



**REPUBLIC OF ZAMBIA**

**REPORT**

**OF THE**

**COMMITTEE ON LOCAL GOVERNANCE, HOUSING AND CHIEFS'AFFAIRS**

**ON THE REPORT OF THE AUDITOR GENERAL ON THE REVIEW OF OPERATIONS FOR THE  
FINANCIAL YEARS ENDED 31<sup>ST</sup> DECEMBER, 2013, 2014 AND 2015 OF LOCAL AUTHORITIES**

**FOR THE**

**FIRST SESSION OF THE TWELFTH NATIONAL ASSEMBLY**

**APPOINTED ON WEDNESDAY, 5<sup>TH</sup> OCTOBER 2016**

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### **REPORT OF THE COMMITTEE ON LOCAL GOVERNANCE, HOUSING AND CHIEFS' AFFAIRS ON THE REPORT OF THE AUDITOR GENERAL ON THE REVIEW OF OPERATIONS OF LOCAL AUTHORITIES FOR THE FINANCIAL YEARS ENDED 31<sup>ST</sup> DECEMBER, 2013, 2014 AND 2015 FOR THE FIRST SESSION OF THE TWELFTH NATIONAL ASSEMBLY APPOINTED ON 5<sup>TH</sup> OCTOBER 2016**

Consisting of:

Mr M Kabanda, MP (Chairperson); Mr E Musonda MP; Mr L Kaziya, MP; Mr K Mukosa, MP; Mr N Samakayi, MP; Mrs S Mulyata, MP; Mr M Chikote, MP; and G Chiyalika, MP.

The membership of your Committee changed following the appointment of Mr L Kaziya, MP as Minister of Water Development, Sanitation and Environmental Protection who was replaced by Mr E I Chibanda, MP.

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

Sir,

Your Committee has the honour to present its Report on the Report of the Auditor General on the Review of Operations of Local Authorities for the Financial Years Ended 31<sup>st</sup> December 2013, 2014 and 2015 for the First Session of the Twelfth National Assembly.

### **Functions of the Committee**

In accordance with the National Assembly Standing Orders, the functions of your 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, the Ministry of Housing and Infrastructure Development (Department of Housing only) and the Ministry of Chiefs and Traditional Affairs, departments and/or agencies under their portfolios;
- (ii) carry out detailed scrutiny of certain activities being undertaken by the Ministries, departments and/or agencies under their portfolios and make appropriate recommendations to the House for ultimate consideration by the Government;
- (iii) make, if considered necessary, recommendations to the Government on the need to review certain policies and/or certain existing legislation;
- (iv) examine annual reports of Government ministries and departments under their portfolios in the context of the autonomy and departments and determine whether the affairs of the said bodies are being managed according to relevant Acts of Parliament, established regulations, rules and general orders.
- (v) consider any bills that may be referred to it by the House
- (vi) consider International Agreements and Treaties in accordance with Articles 63 of the Constitution;
- (vii) consider special audit reports referred to them by the Speaker or an order of the House;
- (viii) where appropriate, hold public hearings on a matter under their consideration; and
- (ix) consider any matter referred to them by the Speaker or an order of the House.

## **Meetings of the Committee**

During the period under review, your Committee held eight meetings.

## **Programme of Work**

Your Committee considered and adopted the following programme of work for the First Session of the Twelfth National Assembly:

- i) consideration of the Action-Taken Report on the Committee's Report for the Fifth Session of the Eleventh National Assembly;
- ii) consideration of the Report of the Auditor General on the Review of Operations of Local Authorities for the Financial Years Ended 31<sup>st</sup> December, 2013, 2014 and 2015;
- iii) consideration of the Topical Issue - "The Housing Situation in Zambia";
- iv) local tour to Lusaka, North Western and Copperbelt Provinces of Zambia to inspect some selected housing projects in these provinces; and
- v) foreign tour to Uganda in order to benchmark with the Committee on Local Governance and Public Service as well as the Committee on Local Government Accounts on best practices.

## **Procedure Adopted by the Committee**

With technical guidance from the Auditor General and the Ministry of Local Government, your Committee considered both oral and written submissions from the Presiding Officers of the seventeen local authorities which were cited in the Report of the Auditor General on the Review of Operations of Local Authorities for the Financial Years Ended 31<sup>st</sup> December 2013, 2014 and 2015. Additionally, the Permanent Secretary and the Secretary to the Treasury were both requested to comment on all the seventeen institutions.

This Report contains the observations and recommendations of your Committee and includes, in some cases, proposed remedial measures to correct identified irregularities.

Your Committee also undertook a foreign tour to the Parliament of Uganda in order to benchmark with the Committee on Local Governance and Public Service and the Committee on Local Government Accounts on best practices.

Your Committee's Report is, therefore, in three parts. Part I is on the Report of the Auditor General on the Review of Operations of Local Authorities for the Financial years Ended 31<sup>st</sup> December, 2013, 2014 and 2015, Part II is on Grants to Local Authorities and Constituency

Development Funds (CDF) for the financial year ended 31<sup>st</sup> December 2015, while Part III presents the findings, observations and recommendations of your Committee during its foreign tour.



## **PART I**

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

Local authorities are public institutions established by an Act of Parliament under *Section 3 of the Local Government Act, Chapter 281 of the Laws of Zambia* and are Government institutions. The main objective of establishing councils is to provide services on behalf of the Central Government to residents within their areas of jurisdictions. Currently, there are 105 councils in the country. In this regard, Local Authorities were a key factor in socio-economic development because their operations were directly linked to community activities. An effective monitoring

of their operations was, therefore, inevitable in ensuring sustainable economic and environmental development in the country.

The *Constitution of Zambia*, as amended by *Act No. 2 of 2016* devolves powers to the local authorities in the quest to decentralise the operations of the Government as all the Government departments and institutions would now be managed at the Local Authority level. This, therefore, entailed that there should be greater accountability on the part of the local authorities as they would now be responsible for a lot of Government resources for onward service delivery to the general citizenry.

In this regard, *Article 250 (1) (i)* of the *Constitution of Zambia*, as amended by *Act No. 2 of 2016*, mandates the Office of the Auditor General (OAG) to audit the accounts of the Local Authorities. The audits ensure that there was transparency and accountability in the Management of resources in Local Authorities. In preparation to undertake these audits, the Office conducted a survey of forty-three Councils in Zambia to establish the status of accounting, auditing and reporting between April and June 2016, and the survey revealed various weaknesses to which the Secretary to the Treasury responded as set out below.

### **Submission by the Secretary to the Treasury - Ministry of Finance**

The Secretary to the Treasury informed your Committee that the comments in the Report of the Auditor General on the Review of Operations of Local Authorities for the Financial Years Ended December 2013, 2014 and 2015, were appreciated. The process of interacting and communicating with the Council Secretary and the Presiding Officers of local authorities whose accounts were audited was acknowledged as it provided an opportunity for them to clarify and take corrective action on the audit findings so that matters were resolved during the process of the audit. The set out below are submissions on the said accounts:

#### **i. Liquidity Problems**

The Secretary to the Treasury submitted that he had continued to monitor the liquidity position of councils by evaluating their revenue and cost structures in order to develop the right strategies to address the matter by way of allowing councils to come up with innovative solutions to raise funds.

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

Your Committee notes the Secretary to the Treasury's response, but urges him to ensure that the matter relating to local authorities' liquidity should be treated with the urgency it deserves. Your Committee laments that most local authorities are currently failing to

meet even their statutory obligations and other staff related costs which may result in serious loss of public funds through litigation. Your Committee strongly urges the Secretary to the Treasury to devise a plan to assist the local authorities in order to make them financially viable unlike the status quo. Your Committee awaits a progress report on the matter.

**ii. Lack of Strategic Plan**

The Secretary to the Treasury submitted that through the Council Secretary in charge of Local Government, his office would ensure that all councils commenced the process of drawing up Strategic Plans before the end of the 2017 financial year.

**Committee's Observations and Recommendations**

Your Committee urges the Secretary to the Treasury to follow through on his promise on the matter. Your Committee awaits a progress report on the matter.

**iii. Inappropriate Reporting Framework**

The Secretary to the Treasury submitted that through the Council Secretary in charge of Local Government, he will direct all Local Authorities to standardise the reporting frameworks using the International Public Sector Accounting Standards (IPSAS) in a suitable timeframe to be communicated to them.

**Committee's Observations and Recommendations**

Your Committee urges the Secretary to the Treasury to follow through on his promise on the matter. Your Committee awaits a progress report on the matter.

**iv. Lack of Risk Management Policy**

The Secretary to the Treasury submitted that through the Council Secretary in charge of Local Government, his office would ensure that all councils drew up Risk Management Policies by the end of the 2017 financial year.

**Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Secretary to the Treasury to implement the matter. Your Committee awaits a progress report on the matter.

**v. High Vacancy Rate**

The Secretary to Treasury submitted that he would engage the Local Government Service Commission in liaison with the Council Secretary for Ministry of Local Government so that appropriate action could be taken in order to improve service delivery in councils.

**Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Secretary to the Treasury to implement the matter and ensure that the process is expedited. Your Committee awaits a progress report on the matter.

**vi. Lack of Title deeds**

The Secretary to Treasury informed your Committee that through the Council Secretary in charge of Local Government, he would follow-up the matter so that certificates of ownership were obtained by councils as soon as possible.

**Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Secretary to the Treasury to implement the matter and ensure that the process is expedited. Your Committee awaits a progress report on the matter.

**vii. Low Qualification of Accounting Staff**

Your Committee was informed by the Secretary to the Treasury that he would engage the Council Secretary in charge of Local Government to ensure that each council drew up a comprehensive Staff Development Programme to improve qualifications of accounting staff in councils. In addition, the Controlling Officer would be required to develop minimum qualifications standards for each accounting position in the councils by way of Job Descriptions.

**Committee's Observations and Recommendations**

Your Committee observes that accounting officers in local authorities have low qualifications which are a great source of worry considering that fiscal decentralisation is imminent. The Secretary to the Treasury is urged to ensure that all accounting staff in

the local government system are closely monitored. Further, for easy of monitoring and to enhance adherence to standards, the Government should seriously consider appointing these officers under the office of the Accountant General just as accounting staff in the central government. Your Committee awaits a progress report on the matter.

**viii. Lack of ICT Policy**

The Secretary to the Treasury informed your Committee that through the Council Secretary in charge of Local Government, he shall engage SMART Zambia Institute under Cabinet Office to work with all councils to draw up Information Communication Technology (ICT) policies to provide guidance on the procurement of ICT equipment and software before the end of the 2017 financial year.

**Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Secretary to the Treasury to implement the matter and ensure that the process is expedited. Your Committee awaits a progress report on the matter.

**Executive Summary**

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

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

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

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

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

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

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

The Secretary to the Treasury submitted that the observations of the Auditor General in the Executive Summary were appreciated and, as alluded to in the preamble submission, the Treasury in liaison with the Minister responsible for Local Government and the Council Secretary for Local Government who were mandated by the current *Local Government Act* in the maintenance of sound financial systems in the local authorities would review *the Local Government Act* so that the Treasury role could be clearly defined. That would allow for systematic interventions to address the shortcoming identified by the Auditor General.

Regarding administration of the Constituency Development Fund (CDF), he submitted that the Treasury stood by its earlier submission that enabling legislation be enacted by Parliament to administer the fund as it was in other countries within the region such as Kenya. That would legitimise the Fund through the legal framework. In that regard, collaboration between the Treasury and the Ministry of Local Government had commenced on developing a Constituency Development Fund Bill.

As regards grants disbursed to Local Authorities by the Treasury from the Local Government Equalisation Fund, the Secretary to the Treasury informed your Committee that the Treasury would engage the Minister of Local Government to enforce section 45A (6) of *the Local Government Act* to compel council Sound financial management practices in the councils in order to address the shortcomings.

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

In noting the submission, your Committee urges the Secretary to the Treasury to follow through on his promise on this matter and that the process of developing a Constituency Development Fund Bill be expedited. Your Committee awaits a progress report on the matter.

### **1. Introduction**

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

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

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

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

Your Committee was informed by the Secretary to the Treasury that the facts were correctly stated by the Auditor General in the Report on the Review of Operations of Local Authorities for the Financial Years Ended 31<sup>st</sup> December, 2013, 2014 and 2015, in that the said Report was tabled before the National Assembly in accordance with the provisions of *Article 212 (l) of the Constitution of the Republic of Zambia*.

He further submitted that it was regrettable that some matters raised in the Report remained unresolved as at 31<sup>st</sup> December 2015. The Treasury would ensure that the Council Secretary in charge of Local Government engaged all Principal Officers for local authorities in resolving all the outstanding matters as soon as possible.

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

In noting the submission, your Committee urges the Secretary to the Treasury to resolve the outstanding issues and that the process be expedited. Your Committee awaits a progress report on the matter.

### **Scope**

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

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



Your Committee was informed that the facts on the audit scope were as stated by the Auditor General.

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

In noting the submission, your Committee urges the Secretary to the Treasury to adhere his promise on this matter and that the process be expedited. Your Committee awaits a progress report on the matter.

### **Internal Control**

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

The Secretary to the Treasury informed your Committee that he had taken note of the internal control weaknesses as highlighted by the Auditor General.

In order to address those weaknesses, the Treasury had established a Section under the Accountant General's Office which would oversee financial Management systems in local authorities to ensure compliance to the *Local Government Act, Public Finance Act* and both *the Central and Local Government Financial Regulations*. In addition, he submitted that the establishment of the Local Government Service Commission would help in the recruitment of qualified Staff which would in turn enhance professionalism, prudence and accountability in respective local authorities.

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

In noting the submission, your Committee urges the Secretary to the Treasury to follow through on his undertaking on the matter and that the process be expedited. Your Committee also urges him to ensure that internal controls are enhanced by possibly mainstreaming all internal

auditors into the Ministry of Finance and appoint them under the Controller of Internal Audit. Your Committee awaits a progress report on the matter.

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

4. *Section 43 (1) of the Local Government Act, Chapter 281 of the Laws of Zambia* requires that the accounts of a council should be made up and balanced for each financial year of a council and a summarised statement thereof certified under hand of the Treasurer of the Council and presented to the Council at a meeting to be held within six months after the end of the financial year of the council, or within such longer period as the Minister may determine.

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

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

With regards to the failure by a number of local authorities to prepare audited financial statements as provided for under *the Local Government Act*, the Secretary to the Treasury submitted that he would ensure that all local authorities prepared Financial Statements within the stipulated time and as provided for under *the Local Government Act* in order for the Minister responsible for Local Government to appoint Auditors to audit the financial statements.

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

In noting the submission, your Committee urges the Secretary to the Treasury to ensure that penalties are stiffened for non adherence to *Public Financial and Local Government Regulations*. Your Committee resolves to seek a progress report on the matter.

### **Background**

5. A local authority (a Council) is a body corporate that was established and governed by *the Local Government Act, No. 22 of 1995, Cap 281 of the Laws of Zambia*. The main business of the council in the delivery of basic social and economic services to the people was to discharge all or any of the functions set out in the second schedule of *Cap 281 of the Laws of Zambia* which included, among others, power to make by-laws, power to make regulations, imposition of levies, fees and other charges; and to formulate local policies to

promote, guide and regulate development in the district through various relevant departments of the council.

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

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

Your Committee notes the submission.

### **Administration**

6. According to Section 9 of the Act, a council shall consist of:
- i. the Members of Parliament in the district;
  - ii. two (2) representatives of the Chiefs, appointed by the chiefs in the District; and
  - iii. all the elected Councillors in the District.

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

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

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

Your Committee notes the submission.

### **Sources of Funds**

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

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

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

Your Committee notes the submission.

**CHIBOMBO DISTRICT COUNCIL****Review of Operations**

8. An examination of accounting and other records maintained at the Council for the financial years ended 31<sup>st</sup> December 2013, 2014 and 2015, carried out in October 2016, revealed the following weaknesses to which the Council Secretary responded as set out below.

**a) Lack of Audited Financial Statements**

The Council Secretary reported that the financial statements for the period under review were not audited at the time of audit. The financial statements for all the three years under review were submitted to the auditors from the Office of the Auditor General as they carried out the review exercise on the operations of local authorities. In line with the *Amended Local Government Act* as provided for in the new constitution, the Office of the Auditor General would now be auditing the local authorities.

**Committee's Observations and Recommendations**

Your Committee observes with concern that the council is operating without an accounting framework and directs the Council Secretary to ensure that the recommended International Public Sector Accounting Standards (IPSAS) framework is procured without any further delay. Your Committee also urges the Council Secretary to ensure that all financial statements for the period under review are audited. A progress report is awaited by your Committee.

**b) Lack of Strategic Plan**

The Council Secretary submitted that during the period under review, the Council did not have the fully fledged Planning Department to spearhead the process of coming up with a Strategic Plan. She, however, reported that the Council's Planning Department was now fully fledged as the key position (District Planning Officer) had been filled up and the draft Strategic Plan had since been done. The plan was scheduled to be concluded and adopted by the Council within the first half of 2017. With the fully fledged department in place, the Council pledged that the Strategic Plan would be in place by June 2017.

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

Your Committee expresses concern as to the inordinately long period of time it had taken for the Council Secretary to initiate the development of a strategic plan leading to the council to operating without a well defined direction during the period under review. Your Committee is of the view that this could have been done with the help of staff from other departments within the District especially that the country is moving towards decentralisation. Your Committee sternly cautions the Council Secretary that it will not tolerate excuses over this matter and directs her to ensure that a strategic plan is put in place without any further delay. Your Committee awaits a progress report on the matter.

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

The Council Secretary acknowledged the Auditor's observation and reported that the Risk Management Policy was being handled at Central Government level, spearheaded by the Ministry of Finance. The draft policy had since been submitted to the steering committee for approval. The Council reported that the implementation was expected to commence within 2017 and all local authorities including Chibombo District Council will be part of the process. During her verbal submission, the Council Secretary agreed with your Committee that she needed to act proactively on the matter than wait for the Ministry to complete formulation of the policy.

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

Your Committee expresses concern as regards the delay in instituting control measures while awaiting the finalization of the policy, sine risks may be actualized even before the finalization of the policy. Your Committee further directs the Controlling Officer, Ministry of Local Government, to ensure that the Risk Management Policy is finalised, expeditiously, in order to mitigate against risks that might be detrimental to the operations of the Council. Your Committee awaits a progress report on the matter.

### **d) Misappropriation of Funds - K43,195**

The Council Secretary reported that at the time of the audit, the Local Government Service Commission had not given its final position on the matter. However, the Council withheld part of the terminal benefits amounting to K33,431.46 against which the amount would be partly recovered. She also added that the officer was suspended immediately after Management discovered the theft and he remained suspended until his death in May 2014. The Council Secretary assured your Committee that the Council had since improved the controls on revenue collection by streamlining the responsibilities of Revenue Collectors.

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

Your Committee strongly cautions the Council Secretary against inordinate delays in resolving the matter concerning the Council and urges that the balance of the funds be deducted from the officers who did not effect the recoveries at the time. Your Committee also directs the Council Secretary to ensure that the Council's internal controls are enhanced as the weaknesses observed on the matter are unacceptable. Your Committee awaits full recovery of this amount.

**e) Lack of Title Deeds**

The Council Secretary acknowledged the query and submitted that the application to acquire title deeds was submitted to the Ministry of Lands and the Council was waiting for approval. She also pledged that the Council would endeavour to acquire title deeds for its properties promptly.

**Committee's Observations and Recommendations**

Your Committee observes with concern that properties are not secured with title deeds and urges Management to follow-up the matter with the Ministry of Lands and Natural Resources to expedite the issuance of titles deeds. Your Committee resolves to await a progress report on the matter.

**f) Lack of Maintenance Policy**

The Council Secretary reported that the venture had not been able to make enough profits to finance the renovations reported. The Council also reported that it had since made a provision in the year 2017 budget for the renovation of the Council Guest House. However, Mukuni bar had since been renovated and painted. It had also been rented out and she assured your Committee that the Council through the Department of Works would on an annual basis include the component of maintenance of all Council buildings in its annual budgets.

**Committee's Observations and Recommendations**

Your Committee observes with concern that the Council risks loss of funds as a result of failure to utilise its assets. Management is strongly urged to ensure that all Council assets are properly maintained and put to good use in order to increase its revenue base. Your Committee also directs her to ensure that a Maintenance Policy is put in place without any further delay. Your Committee resolves to wait a progress report.

**g) Overdue Receivables - K396,911**

The Council Secretary reported that Chibombo District Council, being a rural Local Authority, faced serious challenges especially in collecting property rates on residential properties. The Council had begun the process of engaging bailiffs and copies of demand notices were available for audit verification. She also reported that the Council was in the process of

automating the revenue Management system for effective debt Management. For this purpose, the Council had since acquired the dove revenue Management package.

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

While noting the efforts made by the Council Secretary, your Committee finds it unacceptable that institutions like the Zambia Police who are law enforcers can participate in weakening the revenue base of the local authority with such a colossal amount. Your Committee directs the Council Secretary to invoke the provisions of the law by recovering all the outstanding amounts from these institutions without any further delay. Your Committee is unhappy with the leniency exhibited by the Council Secretary towards the debtors as evidenced by the period it has taken her to issue demand notices. They sternly cautioned her for the failure. Urgent action should be taken on this matter.

#### **h) Missing Receipt Books**

The Council Secretary submitted that the receipt books could not be availed as they were misplaced at the time of audit. This was due to shifting from the old to the new Council offices that also warranted the shifting of accounting documents as the Council did not have a centralised storage facility. She, however, informed your Committee that some receipt books had since been traced and efforts were being made to trace the remaining ones. She assured your Committee that the Council would make a provision in the 2018 budget to construct a secure storage facility to avoid missing accountable documents.

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

Your Committee finds it unacceptable that such important documents would miss from the storage facility without a trace. The Council Secretary is directed to ensure that officers responsible for the safe keeping of these documents are disciplined for this serious lapse and that the remaining receipts are located without any further delay. It also directs her to ensure that internal controls are enhanced and the important documents are secured to avoid recurrence. Your Committee awaits a progress report on the remaining receipt books.

#### **i) Missing Copies of Cancelled Receipts**

The Council Secretary submitted that lack of proper storage facility coupled with the continuous movement and handling of the accounting documents had resulted in the misplacement and loss of the documents. She, however, reported that four of the reported missing cancelled receipts had since been traced and they were available for audit verification. Efforts were being made to trace the remaining cancelled receipts. The Council had made a provision in the 2018 budget to construct a secure storage facility to avoid missing accountable documents.

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

Your Committee finds it unacceptable that such important source documents would miss from the storage facility without trace. The Council Secretary is directed to ensure that officers responsible for the safe keeping of these documents are disciplined for this serious lapse and that the remaining receipts are located without any further delay. Your Committee also directed

the Council Secretary to ensure that internal controls are enhanced and that important documents were secured expeditiously to avoid recurrence. Your Committee awaits a progress report on the matter.

**j) Unaccounted for Revenue - K180,170**

The Council Secretary submitted that at the time of audit, the computer generated receipts for application fees amounting to K180, 170 were not availed for audit verification due to an oversight. The computer generated duplicate receipts for the balance of K180, 170 were now available for audit verification. The Council also reported that a provision would be made in next year's budget to construct a secure storage facility to avoid missing accountable documents.

**Committee's Observations and Recommendations**

Your Committee finds it unacceptable that such important source documents were not availed at the time of the audit, only to surface after the audit. This casts doubt on the authenticity of the documents. In this vein, your Committee directs the Council Secretary to ensure that officers responsible for the safe keeping of these documents are disciplined for this serious lapse and that important documents be secured expeditiously to avoid recurrence. Your Committee, however, resolves to close the matter subject to audit verification.

**k) Questionable Refunds - K63,216**

The Council Secretary informed your Committee that all the payments made were based on the authority given by the Principal Officer. The approved payment vouchers were available for audit verification.

**Committee's Observations and Recommendations**

Your Committee finds it unacceptable that amounts were authorised by the Principal Officer retrospectively. Your Committee sternly cautions the Council Secretary to desist from issuing such authority as it could be used as conduit for fraudulent activities. Your Committee, however, resolves to close the matter subject to audit verification.

**l) Unretired Imprest - K67,092**

The Council Secretary acknowledged that, at the time of the audit, the Council only availed the payment vouchers without the corresponding imprest retirements which were filed separately. The imprest retirements had since been attached to the respective payment vouchers and were available for audit verification. The Council reported that it had since started filing the payment vouchers together with the imprest retirements.

**Committee's Observations and Recommendations**



Your Committee finds it unacceptable that documents were only found after audit and it is not clear why they were not availed during the audit period. Your Committee directs the Council Secretary to eradicate such laissez-faire approach by disciplining all erring officers. Your Committee, however, resolves to close the matter subject to audit verification and disciplinary action taken against officers.

**m) Talk Time Allowance - K43,218**

The Council Secretary informed your Committee that payment of air time to senior and middle Management was part of the conditions of service until it was abolished through a Ministerial circular in 2015. The Council had not made any payment for air time since then. The circular was available for verification. The Council also reported that it had since stopped buying air time for senior and middle Management officers and that they would endeavour to abide by the regulations.

