

REPORT OF THE COMMITTEE ON LOCAL GOVERNANCE, HOUSING AND CHIEFS' AFFAIRS FOR THE SECOND SESSION OF THE TENTH NATIONAL ASSEMBLY APPOINTED ON 16TH JANUARY, 2008.

Consisting of:

Dr K Kalumba, MP (Chairperson); Mrs R M Musokotwane, MP; Mr E Kasoko, MP; Mr J J Mwiimbu, MP; Mr A Mbewe, MP; Mr H M Malama, MP; Mr B J Chongo, MP; and Mr C A Kanyanyamina, MP.

The membership of the Committee was reduced to seven (7) following the demise of Mr C A Kanyanyamina, MP who passed away on 18th July, 2008.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir, your Committee have the honour to present their Report for 2008.

Functions of the Committee

2. In accordance with the National Assembly Standing Orders, the functions of the Committee are to:

- (i) study, report and make recommendations to the Government through the House on the mandate, management and operations of the Ministry of Local Government and Housing, departments and/or agencies under its portfolio;
- (ii) carry out detailed scrutiny of certain activities being undertaken by the Ministry of Local Government and Housing, departments and/or agencies under its portfolio and make appropriate recommendations to the House for ultimate consideration by the Government;
- (iii) consider any Bills that may be referred to the Committee by the House; and make, if necessary, recommendations to the Government on the need to review certain policies and/or certain existing legislation; and
- (iv) consider in detail the annual reports and any other reports of the Ministry of Local Government and Housing, its departments and/or agencies under its portfolio.

Meetings of the Committee

3. Your Committee held twenty six (26) meetings to consider the Report of the Minister of Local Government and Housing for the year 2008. Your Committee also considered the Action-Taken Report on your previous Committee's Report for the First Session of the Tenth National Assembly. Principal Officers from the local authorities, mentioned in the Minister's Report, were invited to appear before your Committee at meetings held at Parliament Buildings. The Permanent Secretary, Ministry of Local Government and Housing also appeared before your Committee to update them on various policy issues. Further, the Permanent Secretary, Ministry of Lands, appeared before your Committee to update them on the challenges the Ministry is facing in processing title deeds for local authorities.

PART ONE

CONSIDERATION OF THE 2008 REPORT OF THE HONOURABLE MINISTER OF LOCAL GOVERNMENT AND HOUSING ON THE SUMMARISED AUDITED ACCOUNTS OF LOCAL AUTHORITIES

CHILILABOMBWE MUNICIPAL COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January, 2005 to 31st December, 2006

Non-Preparation of Annual Accounts

4. It was revealed during audit that the Council did not prepare annual accounts contrary to Section 43 (3) of the *Local Government Act*, Cap 281 of the Laws of Zambia.

In his reply, the Town Clerk informed your Committee that the income and expenditure accounts would be prepared and submitted to the Ministry of Local Government and Housing by 31 July 2008 and that the annual profit and loss account for the years 2005 and 2006 had been prepared.

Your Committee request the Ministry of Local Government and Housing to monitor the Council and ensure that annual accounts are prepared without fail. They resolve to await a report on the matter.

Non- Maintenance of General Ledgers

5. A review of the accounting records and returns revealed that the Council did not maintain the General Ledgers contrary to Regulation 12 (q) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In his response, the Town Clerk informed your Committee that the Council had noted the Auditor's observations and new ledger cards had been procured and would be updated by September 2008.

Your Committee wish to be updated on the completion of the process of updating the ledger cards.

Excess Expenditure: K1, 797,531,542

6. An examination of the December 2006 receipts and payments accounts revealed that the Council incurred excess expenditure amounting to K1,797,531,542 for 2005/2006 contrary to Section 39(4) of the *Local Government Act*, Cap 281 of the Laws of Zambia. It was further observed that the Council did not apply for Supplementary Estimates to the Minister of Local Government and Housing to normalise the excess expenditure contrary to Section 39 (2) of the *Local Government Act*, Cap 281 of the Laws of Zambia.

In his reply, the Town Clerk informed your Committee that the Council would submit supplementary estimates for 2005 and 2006 by 31 July 2008.

Your Committee wish to be updated on whether the excess expenditure amounting to K1, 797,531,542 has been normalised.

NYIMBA DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2005 to 31st December 2005

Unsupported Payment Vouchers: K156, 567,308

7. An examination of payment vouchers for cash withdrawn from the bank revealed that payment vouchers worth K156,567,308 were paid out without supporting documents contrary to Regulation 86 (1) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary informed your Committee that the Council had managed to find supporting documents amounting to K41,499,100, leaving a balance of K115,068,208.

In noting the submission, your Committee direct the Council Secretary to find supporting documents in respect of the outstanding K115,068,208. They will await a progress report on the matter.

Unretired Imprests: K34, 114,627

8. A scrutiny of the Imprests' Ledger revealed that imprest amounting to K34, 114,627 remained unretired contrary to Regulation 119 (1) and (2) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary informed your Committee that retirement of imprest had started and the sum of K27, 059,931 had been retired. Progress on the matter would be reported.

Your Committee direct the Council Secretary to ensure that the outstanding imprest is retired without fail. They request the Ministry of Local Government and Housing to provide a progress report on the matter.

Unpresented Accountable Documents

9. A test check of the register of accountable documents revealed that the Council did not present accountable documents totaling fourteen (14) contrary to Regulation 28 (1) and (2) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary informed your Committee that efforts to raise the accountable documents were continuing as some were with revenue collectors in the field.

Your Committee are saddened by the Council's failure to attend to the Auditor's recommendation to have the accountable documents in place. They urge the Council Secretary to take action on the recommendations of the Auditor and report back to them through the Ministry of Local Government and Housing.

Non Maintenance of Fixed Assets Register

10. It was revealed during audit that the Council did not maintain a fixed assets register contrary to Regulation (25) (e) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary informed your Committee that it was true that at the time of audit, the Council's assets register was not availed to the Auditor. This was because the same was with consultants, Grant Thornton, in Lusaka. The register had, however, been retrieved and was with the Council.

Your Committee request the Ministry of Local Government and Housing to verify the availability of the register and update them accordingly.

CHIPATA MUNICIPAL COUNCIL

Statutory Audit Report and Audit Inspection Report on Constituency Development Fund for the period 1st January 2004 to 31st December 2005

Inadequate Maintenance of Fixed Assets Register

11. It was discovered during audit that the Council's fixed assets register was inadequately maintained resulting into the exclusion of plant and machinery, office equipment, motor vehicles and furniture and fittings contrary to the International Accounting Standards No. 16 and Regulation 25 (e) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Town Clerk informed your Committee that the Council had from 2007 started updating its fixed assets register to include all its plant and machinery, office equipment, motor vehicles and furniture and fittings. However, many of its assets, though included in the Register, were not valued. Many of them were acquired and/or donated a long time ago and were obsolete. Nevertheless, the Council was considering appointing an independent asset valuer with a view to reflecting all its assets in its balance sheet. The delay in appointing the asset valuer was due to the financial constraints the Council was facing as this exercise was costly.

Your Committee direct the Acting Town Clerk to ensure the evaluation of assets is done and a proper fixed assets register is maintained. They await a report.

Non Acquisition of Title Deeds for Council Properties

12. During audit, it was revealed that the Council had not acquired title deeds for its properties contrary to Regulation 153 of the Local Authorities (Financial) Regulations No. 125 of 1992

In reply, the Acting Town Clerk informed your Committee that the Council properties that were not on title were:

Property Description	Status
Office Premises	Unsurveyed
Fire Station	Unsurveyed
Housing Estates Shops	Unsurveyed
Rural Health Centre – Agricultural Station	Unsurveyed
Chiparamba Sub Centre Complex	Unsurveyed
Chipata Township Council Offices	On Stand No. 249
Chipata Township Council Offices	On Stand No. 647
Fort Jameson Management Board	On Stand No. 682
Others under the name of Fort Jameson but with title deeds were:	

Stand No.	Certificate of Title No.	Date of Registration
245	10177	25.06.1958
684	20963	18.10.1963

The Acting Town Clerk further informed your Committee that the Council had since engaged a surveyor to survey the unsurveyed properties and come up with survey diagrams for submission to the Ministry of Lands.

Your Committee urge the Council to ensure that they obtain title deeds for all council properties. They resolve to await a progress report on the matter.

Non Maintenance of Subsidiary Debtors Ledgers

13. An examination of the General Ledger accounts revealed that the Council did not maintain subsidiary debtors ledgers in respect of personal levy, bill boards and imprest ledgers, which was contrary to Regulation 12 (q) and Regulation 119(1) and (2) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Town Clerk informed your Committee that due to the inefficiency resulting from manually maintained records, most of the ledgers were not regularly updated. However, the Council had bought personal computers for the Finance Department to assist in increasing efficiency in maintaining and updating financial records. In this regard, most key financial records were updated in a timely manner. Further, the Council would recruit computer literate accounting personnel to operate the computerised accounting system.

Your Committee are disappointed with the Council’s response as failure to maintain financial records cannot be attributed to lack of computers. They request the Ministry of Local Government and Housing to closely monitor the Council and ensure that financial records are maintained as required by the Financial Regulations.

Non Maintenance of Leave Days and Long Service Bonus Registers

14. It was revealed during audit that the Council did not maintain an updated Leave Days Accrued and Long Service Bonus Registers contrary to Regulation 12(q) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Town Clerk informed your Committee that the Council had, in early 2006, acquired the Dove Payroll System which was able to automatically track and update each of the

personnel leave days' movements. However, the Council was reviewing the manually maintained Long Service Bonus Register.

Your Committee direct the Council to ensure that the Long Service Bonus Register is updated without delay. They resolve to await a progress report on the matter.

Non Review of Register of Accountable Documents

15. An examination of the register of accountable documents revealed that the Council did not carry out a review of the accountable documents contrary to Regulation 25(c) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Town Clerk informed your Committee that the observations of the Auditor were correct and the Council had started reviewing the register on a regular basis.

Your Committee wish to satisfy themselves that the Council are conducting a regular review of the register of accountable documents. They request the Ministry of Local Government and Housing to verify the records and provide a progress report on the matter.

Non Maintenance of Insurance Register

16. A review of the accounting documents revealed that the Council did not maintain an Insurance Register during the period under review contrary to Regulation 154 of the Local Authorities (Financial) Regulations No. 125 of 1992

In reply, the Acting Town Clerk informed your Committee that, as observed by the Auditor, insurance policies the Council held with insurance companies in respect of its properties, especially motor vehicles, were not recorded in the Insurance Register. However, the insurance register had been developed.

Your Committee wish to satisfy themselves that the Council has started maintaining the insurance register and request the Ministry of Local Government and Housing to verify this and provide a progress report on the matter.

LIVINGSTONE CITY COUNCIL

Statutory Audit Report for the Period 1st January 2004 to 31st December, 2005

Non Acquisition of Certificates of Title

17. It was revealed during audit that the Council had not yet acquired certificates of title for its properties contrary to Regulation 153 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Town Clerk submitted to your Committee that the Council had acquired certificates of title in respect of the Civic Centre; Victoria Hall; Public Toilets; Linda Clinic; Villa Ground; Old Civic Centre; Boma Clinic; Town Clerk's House; Boat Club; Mukuni Park; and the Landing Stage. The Council was yet to obtain title deeds for other properties and had since written to the Ministry of Lands.

