment of the social holiday allowance at the time when such payments were made. Further, the Council had written to the LGSC for guidance on the matter while the cited officer had since been convicted

over other financial irregularities and was serving a prison sentence. The Council Secretary assured the Committee that the Council would endeavour to consult the Ministry of Local Government on entitlements that were not clear and would ensure that the Conditions of Service and Circulars were complied with accordingly.

### **Committee's Observations and recommendations**

Your Committee urges the Council Secretary to adhere to the Ministry of Local Government and Housing Circular No.MLGH/101/8/4 which abolishes the payment of entertainment allowances such as social holiday and talk time allowances. Your Committee urges the Council Secretary to ensure that stipulated financial regulations are adhered to. Your Committee awaits a progress report on the matter.

### **iii. Transport Allowances**

The Council Secretary reported that the payment of transport allowance to an officer who was also entitled to fuel allowance was due to non-adherence to financial regulations. It was reported however that deductions to recover the irregularly paid allowances had since been effected through the payroll, and that the Council treasurer and internal auditor had since strengthened the internal controls to ensure strict adherence to financial regulations.

### **Committee's Observations and recommendations**

Your Committee notes the submission and urges the Council Secretary to effect recovery of the monies paid. Your Committee awaits a progress report on the matter.

### **q) Unaccounted for Stores – K468,622**

The Council Secretary reported that the failure to avail disposal records was due to misplacement of the relevant documentation. He reported that the respective receipts and disposal records had since been retrieved and were ready for audit verification. Further, the Council undertook to ensure that there was proper filing and record-keeping of all accountable documents.

### **Committee's Observations and recommendations**

Your Committee finds the unaccounted for monies unacceptable. Your Committee sturdily urges the Council Secretary to ensure that *Financial Regulation No. 145*, which provides that a treasurer shall keep proper records of receipts and issue of stock and stores be adhered to. Your Committee awaits a progress report on the matter.

### **r) Irregular Employment of Administrative Officer**

The Council Secretary reported that the Council had written to the Local Government Service Commission (LGSC) over the irregular employment of administrative office. The Council Secretary assured the Committee that the Terms and Conditions of Service for local authorities, which mandate the employment of Council officers to the LGSC, would be strictly adhered to.

### **Committee's Observations and recommendations**

Your Committee sturdily urges the Council Secretary to desist from employing staff in Divisions I, II and II as this was the mandate of the LGSC. Your Committee awaits a progress report on the matter.

**s) Sponsorship of Officers for Training without Authority – K302,520**

The Council Secretary reported that it had written the LGSC over the sponsorship of officers without authority and undertook to ensure that in future, prior approval of the Commission was obtained before officers proceeded on any sponsored training.

**Committee's Observations and recommendations**

Your Committee sternly cautions the Council Secretary against abrogating the Local Government Act by sponsoring officers for training without obtaining authority from the Local Government Service Commission. Your Committee awaits a progress report on the matter.

**t) Failure to Recover Salary Advances – K47,367**

The Council Secretary acknowledged that at the time of audit the recoveries had not been effected due to an oversight on the part of the Council. The Council Secretary however informed the Committee that the Council had since instituted recoveries on the salary advances in question and payslips were available for verification. He added that management would adhere to Conditions of Service by making timely recoveries on all salary advances.

**Committee's Observations and recommendations**

Your Committee notes the submission and urges the Council Secretary to adhere to Condition of Service for Local Government Officers No. 105(d) and to sternly caution the officers involved and ensure that recoveries are in full. Your Committee awaits a progress report.

**u) Payment of Salary Advances above Gross Pays**

The Council Secretary acknowledged the auditors' observations and stated that this was due to an administrative oversight. The Council Secretary reported that the Council had since stopped paying salary advances in excess of one's gross salary. He informed the Committee that management would always adhere to Term and Condition of Service for Local Government Officers No. 105(c), as stipulated in the regulations.

**Committee's Observations and recommendations**

Your Committee notes that contrary to the Term and Condition of Service for Local Government Officers No. 105(c), the Council paid officers advances in excess of their gross pays. Your Committee urges the Council Secretary to ensure that the Council treasurer and internal auditor strengthen the internal controls to ensure strict adherence to stipulated financial regulations. A progress report is being awaited.

**v) Salary Over Payments (Wrong Salary Scale) – K263,469**

The Council Secretary reported that management had since instituted the recoveries of the salary overpayments through the payroll. Payslips were available for verification. He submitted that the Council would ensure that Conditions of Service were strictly adhered to as stipulated by the Local Government Act.

**Committee's Observations and recommendations**

Your Committee expresses concern that Section 93 of the *Local Government (Amendment) Act No.6 of 2010* is not being adhered to. Your Committee recommends that only the LGSC is supposed to appoint principal officers in the Council. Your Committee urges the Council



Secretary ensure that quarterly staff returns are submitted to the Commission to guarantee smooth running of the Council and to avert wrong appointments. A progress report is being awaited.

**w) Failure to Remit Statutory Contributions and PAYE – K2,864,651**

The Council Secretary informed the Committee that K500, 000 per month was being remitted to NAPSA and was in the process of working out a payment plan with the Zambia Revenue Authority (ZRA) to offset PAYE arrears. The Council Secretary further informed the Committee that management had put up a programme to liquidate the arrears by monthly commitments and at the same time liquidate the current obligations as they fell due to avoid debts accruing over a period of time. Documentation was available for audit verification.

**Committee’s Observations and recommendations**

Your Committee finds the non-remittance of statutory contributions to the National Pension Scheme Authority (NAPSA) and PAYE unacceptable. Your Committee implores the Council Secretary to ensure that the programme of liquidating the arrears by monthly commitments continues to avoid the debts accruing. Your Committee is awaiting a progress report.

**x) Outstanding Staff Obligations – K159,850**

The Council Secretary reported that the Council had committed itself to offsetting the outstanding amounts by paying K30,000 per month towards the outstanding obligations. The Council Secretary submitted that the Council had endeavoured to ensure that part payments for terminal benefits were made on a monthly basis and that terminal benefits were liquidated as and when they fell due. Documentation was available for audit verification.

**Committee’s Observations and Recommendations**

In noting the submission, your Committee urges the Council secretary to ensure that part payments for terminal benefits are made on a monthly basis so that they are liquidated as and when they fall due. Your Committee awaits a progress report.

**AUDIT QUERY                      PARAGRAPH 34**

**NCHELENGE DISTRICT COUNCIL**

**Review of Operations**

A review of accounting and other records maintained by the Council for the period 1<sup>st</sup> January, 2014 to 31<sup>st</sup> December, 2016 revealed the following:

**a) Misapplication of Equalisation Fund – K388,721**

The Council Secretary stated that the Council misapplied the cited amounts of K388,721 as a result of inadequate funds to cater for personnel related obligations. He informed the Committee that the Council opened a separate bank account where 20 percent of the Local Government Equalisation Fund earmarked for capital projects was being deposited, adding that the Council would no longer misapply the funds meant for capital projects and would reimburse the misapplied K 388,721 as soon as funds were mobilised.

### **Committee's Observations and recommendations**

Your Committee is aware that the *Local Government (Amendment) Act No.12 of 2014* establishes the Local Government Equalisation Fund and that 20 percent of this Fund is specifically for capital projects. Your Committee therefore does not accept the reasons given and directs the Council Secretary to ensure that the funds are fully reimbursed and used for its intended purpose i. e capital projects. Your Committee awaits a progress report.

#### **b) Failure to Insure Council Properties**

The Council Secretary reported to your Committee that the Council had not yet insured the civic centre buildings, stores premises, and markets, among others, due to financial constraints. However, the insurance component had been included in the 2018 approved budget. The Council had collected the quotation for the cited properties and would ensure that the properties were insured.

### **Committee's Observations and recommendations**

Your Committee observes with concern the failure by the Council to adhere to *Local Authorities Financial Regulation No.154*. Your Committee further expressed bewilderment at the laxity by the Council to insure against losses, damages, risks and liabilities which the Council may incur if markets, stores and buildings are to get damaged.

Your Committee urges the Council Secretary to ensure that Council property is insured to mitigate losses. Your Committee awaits a progress report.

#### **c) Unaccounted for Revenue – K318,351**

The Council Secretary reported that some bank statements were not availed to the auditors at the time of audit for verification. However, all direct deposits were being receipted. He added that the Council had now introduced the daily bank reconciliation sheets which were used to check whether the amount collected and amount deposited tallied.

### **Committee's Observations and recommendations**

Your Committee observes with concern that contrary to *Local Authorities Financial Regulation No. 72*, which states that the treasurer shall ensure that collectors of revenue account for the money collected on a daily basis, Nchelenge District Council has failed to comply.

Your Committee has thus directed the Council Secretary to ensure that the Council's internal controls are enhanced so that financial documents are secured to avoid reoccurrence. Your Committee awaits a progress report on the matter.

#### **d) Failure to Produce Receipt Books**

The Council Secretary submitted that the Council had a challenge in accounting for the used receipt books due to the renovations which were being done at new civic centre, adding that all the inventories, including all accounting documents, were being shifted to the old civic centre. He informed the Committee that the Council was still searching for the cited receipted books and that it had appointed the district accountant to be in-charge of keeping, issuing and securing all the used receipt books.

### **Committee's Observations and recommendations**

Your Committee observes with concern that Financial Regulation No.10 (n) has been abrogated. Your Committee thus directs the Council Secretary to ensure that the Council's internal controls are enhanced so that financial documents are secured to avoid reoccurrence. Your Committee awaits a progress report on the matter.

#### **e) Unsupported Payment Vouchers – K127,768**

The Council Secretary submitted to the Committee that there was a lack of appreciation for accounting rules and procedures as well as weak internal controls. He added that Council management had managed to attach documents and was searching for the remaining ones. An accounting officer under the expenditure section had been assigned to be chacking payments periodically to ensure that all supporting documents were attached to the payment vouchers.

### **Committee's Observation and recommendations**

Your Committee observes with concern that Local Authority Financial Regulation No. 86 has been abrogated. Your Committee thus directs the Council Secretary to ensure that the Council's internal controls are enhanced so that financial documents are secured to avoid reoccurrence. Your Committee awaits a progress report on the matter.

#### **f) Unretired Accountable Imprest**

The Council Secretary reported that officers who drew accountable imprest never used to be written to as they could retire within a stipulated period of time. The Committee was informed that all the affected officers had been transferred. However, management had written to all the concerned officers to retire the imprest. Further, management had introduced an imprest register which was being used to track down unretired imprest.

### **Committee's Observation and recommendations**

Your Committee observes with concern the lack of adherence to Local Government Financial regulation No.119. Your Committee urges the Council Secretary to write to all the transferred officers to effect recoveries. Your Committee further implored the Council Secretary to ensure that an imprest register is introduced to track down unretired imprest. Your Committee awaits a progress report.

#### **g) Missing Payment Vouchers – K47,364**

The Council Secretary submitted that payment vouchers were not written in duplicate copies to provide back-up. The missing payment vouchers were also attributed to misfiling. The Council Secretary reported that the search for missing payment vouchers was on-going while the duplicated payment vouchers were being filed separately to provide back-up. Additionally, the Council management had introduced payment voucher booklets with quadruplicate (four) copies, to provide back-up.

### **Committee's Observation and recommendations**

Your Committee observes with concern the failure to adhere to Local Authority Financial Regulation No.98 requiring all payment vouchers with supporting documents and other forms to be carefully filed, secured and be readily available for audit. Your Committee urges the Council

Secretary to sternly caution the officers and to ensure that payment vouchers are properly filed. Your Committee resolves to close the matter subject to audit verification.

**h) Excess Payment of Cash Awards – Over Payment**

The Council Secretary submitted that PSMD Circular No. b (6) of 2001, which revised monetary Labour Day awards from K150 to K350 was not availed to the Council. However, Council management was complying with PSMD Circular No. b (6) of 2001 by not paying Labour Day Awards above the ceiling of K350.

**Committee's Observations and recommendations**

Your Committee observes with concern that PSMD Circular No.b (6) of 2001 revises the monetary Labour Day awards. Your Committee is however bewildered that the Council has gone ahead and paid monetary Labour Day awards above the ceiling of K350. Your Committee urges the Council Secretary to ensure that PSMD Circular No. b (6) of 2001 is adhered to and recoveries are made. A progress report is being awaited.

**i) Loss of Public Funds**

The Council Secretary acknowledged observations made by the auditor with regards to the default and legal costs as correct. Procedure on debt collection enforcement was not followed. Your Council Secretary informed the Committee that the Council had continued to liquidate legal fees, whose balance was now K44, 978.46. The Council had also undertaken to consult legal practitioners on matters that required the interpretation of the law.

**Committee's Observations and recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that legal practitioners are consulted on matters that require the interpretation of the law. Your Committee awaits a progress report.

**j) Failure to Remit Third Party Deductions**

The Council Secretary submitted that due to financial constraints, the Council could not remit third party deductions to ZRA and NAPSA in time. However, the Council was mobilising resources to liquidate the outstanding obligations through the monthly payment plan that the Council had developed.

**Committee's Observations and recommendations**

Your Committee observes with concern that Income Tax deducted is not being remitted to the Zambia Revenue Authority (ZRA) and the National Pensions Scheme Authority (NAPSA) in time. Your Committee urges the Council Secretary to ensure that outstanding obligations are liquidated through a monthly payment plan that the Council must develop.

**k) Loss of funds through Penalties on Outstanding NAPSA Obligations – K143, 119**

The Council had accrued statutory pension contributions totaling K143,119. In an effort to recover the funds, NAPSA took legal action against the Council and obtained favourable ruling requiring the Council to pay penalties amounting to K443,365. In this regard, the Council was to

pay NAPSA K586,484. As at 30<sup>th</sup> November 2017, the Council had paid K106,000 leaving a balance of K480,484.

The Council Secretary reported that the penalties had accrued due to non-submission of returns by the due date. The Council was now submitting returns electronically on time. Meanwhile, NAPSA had written to the Council requesting for debt swap with real estate plots.

#### **Committee's Observations and recommendations**

Your Committee notes the submission and urges the Council Secretary to submit returns on time. Your Committee awaits a progress report.