**Committee's Observations and Recommendations**

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

**n) Irregular Payment of Subsistence Allowances - K58,733**

The Council Secretary submitted that the District was vast and in some cases officers had to travel distances of more than 150 kilometres to carry out assignments in the District. In such cases, officers spent nights in the field until they finished the assignments as opposed to commuting everyday which was practically impossible due to distance and fuel expenses. Further, the subsistence allowances were paid in line with *Part VIII, Paragraph 174 (A) of the Local Government Conditions Of Service of 1996*. The payment vouchers and the copy of conditions of service were available for audit verification. The Council would endeavour to abide by the regulations.

**Committee's Observations and Recommendations**

Your Committee finds it unacceptable that the officers were paid subsistence allowance despite working within the District contrary to the conditions of service. Your Committee directs the Council Secretary to recover all the amount of K58,733. She is also sternly cautioned for misleading your Committee. Your Committee awaits a progress report on the matter.

**o) Failure to Prepare Activity Reports**

The Council Secretary acknowledged that some of the activity reports were not availed at the time of the audit because as they were misfiled separately and were unfortunately not availed to the auditors. The activity reports were now available for audit verification. The Council had since started filing the activity reports together with the rest of the other related document such as payment vouchers and imprest retirements.

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

In noting the submission, the Council Secretary is urged to caution the officers for the failure and the matter is recommended for closure subject to audit verification.

#### **p) Unaccounted for Funds K59,180**

The Council Secretary acknowledged the query and submitted that this was because the acquittal sheets were filed separately. The acquittal sheets had since been attached to the payment vouchers and they were now available for audit verification. The Council had since started filing the acquittal sheets together with the rest of the other related document such as payment vouchers and imprest retirements.

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

In noting the submission, the Council Secretary is urged to caution the officers for the failure and the matter is recommended for closure subject to audit verification.

#### **q) Questionable Allowances K16,727**

The Council Secretary submitted that payment of subsistence allowances to officers proceeding on vacation leave was in line with Conditions of Service to Local Government Service staff. Further, the Council Secretary being the Sub warrant holder for Chibombo Council, with the authority given to her by the *Zambia Public Procurement Authority Act of 2008* as amended in 2011 did appoint the members to the procurement committee. The Council had since ceased payment of allowances to the Council officers sitting on the procurement committee save the outsiders. Clear guidance was being awaited since the *Procurement Act* does not expressly indicate whether or not allowances must be paid.

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

Your Committee finds it unacceptable that the Council Secretary wilfully flouted clear guidelines as contained in a Cabinet Office Circular No. 11 of 2013. It is evident to your Committee that officers in these local authorities are adept at abrogating clear guidelines to their advantage. Your Committee strongly cautions the Council Secretary and further directs that the entire amount be recovered from the sitting Council Secretary at the time for failure to protect public funds. Your Committee awaits a progress report on the matter.

#### **r) Unsupported Payments K708,198**

The Council Secretary submitted that the Council had since traced the supporting documents and attached them to the respective payment vouchers and these were available for audit verification. She also reported that the Council would make a provision in the 2018 budget to construct a secure storage facility to avoid missing accountable documents.

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

In noting the submission, the Council Secretary is urged to caution the officers for the failure and the matter is recommended for closure subject to audit verification.

#### **s) Missing Payment Vouchers - K284,639**

The Council Secretary reported that the payment vouchers had been misplaced at the time of audit due to lack of centralised storage facility and the shifting of documents from one office to the other in search of space. The missing payment vouchers had since been traced and were available for verification. The Council Secretary also reported that a provision would be made in the 2018 budget to construct a secure storage facility to avoid missing accounting documents.

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

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure and the matter is recommended for closure subject to audit verification.

#### **t) Unaccounted for General Stores - K683,324 (General Stores – K514,420 and Fuel – K168,904)**

The Council Secretary reported that the supporting documents had been misplaced at the time of audit and that they had since been traced and attached to the payment vouchers, accordingly. The Council also submitted that a provision would be made in the 2018 budget to construct a secure storage facility to avoid missing accountable documents.

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

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

#### **u) Irregular Drawings of Fuel K119,763**

The Council Secretary submitted that private vehicles were used to carry out Council assignments thereby drawing Council fuel due to shortage of Council vehicles. The Council Secretary granted authority to use private vehicles by way of approving the respective fuel requisitions. The Council had since devised a system where expressly written authority was

obtained further to the approved fuel requisition. The Council had in its 2017 annual budget made a provision to procure three (3) motor vehicles to alleviate the transport shortage.

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

The matter is recommended for closure subject to audit verification.

#### **v) Failure to Avail Contract - Land Dispute Case**

The Council Secretary informed your Committee that at the time of the audit the contract between the Council and Imasiku and Company was, unfortunately, not availed to the auditors. The contract, the legal fees paid to date and the status report of the case were available for audit verification.

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

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure to ensure that audits are taken seriously. The matter is recommended for closure subject to audit verification.

#### **w) Supply of Grader**

The Council Secretary submitted that at the time of the audit, the contract between the Council and L M Chambers was, unfortunately, not availed to the auditors. The contract, the legal fees paid to date and the status report of the case were now available for audit verification.

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

Your Committee finds it unacceptable that during audit, relevant documents were not availed to the auditors to resolve the matter. The Council Secretary is directed to caution the officers for the failure and that all the documents be availed to the Office of the Auditor General without any further delay. Meanwhile, the matter relating to Eye Witness Solutions is recommended to the law enforcement agencies for further probe, while the matter relating to L M Chambers is recommended for closure subject to audit verification.

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

The Council Secretary submitted that employment of officers in the above category was a preserve of the Local Government Service Commission. She added that the Council had since written to the Local Government Service Commission which had the mandate to recruit officers in the category regarding the vacancies and a feedback was being awaited. Going forward, the Council would endeavor to promptly communicate to the Local Government Service Commission over any vacant positions.

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

Your Committee observes with concern that service delivery may be affected negatively in the Council if recruitment to fill up the vacant positions is delayed. Your Committee urges the Local Government Service Commission (LGSC) to ensure that all vacant positions are filled up with competent and qualified staff without any further delay. Your Committee awaits a progress report on the matter.

#### **y) Officers Occupying Positions without Authority**

The Council Secretary submitted that the Local Government Service Commission recruited staff based on the new generic establishment structure for all local authorities under decentralised arrangements. A copy of new generic Council structure was available for audit verification.

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

Your Committee finds the reason given for failing to avail the documents to the auditors unacceptable and calls for disciplinary action against all erring officers for this failure. Your Committee will await a progress report on the matter.

#### **z) Failure to Remit Statutory and Union Contributions K3, 767,313**

The Council Secretary informed your Committee that the situation arose due to inadequate funds on the part of the Council. The parties had since come up with a debt servicing plan to liquidate the overdue statutory obligations where monthly payments of K17,657.77 towards the liquidation of outstanding NAPSA arrears and K10,000 towards LASF contribution arrears. The ZCTU and ZULAWU headquarters dues had since been cleared and the Council would endeavour to meet all statutory obligations as they fell due to avoid any accumulation.

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

Your Committee observes with concern that failure to remit statutory obligations may result in serious penalties and eventual loss of colossal sums which can otherwise be applied on provision of critical public services. Therefore, your Committee urges Management to ensure that all statutory contributions are remitted to the respective institutions without any further delay and that more revenue generation options are explored to improve the Council's revenue base. Your Committee awaits a progress report on the matter.

**aa) Outstanding Staff Obligations K4,521,804**

The Council Secretary submitted that the situation arose due to inadequate funds on the part of the Council. The Council had come up with a debt servicing plan to liquidate the overdue staff obligations in terms of retirement benefits where an amount of K60,000 per month was set aside for retirees and K50,000 for long service bonus meant for the serving employees. The Council would endeavour to meet all its staff obligations as they arose and avoid any accumulation.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by Management at the Council to settle to settle the amounts owed to both existing staff and retirees as there is a risk to possible legal action to be taken against them by the creditors. This may result in loss of Council funds on legal fees and interest to be paid to these creditors. Your Committee urges the Council Secretary to ensure that severance packages are budgeted for annually and that an equitable payment plan must be put in place to avoid litigation. Your Committee resolves to await a progress report on the matter.

**AUDIT QUERY**

**PARAGRAPH 9**

**CHILANGA TOWN COUNCIL**

**Review of Operations**

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

**a) Lack of Strategic Plan**

The Council Secretary submitted that the Council did not have the strategic plan in place at the time of audit because it had some liquidity challenges to formulate one. She, however, reported that they had since formulated a Strategic Plan for the period 2016 to 2021, and it was available for verification. The Council would ensure that the next strategic plan would be put in place immediately it expired so that there was no recurrence.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Council Secretary allowed such an inordinate delay before developing a strategic plan, which resulted in the Council operating without a well defined strategic direction during the period under review. Your Committee is of the view that this could have been done with the help of staff from other departments within the district, especially that the country is moving towards decentralisation. Your Committee sternly cautions the Council Secretary to desist from hiding her incompetence in such excuses and directed her to ensure that a strategic plan is availed for audit verification. Your Committee awaits a progress report on the matter.

**b) Lack of Council By - Laws and Valuation Roll**

The Council Secretary reported that the lack of Council by- laws and Valuation roll was as a result of lengthy legislation procedures. She informed your Committee that Chilanga District Council had now been declared as a Rating Authority and it had set aside funds in its 2017 budget for the preparation of Valuation Roll. She also added that the Council's draft by-laws were being studied by the Ministry and would soon be approved. The Council wishes to report that Chilanga District Council had put in place measures to ensure that immediately the new Valuation Roll expired, a revaluation exercise would be undertaken.

**Committee's Observations and Recommendations**

Your Committee observes with concern that the failure may result in an inability to collect revenue from property within the Council boundaries or jurisdiction. Your Committee therefore, strongly urges the Council Management to ensure that the by-laws and the Valuation Roll are put in place in order to enhance the collection of property rates to improve service delivery. Your Committee awaits a progress report on the matter.

**c) Failure to Prepare Financial Statements**

The Council Secretary informed your Committee that Chilanga District Council's draft Financial Statements had not been audited because the Ministry had not appointed the Auditor to audit them. She also added that since the mandate to audit the Council's Financial Statements now falls under the Office of the Auditor General they would now be audited by them yearly.

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

Your Committee notes the submission and urges Management to ensure that the accounts are audited without any further delay. Your Committee resolves to await a progress report on the matter.

#### **d) Failure to Fill Positions in the Establishment**

The Council Secretary submitted that Chilanga District Council's failure to fill in the positions in the establishment was due to the fact that the Local Government Service Commission which had the mandate to recruit staff in all the Councils had not deployed staff to fill up the vacant positions. The Council had since written to the Local Government Service Commission to have same positions filled up. The Council stated that it would ensure that follow-ups were made with the Local Government Service Commission to have vacant positions filled up whenever they arose as the Council had made adequate budgetary provisions in the 2017 budget.

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

Your Committee observes with concern that service delivery may be effected negatively in the Council if recruitment is delayed and urges the Local Government Service Commission (LGSC) to ensure that all vacant positions are filled with competent and qualified staff without any further delay. Your Committee awaits a progress report on the matter.

#### **e) Failure to Provide Receipt Books**

The Council Secretary submitted that Chilanga District Council did not avail the receipt books at the time of audit as the books had been misplaced. The Council had since traced the receipt books and they were available for audit verification. The Council had improvised a separate lockable apartment within the only available small store room where all financial documents were secured.

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



In noting the submission, the Council Secretary is urged to caution the officers for the failure and the matter is recommended for closure subject to audit verification.

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

The Council Secretary submitted that the Council had prepared bank reconciliation statements and were now up to date. The Council would ensure that all bank reconciliation statements were prepared monthly and properly filed.

**Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Council Secretary is urged to caution the officers for the failure and the matter is recommended for closure subject to audit verification.

**g) Missing Payment Vouchers - K197, 722**

The Council reported that it did not avail the payment vouchers at the time of audit due to misplacement and misfiling. The Council had since traced all the missing payment vouchers and these were available for verification. The Council had also improvised a separate lockable apartment within the only small store room available to secure the documents.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to caution the officers for the failure. Your Committee will await a progress report on the matter.

**h) Inadequately Supported Payments**

The Council Secretary acknowledged that the Council did not avail adequately supported payments at the time of audit due to misfiling. The Council had since traced all of the supporting documents and they were available for verification. The Council had improvised a separate lockable apartment within the only small store room available to secure the documents.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. Your Committee will await a progress report on the matter.

**i) Failure to Insure Movable Assets**

The Council Secretary submitted that it had not insured the motor grader GRZ-1120 and Roller compactor GRZ 6-388 at the time of the audit due to financial challenges it faced. Chilanga Town Council had since insured all its movable assets with Diamond Insurance Company and insurance cover notes were available for verification. The Council had made adequate budgetary allocation in the 2017 budget and would reserve funds from the locally generated revenue source to insure all the equipment.

**Committee's Observations and Recommendations**

You Committee notes the submission and the matter is recommended for closure subject to audit verification.

**j) Unremitted Statutory Deductions**

The Council Secretary admitted that the Council owed statutory contributions due to liquidity challenges. The Council has since engaged the statutory bodies and had agreed on payment plans while ensuring that the monthly obligations were settled as they fell due. The Council had pledged and would at all-times make adequate budgetary allocation to settle unpaid statutory deductions.

**Committee's Observations and Recommendations**

Your Committee observes with concern that failure to remit statutory obligations may result in serious penalties and eventual loss of colossal sums which can otherwise be applied on provision of critical public service. Therefore, your Committee urges Management to ensure that all statutory contributions are remitted to the respective institutions without any further delay and that more revenue generation options are explored to improve the Council's revenue base. Your Committee awaits a progress report on the matter.

**k) Failure to Provide Supporting Invoices for Payables - K257,194**

The Council Secretary submitted that the Council did not provide supporting invoices for payables at the time of audit due to the fact that files containing supporting invoices were kept separately and had been misplaced. The Council had since traced the file containing supporting invoices and were available for verification. The Council has also improvised a separate lockable apartment within the store-room to secure the documents.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to ensure that officers are sternly cautioned for the failure. Your Committee will await a progress report on the matter.

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

The Council Secretary submitted that the works on the project had stalled due to the fact that the Ministry had not been receiving adequate funding from the Ministry of Finance for various projects under the Council. The Council also reported that the contractor had since been paid for some of the certified works and was on site. The Council would ensure that follow ups were made at all times with the Ministry of Finance regarding financing of projects.

**Committee's Observations and Recommendations**

Your Committee finds it unacceptable that the Council overcommitted the Government without securing a thorough plan on how to pay for the works which were contracted and certified. Your Committee is aware that the Treasury in Zambia runs a system called a Single Treasury Account whereby all certified works are paid for on demand. Your Committee also observes with concern that the uncompleted structures may deteriorate due to delay in completion. The Secretary to the Treasury, is particularly strongly urged to ensure that funds for the works are released without any further delay to avoid loss of public funds which may arise as a result of litigation. Management at the Council is also directed to follow-up the matter with the Treasury to ensure that the project is constantly funded up to completion without undue delay. Your Committee awaits a progress report on the matter.

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

The Council Secretary reported that the streetlights were not functional at the time of audit because the underground cable supplying power to the street lights was damaged by the Grader during road rehabilitations. The Council had since found the fault and repaired it and all the street lights were now functional. The Council had put in place monitoring controls to minimise the risk of the street lights being non-functional.

**Committee's Observations and Recommendations**

Your Committee notes the response and recommends that the matter be closed subject to verification of the functioning of street lights.

## **CHINSALI MUNICIPAL COUNCIL**

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

The Council responded that the non-production of Financial Statements was as a result of lack of Net Book Values for assets and irregular application of depreciation rates to various property categories on a number of Chinsali Municipal Council Properties as per requirement under *Local Government Act Cap 281, 43 (3)*. Your Committee was further informed that at the time of inspection, the Council had started the normalisation process on the irregularities of figures in the Books of Accounts with regard to Net Book Values of assets. Further, the Government Valuation Department had since been called upon to value the various Council assets. Your Committee was informed that extract copies of Council Minutes were available for verification. Your Committee was informed that as soon as the revaluation of properties process was finalised, the Council would adjust its records and immediately commence the production of Financial Statements in retrospect.

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

Your Committee observes with concern that the officers in the Accounts Department failed to prepare financial statements for the period under review. It finds it unacceptable that such an important activity which must be routinely done in order to show the financial health of an institution was neglected by the officers. Your Committee urges the Council Secretary to ensure that the recommended International Public Sector Accounting Standards (IPSAS) framework is procured by the Council without any further delay and also that officers are sternly cautioned for the failure. Your Committee also urges the Council Secretary to ensure that the prepared financial statements for the period under review are audited and approved without any further delay. Your Committee awaits a progress report on the matter.

### **b) Lack of Strategic Plan**

The Council Secretary reported that the non-existence of a Strategic Plan was due to understaffing in the Planning Department. The Council further reported that it had since commenced the process of formulating its Strategic Plan. Extract copies of Council Minutes and correspondences to consultants were available for verification. The Council reported that it would ensure that there was a new Strategic plan every five years.

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

Your Committee expresses concern that the Council Secretary had to wait for this long to put up a strategic plan and risk the Council to operate during the period under review without a well

defined direction. Your Committee is of the view that staff from other departments within the District would have helped especially that the country is moving towards decentralisation. Your Committee sternly cautions the Council Secretary to desist from hiding his incompetence in such excuses and directs him to ensure that a strategic plan is put in place without any further delay. Your Committee awaits a progress report on the matter.

**(c) Employment of Staff Without Requisite Qualifications**

The Council Secretary informed your Committee that the query was as a result of officers being appointed by the Local Government Service Commissioner to positions despite not having the stipulated qualifications.

The Council also reported that the matter was beyond the Local Authority's jurisdiction as the cited appointments were made by the Local Government Service Commission and not the Council. Further, the Council had written to Local Government Service Commission to highlight the matter. The Council further stated as a remedial measure, the Council would ensure that qualifications for all new appointments were verified with the Local Government Service Commission.

**Committee Observations and Recommendations**

Your Committee is taken aback by the employment of unqualified staff by the Local Government Commission and directs that this be corrected without delay as service delivery is at stake in the Council. Your Committee awaits a progress report on the matter.

**d) Missing Payment Vouchers - K119,613**

The Council Secretary informed your Committee that the non-availability of payment vouchers and their appropriate supporting documents was as a result of misfiling of records. The Council reported that the missing payment vouchers that were kept in separate box files had since been traced and put back in their appropriate box files. The same were available for verification. The Council further informed your Committee that it would always ensure that any payment vouchers pulled out of their box files were always filed back in their respective box files immediately after any verification.

**Committee Observations and Recommendation**

Your Committee is concerned about the poor record keeping in the Council. Payment vouchers were very important documents and should be well kept and easily retrieved. The Council Secretary is urged to ensure that the officers are sternly cautioned for the failure. The matter is recommended for closure subject to audit verification.

**e) Inadequately Supported Payments - K202,637**

The Council Secretary submitted that inadequately supported payments were as a result of movement of documents during the renovation of the offices. The Council reported that the missing supporting documents had since been traced and attached back to the payment vouchers and the same were available for verification. The Council reported that it shall ensure that there was proper filing and storage of documentation.

**Committee Observations and Recommendation**

Your Committee is concerned about the poor record keeping by the Council and urges the Council Secretary to ensure that officers are sternly cautioned for the failure. The matter is recommended for closure subject to audit verification.

**f) Unaccounted for Stores K850, 375 (General stores- K659,172 and Fuels - K191, 203**

The Council informed your Committee that the failure to avail disposal records was due to misplacement. The Council reported that the respective disposal records had since been retrieved and were ready for audit verification. As a remedial measure, the Council reported that it would ensure that there was proper filing and record keeping.

**Committee Observations and Recommendation**

Your Committee is concerned about the poor record keeping by the Council. The Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

**g) Failure to avail Oral Contracts for Casual Workers**

The Council Secretary submitted to your Committee that the oral contracts which were not availed to auditors during the inspection of Books of Accounts were as a result of misplacement of the file for contracts. The Council Secretary reported that the oral contract documents that were entered into during the engagement of casual workers had been retrieved and were available for verification. The Council reported that it had created a central point under Registry Department, where matters to do with Contractual Agreements would be kept and copies placed on individual files.

### **Committee Observations and Recommendation**

Your Committee is concerned about the poor record keeping by the Council. Your Committee urges the Council Secretary to ensure that officers are sternly cautioned for the failure. The matter is recommended for closure subject to audit verification.

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

The Council reported that the matter under which it has been cited for sponsoring officers in tuition fees was as a result of the Commission's delay in approving the recommendations. The Council reported that it had written several reminders to the Local Government Service Commission and the response was still being awaited. The Council reported that it would ensure that in future, prior approval of the Commission was obtained before officers proceeded on any training.

### **Committee Observations and Recommendations**

Your Committee is very concerned about the developments at the Council and urges Management to institute deductions on the officers involved. Your Committee, further directs the Council Secretary to ensure that the laid down rules were adhered to. Your Committee awaits a progress report on the matter.

### **i) Unretired Imprest- Land Development Fund**

The Council reported that all the retirement forms had been retrieved and attached to the respective payment vouchers. These were available for audit verification. The Council reported that it has since assigned a Senior Officer to oversee matters of imprest acquisition and ensure that retirement forms were filled in and attached to respective payment vouchers.

### **Committee Observations and Recommendations**

Your Committee is very concerned about the developments at this council and directs management institute deductions from the officers involved. Your Committee directs the Council Secretary to ensure that the laid down rules are adhered to. Your Committee awaits a progress report on the matter.

### **j) Irregular Use of Imprest**

The Council reported that the query was as a result of the refusal by suppliers of beverages to be issued cheques for payment in preference for cash because Chinsali was still being viewed as a rural set-up. This made it very difficult for Chinsali Municipal Council to sustain its business

venture without the use of imprest. The Council reported that it was pursuing the supplier to present a formal communication to justify their Company Policy of not accepting cheques. The Council reported that, it was in liaison with suppliers to convince them to start accepting cheques as required by Government procurement regulations.

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

Your Committee is concerned that the Council ignored the financial regulations relating to procurement of goods and services for the institution. Your Committee urges the Council Secretary to ensure that his officers strictly abide by the procurement regulations when procuring goods and services for the Council. Your Committee resolves to close the query subject to audit verifications.

#### **k) Failure to Avail Tender Documents**

The Council reported that the query arose because the tender documents were attached to initial payment vouchers thus they could not be easily traced by auditors. It was reported that the quotations, analysis sheets and the contracts for the respective works had been traced and attached to respective payment vouchers. These were readily available for audit verification. The Council reported that all the payment vouchers would be completely vouched.

### **Committee Observations and Recommendations**

Your Committee is very concerned about the developments at this Council and directs management to institute deductions from the officers involved. Your Committee directs the Council Secretary to ensure that laid down rules are adhered to. Your Committee awaits a progress report on the matter.

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

The Council reported that the irregular payment of Social Holiday Allowances in amounts totalling of K104, 447.03 paid to the Town Clerk and Chief Officers was as a result of issuance of Ministerial Circular No. MLGH/101/8/4 of 2014, which indicated that the payment of entertainment allowances such as Social Holiday Allowances was abolished. The Council reported that although it was communicated to Councils that the payment was abolished, the harmonised conditions of Service for 2012, clearly stated that those conditions of service that had not been abolished would continue to apply. Social Holiday Allowance was one such allowance that was not abolished and doing away would be an infringement on those eligible. The Council reported that payments would be restricted to those who were eligible as stated in the 1996 Conditions of Service.



### **Committee Observations and Recommendations**

Your Committee is very concerned about the officers' failure to adhere to laid down procedures and urges the Council Secretary to ensure that all the funds are paid back by effecting deductions on their salaries. Your Committee awaits a progress report on the matter.

#### **m) Irregular Payment of Transport Allowances**

The Council Secretary reported that the payment of transport allowance to an officer who was also entitled to fuel allowance was non-adherence to financial regulations. The Council reported that the payment of transport allowance to the officers was discontinued and the overpaid amount of transport allowance had since been fully recovered from the officer for the period January to December 2013. The remaining amount for the period January to June 2014, had been netted off from the amount the Council owes the officer who has since left the institution. Documentation to this effect was available for verification. The Council reported that it had been strongly advised to ensure that strict adherence to applicable pieces of legislations was observed to avoid recurrence of similar mistakes.

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

In noting the submission, your Committee urges the Council Secretary to ensure that officers who authorised these payments are subjected to disciplinary process for the failure. The matter is recommended for closure subject to audit verification.

#### **n) Unremitted Statutory Contributions**

The Council acknowledged the observations made by the auditors on the failure by the Council to remit statutory obligations during the period under review. The Council was faced with liquidity problems during the time under review and, therefore, was not able to meet the statutory obligations as they fell due. The Council reported that as at 30<sup>th</sup> November 2016, it had liquidated all the debts owed to all the statutory bodies except for the Zambia Revenue Authority (ZRA), against which a monthly payment plan of K20, 000 per month had been arranged. Further, an application for a waiver for the outstanding debt had been made to ZRA

and documentations were available for verification. The Council reported that it would ensure that workable payment plans were put in place and adequate allocation of resources towards debt service was provided for in the annual estimates.

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

Your Committee observes with concern the failure to remit statutory obligations may result in serious penalties and eventual loss of colossal sums which can otherwise be applied on provision of critical public service. Therefore, your Committee urges management to ensure that all statutory contributions are remitted to the respective institutions without any further delay and that more revenue generation options are explored to improve the Council's revenue base. Your Committee awaits a progress report on the matter.