While noting the submission, your Committee direct the Council to aggressively pursue the

matter of the remaining properties without title deeds with the Ministry of Lands. They wish to receive a progress report on the matter.

Non Preparation of Annual Financial Statements

18. It was revealed during audit that the Council did not prepare its annual financial statements contrary to Section 43 (1) of the *Local Government Act* Cap 281 of the Laws of Zambia.

In reply, the Town Clerk submitted to your Committee that the Auditor's observations were correct and that annual financial statement for the Council would be produced as the preparation had started with monthly trial balances starting January 2006.

Your Committee wish to be updated on the preparation of outstanding statements.

MONZE DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the period, 1st January, 2004 to 31st December, 2006

Non Acquisition of Title Deeds for Council Properties

19. During audit, it was revealed that the Council had not acquired title deeds for its properties contrary to Regulation 153 of the Local Authorities (Financial) Regulations No.125 of 1992.

In reply, the Council Secretary explained to your Committee that the Council had since traced the following title deeds:

Property	Stand No.
Water Works Tower	7,551
Water Works Treatment Centre	16,027
Public Convenience	11,610
Old cemetery	3,262
Civic Offices	2,979

The Council Secretary further informed your Committee that the Council had written to the Ministry of Lands for duplicate copies for the rest of the properties.

Your Committee request the Council Secretary to make follow-ups with the Ministry of Lands to ensure that duplicate copies for the remaining properties are obtained. Your Committee will await an update on the matter.

Non Preparation of Annual Financial Statements

20. An examination of the accounting records and returns revealed that the Council did not prepare its annual financial statements contrary to Section No. 43 (3) of the *Local Government Act*, Cap 281 of the Laws of Zambia.

In reply, the Council Secretary explained to your Committee that the Auditor's findings were correct and the Council would start preparing annual financial statements.

Your Committee direct the Council Secretary to ensure that annual financial statements are prepared without fail. They further, request the Ministry of Local Government and Housing to ensure that the Council complies with the Auditor's advice and provide a progress report to them.

Teaming and Lading: K50, 595,516

21. It was revealed during audit that cash collected from various units worth K50, 595,516 was not banked intact within a period of two (2) days contrary to Regulation 19 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary informed your Committee that the Auditor's observations on the matter were correct. However, the practice had since been stopped as all cash was banked on the following working day.

Your Committee request the Ministry of Local Government and Housing to establish what disciplinary action was taken against the officers who were responsible for the anomaly discovered by the Auditor and provide them with a progress report.

Irregular Transfer of 10% Administration Costs on Constituency Development Fund

22. It was discovered during audit that the Council irregularly paid out a sum of K18,000,000 as contribution of 10 percent administrative costs on Constituency Development Fund beyond the 10 percent limit of administrative costs from the three (3) Constituency Development Fund accounts contrary to Guideline No 17 of the Constituency Development Fund Guidelines of September 2003.

In reply, the Council Secretary informed your Committee that the 10 percent administrative cost was transferred to the District Fund not as a contribution but to meet costs of administration and monitoring and evaluation by the district officers who were members of the District Development Constituency Committee in respect of the Constituency Development Fund projects. The cost of transport, stationery and technical staff expenses were covered from the same 10 percent administrative cost. The Council was in the process of refunding the same.

Your Committee strongly urge the Council Secretary to strictly follow guidelines on the utilisation of the Constituency Development Fund so that funds are only expended on intended purposes. Your Committee direct the Council to refund the Constituency Development Fund account without fail. They await a report on the matter.

KASAMA MUNICIPAL COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2005 to 31st December 2005

Non Preparation of Receipts and Payments Accounts

23. It was revealed that receipts and payments accounts had not been prepared for all the accounts contrary to Regulation 47 (1) and (2) of the Local Authorities Financial Regulations No. 125 of 1992.

In his reply, the Acting Town Clerk informed your Committee that the situation was as a result of lack of adequate qualified manpower in the Finance Department. However, the situation had been rectified and the receipts and payments would be prepared on time.

Your Committee are disappointed with the response from the Acting Town Clerk as it is the responsibility of the Council to ensure that they employ sufficiently qualified officers in the Finance Department to maintain the Council's accounts. They request the Acting Town Clerk to submit receipts and payments accounts to the Ministry of Local Government and Housing for verification.

Unaccounted for cash: K14, 915,813

24. A test check of cash withdrawals revealed that a sum of K14, 915,813 could not be fully accounted for by the Council contrary to Regulation 12 (n) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Town Clerk informed your Committee that out of K14, 915,813 reported unaccounted for, an amount of K4,780,000 had been accounted for leaving a balance of K9,201,693.

Your Committee direct the Council to immediately account for the balance of K9, 201,693 and report progress to them.

Unpresented Expenditure Returns: K50,000,000

25. It was revealed during audit that the Council could not account for how the grant of K50,000,000 for feeder roads and footbridge maintenance was utilised as there were no expenditure returns provided during audit contrary to Regulation 12 (n) of the Local Authorities Financial Regulation No. 125 of 1992.

In reply, the Acting Town Clerk informed your Committee that the expenditure returns had not been traced due to the resignation of the Director of Finance at the time.

Your Committee are of the view that the Council's failure to avail expenditure returns to the Auditor due the purported resignation of an employee is a clear indication of poor record keeping at the Council. They request the Ministry of Local Government and Housing to closely monitor the Council and ensure that the K50, 000,000 is fully accounted for, without delay.

Unsupported payments: K69, 753,450

26. A scrutiny of payment vouchers revealed that payment vouchers worth a sum of K69,753,450 were not duly supported by authorised invoices/proformas and purchase requisitions contrary to Regulation 86 (i) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Town Clerk informed your Committee that out of the total amount of K69, 753,450 queried, four (4) payment vouchers totaling K30, 394, 000 had supporting documents, leaving a balance of K39, 359, 450 as unsupported vouchers. Efforts were being made to trace the remaining vouchers.

Your Committee direct the Acting Town Clerk to find supporting documents in respect of the balance of K39, 359, 450 and submit them to the Ministry of Local Government and Housing.

Illegal Advances to Councillors: K850, 000

27. It was discovered during audit that the Council illegally paid advances to Councillors amounting to K850, 000 contrary to standing orders of the Council.

In reply, the Acting Town Clerk informed your Committee that the query raised was valid and deductions had been effected from those Councillors still serving while letters had been written to those that were out of the system.

Your Committee direct the Council not to relent until all the K850, 000 given to Councillors as advances is recovered.

Unretired imprest: K63,975,350

28. An examination of imprest ledgers revealed that imprest amounting to K63, 975,350 remained unretired contrary to Regulation 119 (1) and (2) of the Local Authorities (Financial) Regulations.

In reply, the Acting Town Clerk informed your Committee that out of the K63, 975,350 reported unretired, K23, 895, 990 had been retired leaving a balance of K40, 079,360.

Your Committee direct the Council to ensure that the balance of K40, 079,360 is retired and a progress report submitted to the Ministry of Local Government and Housing.

Non Preparation of Monitoring Reports

29. A review of the operations of the Constituency Development Fund revealed that the Council did not prepare monitoring reports on the utilisation of the Funds contrary to Guideline No. 16 of the Constituency Development Fund Guidelines of September 2003.

In reply, the Acting Town Clerk informed your Committee that the retired Director of Planning did not hand over the reports to the incumbent Director of Planning. However, efforts were being made to trace the reports.

Your Committee are disappointed with the response from the Council and wonder why the officer retiring was not made to formally handover the office before he left. They direct the

Acting Town Clerk to ensure that the missing Constituency Development Fund reports are found and a report made to them through the Ministry of Local Government and Housing.

CHOMA MUNICIPAL COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2004 to 31st December, 2006

Non Acquisition of Certificates of Title

30. It was revealed during audit that the Council had not acquired certificates of title for its properties contrary to Regulation 153 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Town Clerk informed your Committee that it was true that at the time of audit, the Council had not obtained title deeds for some of its properties. The Council had since written to the Ministry of Lands to apply for the same.

Your Committee direct the Town Clerk to pursue the matter with the Ministry of Lands so that all Council properties have title. They resolve to await a report on the matter.

LUANGWA DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January, 2004 to 31st December, 2006

Non Acquisition of Title Deeds for Council Properties

31. During audit, it was revealed that the Council had not acquired title deeds for its properties contrary to Regulation 153 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In response, the Council Secretary reported that the Council had submitted a list of council properties to the Government through the Ministry of Local Government and Housing to include the same on title deeds.

Your Committee urge the Council to continue pursuing the matter with the Ministry of Lands until the title deeds in question are obtained. They resolve to await a report on the matter.

Non Preparation of Monthly Cash Flow Statements and Trial Balances

32. A check of accounting records and returns revealed that the Council did not prepare the monthly cashflow statements and trial balances contrary to Regulation 47(2) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In response, the Council Secretary submitted to your Committee that the Council was in the process of preparing monthly cashflow statements and trial balances.

Your Committee direct the Council Secretary to ensure that monthly cashflow statements and trial balances are prepared as recommended by the Auditor. They request further, that these be verified by the Ministry of Local Government and Housing. They will await a progress report on the matter.

Non Maintenance of Cash and Bank Certificates.

33. It was discovered during audit that the Council did not maintain cash and bank certificates contrary to Regulation 22 (b) of the Local Authorities (Financial) Regulations No. 125 of 1992

In reply, the Council Secretary reported to your Committee that the Council had noted the Auditor's recommendation and had started maintaining the cash and bank certificates.

Your Committee wish to satisfy themselves that the Council has started maintaining the cash and bank certificates as advised by the Auditor. They direct the Council to have the matter verified by the Ministry of Local Government and Housing. They await a report on the matter.

Non Existence of the Internal Auditor Unit

34. It was discovered during audit that the Council's Internal Audit Unit was non existent resulting into irregularities contrary to Regulation 23 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In response, the Council Secretary reported to your Committee that the Council had sponsored one employee to undergo training in auditing and intended to establish an Internal Audit unit. Further, the Council intended to recruit a qualified person to be an Assistant Internal Auditor.

Your Committee, while noting the submission, resolve to await a progress report on the establishment of the Internal Audit Unit and the recruitment and placement of competent staff therein.

CHILUBI DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2005 to 31st December, 2005.

Unretired Imprests: K8, 737,000

35. A review of imprest records to ascertain the accountability procedures revealed that a sum of K8, 737,000 was unretired contrary to Regulation 119(1) and (2) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary informed your Committee that at the time of audit unretired imprest amounting to K8, 737,000 was reported. However, imprest holders had surrendered imprest worth K1, 360,000 leaving a balance K7, 377,000.

In noting the submission, your Committee direct the Council Secretary to ensure that the balance of K7, 377,000 is retired and provide a report to them through the Ministry of Local Government and Housing.

Unsupported Payment Vouchers: K119, 624,586

36. It was discovered that payment vouchers worth K119,624,586 were not adequately supported with suppliers' invoices, receipts, acquittal sheets and other relevant documents contrary to Regulation 86 (1) of the Local Authorities (Financial) Regulations No. 125 of 1992. In reply, the Council Secretary informed your Committee that at the time of audit, vouchers worth K119, 624,586 were not supported. However K116, 520,000 had been supported leaving a balance of K 3,104,586.

Your Committee direct the Council Secretary to ensure that the payment vouchers in respect of the K 3,104,586 are supported without fail. They await a progress report on the matter.