### **AUDIT QUERY                      PARAGRAPH 35**

#### **NDOLA CITY COUNCIL**

##### **Review of Operations**

An examination of accounting and other records maintained at the Council and physical inspections of selected projects carried out in July 2017 revealed the following:

##### **a)        General Administration**

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

The Town Clerk reported that at the time of audit most of the officers had been transferred to various Councils across the Country by the Local Government Service Commission (LGSC), which was the employing arm of the Councils.

Accordingly, all the vacant positions in Divisions, II and III fell under their jurisdiction as they had the mandate to employ all except for Division IV employees, who were employed by the Council. On the filling of positions in the audit section, there were only three officers at the time of the audit because the chief internal auditor was on forced leave while two other officers from the section had been transferred by the LGSC.

The Town Clerk reported that as at August, 2017, the Council submitted the staff vacancy report and staff establishment to the LGSC for recruitment of new officers. Consequently, new members of staff to fill the vacant positions had been received.

##### **Committee's Observations and Recommendations**

Your Committee observes with concern that service delivery may be affected negatively in the Council if recruitment is delayed and urges the Town Clerk to consistently submit staff vacancy reports, as they fall due, as well as staff establishment, to the LGSC so that qualified, skilled and competent staff are employed by the Council. Your Committee awaits a progress report.

###### **ii.        Employment of Unqualified Officers to Key Positions**

The Town Clerk reported that the Council had since written to the affected employees to upgrade their qualifications by 2019 so as to meet the requisite qualifications, as directed by the LGSC.

The Town Clerk reported that of the total number of officers that did not possess the requisite qualifications, as cited in the audit report, some of the officers had since been transferred to other Councils namely; Boniface Chongo (building inspector), Dainess Mukulukusha (senior legal assistant), Joshua Ngosa (group accountant) and Peter Mwaba (building inspector). The Council no longer recommended promotion for officers who did not meet the requisite qualifications.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Town Clerk to consistently submit staff vacancy reports as they fall due and staff establishment to the Service Commission so that qualified, skilled and competent staff are employed by the Council. Your Committee awaits a progress report.

#### **iii. Employment of Casual Workers**

The Town Clerk submitted that the casual workers were owed wages amounting to K1,928,234. However, as of July, 2017, the Council started paying casual workers so that they could be current with wages. The Council was paying the arrears case by case and would be able to pay off all the workers when the liquidity position of the Council improved.

### **Committee's Observations and Recommendations**

Your Committee observes that Employment Act No.15 of 2015, which states that a body corporate that engages a casual employee for a job that was permanent in nature commits an offence and is liable upon conviction has been abrogated. Your Committee beseeches the Town Clerk to start paying off casual workers who wish to continue working for the Council. Your Committee further urges the Town Clerk to reduce the labour force and only retain casual workers that the institution can afford to pay. Your Committee awaits a progress report.

#### **b) Outstanding Receivables**

##### **i. Variances in Debtors Amounts**

The Town Clerk reported that Garry Rutherford owed the Council a sum of K1,307,935.22 in bill board charges. However, there was no variance as Garry Rutherford had never disputed the said bill other than demanding for reduction in bill board fees as he was the major outdoor advertising company in the district.

To this effect, the Council had issued a demand notice of K1,400,000 to Garry Rutherford which he had not disputed and as it matured bailiffs would be engaged to collect the said amount. The Council undertook to intensify debt collection to avoid accumulation of debtors.

### **Committee's Observations and Recommendations**

Your Committee observes with concern that the failure by the Council to collect debt may result in serious penalties and eventual loss of colossal sums which can otherwise be applied in provision of critical public service. Your Committee urges the Town Clerk to request for debt collectors from the LGSC so the revenue collection is enhanced. Your Committee awaits a progress report.

**ii. Exempt Billboards**

The Town Clerk reported that twenty-six billboards of various sizes belonging to Garry Rutherford Outdoor Advertising Company situated on five roundabouts within Ndola were exempted from paying billboard rates in exchange for maintenance of those roundabout sites. However, the Council would do a cost benefit analysis and review the contract as well as compute how much it would cost to manage the five 5 roundabouts in comparison with the opportunity revenue.

**Committee’s Observations and Recommendations**

Your Committee observed with concern that the exemption of the billboards would entail the Council forfeiting some reasonable amount. Your Committee urges the review the contract with the outdoor advertising company. Your Committee awaits a progress report.

**iii. Unsupported Declaration of Personal Levy**

During the year under review, the Council collected K344,120 as personal levy income against a budget of K476,250 resulting in an under collection of K132,130. However, the Council did not avail, for audit, ledgers to support the income amount of K344,120 reflected in the financial statements.

The Town Clerk reported that the Council did not avail the files to the auditor during audit because this was the period when most of the officers were transferred from Ndola City Council and others reporting. The said file had since been traced and was available for verification. Further, the filing system had since improved as more officers had reported for work. An officer had been specifically assigned to clearly label and document movement of auditable documents.

**Committee’s Observations and Recommendations**

Your Committee notes the submission and urges the Town Clerk to assign an officer to clearly label and document movement of auditable documents. Your Committee awaits a progress report on the matter.

**iv. Failure to Include Leased Properties in the Revenue Database – K8,154,381**

The Town Clerk noted that Council properties valued at K8,154,381 were not included on the revenue register. However, on the schedule given, Zambia Army, Major Trading Limited and National Assembly (Ndola Central Parliamentary Office) just took occupation of the respective properties and were inserted in the billing system. Rotary and the other clubs had long term leases with Council wherein it was just agreed that they would maintain the buildings and not pay rent.

The Town Clerk informed the Committee that the tenancy agreement for Lowenthal Theatre was being revised and that the houses occupied by the former Town Clerk, Mrs Charity Mpande, and former Director of Finance, Mr Nason Monga, would still remain Council property. However, the officers would remain in the said houses until they were paid all their terminal benefits. The rentals collected from the clubhouse were paid to Ndola United Football Club to enable it look after the players. Further, the billing system would be updated as soon as a lease agreement was signed.

### **Committee's Observations and Recommendations**

Your Committee observed with concern that twenty-two Council properties were not included on the revenue register. Your Committee urges the Town Clerk to revise the tenancy agreement with Lowenthal Theatre and endeavour to update the billing system as soon as the lease is signed. Your Committee awaits a progress report.

#### **c) Land And Property Management Information System**

The Town Clerk submitted that the copies of the report to tender committee were available for verification indicating that the procurement of the Land and Property (LP) and Geographical Information System (GIS) management information systems were done through tender process. The Town Clerk further indicated that Tender minutes were properly filed and availed for audit at all times.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Town Clerk to ensure that tender minutes are properly filed and availed for audit at all times.

#### **d) Missing Payment Vouchers – K1,526,559**

The Town Clerk informed the Committee that some of the said vouchers had been found and were available for verification. The Council undertook to ensure that all documentation requested for by the auditors would be availed promptly.

### **Committee's Observations and Recommendations**

Your Committee observes with concern that Local Authorities Financial Regulation No.98, 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 availed for audit has been abrogated. Your Committee finds it unacceptable that such important source documents would miss from storage facility without trace. The Town Clerk is directed to ensure that officers responsible for the safe keeping of these documents are disciplined for this serious lapse. Your Committee also directs the Town Clerk to ensure that internal controls are enhanced and that important documents are secured expeditiously to avoid reoccurrence. Your Committee awaits a progress report.

#### **e) Unsupported Payment Vouchers**

The Town Clerk reported that an amount of K134,565 was paid to six officers and one institution of higher learning for staff training. The payments were based on the approval of both the Ndola City Council and the Local Government Service Commission. Documentation was available for verification.

The Town Clerk also reported that some of the said payment vouchers, which were not availed for audit, had been found and were available for verification.

### **Committee's Observations and Recommendations**

Your Committee observes with dismay that the Council is abrogating Local Authorities Financial Regulation No. 86. Your Committee also directs the Town Clerk to ensure that internal controls



are enhanced and that important documents are secured expeditiously to avoid reoccurrence. Your Committee awaits a progress report.

**f) Unretired Imprest**

The Town Clerk reported that the actual information was that only five officers represented sixty-seven transactions totaling to K501,520. However, the Committee was informed that the imprest had been retired and some documentation would be availed. Retirement forms to relevant payments vouchers had since been attached and were awaiting verification.

Your Committee was further informed that the Council had devised a system of attaching retirement forms to payments vouchers as and when they were retired by imprest holders contrary to filing them in separate box files.

**Committee's Observations and Recommendations**

Your Committee observes with concern that Local Authorities Financial Regulation No.119(1), which states that special imprest shall be retired immediately for the purpose for which it is issued has been fulfilled, has been abrogated. Your Committee also directs the Town Clerk to ensure that internal controls are enhanced and that important documents are secured expeditiously to avoid reoccurrence. Your Committee awaits a progress report.

**g) Failure to Avail Activity Reports**

The Town Clerk submitted that a circular had been issued to all officers to ensure that each time an activity was undertaken; a report was availed to the supervisor as confirmation of having undertaken such an activity. Further, a register had been put in place to capture any officer who went for a workshop.

**Committee's Observations and recommendations**

Your Committee observes with concern that there are no reports produced for audit for various activities undertaken by the Council, making it difficult to ascertain whether or not these activities took place. Your Committee urges the Town Clerk to ensure that all activities undertaken are supported by activity reports and accounted for. Your Committee awaits a progress report on the matter.

**h) Unaccounted for Stores – K15,255,048**

The Town Clerk reported that the Council had compiled the documents which at the time of audit were not availed. The same documents had been traced and ready for verification. The Town Clerk added that the lapse could have been due to the fact that the Council had received officers that had been transferred from various Councils in procurement section, which had an advanced data capture and filing.

**Committee's Observation and recommendations**

Your Committee finds the unaccounted for monies unacceptable. Your Committee sturdily urges the Town Clerk to ensure that Financial Regulation No. 145, which provides that a treasurer shall keep proper records of receipts and issue of stock and stores be adhered to. Your Committee awaits a progress report on the matter.

**i) Unacquitted Wages and Allowances – K542,515**

The Town Clerk reported that the acquittal sheets had been formalised and were ready for verifications. Your Committee was informed that all acquittal sheets were properly acquitted.

**Committee's Observation and recommendations**

Your Committee notes the submission and resolves to await a progress report.

**j) Failure to Remit Tax**

The Town Clerk reported that the Council had credited the ledger for ZRA with equal amount of K44,586.05 and the Council's indebtedness had increased with ZRA. He informed the Committee that the Council would now be paying settling-in-allowances through Payroll to ensure proper accountability of Pay As You Earn (PAYE).

**Committee's Observations and recommendations**

Your Committee notes the submission and urges the Town Clerk to ensure that the programme of liquidating the arrears by monthly commitments continues to avoid the debts accruing. Your Committee is awaiting a progress report.

**k) Irregular Payment of Social Holiday Allowance – K67,500**

The Town Clerk reported that Conditions of Service of 1996 that had not abolished the 2012 harmonised Conditions of Service were being followed. Payment of social holiday allowance had been stopped awaiting clarification on the matter by the Ministry of Local Government.

**Committee's Observations and recommendations**

Your Committee urges the Town Clerk to adhere to Ministry of Local Government and Housing Circular No.MLGH/101/8/4 which abolishes the payment of entertainment allowances such as social holiday and talk time allowances. Your Committee urges the Town Clerk to ensure that stipulated financial regulations are adhered to. Your Committee awaits a progress report on the matter.

**l) Non Recovery of Salary Advances – K78,600**

The Town Clerk reported that the said advances were recovered as indicated in the payroll reports. The Town Clerk informed the Committee that advances given to the thirty-seven officers were recovered accordingly and recovery reports were available for verification. The Council undertook to ensure that salary advances were recovered within the stipulated period.

**Committee's Observations and recommendations**

Your Committee observed with concern that contrary to Local Government Terms and Conditions of Service No.105 (d), recoveries in respect of salary advances have not been effected to date. Your Committee also directs the Town Clerk to ensure that internal controls are enhanced and that important documents are secured expeditiously to avoid reoccurrence. Your Committee awaits a progress report.

**m) Payments of Long Service Bonus**

The Town Clerk reported that all the officers were entitled to the said Long Service bonus. Your Committee was informed that the files containing the computations for the seventy-two officers

were available for verification. The Town Clerk assured your Committee that all relevant documents would be availed to the auditor.

#### **Committee's Observations and recommendations**

Your Committee is aware that the Ministry of Local Government Ministerial Circular No. MLGH/71/6/93 of 31<sup>st</sup> July, 2012 informs all local authorities of the abolishment of the Long Service bonus. Your Committee urges the Town Clerk to ensure that all funds are paid back by effecting deductions on their salaries. Your Committee awaits a progress report on the matter.

#### **n) Failure to Produce Title Deeds and to Insure Properties**

The Town Clerk reported that some Council properties had Title Deeds, whose Title was used as collateral for loans and bank overdrafts. Further, the Town Clerk reported that all council assets were insured with Zambia State Insurance Corporation (ZSIC) and the insurance policy documents were available for verification. Your Committee was informed that the Ministry of Land and Natural Resources had been engaged to survey and number the properties, which were not yet on Title. Insurance policy documents had been found and were available for verification. The Town Clerk assured your Committee that both old and new properties had documents of Title and that it would ensure that all assets were safeguarded by fully insuring them.

#### **Committee's Observations and recommendations**

Your Committee notes the submission and urges the Town Clerk to ensure that old and new properties have documents of Title and ensure that assets are safe-guarded by fully insuring them. Your Committee awaits a progress report.

#### **o) Irregularities in the Procurement of Motor Vehicles – Ford Rangers - K4,318,624**

The Town Clerk reported that the Ford Rangers were procured as personal-to-holder vehicles for its directors as per Conditions of Service. The 2016 Council budget had provided for the purchase of the vehicles. The Committee was informed that the purchase of the vehicles for the directors was a way of motivating them. However, there being no funds at the time, a finance lease, which was obtained from ZANACO, was opted for, thereby attracting interest thereon. The Council minutes approving the purchase of the eight Ford Rangers and the budgetary provisions were available for verification.

The Town Clerk assured your Committee that all procurement procedures were followed and undertook not to procure personal-to-holder vehicles through bank loans.

#### **Committee's Observations and recommendations**

Your Committee finds the purchase of the eight Ford Rangers for directors through a finance lease obtained from the Zambia National Commercial Bank (ZANACO) unacceptable. Your Committee wonders how Council management decided to acquire personal-to-holder vehicles on finance lease when the Council was facing liquidity problems.