#### **o) Failure to Deduct Tax**

The Council acknowledged the observations made by the auditors on the failure by the Council to deduct tax on settling-in allowances and leave commutation payments made during the period under review which was an oversight. The Council reported that it would effect recoveries from the affected officers. The Council reported that it had been strongly advised to take matters pertaining to taxation seriously and also build capacity amongst its accounting officers in the handling of financial matters.

### **Committee Observations and Recommendations**

Your Committee is very concerned about the developments and directs the Council Secretary to ensure that deductions are effected expeditiously. Your Committee awaits a progress report on the matter.

#### **p) Street Lighting Project**

The Council acknowledged the observation by the auditors with regards to the non-functioning solar street lights. The Council attributed the negative development to battery failure, vandalism and non-servicing of the solar system. The Council reported that it had engaged the contractor to service the solar system. The Council reported that it would use the radio and any other forum to explain to the community on the importance to safe guarding street lights and any other service provision initiatives.

### **Committee Observations and Recommendations**

Your Committee expresses concern at the failure by Management at the Council to ensure that assets are correctly used and safeguarded accordingly. Your Committee cautions the Council Secretary for the failure to maintain street lights and urges him to ensure that security is enhanced to avoid recurrence. Your Committee will keep this matter in view in future audits.

**q) Failure to Insure Council Properties**

The Council reported that the failure to insure all the assets was as a result of Council's narrow revenue base and inadequate funding. The Council reported that it had started insuring its properties which were cited in the report. So far, three (3) vehicles had been insured and documents were available for verification. The Council reported that it had included the insurance component in the approved 2017 budget.

**Committee's Observations and Recommendations**

Your Committee observes with concern the failure by the Council to insure its properties and warns that without indemnity, the Council risks losses in case of an eventuality. Management is directed to ensure that it adheres to provisions of the Local Authorities Regulations No. 154 to avoid possible losses and to ensure that all its assets are insured without any further delay. Your Committee resolves to keep the matter in view in future audits.

**r) Failure to Avail Bank Statements**

The Council reported that the failure to avail bank statements was as a result of misfiling of the bank statements. The Council reported that the bank statements had since been retrieved and properly filed in readiness for verification. The Council reported that it would continue ensuring that all accounting documents were promptly filed and secured for ease of retrieval as and when needed.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to ensure that officers are sternly cautioned for the failure and the matter is recommended for closure subject to audit verification.

**s) Failure to Collect Property Rates**

The Council reported that the failure to collect property rates was as a result of intense resistance from the rate payers who seemed not to be in support of the rates in the revised valuation roll. The Council reported that it had come up with a programme of sensitising members of the public on the importance of paying property rates. The Council reported that it would endeavor to engage stakeholders and the community at large when issues of revision of rates were tabled.

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

Your Committee expresses concern at the failure by the Council to collect property rates despite struggling with liquidity problems. Your Committee directs the Council Secretary to evoke the *Rating Act* and collect all outstanding rateable amounts without any further delay. Going forward, the Council must stay alive to its new enhanced strategies on revenue and rates collection. Your Committee resolves to keep the matter in view in future audits.

### **AUDIT QUERY**

### **PARAGRAPH 11**

### **CHIPATA MUNICIPAL COUNCIL**

#### **Review of Operations**

A review of accounting and other records maintained at the Council for the Period from 1<sup>st</sup> January 2013, to 31<sup>st</sup> December 2015, revealed the following weaknesses to which the Town Clerk responded as set out below.

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

The Town Clerk submitted that the non-valuation of assets at the time of audit was the major factor for the non-preparation of financial statements. The Council had since commenced the valuation of properties for inclusion in the financial statements. A copy of the draft valuation report was ready for verification. The Council would endeavour to make sure that the properties were valued annually.

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

Your Committee finds the reasons given for failure to prepare financial statements unacceptable as this could have been done with nominal figures on the properties. Your Committee observes that such an important activity which must have been a routine activity to show the financial health of an institution was neglected by the officers. It further observes with concern that such a highly graded Council has been operating without an accounting framework since inception. Your Committee urges the Town Clerk to ensure that the recommended International Public Sector Accounting Standards (IPSAS) framework is procured without any further delay and that officers are sternly cautioned for the failure. Your Committee also urges the Council Secretary to ensure that all financial statements for the period under review are prepared without any further delay. Your Committee awaits a progress report on the matter.

#### **b) Lack of Strategic Plan**

The Town Clerk submitted that there was no strategy plan at the time of audit due to lack of man power in the Planning Department. The Council had since started working on the strategy plan after key positions were filled in the Planning Department by the Local Government Service Commission. The draft strategic plan was ready for verification. The Council would endeavor to update the strategic plan on a five year plan.

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

Your Committee is disappointed that the Council waited for this long to put up a strategic plan, and hence operated without strategic direction during the period under review. Your Committee is of the view that the strategic plan could have been prepared with the help of staff from other departments within the district, especially that the country is moving towards decentralisation. Your Committee sternly cautions the Council Secretary against such laxity and directs him to ensure that a strategic plan is put in place without any further delay. Your Committee awaits a progress report on the matter.

#### **c) Failure to Collect Property Rates - K5,133,334**

The Town Clerk reported that it had difficulties in collecting rates due to high resistance from the general public. He stated that during the year under review, the Council had embarked on sensitisation of the public on the importance of paying the rates. The collection base had since risen to 101.1 percent and documentation was available for verification. The Council would endeavor to sensitise members of the public on the need and importance of paying the rates. The Council would ensure that it used media advertisements (Radio & TV) and speaker phone announcements in residential & commercial areas.

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

Your Committee does not accept the reason given as it is of the view that sensitisation is not part of the procedure needed to collect outstanding property rates. Your Committee therefore, directs the Town Clerk to ensure that demand notices are issued without any further delay and that the process of issuance of Warrants of Distress is subsequently initiated in accordance with the *Rating Act Chapter 192 of the Laws of Zambia*. Your Committee awaits a progress report on the matter.

**d) Unauthorised Loans and Overdraft Agreements with Banks**

The Town Clerk admitted that the Council did not get authority for the approval of the loan and overdraft agreement at the time of audit. However, the Council got the retrospective approval from Management for the approval of the loan and an overdraft agreement. He also added that there was Management approval for the extension of the overdraft agreements with the bank. The letter of approval and Management minutes were ready for verification. The Council would endeavor to ensure that all loans and overdrafts with the bank would be approved and authority obtained from the Council.

**Committee's Observations and Recommendations**

Your Committee finds the failure to adhere to the Local Government Regulations by Management unacceptable. It observes with concern that there is a great risk in what Management decided. There was now an increase to Council indebtedness which reduced its capacity to use generated funds on developmental programmes. The Town Clerk is sternly cautioned and also directed to ensure that the Local Government Regulations are adhered to at all times. Your Committee resolves to keep the matter in view in future audits.

**e) Misapplication of Funds – Retirees Benefits K827,156 (K177,156 retirees benefits and K650,000 revaluation of the Council Assets)**

The Town Clerk submitted that the account in question was not specifically used to pay retirees only, but was also used for other Council operations. However, the Council had since separated the accounts according to their specific activities and copies of bank statements and ledgers were available for audit verification. The Council would endeavour to ensure that all its accounts were maintained in accordance to their specific activities.

**Committee's Observations and Recommendations**

Your Committee does not accept the reasons given and directs the Town Clerk to provide proof to auditors regarding the payment of retirees and also provide relevant records such as payment vouchers and bank statements on the revaluation report. Your Committee awaits a progress report on the matter.

**f) Lack of Title Deeds**

The Town Clerk admitted that at the time of audit it had not obtained the title deeds for the twenty-five Council Owned properties. The Council had started making recommendations to the Ministry of Lands and Natural Resources for acquisition of title deeds for the properties under state land. The Council had since obtained authority to proceed. The minutes for approval from were ready for verification. The Council would endeavor to ensure that all Council Properties are on Title.

**Committee's Observations and Recommendations**

Your Committee observes with concern that properties are not secured with title deeds and urges Management to ensure that the matter is followed up with the Ministry of Lands and Natural Resources in order for them to finalise the issuance of titles deeds. Your Committee resolves to await a progress report on the matter.

**g) Failure to Remit Statutory Contributions**

The Town Clerk reported that it had been operating under liquidity difficulties as it was struggling to meet its financial obligations. The Council had been making payments towards reducing the debt and was in talks with some of the institutions to see if part of the debt could be swapped with land within the jurisdiction of the Council. The ledgers and letters for debt swaps were available for verification. The Council would endeavour to make payments towards reducing the Council indebtedness as funds become available.

**Committee's Observations and Recommendations**

Your Committee observes with concern that failure to remit statutory obligations may result in serious penalties and eventual loss of colossal sums which can otherwise be applied on provision of critical public services. Therefore, your Committee urges Management to ensure that all statutory contributions are remitted to the respective institutions without any further delay and that more revenue generation options be explored to improve the Council's revenue base. Your Committee awaits a progress report on the matter.

#### **h) Failure to Pay Benefits**

The Town Clerk submitted that the Council had been operating under liquidity difficulties as it was struggling to meet its financial obligations. The Council had been making efforts in paying retirees, long service bonus and settling in allowances through payment plans. The ledgers for the retirees, long service bonus and settling in allowances were ready for verification. The Council would endeavour to pay its outstanding retirees, long services bonus and settling in allowances as funds would be available.

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

Your Committee expresses concern at the failure by Management to settle amounts owed to both existing staff and retirees as there is a great risk to possible legal action to be taken against them by the these creditors. This may result in loss of Council funds on legal fees and interest to be paid to them. Your Committee urges the Council Secretary to ensure that severance packages are budgeted for annually and that an equitable payment plan are put in place to avoid litigation. Your Committee resolves to await a progress report on the matter.

#### **i) Staff Establishment**

The Town Clerk informed your Committee that the Local Government Service Commission had not sent all the required staff to the Council as it was their mandate to employ Council employees and not the Council itself. The Council had since brought the matter to their attention and also to the attention of the Permanent Secretary, Ministry of Local Government. Minutes and letters were available for verification. The Council would resubmit the recommendations to the Local Government Service Commission so that the positions were filled, promptly.

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

Your Committee notes with concern that service delivery may be affected negatively in the Council if recruitment is delayed to fill up the vacant positions. Your Committee urges the Local Government Service Commission (LGSC) to ensure that all vacant positions are filled up with competent and qualified staff without any further delay. Your Committee awaits a progress report on the matter.

#### **j) Employment of Unqualified officers to Key Positions**

The Town Clerk submitted that the staff holding the key positions were employed by the Local Government Service Commission. The Council had since brought the matter to the attention of



the Local Government Service Commission. Further, some of the employees had since started upgrading their qualifications.

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

Your Committee finds it unacceptable that the matter has been left unattended to for a long time. Your Committee expresses concern that recruitment by the Local Government Service Commission leaves much to be desired as circumstances were not clear as to how a person with Grade 9 qualifications could be employed to fill up a position which requires Grade 12 as a minimum qualification. Your Committee urges the Council Secretary to ensure that the matter is rectified through the LGSC without any further delay. Your Committee awaits a progress report on the matter.

**AUDIT QUERY**

**PARAGRAPH 12**

### **CHIRUNDU DISTRICT COUNCIL**

#### **Review of Operations**

An examination of accounting and other records for the period from 1st January 2013, to 31<sup>st</sup> December 2015, carried out in October 2016, and physical inspections revealed the following weaknesses to which the Council Secretary responded as set out below.

#### **a) Failure to Fill Establishment**

The Council Secretary submitted that the cited positions were not yet filled by the Local Government Service Commission. The Local Government Service Commission had embarked on a recruitment exercise in all the councils through the media. The Council would be updating its staff returns and submitting quarterly to the Local Government Service Commission.

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

Your Committee observes with concern that service delivery may be affected negatively in the Council if recruitment to fill up the vacant positions is delayed. Your Committee urges the Local Government Service Commission (LGSC) to ensure that all vacant positions are filled up with competent and qualified staff without any further delay. Your Committee awaits a progress report on the matter.

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

The Council Secretary submitted that the delay in banking was due to the misplacement of keys to the safe. On the un-receipted amounts, these were direct deposits into the account thus rendering amounts as un-receipted. The Council Secretary also stated that the Council had put in place a system where direct deposits were reconciled with cash books and bank statements so that the books of accounts reflected the true picture of the financial standing of the Council at all times. The Council would endeavour to bank all the money receipted within a period of twenty-four hours and also do monthly reconciliations so that direct deposits were correctly captured.

**Committee's Observations and Recommendations**

Your Committee observes with concern the failure by the officers to adhere to *Local Authorities Financial Regulation No. 19 (1)*. It further expresses concern at the failure by the accounting officers to acknowledge receipt of funds by way of raising a receipt for direct deposits. Your Committee urges the Council Secretary to ensure that *the Local Authorities Financial Regulation No 19 (1)* is adhered to by ensuring that banking is done timely to avoid recurrence. Your Committee also urges the Council Secretary to ensure that all officers responsible for the failure are sternly cautioned.

**c) Lack of Strategic Plan**

The Council Secretary submitted that there was no strategic plan in place due to the non functioning Planning Department. The Council was in the process of finalising the strategic plan to be tabled before a full Council meeting for approval in the second quarter of 2017. A draft was available for verification. The Council would be updating the strategic plan annually to ensure that the objectives of the Council were attained.

**Committee's Observations and Recommendations**

Your Committee is disappointed that the Council waited for this long to put up a strategic plan, and hence operated without strategic direction during the period under review. Your Committee is of the view that the strategic plan could have been prepared with the help of staff from other

departments within the district, especially that the country is moving towards decentralisation. Your Committee sternly cautions the Council Secretary against such laxity and directs him to ensure that a strategic plan is put in place without any further delay. Your Committee awaits a progress report on the matter.

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

The Council Secretary stated that at the time of audit, the Council had not yet cleaned up the client database which was the major component of the debt Management policy. The clients' database had now been updated and was available for verification. A debtor's Management policy which was awaiting Council approval in the second quarter of 2017, was now available for audit verification. The Council would endeavour to update the clients' database quarterly as this was the major component of the policy.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Council Secretary to put up a debtors management policy as without it, there is an unavoidable adverse on cash flows which in turn results in failure to implement planned activities. Since the matter was resolved, your Committee recommends to close the matter subject to audit verification.

**e) Failure to Remit Statutory Contributions**

The Council Secretary submitted that this was due to financial constraints. The Council had engaged the entities to come up with payment plans in order to offset the current debts. Payment plans had been agreed, correspondence and receipts for part payments to this effect were available for verification. The Council would to pay the obligations as and when funds were available.

**Committee's Observations and Recommendations**

While your Committee appreciated that a payment plan was agreed upon with the named institutions, the reason given was unacceptable as it is evident that the agreed payment plan was not adhered to by the Council. Your Committee sternly cautions the Council Secretary and urges him to adhere to the conditions of the agreement in order to avoid penalties which may arise in default. Your Committee resolves to keep the matter in view in future audits.

**f) Lack of Title deeds**

The Council Secretary submitted that at the time of audit, the properties cited were not yet surveyed thus it could not apply for title deeds. The Council had taken steps to acquire title deeds among them the surveying of the properties in question. Documentation to show efforts

being made towards the acquisition of title deeds was available for audit verification. The Council would endeavour to have properties surveyed and on put title in accordance with the law.

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

Your Committee observes with concern that properties are not secured with title deeds and urges Management to ensure that the matter is followed up with the Ministry of Lands and Natural Resources to issue the title deeds accordingly. Your Committee resolves to await a progress report on the matter.

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

The Council Secretary submitted that at the time of audit, paperwork for the cited assets were still with the Ministry of Local Government. On the issue of insurance, the Council still owed ZSIC and hence it could not pay them their claim. The Council Secretary also submitted that it was processing the registration of the cited vehicles with RTSA. On the part of the insurance, the Council had since paid the outstanding debt to ZSIC and was awaiting payment for the insurance claim. The Council assured your Committee that it would endeavour to ensure that all vehicles purchased were registered with RTSA before being operational.

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

Your Committee observes with concern the failure by the Council to register its properties with RATSA as per *Roads and Road Traffic Act*. It further observes the Council's failure to insure its properties and warns that without indemnity, the Council risks losses in case of an eventuality. Management is directed by your Committee to ensure that it adheres to provisions of the Local Authorities Regulations No. 154 to avoid possible losses and to ensure that all its assets are insured without any further delay and also that the process of registering all its vehicles with RATSA is expedited. Your Committee resolves to keep the matter in view in future audits.

#### **h) Inappropriate Office Space – Fire Brigade Unit**

The Council Secretary submitted that it did not have enough land to expand the current office space for the fire brigade unit. The Council had fully rehabilitated the old ablution block being used by the Fire Brigade section and acquired a 40 ft. container to modify into offices for the Fire Brigade. The refurbished ablution block was ready for audit inspection. The Council would endeavour to source land before undertaking major projects.

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

Your Committee observes with concern that the Fire Brigade Unit officers are kept in such an unhealthy environment. Your Committee directs the Council Secretary to, expeditiously, resolve the matter relating to office space. Your Committee resolves to await a progress report on the matter.

#### **i) Failure to Comply with ZEMA ACT and Regulations**

The Council Secretary submitted that at the time of audit, the Environmental Project Brief and Management plan were not submitted to Zambia Environmental Management Agency. The Council wishes to report that it in fact submitted an Environmental Project Brief and an Environmental Management Plan (EMP) with Zambia Environmental Management Agency (ZEMA). However, the matter had been resolved by OAG – Lusaka province.

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

Your Committee urges the Office of the Auditor General to verify the matter after which it should be closed.

#### **k) Lack of a Policy on Sustainable Environmental Management**

The Council Secretary submitted that it had since written to ZEMA for guidance on the issue and the drafting of an environmental policy was underway. Correspondence was available for Audit verification. The Council would endeavour to engage expertise in environmental matters.

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

Your Committee observes with concern that the Council Management had to wait to be reminded by auditors to put up a solid waste Management policy. Your Committee feels that this is a lazier-fare approach to issues of national importance and the Council Secretary is sternly cautioned against the failure. Your Committee also directs the Council Secretary to ensure that solid waste Management policy is expeditiously put up by way of following-up the matter with ZEMA. Your Committee awaits a progress report on the matter.

**AUDIT QUERY**

**PARAGRAPH 13**

**KABWE MUNICIPAL COUNCIL**

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

The Town Clerk acknowledged the Auditor's observation and clarified that this was because the Department of Planning which was responsible for spearheading of the strategic plan was understaffed. However, the Council had started working on strategic plan and it was in draft form. Kabwe Municipal Council Management would endeavor to have the Planning Department fully staffed to avoid delay in implementing the plan.

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

Your Committee is disappointed that the Council waited for this long to put up a strategic plan, and hence operated without strategic direction during the period under review. Your Committee is of the view that the strategic plan could have been prepared with the help of staff from other departments within the district, especially that the country is moving towards decentralisation. Your Committee sternly cautions the Council Secretary against such laxity and directs him to ensure that a strategic plan is put in place without any further delay. Your Committee awaits a progress report on the matter.

### **b) Non Preparation of the financial statements**

The Town Clerk acknowledged the auditors observations and stated that the non-preparation of financial statements was due to lack of updated asset register to ascertain the net book value of the Council assets. Kabwe Municipal Council Management had since updated its asset register and a draft financial statement for the year ending December 2015, was ready for verification. Kabwe Municipal Council Management would now ensure that the Asset register was regularly updated as it was key to the preparation of the financial statements.

On a later resubmission, the Town Clerk clarified that it wasn't the lack of net book values, but incompetent staff in the Accounts Department which led to the Council's failure to prepare financial statement.

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

Your Committee finds it unacceptable that the Council failed to prepare financial statements for such a long period of time with impunity. Your Committee takes great exception on this level of negligence, resulting in the Council operating without an accounting framework. Your Committee urges the Controlling Officer to institute disciplinary action against the officers

responsible for this failure and to ensure that the recommended International Public Sector Accounting Standards (IPSAS) framework is procured without any further delay. Your Committee further urges the Controlling Officer to ensure that all financial statements for the period under review are prepared without any further delay. Your Committee awaits a progress report on the matter.

**d) Lack of Debtors Management Policy**

The Council Secretary acknowledged the query and stated that the non-existence of the debt Management policy was because of lack of updated database of the clients. However, Management had started cleaning up the database so that the updated database was part of the policy. Management would ensure that the debt Management policy was put in place so that there was efficiency on debt collection.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Town Clerk to put up a debtors Management policy as without it, there is an unavoidable adverse on cash flows which in turn results in failure to implement planned activities. Your Committee directs the Town Clerk to ensure that a debtor's Management policy is put in place without any further delay in order to enhance debt collection. Your Committee awaits a progress report on the matter.

**e) Failure to Recover Money from the Anti Fraud Unit of Zambia Police K13, 500**

The Town Clerk submitted that the situation arose because the prosecution handling the case did not record a warn and caution on the money that was found with the offenders. However, the Council had written to Anti Fraud Police Headquarters Central Province for the recovery of the monies and a response was being awaited. The Town Clerk would ensure that they engage legal personnel in such cases.

**Committee's Observations and Recommendations**

Your Committee finds the reasons given by the Town Clerk unacceptable and does not appreciate the fact that the Zambia Police was written to because this was merely as result of the audit exercise which awoke Management who seemed to have forgotten about the matter. Your Committee sternly cautions the Town Clerk to be proactive and also directs him to ensure that the funds are collected without any further delay. Your Committee awaits a progress report on the matter.

**f) Failure to Remit Statutory Obligations**

The Town Clerk submitted that this was because of the financial constraints, but Management had put a payment plan to settle the outstanding debts. Further the Council had started liquidating the debts while working on the modalities of increasing its revenue base a matter which could be verified.

**Committee's Observations and Recommendations**

While it is appreciated that a payment plan was agreed upon with the named institutions, your Committee is concerned that failure to remit statutory obligations may lead to loss of public funds through penalties which may arise as a result of this default. Your Committee also urges the Town Clerk to explore innovative avenues of raising revenue in order to improve service delivery. Your Committee directs that all relevant documentation be submitted for verification and seeks a progress report on the liquidation of the outstanding statutory contributions.

**g) Outstanding Terminal Benefits - K15,262,622 (and K9,723,689 Long Service Bonus)**

The Town Clerk acknowledged the auditors' observation and stated that this was because of the financial constraints. Management had put up a payment plan to settle the outstanding debts. Further, the Council had started liquidating the debts and was working on the modalities of increasing its revenue base which could be verified.

**Committee's Observations and Recommendations**

Your Committee did not accept the reason given by the Town Clerk as it feels that it is a result of poor Management that such a better placed Council with many options of revenue generation would be struggling with liquidity problems. Your Committee also observes that the Council's failure may risk the Council to possible litigation which may arise from non-payment of retirees' terminal benefits. The Town Clerk is urged to ensure that he impresses upon Management to explore more revenue collection options to improve the status quo and that all outstanding dues for retirees are paid without any further delay. Your Committee resolves to keep the matter in view in future audits.

**h) Lack of Title Deeds and Failure to Insure Properties**

The Town Clerk acknowledged the observation by the auditors and stated that this was because the properties were left out at the time the valuation roll was conducted and on the part of non-



insurance of properties because of financial constraints. The Council was waiting for the next valuation roll in the second quarter of 2017, so that properties were captured and on the insurance of properties the Council had already been included in the 2017 approved budget.

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

Your Committee observes with concern the failure by the Council to insure its property and warns that without indemnity, the Council risks losses in case of an eventuality. Your Committee also observes that the Council risks loss of its own expected funds resulting from failure to capture all its rateable properties in the district. Management is directed to ensure that the main roll is updated without any further delay in line with the *Rating Act Chapter 192 of the Laws of Zambia*. Management is further directed to ensure that all its assets are insured without any further delay. Your Committee resolves to keep the matter in view in future audits.

#### **i) Deplorable State of Mulungushi Motel**

Kabwe Municipal Council Management acknowledged the auditor's observation and that this was because of the financial constraint to maintain it. The Council Management had come up with a plan to redesign the Motel so that it came to the acceptable standards in the hospitality industry. Kabwe Municipal Council Management would, in future, ensure that it carried out routine maintenance on the motel once it was redesigned.

#### **j) Inadequate Fire Fighting Equipment**

Management acknowledged the observation by auditors and stated that the query arose due to the fact that the engine broke down and unfortunately, there were no funds available to repair it or replace it with new fire fighting equipment. Management had engaged the Ministry of Local Government who had earlier promised to provide two fire engines among the consignments they had already procured. The Council would now endeavor to carryout routine maintenance on fire fighting equipment as and when funds were available.

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

Your Committee observes with concern that the Council is failing to fulfil its mandate in the District due to non-availability of these vital services. Your Committee strongly urges the Ministry of Local Government to seriously and promptly intervene in the matter by ensuring that all the relevant stakeholders including the Local Government Service Commission are engaged to ameliorate this alarming state of affairs in the District. Your Committee resolves to await a progress report on the matter.

**k) Wasteful Expenditure - Construction of a Maternity Wing at Waya Ward - K102,586**

The Town Clerk submitted that the contractor would not be paid for the works done due to misunderstanding in the contractual terms. He stated that the contractual terms in the contract were corrected and the contractor had since been paid for the works completed. He also added that the Council shall endeavor to consult expertise on contractual matters.