MAMBWE DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2006 to 31st December, 2006

Uncollected Income Rentals: K16, 850,000

37. A review of income records revealed that rental income of K16, 850,000 from Zambia Police had not been collected at the time of audit contrary to Regulation 12(h) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In response, the Council Secretary reported to your Committee that the Council had noted the advice from the Auditor and the Zambia Police Force had since been reminded of the outstanding rentals. A letter had since been written to them while many physical follow ups had been made in an effort to recover the rentals.

Your Committee urge the Council Secretary to seek the assistance of the Provincial Permanent Secretary in collecting the rentals in question. They request the Ministry of Local Government and Housing to provide a progress report on the matter.

Non Acquisition of Title Deeds

38. A test check of assets records revealed that the Council did not acquire title deeds for its properties contrary to Regulation 153 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In response, the Council Secretary reported that the structures in the Township were not on numbered plots, which made it difficult to obtain title deeds. However, the new layout plan for the township had already been submitted to the Eastern Province Planning Authority (EPPA) for onward transmission to the Ministry of Lands for approval.

Your Committee will await an update on the matter.

MBALA MUNICIPAL COUNCIL

Non Reconciliation of Inter-Account Advances: K7, 397,364

39. A review of the accounting records revealed that the Council did not reconcile inter-account advances amounting to K7, 397,364 contrary to Regulation 12(q) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Town Clerk submitted to your Committee that the Council concurred with the findings of the Auditor and the ledgers had since been put in place to capture the inter-account advances reflected in the Auditor's report and reconciliation would be done as soon as Grasshopper Inn paid back the amount in question.

Your Committee direct the Town Clerk to ensure that the outstanding amount is paid back and books reconciled. They await a report on the matter.

Non Preparation of Financial Reports

40. A scrutiny of financial records revealed that the Council did not prepare financial reports on the utilisation and management of the Constituency Development Fund contrary to Guideline No. 13 of the Constituency Development Fund Guidelines of September, 2003.

In reply, the Town Clerk submitted to your Committee that the books of account for the Constituency Development Fund were being prepared monthly. However, the Council regretted the omission and the financial reports had since been prepared.

Your Committee wonder what disciplinary measures were instituted against the officer(s) who were responsible for the omission. They await a report on the matter.

NAKONDE DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2005 to 31st December 2005

Unretired Imprests: K56, 939,000

41. A scrutiny of the imprest ledger revealed that imprests amounting to K56,939,000 remained unretired contrary to Regulation 119 (1) and (2) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary explained to your Committee that a sum of K46, 002,686 had since been retired. As for the remaining balance of K10, 936,314, the Internal Auditor had been instructed to ensure that the unretired imprests were recovered from the imprest holders' salaries.

Your Committee are disappointed at the failure by the Council to follow regulations pertaining to the retirement of imprest. They direct the Council to ensure that the K10, 936,314 still unretired is retired without fail. They will await a report on the matter.

Misapplied Funds: K2, 920,000

42. It was discovered that a sum of K2, 920,000 was misapplied on expenses that were not duly charged under the proper heads of accounts contrary to Regulation 12 (n) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary explained to your Committee that the officer had since been cautioned and the same was being recovered from his monthly salary.

Your Committee wish to be updated on the recovery of all the money in question.

MPULUNGU DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2005 to 31st December 2005

Unretired Imprest: K83, 571,780

43. A check of the imprest ledgers revealed that imprest amounting to K83, 571,780 remained unretired contrary to Regulations 119 (1) and (2) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary submitted to your Committee that it was true that the amount of K83, 571,780 was reported unretired at the time of audit. This was because the imprests were filed separately in a file not availed to the Auditor. The Council regretted this omission. However, the said imprest forms plus supporting relevant documents amounting K66, 932,780 had since been found and retired, leaving a balance of K16,639,000 in respect of the deceased staff and uncooperative staff who had since been surcharged and recoveries had commenced.

Your Committee direct the Council Secretary to ensure that the balance of K16, 639,000 is recovered and to provide a progress report through the Ministry of Local Government and Housing.

Illegal Advances to Councillors and Organisations: K5, 720,000

44. A check of the advances ledgers revealed that the Council illegally paid a sum of K5,720,000 as advances to councillors and other organisations which had not been recovered at the time of audit contrary to Regulation 12 (n) of the Local Authorities (Financial) Regulation No 125 of 1992.

In reply, the Council Secretary submitted to your Committee that it was true that advances amounting to K5, 720,000 were paid to councillors and council officers from other councils and organisations which had not been recovered at the time of audit. However, the Council had since written to all concerned organisations, Council officers and councillors with a view to recovering the said amounts.

Your Committee are disappointed at the Council's failure to follow financial regulations pertaining to the issuance of advances. They direct the Council Secretary to ensure that the advances are recovered and evidence submitted to the Ministry of Local Government and Housing for verification.

Diversion of Funds: K3, 141,000

45. A scrutiny of payment vouchers revealed that a sum of K3, 141,000 was diverted from the Constituency Development Fund as advances to the Council to enable it pay allowances to councillors contrary to the Constituency Development Fund Guidelines of September, 2003

In reply, the Council Secretary explained to your Committee that it was true that a sum of K3, 141,000 was paid as allowances to councillors. However, the said funds were not diverted by the Council but were used in line with Constituency Development Fund guidelines of September 2003 on the use of 10 percent for administrative costs. The funds were used to pay sitting allowances for a special full council meeting specifically convened to deliberate on the utilisation of the Constituency Development Fund for 2005.

Your Committee request the Ministry of Local Government and Housing to have the matter re-verified and establish whether the funds in question were diverted or not. They await a report.

MUNGWI DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the period 1st January 2005 to 31st December 2005.

Unretired Imprest: K17, 781, 500

46. A test check of the imprest ledger revealed that imprest amounting to K17, 781, 500 remained unretired contrary to Regulation 119 (1) and (2) of the Local Authorities (Financial) Regulation No. 125 of 1992.

In reply, the Council Secretary submitted to your Committee that the K17, 581, 500 given to various officers as imprest was retired at the time of audit but had not been posted to the imprest ledgers. The imprest ledgers had since been updated.

However, verification by the Ministry of Local Government and Housing found that imprest amounting to K2, 438,000 had not been retired.

Your Committee advise the Council Secretary to always give accurate responses to your Committee's queries. They direct the Council Secretary to ensure that the outstanding imprest of K2, 438,000 is retired and a progress report given to them.

Non Preparation of Project Appraisal Reports (Constituency Development Fund)

47. An examination of project lists funded under the Constituency Development Fund revealed that the Council did not prepare project appraisal reports contrary to Guideline No. 7 of the Constituency Development Fund Guidelines of September, 2003.

In reply, the Council Secretary submitted to your Committee that the project appraisals were done by the Constituency Development Fund Committee contrary to Guideline No 16 of the Constituency Development Fund of 2003, which made it difficult for the Council to come up with the appraisal reports.

Your Committee note that key players in the implementation of the Constituency Development Fund in the district do not understand their respective roles and responsibilities. They are also

disappointed that Council management have failed to provide leadership in the matter. They, therefore, request the Ministry of Local Government and Housing to ensure that the Council is adequately sensitised on the operations of the Constituency Development Fund.

CHADIZA DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2006 to 31st December, 2006

Misapplication of Constituency Development Funds: K9,798,000

48. A review of Constituency Development Fund records revealed that a sum of K9, 798,000 was misapplied on expenditure unrelated to the Constituency Development Fund contrary to the Constituency Development Fund Guidelines of 2006.

In reply, the Council Secretary submitted to your Committee that out of the sum of K9, 798,000, an amount of K1, 140,000 was directly related to Constituency Development Fund as payment of administrative expenses from the 10 percent administrative cost allocation. However, K8,558,000 was advanced to the District Fund Account and the Council refund it. The Council regretted making this irregular transaction.

Your Committee urge the Council to immediately refund the K8, 558,000 wrongly taken from the Constituency Development Fund account and provide a report to them through the Ministry of Local Government and Housing.

Wasteful Expenditure: K10, 694,500

49. An examination of the Chadiza Central Constituency Development Fund books of account revealed that the Council incurred wasteful expenditure amounting to K10, 694,500 as a result of failure to implement the project professionally. There were no improvements done on the water sand filters at the Nzanu Water Works.

In reply, the Council Secretary submitted to your Committee that the Council regretted the anomaly which was as a result of poor supervision of the project coupled with poor monitoring by the Constituency Development Fund Committee. However, the Council had resolved to do the Project using its own funds and under supervision of the Constituency Development Fund Committee.

Your Committee note with regret that the Council Secretary had failed to supervise the projects under the Constituency Development Fund, resulting in the loss of Government resources. They urge the Council Secretary to ensure that the Nsanu Waters Works are urgently completed and to submit a progress report to the Ministry of Local Government and Housing.

Non Production of Monitoring and Annual Reports

50. A review of Constituency Development Fund returns revealed that the Council did not produce monitoring and annual reports on the utilisation and management of Constituency Development Fund contrary to Guidelines Nos. 16 and 20 of the Constituency Development Fund Guidelines of 2006.

In reply, the Council Secretary explained to your Committee that the Council regretted the failure to produce monitoring and annual reports to the Auditor. However, the Council would ensure that such reports were produced in all future projects.

Your Committee resolve not to rest the matter until they receive confirmation that the Council has started preparing monitoring and annual reports. They request the Ministry of Local Government and Housing to closely monitor the Council and provide them with a progress report.

KASEMPA DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January, 2005 to 31st December, 2005

Payment without Supporting Documents: Main Account and Constituency Development Fund Account: K15, 040,000

51. An examination of the payments cycle revealed that a total sum of K15,040,000 involving the main account and Constituency Development Fund account was paid out without the supplier's invoices contrary to Regulation 86 (1) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary submitted to your Committee that payment vouchers amounting to K8,950,000 had since been traced leaving a balance of K6,090,000 comprising two payment vouchers without supporting receipts.

Your Committee urge the Council to ensure that supporting documents in respect of the balance of K6, 090,000 are found. They await a progress report on the matter.

Unretired Imprests: K28,274,100

52. An audit of the staff imprests ledger accounts revealed that a sum of K28, 274,100 remained unretired at the time of audit contrary to Regulation 119 (1) and (2) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary submitted to your Committee that out of the above stated sum, only K25, 422,000 had been recovered leaving a balance of K2,852,000.

Your Committee urge the Council Secretary to ensure that the outstanding imprest of K2, 852,000, is urgently retired and to provide a progress report through the Ministry of Local Government and Housing.

KALABO DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2006 to 31st December 2006

Misposting of Transactions in the Cash Book: K18, 779,365.26

53. It was discovered during audit that the Council misposted transactions amounting to K18, 779,365.26 in the cash book contrary to Regulation 12 (n) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary submitted to your Committee that the Council agreed with the audit findings, though the anomaly had not been rectified.

Your Committee are disappointed with the failure by the Council to promptly attend to audit queries. They direct the Council to correct the anomaly without delay. They resolve to await a report on the matter.

Un-Accounted for Amounts: K106, 154,109.51

54. It was revealed during audit that the Council did not account for an amount of K106, 154,109.51 in the receipts and payments accounts for 2006 contrary to Regulation 47 (1) of the Local Authorities (Financial) Regulations 125 of 1992.

In reply, the Council Secretary submitted to your Committee that of the K106,154,109.51 not accounted for at the time of the audit, K103, 293,745.59 had been accounted for and verified leaving a balance of K2,860,363.61

Your Committee direct the Council Secretary to ensure that the balance amounting to K2,860,363.61 is accounted for without delay. They await a progress report.