Your Committee observes that the purchase of the vehicles lacks prudence and urges the Office of the Auditor General to use the Memorandum of Understanding (MoU) between his Office and the different law enforcing agencies to investigate the glaring irregularities in the Council thoroughly. Your Committee awaits a progress report on the matter.

**p) Irregularities in the Sale of Motor Vehicles**

The Town Clerk submitted that the twenty motor vehicles which were sold in 2014 had full Council blessings and minutes thereof were available for verification. The Town Clerk assured the Committee that the Council would endeavour to always adhere to Government guidelines and ensure that necessary approvals/authority was sought before embarking on the exercise of selling motor vehicles.

**Committee's Observations and recommendations**

Your Committee notes the submission and urges the Town Clerk to always adhere to guidelines and ensure that necessary authority is sought before embarking on the exercise of selling motor vehicles. Your Committee awaits a progress report.

**q) Investments**

**i. Investment in Kafubu Water and Sewerage Ltd**

The Town Clerk reported that Ndola City Council was a shareholder in Kafubu Water and Sewerage Company Ltd and that the draft financial statement reflected an amount of K74,290,660, as investment under non-current assets. The values were as per Statutory Instrument, which was available for verification, as issued by the Ministry of Local Government, arising from the valuation of assets to be surrendered to the water utility companies created.

**Committee's Observations and recommendations**

Your Committee notes the submission and resolves to await a progress report.

**ii. Management of the Commercial Ventures – Kafubu Inn and New Ambassador Hotel**

The Town Clerk reported that Kafubu Inn and New Ambassador Hotel were both wholly owned by Ndola City Council and were being operated by the Council as commercial ventures. Kafubu Inn had a capacity of twenty-six rooms and a workforce of thirty-three employees whereas New Ambassador Hotel had a capacity of thirty rooms and a workforce of forty-eight employees.

During the period under review, the two hotels recorded a net profit of K1,700,009. A scrutiny of records maintained by the two institutions revealed the following:

**i. Failure to Recover Hotel Bills**

During the year under review, Ndola City Council requested the two hotels to accommodate the newly employed Council employees and those on transfer from other municipalities. In this regard, meals and accommodation bills accrued in amounts totalling K3,140,414. As at 31<sup>st</sup> December, 2017, the bills had not been settled by the Council.

**Committee's Observations and recommendations**

Your Committee notes with concern the colossal sums that the Council is losing from the non-recovery of bills. Your Committee thus directs the Council Secretary to ensure that the Council's internal controls are enhanced. Your Committee awaits a progress report on the matter.

**ii. Failure to Remit VAT**

The Town Clerk admitted that the VAT had not been remitted. However, when the financial position of the two institutions improved, the Council would endeavor to remit the VAT. Your Committee was informed that all outstanding bills would be settled in installment and that discussions with ZRA were underway to remit the amounts.

**Committee's Observations and recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

**iii. Understatement of Revenue and Expenditure Figures - New Ambassador Hotel – K102,261**

The Town Clerk reported that the Council had adjusted the financial statements for New Ambassador Hotel. He reported that the Council had, through the office of assistant director of Finance-Revenue, devised a system of producing income and expenditure reports and improved on-spot checks on all commercial ventures.

**Committee's Observations and recommendations**

Your Committee notes the submission and awaits a progress report.

**iv. Missing Payment Vouchers - New Ambassador Hotel**

The Town Clerk submitted that the 128 vouchers not presented for audit had been found and were available for verification. Further, an officer had been specifically assigned to clearly label and document movement of auditable documents.

**Committee's Observations and recommendations**

Your Committee observes with concern that contrary to Local Authorities Financial Regulation No. 98 (1), payment vouchers with supporting documents, and any other forms which support a charge entered into the accounts, were not carefully filed and secured by the Council to be availed on audit. Your Committee also directs the Town Clerk to ensure that internal controls are enhanced and that important documents are secured expeditiously to avoid reoccurrence. Your Committee awaits a progress report.

**v. Unaccounted for Stores**

The Town Clerk submitted that the receipts had been found and were available for verification. Your Committee was informed that the procurement section had assigned specific officers to deal with stores matters to ensure that procured items were accounted for.

**Committee's Observations and recommendations**

Your Committee finds the unaccounted for monies unacceptable. Your Committee sturdily urges the Council Secretary to ensure that Financial Regulation No. 145, which provides that a treasurer shall keep proper records of receipts and issue of stock and stores be adhered to. Your Committee awaits a progress report on the matter.

**vi. Unsupported Payment Vouchers**

The Town Clerk acknowledged that payments were processed and paid without supporting documents. The missing supporting documents had been traced and attached to respective vouchers and were available for inspection. Further, specific officers had been assigned to ensure that all supporting documents were attached to vouchers.

**Committee's Observations and recommendations**

Your Committee observes with concern that Local Authority Financial Regulation No. 86 has been abrogated. Your Committee thus directs the Council Secretary to ensure that the Council's internal controls are enhanced so that financial documents are secured to avoid reoccurrence. Your Committee awaits a progress report on the matter.

**vii. Failure to Maintain Kafubu Inn**

The Town Clerk acknowledged the auditor's observation that the ceiling boards in the corridors and ladies' conveniences at Kafubu Inn needed attention. He informed the Committee that the rehabilitation works at Kafubu Inn were taking places and this was being done in phases. The works under observation were planned for and will be attended to in due course. He assured the Committee that Council assets would be regularly maintained.

**Committee's Observation and recommendations**

Your Committee urges the Town Clerk to ensure that the Council's properties are appropriately managed in order to protect the properties from dilapidation. Your Committee awaits a progress report on the matter.

**r) Overdrawn Bank Accounts – K5,885,827**

The Town Clerk noted the auditor's observation on the overdrawing of the eight cashbook bank balances as at 31<sup>st</sup> December, 2016. The Town Clerk informed the Committee that all the cheques on cashbooks, which had insufficient funds, had been cancelled. The cancelled cheques were available for verification. The Council undertook to make payments within the available funds.

**Committee's Observations and recommendations**

Your Committee observes with concern that there are no records for the overdrawn accounts so that it is not possible to ascertain the interest or charges to the Council in respect of servicing overdrafts. Your Committee urges the Town Clerk to ensure that the Council only makes payments within available funds. Your Committee is awaiting a progress report.

**s) Unremitted Statutory Contribution and PAYE**

The Town Clerk reported that part-payment to LASF had been made and that as and when funds were available, they would be remitted to the Zambia Revenue Authority (ZRA) and the National Pension Scheme Authority (NAPSA). The funds had not been remitted due to liquidity problems at the Council. The Committee was informed that as a safeguard, the Council had intensified debt collection to raise sufficient funds out of which these debts could be serviced.

### **Committee's Observations and recommendations**

Your Committee is concerned that failure to remit statutory obligations may lead to loss of public funds through penalties which may arise as a result of this default. Your Committee also urges the Town Clerk to explore innovative avenues of raising revenue in order to improve service delivery. Your Committee thus directs that all relevant documentation be submitted for verification and seeks a progress report on the liquidation of the outstanding statutory contributions.

#### **t) Failure to Follow Suppliers Payment Policy**

The Town Clerk acknowledged that the suppliers had not been paid for a period more than 200 days due to the liquidity problems the Council was facing. He reported that the Council had reduced collecting items from suppliers on credit and instead buying goods and services according to the finances available. Further, the Town Clerk reported that debt collection had been intensified to raise sufficient funds out of which these suppliers could be serviced.

### **Committee's Observations and recommendations**

Your Committee observes with concern that the Council owes various suppliers who have supplied various goods and services, contrary to the institution's payment policy of 2016 item 4 (Suppliers), which states that all suppliers shall be paid between forty and fifty days after the date of supplying goods or services. Your Committee urges the Town Clerk to ensure that payment for the suppliers of goods and services are expedited.

#### **u) Outstanding Staff Obligations – K66,754,892**

The Town Clerk reported that K66,754,892 was owed in respect of staff obligations but that this would be liquidated as and when funds became available. The Town Clerk assured the Committee that staff obligations would be promptly settled as they fell due to avoid litigations.

### **Committee's Observations and recommendations**

Your Committee urges the Council secretary to ensure that part payments for terminal benefits are made on a monthly basis so that they are liquidated as and when they fall due. Your Committee awaits a progress report.

#### **v) Unsettled Liabilities**

As at 31<sup>st</sup> December, 2016, the Council owed amounts totaling K2, 623,008 to utility companies in respect of unsettled water, electricity bills and medical bills among others.

### **Committee's Observations and recommendations**

Your Committee notes the submission and awaits a progress report.

#### **w) Management of Land**

##### **i. Lack of Separation of Duties**

According to the job descriptions and records pertaining to land management, land allocation matters were to be administered by the Legal Department headed by the Director, Legal Services. However, apart from being in-charge of internal audits, the chief internal auditor was also in-charge of land allocation.

### **Committee's Observations and recommendations**

Your Committee is aware that the mandate to fill vacant positions, particularly those in Divisions I, II and III lays with the Local Government Service Commission (LGSC), established under Article 228 of the *Constitution of Zambia (Amendment) Act No. 2 of 2016*. Your Committee urges the Council Secretary to ensure that the Commission is updated, quarterly, of the Council's staff returns to guarantee the smooth running of the organisation. Your Committee awaits a progress report.

#### **ii. Joint Venture with Henan Guoji Group for Development of Housing Units –Dola Hill**

### **Committee's Observations and recommendations**

Your Committee notes that the Town Clerk did not provide a response for the query on Joint Venture with Henan Guoji Group for development of 1,208 housing units on Stand No.LN8841/623 in Dola Hill in Ndola. Your Committee however, directs the Town Clerk to ensure joint venture is implemented without fail or if they are any impediments to cancel it to avoid litigation and loss of revenue. Your Committee awaits a progress report.

#### **iii. Uncollected Land Fees from the Sale of Plots**

The Town Clerk reported that arising from problems in land administration where a number of clients who paid land fees but could not be allocated plots demanded for refunds, the Council decided to suspend receipting of land fees based on charge sheets until the matter was resolved.

Your Committee was informed that the Council had written the bank to stop depositing land fees. Further, an adhoc Committee had been constituted to scrutinise the charge sheets issued in high cost, medium cost and low cost areas. The Town Clerk assured your Committee that it would endeavour to adhere to all the regulations and laws pertaining to land administration.

### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council to ensure that it collected all the rates from the Council buildings to boost its revenue. Your Committee further urges the Council to ensure that it updated the valuation roll in accordance with the provisions of the *Rating Act, No. 12 of 1997*. Your Committee resolves to await a progress report on the matter.

#### **iv. Unallocated Plots – Dola hill LN1002683, Dola Hill DH and Itawa**

### **Committee's Observations and recommendations**

Your Committee notes that the Town Clerk did not provide a response for the query on failure to advertise plots before allocating to the public in Dola Hill. Your Committee however, urges the Town Clerk to ensure that procedures regarding land allocation were followed before allocating any plots to the public. Your Committee awaits a progress report.



**v. Allocation of Plots to More than One Person – Dola Hill**

**Committee’s Observations and recommendations**

Your Committee notes that the Town Clerk did not provide a response for the query on allocating plots to more than one person in Dola Hill. Your Committee however, urges the Town Clerk to ensure that the allocation of plots to more than one person is rectified so the Council can start collecting revenue. Your Committee awaits a progress report.

**vi. Failure to Provide Site Plans**

The Town Clerk submitted that the Council, through the department of city planning, was working on the software database system, Geographic Information Systems (GIS) that would help with proper record-keeping of all site plans and maps. The Town Clerk reported that that the Council, through the department of city planning, would ensure that all approved site maps and plans were scanned and stored as a back-up of hard copies.

**Committee’s Observations and recommendations**

Your Committee observes with concern the failure by the Council provide site and map plans for audit scrutiny. Your Committee observes that without site plans, it is not possible to ascertain the number of plots demarcated and the total amount of revenue collected. Your Committee urges the Town Clerk to ensure that all approved site maps and plans were scanned and stored as a back-up of hard copies. Your Committee is awaiting a progress report.

**vii. Plots not Beaconsed**

The Town Clerk reported that plots in Chifubu and Mishishi were not beaconsed. The Council could not take any action because of the suspension of the land agency by the Minister of Lands, Environment and Natural Resources. As soon as the land agency was restored, the plots would be beaconsed before being issued to the public.

**Committee’s Observations and recommendations**

Your Committee notes the submission and urges the Town Clerk to expedite the process so that site plans can be numbered and approved by the Ministry of Lands, Environment and Natural Resources. Your Committee awaits a progress report.

**viii. Variance in Land Demarcation Chifubu and Pamodzi**

The Town Clerk reported that the query for variance in land demarcation for both Chifubu and Pamodzi area could be attributed to the use of Auto CAD for planning purposes, which was not accurate and geo referenced. As a result, there were variances in land demarcation in Chifubu and Pamodzi area.

The Town Clerk further reported that the Council, through the department of city planning, had introduced the Geographic Information Systems (GIS) in the capturing and planning of parcels of land as this would ensure accuracy for both what was on the plan and what was on the ground. The Council through the Department of City Planning would ensure that all layout plans were done using GIS to improve on the accuracy unlike AutoCAD which was not geo referenced.

### **Committee's Observations and recommendations**

Your Committee notes the submission and urges the Town Clerk to ensure accuracy in the capturing and planning of parcels of land to avert the variances. Your Committee awaits a progress report.

### **x) Environmental Management**

#### **iv. Failure to Produce Plans and Reports**

The Town Clerk submitted that all waste management activities were integrated in the strategic plan for waste management and would soon be submitted to Zambia Environment Management Agency (ZEMA) the minute it was ready and adopted by the Council. A copy of the plan and monthly reports were attached. The Town Clerk reported that waste management plans and reports would be prepared separately for each quarter and submitted to ZEMA on time.

### **Committee's Observations and recommendations**

Your Committee observes with concern that contrary to Clause 17, Section (1) of the Statutory Instrument No.13 of the Zambia Environment Management Agency (ZEMA) Act, which states that a local authority shall prepare and submit to ZEMA every three years an integrated waste management plan, the Ndola City Council did not submit any waste management plan during the period under review. Your Committee strongly cautions the Town Clerk and further directs that waste management plans and reports be prepared to ZEMA on time. Your Committee awaits a progress report.