**Committee's Observations and Recommendations**

Your Committee observes with concern the failure by Management to consult before engaging in any contractual works an omission which would result in possible loss of public funds. Management is sternly cautioned to ensure that projects are closely monitored and contractual obligations met at all times to avoid such possible losses and recurrence of this anomaly. Your Committee awaits a progress report on the matter.

**k) Offer of Unnumbered Plots**

The Town Clerk acknowledged the observation by the auditors, but stated that this happened long before Circular No.1 of 2015. Further, the Council at the time had limited qualified staff which led to most of planning procedures not being followed. Qualified personnel had now been employment and the Council was systematically regularising the anomalies. The Council would ensure that the information relating to these plots in question were taken to Ministry of Lands and Natural Resources for numbering and surveying before advertising to the public.

Your Committee expresses concern at the failure by Management to ensure that they complied with Circular No.1 of 2015. Your Committee observes that this omission risks the Council to possible loss of funds through fraudulent activities. The Town Clerk is directed to ensure that all plots are numbered and that procedure is followed to avoid double allocations. Your Committee awaits a progress report on the matter.

**l) Allocation of Plots in Grave Yards**

The Town Clerk disputed that the plots in the graveyards found by the auditor were not allocated by the Council. The graveyard had been encroached upon by members of the public who had been perpetrating the vice with apparent impunity. Further, the Council only had one building inspector and lacked planning inspectors for development control and thus it had been a challenge to patrol such illegal land activities. The Council had written to Local Government

Service Commission to employ more building inspectors and had also issued stop orders to make sure that no further building should be continued on the said area. The Council would engage planning inspectors going forward to avoid occurrence of encroachers.

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

Your Committee does not accept the reasons given by the Town Clerk that it is incumbent upon the Council's to demolish any illegal built structures in an area. Your Committee, therefore, wonders why the Town Clerk seems hesitant to invoke his powers to rectify the problem. Your Committee directs the Town Clerk to ensure that he promptly intervenes into the matter by way of demolishing the said structures. The Controlling Officer is also directed to ensure that the exhumation of remains of people buried in then cemetery without permission of the relatives of the deceased should cease forthwith. Your Committee seeks an urgent update on this matter.

### **AUDIT QUERY**

**PARAGRAPH 14**

### **THE KAFUE DISTRICT COUNCIL**

#### **Review of Operations**

A review of accounting and other records for the period 1st January 2013, to 31st December 2015, and physical inspections of selected projects carried out in October 2016, revealed the following weaknesses to which the Council Secretary responded as set out below.

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

The Council Secretary submitted that at the time of the review, the Council had not prepared financial statements for the year ended 31<sup>st</sup> December 2015, due to lack of human resource capacity in Finance Department. She stated that the financial statements for the financial year ended 31<sup>st</sup> December 2015, had since been prepared and were ready for verification. The Council would endeavour to prepare the financial statements as required by Financial Regulations.

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

Your Committee finds it unacceptable that the Council failed to prepare financial statements for such a long period of time with impunity. Your Committee takes great exception on this level of negligence, and urges the Controlling Officer to institute disciplinary action against the officers responsible for the lapse. Your Committee further directs the Council Secretary to ensure that the recommended International Public Sector Accounting Standards (IPSAS) framework is procured without any further delay. Your Committee further urges the Council Secretary to ensure that all financial statements for the period under review are prepared without any further delay. Your Committee awaits a progress report on the matter.

#### **b) Failure to Collect Property Rates - K185,018**

The Council Secretary stated that it did not collect the property rates due to resistance from the general public. She also stated that it had embarked on a sensitisation programme to educate the general public on the importance of paying property rates to the local authority and the collection base had improved with the efforts. The Council Secretary added that she had put in place measures such as establishment of a Revenue Task Force Team, introduction of a Debt Management Policy and sensitisation of the general public.

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

Your Committee expresses concern at the failure by the Council to collect revenue. Your Committee notes the measures that have been put in place, but is concerned with the Council's failure to proactively act on the matters since these measures were only taken after the audit. Your Committee strongly urges the Council Secretary to invoke the provisions of the *Rating Act Chapter 192 of the Laws of Zambia* and ensure that all the outstanding revenue is collected without any further delay. Your Committee awaits a progress report on the matter.

#### **c) Uncollected Rent Charges K25,000**

The Council Secretary submitted that the cited taverns in the query had not been operational for some time. The Council had since issued demand notices to recover the rentals owed and intended to renovate and lease out the taverns. She also submitted that the Council had put in place measures such as establishment of a Revenue task force team, introducing a Debt Management Policy and sensitisation of the general public.

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

Your Committee expresses concern at the failure by the Council to collect rentals for the period under review. Your Committee notes the measures that have been put in place, but are concerned with the Council's failure to proactively act on the matters since these measures were put up only after the audit. The Council Secretary is strongly urged to ensure that all the outstanding rental charges are collected without any further delay. Your Committee awaits a progress report on the matter.

**d) Failure to Collect Revenue - Bill Boards and Outdoor Advertising - K135,000**

The Council Secretary submitted that the clients were not paying for the services rendered to them by the Local Authority. She also added that the Council embarked on a sensitisation programme to educate the general public on the importance of paying property rates to the Local Authority and the collection base had now improved. The Council had put in place measures such as establishment of a revenue task force team, introducing a Debt Management policy and sensitisation of the general public.

**Committee's Observations and Recommendations**

Your Committee did not accept the reason given as it is of the view that sensitisation is not part of the procedure needed to collect outstanding revenues. The Council Secretary is directed to ensure that demand notices are issued without any further delay and that the due process of issuance of Warrants of Distress is subsequently followed in accordance with the *Rating Act No. 12 Chapter 192 of the Laws of Zambia*. Your Committee awaits a progress report on the matter.

**e) Missing Payment Vouchers K20,346**

The Council Secretary submitted that at the time of the audit, it had no proper filing system in place. She, however, assured your Committee that the three (3) payment vouchers had been traced and were available for verification. The Council had secured a strong-room where all payment vouchers are safely kept.

**Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Council Secretary to ensure that officers are sternly cautioned for the failure and recommends that the matter be closed

subject to audit verification.

**f) Inadequately Supported Payments K3,183,289**

The Council Secretary informed your Committee that the relevant documents were misfiled due to lack of proper filing system. However, the relevant supporting documents had been traced and were available for verification. The Council had secured the strong-room where all accounting documents were safely kept.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to ensure that officers are sternly cautioned for the failure. The matter is recommended for closure subject to audit verification.

**g) Unaccounted for Stores - K290,610 (General Stores – K77,363 and Fuel – K213,247)**

The Council Secretary informed your Committee that the relevant documents were misfiled due to lack of proper filing system. The relevant supporting documents had been traced and were available for verification. The Council had secured the strong-room where all accounting documents were safely kept.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

**h) Failure to Avail Activity Reports - K308,777**

The Council Secretary submitted that at the time of the audit, the activity reports had been misfiled. She, however, informed your Committee that the activity reports had been traced and were available for audit verification. The Council had made a policy that any officer who embarked on official duties should produce reports.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

**i) Unacquitted Allowances**

The Council Secretary informed your Committee that at the time of audit, the documents had not been traced. The Council Secretary stated that the documents for all unacquitted allowances had since been traced and were available for audit verification. The Council had put in place internal controls such as recoveries from any officer who did not provide acquittals for any monies given to them.

**Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Council Secretary to ensure that officers are sternly cautioned for this failure and recommends the matter for closure subject to audit verification.

**j) Irregular Payment of Sitting Allowances - K7,200**

The Council Secretary admitted that the Council did not follow the laid down financial procedures concerning sitting allowances on committees. The Council had stopped paying any sitting allowances on any committee until guidance was sought from the higher authorities. She also added that Management would be liaising with the higher authorities when it comes to the payment of allowances such as those for committees.

**Committee's Observations and Recommendations**

Your Committee finds the reason given by the Council Secretary unacceptable and directs her to ensure that recoveries are made to this effect for all sitting allowances in respect of the procurement committees that were paid during the period under review. Your Committee awaits a progress report on the matter.

**k) Non Refund of Funds - K4,000**

The Council Secretary submitted that it paid the fine on behalf of the employee. She stated that the money had since recovered from the officer and documents were available for verification. She also added that the Council had embarked on a program sensitising its employees how to relate with the general public.

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

Your Committee observes with concern that the officer with no legal powers to impound did so. While noting that the officer refunded the amount in question, your Committee urges the Council Secretary to institute disciplinary action against the officer to serve as deterrent to others. Your Committee will await progress on the report.

#### **l) Failure to Insure Office Equipment and other Assets (Valued at K169,155)**

The Council Secretary informed your Committee that the above equipment had not been insured due to lack of funds. She stated that it had since budgeted for insurance in 2017 and the budget item of insurance could be verified from the approved 2017 budget. The Council had resolved that it would be budgeting for the insurance component in its yearly budget.

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

Your Committee observes with concern the failure by the Council to insure its property and warns that without indemnity, the Council risks losses in case of an unforeseen event. In this vein, your Committee directs management to ensure that all its assets are insured without any further delay. Your Committee resolves to keep the matter in view in future audits.

#### **m) Failure to Update the Main Roll**

The Council Secretary indicated that at the time of audit, they had not yet received an appointed valuer from the appointing authorities. She further informed your Committee that the Council was still awaiting a response from the appointing authority to appoint the valuer. She also added that it would be working hand in hand with the Ministry of Local Government to ensure that the Valuation Roll exercise was completed on time.

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

Your Committee observes with concern that the Council risks loss of its own expected funds resulting from failure to capture all its rateable properties in the District. Management is directed to ensure that the main roll is updated without any further delay in line with the *Rating Act No. 12 Chapter 192 of the Laws of Zambia*. Your Committee awaits a progress report on the matter.



**n) Failure to Remit Statutory Contributions - K3,664,404**

The Council Secretary submitted to your Committee that it owed the named statutory bodies and had been unable to remit due to financial challenges. The Council had put in place the payment plan to liquidate the outstanding statutory contributions and in this regard it had started making payments to the statutory bodies cited in the query and documentation relating to the payment was available for verification. She also stated that the Council had come up with a plan to increase the revenue base such as opening up of more revenue check points, sensitisation programs and commercial ventures.

**Committee's Observations and Recommendations**

While it is appreciated that a payment plan was agreed upon with the named institutions, your Committee is concerned that failure to remit statutory obligations may lead to loss of public funds through penalties which may arise as a result of the Council's default. Your Committee also urges the Council Secretary to explore innovative avenues of raising revenue in order to improve service delivery. Your Committee directs that all relevant documentation be submitted for verification and seeks a progress report on the liquidation of the outstanding statutory contributions.

**o) Failure to Settle Amounts Owed to Separated Employees - K11,514,906**

The Council Secretary stated that it had been unable to pay the retirees due to financial challenges. The Council had put in place a payment plan to liquidate the outstanding arrears and in this regard it had started making payments to the affected officers cited in the query and documentation relating to the payment was available for verification. She also stated that the Council had come up with a plan to increase the revenue base such as opening up of more revenue check points, sensitisation programs and commercial ventures.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by Management to settle amounts owed to retirees as there is a great possibility for legal action to be taken against them by the separated staff. This may result in loss of Council funds on legal fees and interest. Your Committee urges the Council Secretary to ensure that severance packages are budgeted for annually and that an equitable payment plan must be put in place to avoid litigation. Your Committee resolves to await a progress report on the matter.

**p) Failure to fill vacant positions**

The Council Secretary submitted that the positions mentioned in the query had not yet been filled by the relevant Authorities. The Commission had embarked on the recruitment exercise to fill up the vacant positions through adverts in the media. The Council would now be submitting quarterly staff returns to Local Government Service Commission to curb recurrence.

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

Your Committee notes with concern that service delivery may be affected negatively in the Council if recruitment is delayed to fill up the vacant positions. Your Committee urges the Local Government Service Commission (LGSC) to ensure that all vacant positions are filled up with competent and qualified staff without any further delay. Your Committee awaits a progress report on the matter.

#### **q) Unrecovered Salary Advances - K264, 256**

The Council Secretary submitted that the recoveries were not effected at the time of Audit. The salary advances had been recovered and records were available for verification. The Council Secretary assured your Committee that all the salary advance ledgers had now been put in place.

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

Your Committee cautions Management for the failure and urges the Council Secretary to sternly caution the officers who failed to effect the recoveries. Your Committee resolves to close the matter subject to audit verification.

#### **r) Lack of Title Deeds**

The Council Secretary informed your Committee that the Council's properties had not yet been surveyed as the process took some time. She stated that they had submitted the recommendation to Ministry of Lands for the issuance of title deeds and documentation was available for audit verification. She also indicated that the Council would in future ensure that all land was surveyed in accordance with the law.

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

Your Committee observes with concern that Council properties are not secured with title deeds and urges Management to ensure that the matter is followed-up with the Ministry of Lands and Natural Resources to issue the title deeds accordingly. Your Committee resolves to await a progress report on the matter.

**s) Wasteful Expenditure – Swimming Pool - K36,529**

The Council Secretary submitted that works on the swimming pool were still on-going at the time of audit and thus was not operational. She stated that the works were progressing well and could be verified by the auditors. She pledged that the Council would in future ensure that it budgeted adequately for such activities.

**Committee's Observations and Recommendations**

In noting the submission, your Committee cautions the Council Secretary for undertaking works without serious consideration on the budgetary provision hence wasting resources on projects which could not be completed with limited resources. Your Committee urges the Council Secretary to desist from wasting funds in such undertakings and that she cautions the officer responsible for failure to advise Management correctly. Your Committee, however, resolves to close the matter subject to audit verification.

**t) Failure to Insure Buildings - K4,807,055**

The Council Secretary submitted that seventeen buildings had not insured due to financial challenges. She stated that they had included the cost of insuring buildings in the approved 2017 budget.

**Committee's Observations and Recommendations**

Your Committee observes with concern the failure by the Council to insure its properties and warns that without indemnity, the Council risks losses in case of an eventuality. Your Committee directs the Council to ensure that it adheres to provisions of *the Local Authorities Regulations No. 154* to avoid possible losses and that all its assets are insured without any further delay. Your Committee resolves to keep the matter in view in future audits.

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

The Council stated that documentation was not traced at the time of audit due to the fact that the Council had poor filing system. Management stated that it had written to the Ministry of Lands and Natural Resources to issue them with duplicate documentation relating to the land in question since originals could not be traced. The Council had secured the strongroom where all important documents were safely kept.

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

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure and the matter is recommended for closure subject to audit verification.

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

The Council Secretary submitted that the developer had no resources to put up classrooms for learning apart from those mentioned in the query. The Council stated that the developer was sourcing for more funds to finish up the remaining structures according to the plan. The Council Secretary also informed your Committee that in future it would critically analyse financial resources of developers to avoid wasting land.

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

Your Committee does not accept the reasons given and cautions the Council Secretary for undertaking works without serious consideration on the budgetary provision hence wasting resources on projects which could not be completed with limited resources. Your Committee urges the Council Secretary to ensure that corrective action in accordance with provisions of *the Local Government Act* are taken without any further delay as the project has taken too long to complete. Your Committee awaits a progress report on the matter.

#### **w) Failure to Maintain Beit Hall**

The Council Secretary submitted that the Council had not started renovating the mentioned properties due to financial challenges. She indicated that it had set aside funds for rehabilitation of the hall in the approved 2017 annual budget and the Council was in the process of running the properties. She also indicated that it would be budgeting adequately for such activities.

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

Your Committee observes with concern that the Council risks loss of funds as a result of failure to utilize assets. Management is cautioned to ensure that all Council properties are properly maintained and that it puts them to good use in order to increase its revenue base. Your Committee awaits a progress report on the completion of the maintenance works.

**AUDIT QUERY**

**PARAGRAPH**

**15**

## **KASAMA MUNICIPAL COUNCIL**

### **Review of Operations**

An examination of accounting records and physical inspections of selected projects for the period under review revealed the following weaknesses to which the Town Clerk responded as set out below.

#### **a) Lack of Strategic Plan and Annual Plans**

The Council Secretary submitted that the Planning Department of the Council was understaffed hence the delay in coming up with the Strategic and Annual Plans. The Council had since prepared the Draft Strategic Plan and was awaiting approval from the Council. The draft copy of the Strategic Plan was ready for verification. The Council had since put in place a periodic review mechanism to ensure that before it expires, a new plan was developed.

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

Your Committee is dismayed at the Council's delay to launch its Strategic Plan which has already been drafted. The absence of the Strategic Plan will result in the Council's failure to meet its goals and achieve its vision. Therefore, your Committee recommends that Management should ensure that the Strategic Plan is put in place to guide the operations of the Council. Your Committee resolves to wait for a progress report on the matter.

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

The Council Secretary submitted that most Council properties were not valued which made it difficult to prepare the Financial Statements. The Council was waiting for the valuation officer to assist in the determination of values for the assets to be included and also establish the opening balances. However, the Council had assigned Management to estimate the values for the assets to be used in the preparation of Financial Statements. In future, the Council would ensure that the preparation of Financial Statements was done timely.

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

Your Committee finds it unacceptable that such an important activity which should show the financial status of the institution is not prepared. Your Committee cautions the Controlling Officer to ensure that the institution abide by the Local Government Financial Regulations. Your Committee recommends that the Council Secretary should ensure that all Financial Statements for the period under review are prepared. Your Committee resolves to wait for a progress report.

#### **c) Irregularities In Revenue Collection**

##### **i. Failure to collect revenue**

The Council's Secretary submitted that this was caused by understaffing in the Revenue Section. The Council had since recovered part of the outstanding amounts using the services of bailiffs and receipts were available for verification. In future, the Council would ensure that debts were collected with the help of bailiffs when they were due.

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

In noting the submission, your Committee resolves to wait for a progress report on the outstanding amounts that are yet to be recovered.

#### **ii. Outstanding Bill Boards – K195,381**

The Council Secretary submitted that the Council had challenges in the collection of bill board levies from the residents of the Municipality as a result of understaffing in the Revenue Section. The Council had since recovered part of the outstanding amounts using bailiffs and clients that had not paid or committed to pay have had their billboards taken down. Receipts were available for verification. In future, the Council would ensure that debts were collected with the help of Undersheriffs as and when they fall due.

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

In noting the submission, the Committee resolves to wait for a progress report on the matter because some clients have not yet settled their debts to with the Council.

#### **d) Staff Related Costs**

##### **i. Appointment and promotion of Staff without Authority**

The Council Secretary submitted that the appointments were made with a view of making recommendations to the Local Government Service Commission so that key positions that were vacant could be filled up to improve the operations of the Council. The Council had since revoked the appointments and promotions for the members of staff affected and the termination letters and payrolls were available for verification. In future, the Council would ensure that appointments and promotions were recommended to the Local Government Service Commission before being implemented.

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

In noting the submission, your Committee sternly cautions the Council Secretary to ensure that he abides by Section 93 of *the Local Government (Amendment) Act*

No. 6 of 2010, which provides that the Local Government Service Commission should appoint principal officers and officers of a Council as the Commission considers necessary. In view of the foregoing, your Committee also recommends that money paid to the people who were appointed illegally is recovered. Your Committee awaits a progress report on the matter.

### **Employees without requisite qualification**

The Council Secretary submitted that the employees reported not to have requisite qualifications in fact did possess the minimum qualifications for the said positions. Copies of qualifications for employees were available for audit verification. In future, the Council would ensure that qualifications for employees were put on their personal files.

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

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

## **ii. Unremitted Statutory Obligations**

The Council Secretary submitted that the Council did not remit PAYE because of non-availability of funds. Even when the Government was sending the salary grant, the amount received by the Council was not able to meet the total wage bill including PAYE. The Council had undertaken a payment plan to liquidate the unpaid taxes. In future, the Council would ensure that a reasonable amount was paid when funds become available.

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

In noting the submission, your Committee observes that the Council has not stated how it intends to liquidate the ZRA debt. Your Committee resolves to wait for a progress report on the matter.

## **iii. Non Remittance of Pension Contributions - K547,985**



The Council Secretary submitted that this was due to the non-adjustment of the funds sent to the Council even after receiving several employees on transfers. The Council had, however, signed the payment plans to settle the unpaid pension contributions. Receipts were available for verification. In future, the Council would ensure that pension contributions were paid when paying salaries.

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

In noting the submission, your Committee resolves to await a progress report on the matter because the Council has not yet started implementing its payment plan.

#### **iv. Non Payment of Terminal Benefits - K3,308,078**

The Council Secretary submitted that this was because of non-availability of funds to liquidate terminal benefits. The Council had, however, devised a payment plan where a group of retirees were being paid on a monthly basis. Documentation was available for verification. Currently, the Council was ensuring that part payments for terminal benefits were made on a monthly basis.

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

In noting the submission, your Committee awaits a progress report on the matter.

#### **e) Failure to comply with Procurement Regulations**

The Councils Secretary submitted that the minutes of the said procurement procedures were not availed to the Auditor during the time because of changes in the Procurement Section. The Council was within the stipulated procurement threshold. The minutes had since been traced and were available for verification. The Council would ensure that the *Public Procurement Act* and Regulations were adhered to when procuring goods and services through the newly appointed procurement officer.

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

In noting the submission, your Committee resolved to close the query subject to audit verification.

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

The Councils Secretary submitted that the Planning and Legal section were not in place at the time of the queries hence making it difficult to correctly follow procedure as the expertise required was not in place. Other departments were, therefore, in charge of the creation and allocation and numbering of stands. These departments lacked the expertise to correctly follow procedures hence the complications of issuing out plots without plot numbers.

Secondly, due to not having a proper land register and data base, it was difficult for the Council to know whether a piece of land was allocated or not. This difficulty was as a result of not having the appropriate office staff, in particular, legal officers in place to facilitate the proper recording in the Deeds Register or Data base. The Council had now a Planning and Legal Section in place to properly regulate the issuance of plots, procedures such as the creation, numbering and allocation of plots were conducted in a proper fashion as was the case in 2012, were the Council created and gave out plots in prime land using the correct channels to foster development. There had been no complaints of double allocation or cases of issuance of plots without stand number. The Council was working with the Ministry of Lands in creating a data base that would refer to when checking if a stand was available or not. This data base was subject to modification allowing any change of ownerships to still reflect on it. The Council had started relocating of plots to the affected applicants in 2012. In future, the Council would ensure that the laid down procedures were followed when issuing out land.

**Committee's Observations and Recommendations**

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

**g) Lack of Title Deeds**

The Controlling Officer submitted that the Planning and Legal section were not in place at the time of the queries hence making it difficult to correctly follow procedure as the expertise required was not in place. The Council had made headway ensuring that Title Deeds were

obtained for all the Council properties. Surveyors from the office of the Surveyor General, Ministry of Lands were currently preparing Survey Diagrams for submission in the application for Title Deeds. In future, the Council would ensure that all Council properties had ownership documents.

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

Your Committee observes with concern that some of the Council property is not on Title and wonders what could happen to the property in case of a dispute. The value of these buildings could not be ascertained because there were no asset registers or valuation reports. The wealth of a Council was dependent on how much assets it owned from which it also raised some revenue. Your Committee urges the Council Secretary to obtain Title Deeds for the said properties as soon as possible. Your Committee resolves to wait for a progress report.

#### **h) Construction of the New Civic Centre**

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

The Council Secretary submitted that the contract for the construction of the Civic Centre was not single sourced, but floated on the market by Open Tender. Documentation was now available audit verification. The Council would ensure that all procurement procedures and regulations were adhered to in future.

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

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

##### **ii. Failure to provide documents**

The Council Secretary submitted that the documents in question were misplaced at the time of audit. The Council had since assigned an officer to be filling all payment vouchers after the payment had been done. In addition, the Council would, in future, ensure that all payment vouchers were filed after payment.

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

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

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

The Council Secretary submitted that the Council had drawings at the start of construction. However, during construction, a number of variations were made that resulted in a different structure being completed. The drawings had since been adjusted and approved with variations. Documentation was available for verification. The Council would, in future, ensure to have approved drawings before commencement of a project.

**Committee's Observations and Recommendations**

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

**iv. Lack of Performance Security**

The Council Secretary acknowledged the auditors observation on the matter. The Council had since taken over the construction of the Civic Centre Phase III using the 20 percent capital component of the Local Government Equalisation Fund. In future, the Council would ensure that tender rules and regulations were adhered to.

**Committee's Observations and Recommendations**

In noting the submission, your Committee cautions the Council Secretary to ensure that the Council abides by *the Public Procurement Act of 2011*, which provides that the procurement entity shall request for a performance security for all contracts for goods, works and consulting services with a value greater than K500,000 to secure the supplier's obligation to fulfil the contract. Your Committee observes that the Council was, however, within the threshold and resolves to close the matter subject to audit verification.

**KATETE TOWN COUNCIL****a) Lack of a Strategic Plan**

The Council Secretary submitted that the Council was unable to prepare Strategic Plan due to financial challenges. The process of preparing a Strategic Plan required all the stakeholders to be brought together and this could not be done in the absence of matching resources for the exercise. He reported that funds for the preparation of a Strategic Plan had been provided in the Estimates of Revenue and Expenditure for 2017. The process of formulating a Strategic Plan had since commenced. The Council would in future ensure that all its activities would be backed by a Strategic Plan.

**Committee's Observations and Recommendations**

Your Committee observes that lack of a Strategic Plan will result in the Council's failure to efficiently implement planned activities. Your Committee recommends that Council Management should put in place a Strategic Plan in order to effectively implement Council projects. Your Committee awaits a progress report on the matter.