Anomalies in the Payroll System

55. An examination of the payroll system revealed that the Council irregularly paid out the following allowances: furniture, recruitment and retention allowances, and commuted overtime allowances contrary to the Local Government Conditions of Service for Non-unionised Employees for 1996 paragraphs 191 (b), 199 and 208.

In reply, the Council Secretary submitted to your Committee that the Council agreed with the audit findings and efforts were being made to correct the anomaly.

Your Committee are disappointed at the failure by the Council to act on this query. They direct the Council Secretary to ensure that necessary adjustments are urgently made and provide a progress report to them.

Unpresented Payment Vouchers: K37, 537,867.97

56. An examination of payment vouchers revealed that the Council could not avail for audit purposes payment vouchers amounting to K37, 537,867.97 contrary to Regulation 78 (1) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary submitted to your Committee that of the K37, 537,867.97 queried by the Auditor, only K13, 964, 593.72 had been supported leaving K23, 573,274.44 unsupported.

Your Committee direct the Council to find the supporting documents in respect of the K23, 573,274.44 and submit a progress report to them.

Non Maintenance of Imprest Ledgers

57. It was discovered that the Council did not maintain an imprest ledger contrary to Regulation 117 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary informed your Committee that the Council agreed with the audit findings and regretted the weaknesses. The imprest ledgers were in place and the Council had embarked on the recovery of all outstanding imprest.

Your Committee urge the Council Secretary to ensure that all the imprest is recovered and report to them through the Ministry of Local Government and Housing.

Irregular Expenditure on Constituency Development Fund: K4, 500,000

58. An examination of expenditure returns of the Constituency Development Fund revealed that the Council irregularly paid a sum of K4, 500,000 for the purchase of furniture from the Liuwa Constituency Development Fund contrary to the Constituency Development Fund Guidelines of 2006.

In reply, the Council Secretary submitted to your Committee that the Council had treated the same amount as an advance and intended to refund the same when funds were available.

Your Committee direct the Council Secretary to ensure that the K4, 500,000 is urgently refunded to the Constituency Development Fund Account. They will await a report on the matter.

Payment vouchers Without Supporting Receipts: K174, 010,000

59. A scrutiny of expenditure returns revealed that the Council paid out a sum of K174,010,000 without supporting receipts contrary to Regulation 86 (1) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary submitted to your Committee that vouchers amounting to K174, 010,000 had no supporting documents. Council management had started handling all cash and bank transactions and payments were made direct to suppliers.

Your Committee are saddened that the Council has not made any progress in finding the relevant supporting documents. They direct the Council Secretary to ensure that all supporting documents in respect of the K174, 010,000 are found. They will await a progress report on the matter.

KAOMA DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2006 to 31st December 2006.

Irregular Constituency Development Fund Expenditure: K1, 500,000

60. An examination of records revealed that the Council irregularly paid a sum of K1,500,000 from the Mangango Constituency Development Fund for a Nkhoya Bible translation publication which was contrary to Constituency Development Fund Guidelines of 2006.

In reply, the Council Secretary submitted to your Committee that the money was spent on a Nkhoya Bible Translation contrary to the guidelines. The Council had realised the irregularity and promised never to apply Constituency Development Fund on non qualifying projects. The matter would be referred to the full Council for a resolution.

Your Committee resolve to await the resolution of the full Council meeting. They request the Ministry of Local Government and Housing to update them on the matter.

Payment Vouchers Not Presented for Audit: K10, 600,000

61. A scrutiny of payments revealed that the Council could not avail payment vouchers for audit amounting to K10, 600,000 contrary to Regulation 78 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary informed your Committee that at the time of audit, payment vouchers amounting to K10, 600,000 from cheque No. 00023 to 00027 and 000029 were not presented for audit for Kaoma Central Constituency. The vouchers had not yet been traced. The Council was still trying to establish what happened, as the whole box file went missing after an audit inspection.

Your Committee are concerned that the missing payment vouchers have not been found. They are further saddened that the missing box file containing the payment vouchers went missing immediately after an audit inspection. They request the Ministry of Local Government and Housing to monitor this matter closely and ensure that the Council finds the missing documents in respect of the K10, 600,000. They will await a report on the matter.

Unaccounted for Funds: K5, 524,941.75

62. A scrutiny of receipts attached to payment vouchers revealed that the Council could not account for funds amounting to K5, 524,941.75 contrary to the Constituency Development Fund Guidelines of September, 2003.

In reply, the Council Secretary informed your Committee that the Council agreed with the observation of the Auditor and that the Council was trying to account for the K5,524,941.75.

Your Committee direct the Council Secretary to account for the K5, 524,941.75 without delay. They await a progress report on the matter.

Payment Vouchers Without Supporting Receipts: K43, 530,000

63. A scrutiny of payment vouchers from the Mangango Constituency Development Fund Account revealed that a sum of K43, 530,000 was not duly supported with receipts or labour payment schedules to justify the expenditure contrary to Regulation 98 (1) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary submitted to your Committee that only the supporting documents for K330, 000 had been found, leaving a balance of K43, 200,000 to be traced. Your Committee are concerned that the Council is failing to trace the supporting documents in question and urge the Ministry of Local Government and Housing to ensure that the supporting documents for the outstanding amount of K43, 200,000, are found.

Irregular Tender Procedure and Non Completion of Grader Repairs: K67, 701,900

64. A scrutiny of payment vouchers revealed that the Council had irregularly offered a contract to Goldwest Equipment and Parts (Z) Limited amounting to K67,701,900 without complying with tender regulations and that grader repairs had not been completed contrary to Regulation 134 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary explained to your Committee that it was true that tender procedures were not followed in procuring services for the repair of the grader and that the repairs were not completed. The Council had handed over the case to their lawyer, Muyenga Associates of Mongu, for litigation.

Your Committee note the action taken by the Council and request the Ministry of Local Government and Housing to update them on the outcome of the court case.

Un-Accounted for Funds: K13, 000,000

65. An examination of payment vouchers revealed that the Council could not account for funds amounting to K13, 000,000 given to Councillors for road maintenance and market projects contrary to Regulation 133 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary informed your Committee that at the time of audit, the funds were not accounted for. The Council had written letters to the affected people and K8, 000,000 had since been accounted for.

Your Committee are concerned that the Council is taking too long to account for the funds in question. They request the Ministry of Local Government and Housing to ensure that the balance of K5, 000,000 is accounted for. They await a progress report on the matter.

MASAITI DISTRICT COUNCIL

Statutory audit report and audit inspection report (Constituency Development Fund) for period 1st January 2006 to 31st December 2006.

Non Maintenance of Stores Records 2006

66. An examination of records of stock revealed that the Council did not maintain stocks and stores records in 2006 contrary to Regulation 145 of the Local Authorities (Financial) Regulation No. 125 of 1992.

In reply, the Council Secretary submitted to your Committee that the Auditor's observations were correct but the Council had started preparing stores ledgers, including the goods received notes and the stores book. However, the material requisition notes and local purchase orders had not yet been implemented.

Your Committee urge the Council Secretary to ensure that all the remaining stores documentation and procedures are put in place. They request the Ministry of Local Government and Housing to closely monitor the Council and provide a progress report on the matter.

Non Maintenance of General Ledgers 2006.

67. A test check of the accounting records revealed that the Council did not maintain general ledgers contrary to Regulation 12 (q) of the Local Authorities (Financial) 125 of 1992. In reply, the Council Secretary informed your Committee that it was true that ledgers were not in place during audit. The Council was, however, in the process of putting in place all ledgers that needed to be prepared.

Your Committee direct the Council Secretary to ensure that all necessary ledgers are put in place. They request the Ministry of Local Government and Housing to provide a progress report on the matter.

Irregular Payments Made to Councillors: K12, 903,500

68. It was revealed during audit that the Council irregularly paid a sum of K12, 903,500 to councillors in order for them to discharge executive functions of the Council contrary to Regulation 133 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary submitted to your Committee that the funds were transferred to the District Fund Account to facilitate other operational needs with a view to refunding the same at a later date. The said amount had since been refunded.

Your Committee wish to satisfy themselves that the councillors at the Council will not perform executive functions. They urge the Council Secretary to obtain a Council resolution as evidence to this effect.

Misapplication of Funds: K20,881,000

69. An examination of the Roads Rehabilitation Account revealed that the Council irregularly misapplied a sum of K20, 881,000 transferred from the Roads Rehabilitation Account to the District Fund Account contrary to Regulation 12 (n) of the Local Authorities (Financial) Regulation No. 125 of 1992

In reply, the Council Secretary submitted to your Committee that the funds in question were transferred to the District Fund Account to facilitate other operational needs with a view to refunding the same at a later date. The full amount had since been refunded.

Your Committee observe that the Council failed to produce the necessary documents to the verifying Auditor to show that the money had been refunded. They request the Council Secretary to have the matter verified by the Ministry of Local Government and Housing.

Unrecorded Advances: K935,000

70. A test check of advances ledgers revealed that the Council did not record or recover a sum of K935,000 paid to officers of the Council contrary to Regulation 12(n) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary informed your Committee that it was true that at the time of audit, the advance ledgers were not opened but they had since been opened while recovery of advances had commenced.

Your Committee wish to be updated on the recovery of the outstanding advances.

Failure to Maintain an Internal Audit Section

71. A review of the establishment register revealed that the Council did not maintain an Internal Audit section contrary to Regulation 23 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary reported to your Committee that the Council did not have an Internal Audit section due to inadequate staffing. However, management had applied to the Council for authority to set up an Internal Audit section.

Your Committee await the resolution of the Council on the establishment of an Internal Audit section. They await a progress report on the matter.

Unretired Imprests: K31, 712,270

72. It was revealed that imprests amounting to K31, 712,270 remained unretired contrary to Regulation 119 (1) and (2) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary reported to your Committee that recoveries had commenced in respect of the outstanding imprests.

Your Committee direct the Council Secretary to recover all the outstanding imprests and to submit the matter for verification to the Ministry of Local Government and Housing.

KABWE MUNICIPAL COUNCIL

Statutory Audit Report for the period 1st January 2004 to 31st December, 2006

Non Production of Supporting Documents for Assets

73. It was revealed during audit that the Council did not maintain any supporting documents to support the purchase of various fixed assets contrary to Regulation 153 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Town Clerk informed your Committee that the Auditor's findings were correct. This was because of the Council's past poor record keeping system. However, the Council had since contracted the services of qualified private valuers upon the Auditor's recommendation to assist in the valuation of fixed assets which had no supporting documents. Further, the Council had had Mulungushi Motel, 24 Uganda Street and most of its motor vehicles valued by the private valuers.

Your Committee direct the Town Clerk to ensure that supporting documents for the remaining properties are obtained. They wish to be updated on the matter.

Non Acquisition of Certificates of Titles

74. It was revealed during audit that the Council had not yet acquired certificates of title for its properties contrary to Regulation 153 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Town Clerk informed your Committee that the Auditor's findings were correct. However, the Council had been making positive strides in the acquisition of certificates of title for its properties. The Council had since obtained titles for Mulungushi Motel and 24 Uganda Street (Town Clerks' residence). Titles for Council properties on block title were being organised through the Provincial Lands Office.

Your Committee direct the Town Clerk to ensure that title deeds for the remaining properties are obtained. They await a progress report through the Ministry of Local Government and Housing.