#### **v. Collection and Transportation of Waste**

The Ndola City Council had a public health department which supervised the waste management unit that was responsible for the collection, management and transportation of solid waste to the dumpsite. The Council had the responsibility of collecting waste from town centre (Central Business District) and all other areas of the city, including markets, which were not serviced by private garbage collecting companies engaged by the council. A physical inspection of the markets and other collection points and examination of records revealed that was no documentary proof that staff handling waste were subjected to medical check-ups contrary to ZEMA licence conditions and regulations; annual reports on tonnage of waste handled and dumped at the dumpsite were not submitted to ZEMA; there was no weigh bridge at the dumpsite to weigh the tonnage transported by each transporter and transporters just drove in without any estimation of the tonnage being dumped and or recorded for later payments.

Further, there was neither a skip bin nor market dumping site for marketeers to dump waste for later collection by the Council. It was however observed that garbage from marketeers was kept in sacks and dumped on the sides around the trading areas whereas some traders kept waste from their merchandise below their market stands thereby posing health risks to everyone in the surrounding area, which included traders of various foodstuffs.

### **Committee's Observation and recommendations**

Your Committee notes the submission and urges the Town Clerk to come up with a system that is more accommodative to private companies to improve waste management services and help

curb the problem of illegal waste collectors. Your Committee awaits a progress report on the matter.

**vi. Solid Waste Transporters - Franchise Agreements**

The Ndola City Council was responsible for the management of solid waste in the city. This solid waste comprised solid waste from households, hotels and restaurants, markets, commercial, industrial and institutional entities and any other waste including dead animals and drain clearing wastes, but excluding hazardous waste.

Ndola had been divided into ten zones called waste management districts which were managed by private waste collectors who had been authorised by the Council through the Franchise agreements to collect waste. The Ndola City Council was responsible for collection of waste from the town centre and all other areas of the city including markets where the need may not have been met by the private companies.

The Council signed ten Franchise agreements for each district with various transporters to collect and transport waste to the authorised dump site. A client was free to choose either to sign up with a private company assigned to their area or with the Ndola City Council. However a review of the relevant documentation revealed the following observations:

**Committee's Observation and recommendations**

Your Committee urges the Town Clerk to come up with a system that is more accommodative to private companies to improve waste management services and help curb the problem of illegal waste collectors. Your Committee awaits a progress report on the matter.

**vii. Expired Franchise Contracts**

At the time of audit, contracts for three of the contracted companies namely Copperbelt Solid Waste Management, Kathumba Innovations Limited and Citi Mop Limited had expired.

**Committee's Observation and recommendations**

Your Committee urges the Town Clerk to ensure that contracts with the three companies are reviewed to improve waste management services and help curb the problem of illegal waste collectors. Your Committee awaits a progress report.

**viii. Failure to conduct Medical Examination on Staff**

Contrary to the environmental health regulations, staff employed by various transporters to handle solid waste was not subjected to medical examinations.

**Committee's Observation and recommendations**

Your Committee urges the Town Clerk to ensure that staff that handles solid waste is subjected to medical examinations for a healthy workforce. Your Committee awaits a progress report.

**ix. Transportation Equipment**

Contrary to the requirement of the law that required all transporters of solid waste to cover their vehicle/equipment to avoid littering the city when transporting waste to dumpsites, it was

observed that some lorries/trucks used in the transportation of solid waste were not covered thereby posing a risk of littering the city when in transit.

**Committee’s Observations and recommendations**

Your Committee urges the Town Clerk to ensure that lorries/trucks used in the transportation of solid waste are covered to avert a risk of littering the city when in transit. Your Committee awaits a progress report.

**x. Use of Uninsured Vehicles by Transporters**

Contrary to the terms and conditions that govern the transportation of solid waste, it was observed that transporters that were contracted under the franchise agreement did not comply with the guidelines as transporters were operating vehicles that were not insured.

**Committee’s Observations and recommendations**

Your Committee urges the Town Clerk to ensure that transporters contracted under the franchise agreement have their operating vehicles insured. Your Committee awaits a progress report on the matter.

**iv. Non-Payment of Franchise Fees by Transporters**

The Town Clerk reported that most of the contracted companies did not pay franchise fees for the waste management zones because of an increased number of illegal collectors operating in the same zones they had been registered under. Most of the illegal collectors had ZEMA licenses but did not have any contractual agreement with Ndola city Council nor were they sub-contracted by the franchised contractor of the Zone.

Hence, the Franchise contract was being revised so as to ensure that all franchise fees were actually paid immediately on commencement of contracts and before the start of operations as this would improve compliance.

**Committee’s Observations and recommendations**

Your Committee urges the Town Clerk to come up with a system that is more accommodative to private companies to improve waste management services and help curb the problem of illegal waste collectors. Your Committee awaits a progress report on the matter.

**v. Illegal Dumping of Waste – Mine Masala Market**

The Town Clerk reported that like many other markets in Ndola, garbage collection from Mine Masala market was a serious challenge, especially during the period under review. This was mainly due to lack of equipment as most of the vehicles used for this purpose had broken down as was noted in the audit.

The Town Clerk reported that the Council had since put up four garbage collection trucks on the road bringing the total to seven trucks in the garbage collection service. This had improved the effectiveness and efficiency of the Council. Furthermore, the Council had embarked on a collection of waste in historical sites and also signing up commercial proprietors in markets so as to raise some income that would help in maintaining the service provision.

### **Committee's Observations and recommendations**

Your Committee urges the Town Clerk to intensify public awareness on the responsibility of waste producers in residential areas to help curb the current problem of illegal dumping in streets and markets. Your Committee is awaiting a progress report.

#### **vi. Illegal Transporters of Solid Waste**

The Town Clerk reported that the allocation of waste management zones to contractor companies was done through a bidding process. Ndola had been divided into ten waste management zones. All companies were welcome to bid for these zones but only the companies which met the requirements in terms of equipment and experience were selected. In the past years, including during the period under review, there had been a challenge of illegal waste collectors. However, ZEMA may have contributed significantly to this problem. Ndola City Council intended to have an audience with ZEMA so as to find a way forward.

Only five companies signed a franchised contract with Ndola City Council during the period under review, namely: Clean Friends Enterprises, Kathumba Innovations, COPWASTE, Rojo and City Mop. However, not all these companies were able to pay the Franchise fees. Others had not paid due to illegal collection of waste by small companies which were not registered by Ndola City Council but were issued with the ZEMA licenses to transport waste. A legal case on this matter was still with Council Legal department.

Your Committee was informed that the Council had since advertised its waste management zones so that interested companies could bid for these areas. Only companies that met the minimum number of equipment and experience would be allocated in the waste management zones. A Company could apply for two or more zones if it had the capacity to meet the demand for waste management services in those zones. Further, the Council assured the Committee that it would ensure that all companies that dumped waste at the dumpsite paid the necessary fees.

Furthermore, the Council was working on making the system more accommodative to private companies by allowing the companies which would not manage to bid for the waste management districts to enter into an agreement with the respective companies allocated in the zones as this would help improve waste management services in the city as well as help curb the problem of illegal waste collectors.

### **Committee's Observations and recommendations**

Your Committee observes with concern that contrary to Clause 12 Section (1), of the ZEMA Act, which requires every person who intends to handle solid waste to apply to ZEMA for a waste management licence, many transporters who are contracted to collect and dispose of solid waste at the Kaloko dumpsite have no licences. Your Committee urges the Town Clerk to come up with a system that is more accommodative to private companies to improve waste management services and help curb the problem of illegal waste collectors. Your Committee awaits a progress report.

#### **vii. Failure to Maintain Waste Management Equipment**

The Town Clerk submitted that due to some financial challenges which Ndola City Council had encountered, especially during the period under review, it was unable to repair some of our

vehicles which had broken down. However, there had been significant improvement in this area since. The Council had since put a total of four garbage collection trucks on the road bringing the total to seven trucks in the garbage collection service. This had significantly improved the Council's effectiveness and efficiency.

**Committee's Observations and recommendations**

Your Committee notes the submissions and resolves to close the matter subject to audit verification.

**viii. Dumpsite Management**

**Committee's Observations and recommendations**

Your Committee notes that the Town Clerk did not provide a response for the query on dumpsite management. Your Committee, however, urges the Town Clerk to ensure that the Council strictly adheres to the legal provisions in dumpsite management and among other things avoid dumping of medical wastes, fence the dumpsite and provide sign posts to alert and warn the public of the dumpsite. Your Committee awaits a progress report.

**AUDIT QUERY                      PARAGRAPH 36**

**PEMBA DISTRICT COUNCIL**

**a) Establishment –Failure to Fill Key Positions**

The Council Secretary reported that at the time of audit some key positions were not filled, resulting in the engagement of a private company to survey plots at a cost of K178,620.

However, the Council was pleased to inform the Committee that the LGSC conducted meetings with management of all local authorities in Southern Province where updated staff establishment registers and reports on staffing needs were submitted. The Council Secretary submitted that LGSC had since deployed staff to address the staffing deficiencies in the Council. The number of staff at the Council had since increased from fifty-three to seventy-four at the time of audit.

As regards the amount of K178, 620 paid to a private surveyor, the Council Secretary submitted that the Council was yet to be established as a planning authority and the activities in question were one off and engaging a fulltime land surveyor and chief evaluation officer would not have been cost beneficial.

Your Committee was informed that the LGSC had since commenced filling in the vacant positions in the Council. The position of chief human resource officer had since been filled to assist with regular reviews of the staffing needs of the Council and to promptly bring to the attention of management and the Council any vacant posts that needed to be filled for onward submission to the LGSC accordingly.

### **Committee's Observations and recommendations**

Your Committee notes the submission and urges the Council Secretary to promptly bring to the attention of the LGSC the vacant positions so that they are filled for smooth running of the Council. Your Committee awaits a progress report.

#### **b) Failure to Collect Rentals – K10,500**

The Council Secretary informed your Committee that the houses in question were in a very rural area, had been in a dilapidated state for many years and were currently not habitable. The two tenants in question were a teacher and an officer from World Vision, who were transferred to the area and sought to seek shelter in the Council houses. However, they vacated the premises as they were not in a habitable state. The Council had since traced the tenants and issued them with demand notices for the payment of the outstanding rentals. The defaulting tenants also signed payment commitment plans. The copies for the notices and commitment plans were available for verification.

The Council Secretary reported that LGSC had since sent the Council two experienced revenue collectors and a chief administration officer to enable prompt follow-ups on all outstanding rental revenues and breaches in tenancy agreements.

### **Committee's Observation and recommendations**

Your Committee notes the submission and urges the Council Secretary to request for revenue collectors from the LGSC to enable prompt follow-up on all outstanding rental revenues and breaches of tenancy agreements. Your Committee awaits a progress report.

#### **c) Misapplication of Funds – K2,317,425**

The Council Secretary admitted and regretted the misapplication of the Fund. However, your Committee was informed that the newly established rural district had few sources of revenue and was therefore mostly dependent on government support to finance its operations.

During the financial years under review, the Council was receiving only K179,697 as Equalisation Fund on a monthly basis whilst the monthly salaries/wage bill stood at K165,586.95, adding that this made it difficult for the Council to set aside the 20 percent for capital expenditure. The Council had written the Ministry of Local Government to ratify the Council's decision to use the 20 percent capital expenditure of the Fund to finance Council operational costs.

The Council Secretary further informed the Committee that the Government had increased the Equalisation Fund to the Council and the Council was in the process of building a motel to enhance revenue collection. The Council had also developed a Strategic Plan in line with Seventh National Development Plan (7<sup>th</sup>NDP) and Vision 2030, to help guide the implementation of the development agenda of the district.

Your Committee heard that as part of the implementation of the plan, the Council was working closely with various government ministries and departments to initiate industrial and other economic activities in the district, which in turn would bring about the much needed development to sustainably enhance the Council's own-source revenue base.

### **Committee's Observations and recommendations**

Your Committee is aware that the *Local Government (Amendment) Act No.12 of 2014* establishes the Local Government Equalisation Fund and that 20 percent of this Fund is specifically for capital projects. Your Committee therefore does not accept the reasons given and directs the Council Secretary to ensure that the funds are fully reimbursed and used for its intended purpose i. e capital projects. Your Committee awaits a progress report.

#### **d) Weaknesses in the Non-Current Asset Management**

The Council Secretary admitted that the Council's immovable properties did not have Title Deeds. Your Committee was informed that all the immovable non- current assets, with the exception of the ten houses being constructed by the Government, were inherited from the parent Council, Choma Municipal Council, and no Title Deeds were transferred to Pemba Town Council when Pemba was established as a district.

Further, the Council Secretary informed your Committee that the Council wrote Choma Municipal Council requesting for Title Deeds and ownership documents for all assets to be transferred to Pemba Council. Unfortunately, Choma Council did not also have the Title Deeds. Furthermore, your Committee was informed that the Council proceeded to request the Ministry of Lands for the duplicate Title Deeds to which the Council received a demand notice. Currently, the Council was waiting for the Ministry of Land to issue the Title Deeds.

The Council Secretary reported that the Council Management had tasked the department of planning to begin the process of acquiring Title Deeds for all land reserved for its developments such as the land for the construction of the Council motel, new civic centre, fire brigade, Council houses and so on, as this would ensure that the problem of lack of Title Deeds for Council properties was addressed.

### **Committee's Observations and recommendations**

Your Committee notes the submission and awaits a progress report.

#### **e) Failure to Insure Motor Vehicles**

The Council Secretary regretted the non-insurance of Council motor vehicles in the financial years under review.

He added, however, that this was due to lack of finances to meet insurance premium costs for the motor vehicles. The Council Secretary informed the Committee that all motor vehicles belonging to the Council had since been insured with the exception of one vehicle which was a non-runner.

The Council Secretary further reported that the Council had developed a motor vehicle maintenance policy which was approved by full Council which amongst other things compelled management to ensure that all motor vehicles were accordingly insured.

### **Committee's Observation and recommendations**

Your Committee notes the submission and awaits a progress report.



**f) Lack of Maintenance Policy**

The Council Secretary reported that in the financial years under review, the Council did not have a maintenance policy. However, the buildings in question were inherited from Choma Council in a dilapidated state. Due to financial constraints, renovation of the same buildings was not amongst the priorities as there were numerous challenges competing for the same meagre resources of the Council.