**b) Lack of a Procurement Plan**

The Council Secretary reported that during the period under review, the Council did not have expertise to prepare the procurement plan as the position of Procurement Officer was vacant. He added that the Local Government Service Commission had sent a qualified procurement officer to the District and a Procurement Plan was now being prepared. The Council had started preparation of annual and quarterly procurement plans.

**Committee's Observation and Recommendations**

In noting the submission, your Committee observes that the procurement officer has just been sent to the Council and was in the process of working on the procurement plans. In order to ensure that the Council has started implementing the procurement plans, your Committee resolves to wait for a progress report on the matter.

**c) Employment of an unqualified officer to a Key Position**

The Council Secretary submitted that the responsibility to employ a qualified Council Secretary or any other officer rested with the Local Government Service Commission. He added that the Council had been submitting staff returns indicating all officers' qualifications to the Commission. The Council would continue submitting returns indicating staff qualifications to the Commission.

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

Your Committee observes that the Council Secretary did not meet the minimum qualifications for him to hold that position and recommends that the Local Government Service Commission should as soon as possible employ a person with the minimum qualification to be the Council Secretary at Katete District. Your Committee resolves to wait for the progress report on the matter.

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

The Council Secretary submitted that the major challenge in the preparation of financial statements was because the assets had not been valued. He reported that the Council had provided funds in the 2017 Budget for valuation of the properties and subsequent preparation of the Financial Statements. The Council had since written to the Ministry of Local Government for authority to engage a valuer to value the Council assets. In future, the Council would ensure that Financial Statements were prepared on a timely basis once all the assets were valued.

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

Your Committee finds it unacceptable that such an important activity which should show the financial status of the institution was not prepared. Your Committee cautions the Controlling Officer and urges him to ensure that the institution abides by the financial regulations. Your Committee recommends that the Council Secretary should ensure that all Financial Statements for the period under review are prepared as soon as possible. Your Committee resolves to wait for a progress report on the matter.

#### **e) Lack of Ownership Documents for properties**

The Council Secretary submitted that most of these properties were constructed in traditional land such as the structures in Kagoro and Mbang'ombe chiefdoms. In addition, the properties within the township boundaries had been surveyed and the process to obtain Title Deeds had commenced. As for those in traditional land, the concerned chiefs had been written to concert for the Council to obtain Title. In future, the Council would ensure that it only puts up structures in planned land.

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

In noting the Submission, the Committee raises concern that some properties were not on Title and wondered what would happen to the properties in case of a dispute. Your Committee, therefore, recommends that the Council Secretary should ensure that all council properties were put on Title as soon as possible. Your Committee awaits a progress report on the matter.

#### **f) Failure to insure Council Property**

The Council Secretary stated that the buildings and motor vehicles were not insured during the period under review because most of the vehicles were non-runners except for the two project vehicles which were yet to be handed over to the Council. The buildings were not yet valued. The process of surveying the buildings that were not in customary/ or traditional land had commenced. As for the vehicles, the contractors had not handed over the vehicles to the Council. Additionally, the Council had included an amount for insurance in its 2017 Budget and would ensure that it does the same in all its future budgets.

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

Your Committee observes with concern that some of the Council properties have not been insured and recommends that the Council should as a matter of urgency insure the properties as soon as possible. Your Committee resolves to wait for a progress report.

#### **g) Failure to Dispose Unserviceable Vehicles**

The Council Secretary submitted that it was not able to dispose of the unserviceable motor vehicles as it had not yet obtained authority to do so. The Council had since passed a resolution for disposal of the vehicles. In future, the Council shall ensure that the life span of the vehicle would not exceed ten years before it was disposed of.

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

Your Committee notes that most of the vehicles are non-runners and recommends that they should be disposed of as quickly as possible. Your Committee awaits a progress report on the matter.

#### **h) Failure to Maintain Client Databases**

The Council Secretary submitted that it was not able to maintain adequate client databases in the period under review because of untrained staff and non-existent of Information Technology (IT) section. The Local Government Service Commission had since sent an IT officer to the Council to handle matters of IT and databases. The Council had now put in place an updated database of its revenue sources. The Council had since acquired software (Dove Billing) for the purpose of maintaining updated client databases.

#### **Committee's Observation and Recommendations**

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

#### **i) Missing Receipt Books**

The Council Secretary submitted that at the time of audit, some receipt books were misplaced and some were still being used by revenue collectors. He added that the receipt books had been located and were available for audit verification. The Council had since directed the Internal Audit Section to ensure that all the receipt books were checked on a weekly basis. Further, no new book was issued without clearance from the Audit Section.

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

Your Committee observes with concern that the receipts are now available for verification when they were not at the time of audit. Your Committee sternly cautions the Council Secretary to ensure that the receipts in question are genuine. Your Committee resolves to close the matter pending audit verification.

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

The Council submitted that during the period under review, the General Revenue Cash Book was not up to date due to understaffing and untrained staff. The Council had since received new



officers and had started updating the Market Fund Cash Book. The Council had requested for more qualified officers from the Local Government Service Commission. Further, the Council had sent one officer to school to upgrade her skill.

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

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

#### **k) Outstanding Lodging Fees and other Receivables**

The Council Secretary submitted that the outstanding lodging fees and other receivables for the period 2013 to 2015, was a result of unpaid invoices for goods and services rendered by the Motel to various clients including Council staff on transfer from other districts and the contractor working on the township roads. The bill also included lodging fees for staff for the newly created Sinda District Council who were accommodated in Katete as Sinda District had no accommodation when it was just created. Out of K376,785.00, an outstanding amount for 2013 to 2015, K274,079.00 had been recovered leaving the balance of K102,706.00 owed by Sinda District Council. Letters of reminder had been written to Sinda District Council. The Council had managed to recover K37,467 from Sinda District Council by way of Debt Swap. In future, the Council would involve bailiffs for speedy recovery of all its debts.

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

In noting the submission, your Committee recommends that the Council should endeavour to recover all its money as soon as possible to smoothen the operations of the Council. Your Committee awaits a progress report on the matter.

#### **l) Unacquainted Allowances**

The Council Secretary submitted that at the time of audit, the acquittal sheets were not availed for audit scrutiny as they had been misfiled. He stated that all the acquittal sheets were traced and attached to the respective payment vouchers and were available for audit verification. The Council had since directed the Internal Audit Unit to regularly check all payment vouchers for completeness so that no supporting documents would be missing.

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

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

**m) Unsupported Payments**

The Council Secretary submitted that failure to adequately support the payment vouchers was due to the misplacement of supporting documents. The documents had since been traced and attached to all respective payments vouchers and were available for audit verification. The Council had since directed the Internal Audit Unit to regularly check all payment vouchers for completeness so that no supporting documents would be missing.

**Committee's Observations and Recommendations**

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

**n) Failure to Remit Statutory Contributions**

The Council Secretary submitted that the Council was unable to remit statutory contributions in respect of PAYE, LASF, NAPSA and Workers Compensation because of liquidity challenges. The Council had developed a comprehensive settlement plan on all the outstanding statutory dues. The Council had since liquidated its debt with FIRESUZ, ZULAWU, NAPSA and LASF. Receipts were available for audit verification. The Council now remits statutory contributions at the same time as it pays for salaries to avoid accruing of statutory contribution debts.

**Committee's Observations and Recommendations**

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

**o) Misapplication of equalisation fund**

The Council Secretary submitted that it used part of the 20 percent for capital projects from Equalisation Funds because of inadequate allocation of the equalisation funds against a huge Personal Emoluments Bill. The Council used part of the 20 percent Equalisation Funds to meet its monthly salaries obligations. The Council had since started paying back the funds. However, due to the sufficient Equalisation Funds being received from the Ministry of Finance, the Council was no longer using the 20 percent meant for projects for other Council activities. Bank statements reflecting the refunds were available for verification. The Council had since opened a separate account where the 20 percent from Equalisation Funds was being transferred immediately it was received.

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

In noting the submission, your Committee cautioned the Council Secretary against misapplication of Equalisation Funds and resolved to close the query subject to audit verification.

#### **p) Unauthorised Retention of Interest Earned**

The Council Secretary submitted that it utilised the interest accrued on CDF Account to finance administrative expenses of the CDF. The Council had started the process of seeking Treasury Authority to utilise the interest earned on CDF accounts. The Council noted the advice and would, in future, request from the relevant authorities for approval before making any payment from interest accrued from CDF accounts.

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

In noting the submission, your Committee sternly cautions the Council Secretary against abrogating *the Public Finance Act No. 15 of 2004* which provides that interest accrued on bank accounts constitutes general revenue and should be paid to the Treasury. Your Committee resolves to close the matter subject to audit verification.

#### **q) Failure to Correct Errors on the Bank Statements**

The Council Secretary submitted that the error was made by the bank in their day to day transactions. However, ZANACO was notified about the error, but when reversing the error, the bank instead credited the Council with a different amount (K100, 000.00) which the Bank was again notified. Bank Statements were available for verification. In addition, the Council realised the need to promptly prepare reconciliation statements on a monthly basis in order to avoid a similar occurrence in future.

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

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

**AUDIT QUERY**

**PARAGRAPH 17**

**LIVINGSTONE CITY COUNCIL**

## **Review of Operations**

A review of accounting and other records maintained at Livingstone City Council for the period 2013 to 31<sup>st</sup> December 2015, revealed the following weaknesses and the Town Clerk responded as set out below.

### **a) Failure to Prepare Strategic Plan**

The Town Clerk acknowledged that a Strategic Plan was not in place at the time of audit. This was because of the lengthy consultation process. Your Committee was informed that the draft Strategic Plan had been completed and adopted by the full Council, but not launched. He assured your Committee that in future, the Council would ensure that the next Strategic Plan would be in place immediately the current expired.

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

Your Committee is dismayed at the Council's delay to launch its Strategic Plan even when it has been adopted by the full Council. The absence of the Strategic Plan will result in the Council's failure to meet its goals and achieve its vision. Therefore, your Committee recommends that Management should ensure that the Strategic Plan is put in place to guide the operations of the Council. Your Committee resolves to wait for a progress report on the matter.

### **b) Failure to Produce Audited Accounts and Annual Reports**

The Town Clerk acknowledged the observations made by the auditors that at the time of audit, the Council did not prepare the Financial Statements for the period under review because of understaffing in the Department of Finance. He informed your Committee that the Council had since started preparing the Financial Statements for the period under review and would be ready by the second quarter of 2017. In future, the Council would ensure that Financial Statements were prepared on a timely basis.

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

Your Committee finds it unacceptable that such an important activity which is supposed to be done routinely in order to appreciate the financial health of the institution has been neglected. Your Committee urges the Town Clerk to ensure that all financial statements for the period under review are prepared without any delay. Your Committee awaits a progress report on the matter.

### **c) Lack of Title Deed**

The Town Clerk acknowledged the observation made by the auditors that the documents were not available at the time of audit because of misfiling. He informed your Committee that the Council acquired Title Deeds for ten (10) out of the forty-four (44) properties and was in the process of obtaining Title Deeds for all the remaining sixty-six (66) properties. He assured your Committee that in future, the Council would ensure that all Council properties were on Title.

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

Your Committee observes with concern that the Council does not have Title Deeds for sixty-six properties and fears that in an event that a dispute arose, the possibility of losing the property was very high for the Council. Your Committee, therefore, strongly urges the Council to ensure that it obtains the Title Deeds for the Council properties to show ownership. Your Committee resolves to wait for a progress report on the matter.

#### **d) Failure to Provide Tenant/Lease Agreements**

The Town Clerk acknowledged the observation by the auditors that the lease agreements were not available at the time of audit as they were misplaced. The lease agreements had been traced and were ready for verification. The Town Clerk stated that the Council would ensure that all important documentation was kept under the custody of the Legal Department and a senior officer had been assigned to supervise the handling of the documents.

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

Your Committee observes with concern that twenty-eight Lease Agreements were missing at the time of audit. This is a serious anomaly that can result in the Council losing revenue because Lease Agreements are adjusted upwards upon expiry, but because they were not available, it was also difficult to determine how much money was being collected from such properties. Your Committee, therefore, recommends that the Town Clerk should ensure that Lease Agreements were properly kept at all times. Your Committee resolves to close the matter subject to audit verification.

#### **e) Unaccounted for Receipt Books**

The Town Clerk acknowledged that the receipts were misplaced at the time of audit. He reported that out of the seventeen (17) Revenue Collectors, ten (10) returned the receipt books while seven (7) did not. The seven (7) Revenue Collectors had since been discharged. The recovered receipt books were available for verification. Further, more members of staff had been assigned to the Stores Office to strengthen the controls and improve the filing system.

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

Your Committee is concerned that seven Revenue Collectors have not returned the receipt books. This has contributed to the loss of public funds as the Council does not know how much funds were collected. Your Committee also wonders why the seven Revenue Collectors had not

been reported to the police in order to deter would be offenders. Your Committee, therefore, recommends that the Council should immediately report the seven Revenue Collectors who have not returned the receipt books to the police. Your Committee awaits a progress report on the matter.

**f) Delayed Banking - K36,395**

The Town Clerk submitted that in the past, the West and East Management Centres were in charge of their own banking without passing through the Council mainstream which led to late banking and control was not adequate. The Council had since centralised the banking system to avoid delays in banking at the business centres and also enhance monitoring and control. Additionally, all cashiers cashed the money collected by 16:00 hours every day to the Chief Cashier at the Civic Centre who in turn banked the amounts received the following day. Your Committee was informed that some members of staff in the Revenue Section were being rotated in the centres to improve efficiency, timely banking and supervision.

**Committee's Observation and Recommendations**

Your Committee observes that this is a serious oversight by the Council and requests the Town Clerk to put in place corrective measures to ensure that collected revenues are now taken to the office and banked on time every day. Your Committee resolves to close the matter subject to audit verification.

**g) Unaccounted for Revenue**

The Town Clerk acknowledged that the deposit slips, market register and handover documents were not available at the time of audit as they were misplaced. He stated that the total revenue in question of K25,266.20 in the years under review was banked. The deposit slips and bank statements were available for verification. In addition, a senior officer had been assigned to supervise the officers doing the filing of documents to avoid the recurrence of the anomaly.

**Committee's Observations and Recommendations**

Your Committee cautions the Town Clerk to ensure that documents were made available at the time of audit. Your Committee resolves to close the matter subject to audit verification.

**h) Use of Revenue before Banking**

The Town Clerk stated that the amount of K6,000 drawn from the till at East Management Centre was used to finance football and boxing match logistics. This was because the football and boxing teams were under the sponsorship of the Council. Therefore, an amount of K6,000 was collected from the cash office and used to meet expenses for the football and boxing teams' logistics because the banks were not open at the time. The Council had since reimbursed the amount in question. Your Committee was assured that in future, the Council would ensure that payment processes would be done in good time when the banks were open to avoid drawing from the till.

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

Your Committee expresses concern at the Council's decision to draw money from the till at the East Management Centre to finance football and boxing activities when they knew the programmes for their teams in order to collect money on time from the banks. Your Committee strongly cautions the Council against drawing funds from the till and resolves to close the matter subject to audit verification.

#### **i) Commutation of Leave Days above Limit**

The Town Clerk submitted that the three officers got Council car loans as per Council Resolution No. FHRGP/839/12. In a letter dated 23<sup>rd</sup> October 2013, the Town Clerk wrote to the Ministry of Local Government and Housing seeking authority to allow the officers to redeem the car loans using leave days and long service bonus. The MLGH granted authority through the letter dated 6<sup>th</sup> October 2014. This was the basis for the commutation of the leave days above the limit for the three officers. He stated that based on the authority granted by the MLGH, the commutations of leave days was done and the car loans for the three officers were cleared from Council records because authority was granted by the Ministry of Local Government. In future, the Council would adhere to stipulated Conditions of Service.

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

Your Committee sternly cautions the Town Clerk against abrogating Council Resolution Number FHRGP/339/12 by allowing officers to redeem loans using leave days more than provided for by the Council Resolution. Your Committee resolves to close the matter subject to audit verification.

#### **j) Payment of Overtime Outside Payroll**

The Town Clerk submitted that the officers involved requested Management to be paid outside the payroll as they needed cash to attend to their immediate pressing needs. Your Committee was informed that Management had since stopped payment of overtime outside payroll. All overtime payments were now strictly being paid through the payroll system. He assured your Committee that in future the Council would ensure to stick to the stipulated regulations so that all overtime allowances were paid through the payroll only.

### **Committee's Observation and Recommendations**

Your Committee observes that officers avoided paying tax from their overtime allowances which is a serious offence and recommends that the Council should ensure that it pays all allowances through the payroll in future. The Council should also find ways and means of deducting tax from the affected officers. Your Committee resolves to wait for a progress report on the matter.

#### **k) Non Recovery of Salary Advances**

The Town Clerk acknowledged that at the time of audit, the recoveries had not been effected which was an oversight. However, the Council had since instituted the recoveries on the salary advances in question. Payslips were available for verification. In future, Management would always adhere to the Conditions of Service by making timely recoveries on all salary advances.

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

Your Committee sternly cautions the Town Clerk against abrogating Council Conditions of Service which requires that salary advance deductions are effected in the month following the one in which the payment was done. In this regard, your Committee resolves to close the matter pending audit verification.

#### **l) Missing Payment Vouchers**

The Town Clerk acknowledged that payment vouchers in question were not available at the time of audit because they had been misplaced. He stated that the payment vouchers had since been traced and were available for audit verification. In addition, a senior officer had been



assigned to supervise the officers doing the filing of payment vouchers to avoid the recurrence of the anomaly.

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

Your Committee notes the submission and urges the Town Clerk to sternly caution the officers and to ensure that payment vouchers are properly filed. Your Committee resolves to close the matter subject to audit verification.

#### **m) Inadequately Supported Payments**

The Town Clerk stated that the relevant documents in question were not availed to the auditors during audit because they were misplaced. The documents had since been traced and were available for audit verification. Additionally, a senior officer had been assigned to supervise the officers doing the filing of documents to avoid the recurrence of the anomaly.

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

In noting the submission, your Committee urges the Town Clerk to sternly caution the officer for failing to keep important documents properly and recommends the matter for closure subject to audit verification.

#### **n) Payment of Meal Allowances within the Station K116,703.37**

Management had since instituted recoveries from the affected officers. In future, Management would ensure that Conditions of Service were adhered to.

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

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

#### **o) Over payment of Meals K22,850**

The Town Clerk stated that there was an oversight on its part regarding the bill that was incurred for the services rendered. The Council had noted the anomaly that occurred and further stated that the bill for the meals was actually for K38,850 meant for outside catering services which was rendered to the Council. The invoice for K16,000 was a quotation based on in-house catering of which the services were not rendered to the Council. Thus, causing the oversight on

the part of the Council in executing the transaction. Management would, in future, scrutinise documents before entering into any contract concerning goods and services.

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

Your Committee expresses concern at the Council's negligence when it made the payment. The Council had an Audit Department which needed to scrutinise the bill before effecting the payment. In this regard, your Committee recommends that the Council recovers the money and awaits a progress report on the matter.

#### **p) Irregular Payment of Subsistence Allowance K149,662**

The Town Clerk submitted that the officer in question was initially seconded to the Council, but later transferred on permanent basis. However, the Council paid the subsistence allowance based on the initial secondment. He stated that Management had taken note of the observation made by the auditors. In future, the Council would adhere to the Conditions of Service as they apply.

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

In noting the submission, your Committee strongly cautions the Town Clerk to ensure that allowances were paid to deserving officers according to the rules and regulations of the Ministry of Local Government. Your Committee recommends that recoveries should be instituted as quickly as possible. Your Committee awaits a progress report on the matter.

#### **q) Misapplication of Funds K624,470**

The Town Clerk stated that the January 2014, Salary Support Grant was not sent to the Council by the Ministry of Local Government and Housing. He added that the Council was facing liquidity challenges at the time and to avoid the looming industrial unrest by the workers, an amount of K624,470 was borrowed from the Project Account to pay salaries with the view to paying back when the grant was received. However, the grant was never received for January 2014. The amount of K2,486,369.09 was locally generated revenue for the Council for the period 2013-2015, which funds were utilised by the Council. Your Committee was informed that the Council had come up with a repayment plan to pay back the amount of K624,470, into the Project Account in monthly instalments of K50,000 starting May 2017. Your Committee was assured that the Council would endeavour not to utilise project funds without authority from the Council Secretary.

#### **Committee's Observation and Recommendations**

Your Committee observes with concern that the Council ignored the financial regulations and decided to misapply project resources to salaries. In this regard, your Committee cautions the Town Clerk on the effects of misapplication of funds and resolves to close the matter subject to verification by the Auditors.

**r) Unretired Accountable Imprest K265,327.45**

The Town Clerk reported that during the period under review, retirement receipts were misplaced. The Council had since commenced recoveries of the unretired imprest from the salaries of the affected officers. Management had resolved that no officer would be issued with fresh imprest until outstanding imprests was fully recovered.

**Committee's Observations and Recommendations**

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

**s) Unaccounted for Stores K448,440**

The Town Clerk submitted that the auditors could not be availed with documents at the time of audit because documents were misplaced. He stated that the accounting documents had since been traced and were available for audit verification. In addition, a senior staff had been assigned to supervise the registry and stores sections to avoid any misplacement of documents.

**Committee's Observations and Recommendations**

In noting the submission, your Committee resolves to close the matter subject to audit verification. Further, the Council Secretary has been cautioned against poor storage of documents.

**t) Fuel Drawn by Unknown Vehicles**

The Town Clerk submitted that registration numbers for vehicles drawing fuel were left out as correctly observed by the auditors. The Council had three vehicles which had no registration numbers because their documents went missing through a car accident. He stated that the Council was currently processing the documentation in order to have the vehicles registered.

Your Committee was assured that in future the Council would ensure that the all vehicles were registered.

### **Committee's Observation and Recommendations**

In noting the submission, your Committee raises concern on why it had taken long for the vehicles to be registered. The Town Clerk is sternly cautioned to ensure that the vehicles are registered because it is possible that the fuel that was drawn may have not been used for Council activities. Your Committee resolves to wait for a progress report.

#### **u) Fuel Drawings Not recorded in the Log books**

The Town Clerk stated that the observation made by the auditor that the Council never used to maintain the log books for the vehicles in the past, but kept disposal sheets instead was correct. The Council had now introduced the log books which were kept by the drivers. However, fuel sheets and statements were available for audit verification. The Council had devised a system where log books, fuel sheets and disposal sheets would updated weekly.

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

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

#### **v) Failure to Produce Documentation on Disposal of Motor Vehicles**

The Town Clerk acknowledged that the documents were not available for audit scrutiny because the vehicles in question were sold by Ministry of Works and Supply. The Council had since written to the Ministry of Works And Supply for details of the sale. Once the documents were received by the Council, the documentation for the sale of motor vehicles done by Ministry of Works would be retained in future.

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

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

#### **w) Failure to Collect Revenue**

The Council Secretary stated that the Council could not collect revenue from most of the debtors due to liquidity problems faced by the said companies and the negative perception held by the community regarding accountability of revenue of the Council. However, Management had written final demand notices to the same companies and was making follow-up on the payments. In addition, a debt Management team (taskforce on revenue) had been put in place to manage Council debtors by sensitising them on the importance of paying Council fees and offering incentives for payments made such as offering discounts.

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

Your Committee observes that the Council had misapplied funds because of inadequate resources for salaries, but wonders why it has failed to collect revenue from the companies that owed the Council. Your Committee urges the Council to ensure that it collects the money as soon as possible and resolves to wait for a progress report.

#### **x) Failure to Remit Statutory Obligation**

The Town Clerk submitted that the non-payment of the statutory contributions by the Council was due to liquidity problems being faced by the Council. The Council had started reducing LASF outstanding balances on a monthly basis of K81,000 and was in the process of engaging NAPSA on a debt swap basis. In addition, ZULAWU was on a monthly commitment of K12,000. Management had put up a programme to liquidate the arrears by monthly commitments and at the same time liquidate the current obligations as they fell due to avoid debts accruing for a long period of time.

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

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

#### **y) Failure to maintain Properties**

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

The Town Clerk stated that the house could not be maintained due to liquidity challenges being faced by the Council. However, Management was in the process of sourcing for funds to maintain the structure. It had also factored in the cost of rehabilitating the buildings in the 2017 Budget. Your Committee was assured that in future, Management would ensure increased budgetary allocation for buildings and infrastructure maintenance.

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

In noting the submission, your Committee recommends that the Council should rehabilitate the house as soon as possible and resolves to wait for a progress report on the matter.

#### **ii) Offices of the Dambwa Housing Unit**

The Town Clerk stated that the offices could not be maintained due to liquidity challenges being faced by the Council. Management was in the process of sourcing for funds to maintain the structure had also factored in the cost of rehabilitating the buildings in the 2017 Budget. Additionally, Management would ensure increased budgetary allocation for buildings and infrastructure maintenance.

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

In noting the submission, your Committee urges the Council to quickly rehabilitate the house in order to increase its revenue base. Your Committee resolves to wait for a progress report on the matter.

#### **iii) Tukongote Bar**

The Town Clerk stated that the bar could not be maintained due to liquidity challenges being faced by the Council. Management was in the process of sourcing for funds to maintain the structure and also factored in the cost of rehabilitating the buildings in the 2017 Budget. Management would ensure increased budgetary allocation for buildings and infrastructure maintenance.

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

In noting the submission, your Committee urges the Council to quickly rehabilitate the bar in order to increase its revenue base. Your Committee resolves to wait for a progress report on the matter.