Non Preparation of Year End Cash flow Statements

75. It was discovered that the Council did not prepare monthly cashflow statements contrary to Regulation 47(2) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Town Clerk informed your Committee that the Auditor's observation was correct. The anomaly was because the Council had not been able to prepare monthly financial statements from which the cashflow statements could be drawn. This problem had been compounded by lack of a computerised accounting system to enable efficient and economic production of financial statements. However, the Council did prepare monthly cashflow forecasts for 2006. Further, the Council was in the process of preparing year end cash flow statements in retrospect and had since prepared effective 2006. The Council had also began computerising the accounting system and employing qualified accountants to ensure the effective, efficient and timely preparation of financial reports.

Your Committee note the measures the Council are putting in place to improve their accounting system. They wish, however, to receive an update on the recruitment of accountants and on the computerisation of the accounting system.

Inadequate Supporting Documents (Goods and Services): K316,245,364.33

76. An examination of the expenditure returns revealed that the Council paid out a sum of K316, 245,364.33 without relevant supporting documents contrary to Regulation 86 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Town Clerk informed your Committee that the Council agreed with the Auditor's observation. This was mainly as a result of poor filing of documents resulting in some invoices and receipts being filed separately from payment vouchers. This was as a result of cashflow problems which meant payments had to be made on credit invoices where the payment voucher in respect of the first payment had receipts while subsequent ones had none. The Council had since traced and attached most supporting documents.

Your Committee direct the Town Clerk to ensure that all supporting documents in respect of the K316, 245,364.33 are traced and attached to the respective payment vouchers. They await a progress report on the matter.

KAZUNGULA DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2006 to 31st December, 2006

Non Maintenance of Fixed Assets Register

77. It was revealed that the Council did not maintain a fixed assets register contrary to International Accounting Standards No. 16 and Regulation 25(e) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary submitted to your Committee that the fixed assets register had been prepared in accordance with the new financial manual and the Council was in the process of engaging a valuer to ascertain the value of its assets. The fixed assets register had already been verified by the Ministry of Local Government and Housing.

Your Committee wish to be updated on the valuation of the Council property and the maintenance of the assets register as advised by the Auditor. They await a progress report on the matter.

Non Preparation of Annual Financial Statements

78. The Auditor observed that the Council had not yet started implementing the current financial manual and was still using the cash system of recording transactions and not the accruals method which was the reason why the Council did not prepare the financial statements.

In reply, the Council Secretary submitted to your Committee that the implementation of the new financial manual had started but this was being done gradually as the Council was organising some training for members of staff to use the current financial manual.

Your Committee direct the Council Secretary to ensure that training is completed in order for the new accounting system to be applied fully. They request the Ministry of Local Government and Housing to monitor the Council closely and to provide a report on the full implementation of the new system.

MPONGWE DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January, 2006 to 31st December, 2006

Non preparation of Annual Accounts

79. It was revealed that the Council did not prepare annual accounts contrary to Section 43 of the *Local Government Act* Cap 281 of the laws of Zambia.

In reply, the Council Secretary informed your Committee that the income and expenditure accounts for 2006 had been prepared and submitted for verification. However, the statement of affairs was not prepared as arrangements were under way to have the assets valued by Government valuers.

Your Committee wish to be updated on the preparation of annual accounts.

Breached Contracts: K287, 200,000

80. An examination of the contract documents revealed that Pump Tech Limited, had been contracted to drill boreholes at a total cost of K287, 200,000 in May, 2006 for a period of 30 days but had not completed the works at the time of audit contrary to Regulation 134 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary informed your Committee that the Council had only paid K100,000,000 towards the total contract value and withheld K187,000,000. The Council directed management to spend K5,000,000 from the withheld balance so that pumps could be bought and fitted on the remaining two boreholes. Fifteen boreholes had since been completed and the contractor was working on the last one.

Your Committee wish to receive an update on the completion of the whole project.

Non Production of Constituency Development Fund (Constituency Development Fund) Project Evaluation Reports

81. The Council did not prepare and present evaluation reports for all projects funded contrary to Guideline No. 18 of the Constituency Development Fund Guidelines of September, 2003.

In reply, the Council Secretary informed your Committee that the District Development Coordinating Committee had been advised to be producing evaluation reports upon completion of Constituency Development Fund projects.

Your Committee are concerned that the Council is failing to provide leadership in the application of the Constituency Development Fund Guidelines. They wish to receive a progress report to satisfy themselves that the Council has started preparing evaluation reports as recommended by the Auditor.

Non Preparation of Monitoring Reports

82. The Council did not prepare monitoring reports on the administration and management of Constituency Development Fund contrary to Guideline No. 15 of the Constituency Development Fund Guidelines of September, 2003.

In reply, the Council Secretary informed your Committee that monitoring report forms had been designed and members of the District Development Coordinating Committee had been advised to be producing written reports after every monitoring exercise through a letter written to the District Development Coordinating Committee Chairperson.

Your Committee request the Ministry of Local Government and Housing to help verify whether the Council has started preparing monitoring reports as required by the Constituency Development Fund Guidelines.

MONGU MUNICIPAL COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2006 to 31st December 2006.

Non preparation of Bank Reconciliations

83. It was discovered during audit that the Council did not prepare bank reconciliation statements for the Constituency Development Fund and Development Fund Accounts contrary to Regulation 46(2) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Town Clerk submitted to your Committee that the bank reconciliation statements for the main, Constituency Development Fund and Development Fund accounts were being worked on but were not yet completed.

Your Committee direct the Council to ensure that the reconciliation of books is urgently completed and provide a progress report to the Ministry of Local Government and Housing.

Unpresented Payment Vouchers: K22, 165,252.28

84. A scrutiny of payment vouchers revealed that the Council did not avail for audit payment vouchers worth K22, 165,252.28 contrary to Regulation 98 (1) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Town Clerk informed your Committee that four (4) out of the ten (10) missing payment vouchers had been traced.

Your Committee direct the Council to ensure that the remaining six payment vouchers are traced and submit them to the Ministry of Local Government and Housing for verification.

Un-Accounted for Expenditure: K160, 407,317.11

85. An examination of salaries, wages and other allowances revealed that a sum of K160, 407,317.11 was neither accounted for by payees nor acquitted by beneficiaries contrary to Regulation 92 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Town Clerk submitted to your Committee that out of the amount of K160 407317.11 reported as not accounted for by the Auditor, only K16, 171, 194.10 was yet to be accounted for. Efforts were being made to account for the full amount.

Your Committee direct the Council to account for the balance of K16, 171,194.10 and report progress to them through the Ministry of Local Government and Housing.

Anomalies in the Payroll System

86. An examination of the payroll system revealed that the Council irregularly paid out the following allowances: special allowances, water and electricity allowances, furniture allowances and recruitment and retention allowances contrary to the Local Government Conditions of Service for Non-unionised Employees of 1996 paragraphs Nos. 191, 199 and 207.

In reply, the Acting Town Clerk confirmed to your Committee that the said allowances for management staff were approved by the Council, through a council resolution of 30th March 2005 and that of 3rd April 2007.

Your Committee wish to satisfy themselves that the conditions of service for non unionised employees have been adjusted as advised by the Auditor. They request the Council to have this verified by the Ministry of Local Government and Housing. They await a report on the matter.

Non Acquisition of Certificates of Title

87. An examination of the ownership of assets revealed that the Council did not acquire certificates of title for its properties contrary to Regulation 153 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Town Clerk submitted to your Committee that most assets, like land and buildings, were not on title, but efforts were being made to acquire title deeds.

Your Committee note the response and request the Council to provide a progress report through the Ministry of Local Government and Housing.

Non Existence of Internal Audit Function

88. It was discovered during audit that the Council did not have an Internal Audit unit contrary to Regulation 23 of the Local Authorities Financial Regulations No. 125 of 1992.

In reply, the Acting Town Clerk submitted to your Committee that the Council had taken note of the Auditor's recommendations and had since approved the recruitment of an Internal Auditor. Further, the scrutiny sub-committee had been appointed and was operational.

Your Committee request the Council to update them, through the Ministry of Local Government and Housing, on the actual recruitment of staff for the Internal Audit department.

Irregular Payments from Constituency Development Fund: K15, 300,000

89. An examination of accounting records of the Constituency Development Fund revealed that the Council irregularly paid out a sum of K15,300,000 for the purchase of furniture for the Town Clerk's office and payment of university tuition fees for two officers contrary to the guidelines on projects required to be funded from Constituency Development Fund.

In reply, the Acting Town Clerk submitted to your Committee that the Council had taken note of Auditor's recommendations. Further, the Council would refund the Constituency Development Fund as advised and the money from the officers had been deducted from their monthly salaries.

Your Committee are concerned that the Council deliberately misapplied the Constituency Development Fund despite guidelines being clear on what could be funded. They direct the Council to ensure that the funds in question are immediately paid back to the Constituency Development Fund account. They will await a report on the matter.

Vouchers without Supporting Receipts (Constituency Development Fund: K91, 090,000)

90. A scrutiny of payment vouchers revealed that the Council paid out a sum of K91,090,000 without receipts contrary to Regulation 86 (1) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Town Clerk assured your Committee that the Council had taken steps to recover receipts from the Constituency Development Fund beneficiaries. Further, because the programme was ongoing, beneficiaries had been cautioned to account for funds which they signed for.

Your Committee direct the Acting Town Clerk to ensure that receipts in respect of the K91,090,000 are found and attached to the payment vouchers. They await a report on the matter.

GWEMBE DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January, 2006 to 31st December, 2006

Non Preparation of Annual Financial Statements

91. It was revealed during audit that the Council did not prepare annual financial statements contrary to Section 43 (1) of the *Local Government Act*, Cap 281 of the Laws of Zambia

In reply, the Council Secretary submitted to your Committee that the Council had submitted the annual financial statements for verification. The Ministry, through the Auditor, however, noted that the Council had not prepared the income and expenditure accounts and balance sheet.

Your Committee urge the Council to prepare the income and expenditure accounts and balance sheet and provide a progress report to them through the Ministry of Local Government and Housing.

Outstanding Debts: K21, 000,000

92. It was discovered during audit that the Council was unable to recover a sum of K21, 000,000 from its debtors contrary to Regulation 70 of the Local Authorities (Financial) Regulations No. 125 of 1992

In reply, the Council Secretary submitted to your Committee that it was true that debts had been outstanding for a long time without much effort to recover them. However, several measures had been employed to recover the money. A total of K4, 750,000 owed by deceased debtors had been written off. The K1, 750,000 for lease of a guest house (rentals) had been offset to the lessee to recover expenditure for constructing two flushable toilets. The rest of the money in the form of outstanding rentals and plots would be recovered from debtors. Eviction and repossession notices had already been served.

Your Committee wish to be updated on the recovery of the outstanding amounts.

Borrowing from the Constituency Development Fund: K5, 190,000

93. An examination of the Constituency Development Fund records revealed that a sum of K5, 190,000 was borrowed by the Council from the Constituency Development Fund contrary to the Constituency Development Fund Guidelines No. 7 of 2006.

In reply, the Council Secretary submitted to your Committee that the findings of the Auditor on the borrowing from the Constituency Development Fund were correct. An amount of K3, 640,000 had since been paid into the Constituency Development Fund Account, reducing the balance to K 1,550,000.