Your Committee was informed that a maintenance policy had since been developed and approved by full Council to guide management in the maintenance of Council properties. The Council had also renovated the building that housed the finance and administration departments and would soon complete the renovation of the main civic centre. The maintenance policy was available for verification.

**Committee's Observation and recommendations**

Your Committee notes the submission and awaits a progress report.

**g) Failure to Pay Benefits**

The Council Secretary submitted that a total of K213,178, as terminal benefits, was owed to the former Council employees. The Council failed to liquidate this debt in the financial years under review due to insufficient funds to meet operational expenses. However, the Council had since paid a total of K251,500 and was now only remaining with a total of K138,178.29 from the original total amount of K389,678.29. Further, the Council had put in place a payment plan on how it intended to liquidate the terminal benefits owed to the former employees and awaits progress report.

Your Committee was informed that the Council had put in place strategies to enhance revenue collection, such as construction of the motel, as this would help it pay off terminal benefits owed to former employees.

**Committee's Observation and recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that the construction of the motel is expedited so that terminal benefits owed to former employees are paid off. The Committee resolves to close the matter subject to audit verification.

**h) Illegal Developers along Kasiya Road**

The Council Secretary reported that there were illegal developments along Kasiya road and no action had been done to rectify the situation by the time of audit. The Committee was informed that the illegal developments were all along or near the boundary of Pemba and Monze Chiefdom and that it was this same confusion over the boundary that had resulted in the illegal developments.

It was further reported by the Council Secretary that stop-order notices were issued to all illegal developers in the area and a letter was also written to His Royal Highness Chief Monze to inform him of the Council's move to stop the illegal development as well as to request that His Royal Highness and his subjects cease to issue plots in the area as it was within township boundaries.

Your Committee was informed that the Council was re-planning the area and hoped to normalise and integrate most of the developments into the new plan. The Council was also conducting regular routine operations to ensure that no one was defying the stop orders and that no new illegal developments took place in the area.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that the situation is rectified. Your Committee awaits a progress report.

## **AUDIT QUERY                      PARAGRAPH 37**

### **PETAUKE DISTRICT COUNCIL**

#### **Review of Operations**

An examination of accounting records and other relevant documents maintained at the Petauke District Council and a physical inspection of projects carried out in October 2017 revealed the following:

#### **a)        Misapplication of Funds for Capital Projects**

The Council Secretary reported that equalisation funds, which were the major source of personal emoluments, sent to Petauke Town Council were not enough to cater for staff salaries and Wages. The Council Secretary acknowledged the auditors' observations and reported that the Council had since started reimbursing the misapplied funds and so far K452,518 had been reimbursed as of December, 2017, leaving a balance of K114,679.

Further, the Council would remit K50,000 every month to offset the outstanding balance. Documentation was available for audit verification. As a remedial measure, the Council was planning to increase the revenue base so that other expenses in relation to personnel emoluments could be paid using local resources. Further, the Council was updating the valuation roll and had since written the Ministry of Local Government for the appointment of the Valuation Surveyor.

#### **Committee's Observation and recommendations**

Your Committee is aware that the *Local Government (Amendment) Act No.12 of 2014* establishes the Local Government Equalisation Fund and that 20 percent of this Fund is specifically for capital projects. Your Committee, therefore, urges the Council Secretary to come up with a repayment plan to reimburse the money as well as increase the revenue base so that other expenses in relation to personnel emoluments could be paid. Your Committee awaits a progress report.

#### **b)        Failure to Prepare Financial Statements**

Section 43(3) of the Local Government Act Chapter 281 of the Laws of Zambia required the proper preparation of accounts, balanced, summarised, certified under the hand of the treasurer of the Council and presented to the Council meeting within six months after the end of the Financial Year of the Council or within such longer period as the Minister may determine. However, contrary to the above provision, the Council did not prepare financial statements for the financial year ended 31<sup>st</sup> December, 2016.

The Council Secretary informed your Committee that some details that formed part of financial statements included assets. However, most of the Council assets were not valued. Some vehicles were donated and ownership documents and values were not passed to the Council. The Council Secretary reported that the Council had finalised the preparation of the financial statements for the period under review which were approved at a Council meeting. The statements were available for audit verification.

#### **Committee's Observation and recommendations**

Your Committee observes with concern that the officers in the accounts department failed to prepare financial statement for such a long period. Your Committee finds it unacceptable that such an important activity was neglected by the officers. Your Committee sternly cautions the officers for the failure. Your Committee further urges the Council secretary to ensure that all financial statements for the period under review are prepared and audited without further delay. Your Committee awaits a progress report on the matter.

#### **c) Under-collection of Receivables**

The Council Secretary reported that this was due to the Council having few revenue collectors. However, the Local Government Service Commission (LGSC) had since sent more revenue collectors which would enhance revenue collection. Further, the Council Secretary reported that the Council had since issued demand notices, warrants of distress, engaged bailiffs and sensitised the community through various forms of media to help improve collection efficiency.

Your Committee was informed that the Council had since resolved to undertake timely engagement of debt collectors and bailiffs for defaulting debtors. The Council had also embarked on a robust sensitisation of the public on the need to pay Council levies and the consequences of not paying. It was further investing in capital ventures in markets, toilets, abattoir, Nyika Motel and opening up of land, to increase the revenue base.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council to ensure that it collected all the rentals from the Council buildings to boost its revenue. Your Committee will await a progress report on the matter.

#### **d) Lack of a Strategic Plan**

The Council Secretary reported that the strategic plan expired in 2015. The Council had not yet raised enough funds to prepare the strategic plan. However, a consultant had been engaged to work on the strategic plan and, so far, a part payment of K55,000 had been paid to the consultant. A copy of a payment voucher was attached for verification. The Council had resolved to commence the preparation of a strategic plan one year before it expired.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council to expedite the preparation of an updated Strategic Plan that is in line with the provisions of the Seventh National Development Plan. Your Committee will await a progress report on the matter.

**e) Lack of a Procurement Plan**

The Council Secretary reported that in the absence of a strategic plan it was difficult for the Council to come up with a comprehensive procurement plan. However, the Council was using the annual budget estimates as a guide to procure goods and services.

The Council Secretary reported that it had documented evidence of the procurement plans for 2017 and 2018, respectively. Your Committee was informed that the Council would ensure that procurement plans were in place before the completion of the budget preparation for each year.

**Committee's Observations and Recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

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

The Council Secretary submitted that during the period under audit, the Council was using audit and local Government financial manuals which covered extensively on risk management in local authorities as the Council was yet to develop a robust risk management policy covering all areas of operations.

The Council acknowledged the auditors' observations and reported that it had in place a draft risk management policy awaiting Council approval. The Council undertook to ensure that the risk management policy, once in place, would be revised annually and brought to the attention of all employees and the Council. Documentation is available for audit verification.

**Committee's Observations and Recommendations**

Your Committee notes the submission and directs the Council Secretary to ensure that the Risk Management Policy is finalised and put in place, expeditiously, in order to mitigate risks that might be detrimental to the operations of the Council. Your Committee awaits a progress report on the matter.

**g) Failure to Fill Vacant Posts**

The Council Secretary submitted that the Council had not yet received all the officers requested for from the Local Government Service Commission (LGSC) to fill the vacant positions. The Council Secretary reported that the mandate to employ Council officers in Division I to III lay with the LGSC.

The Council Secretary reported that quarterly staff returns were being submitted to the LGSC. Further, recommendations had been made to have some of the positions filled by the Commission. Also, seven out of the nineteen cited vacancies, including the key position of director of works, had since been filled. Correspondence and appointment letters were available for audit verification. Your Committee was further informed that the LGSC was scheduled to visit the district to undertake a physical staff audit and fill-up all the vacancies within the second quarter of 2018. The Council undertook to ensure that it made timely follow-ups to the Commission to fill-up key vacant positions.

### **Committee's Observation and recommendations**

Your Committee is aware that the mandate to fill vacant positions, particularly those in Divisions I, II and III lies with the Local Government Service Commission (LGSC), established under Article 228 of the Constitution of Zambia (Amendment) Act No. 2 of 2016. Your Committee urges the Council Secretary to ensure that the Commission is updated, quarterly, of the Council's staff returns to guarantee the smooth running of the organisation. Your Committee awaits a progress report.

#### **h) Poor Maintenance of a Register of Accountable Documents**

The Council Secretary submitted that at the time of the audit, the officer-in-charge of accountable documents at the market was on leave, hence the information was not provided. The Council Secretary reported that all the receipt books were recorded in the register of accountable documents before being issued out. The register and the bank statement, which had since been retrieved, were available for audit verification. The Council resolved that all Council accountable documents should be kept by the office of the deputy treasurer to ensure accountability.

### **Committee's Observation and recommendations**

Your Committee notes the submission and thus directs the Council Secretary to ensure that the Council's internal controls are enhanced so that accountable documents are secured to avoid reoccurrence. Your Committee awaits a progress report on the matter.

#### **i) Management of Nyika Motel**

##### **Uncollected Debt from Council Officers**

The Council Secretary reported that Nyika Motel did have in place a formal credit policy. He reported that the Council had since recovered the amount of K6,252 from the cited officers. The said amount had since been paid to Nyika Motel and that documentation was available for audit verification.

### **Committee's Observations and recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

##### **Failure to Inscribe Government Assets**

The Council Secretary reported that the Council did not have a proper machine to inscribe the assets and was using ink to label assets. Your Committee was informed that the assets were branded with the Council's identification marks as required by the Local Government Finance Act. The Council Secretary further reported that the Council did maintain an asset register and this was available for audit verification. The Council resolved to procure a machine for inscribing the assets.

### **Committee's Observations and recommendations**

Your Committee notes that contrary to Public Stores Regulation No. 154, which requires all furniture and equipment belonging to the Government to be clearly marked with distinguishing letters of Government of the Republic of Zambia (GRZ) in an inconspicuous part of the asset to

identify it as a Government property, various assets for the motel did not identification marks. Your Committee urges the Council secretary to expeditiously procure a machine for inscribing the assets. Your Committee awaits a progress report on the matter.

#### **Failure to Remit Value Added Tax (VAT)**

The Council Secretary reported that the VAT account was closed while ZRA upgraded the system. The Council Secretary reported that the Council had since put in place a payment plan with ZRA in which an initial K20, 000 had been paid and, subsequently, a monthly payment of K5,000 was remitted towards offsetting the outstanding amount. The Council had, in view of the fact, registered for turnover tax with ZRA. The Council venture was now up to date with turnover tax payments. Documentation was available for audit verification.

#### **Committee's Observation and recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

### **j) Management of other Council Properties**

#### **Failure to Insure Movable Assets**

The Council Secretary reported that the Council did not possess the ownership documents for some of the vehicles, especially those that were donated by co-operating partners and the Ministry of Local Government. The Council Secretary informed the Committee that the Council was in the process of acquiring ownership documents for the cited motor vehicles. Further, all running movable assets, whose documentation was available for audit verification, had since been insured. The Council Secretary assured the Committee that the Council had always endeavoured to follow-up on ownership documents whenever an asset was donated and where the assets was procured by the Council, the assets register was updated immediately the asset was delivered.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern at the non-insurance of the Council's properties and urges the Council to insure the properties without fail as that guaranteed compensation in the event of any loss or damage.

#### **Lack of Title Deeds for Council Property**

The Council Secretary submitted that forty-four of the assets cited were in the outskirts of the district and were built by the rural Council. The properties were sitting on unsurveyed land and not numbered. The Council did not insure properties due to lack of ownership documents and values. The Council Secretary reported that the forty-four properties were in the chiefdoms and belonged to the traditional leadership and the Ministry of Chiefs and Traditional Affairs. Further, the Office of the Surveyor General had since started surveying the land with a view to obtain Title Deeds for them. Documentation was available for audit verification.

The Council undertook to ensure that all assets acquired and constructed would be properly documented and the process of obtaining Title Deeds expedited. Two different departments had

been assigned to make follow-ups. One company would follow-up on moveable assets while the other would follow-up on non-moveable assets.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Council had no Title Deeds for a number of its properties and therefore, recommended that the Council should engage the Provincial Lands Office on how best they could help the Council to acquire its title deeds promptly. Your Committee will await a progress report on the matter.

### **k) Utilisation of Grants Received**

Petauke District Council received funds in amounts totalling K6,204,864.39 as Local Government Equalisation Fund grants from the Ministry of Finance and National Planning (MFNP) for the year ended 31<sup>st</sup> December, 2016. An examination of accounting and other records maintained at the Council and inquiries with management regarding the utilisation of the funds revealed the following:

#### **Irregular Use of Imprest**

The Council Secretary reported that at the time when the transactions took place the only place where such goods could be obtained was Lusaka and the cost of items was not ascertained. The Council Secretary reported that the Council had since stopped the trend of using imprest to procure goods and services but instead paid directly to suppliers. The Council was now adhering to Financial Regulation No. 86(c) and this could be confirmed from transactions for 2017. The Council undertook to always obtain three quotations for price comparison and pay directly to suppliers.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

#### **Unretired Accountable Imprest**

The Council Secretary reported that there was no readily available supplier with the goods and the goods were urgently needed. The Council Secretary submitted that the cited accountable imprest had since been retired and documentation was available for audit verification. The Council undertook to always obtain three quotations for price comparison and pay directly to suppliers.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

#### **Failure to Remit Statutory Obligations**

The Council Secretary reported that the equalisation fund being sent was not enough to cater for the gross salaries and wages of the Council. The Council Secretary acknowledged the auditors' observations and reported that the Council had agreed on a debt swap involving land with NAPSA while discussions with LASF seeking debt swap with land were ongoing. Further, the Council Secretary informed the Committee that payment plans had been agreed upon with ZRA

and Workers Compensation so that K10,000 and K5,000 was paid per month for the arrears while clearing the current bills.

Your Committee was further informed that Petauke Town Council was planning to increase the revenue base so that other expenses in relation to personal emoluments could be paid using local resources. The Council was updating the valuation roll where the Council had written the Ministry of Local Government for the appointment of the valuation surveyor.