**iv) Offices and Stores in Maramba**

The Town Clerk submitted that the offices and stores could not be maintained due to liquidity challenges being faced by the Council. Management was in the process of sourcing for funds to maintain the structure and had also factored in the cost of rehabilitating the building in the 2017 Budget. In addition, Management would ensure increased budgetary allocation for buildings and infrastructure maintenance.

**Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Council to quickly rehabilitate the offices and storerooms in order to increase its revenue base because this infrastructure could be hired out to interested people for business. Your Committee resolves to wait for a progress report on the matter.

**z) Street Lighting Along Mandela Road**

The Town Clerk submitted that there was a delay by the contractor in supplying the street light fittings and cables. However, street light fittings and cables were received and works were completed. In future, Management would ensure that projects were completed on time once funding was made available.

**Committee's Observations and Recommendations**

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

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

The Town Clerk stated that Ward funds were generated by the Council. At the time of the project, the Council was facing liquidity problems. The available funds were inadequate to buy all the necessary materials. Management was in the process of sourcing funding to procure more materials for the project and also engage a contractor to complete the works. In future, Management would ensure that funds were available before embarking on any project.

**Committee's Observations and Recommendations**

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

**bb) Delayed completion of Project-Street Lighting**

The Town Clerk acknowledged the observations made by the auditors on the street lighting by Ketrom Enterprises. The contract was awarded to Ketrom Enterprises to install street lights along four roads. So far, three roads had been handed over to the Council except for Chipata/Botswana because it was incomplete. The Contractor was yet to install the following, two (02) distribution boxes, two (02) meter boxes, ten (10) street light poles, thirteen (13) street light fittings. Additionally, the Town Clerk stated that following the delays by the Contractor to complete the works, recommendation for termination of contract had been made. The Council had since written to the Provincial Office through the Permanent Secretary to terminate the contract and award a new contract to another contractor. A feedback had not yet been received by the Council from the Provincial Office. Further, the Council had been maintaining the street lights since the three roads were handed over three years ago. In future, the Council would ensure contractors completed their works within the stipulated timeframe.

**Committee's Observations and Recommendations**

In noting the submission, your Committee awaits a progress report on the matter.

**AUDIT QUERY**

**PARAGRAPH 18**

**LUSAKA CITY COUNCIL**

**Review of the Operations**



A review of accounting and other records maintained at Lusaka City Council for the Period from 1<sup>st</sup> January 2013, to 31<sup>st</sup> December 2015, revealed the following weaknesses to which the Town Clerk responded as set out below.

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

The Council acknowledged the observations made by the auditors and the Town Clerk submitted that this was due to understaffing in the Department of Finance. He informed your Committee that the financial statements for the period under review were currently being audited by the Auditor General. He also assured your Committee that the Council would endeavour to adhere to the provisions of both the *Public Finance Act and Local Government Act* by ensuring timely audit of its financial statements. Further, he reported that the Office of the Auditor General would audit the Council's Financial Statement yearly as it was constitutionally mandated.

**Committee's Observations and Recommendations**

Your Committee observes with concern that the officers in the Accounts Department failed to prepare financial statements for such a long period. It finds it unacceptable that such an important activity which must be routinely done was neglected by the officers. Your Committee further observes with concern that such a highly graded City Council would be operating without an accounting framework. Your Committee urges the Town Clerk to ensure that the recommended International Public Sector Accounting Standards (IPSAS) framework is procured without any further delay and also that the officers are sternly cautioned for the failure. Your Committee also urges the Town Clerk to ensure that all financial statements for the period under review are prepared and audited without any further delay. Your Committee awaits a progress report on the matter.

**b) Failure to Collect Property Rates - K828,026**

The Council acknowledged the audit finding and stated that this was due to undistributed demand notices. The Town Clerk reported that it had since recovered more than K500,000 of the amount in question. In addition, the Council had issued and distributed demand notices to all the Debtors and was currently executing warrants of distress to all the defaulters. Documentation in respect of funds recovered was available for verification. The Town Clerk also stated that the Council had put up a debt recovery plan which was working effectively by ensuring that all demand notices were issued and warrants executed. In addition, the Council had signed Memorandums of Understanding with Banks for enhancement of Revenue collection

through customer direct deposits and the introduction of Point of Sale Machines at most of the revenue collection centres.

In his verbal submission, the Town Clerk submitted that the Council restrained itself from issuing warrants of distress due to the economical difficulties the country was facing at the time. The other reason was that the period under review covered two election years and, hence, Management sought to restrain itself in order to be misunderstood.

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

Your Committee observes with concern that the Council decided not to conduct itself professionally and chose to succumb to political pressure which is highly irregular and unacceptable. It also expresses concern at the failure by the Council to collect property rates despite struggling with liquidity problems. Your Committee strongly urges the Permanent Secretary to recommend to the Local Government Service Commission to seriously look into the Management at the City Council as such failures would retard the development of the Capital City. Your Committee also recommends that going forward, the Council must evoke the provisions contained in the *Rating Act, No. 12 of 1997* and *Cap 192 of the laws of Zambia* and also to stay alive to its new enhanced strategies on revenue and rates collection. Your Committee resolves to keep the matter in view in future audits.

#### **c) Uncollected Rental Revenue - K772, 340**

The Town Clerk acknowledged the audit finding and stated that the Council had been constrained to collect rentals from its tenants because of a court case that protracted from 2010, until early 2016, when it was disposed of in favour of the Council. This caused an accumulation of rentals over the years. The Council also reported that it had through the Sheriff's Office seized goods from some tenants and evicted two of them in a bid to collect the rentals. The Council had since recovered part of the unpaid rentals and that payment plans had been signed by some tenants. The Council also reported that it had put up a debt recovery plan and had committed itself to ensuring the success of the plan. The Town Clerk assured your Committee that in all the reported cases, documentary evidence was available for audit verification.

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

Your Committee expresses concern at the failure by the Council to collect the much needed revenue despite struggling with liquidity problems. While noting the fact that there was a court

proceeding taking place during the period under review, your Committee did not accept the excuse as it is of the view that the court proceedings would not prevent Management from pursuing its receivables. Your Committee strongly recommends that the Town Clerk must sternly caution Management for failure and that going forward it stays alive to its new enhanced strategies on revenue and rates collection. Your Committee resolves to keep the matter in view in future audits.

#### **d) Irregular Sale of Assets**

##### **Sale of Libala Tennis Court -Stand B/PN 20435 - K12,150,000**

The Town Clerk clarified that it adhered to the provisions of *Section 67 of the Local Government Act* in that an evaluation of the property was carried out and documentary evidence was available for verification. He, however, assured your Committee that the Council would endeavour to follow laid down procedures before engaging in land disposal.

##### **Disposal of Plots along Mwatusanga Road – Woodlands, Lusaka - K12, 923,888**

The Town Clerk informed your Committee that it did follow laid down procedures in handling the cited land transaction. He reported that a comprehensive report on the disposal of Mwatusanga was reported to the full Council and it noted the challenges that were encountered in the process. Going forward, the Town Clerk assured your Committee that the conditions for disposal of assets would be streamlined in consultation with all the key stakeholders.

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

Your Committee expresses concern at the failure by the Town Clerk to avail all the relevant documentation to auditors during the audit period. He is sternly cautioned to desist from dragging matters while evidence was available which could have been resolved with auditors. Your Committee strongly urges the Town Clerk to ensure that officers responsible are disciplined for the failure and that he must follow laid down rules and procedures in disposal of land. Your Committee resolves to close the two matters subject to audit verification.

#### **e) Failure to Pay Retirement and Terminal Benefits - K32,441,819**

The Town Clerk submitted that non-payment of retirees and terminal benefits was due to financial constraints. He reported that the Council had come up with a five (5) year debt liquidation plan to liquidate the debt owed to the affected officers. Documentation to this effect was available for audit verification.

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

Your Committee finds the reason given by the Town Clerk unacceptable as the same Council which restrained itself from collecting outstanding revenues and rates did so without considering its financial difficulties that it was facing during the period under review. Your Committee feels that it is as a result of poor Management that such a better placed Council with many options of revenue generation would be struggling with liquidity problems. Your Committee also observes that the Council's failure may risk the Council to possible litigation which may arise from non payment of retirees' terminal benefits. The Town Clerk is urged to ensure that he impresses upon Management to explore more revenue collection options to improve the status quo and that all outstanding dues for retirees are paid without any further delay. Your Committee resolves to await a progress report on the matter.

### **f) Failure to Remit Statutory Contributions - K276,735,045**

The Town Clerk acknowledged the query and informed your Committee that a total sum of K4,702,783 had now been paid towards the statutory debt and the schedules were available for verification. In addition, the Council had since engaged the entities in signing payment plans in order to offset the current debts. The Council also reported that it had put up a five (5) year debt liquidation plan to liquidate the obligations. In addition, the Council would continue to arrange debt swaps with the Statutory Institutions such as NAPSA in a bid to cushion the liquidation.

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

Your Committee observes with concern that the failure may risk the Council to possible litigation which may arise from the non-payment of statutory obligations. The Town Clerk is, particularly, urged to ensure that he impresses upon the Council to dismantle all its outstanding statutory obligations and further that it explores more revenue collection options to improve the status quo. Your Committee resolves to await a progress report on the matter.

### **g) Purchase of Office Furniture - Overpayment of K514,307 (No contract and direct bidding problems)**

The Town Clerk submitted that the query arose due to the failure by officers to follow procurement procedures such as signing of contract, obtaining authority from ZPPA and claiming the security deposit. He also added that the overpayment was due to exchange rate movements that had varied from K6.220 per US Dollar from the time of the initial order to about K12.220 per US Dollar by the time the last payment was being made. He also informed your Committee that copies of partially signed contract and copies of the Purchase Order were sent to the supplier via email, but due to challenges in International trade, it was difficult to obtain the signed copy in time.

The procedure for the procurement was duly followed according to Procurement Regulations of 2011. In addition, due to the nature of the purchase, only manufacturers of furniture were contacted to submit quotations, and being the target market, it was very difficult to open the tendering process to capture only Chinese Manufacturers, hence the limited bidding.

Further, according to Circular No. 1 of 2013, all procuring entities were given authority to undertake all procurements in their respective instructions and hence the need to seek for a "No Objection" did not arise. The Council had written to the transporter to refund the security deposit. The Town Clerk took note of the challenges in International trade and, therefore, would engage expertise when handling contractual matters of International nature as they were complex and difficult to monitor.

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

Your Committee finds the reasons given by the Town Clerk unacceptable as he failed to give a convincing reason why he single sourced by way of direct bidding and that despite his admission, officers who caused the irregularity were not disciplined for the wilful flouting of procurement regulations. Your Committee is also greatly concerned at Management's inordinate delay to claim the security deposit refund. Your Committee strongly urges the Town Clerk to ensure that officers who were responsible for procurement at the time are disciplined for the failure and that documentary evidence relating to the security deposit refunds are availed to the Office of the Auditor General for audit verification. Your Committee awaits a progress report on the matter.

#### **h) Failure to Supply Elevators at the Civic Centre**

Your Committee was informed by the Town Clerk that the Council was pursuing the matter through the Department of Legal Services and that going forward, he would ensure that the performance bonds were renewed before termination of such contracts.

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

Your Committee expresses concern at the failure by the Town Clerk to recover the advance payment after assessing the failure by the contractor to perform. The Town Clerk is directed to ensure that the matter is resolved without further delay by reporting the contractor to both the law enforcement agencies and the National Council for Construction. Further, your Committee directs the Town Clerk to ensure that a refund is made to the Council by the contractor without any further delay. Your Committee awaits a progress report on the matter.

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

The Town Clerk informed your Committee that the Council breached part of the contractual conditions and wrong calculation on the IPCs. The Council had since written to instruct the contractor to refund the overpaid amount. Documentation was available for verification. The Town Clerk pledged that he would engage expertise when handling contractual matters going forward.

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

Your Committee finds the reason given by the Town Clerk unacceptable as it is evident that there is a serious *lazier-fare* approach by Management at the Council considering the time it had taken to pursue the matter. Your Committee feels that there is connivance between some officers and the contractor which made the Council reluctant to pursue the matter in which Government risks losing about 1 million if nothing is done, promptly. Your Committee directs the Town Clerk to have the matter reported to Law Enforcement Agencies for further probe. Your Committee awaits a progress report on the matter.

**AUDIT QUERY**

**PARAGRAPH 19**

**MONGU MUNICIPAL COUNCIL**

**a) Lack of Strategic Plan**

The Town Clerk reported that there was no strategic plan in place during the period under review. The Council also reported that information was being gathered to prepare a strategic plan following the Town Clerks instructions contained in the Minute dated 16/05/2016, to all Heads of Departments for the period of five years starting 1<sup>st</sup> January 2016 to 31<sup>st</sup> December 2020. The information would be consolidated and reviewed to form the strategic plan by second quarter of 2017. Management would adhere to laid down guidelines in having the strategic plan in place.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Council Secretary had to wait for this long to put up a strategic plan and the Council was operating during the period under review without a well defined direction. Your Committee is of the view that staff from other departments within the District would have helped especially that the country is moving towards decentralisation. Your Committee sternly cautions the Town Clerk to desist from hiding his incompetence in such excuses and directs him to ensure that a strategic plan is approved and availed for audit verification. Your Committee awaits a progress report on the matter.

**b) Failure to Prepare Financial Statements**

The Town Clerk informed your Committee that the Council did not have any accounting package during the period under review. The Town Clerk stated that Mongu Municipal Council had acquired a DOVE Accounting Package to improve information processing and storage. Further, another accounting Software Financial Management System (FMS) was acquired to improve the preparation of Financial statements. Data was now being inputted in the system and the system was operational. Currently, the financial statements were at draft stage which could be verified. The Town Clerk informed your Committee that all reports were now processed on the new package and the Council had introduced new systems and controls.

**Committee's Observations and Recommendations**

Your Committee did not accept the reasons given as financial statements could have been prepared manually by the officers even without the software package. Your Committee urges

the Town Clerk to ensure that all financial statements for the period under review are prepared without any further delay. Your Committee awaits a progress report on the matter.

**c) Unretired Imprest**

The Town Clerk informed your Committee that the controls were weak during the period under review and that all the unretired imprest had since been retired through deductions. The Town Clerk informed your Committee that all officers were made to retire within forty-eight hours upon returning from their duties and no imprest was issued to any holder who had failed to retire within a stipulated timeframe.

**Committee's Observations and Recommendations**

In noting the submission, the Town Clerk is urged to ensure that the officers are sternly cautioned for the failure and the matter is recommended for closure subject to audit verification.

**d) Unretired amount of K 13,780**

The Town Clerk informed your Committee that the casual workers did not complete the claim forms and acquittal sheets. The Town Clerk further stated that the officers in question had completed and signed the claim forms and acquittal sheets and these were ready for verification. The Town Clerk informed your Committee that no money would be paid out before claim forms were completed.

**Committee's Observations and Recommendations**

Your Committee finds the reasons given by the Town Clerk unacceptable as the documents which were retrospectively signed by the casual workers only resurfaced after the audit which is highly questionable. The Town Clerk is urged to ensure that officers are sternly cautioned for the failure. The matter is, however, recommended for closure subject to audit verification.

**e) Failure to obtain Title deeds**

The Town Clerk informed your Committee that the delay in obtaining title deeds was due to long processes in acquiring title deeds from Ministry of Lands and Natural Resources. The Council was still pursuing the matter and assured your Committee that it would endeavour to obtain title deeds before properties were acquired and constructed.



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

Your Committee observes with concern that properties are not secured with title deeds and urges Management to ensure that the matter is followed-up with the Ministry of Lands and Natural Resources to issue the titles accordingly. Your Committee resolves to await a progress report on the matter.

#### **f) Samuel Kaywala vs Mongu Municipal Council - K9,970**

The Town Clerk informed your Committee that Mongu Municipal Council had not gotten the court judgement. Management had tasked its Legal Department to follow-up the judgement that was passed by the courts. The Town Clerk stated that in future, the Council would be engaging the legal department when handling legal matters.

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

Your Committee observes with concern the inordinate delay on following-up and resolving the matter and cautions Management to ensure that the matter is treated with the urgency it deserves to avoid loss of public funds in litigation. Your Committee also urges the Town Clerk to ensure that the court judgement is obtained and that a resolution of the matter is arrived at without any further delay. A progress report is being awaited by your Committee.

#### **g) Outstanding Retirement Benefits K 2,568,485.31**

The Town Clerk informed your Committee that the Council was going through financial constraints at the time, but had started paying outstanding retiree benefits in instalments as funds were available. The Council was broadening out the revenue base in order to meet financial challenges.

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

Your Committee finds the reason given by the Town Clerk unacceptable as it feels that it is a result of poor Management that such a better placed Council with many options of revenue generation would be struggling with liquidity problems. Your Committee also observes that the Council's failure may risk the Council to possible litigation which may arise from non-payment of retirees' terminal benefits. The Town Clerk is urged to ensure that he impresses upon

Management to explore more revenue collection options to improve the status quo and that all outstanding dues for retirees are paid without any further delay. Your Committee resolves to keep the matter in view in future audits.

**h) Non Payment of Statutory Obligations - K 5,772,290 (K,1043,075 and NAPSA K4,729,215)**

The Town Clerk informed your Committee that the Council was going through financial constraints as it was only able to pay net amounts. The Town Clerk further stated that Mongu Municipal Council had now started paying LASF and NAPSA as funds were available and this could be verified. The Council was broadening out the revenue base in order to meet financial challenges.

**Committee's Observations and Recommendations**

Your Committee observes with concern that the failure may risk the Council to possible litigation which may arise from their non-payment of statutory obligations. The Town Clerk is, particularly, urged to ensure that he impresses upon the Council to dismantle all its outstanding statutory obligations and further that it explores more revenue collection options to improve the status quo. Your Committee resolves to keep the matter in view in future audits.

**AUDIT QUERY**

**PARAGRAPH 20**

**MUNGWI DISTRICT COUNCIL**

**Review of Operations**

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

**a) Failure to Prepare Financial Statements**

The Council Secretary informed your Committee that the non-preparation of financial statements was due to lack of updated asset register to ascertain the Net Book Value of the Council assets. Your Committee was further informed that the Council had updated its asset register and the financial statement for the year 2015 had since been prepared and was ready for verification. Your Committee was informed that the Council would endeavor to be updating its asset register yearly so that the preparation of financial statements was not delayed.

### **Committee Observations and Recommendation**

Your Committee observes with concern that the officers in the Accounts Department failed to prepare financial statements for such a long period of time and that the excuse of unvalued assets is not valid. It finds it unacceptable that such an important activity which must be routinely done was neglected by the officers. It further observes with concern that the Council since its inception had been operating without an accounting framework. Your Committee urges the Council Secretary to ensure that the recommended International Public Sector Accounting Standards (IPSAS) framework is procured without any further delay and also that the officers are sternly cautioned for the failure. Your Committee also urges the Council Secretary to ensure that all financial statements for the period under review are prepared without any further delay. Your Committee awaits a progress report on the matter.

#### **b) Failure to Follow Laid Down Guidelines on Utilisation of Equalisation Fund K427, 881**

The Council acknowledged the auditors' observation of not utilising K427,881 on capital related activities. This was due to unavoidable operational challenges that the Council faced which could not be sustained from the local resources. Your Committee was informed that Council had since opened a separate account namely; Mungwi District Council – Capital Account number 0323020000001 with Indo Zambia Bank, Mungwi Branch, where the 20 percent capital funds were remitted monthly for capital related expenses. The Treasurers' account had been left to be used in accounting for 80 percent recurrent expenses while the main account was used to account for local revenues. Further, Management had since come up with a payment plan of remitting at least 20 percent of the locally generated revenue on a monthly basis to gradually liquidate the stated amount. Your Committee was informed that monthly Equalisation Fund was being utilised in line with Equalisation Fund Guidelines where 20 percent capital funds were utilised on capital related expenses while the other 80 percent was utilised on recurrent expenses.

### **Committee Observations and Recommendation**

Your Committee is concerned with the failure to follow laid down procedures. Your Committee directs the Council Secretary to ensure that the funds are reimbursed within four months. Your Committee awaits a progress report on the matter.

#### **c) Council Properties without Title Deeds**

The Council Secretary reported that the properties it occupied were under Kasama District valuation roll. The Council reported that it had since engaged the Ministry of Lands through the Survey Department to have the buildings surveyed and numbered, so that the properties were under Mungwi Valuation Roll since Mungwi District was a sub-district of Kasama. The Council would endeavour to acquire title deeds of any property before being the absolute owner.

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

Your Committee observes with concern that properties are not secured with title deeds and that this matter had not been pursued until auditors highlighted it. It is evident that Management only took a step to correct the situation after the audit. Your Committee strongly cautions Management for the failure and urges them to ensure that the matter is followed up with the Ministry of Lands and Natural Resources to issue the title deeds accordingly. Your Committee resolves to await a progress report on the matter.

#### **d) Failure to Collect Outstanding Rentals**

Your Committee was informed that the failure to collect outstanding rentals was due to the poor economic environment of the District. Your Committee was further informed that the Council had engaged defaulters into payment plans, sensitising them on the importance of paying the rentals and to this effect, the Council had engaged the bailiffs to help in collecting the outstanding rentals. Your Committee was further informed that the Council had come up with a deliberate policy of meeting the general public quarterly to make them understand the importance of paying levies to the Council, and also shared the challenges the Council faced in providing quality service in Mungwi District.

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

Your Committee expresses concern at the failure by the Council to collect the much needed revenue despite struggling with liquidity problems. Your Committee strongly recommends that Management at the Council is sternly cautioned for the failure and that going forward it comes up with new enhanced strategies on revenue and rates collection. Your Committee resolves to keep the matter in view in future audits.

#### **e) Missing Payment Vouchers - K92, 733**

Your Committee was informed that the Council regretted that a total of (9) payment vouchers totalling to K92, 733 were not availed for audit scrutiny. This was due to misfiling and the Council had budgeted to procure lockable filing cabinets to ensure good filing systems were put in place. The Council would ensure that all the fully paid vouchers were well filed and secured. The stated (09) vouchers totalling to K92, 733 had since been traced and were available for verification. Your Committee was informed that the Office of the Council Treasurer and the Internal Auditor had strengthened the internal controls on record keeping Management.

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

In noting the submission, the Council Secretary is urged to ensure that officers are sternly cautioned for the failure. The matter is recommended for closure subject to audit verification.

**f) Unsupported Payments - K69, 852**

The Council Secretary acknowledged the auditors observation and stated that the unsupported payments were due to misfiling and the fact that there was no qualified procurement officer during the period under review. Your Committee was informed that the Office of the Council Treasurer and the Internal Auditor had been strengthened with the internal controls on record keeping Management. Further, the Council had since written to the Local Government Service Commission requesting for a qualified procurement officer who would discharge the function of procuring goods and services in line with the *Procurement Act of 2008*. The Council stated that the relevant supporting documents had since been traced and were available for verification. Your Committee was informed that the Council, through the new office of the Internal Auditor, was ensuring that all payment vouchers were fully supported and that a good filing and record keeping systems were instituted as per financial regulations.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to ensure that the officers are sternly cautioned for the failure and the matter is recommended for closure subject to audit verification.

**g) Unaccounted for Stores K33, 852 (General stores – K22, 845 and fuel – K11,007)**

Your Committee was informed that the Council acknowledged the auditors observation and stated that this was due to misfiling and lack of a qualified stores officer. Your Committee was informed that the officer charged with the responsibility of stores Management had since been engaged for training at Chalimbana College. This was in order to build capacity in stores Management. Monthly departmental meetings had been intensified in order to ensure that personnel in the Finance Department acquainted themselves with their job descriptions. Your Committee was informed that the Office of the Council Treasurer and the Internal Auditor had come up with a mechanism of monthly post audits to ensure that adherence to financial regulations was attainable.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to ensure that the officers are sternly cautioned for the failure and the matter is recommended for closure subject to audit verification.

**h) Failure to Prepare Activity Reports**

The Council Secretary acknowledged the auditors findings, and attributed the issue to misfiling. The Council had, however, traced all of the activity reports and they were available for verification. The Council endeavours to ensure that all activities undertaken were supported by activity reports and accounted for timely.

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

In noting the submission, the Council Secretary is urged to ensure that the officers are sternly cautioned for the failure. The matter is recommended for closure subject to audit verification.

#### **i) Un-acquitted Funds - K14, 977**

The Council acknowledged the auditors observation and stated that this was owing to the fact that the acquittals were filed separately. All the acquittal sheets had been attached to their respective payment vouchers and were available for verification. The office of the Internal Auditor had put up monthly post audit reviews to ensure that gaps were identified and addressed quickly.

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

In noting the submission, the Council Secretary is urged to ensure that the officers are sternly cautioned for the failure. The matter is recommended for closure subject to audit verification.

#### **j) Overdue Receivables - K416,357**

The Council acknowledged the auditors findings. However, the matter of Crop Levy was still under negotiation between Food Reserve Agency and Ministry of Local Government, while the matter between F-Net Zambia Limited had been caused due to non-payment to the contractor. Your Committee was informed that the issue for Food Reserve Agency still waited for the Governments intervention while the Council had engaged the bailiffs to recover the outstanding amount on the matter of F-Net. All documentation highlighting the contract for hire of transport were available for verification. Your Committee was informed that all levies which required Government policy direction would not be recorded under the debtors register until the final conclusion had been made while all Council properties to be leased out would require a surety to be attached to the contract.