Your Committee direct the Council Secretary to ensure that the remaining balance of K1, 550,000 is paid back to the Constituency Development Fund account. The Ministry of Local Government and Housing is requested to provide an update on the matter.

Irregular Transfer of 10% Administrative Costs: K6, 000,000

94. A check of the Constituency Development Fund payment vouchers revealed that the Council irregularly transferred 10% administrative costs amounting to K6, 000,000 to the District Fund Account contrary to Guideline 17 of the Constituency Development Fund Guidelines of 2006

In reply, the Council Secretary submitted to your Committee that the Auditor's observation was correct and the Council had resolved to transfer the funds back to the Constituency Development Fund account.

Your Committee are sad that the Council decided to use money meant for monitoring Constituency Development Fund projects on council functions in total disregard of Constituency Development Fund Guidelines. They urge the Council to ensure that the K6, 000,000 is paid back to the Constituency Development Fund account without fail and ensure that this does not happen again. They await a report on the matter.

LUKULU DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2006 to 31st December 2006

Unretired Imprests: K156, 193,317

95. A test check of imprest ledgers revealed that a sum of K156, 193,317 was not retired contrary to Regulation 119(1) and (2) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary explained to your Committee that it was true that at the time of the audit, the outstanding imprest amounted to K156,193,317. However, imprests amounting to K149,000,000 had been retired.

Your Committee direct the Council Secretary to ensure that the remaining amount of K7, 193,317 is retired immediately. The Ministry of Local Government and Housing is requested to provide a report on the matter.

Payments Appearing on Bank Statements not Recorded in the Cash Books: K19, 500,000

96. An audit check undertaken over the transactions in the cash book revealed that a sum of K19, 500,000 was not recorded in the cash book though appearing on the bank statements contrary to Regulation 78 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary submitted to your Committee that it was true that at the time of the audit, the payments were appearing in the bank statements and not in the cash book and all the payments were found to have been genuinely issued and had been recorded in the cash book. The payment vouchers were prepared but were not entered in the cash book due to an omission by the responsible officer who had since been warned in writing.

Your Committee request the Ministry of Local Government and Housing to have the matter reverified as the cash book was not availed to the Ministry for verification. They await a progress report on the matter.

LUWINGU DISTRICT COUNCIL

Statutory Audit Report for the Period 1st January 2005 to 31st December, 2005.

Non Preparation of Receipts and Payments Accounts

97 It was discovered that the receipts and payments accounts were not prepared for all Council accounts contrary to Regulation 47 (1) and (2) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary informed your Committee that the Council had no qualified staff to prepare the receipts and payments accounts for 2005. The receipts and payments accounts had been prepared for the District Fund Account in accordance with Regulation 47 (1) and (2) of the Local Authorities (Financial) Regulations No.125 of 1992. The Council had resolved to employ two qualified accounting officers to prepare receipts and payments accounts and maintain all the books of account.

Your Committee wish to satisfy themselves that the accounts will in future be prepared in accordance with financial regulations and request to be updated on the employment of staff by the Council.

Non Preparation of Bank Reconciliation Statements.

98. An examination of the cash book transactions revealed that the Council did not prepare bank reconciliation statements contrary to Regulation 46 (2) of the Local Authorities (Financial) Regulations No.125 of 1992.

In reply, the Council Secretary informed your Committee that the Council had no qualified staff to prepare the bank reconciliation statements for 2005. The bank reconciliation statements for 2005 had, however, been prepared for the District Fund Account in accordance with Regulation 47 (1) and (2) of the Local Authorities (Financial) Regulations No.125 of 1992. The Council had resolved to employ qualified officers to maintain all the books of account and prepare bank reconciliation statements.

Your Committee wish to satisfy themselves that the Council will in future maintain books of account and prepare accounts statements in accordance with financial regulations and request to be updated on the employment of staff by the Council.

Irregular Borrowings made Without the Authority of the Council: K12, 100,000

99. An examination into the borrowings by the Council revealed that a sum of K12, 100,000 was borrowed by management from individuals of the public without the authority of the Council contrary to Regulation 137 (2) of the Local Authorities (Financial) Regulations No.125 of 1992.

In reply, the Council Secretary informed your Committee that the amount borrowed was actually K10, 000,000 and not K12,100,000 as stated by the Auditor. The Council had traced the minutes where the borrowing was approved.

Your Committee request the Ministry of Local Government and Housing to establish the correct amount borrowed and provide a report to them so that the matter could be closed.

Non Production of the Subsidiary Ledgers

100. A review of accounting documents revealed that the Council did not prepare all debtors and creditors ledgers contrary to Regulation 125 (5) of the Local Authorities (Financial) Regulations No.125 of 1992.

In reply, the Council Secretary informed your Committee that the Council had no qualified staff to prepare subsidiary ledgers for 2005. The subsidiary ledgers for 2005 had been prepared in accordance with the Local Authorities Financial Regulations No.125 of 1992 and had been verified by the Ministry. The Council had resolved to employ two qualified officers to prepare subsidiary ledgers and maintain all the books of account.

Your Committee wish to satisfy themselves that the subsidiary ledgers would in future be prepared in accordance with financial regulations and request to be updated on the employment of qualified staff by the Council. They also urge the Ministry of Local Government and Housing to closely monitor the operations of the Council as there is an apparent breakdown of the accounting system.

MILENGE DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2005 to 31st December, 2006

Missing Receipts: K2,250,000

101. It was revealed that a sum of K2,250,000 worth of receipts for various payment vouchers was not presented for audit contrary to Regulation 86(1) of the Local Authorities (Financial) Regulations No.125 of 1992.

In reply, the Acting Council Secretary explained to your Committee that the trader with which the transaction was made had passed away, while his trading partner was reported to have shifted from Mansa to an unknown destination.

Your Committee urge the Acting Council Secretary to always have all supporting documents for a payment at the point the transaction is taking place. They urge the Acting Council Secretary to secure a full Council resolution on the matter. They await a progress report.

Un Updated Imprest Ledgers

102. It was revealed that the imprest ledgers were not updated regularly contrary to Regulation 117(3) of the Local Authorities (Financial) Regulations No.125 of 1992.

In reply, the Acting Council Secretary explained to your Committee that the Council had failed to avail the imprest ledgers for 2005 because of the demise of the Council Treasurer and the Accounts Officer, coupled with the termination of contract of the new Treasurer and resignation of the Clerical Officer (Accounts). Arising from this, the Council had employed two officers.

Your Committee direct the Acting Council Secretary to urgently start updating imprest ledgers and submit them to the Ministry of Local Government and Housing for verification.

Un Presented Payment Vouchers: K15, 385,478

103. It was revealed that payment vouchers worth K15, 385,478 were not availed for audit inspection contrary to Regulation 28(c) of the Local Authorities (Financial) Regulations No.125 of 1992.

In reply, the Acting Council Secretary explained to your Committee that the Council had managed to retrieve four payment vouchers totaling K4, 200, 000, leaving a balance of K11, 185, 478.

Your Committee direct the Acting Council Secretary to immediately find supporting documents in respect of the remaining K11, 185,478. They request the Ministry of Local Government and Housing to provide a report on the matter.

Non Maintenance of Creditor's Ledger

104. A review of the general ledger revealed that the Council did not maintain a creditor's ledger contrary to Regulation 12(q) of the Local authorities (Financial) Regulations No.125 of 1992.

In reply to the query, the Acting Council Secretary explained to your Committee that the Council had not opened creditor's ledgers but was in the process of doing so.

Your Committee are sad that the Council is slow in acting on financial irregularities highlighted by the Auditors. They request the Ministry of Local Government and Housing to assist the Council apply relevant accounting procedures. They await a report on the matter.

Missing Council Benz Tipper Truck Registration No. AAG 90

105. A physical check and inspection of the assets of the Council revealed that the Council's Benz Truck, Registration No. AAG 90, was missing from the Council's premises and its whereabouts were not known contrary to Regulation 25(b) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Council Secretary explained to your Committee that the truck in question was taken from the Council premises by a former MP who reportedly wanted to sell it without Council approval. The truck was however, found parked in Lusaka and the Council sought authority from the Ministry of Local Government and Housing to sell it off. The Ministry had approved the request to sell the truck and directed that the truck be sold at K10, 000,000.

Your Committee are saddened by the attempts by the former MP to sell the truck without Council approval. They also regret Council management's failure to protect council property. They request the Ministry of Local Government and Housing to verify the recovery of the truck and provide a report to them on the current status.

Payments Without Supporting Documents: K13,976,916

106. An examination of payment vouchers revealed that payments amounting to K13,976,916 were paid out without supporting documents contrary to Regulation 86(1) of the Local Authorities (Financial) Regulations No.125 of 1992.

In reply, the Acting Council Secretary informed your Committee that the Council had only managed to find supporting documents amounting to K450,000, leaving a balance of K13,526,916.

Your Committee direct the Acting Council Secretary to find supporting documents in respect of the outstanding K13, 526,916 and have them verified by the Ministry of Local Government and Housing.

Un Accounted For Funds: K1,888,000

107. A scrutiny of expenditure returns revealed that a sum of K1, 888,000 was unaccounted for from the procurement of timber and fuel contrary to Regulation 12(n) of the Local Authorities (Financial) Regulations No.125 of 1992.

In reply, the Acting Council Secretary reported to your Committee that the Council was still trying to account for the funds in question.

Your Committee direct the Acting Council Secretary to ensure that the K1,888,000 is accounted for urgently and provide a progress report to them through the Ministry of Local Government and Housing.

Misapplication of K4,500,000

108. A check of expenditure returns revealed that a sum of K4, 500,000 was misapplied from the Constituency Development Fund to Council activities, contrary to Constituency Development Fund guidelines of 2003.

In reply, the Acting Council Secretary explained to your Committee that the Auditor's observations were true and the Council would refund the funds to the Constituency Development Fund account.

Your Committee direct the Acting Council Secretary to pay back the K4, 500,000 to the Constituency Development Fund account, without fail, and provide a report to this effect to the Ministry of Local Government and Housing. They await a report on the matter.

Cash Withdrawn Without Raising a Payment Voucher: K4, 000,000

109. A scrutiny of bank statements revealed that cash was withdrawn from the bank amounting to K4, 000,000 without raising payment vouchers contrary to Regulation 78 (1) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Council Secretary informed your Committee that the payment vouchers were prepared but were just misplaced. He informed your Committee that the same had not been traced.

Your Committee are unhappy that the Council disregarded financial regulations in withdrawing the cash in question. They direct the Acting Council Secretary to quickly attend to the anomaly and provide a report to them.

MWENSE DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2006 to 31st December, 2006

Unsupported Payments: K189, 824,000

110. A scrutiny of payments revealed that payment vouchers worth K189,824,000 were not adequately supported with relevant documents contrary to Regulation 86 (1) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary reported to your Committee that the Council had attached supporting documents.

The Ministry of Local Government and Housing, through the Auditor, informed your Committee that the Ministry thought the Council had not adequately supported the payments because only cash sales receipts were attached and not supplier's invoices as required by financial regulations. He noted that during verification, the Ministry found that the contract forms in respect of the project had not been signed. He, however, informed your Committee that the Ministry had verified that the works paid for had actually been undertaken and completed.

Your Committee direct the Council Secretary to ensure that in future relevant supporting documents for projects are obtained as required by the guidelines. They also request the Ministry of Local Government and Housing to help establish how the project was undertaken without contract papers being signed. They will await a report on the matter.