### **Committee's Observations and Recommendations**

Your Committee observes that the Councils were spending the 20 percent project component of the Equalisation Fund on non-capital projects and, therefore, strongly recommended that the Ministry of Local Government should sensitise the Town Clerks and Council Secretaries on the need to broaden their revenue bases in order to stop misapplying the Fund on non-capital projects such as personal emoluments. The Committee further urges Chipili District Council to ensure that it utilized the 20 percent capital component of the Equalisation Fund on capital projects only.

Further, your Committee observes with concern that the failure to remit statutory obligations may result in serious penalties and eventual loss of colossal sums of the much needed financial resources. The Council secretary is therefore urged to ensure that all statutory contributions are remitted to the respective institutions without further delay and that more revenue generation options are explored to improve the Council's revenue base. Your Committee awaits a progress report on the matter.

## **AUDIT QUERY                      PARAGRAPH 38**

### **SERENJE DISTRICT COUNCIL**

#### **Review of Operations**

An examination of accounting and other records maintained at the Council and physical inspection of assets and selected projects carried out in April and June, 2017, revealed the following:

#### **a)        Failure to Collect Revenue**

The Council Secretary indicated that the failure to collect revenue was due to understaffing in the Council and resistance from the community. However, the Council had since engaged revenue collectors on commission basis, further, the Council was mounting up check points and sensitising the community. The Council Secretary assured your Committee that a dove billing system had been introduced and that there would be continued monitoring of revenue collection.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Council Secretary to ensure that quarterly staff returns are submitted to the Local Government Service Commission to guarantee the smooth running of the Council. Your Committee awaits a progress report.



**b) Failure to Fill Vacant Positions**

The Council Secretary reported that it was the responsibility of the Local Government Service Commission (LGSC) to employ officers in Division I, II, and III. The Council Secretary reported that eighty positions out of ninety-five had since been filled by the LGSC and that in order to ensure that there are no vacant positions, quarterly staff returns were being submitted to the Commission.

**Committee's Observations and Recommendations**

Your Committee observes with concern that service delivery may be affected negatively in the Council if recruitment to fill up the vacant positions is delayed. Your Committee urges the Local Government service Commission (LGSC) to ensure that all vacant positions are filled up with competent and qualified staff without any further delay. Your Committee awaits a progress report on the matter.

**c) Lack of Strategic Plan**

The Council Secretary reported that the lack of a strategic plan was due to understaffing at the Council. However, now that key positions had been filled by the LGSC, the strategic plan, which would be reviewed annually, was in place.

**Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council to expedite the preparation of an updated Strategic Plan that is in line with the provisions of the Seventh National Development Plan. The Committee will await a progress report on the matter.

**i. Failure to Prepare Financial Statements**

The Council Secretary submitted that most of the assets were not valued due to understaffing in the finance department. The Council Secretary however reported that since key positions had since been filled by the LGSC, valuation of assets was in process. The Council Secretary assured your Committee that in order to ensure that financial statements were prepared; the Council would update the asset register annually.

**Committee's Observations and Recommendations**

Your Committee notes with dismay that section 43(3) of the Local Government Act, Chapter 281 of the Laws of Zambia, which requires the accounts to be prepared and certified under the hand of the treasurer of the Council and presented to the Council meeting within six months after the end of the financial year of the Council or within such longer period as the Minister may determine has not been adhered to. Your Committee urges Council Management to ensure that the accounts are audited without further delay and resolves to await a progress report on the matter.

**ii. Outstanding Receivables**

The Council Secretary reported that outstanding receivables were as a result of understaffing at the Council as well as resistance from the community. The Council had however engaged revenue collectors on commission basis, mounted check points, sensitised the community and formed a revenue taskforce. Further, the Council had reopened the youth recreation centre from

the youth club, issued demand notices, introduced a dove billing system and was continuously monitoring revenue collection.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council to continuously monitor revenue collection. Your Committee awaits a progress report on the matter.

#### **iii. Misapplication of Equalisation Funds**

The Council Secretary informed your Committee that the misapplication of the 20 percent meant for capital expenditure was due to lack of adequate funds to cater for salaries and wages. Your Committee was informed that the Council had since opened a separate capital account where the 20 per cent meant for capital projects was being transferred once received. The Council Secretary reported that the misapplied funds would be reimbursed.

### **Committee's Observations and Recommendations**

The Committee observes that the Councils were spending the 20 percent project component of the Equalisation Fund on non-capital projects and, therefore, strongly recommended that the Ministry of Local Government should sensitise the Town Clerks and Council Secretaries on the need to broaden their revenue bases in order to stop misapplying the Fund on non-capital projects such as personal emoluments. The Committee further urges Chipili District Council to ensure that it utilised the 20 percent capital component of the Equalisation Fund on capital projects only. The Committee resolves to close the matter.

#### **iv. Contract for the Refurbishment of the Council Secretary's Residence**

The Council Secretary reported that the Council entered into a labour only contract to execute the refurbishment of the Council Secretary's residence at a contract sum of K25,779 for duration of three weeks. The refurbishment was to be funded under the 20 percent Equalisation Fund. As at 31<sup>st</sup> March, 2017, the contractor had been paid a total amount of K20,850. The following was however, observed:

### **Committee's Observation and recommendations**

Your Committee observes with concern that the refurbishment of the house would be done using part of the Equalisation Fund. Your Committee directs the Council Secretary to ensure that the funds are fully reimbursed and used for its intended purpose. Your Committee awaits a progress report.

#### **i) Lack of Competitive Procurement of Contractor**

The Council Secretary submitted that the Council used the direct bidding method due to the emergency of works to be carried out. All the works carried were advertised and procurement procedures adhered to.

### **Committee's Observation and recommendations**

Your Committee observes with concern that contrary to Section 32(2) of the Public Procurement Act, the Council entered into the contract with the contractor using the direct bidding method. Your Committee wishes to enlighten the Council secretary that only when there is urgent need for the goods, works or services, and it is impractical to use other methods of procurement

because of the time involved in using those methods, can the Council use the direct bidding method. A progress report is being awaited.

**ii) Works Undertaken without the Approval of the Council**

The Council Secretary reported that the Council was on recess and, Management resolution, was to be taken for ratification once the Council resumed, hence the renovations.

**Committee's Observation and recommendations**

Your Committee notes the submission and urges the Council secretary to ensure that the management resolution is taken for ratification once the Council resumes. Your Committee resolves to close the matter subject to audit verification.

**a) Failure to Remit Statutory Obligations and PAYE**

The Council Secretary submitted that failure to remit statutory obligations and PAYE was due to inadequate funds to cater for the wage bill. However, the Council was sourcing for funds to settle the debt which it would try to clear in part-payments.

**Committee's Observation and recommendations**

Your Committee observes with concern that the failure to remit statutory obligations may result in serious penalties and eventual loss of colossal sums of the much needed financial resources. The Council Secretary is, therefore, urged to ensure that all statutory contributions are remitted to the respective institutions without further delay and that more revenue generation options are explored to improve the Council's revenue base. Your Committee awaits a progress report on the matter.

**h) Indebtedness of the Council to its Employees/Staff Obligations**

The Council Secretary submitted that the Indebtedness of the Council to its Employees/Staff Obligations was due to lack of funds. However, the Council had come up with a payment plan to settle the debt as well as a plan for officers to go on leave.

**Committee's Observations and Recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

**i) Irregularities in the Disposal of Motor Vehicles**

The Council Secretary assured your Committee that all procurement procedures would be adhered to and that no motor vehicle shall be disposed of without the authority of the ministry.

**Committee's Observations and Recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

**j) Failure to Insure Immovable Assets**

The Council Secretary submitted that the failure to insure immovable assets was due to lack of funds. The Council had since insured the immovable assets and undertook to maintain an annual insurance policy.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that in line with the Local Authorities (Financial) Regulations Part XVII No. 154, which states that the treasurer shall take out insurance cover against losses, damages, risks and liabilities, all its immovable assets. Your Committee awaits a progress report on the matter.

#### **k) Failure to Insure Movable Assets**

The Council Secretary reported that this was due to lack of funds. However, the movable assets had since been insured and the Council endeavoured to maintain an annual insurance policy.

### **Committee's Observations and Recommendations**

Your Committee observes with concern that contrary to the Roads and *Road Traffic Act Cap 464 of the Laws of Zambia*, Section 133, which required that all motor vehicles using public roads must have a minimum of third party insurance cover, but Council motor vehicles and equipments have not been insured, thereby risking loss. Your Committee recommends that the Council, as a matter of urgency, insure the properties as soon as possible and awaits a progress report.

#### **l) Surveying of 299 Plots**

The Council Secretary reported that the contract, which had no terms of references, had since been revised to include all the terms of reference. Further, the Council had since devised a standard contract form.

### **Committee's Observations and Recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

#### **m) Operations of the Fire Services**

##### **i. Non Remittance of 50 percent of Revenue from Fire Certificates Collection**

The Council Secretary submitted that the money was paid to the supplier to procure uniforms and other items. The Council had since started setting aside the 50 percent fire certificate revenues.

### **Committee's Observations and Recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

##### **ii. Absence of a Fire Station**

The Council Secretary reported that the absence of a fire station was due to lack of funds. However, the Council had since advertised for the construction of fire station.

### **Committee's Observations and Recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

##### **iii. Understaffing of the Fire Services Unit**

The Council Secretary submitted that the Local Government service Commission (LGSC) was responsible for the employment of fire officers and that some officers had been sent to fill the

vacant positions. The Council undertook to submit quarterly returns of vacant positions to the LGSC.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

#### **iv. Failure to Insure Fire Officers**

The Council Secretary reported that the failure to insure fire officers during the period under review was due to lack of funds. However, all the fire officers had since been insured.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

#### **n) Recreation Centre**

##### **i. Failure to Sign a Contract with the Youth Club**

The Council Secretary submitted that the failure to sign the contract was due to conflicts among the youth groups. However, a tenancy agreement form, which all the tenants had to fill out and sign, had been put in place.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

##### **ii. Outstanding Rentals**

The Council Secretary reported that the youth were resisting paying the rentals. Consequently, the recreation centre had been taken over by the Council, which had written to the Youth Club to settle the bill. Going forward, the Council assured the Committee that all tenants would be made to pay in advance.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council Secretary to ensure that the youth club settles the outstanding bill. Your Committee awaits a progress report.

#### **o) Failure to Follow Constituency Development Fund (CDF) Guidelines – Payment of Sitting Allowance**

The Council Secretary submitted that the payment of the sitting allowance was a misinterpretation of the Constituency Development Fund (CDF) guidelines. Henceforth, the guidelines had been followed.

#### **Committee's Observations and Recommendations**

Your Committee observes that contrary to Constituency Development Fund (CDF) guidelines under item (16) which states, in part, that the administrative costs shall not include payment of sitting allowance, the Council paid sitting allowance to some members. Your Committee urges the Council secretary to ensure that set guidelines are adhered to and directs the Council Secretary to ensure that the Council's internal controls are enhanced so that financial documents are secured to avoid reoccurrence. Your Committee awaits a progress report on the matter.

**p) Irregular Procurement of a Truck**

The Council Secretary reported that the irregular procurement of the truck was reported to the Anti-Corruption Commission (ACC) and the Council was adhering to procurement guidelines.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Office of the Auditor General to use the Memorandum of Understanding (MoU) between his Office and the Anti-Corruption Commission (ACC) to ensure the matter is thoroughly investigated and a satisfactory conclusion is reached. Your Committee awaits a progress report on the matter.

**q) Rehabilitation and Construction of the National Square**

**i. Lack of Competitive Procurement of Contractor**

The Council Secretary submitted that the Council was procuring the works in accordance with the procurement procedures.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that section 32(2) of the *Public Procurement Act, No.12 of 2008* so as to avoid single sourcing contractors. Your Committee awaits a progress report.

**ii. Inadequacies in the Signed Contract**

The Council Secretary submitted that the Council had a standard contract form.

**Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

**iii. Failure to Maintain the National Square Surrounding**

The Council Secretary reported that the failure to maintain the national square was due to lack of funds and understaffing. However, the Council had since engaged seasonal casual workers to slash.

**Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

**AUDIT QUERY**

**PARAGRAPH 39**

**SIAVONGA DISTRICT COUNCIL**

**a) Lack of Strategic Plan**

The Council Secretary reported that the Council did not have a strategic plan in place to guide it in its operations hence making it difficult to access developmental plans and deliver services. The Council Secretary submitted that the strategic plan had been presented to the stakeholders

for validation and the Council for the second validation and input. The Council Secretary added that a draft copy of the strategic plan was available for verification.

### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council to expedite the preparation of an updated Strategic Plan that is in line with the provisions of the Seventh National Development Plan. Your Committee will await a progress report on the matter.

#### **b) Lack of Title Deeds**

The Council Secretary submitted that the Council did not have Title Deeds. However, management had taken note and taken steps to engage the Ministry of Lands, through the surveyor general, to survey the properties because private surveyors would be very expensive. The Council Secretary informed the Committee that the Council buildings (office premises, dwelling houses and quarters) were under the Title Deeds of Ministry of Works and Supply and that the Council would be meeting the Ministry of Lands to have the Lakeview Lodge in Siavonga Town Council own Title by the end of 2018.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Council had no Title Deeds for a number of its properties and therefore, recommended that the Council should engage the Provincial Lands Office on how best they could help the Council to acquire its Title Deeds promptly. Your Committee will await a progress report on the matter.

#### **c) Failure to fill staff establishment**

The Council Secretary submitted that the Council did not fill the cardinal vacant positions for the smooth running of the Council. The observation was noted and steps to involve the Ministry of Local Government were in place. As at 30<sup>th</sup> April, 2018, all the positions on the Council establishment were filled up.

The Council Secretary reported that the filling of vacant positions in Council was solely done by the LGSC. However, the Council had sent staff returns to the Local Government Service Commission indicating that all the positions had been filled.

### **Committee's Observation and recommendations**

Your Committee is aware that the mandate to fill vacant positions, particularly those in Divisions I, II and III lays with the Local Government Service Commission (LGSC), established under Article 228 of the Constitution of Zambia (Amendment) Act No. 2 of 2016. Your Committee urges the Council Secretary to ensure that the Commission is updated on quarterly basis on the Council's staff returns to guarantee the smooth running of the organisation. Your Committee awaits a progress report.