### **Committee Observations and Recommendation**

Your Committee finds the reasons given unacceptable as receivables must be received as long as the levy was applicable at the time. Your Committee directs the Council Secretary to ensure that all the receivables are followed-up with the relevant authorities without any further delay. Your Committee awaits a progress report on the matter.

**SAMFYA DISTRICT COUNCIL****Review of Operations**

An examination of accounting and other records for the financial years ended 31<sup>st</sup> December 2013, 2014 and 2015, maintained at the Council and a physical inspection of projects carried out in October 2016, revealed the following weaknesses to which the Council Secretary responded as set out below.

**a) Non Preparation of Financial Statements**

The Council Secretary acknowledged the auditors' observation and gave a reason that the Council's tangible assets were not valued during the period under review. The Council had taken appropriate arrangements to ensure that the properties were valued for inclusion in the financial statements. The Council pledged that it would endeavor to ensure that properties were valued annually.

**Committee's Observations and Recommendations**

Your Committee observes with concern that the officers in the Accounts Department failed to prepare financial statements for such a long period, and that the excuse of unvalued assets was not valid. It finds it unacceptable that such an important activity was neglected by the officers. It further observes with concern that the Council since its inception had been operating without an accounting framework. Your Committee urges the Council Secretary to ensure that the recommended International Public Sector Accounting Standards (IPSAS) framework is procured without any further delay and that the officers are sternly cautioned for the failure. Your Committee also urges the Council Secretary to ensure that all financial statements for the period under review are prepared without any further delay. Your Committee awaits a progress report on the matter.

**b) Failure to Acquire Title Deeds**

The Council Secretary submitted that the failure to renew the expired title deeds and acquire title deeds was due to financial constraints which the Council was facing at the time. The Council submitted that so far, one title deed for the Civic Centre had been traced while efforts to mobilise resources to have the remaining properties numbered, surveyed and valuated had commenced. The Council would endeavor to ensure that it acquired title deeds of any property being the absolute owner.

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

Your Committee observes with concern that properties are not secured with title deeds and that this matter had been not been pursued until auditors highlighted it. It is evident that Management only took a step to correct the situation after the audit. Your Committee strongly cautions Management for the failure and urges them to ensure that the matter is followed-up with the Ministry of Lands and Natural Resources to issue the title deeds. Your Committee resolves to await a progress report on the matter.

#### **c) Failure to Provide and Maintain Fire Fighting Services**

The Council Secretary submitted that failure to provide and maintain the fire fighting services was due to the fact that the Council did not have fire fighting machines of its own and also that there were no fire fighters. The Council had since written to the Local Government Service Commission to recruit fire fighting staff. Further, the Council had written to the Ministry of Local Government for the procurement of a fire tender and, going forward, the Council Secretary pledged that he would ensure that a fire fighting unit was established and a fire tender procured through the Ministry of Local Government.

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

Your Committee observes with concern that the Council is failing to fulfil its mandate in the District due to non-availability of the vital services. Your Committee strongly urges the Ministry of Local Government to seriously and promptly intervene in the matter by ensuring that they procure a fire tender and that all the relevant stakeholders including the Local Government Service Commission are engaged to send staff in order to improve this alarming situation in the District. Your Committee recommends urgent attention on the matter.

#### **d) Unaccounted for Revenue K4,116**

The Council Secretary informed your Committee that the unaccounted for funds arose due to some cash payments that were being made before banking. Payment vouchers for the cash payments were available for verification. The Council had since January 2016, stopped the use of cash payments for various Council expenses. The Office of the Internal Auditor had since strengthened control measures ensuring that all cash takings were banked before being expensed. The Council would enhance internal control measures to ensure revenue was banked and that all Local Authorities Financial Regulations adhered to.

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



Your Committee finds it unacceptable that funds are used at source by the officers at the Council with impunity. The Council Secretary is urged to ensure that all the erring officers are sternly cautioned for the failure and that he stays alive to his own pledge to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.

**e) Delays in Banking Revenue K88,011**

The Council Secretary submitted that the delays in banking were as a result of the money being collected in distant places where the officer would take some days to finish collection of revenue from business entities usually during annual business levies renewal. The Council reported that the Cashier had since started banking all the revenue collected within twenty-four hours of collection. The Council would endeavour to abide by the stipulated Local Government Financial Regulations.

**Committee's Observations and Recommendations**

Your Committee finds it unacceptable that funds are used at source by the officers at the Council with impunity. The Council Secretary is urged to ensure that all erring officers are sternly cautioned for the failure and that he stays alive to his own pledge before your Committee to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.

**f) Unsupported Payments - K24,240**

The Council Secretary acknowledged the observations of the auditors and submitted that this was due to misplacement of the supporting documents. The misplaced supporting documents had since been traced, attached to the respective payment vouchers and were now properly filed awaiting audit verification. The Council through the Finance Department had put in place strict measures to avoid misplacement of supporting documents.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to ensure that the officers are sternly cautioned for the failure and the matter is recommended for closure subject to audit verification.

**g) Failure to Pay Retirement Benefits K468, 775**

The Council Secretary submitted that failure to pay retirement benefits was as a result of the financial constraints it was facing. The Council had now drawn up a payment plan to liquidate the outstanding terminal benefits. The Council was now paying K 5,000 towards terminal benefits and K 1,000 towards salary arrears for each officer involved every month. The Council would endeavour to pay retirement benefits as and when they fell due.

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

Your Committee expresses concern at the failure by Management at the Council to settle amounts owed to both existing staff and retirees as there is a great risk to possible legal action to be taken against them by the creditors. This may result in loss of Council funds on legal fees and interest. Your Committee urges the Council Secretary to ensure that severance packages are budgeted for annually and that an equitable payment plan must be put in place to avoid litigation. Your Committee resolves to await a progress report on the matter.

#### **h) Failure to Remit Pay As You Earn (PAYE) K13,462**

The Council Secretary submitted that the failure to remit Pay As You Earn (PAYE) was as a result of the Council facing financial challenges as officers were deployed without corresponding funding. The Council had posted the amounts in the ledger and the Council would draw-up a payment plan on how the outstanding arrears would be liquidated using locally generated revenues. The Council also reported that it would continue to abide by the laid down regulations on PAYE by ensuring that the outstanding PAYE deductions were paid and current obligations paid as and when they fell due.

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

Your Committee observes with concern that the failure to remit statutory obligations may result in serious penalties and eventual loss of colossal sums of the much needed financial resources. Management is, therefore, urged to ensure that all statutory contributions are remitted to the respective institutions without any further delay and that more revenue generation options are explored to improve the Council's revenue base. Your Committee awaits a progress report on the matter.

**AUDIT QUERY**

**PARAGRAPH 22**

### **SENANGA DISTRICT COUNCIL**

#### **a) Lack Of Strategic Plan**

The Council Secretary responded that it had no strategic plan during the period under review because of lack of the key personnel namely District Planning Officer and Social Economical Planner who were key in the formulation of the institution's strategic plan. These positions

remained vacant during the years under review. Following the recruitment of the Socio-Economical Planner, the Council had drafted a Strategic Plan to be adopted by the Council. The drafted document was ready for audit verification. The Local Authority would endeavour to be updating its strategic plan every after five years to ensure that its goals and objectives in terms of service delivery and operations were adhered to.

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

Your Committee expresses concern that the Council Secretary had to wait for this long to put up a strategic plan and risked the Council operating during the period under review without a well defined direction. Your Committee is the view that this could have been done with the help of staff from other departments within the District. Your Committee directs the Council Secretary to ensure that a strategic plan is approved and availed for audit verification. Your Committee awaits a progress report on the matter.

#### **b) Lack Of Bill Board Policy**

The Council Secretary responded that there was no bill board policy in place in that the Council operated on by by-laws which determined how and the rates were to be charged per bill board. The rates were determined by the Council through a resolution. The Local Authority had taken note of the auditors' query and currently was formulating a policy on bill board which would be presented before a full Council for approval during the second quarter of 2017. Once the Policy on Bill Boards was taken to the Council and approved, the Local Authority would implement and ensure that bill board charges were according to the policy and revenue was promptly collected.

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

Your Committee finds the reason given unacceptable that such laxity exhibited by the officers was left unpunished. Your Committee strongly urges the Controlling Officer to caution the erring officers as this is a clear matter of laxity on their part. The Council Secretary is directed to ensure that a Bill Board Policy for the Council is put in place without any further delay and your Committee awaits a progress report on the matter.

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

The Council Secretary responded that during the period under review, the Council operated without key personnel in the Finance Department and this lead to a failure to prepare financial statements. He further informed your Committee that only one Junior Accounts Officer was available and unfortunately could not match with the work load and skill to prepare financial statements. The Council operated without the District Treasurer and District Accountant during the years under review till the end of the year 2015 and 2016, when the positions of a District

Treasurer and District Accountant were filled by the Local Government service Commission. The Local Government Service Commission had further been requested to fill in all vacant positions in the Finance Department. The Council had embarked on preparation of financial statements which would be presented before the Council for approval and audit. To ensure that the Council comply with the provisions of *the Local Government Act Cap 281, 43 (3)* in terms of preparation of financial statements, the Council would strive to have key positions of staff in Finance Department at all times and that financial statements were prepared within the time frame as required by the law.

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

Your Committee finds the reasons given unacceptable and observes that the failed officers did this with impunity. Your Committee urges the Council Secretary to ensure that all financial statements for the period under review are prepared without any further delay and that officers are sternly cautioned for the failure. Your Committee awaits a progress report on the matter.

#### **d) Failure To Fill Key Positions**

The Council Secretary responded that following the amendment of *the Local Government Act No. 6 of 2010*, staff matters were now dealt by the Local Government Service Commission and the Council had no jurisdiction to hire staff to fill vacant positions. The position of Deputy Council Secretary was phased out in 2012, following the harmonization of salaries and condition of service across the Local Authorities in Zambia. The position of Chief Procurement and Supplies Officer did not exist at District Council level as the establishment only provided for a Procurement Officer. The Local Government Service Commission had filled up the position of Procurement Officer and the Council Management had submitted its request to the Local Government Service Commission to consider filling up other vacant key senior Management positions. The Council would endeavor to have all key positions as per establishment filled up by way of constant engagement of the Local Government Service Commission on staff matters.

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

Your Committee observes with concern that service delivery may be affected negatively in the Council if recruitment to fill up the vacant positions is delayed. Your Committee urges the Local Government Service Commission (LGSC) to ensure that all vacant positions are filled with competent and qualified staff without any further delay. Your Committee awaits a progress report on the matter.

**e) Lack Of Procurement Committee**

The Council Secretary responded that the Council operated without key staff in the procurement unit who could have played a key role in guidance and formation of the Procurement Committee. The Procurement Committee had been put in place as per requirement of *the Zambia Public Procurement Act of 2008*. The Council would endeavor to follow the requirement of *the Public Procurement Act of 2008* in procuring of its goods and services.

In its further probe on the matter, your Committee was informed that the Procurement Officer was recruited on 15<sup>th</sup> May 2017, and hence improvements had already been made to some of the irregularities which were observed by auditors including the setting up of a procurement committee.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to ensure that the procurement committee worked efficiently to improve on the current irregularities on procurements. The matter is recommended for closure subject to audit verification.

**f) Use Of Outdated Valuation Roll**

The Council Secretary responded that at the time the 2006 valuation roll was being approved in 2012, it had already expired and the Council had no financial capacity to immediately commence the preparation of new valuation roll. The Council had started saving funds for commencement of the preparation of the new valuation roll and to that effect a provision had been made in its 2017 annual budget. The Council had made an enquiry with the Government Department of Valuation to provide the quotation of the cost of preparing the new valuation roll. The Council resolution would be sought to ensure that two years before the expiration of the valuation roll, the process of preparing a new valuation roll would start.

**Committee's Observations and Recommendations**

Your Committee observes with concern that the failure may result in an inability to collect revenue from the property within the Council boundaries or jurisdiction. Management is strongly urged to ensure that the by-laws and the valuation roll are put in place in order to enhance the collection of property rates to improve service delivery. Your Committee awaits a progress report on the matter.

**g) Failure To Adopt ICT Frameworks**

The Council Secretary responded that there was no information security policy in place to address the security of information of the Council due to non availability of well vested staff in new trends and developments in ICT. The transfer of officers who were trained to manage the system left a gap in proper Management of the payroll system which was installed. The Council acknowledged the Auditor's query and had contacted the Dove software providers to re - install the system. Furthermore, it had started putting in place Information Security policy which would be presented to the Council for approval. The Council would ensure that the service level agreement with the Dove Computing was reviewed and signed in order to get maximum benefits from the service provider. The Council would ensure that the Information Security Policy was adhered to once implemented and also formulate a deliberate policy of exchange of software operative skills among the staff to avoid gaps in case of transfers of staff.

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

Your Committee notes the submission and urges the Council Secretary to ensure that they adopted an IT framework in order to manage the operations and administration of the Information and Communication Technology (ICT) environment. Your Committee resolves to keep the matter in view in future audits.

#### **h) Production of Unreliable Bills – Land and Property Rates**

The Council further reported that property rates were billed semi annum and that because of the technical error of the billing system installed it could only bill per annum instead of the first and second halves of the year respectively. The Council had made adjustments on the values of bills for the properties as it recognized the short comings of the billing system on property rates. This was done through ledger adjustments manually to reflect the correct billing for the period. The Council would sign a memorandum of understanding of service level with the software provider that would be a yardstick of performance and to guarantee satisfactory after sale service.

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

Your Committee observes with concern at the Council's failure to evoke the provision of the *Rating Act, No. 12 of 1997*. Your Committee also urges him to ensure that he acts in accordance with the law and resolves to keep the matter in view in future audits.

#### **i) Failure To Collect Property Rates - K571,430**

The Council Secretary responded that it did not adequately sensitize the property owners on the importance of paying property rates. There was a resistance from the property owners from the time the Rating Tribunal had approved the Valuation Roll. Property owners were being engaged

on one to one basis on the need to pay property rates in order for the Local Authority to improve service delivery. The Council intended to offer incentives to property owners who would settle their outstanding arrears in full. The Council had continued to sensitise and engage property owners on the need to comply with *the Rating Act* before warrant of distress could be considered.

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

Your Committee expresses concern at the failure by the Council to collect property rates despite struggling with liquidity problems. It is evident that the Council Secretary is lenient to property owners an act which is in direct defiance of the *Rating Act, No. 12 of 1997*. Your Committee recommends that the Council must enforce *the Rating Act* and ensure that all outstanding property rates are collected without any further delay. Your Committee awaits a progress report on the matter.

#### **j) Failure To Prepare Bank Reconciliation Statements**

The Council Secretary responded that the inadequate skilled finance staff and the prolonged vacancy of the position of the District Treasurer and the District Accountant was the major cause of the query. The frequency transfers of qualified and skilled Officers in the Finance Department had also contributed. The cash books were regularly updated and the bank reconciliation statements were being prepared monthly. All entries in the cash books were being checked regularly. The officers in the Finance Department had been assigned to maintain and reconcile specific cash books which were regularly checked.

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

In noting the submission, the Council Secretary is urged to ensure that the officers are sternly cautioned for the failure. The matter is recommended for closure subject to audit verification.

#### **k) Missing Receipt Books**

The Council Secretary responded that at the time of the audit, receipt books were misplaced due lack of a strongroom were used accounting documents were safeguarded. Some receipt books had been found and were available for audit verification. In addition, a room had been identified and converted into a strongroom where all used accounting documents would be stored.

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

Your Committee finds the reasons given by the Council Secretary unacceptable and urges him to ensure that officers in whose custody the books were, are properly investigated. Your Committee finds it highly irregular that such a huge number of books would go missing and officers are left without punishment. Your Committee directs the Council Secretary to ensure that the matter is reported to law enforcement agencies for further probe. Your Committee awaits a progress report on the matter.

#### **l) Unaccounted For Revenue K675,617**

The Council Secretary acknowledged the findings of the auditors and explained that this was caused by the use of cash at source and as a result the collections could not match with the actual cash deposited. The other cause was the prolonged vacancy of the key positions in the Department of Finance to adequately advise on the banking procedures as required by the Local authorities (financial) Regulations. All revenue collected was now immediately deposited into the bank account on daily basis and no cash was used at source. Cash collected and deposited were reconciled daily to ensure that the total collection for the day tallies with the deposits.

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

In noting the submission, the Council Secretary is urged to ensure that the officers are sternly cautioned for the failure. The matter is recommended for closure subject to audit verification.

#### **m) Irregular Use Of Revenue Before Banking - K261,985 (2013- K213,636, 2014- K35,454 and 2015 –K12,895)**

The Council Secretary responded that the prolonged vacancy of District Treasurer in the Department of Finance to adequately advise on financial matters contributed to the irregular practice as the Council would have operated a Petty Cash System to cater for petty expenses as opposed to the use of cash at source. Most of the payments made at source were of small values which may have been paid out by petty cash. All revenue collected was immediately deposited into the bank account on daily basis and no cash was used at source. The Council was now operating a Petty Cash System to meet all petty expenditure. Cash collected and deposited were reconciled daily to ensure that the total collection for the day tallies with the deposits.

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

In noting the submission, the Council Secretary is urged to ensure that the officers are sternly cautioned for the failure. The matter is recommended for closure subject to audit verification.



**n) Missing Payment Vouchers K105,742**

The Council Secretary responded that at the time of audit, the six payment vouchers were in the custody of the Law Enforcement Agency who was carrying out investigations on certain transactions in the case before the courts of law. The payment vouchers were still in their custody till the case was disposed of. The Council Secretary informed your Committee that he had streamlined the filing system and further pledged to ensure that documents collected were properly accounted for.

**Committee's Observations and Recommendations**

Your Committee is displeased with the Council Secretary. Your Committee directs the Council Secretary to ensure that all payment vouchers relating to this query are found and availed for audit verification without any further delay. Your Committee awaits a progress report on the matter.

**o) Unsupported Payments - K968,135**

The Council Secretary responded that because of poor filing system most of the supporting documents were filed separately and not attached to the payment vouchers. The Council Secretary further stated that the other three (3) unsupported payments amounting to K101,600 reported to have been made for unknown purpose was amongst the case being prosecuted by the Law Enforcement Agency and before the Courts of law. The supporting documents had been traced and attached to the payment vouchers. A senior officer in the department checked all the payment vouchers to ensure that they were adequately supported with relevant documents before and after the completion of a payment. The internal audit unit was carrying out post audit to ensure that all payments were adequately supported.

**Committee's Observations and Recommendations**

Your Committee is displeased with the manner the Council Secretary was responding to the queries. The Council Secretary was cautioned to desist from misleading your Committee. Further, your Committee directs the Council Secretary to ensure that all the payment vouchers relating to this query are found and availed for audit verification without any further delay. Your Committee awaits a progress report on the matter.

**p) Unretired Imprest - K222,995**

The Council Secretary responded that it did not have adequate finance staff. It depended on one officer who was overwhelmed with accounting functions. The officer could not keep and track the imprest records to pursue imprest holders to account for it at an appropriate time. Compounded by poor record keeping, it was difficult to enforce *Local Authorities (financial) Regulation 119* to recover the imprest. All the outstanding imprest had been recovered as could be verified through the payrolls of 2016. The Council was enforcing Financial Regulation where any imprest advanced to any officer was immediately recovered from ones salary if not retired within the allowable time frame. Furthermore, no imprest was advanced to any officer who failed to retire the previous imprest.

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

In noting the submission, the Council Secretary is urged to ensure that the officers are sternly cautioned for the failure. The matter is recommended for closure subject to audit verification.

#### **q) Questionable Payment Of Allowances - K202,702**

The Council Secretary responded that, it acknowledged the observation made by the auditors. However, the Council reported that some of the trips did not take off. Some of the funds were deposited back in the wrong account. The Council had traced the documentation relating to the said trip, including deposit slips for the said funds and appropriate accounting entries had been effected. The Council had further instituted measures to recover any outstanding balance from the officers affected by way of recoveries through the payroll. The internal controls had been strengthened in that the internal audit function does carry out pre and post audits of all transactions to ensure that there was compliance to financial regulations.

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

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

#### **r) Misapplication of Project Funds - K657,485**

The Council Secretary responded that as of December, 2015, the funding for the Council was not adequate in that the Local Government Equalization Fund (LGEF) allocated to it could not even cater for the monthly net wage bill for the Council thus making it difficult for the Council to set aside at least 20 percent of the funds for capital expenditure as it had to struggle to meet the shortfall on net salaries. The Council had requested for an increment in funding through the Ministry of Local Government. To this effect, the Council had written to the Ministry to consider increasing the equalization fund and consequently the funding had been increased. The Council was now able to set aside 20 percent of Equalization Fund it was receiving monthly for capital

expenditure and service delivery to the community. The Council would continue to apply the funding as required by the law.

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

In noting the submission, the Council Secretary is urged to caution the Presiding Officer at the Council for the failure and to desist from abrogating *the Appropriation Act*. The matter is recommended for closure subject to audit verification.

#### **s) Unrecovered Salary Advances – K199,529**

The Council Secretary responded that during the period under review, the Local Authority faced critical shortage of specialised personnel in most of the areas. The Administration Department was not spared as it had no trained and skilled Human Resource Officer to fully interpret the condition of service of Local Government employees. This led to approving salary advances above ones limits and making it difficult to make recoveries within the stipulated timeframe. The positions of Chief Administrative Officer and Human Resource Officer had been filed and the conditions of service were now being interpreted correctly. The Council had further suspended all salary advances. All the salary advances had been fully recovered from the affected employees and were ready for audit verification. The Council would strictly adhere to the terms and conditions of service which required advances to be recovered within three (3) months.

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

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

#### **t) Payment Of Salary Advances Above The Gross Pay - K49,238**

The Council Secretary regretted that there was lack of adherence to the terms and conditions of service. The Council had recovered all the salary advances from the affected officers through 2016 payroll. The Council would ensure to adhere to the terms and conditions of service as stipulated by the Local Government terms and condition of service.

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

In noting the submission, the Council Secretary is urged to ensure that the officers are sternly cautioned for the failure and the matter is recommended for closure subject to audit verification.

**u) Irregular Signing Of Memorandum Of Understanding (MOU)**

The Council Secretary responded that it could not have waited for the approval by the full Council to open the two (2) National Rural Water Supply and Sanitation Programme bank accounts as it was given a time frame under which these accounts were required to be opened by the Ministry in order for the funds to be remitted. The required time frame was outside the quarterly sittings of the Council. The approval by Council was delayed because Councils were dissolved. The Council resolved to open bank accounts with Indo Zambia Bank Ltd and approved the MoU with amendments. The Council would in future ensure that before any MoU was signed, Council resolution was made and an expert opinion was sought in order to protect the interest of the institution. The Council would also adhere to financial regulations of the Local Authorities.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

**v) Unaccounted For Stores - K116,024 (General Stores- K19,821 and Fuel – K96,203)**

The Council Secretary responded that during the period under review, the Local Authority had no experienced and skilled staff in the procurement unit to undertake this specialised function resulting in misfiling of accounting documents and poor record keeping of stores records. The Local Government Service Commission filled up the position of an Assistant Procurement Officer. All various stores items procured had been accounted for in that receipts and disposal details have been traced and attached to all payment vouchers queried. The Council would adhere to Public Procurement regulations whenever procuring goods and services. No goods and services would now be procured without adhering to *the Zambia Public Procurement Act*.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

**w) Management Of Properties And Other Moveable Assets (valued at K2,940,994)**

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

**i) Failure to Insure Assets**

The Council Secretary responded that the lack of personnel in Finance and Administration Departments during the period under review contributed to this, otherwise they would have advised on the need to insure the Council assets. The absence of personnel in certain cases contributed to the failure of the local authority to adhere to the requirement of the law. All Council Assets had been insured as required by *Local Authorities Financial Regulation No. 154 of 1992*, as at October, 2016. It was the policy of the Council to ensure that all the assets were properly secured and insured at an appropriate time. The Council Treasurer took out insurance cover against losses, damages, risks and liabilities which the Council may incur and regularly reviewed such cover in consultation with heads of departments.

**Committee's Observations and Recommendations**

Your Committee observes with concern the failure by the Council to insure its property and warns that without indemnity, the Council risks losses in case of an eventuality. The Council is directed by your Committee to ensure that all its assets are insured without any further delay. Your Committee resolves to keep the matter in view in future audits.

**ii) Failure to Produce Title Deeds (valued at K1,957,158)**

The Council Secretary responded that it did not produce the Certificates of Title for the buildings in question as it had not yet obtained them. The Council had started the process of obtaining title deeds for its properties. To this effect it had engaged the department of Physical Planning to survey all its properties. The Council had submitted to the site plans of all Council properties to the Commissioner of Lands for numbering and offers. The Council would ensure that all Council properties were surveyed and title deeds were obtained.

**Committee's Observations and Recommendations**

Your Committee observes with concern that Council properties are not secured with title deeds and urges the Council to ensure that the matter is followed-up

with the Ministry of Lands and Natural Resources in order to obtain the title deeds. Your Committee resolves to await a progress report on the matter.

**iii) Failure To Maintain Properties**

The Council Secretary responded that the Local authority faced liquidity problems during the period under review. It had no financial capacity to undertake major rehabilitation of its properties. The Council had set aside some funds in its 2017 budget to undertake major rehabilitation works on its properties. The 20 percent of the Local Government Equalisation funds meant for capital expenditure would be partly used for rehabilitation of its infrastructures. The Council had developed capital assets improvement plan where periodical maintenance of its properties such as buildings would be under taken and a provision of funds would be included in every year's budget.