Excess Expenditure: K28, 803,222.64

111. A scrutiny of the receipts and payments accounts revealed that the Council incurred an over expenditure above the budgetary authority amounting to K28,803,222.64 contrary to Regulation 10(1) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary stated that the Council would seek permission from the Minister of Local Government and Housing in retrospect and that in future the Council would adhere to principles of activity based budgeting.

Your Committee direct the Council to immediately apply to the Ministry of Local Government and Housing to have the excess expenditure normalised.

Outstanding Debts: K 36,973,000

112. A review of the minutes of the Finance, Licensing and General Purposes Committee revealed that outstanding debts of K36,973,000 remained unrecovered as a result of the failure by the Council to take corrective measures contrary to Regulation 12(h) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Council Secretary reported that the Council would institute legal action against the debtors to help it collect the debt amounting to K 36,973,000.

Your Committee direct the Council Secretary to recover the K36,973,000 and report progress to them through the Ministry of Local Government and Housing.

MPIKA DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2005 to 31st December 2005

Funds Embezzled: K28, 102,874.78

113. A scrutiny of the daily bankings/deposits and expenditure returns revealed that there were no records detailing the accountability of a sum of K28,102,874.78 contrary to Regulation 72 of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Council Secretary, reported to your Committee that it was regrettable that one box file containing cash payments was not availed to the Auditor at the time of audit. The file had been found though the amount of K2,263,527 was still unaccounted for.

Your Committee direct the Council Secretary to recover the balance of K2, 263,527 and submit a progress report to the Ministry of Local Government and Housing for verification.

Missing Receipt Book

114. A review of the register of accountable documents revealed that one (1) Receipt Book with serial Nos. 5500–5600 was not presented for audit contrary to Regulation 28 (1) (b) of the Local Authorities (Financial) Regulations No. 125 of 1992.

In reply, the Acting Council Secretary reported to your Committee that the receipt book indicated in the audit report was not presented because it was missing and had not been found. The misplacement of the receipt book was caused by the shifting of offices which involved movement of documents. However, the Council had found secure storage for accountable documents.

Your Committee are disappointed by the response from the Acting Council Secretary. Negligence in handling accountable documents is unacceptable as it could be used to conceal abuse of funds. They direct the Council Secretary to find all the missing receipts and submit a progress report to the Ministry of Local Government and Housing for verification.

CHINSALI DISTRICT COUNCIL

Statutory Audit Report and Audit Inspection Report (Constituency Development Fund) for the Period 1st January 2005 to 31st December 2005

Unaccounted for Cash Balances: K8, 126,500

115. A scrutiny of imprest retirement forms and closing journals revealed that a sum of K8, 126,500 was unaccounted for contrary to Regulation 119 of the Local Authorities (Financial) Regulations No. 125 of 1992

In reply, the Acting Council Secretary informed your Committee that recoveries from Council employees had commenced and that a register of imprest had been introduced to closely monitor imprests.

Your Committee direct the Acting Council Secretary to ensure that all the outstanding imprest is recovered and submit a progress report in this regard to the Ministry of Local Government and Housing.

PART II

CONSIDERATION OF POLICY MATTERS

Submission by the Acting Permanent Secretary, Ministry of Lands, on the challenges faced by Councils in the acquisition of title deeds for council properties.

116. Concerned with the numerous audit queries arising from the failure by Councils to obtain title deeds for their properties, your Committee requested the Ministry of Lands to explain to them what the main challenges are in processing title deeds for councils. The Acting Permanent Secretary informed your Committee that the major challenge in processing title deeds for councils was failure by most councils to have their properties surveyed and diagrams produced. Having a property surveyed was not the Ministry of Lands' responsibility but that of the councils. Secondly, most councils did not prepare relevant documents adequately as required by the Ministry of Lands. For example, Councils submitted diagram extracts that were not compatible with their District Development Plans. This often resulted in queries which delayed the processing of title deeds.

On the way forward, the Acting Permanent Secretary suggested the measures below.

- 1) Councils should ensure that they play their role as promptly as possible by having their properties surveyed.
- 2) Councils should properly prepare documents, especially those involving secondary transactions.
- 3) The Ministry of Lands and Councils should get into an arrangement to treat their lodgments as a special project.

Observations and recommendations of the Committee

Your Committee are of the view that the widespread delay by Councils to obtain title deeds for their properties is a negative development which should urgently be addressed. They observe that the delays in processing title deeds for the Councils had been partly due to structural capacity problems in the Councils as a result of which documents of inadequate standards have been forwarded to the Ministry of Lands.

They, therefore, recommend that the Ministry of Lands and the Ministry of Local Government and Housing should urgently work out a capacitating relationship in which local authorities will be sensitised on the standards and requirements for the processing of title deeds.

Further, Local Authorities, being Government entities, should be treated as a special case so that they could be assisted to process their title deeds expeditiously.

Submission by the Permanent Secretary, Ministry of Local Government and Housing, on various policy issues

Progress report on the establishment of the Local Government Service Commission

117. The Permanent Secretary reported that the establishment of the Local Government Service Commission had reached an advanced stage and that if it had not been for the

misunderstanding by some stakeholders, a Local Government (Amendment) Bill would already have been presented to Parliament. The Ministry further informed your Committee that the misunderstanding had been dealt with and the Bill to amend the Local Government Act to facilitate the establishment of the Local Government Service Commission would soon be tabled before Parliament.

Your Committee was informed that a national consultative forum for Local Governance stakeholders, including Town Clerks, Council Secretaries, union leaders and members of the Local Government Association, supported the establishment of the Commission.

Following the submission by the Permanent Secretary, your Committee wanted to find out whether the establishment of the Local Government Service Commission was not in conflict with the Decentralisation Policy which sought to give power to the Councils to manage their affairs at local level. In response, the Permanent Secretary explained to your Committee that the establishment of the Commission would instead enhance the decentralisation process because it would help create capacity in local authorities necessary to handle the functions to be decentralised. He observed that at the moment smaller councils were not in a position to recruit and retain qualified staff and, hence, would not have the capacity to handle the Decentralisation Policy. The Permanent Secretary further explained that the councils would still have a role to play in the recruitment of council employees as the Commission would only be responsible for the recruitment of Chief Officers while junior officers would be recruited by the Councils.

Committee's observations and recommendations

Your Committee observe that the Local Government System in Zambia is facing structural problems that require massive transformation through the full implementation of the Decentralisation Policy. They are of the view that the real challenge facing the local authorities in Zambia is lack of adequate resources for them to recruit and retain qualified staff in order to deliver decent service to the people. They note, therefore, that the establishment of the Local Government Service Commission, though welcome, will not have any meaningful impact on the performance of the Councils.

They, therefore, urge the Government to take a holistic approach to challenges facing Councils by implementing the Decentralisation Policy which, in their view, will increase resources available for development and service delivery at Local Government level. It is only when this happens that qualified staff will be attracted to work for Councils.

Progress Report on the Markets and Bus Stations Act

118. The Ministry reported that Councils had all been reminded to intensify the sensitisation and public awareness activities on the *Markets and Bus Stations Act* No. 7 of 2007. The workshops were meant to enlighten the stakeholders on the need to recommend suitable names to sit on the Markets and Bus Stations boards. The councils were given the deadline of 30th June, 2008 to submit reports on the workshops held in their districts and the names of recommended persons to sit on Board. So far, the responses from Councils had been overwhelming and Boards would be constituted in some towns before the end of 2008.

Committee's observations and recommendations

While appreciating the submission, your Committee wonder how effective the sensitisation activities will be, given that there are no funds earmarked for the exercise and most Councils are cash strapped. Your Committee, therefore, urge the Ministry of Local Government and Housing to take leadership and spearhead the sensitisation activities and help Councils in undertaking initial activities in the implementation of the Act.

Failure by Councils to remit statutory contributions

119. Concerned with the failure by most Councils to remit statutory contributions to the Local Authorities Superannuation Fund, the Zambia Revenue Authority and the National Pensions Scheme Authority, your Committee wanted to know what measures the Ministry had put in place to redress the situation.

In his submission to your Committee, the Permanent Secretary, Ministry of Local Government and Housing explained that among measures put in place were that the Ministry would not approve Council budgets that did not have provisions for the payment of statutory obligations. Further, the Ministry was facilitating dialogue between Councils with the respective statutory bodies on how best Councils could pay their obligations to these institutions.

Committee's observations and recommendations

As your previous Committees have pointed out in the past, failure by local authorities in the country to meet their statutory obligations is another indication that the Local Government system has collapsed and needs urgent transformation.

They, therefore, request the Government to show leadership and provide guidance on the future of the local Government system. At the moment, your Committee are of the view that the Government has no choice but to continue assisting local authorities to meet their statutory obligations.

PART III

CONSIDERATION OF THE ACTION TAKEN REPORT ON YOUR PREVIOUS COMMITTEE'S REPORT FOR 2007

CONSIDERATION OF THE 2007 REPORT OF THE HONOURABLE MINISTER OF LOCAL GOVERNMENT AND HOUSING ON THE SUMMARISED AUDITED ACCOUNTS OF LOCAL AUTHORITIES

Kawambwa District Council

Audit Inspection Report on the Utilisation of the Constituency Development Funds for the Period 1 August, 1998 to 31 December, 2004

Unsupported Payment Vouchers: K112, 941,340

120. An examination of payments made from the Pambashe Constituency Development Fund Account revealed that ninety two (92) payment vouchers for amounts totaling K112,941,340 were not supported by relevant documents during the period under review contrary to the Local Authorities (Financial) Regulation number 86 (1) of 1992.

Your previous Committee had noted the submission and wished to satisfy themselves that the funds were used for the intended purpose. They, therefore, had directed the Council Secretary to ensure that the contractors in question were traced and receipts retrieved.

In the Action-Taken Report the Ministry reported that the Council had complied with your Committee's recommendations and had managed to account for K109, 440,000, leaving a balance of K3,501,340 without supporting documents. The owners of the remaining receipts could not be traced because they had died and the administrators could also not be traced. The Council management had reported this matter to the full Council for a decision.

Your Committee resolve to await the Council's resolution on the K3, 501,340.

Petauke District Council

Statutory Audit Report for the period 1 January 2004 to 31 December 2004

Unsupported Payment Vouchers K51, 580,068.04

121. Your previous Committee had directed the Council Secretary to ensure that the remaining payment vouchers with receipts amounting to K7, 952,978.19 were found.

In the Action-Taken Report, the Ministry reported that the Council had only traced a sum of K2, 500,000 worth of receipts, leaving a balance of K5, 452,978.19 to be traced.

Your Committee resolve to await a report pertaining to the balance of K5, 452,978.19 whose receipts were yet to be traced.

Unaccounted Funds K12, 095,500

122. Your previous Committee had urged the Council Secretary to ensure that receipts were found and verified by the Auditor.

In the Action-Taken Report, the Ministry reported that the Council had not yet accounted for a sum of K12, 095,500 from the Constituency Development Fund. The Ministry had directed the Council to refund the Constituency Development Fund without further delay.

Your Committee are disappointed by the Council's failure to act on your previous Committee's recommendation. They urge the Council to immediately find receipts in respect of the K12, 095,500 and submit them to the Ministry of Local Government and Housing for verification.

Update on the Decentralisation Process

123. Your previous Committee sought to be updated by the Minister of Local Government and Housing on the progress attained in the implementation of the Decentralisation Policy.