#### **d) Filling of non-existent positions**

The Council Secretary reported that the Council employed officers who were not on the establishment. The Council Secretary acknowledged the observation made by the auditors and took steps to engage the LGSC. Management acknowledged that the recruitment of positions in

Divisions I, II, and III was entirely the mandate of the LGSC and had taken steps to notify them of the anomaly.

#### **Committee's Observation and recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

#### **e) Under Collection of Revenue from property rates.**

The Council Secretary reported that the Council failed to collect the monies that were budgeted for hence depriving the Council of the much needed resources that could be channeled to service delivery. The Council Secretary acknowledged the observation made by the auditor and initiated steps to collect the revenue.

The Council Secretary informed the meeting that the Council had now procured software which would give the required details of the properties such as property location, property number, ratable value, printing of invoices and indebtedness, thereby making follow-ups easy. Staff had also been trained in the use of the software.

Your Committee was informed that the under collection of revenue from property rates was due to the fact that the valuation roll of 2013 had deficiencies in terms of data for properties, thus most property numbers could not easily be traced. However, the Council had engaged the planning department and finance department to reconcile the incorrect figures which necessitated the Council to send the town planner for GIS training to be able to capture the plots correctly and ensure the information on paper reflected what was happening on the ground.

#### **Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council to ensure that it collected all the rates from the Council buildings to boost its revenue. Your Committee further urges the Council to ensure that it updated the valuation roll in accordance with the provisions of the *Rating Act, No. 12 of 1997*. Your Committee resolves to await a progress report on the matter.

#### **f) Missing Receipt Books**

The Council Secretary indicated that general revenue receipts were not completed with ink or indelible pencil due to lack of property office space for storage of documents and hostile weather conditions. The Council Secretary informed your Committee that the Council had taken note of the observation and had put corrective measures in place so that such an incidence did not reoccur.

#### **Committee's Observations and Recommendations**

Your Committee finds it unacceptable that such important documents will go missing from storage facility without a trace. The Council Secretary is directed to ensure that officers responsible for the safe-keeping of these documents are disciplined for this serious lapse and that the remaining receipts are located without any further delay. It also directs the Council secretary to ensure that internal controls are enhanced and the important documents are secured to avoid recurrence. Your Committee awaits a progress report on the remaining receipt books.



**g) Unaccounted for Building Materials – Matua Market Shelter**

The Council Secretary admitted that there were no disposal details for the building materials purchased for Matua Market Shelter. However, management had taken note of the observation and had put measures in place to put disposal details in place. The area councillor had since been engaged to expedite the process of recovery from the committee members.

The Council Secretary informed the Committee that the site for the market shelter was visited and the bags of cement were not in the store room. The members of the project said that they had loaned the cement to members of the community for fear of it caking. The community had since been asked to pay back the cement. They had since started paying back the cement and so far ten pockets of cement had been brought back.

**Committee’s Observation and recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

**h) Unretired Accountable interest**

The Council Secretary admitted the failure to retire imprest according to financial guidelines. The auditors’ observation was acknowledged and the Council had since directed that the affected officers retire the monies. The Council Secretary submitted that imprest had been deducted from the leave days of the officers owing and that no officer was issued with imprest if the previous one had not been retired. Further, the imprest register was updated monthly.

**Committee’s Observation and recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

**i) Irregular payment of social holiday Allowance**

The Council Secretary submitted that it was a payment of abolished allowances and that management had noted the observation made by the auditors. The Council Secretary reported that the officers in question had been written to requesting that they pay back as they had been transferred to other Councils. The chief administrative officer had finished paying back the sum of K4,500, while the deputy treasurer had paid the sum of K2,000.

**Committee’s Observation and recommendations**

Your Committee urges the Council Secretary to adhere to Ministry of Local Government and Housing Circular No. MLGH/101/8/4 which abolishes the payment of entertainment allowances such as social holiday and talk time allowances. Your Committee urges the Council Secretary to ensure that stipulated financial regulations are adhered to. Your Committee awaits a progress report on the matter.

**j) Non-Remittance of Statutory Obligations and PAYE**

The Council Secretary reported the failure to remit statutory obligations. The non-remittance of statutory obligations was acknowledged and the Council had taken corrective measures to rectify the anomaly. The Council Secretary informed the Committee that the Council had been facing financial constraints thus failing to pay the statutory obligations on time. However, the Council had engaged the statutory bodies for workable repayment plans. The National Pension Scheme

Authority (NAPSA) had been written to stating the Councils position in relation to the proposed debt swap where the Council gave NAPSA 6.6 hectares of land.

The Zambia Revenue Authority (ZRA) had also given the Council demand notice. However, the Council wanted to sit with ZRA to make an agreed upon payment plan. As for Zambia Revenue Authority (ZRA) and the Local Authority Superannuation Fund (LASF), the Council had in the 2018 budget set aside funds to start liquidating these debts.

#### **Committee's Observation and recommendations**

Your Committee notes with concern that Contrary to Section 71 of the Income Tax Act and Section 72 of the Local Government Act, amounts deducted by the Council were not remitted to the various institutions. Your Committee finds the non-remittance of statutory contributions to the National Pension Scheme Authority (NAPSA) and PAYE unacceptable. Your Committee implores the Council Secretary to ensure that the programme of liquidating the arrears by monthly commitments continues to avoid the debts accruing. Your Committee is awaiting a progress report.

#### **k) Outstanding long service Bonus**

The Council Secretary reported the failure to pay Long Service bonus to the deserving employees. The Council Secretary reported that measures for corrective action had been put in place. He stated that a payment plan had been devised to liquidate the Long Service bonus starting in 2018 and funds had been budgeted for.

#### **Committee's Observation and recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

#### **I. Wasteful Expenditure on Abandoned Construction of**

##### **Siavonga civic Centre**

The Council Secretary admitted the failure to complete the construction of the Civic Center despite it being a budgeted for project. He informed your Committee that corrective measures had been taken by informing the Ministry of Local Government. He further stated that it was not in the interest of the Council to waste Government resources and that a directive had been received from the Ministry to suspend the project.

#### **Committee's Observations and Recommendations**

Your Committee expresses displeasure over the failure to complete the project and the waste of public funds. Your Committee calls for the recovery of the wasteful expenditure from the officers who caused the loss of the funds and resolves to await a progress report on the matter.

#### **l) Delay in Construction of Siavonga District Fire Station**

The Council Secretary acknowledged the auditors' observation on non-adherence to directives but that the Council had in place corrective measures to remedy the situation. The Council had since written to Provincial Procurement Committee, through the Permanent Secretary - Southern Province, to advertise for contractors to construct the fire station.

The Council Secretary stated that the funds for the construction of a fire station were still available and that the site plan had been approved and procurement of materials would soon commence.

**Committee's Observations and Recommendations**

Your Committee notes the response and strongly cautions the Council Secretary to adhere to established regulations and procedures at all times. Your committee calls for disciplinary action to be taken against all officers who were involved in this irregularity. Your Committee resolves to await a progress report on the matter.

**m) High staff Turnover of Chief Officers**

The Council Secretary attributed this to the transfer of key personnel, adding that efforts had been made to engage the Ministry of Local Government over this issue. He stated that the recruitment and transfers of officers was solely the mandate of the Local Government Service Commission.

**Committee's Observations and Recommendations**

Your Committee, in noting the response, expresses serious concern over the constant transfers of key staff in the local authorities. Your Committee calls upon the Local Government Service Commission to ensure that there is stability in the staffing levels in the local authorities in order to foster efficiency and effectiveness in service delivery. Your Committee resolves to await a progress report on the matter.

**AUDIT QUERY**

**PARAGRAPH 40**

**SOLWEZI MUNICIPAL COUNCIL**

**Review of Operations**

A review of accounting and other records for the period from 1<sup>st</sup> January to 31<sup>st</sup> December, 2016 revealed various irregularities, to which the Town Clerk responded as set out below.

**a) Missing Receipt Books**

The Town Clerk informed the Committee that the Council did not make the receipt books available during audit as they were missing and the search was ongoing. The Town Clerk stated that the Council would ensure that all receipt books were recorded upon receipt and accounted for.

**Committee's Observations and Recommendations**

Your Committee is concerned that the Council cannot account for seventy-one receipt books. Your Committee finds this unacceptable as receipt books are accounting records that are supposed to be preserved for a specified period of time in line with the provisions of Local Authorities Financial Regulation No28 (1).. Furthermore, disciplinary action should be taken against all officers who failed to secure the receipt books. In the meantime, the search for the missing receipt books should continue and the documents should be made available for audit verification at the earliest possible time. Your Committee awaits a progress report on the matter.

**b) Unsupported Payments Vouchers- K1,244,603**

The Town Clerk submitted that the unsupported payments had all been supported with the relevant documents and were ready for verification.

**Committee's Observations and Recommendations**

Your Committee urges the Council to adhere to the provisions of Local Authorities Financial Regulation No. 86 and ensure that all payment vouchers are always supported by relevant documents such as receipts and suppliers' invoices. Your Committee resolves to close the matter subject to audit verification.

**c) Unaccounted for Stores- K403,216**

The Town Clerk acknowledged that the Council did not present receipt and disposal details for stores items, fuel and general stores at the time of audit. The Town Clerk reported that the receipt and disposal details were now ready for verification. The Town Clerk also submitted that the Council would adhere to the strict usage of bin cards and issuance of goods received notes upon receipt of goods.

**Committee's Observations and Recommendations**

Your Committee notes the response and urges the Council to always keep proper records of receipt and issue stores. Your Committee calls for disciplinary action against all officers who failed to maintain receipt and disposal details, and resolves to close the matter subject to audit verification.

**d) Unretired Accountable Imprest- K608,000**

The Town Clerk informed the Committee that the Council had since recovered the money using the payroll and the documents were ready for verification. Furthermore, the Council had introduced the imprest register and would ensure that imprest was retired within forty-eight hours.

**Committee's Observations and Recommendations**

Your Committee notes the response and resolves to close the matter subject to audit verification.

**e) Irregular Use of Accountable Imprest**

The Town Clerk acknowledged that the Council had procured goods by cash instead of cheque and submitted that the Council had since stopped the practice.

**Committee's Observations and Recommendations**

Your Committee notes the response and advises the Council to abide by Financial Regulation No. 86 (c). In this regard, your Committee calls for disciplinary action against all officers who contravened the provisions of the said Financial Regulation. Your Committee resolves to close the matter subject to audit verification.

**f) Irregular Payment of Allowances**

The Town Clerk submitted that the Council had paid abolished allowances such as social holiday and talk time to Council officers. However, the allowances had been recovered and the documents were ready for verification.

**Committee's Observations and Recommendations**

Your Committee notes the response and calls for disciplinary action to be meted out against all officers who authorised the payment of these allowances. Your Committee awaits a progress report on the matter.

**g) Failure to Undertake an Activity - Nakonde Study Tour- K44,141**

The Town Clerk informed the Committee that the Council had paid imprest to ten officers and Councilors who failed to produce an activity report after receiving the money. The Council had therefore, effected the deductions from the officers' salaries to recover the money and the documents were ready for verification.

**Committee's Observations and Recommendations**

Your Committee expresses dismay that the Council could allow officers and Councilors to access public funds under the pretext of undertaking a tour when in fact not. Your Committee further cautions the Town Clerk to ensure that this situation does not repeat itself and calls for disciplinary action against all the officers involved. Your Committee resolves to close the matter subject to audit verification.

**h) Failure to Reimburse Borrowed Funds- K105,036**

The Town Clerk acknowledged the audit findings and reported that the Provincial Local Government Office had been written to and there was commitment that the funds would be reimbursement once the Provincial Local Government Office received funding.

**Committee's Observations and Recommendations**

Your Committee is shocked that a Council that laments about inadequate funding could lend funds needed for service provision to the Provincial Local Government Office. Your Committee wonders on what authority the Council lent the funds to another department. Your Committee cautions the Town Clerk to desist from committing such irregularities and calls for disciplinary action to be taken against all officers involved in this serious irregularity in order to curb similar practices in future. In addition, the funds should be reimbursed as soon as possible. Your Committee awaits a progress report on the matter.

**i) Failure to Recover Salary Advance- K25,000**

The Town Clerk informed your Committee that the Council had recovered the salary advances from the six officers and the documents were ready for verification. The Council had also introduced an advances ledger to track all advances issued and would ensure that all salary advances were recovered in time.

### **Committee's Observations and Recommendations**

Your Committee notes the response and cautions the Town Clerk to stop committing financial irregularities but to adhere to relevant rules, regulations and Terms and Conditions of Service. Your Committee resolves to close the matter subject to audit verification.

#### **j) Failure to Deduct Tax- K549,880**

The Town Clerk, in acknowledging the audit findings, reported that the Council had put measures in place to pay the Zambia Revenue Authority (ZRA) monthly deductions and to also make part payments towards offsetting the outstanding debts in the financial year 2018.

### **Committee's Observations and Recommendations**

Your Committee notes the response and cautions the Council to desist from deliberately failing to deduct tax and remit it to ZRA. Your Committee awaits a progress report on the payment of the outstanding PAYE to ZRA.

#### **k) Irregular Payment of Subsistence Allowances- K162,914**

The Town Clerk submitted that the Council had recovered the subsistence allowances from the concerned officers and the documents were ready for verification.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and strongly warns the Town Clerk against this practice. In this vein, your Committee calls for disciplinary action to be taken against all officers involved in this irregularity without delay. Your Committee will await a progress report on the matter.

#### **l) Over Payments - Other Personal Emoluments- K264,407**

The Town Clerk submitted that the Council had recovered the funds from the officers and the documents were ready for verification.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the relevant authorities to mete out disciplinary action against the officers who authorised these payments and caused the irregularity. Your Committee awaits a progress report on this matter.

#### **m. Wasteful Expenditure on Demurrage and Storage Charges – Shaftex Zambia Ltd- K332,788**

The Committee was informed that the delay to pay the supplier of motor vehicles resulted in the imposition of demurrage and storage charges. However, Shaftex Zambia Limited had since refunded the amount and the documents were ready for verification.

### **Committee's Observations and Recommendations**

Your Committee is doubtful as regards the veracity of the submission by the Council and wonders why the company would refund the payment if it was genuinely due to it in line with the provisions in the contract. Your Committee, therefore, calls for a detailed investigation into this matter, and directs that all documents relating to the repayment of the K332,788 be submitted for audit verification. Your Committee awaits a progress report on the matter.