The Minister of Local Government and Housing acquainted your previous Committee on the various aspects of the Decentralisation Policy, including an account on the background and the main objectives of the Policy. Further, she outlined the status of the Decentralisation Implementation Plan; including the institutional and cost arrangements. Challenges the process was encountering were also highlighted.

Your previous Committee had recommended that the Government should:

- (a) consider taking immediate measures to enhance the coordination of the decentralisation process by placing it under the direct mandate of the Republican Presidency;
- (b) as a matter of urgency, consider and approve the Decentralisation Implementation Plan so as to forestall further delays in the implementation process;
- (c) harmonise the leadership at the district level in order to avoid conflict of interest between the office of the Council Secretary and that of the District Commissioner;
- (d) urgently settle the issue of structure and conditions of service for the Decentralisation Secretariat so that the focus could be on the implementation process.

In the Action Taken Report, the Permanent Secretary, Ministry of Local Government and Housing, explained to your Committee that the Ministry had noted the Committee's recommendations. He observed, however, that the Decentralisation Implementation Plan, which was a key requirement for the policy was still before Cabinet awaiting approval.

Committee's observations and recommendations

Your Committee are disappointed that despite the Decentralisation Policy being an initiative of the Government, there has not been enough political will to implement it. Your Committee are of the view that if the Government has difficulties implementing the Decentralisation Policy, they should provide another policy direction instead of leaving the Local Government system in its current state. They request the Government to come up with a clear stand on the Decentralisation Policy.

Matters arising from the tours of the Committee

Chongwe District Council

124. *Your previous Committee had directed the Council to urgently establish a strong room for safe storage of accountable documents which were being kept in an insecure office*

In the Action-Taken Report, the Ministry reported that the Council had been advised to prepare a room to be designated as a strong room so that accountable documents could be stored.

b) *Your previous Committee had urged the Council to consider establishing a bus station in order to provide shelter for travellers and improve the Council's revenue base.*

In the Action-Taken Report the Ministry reported that it had taken note of your Committee's recommendations and had instructed the Council to ensure that once the Markets and Bus Stations board was constituted, construction of the Bus station shelter should be a priority.

c) *Your Committee had urged the Council to work hand in hand with the Police to ensure that the Council building being used as a Police station was painted and maintained.*

In the Action-Taken Report, the Ministry reported that it had directed the Council that in its quest to make the town clean, it should ensure that all Council buildings, whether on rent or not, were kept clean.

d) *Your Committee had implored the Ministry of Local Government and Housing to help the Council find land to expand its township boundary.*

In the Action-Taken Report the Ministry reported that the Council still had enough undeveloped land to develop. The Ministry was currently helping the Council with the planning process of the district so that only legalised structures with approved plans were constructed in the district.

Committee's observations and recommendations

Your Committee, while noting the responses from the Ministry on the concerns raised by your previous Committee, observe, with regret, that these were not adequately addressed as no specific actions were reported to have been taken by the local authority to address your previous Committee's concerns. They, therefore, request the Ministry of Local Government and Housing to submit another report spelling out specific measures taken by the Council to address the concerns raised by your previous Committee.

Nyimba District Council

125. *Your previous Committee had noted that the Council had continued to face a serious shortage of accommodation for its staff. They regretted that no explanation was availed to the Council by the Government for failure to build seven (7) staff houses as promised in 2005. Your Committee had implored the Ministry of Local Government and Housing to prioritise the building of Council staff houses in Nyimba District.*

In the Action-Taken Report, the Ministry reported that the Government had already prioritised the construction of houses not only in Nyimba but in all other Councils where there were housing deficits as indicated in the Fifth National Development Plan (FNDP). To kick-start this programme, the Ministry had written circulars to all Councils to make available land for the construction of 100 houses in each Council. Some Councils had already responded to this call and land preparations had started. Additionally, the National Housing Authority (NHA) also had a programme to construct houses in Councils like Lusaka Ndola and Kitwe. The National Housing Bond was another program that was being pursued by the Ministry to construct houses through out the country.

While noting the submission, your Committee resolve to await a report on the actual construction of the housing units in Nyimba District.

Petauke District Council

126. *Your previous Committee had noted, with concern, that only four (4) out of the eleven (11) boreholes were in working condition. They also noted that the water works were in a deplorable state. They had, therefore, urged the Ministry of Local Government and Housing to assist the Council in constructing a dam, which was a more sustainable source of water. They had also directed the Council to urgently carry out works to uplift the state of the water works.*

In the Action-Taken Report, the Ministry reported that the Government was in the process of forming a water utility company that would be mandated to improve the water supply situation in the district. The Ministry was carrying out a feasibility study in order to come up with urgent work plans that could be effected to improve the water situation in the district while the water utility company was being formed.

Your Committee will await a progress report.

b) *Your previous Committee had wished to be updated on both the status of the feasibility study on urgent works required and the formation of a water utility company. Your previous Committee had further noted that the aqua system hosting the Council's boreholes had been encroached upon by residents who had built houses close to it. They had, therefore, urged the Council to take urgent measure to prevent further encroachment.*

In the Action-Taken Report, the Ministry reported that the comments and recommendations made by your Committee had been communicated to the Council with further instruction to take action against the residents that had encroached on the area where the boreholes that supply the District with water were located.

Your Committee wish to be updated on the action undertaken by the Council to correct the situation.

Katete District Council

127. *Your previous Committee had expressed concern that the water works were operating at half capacity due to the drying and silting of boreholes and had urged the Council to ensure the boreholes were urgently repaired.*

In the Action-Taken Report, the Ministry reported that Government was in the process of forming a water utility company that would be mandated to improve the water supply situation in the District. The Ministry was carrying out a feasibility study in order to come up with urgent work plans that could be carried out to improve the water situation in the District while the Water Utility Company was being formed.

Your Committee will await an update on the matter.

b) *Your previous Committee had urged the Council to establish a strong room as keeping accountable documents in the Deputy Treasurer's office was not safe.*

In the Action-Taken Report, the Ministry reported that it had communicated the comments and recommendations of your Committee to the Council for their action.

Your Committee wish to know whether the Council has carried out your previous Committee's directive.

c) *Your previous Committee had regretted that a traditional leader in the district was giving out plots close to the township boundary thereby frustrating the Council's efforts to extend the boundaries of the township. They had urged the Ministry of Local Government to help the Council secure land for the expansion of the township boundaries.*

In the Action-Taken Report, the Ministry reported that it had instructed the Provincial Administration to convene a meeting with the Council and the involved traditional leader and that the meeting should be chaired by the Paramount Chief for the area. The Ministry had also informed the House of Chiefs about this matter so that they could also find a way of solving this issue amicably.

Your Committee wish to know what has come out of the interventions outlined by the Ministry of Local Government and Housing.

Chama District Council

128. *Your Committee had noted with great concern that only three (3) out of the ten (10) boreholes at the Council water works were operational and had urged the Council to ensure that the silted boreholes were urgently cleaned.*

In the Action Taken Report, the Ministry reported that there were only two boreholes which were operational and that one had broken down. Arising from the aforesaid, the expected formation of the Eastern Water and Sewerage Company was expected to improve the water supply in the district.

Your Committee resolve to await a progress report on the matter.

Consideration of the Action-Taken Report on your Committee's Report for 2006

Mkushi District Council

Unbanked income: K8, 837,500

129. Your previous Committee had directed the Council Secretary to report the matter to the police as the circumstances surrounding the spending of the money were tantamount to theft.

In the Action-Taken Report, the Ministry reported that the matter involving the unbanked funds was reported to the Police and the Officer involved was arrested and charged with theft of public funds by a public officer. The matter was in court and judgment was being awaited.

Your Committee resolve to await a progress report on the matter.

Alteration of Council Minutes

130. Your previous Committee had directed the Council Secretary to ensure that a copy of the minutes was presented for verification. The Ministry had reported that no verification was done for all the above queries despite the Ministry sending an Auditor on two occasions to do so.

In the Action-Taken Report, the Ministry reported that the matter was reported to the full Council where it was discovered that the former Council Secretary had actually altered the Council minutes. The matter was also being investigated by the Anti-Corruption Commission (ACC) who had already arrested the officer for prosecution.

Your Committee resolve to await a progress report on the matter.

Missing Ninety Pockets of Cement

131. Your previous Committee had directed the Council Secretary to locate the distribution book and present it for verification and report progress on the matter. The Ministry reported that no verification was done for the reasons advanced above.

In the Action-Taken Report, the Ministry reported that this was another case that the former Council Secretary had been charged for. The ACC was also investigating the same case and your Committee would be informed about the progress on this matter once the ACC had completed the investigations.

Your Committee resolve to await a progress report on the matter.

Sesheke District Council

132. In the Action-Taken Report, in 2007, the Ministry had reported that both Chapter 47 of the Laws of Zambia (OLD EDITION) and the *Markets Act* Cap 290 of the Laws of Zambia provided for the establishment and management of markets by the local authorities. Sections 1, 2, 3 (1) and 4 conferred powers to Councils, with ministerial approval, to establish markets in the council areas. Further, the Ministry reported that it had been established by the Government that the Sesheke, Katimamulilo and Mwandu Markets title deeds were held by the Sesheke District Council. This meant, therefore, that the rightful owner of the three markets was Sesheke District Council. The Barotse Royal Establishment (BRE) was not cited by either

the earlier Zambian Markets Law or the current amended Markets Act and it was, therefore, illegal for the BRE to claim ownership of the said markets. The Ministry had, therefore, directed the Provincial Local Government Officer to ensure that the markets run by the BRE were handed over to the Council without delay.

In the latest Action-Taken Report, the Ministry reported that, with the passing of the Markets and Bus Stations Bill into Law, the Councils and representatives of the Baroste Royal Establishment (BRE) had been informed about the provisions of the Law in the management of markets and bus stations in the country and that all of those that abrogated the Law would be punished. The Act would be in force in 2008.

While noting the effort by the Government to resolve the matter, your Committee wish to be updated on the actual transfer of the management of the markets from the Baroste Royal Establishment (BRE) to the local authority.

Petauke District Council

Non-Production of Certificates of Title

133. Your previous Committee had wondered why it was taking too long for councils to obtain title deeds for their properties.

In the Action-Taken Report, the Ministry reported that all Councils whose properties were not on title had been asked to submit their lists of assets through the Ministry for the acquisition of certificates of title to the Ministry of Lands and Petauke District Council was yet to submit its requirement for processing with the Ministry of Lands. Your Committee would be informed on the progress on this matter.

Your Committee resolve to await a progress report.

Unaccounted for Funds

134. Your previous Committee had resolved to await an update on the matter.

In the Action-Taken-Report, the Ministry reported that the investigations on the matter were still going on with the police and as soon as all the investigations were concluded, your Committee would be informed accordingly.

Your Committee await a progress report.

CONCLUSION

135. Your Committee are indebted to all Town Clerks, Council Secretaries and the Ministry of Local Government and Housing for the co-operation rendered during the consideration of the Report of the Honourable Minister of Local Government and Housing on audited accounts. They are also indebted to the Acting Permanent Secretary, Ministry of Lands, who appeared before them to explain the challenges being faced in the processing of title deeds for council properties.

Your Committee further thank the offices of the Auditor-General and the Clerk of the National Assembly for the advice rendered during the deliberations.

Finally, your Committee wish to record their indebtedness to you, Mr Speaker, for the guidance given during the Session.

October 2008
LUSAKA

Dr K Kalumba, MP
CHAIRPERSON