**n. Failure to Install Land and Property Management Information System**

The Town Clerk reported that the supplier had not yet supplied the software.

**Committee's Observations and Recommendations**

Your Committee observes with dismay that the Council paid for a service that has not been provided. Your Committee finds this unacceptable and recommends that the Council should immediately initiate necessary proceedings for the recovery of the amount involved in accordance with its contractual rights. Your Committee awaits a progress report on the matter.

**o. Failure to follow procedure in Allocation of Residential and Commercial Plots**

The Town Clerk submitted that the Council opened residential areas in Mitukutuku, Mushitala, Humphrey Mulemba and a commercial area in Kibanza but failed to follow the procedure in the allocation of plots in these areas. The Town Clerk stated that the Council had since started following the laid down procedures as set out in the Land Administration and Allocation Circular No. 1 of 2015.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Executive through the Ministry of Lands and Natural Resources to take keen interest in and resolve the irregularities in land allocation at Solwezi Municipal Council. Your Committee awaits a progress report on the matter.

**p. Irregularities in the Management of Assets**

**i. Failure to Collect Lease Rentals – Mutanda Rest House- K350,100**

The Committee was informed that the leased, Mwaka Lodge had failed to settle rental bills and the Council had taken legal action against Mwaka Lodge so as to recover the uncollected rentals. The documents relating to the matter were available for verification.

**Committee's Observations and Recommendations**

Your Committee finds the failure by the Council to collect rentals from its leased property unacceptable and, therefore, implores the Council and the Town Clerk in particular to take their work seriously, especially with regard to collection of revenue due to the Council. Your Committee calls upon the Council to aggressively pursue this matter and ensure that the outstanding rentals are collected as soon as possible. Your Committee awaits a progress report on the matter.

**i. Failure to Collect Shop Rentals – Kyawama Market Shops- K756,000**

Your Committee was informed that the Council had leased out forty-two shops at Kyawama market. However, the tenants had failed to honour their obligations of paying rent. The Council had taken the matter to court in an effort to collect the rentals. However, the Council had since entered into an agreement and a consent judgment has been put in place and tenancy agreements had been signed by both parties and were ready for verification.

**Committee's Observations and Recommendations**

Your Committee finds the failure by the Council to collect rentals from its leased property unacceptable and, therefore, implores the Council and the Town Clerk to take their work

seriously and ensure that they collect the revenue due to the Council with undue delay. Your Committee awaits a progress report on the collection of the outstanding rentals from the shops at Kyawama Market.

**i. Lack of Title Deeds**

The Town Clerk submitted that the Council had commenced the process of acquiring title deeds and would ensure that all institutional properties were on title.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council to seriously pursue the matter of Title Deeds with the Ministry of Lands and Natural Resources. Your Committee resolves to await a progress report on the matter.

**ii. Failure to Insure Council Properties**

The Town Clerk submitted that the Council had insured the assets and would ensure that the premiums were paid from locally generated funds. The Council would further ensure that all the properties were insured to avoid loss of properties in case of accidents or fire.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the onus is on the Council to always ensure that its properties are insured against loss or damage. Your Committee resolves to close the matter subject to audit verification.

**iii. Failure to Dispose of Unserviceable Vehicles**

Your Committee was informed that the Council approved the sale of obsolete assets as per minute number FHRGP/16/10/17.

**Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to await a progress report on the disposal of the unserviceable vehicles.

**ii. Failure to Fill Key Positions**

The Town Clerk submitted that the Local Government Service Commission had filled all the key positions in the Council and this status could be verified.

**Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification.

**iii. Failure to Remit Statutory Obligations and PAYE- K25,172,411**

The Town Clerk informed your Committee that the Council owed huge amounts in unremitted statutory obligations. The Council had put measures in place to pay ZRA the monthly deductions and to also make part payments towards offsetting the outstanding debts in the 2018 financial year. In this regard, there was commitment on the part of the Council to pay ZRA on a monthly



basis, amounts totaling K118,000 for the current accumulations and also towards the outstanding debt. The supporting documents were ready for verification.

### **Committee's Observations and Recommendations**

Your Committee observes that the Council has been deducting PAYE and other statutory contributions, but has not been remitting the funds deducted to the relevant agencies. Your Committee finds this unacceptable and recommends that the Council should ensure that it honours its statutory obligations by implementing the measures it has put in place to remit to ZRA the monthly deductions and to also make part payments towards offsetting the outstanding debt in the 2018 financial year. The Council is further urged to remit the deducted statutory contributions for employees to LASF and NAPSA.

## **PART IV**

### **6. OVERALL RECOMMENDATION**

The following are the overall recommendations that all Councils Should:

- i. adopt and fully implement the International Public Sector Accounting Standards (IPSAS) within two years.
- ii. prepare financial statements which should be audited within two (2) years.
- iii. develop strategic plans to clearly provide a strategic framework on how they intended to achieve their goals and vision.
- iv. obtain title deeds for properties that are under their custody.
- v. insure their assets against the risks of losses and damages.
- vi. develop Debt Management Policies in order to provide guidance on the management of the Councils' debt.
- vii. develop Risk Management Policies to manage the various risks that may affect their operations and internal controls that are responsive to the risks.
- viii. develop strategies that will enable them generate sufficient resources to sustain their operations and remove their dependence on the government funding.
- ix. ensure that all key positions in their establishments are filled for effective delivery of services.
- x. ensure that its properties are appropriately managed in order to protect the properties from dilapidation.

The Secretary to the Treasury submitted that the recommendation made were noted and further added the following:

- **that all Councils Should Obtain Title Deeds For Properties That Are Under Their Custody.**

The Secretary to the Treasury submitted that to enhance the Public Asset Management, Government had made provisions in the revised *Public Finance Management Act No. 1 of 2018* under Section 41 to regulate management of public assets and stores in the Public Sector and this is expected to resolve the issue of obtaining Title Deeds by Ministries, Provinces, Agencies and Local Authorities. The implementation of IPSAS will also compel Ministries, Provinces, Agencies and Local Authorities to obtain Title Deeds to prevent encumbrances on assets owned by Local Authorities and for the purposes of recording, maintenance and valuation of Assets.

- **that Councils should insure their assets against the risks of losses and damages.**

The Secretary to the Treasury submitted that it will issue instructions to all Local Authorities to insure their assets as guided by the *Public Finance Management Act*. However, it must be noted that although Local Authorities may be eager to insure their assets, they may be constrained by their resource envelope.

- **that Councils should develop Debt Management Policies in order to provide guidance on the management of the Councils' debt.**

The Secretary to the Treasury noted committed to work with Ministry of Local Government to develop Debt Management Policies.

- **that Councils should develop Risk Management Policies to manage the various risks that may affect their operations and internal controls that are responsive to the risks.**

The Secretary to the Treasury submitted that the Treasury had so far developed a Risk Management Framework for the Public Sector including Local Authorities. He informed the Committee that they were now working on the structural arrangements and implementation plan to institutionalise the said Risk Management Framework to mitigate risks of operations and weak internal controls in the Public Sector including Local Authorities.

- **that Councils need to developed strategies that will enable them generate sufficient resources to sustain their operations and remove their dependence on the government funding.**

Your Committee was informed by the Secretary to the Treasury that the matter was noted and the Treasury would work closely with the Ministry of Local Government to ensure that strategies are developed to enable local authorities generate sufficient resources to sustain their operations.

- **that all Councils to ensure that all key positions in their establishments are filled for effective delivery of services.**

The Secretary to the Treasury noted matter and informed your Committee that the Treasury Authorities for filling of key positions was granted to a number of Councils and the Local Government Commission commenced the recruitment processes for the positions.

- **that all Councils should ensure that its properties are appropriately managed in order to protect the properties from dilapidation.**

The Secretary to the Treasury informed your Committee that the matter was noted, and in order to improve accountability of public assets, the revised Public *Finance Management Act, No. 1 of 2018* under Section 41, has outlined clear provisions for management of public assets and stores. In addition, the Treasury has embarked on reforms to migrate from accounting on cash basis to accrual based accounting through the adoption of International Public Sector Accounting Standards (IPSAS). It is expected that a number of public bodies will be using these standards by 2022.

## **PART V**

### **LOCAL TOUR REPORT**

As part of its Programme of Work for the Second Session of the Twelfth National Assembly, your Committee undertook a local tour on selected projects in Eastern and Muchinga Provinces. Specifically, your Committee toured projects in Katete, Chadiza, Nakonde, Isoka, Chinsali and Mpika Districts. The main objective of your Committee's local tour was to appreciate the management and utilisation of the Constituency Development Fund (CDF) in Zambia.

In Eastern Province, your Committee inspected projects as set out below:

- a) Keni Health Post in Katete District;
- b) 1x2 classroom block at Undi Primary School in Katete District; and
- c) Construction of a wall at Chadiza Bus Stop in Chadiza District;

In Muchinga Province, your Committee carried out physical inspections of eight projects as set out below:

- a) Construction of a 1x4 classroom block at Donald Siwale Secondary School in Nakonde District; a water kiosk at Tusunkane Market in Isoka District; a sleeping house for the deaf at Chinsali School in Chinsali District; a Culvert Bridge at Chinyonga Stream in Milongo, Isoka District; a Culvert Bridge at Chiponya in Mpika District;
- b) Completion of a 1x3 classroom block at Chinyansi Secondary School in Isoka District; a 1x5 classroom block at Nambuluma Primary School in Chinsali District; and
- c) Rehabilitation of 1x5 classroom block at Kabungo School in Chinsali District;

As part of its Programme of Work for the Second Session of the Twelfth National Assembly, your Committee undertook a local tour on selected projects in Eastern and Muchinga Provinces. Specifically, your Committee toured projects in Katete, Chadiza, Nakonde, Isoka, Chinsali and Mpika Districts. The main objective of your Committee's local tour was to appreciate the management and utilisation of the Constituency Development Fund (CDF) in Zambia.

In Eastern Province, your Committee inspected projects as set out below:

- d) Keni Health Post in Katete District;

- e) 1x2 classroom block at Undi Primary School in Katete District; and
- f) Construction of a wall at Chadiza Bus Stop in Chadiza District;

In Muchinga Province, your Committee carried out physical inspections of eight projects as set out below:

- d) Construction of a 1x4 classroom block at Donald Siwale Secondary School in Nakonde District; a water kiosk at Tusunkane Market in Isoka District; a sleeping house for the deaf at Chinsali School in Chinsali District; a Culvert Bridge at Chinyonga Stream in Milongo, Isoka District; a Culvert Bridge at Chiponya in Mpika District;
- e) Completion of a 1x3 classroom block at Chinyansi Secondary School in Isoka District; a 1x5 classroom block at Nambuluma Primary School in Chinsali District; and
- f) Rehabilitation of 1x5 classroom block at Kabungo School in Chinsali District;

### **Committee's Observations and Recommendations**

- i. Your Committee observes that the councils had neglected to supervise the projects which resulted in shoddy and incomplete works. Further, your Committee observes that councils' involvement in the procurement of materials has done more harm than good. In most cases, the materials purchased are substandard and not what is needed by the end-users.

Your Committee, therefore, recommends that councils closely supervise projects to ensure that *projects* are built according to design and specifications.

- ii. Your Committee observes with concern that no bills of quantities were prepared for all the projects inspected and almost all the works certified unsatisfactory.

Your Committee, therefore, recommends that the councils should ensure that contractors prepare BoQs, showing all details for materials, parts, and labour and their costs to avoid shoddy and substandard works.

- iii. Your Committee observes with concern the internal control lapses in a number of councils.

Your Committee calls upon Anti-Corruption Commission (ACC), the Drug Enforcement Agency (DEC) and other law enforcement agencies to fully investigate these lapses and prosecute the culprits if necessary. Your Committee further lauds the enactment of the *Public Finance Management Act, No.1 of 2018*, which contains stiffer punishment for cases of financial misconduct.

- iv. Your Committee notes with serious concern that no budget provision has been made in the Estimates of Revenue and Expenditure for the year 1<sup>st</sup> January to 31<sup>st</sup> December, 2018 for the audit of the 2017 accounts.

Your Committee recommends that the Treasury should engage the Auditor General to ensure that supplementary budget and funding are availed to undertake audit of all local authorities. Your Committee recommends that the Government should adequately fund the Office of the Auditor General so as to undertake audits and verification exercises on audit queries in all the 116 councils.

- v. Your Committee further observes that there is no co-ordination between councils and end-users, who are the communities, as they are not aware of projects in their areas. The councils are not involving the locals residing in the projects being undertaken.

Your Committee, therefore, recommends that the councils should involve communities who are key stakeholders so as to fully address the needs of the communities and enhance acceptability of the projects.

- vi. Your Committee also notes that some contractors have still not been paid by the councils despite completing and handing over projects.

Your Committee urges the councils to expedite payments to the contractors.

## **CONCLUSION**

Your Committee wishes to pay tribute to all the stakeholders who were visited during the local tour and those who appeared before it and made both oral and written submissions. It also wishes to thank you, Mr Speaker for your invaluable guidance throughout the Session. Your Committee also appreciates the services rendered to it by the Office of the Clerk of the National Assembly and her staff. Your Committee is confident that the observations and recommendations contained in this report will be favourably considered and fully implemented by the Executive in the interest of the Zambian public.

Mr E J Muchima, MP  
**CHAIRPERSON**

JULY, 2018  
**LUSAKA**

## **APPENDIX 1**

REPORT OF THE COMMITTEE ON LOCAL GOVERNMENT ACCOUNTS ON THE  
REPORT OF THE AUDITOR GENERAL ON THE REVIEW OF OPERATIONS OF LOCAL  
AUTHORITIES FOR FINANCIAL YEARS ENDED 31<sup>ST</sup> DECEMBER, 2014, 2015 AND 2016

## **APPENDIX 2**

### **List of National Assembly Officials**

Ms C Musonda, Principal Clerk Committees  
Mr H Mulenga, Deputy Principal Clerk of Committees (FC)  
Mr S Mtambo, Senior Committee Clerk (FC)  
Mr F Chikambwe, Committee Clerk  
Ms Betty Zulu, Committee Clerk  
Mrs A M Banda, Committee Clerk  
Mr D Kunda, Committee Clerk  
Ms I Mwiya, Typist  
Mr M Chikome, Committee Assistant  
Mr D Lupiya, Acting Committee Assistant