**Committee's Observations and Recommendations**

Your Committee observes with concern that the Council risks loss of funds as a result of failure to maintain its assets. The Council is strongly urged to ensure that all Council assets are properly maintained and put to good use in order to increase its revenue base. Your Committee also directs the Council Secretary to ensure that a Maintenance Policy is put in place without any further delay. Your Committee resolves to waits a progress report.

**(x) Failure To Deduct Tax From Terminal Benefits - K511,390**

The Council acknowledged the observation made by the auditors. The terminal benefits were computed at the time the Council had no District Treasurer and the only officer who was in charge could not correctly interpret the tax requirements as it was beyond his comprehension. The terminal benefits had been re-computed in order to factor in tax as required by tax laws. The tax applicable had been recovered from the outstanding terminal benefits. The Council would subject all terminal benefits to taxation according to tax regime applicable each time terminal benefits are paid.

**Committee's Observations and Recommendations**

Your Committee observes with concern the failure by the Council to deduct taxes which may result in serious penalties and eventual loss of colossal sums of the much needed financial resources. The Council is, therefore, urged to ensure that all statutory contributions are

deducted and remitted to the respective institutions without any further delay. Your Committee recommends the matter for closure subject to audit verification.

**(y) Irregular Payment Of Social Holiday Allowance - K6,000**

The Council informed your committee that the payment made to the District Treasurer was erroneous. There District Treasurer in a District Council was not entitled to the social holiday allowance except for the Council Secretary. The circular of October 2012, that hamonised salaries and conditions of service did not abolish social holiday. The Council had recovered the amount of K6,000 paid to the officer as social holiday allowance. The Council would seek clarifications from the Ministry of Local Government on the contents of the circular in order to avoid payment of the social holiday allowances.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

**(z) Payment Of Salary On Wrong Scale**

The Council Secretary stated that the prolonged absence of the District Treasurer, caused officers to be placed on wrong salary scales. There was no one to provide correct financial advise to the Council. Lack of segregation of duties also caused payment at wrong salary scale. The Council corrected the salary scale of the officer and started paying him according to his correct salary scale. Furthermore, the Council had written to the Ikelenge District Council for recovery of excess payments made to the Officer. The Council had put in place internal controls in that there is segregation of duties in the Finance Department. The payroll was checked, authorised and approved by different officers.

**Committee's Observations and Recommendations**

Your Committee observes with concern the lack of good corporate governance which existed at the time and urges the Council Secretary to ensure that all the excess funds are recovered without any further delay. Your Committee awaits a progress report on the matter.

**(aa) Failure To Remit Statutory Contributions - K3,435,023**

The Council Secretary responded that it experienced insufficient funding during the period under review which made it difficult to remit statutory contributions. The Central Government had increased the funding and the Council had started remitting statutory contributions monthly.

The Council had further entered into a payment plan with the concerned statutory bodies in order to liquidate the arrears. The Council was receiving sufficient funds that it would be able to remit statutory contributions to the respective institutions as and when they fall due.

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

Your Committee observes with concern the failure to remit statutory obligations this may result in serious penalties and eventual loss of colossal sums of the much needed financial resources. The Council is, therefore, urged to ensure that all statutory contributions are remitted to the respective institutions without any further delay and that more revenue generation options are explored to improve the Council's revenue base. Your Committee awaits a progress report on the matter.

#### **(bb) Irregular Payment Of An Advance Using CDF**

The Council acknowledged the auditors observation, but stated that the absence of a Chief Financial Advisor to the Council led to non-adherence to the guidelines of Constituency Development Fund. The Council had paid back the amount to the CDF account. The matter was currently before the courts of law and the officer was being prosecuted through the Law Enforcement Agency. The Council would endeavor to adhere to the 2006 CDF guidelines as it administers the fund.

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

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

#### **(cc) Excess Expenditure On Administration - K99,567**

The Council Secretary acknowledged the auditors observation. The failure by the Council to strictly adhere to the CDF guidelines was as a result of newly recruited personnel who had little understanding of the administration of CDF and could not properly administer the projects as per CDF guidelines. The Council stated that it had oriented the newly recruited officers on the procedures and guidelines of CDF administration and other donor funded programmes. The Council would strictly adhere to CDF guidelines to ensure that there was no departure from the provided guidelines as it administered the fund.

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



In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

**(dd) Questionable Payment - K27,000**

The Council Secretary acknowledged the auditors findings. It further stated that the funds were misapplied due to weak internal controls that were in place. The recoveries were being made from the officers who were still in the service and letters had been written to those officers who had been transferred to other councils. However, some officers were appearing before the courts of law over the same case. The Council had put in place internal controls to ensure that there was no misapplication of funds. The internal audit unit was pre and posting auditing all the transaction to ensure that funds were spent on activities requested for.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. Since the matter is in court, your Committee awaits a progress report.

**(ee) Funding Of Unapproved Project K1,320,000**

The Council Secretary responded that the fourteen (14) projects which were funded were the ongoing projects approved in the previous allocation. There was an oversight not to recommend them to the Council for the continuation of funding from the new CDF allocation as required. The Council would present all the fourteen (14) projects before the full Council and seek guidance from the Ministry for correction of the anomaly. The Council would always follow the CDF guidelines when implementing CDF projects.

**Committee's Observation and Recommendations**

Your Committee observes with concern that the failure is a possible recipe for fraud in that misappropriation and misapplication is possible due to these weaknesses. Your Committee directs the Controlling Officer to ensure that all payments made through the Council are properly approved before being processed. Your Committee also directs the Council Secretary to ensure that the affected officer is sternly cautioned to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.

**(ff) Funding Of A Business Entity Using CDF K9,000**

The Council Secretary responded that the above private business entity was funded due to incorrect interpretation of the CDF guidelines by the CDF Committee. The Council had written to Romwamu General Dealers for repossession of the two (2) desktop computers and printers. The Council would always seek guidance on projects to be implemented by CDF where it was not clear.

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

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

### **(gg) Management Of Commercial Venture – Mwanambinyi Motel**

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

#### **i) Failure to Prepare Receipt and Payments**

The Council Secretary responded that the Local Authority was under staffed in the Finance Department and most support staff under the Department were not adequately qualified to handle the preparation of financial statements. The Local Government Service Commission had sent a District Treasurer and District Accountant to the Council. The Council had started updating accounting records in order to prepare the receipts and payments account. Management would adhere to the requirements of the Local Authority Financial Regulations with regard to the preparation of monthly receipts and payments account.

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

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

#### **ii) Failure To Maintain a Register of Receipt Forms**

The Council Secretary responded that the supervisor of the motel could not maintain a register of receipt forms as this was maintained centrally by the Finance Department. The Motel falls under Finance Department as a section of

which all accounting documents were maintained centrally by office of the Treasurer.

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

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. Your Committee resolves to close the matter subject to audit verification.

#### **iii) Failure to Collect Revenue From Council Officers - K76,510**

The Council stated that the officers from the newly established Council who were accommodated at the motel were not given the limitation as to how many days they were to stay at the motel. This led to accumulation of motel bills till the time they were located to their new site. The Council had written to the affected officers to settle the accommodation bills and was actively pursuing the recoveries of these debts. The Council had put in place a policy in terms of limits on credit facilities from the motel.

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

The Council Secretary is urged by your Committee to sternly caution the officers for the failure and that the money be deducted from the officers without any further delay. Your Committee awaits a progress report on the matter.

#### **iv) Unapproved Payments - K19,508**

The Council acknowledged the findings of the auditors. This was mainly caused by lack of appreciation of the need to adhere to financial regulations as there was absence of key finance personnel to offer guidance on the procedure of preparing payments. All unapproved payments had been approved by the responsible Officer and were ready for audit verification. All the payments were being pre-audited by the internal auditors to ensure that they were properly checked, authorized and approved by the responsible Officers.

### **Committee's Observation and Recommendations**

Your Committee observes with concern that the failure is a possible recipe for fraud in that misappropriation and misapplication is possible due to these

weaknesses. Your Committee directs the Council Secretary to ensure that all payments made through the Councils are properly approved before being processed and that the Councils' operations are not disrupted at any one time. Your Committee also directs him to ensure that all the affected officers are sternly cautioned to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.

**v) Non Maintenance of Stores Records - K297,220 (General Stores- K269,520 and Fuel – K27,700)**

The Council Secretary responded that during the period under review, the Council lacked experienced and skilled officers in both the stores and procurement units. There were weakness in internal controls and no pre- audit by internal audit function was in place to ensure that payments were supported with stores records and disposal details. The Council had located all stores records and disposal details of stores items which had since been attached to all payments in respect of stores items procured during the period under review. The Council had improved its record Management system and was reviewing stores record regularly.

**Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Council Secretary to sternly caution the officers for the failure and resolves to close the matter subject to audit verification.

**AUDIT QUERY**

**PARAGRAPH 23**

**SIOMA DISTRICT COUNCIL**

**Review of Operations**

An examination of accounting and other records for the period 1<sup>st</sup> January 2014 to 31<sup>st</sup> December 2015, carried out in October 2016, revealed the following weaknesses to which the Council Secretary responded as set out below.

#### **a) Lack of Audited Financial Statements**

The Council Secretary submitted that Sioma District Council did not have a financial accounting package and human resource capacity in Finance Department during the years under review. The Council had acquired an accounting package called Bexel and Local Government Service Commission had filled in key positions in Finance Department and thus financial statements and other financial reports were now being prepared. A draft copy of the financial statements for the period under review was available for audit verification. The Council also reported that the Sioma District Council would be using the new accounting package for its financial transactions going forward.

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

Your Committee observes with concern that the officers in the Accounts Department failed to prepare financial statements for the period under review. It finds it unacceptable that such an important activity was neglected by the officers. Your Committee urges the Council Secretary to ensure that the recommended International Public Sector Accounting Standards (IPSAS) framework is procured by the Council without any further delay and also that the officers are sternly cautioned for the failure. Your Committee also urges the Council Secretary to ensure that financial statements for the period under review are audited and approved without any further delay. Your Committee awaits a progress report on the matter.

#### **b) Vacant Key Positions**

The Council submitted that positions during the period under review were not filled. The Council wishes to acknowledge the observations made by auditors. The Council wishes further to respond that the Local Government Service Commission has embarked on the recruitment exercise to fill up vacant positions in all the Councils and to this effect, vacant positions have been advertised in the media.

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

Your Committee notes with concern that service delivery may be affected negatively in the Council if recruitment to fill up the vacant positions is delayed. Your Committee urges the Local Government Service Commission (LGSC) to ensure that all vacant positions are filled with

competent and qualified staff without any further delay. Your Committee awaits a progress report on the matter.

### **c) Failure to Adopt ICT Frameworks**

- *Management Security Policy*

With regards to the Management Security policy, the Council Secretary acknowledged that there was no Management information system during the period under review but that the Sioma District Council had started working on the Management Security Policy. A draft copy to this effect was available for verification. The Council Secretary also reported that the Sioma District Council would adhere to the laid down guidelines relating to Management policies.

- *Lack of Service Level Agreement for Application package*

The Council Secretary submitted that Service Level Agreement for application package during the period under review was not available during audit, but was now available for verification. The Council reported that they would endeavor to sign Service Level Agreements before procuring any packages.

- *Failure to Backup data*

With regard to back up Policy, it was reported that during the period under review backup devices were not availed to auditors due to the fact that they were misplaced in the Stores Department during shifting of the Council items to newly acquired stores. The backups for the Council were now available for verification. The Council also reported that Sioma District Council had now acquired a secured room where backup data and devices were kept.

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

Your Committee notes the submission and urges the Council Secretary to ensure that they adopted an IT framework in order to manage the operations and administration of the Information and Communication Technology (ICT) environment. Your Committee resolves to keep the matter in view in future audits.

**d) Spending of Revenue at Source Before Banking K170,553**

The Council Secretary responded that there were no banking facilities within the district as the nearest one was only the available in Senanga District whose access at the time of audit was by using the pontoon which in most cases was not reliable. This made it very difficult for the Council to access the banks, but operations had to continue as emergencies would cause Management to utilize the unbanked money. However, with the construction of the bridge, access to the banks in Senanga had been made it easier and bankings were now done on time. This could be verified.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Council Secretary to ensure that the Local Authorities Financial Regulation No 19 (1) is adhered to and that banking is done timely to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.

**e) Unsupported Payments K94,448**

The Council Secretary informed your Committee that all the supporting documents such as Invoices, receipts, among other things were misfiled and misplaced during the audit. The Council reported that all supporting documents had been traced and available for verification. The Council reported that the Council was making sure that all the payment vouchers before filing had supporting documents attached.

**Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Council Secretary to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

**f) Misapplication of Funds K4,000**

The Council Secretary informed your Committee that at the time of Voter Registration Exercise, the release of funds by ECZ was delayed hence the Council used its own funds to facilitate for the ECZ exercise. He also reported that the Council was using the rented premises as main storeroom for any other materials requiring storage. The funds used to facilitate the ECZ exercise were refunded to the Council through cheque number,

000013 dated 27th October 2015, and a deposit slip was available for verification. The Council further responded that the Council was using the rented premises as main storeroom for any other materials requiring storage. Tenancy Agreement to this effect was available for verification.

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

Your Committee finds the hurriedness by the Council Management in undertaking to secure ECZ equipment without clear instructions unacceptable. Your Committee urges the Council Secretary, Ministry of Local Government to sternly caution Management at the Council and further that investigations are instituted to ascertain how much ECZ paid the Council in total towards the facilitation of the Voter Registration Exercise. Your Committee resolves to await a progress report on the matter.

#### **g) Over Payment of Settling in Allowances K55,475**

The Council Secretary submitted that during the period under review, most employees did not have bank accounts and the distance between Sioma and Senanga was a challenge compounded with use of the pontoon. He clarified that recoveries were been done to the affected officers and ZRA taxes had now been paid. Documents were available for verification.

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

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

#### **h) Unretired Imprest K84,570**

The Council Secretary submitted that during the period under review, the documents were misplaced. The unretired imprest in question had since been normalised and documents were available for verification. The Council was making sure that officers retired imprest within forty-eight hours upon arrival from duties.

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



In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

**i) Questionable Retirement of Imprest - K51,400**

The Council Secretary acknowledged that dates were not indicated on the claim forms during the period under review. He, however, submitted that the dates had now been indicated on the claim forms accordingly. The Council Secretary assured your Committee that no imprest would be retired without completion of necessary forms.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

**j) Irregular Payment of Social Holiday K22,600**

The Council Secretary admitted that during the period under review, there were no written guidelines concerning the payment of social holiday allowances. He reported that all allowances paid to the affected officers had since been recovered and the documents were available for verification. The Council would only pay allowances with guidelines from the Local Government Service Commission.

**Committee's Observations and Recommendations**

The matter is recommended for closure subject to audit verification.

**k) Unaccounted for Stores - K59,375 (General Stores – K35,591 and Fuel – K23,784)**

The Council Secretary acknowledged that during the period under review, the stores records were not updated. He, however, submitted that the unaccounted for stores and fuel had now been supported with stores records and the documents were available for verification. The Council also reported that a qualified stores officer had been assigned to handle stores.

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

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

#### **l) Failure to Recovered Salary Advances - K41,500**

The Council Secretary admitted that during the period under review, the circular relating to new salaries and conditions of service were not availed to the auditors. He responded that during the period under review, salaries were adjusted upwards for both Management and non-Management personnel resulting in salary arrears. He further responded that the payments in question were salary arrears and not salary advances as queried. Documents to this clarity were available for verification.

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

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

#### **m) Overpayment of Emoluments**

The Council Secretary submitted that the query arose due to implementation of the non-detrimental clause as per MLGH/71/6/93 of October 2012, MLGH/71/6/93 of 27<sup>th</sup> November 2012, MLGH/71/2/2 of 20<sup>th</sup> October 2014, and legal opinion dated 17<sup>th</sup> November 2014, which stated that those who were placed on higher notches as a result of rationalisation and harmonisation of salaries and Conditions of Service of 2012, would continue to receive those Conditions of Service. It also followed that principal officers who were already above the harmonised salaries should continue to receive the current salaries. The amounts in question were being recovered from the affected officers as the Council awaited further guidance on the legal opinion. Going forward, no Council employee would be paid such salaries until further guidance was sought from the LGSC.

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

Your Committee cautions the Council Secretary for misleading it. Your Committee directed him to ensure that recoveries are made on all amounts paid over and above one's entitlements. Your Committee awaits a progress report on the matter.

**n) Irregular Payment of Leave Days K74,000**

The Council Secretary reported that the documents and legislation relating to reforms in line with staff transfers and welfare were not availed to the auditors due to misfiling. He, however, responded that Council employees were paid their leave benefits because in the local government system, there was no break in service as when an officer was transferred from one Council to another. They were still considered to be under the local government setup hence carried with them their personal files and leave days to their new station. As such, the accumulation of leave benefits was not irregular. However, as a corrective measure, authority would be sought from the Permanent Secretary in processing such transactions.

**Committee's Observations and Recommendations**

In noting the submission, the Council Secretary is urged to sternly caution the officers for the failure. The matter is recommended for closure subject to audit verification.

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

The Council Secretary submitted that the Council was facing financial constraints due to limited funding. The Council entered into payment plans with both LASF and ZRA and had since cleared the outstanding debt for LASF as at 2016 whilst with ZRA, efforts were still been made to clear the remaining debt. Documentation was available for verification. The Council had broadened its revenue base to increase revenue collection.

**Committee's Observations and Recommendations**

Your Committee observes with concern that failure to remit statutory obligations may result in serious penalties and eventual loss of colossal sums of the much needed financial resources. The Council is, therefore, urged to ensure that all outstanding statutory contributions are remitted to the respective institutions without any further delay and that more revenue generation options are explored to improve the Council's revenue base. Your Committee awaits a progress report on the matter.

## **SOLWEZI MUNICIPAL COUNCIL**

### **a) Unaccounted for Revenue**

The Town Clerk acknowledged that there were financial lapses in the way the transactions were done. The Internal Audit Unit had since been instructed to carry out the verification of the receipts and give a report to Management for further consideration. The Council had put in place a system where receipts used by Council were printed by Government Printers and any receipts issued were recorded by the Stores Section. Further, the Audit Department had all serial numbers of the receipts in circulation.

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

In noting the submission, your Committee awaits a progress report on the matter because the Council is still searching for the missing receipts.

### **b) Failure to Bill Rates**

The Town Clerk acknowledged that at the time of audit, sixty-three (63) properties had not been identified by residential numbers making it difficult to deliver the bills. The Council had since started to capture the properties and billing the clients. The documents were available for verification. Additionally, the Council had also embarked on the sensitisation programme so that the clients or community was made to see the importance of having their properties verified and the need to pay rates.

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

In noting the submission, your Committee raised concern at the Council's negligence and wonders how it has been collection revenue and also accounting for it when some properties in question are not being billed. Your Committee cautions the Town Clerk to supervise his subordinates in order to avoid such lapses. Your Committee resolves to close the matter pending audit verification.

### **c) Missing Payment Vouchers - K15,097,411**

The Town Clerk submitted that the query arose because the payment vouchers were misplaced at the time of audit. The missing vouchers had since been traced and were available for verification. The Council had also secured a strongroom where all payment vouchers were being kept safely and only one officer was in charge of the strongroom.

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

Your Committee are dismayed that the payment vouchers have now been traced when they could not make them available at the time of audit. The Town Clerk is cautioned and reminded that if the payment vouchers are not genuine, the law would take its course. Your Committee resolves to close the query subject to audit verification.

#### **d) Unsupported Payments**

The Town Clerk submitted that the query arose due to misfiling of the documents. However, all payments had been supported and were ready for verification. Further, the Council had since secured new filing cabinets to avoid misfiling of documents in future.

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

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

#### **e) Unretired Imprest K12,720,215**

The Town Clerk submitted that during the period under review, the documents were misplaced. He stated that recoveries had been effected concerning the affected officers and the pay slips were available for verifications. The Council resolved that no officer would be issued with imprest before retiring the previous imprest.

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

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

#### **f) Unauthorised Overdrafts – Finance Pool Account - K2,016,958**

The Town Clerk acknowledged that the amount queried was drawn without authority from the Council. The Council Minutes of 31<sup>st</sup> March 2015, No. FHRGP/11/03/15, which showed the details of the report of Finance on the approved bank balances had been taken to the Council for ratification. In future, the Council would always ensure that any overdraft facility was approved by Council.

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

In noting the submission, your Committee sternly cautions the Town Clerk against abrogating the Local Authorities Financial Regulation No. 41 which prohibits overdrawing Council bank accounts. Your Committee resolves to close the matter subject to audit verifications.

**g) Irregular use of Accountable Imprest - K400,826**

The Town Clerk acknowledged that the financial regularities were not followed during the time of audit in the procurement of goods and services. Purchasing of items was now being done through the procurement office and payments to the suppliers of goods and services were done through cheques. All purchases of goods and services were being paid for.

**Committee's Observations and Recommendations**

In noting the submission, your Committee is concerned that the Council ignored the financial regulations relating to procurement of goods and services for the Council. Your Committee urges the Town Clerk to ensure that his officers strictly abide by the procurement regulations when procuring goods and services for the Council. Your Committee resolves to close the matter subject to audit verification.

**h) Failure to Produce Activity Reports**

The Town Clerk acknowledged that the reports were not available at the time of audit, but had been trace and were available for verification. In future, the Council would ensure that activity reports were always prepared by officers after undertaking an official trip.

**Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Town Clerk to caution his subordinates against such lapses to avoid such queries. Your Committee resolves to close the matter subject to audit verification.

**i) Over Payment of Subsistence Allowances**

The Town Clerk acknowledged that financial regulations were not followed when executing the payments. The Council would effect recoveries. In future, the Council would ensure that applicable allowances would be paid according to the number of days.

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

In noting the submission, your Committee recommends that deductions should be effected as soon as possible. Your Committee resolves to wait for a progress report on the matter.

#### **j) Irregular Payment of Allowances**

The Town Clerk submitted that the Conditions of Service were silent on the payment of the Social Holiday at the time when such payments were made. The Council had since written to the Commissioner for guidance on the matter. In future, the Council shall consult the Commissioner on entitlements that were not clear. The Council will ensure that the Conditions of Service and Circulars were complied with accordingly.

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

In noting the submission, your Committee recommends that deductions should be effected as soon as possible. Your Committee resolves to wait for a progress report on the matter.

#### **k) Irregular Purchase of Phones for Senior Officers**

The Town Clerk acknowledged that there was an oversight in executing the transaction since the Condition of Service did not provide for such. He submitted that it would recover the money from affected officers and the officers had since been notified. The Council would in future follow the Conditions of Service before any entitlement was processed.

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

In noting the submission, your Committee recommends that recoveries should be effected as soon as possible. Your Committee resolves to wait for a progress report on the matter.

#### **l) Overpayment of Settling-in-Allowance**

The Town Clerk acknowledged that the formula applied when arriving at the sum payable was incorrect. All excess amounts paid to the affected officers were being recovered and pay slips were available for verification. In future, the Council shall endeavor to follow correct computations of any payment before effecting payments.

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

In noting the submission, your Committee recommends that the deductions should be effected as soon as possible. Your Committee awaits a progress report on the matter.

#### **m) Failure to Reimburse borrowed Funds**

The Town Clerk acknowledged that the Local Government Office had not reimbursed the borrowed funds at the time of audit. The Local Government Office had not yet reimbursed the borrowed funds. However, the Council had been engaging the PLG Office on plans on how to reimburse the funds. The Council would ensure that reimbursements were made on time.

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

In noting the submission, your Committee recommends that the Council should ensure that the borrowed funds are reimbursed as soon as possible. Your Committee awaits a progress report on the matter.

#### **n) Irregular house Rentals**

The Town Clerk acknowledged that rentals were paid to the officers due to delays in the releasing of salaries to employees. The Council had since effected recoveries on all the affected officers and documentation was available for verification. He added that payments would be made on behalf of employees for any services that were inclusive in the salary division.

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

In noting the submission, your Committee recommends the deductions should be effected as soon as possible. Your Committee awaits a progress report on the matter.

#### **o) Failure to Bond Officers**

The Town Clerk acknowledged that at the time of Audit the bonding forms were not availed to the auditors because they were not filed in their individual files. He stated that bonding forms had been filed in individual files and were available for verification. The Council employees responsible for staff matters had been instructed to ensure that all individuals sent for training should have their bonding documents filed in their personal folders.



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

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

#### **p) Failure to recover Salary Advances.**

The Town Clerk submitted that salary advance ledgers were not updated at the time of audit thus non-recovery of advances. All salary advances had since been recovered and the documents were available for verification. The Council would be updating ledgers on a monthly basis so that all salary advances were captured and recovered.

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

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

#### **q) Unaccounted for Stores**

The Town Clerk acknowledged that at the time of audit, receipts and disposal details were not attached to the payment vouchers. All the receipts and disposal details had since been traced and were available for verification. The Council had put in place a system where records would be updated monthly to make sure that all documents were attached.

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

Your Committee cautions the Town Clerk for failure to avail these documents and urges him to ensure that erring officers are disciplined. Your Committee resolves to close the matter subject to audit verification.

#### **r) Failure to Follow Procurement Procedures.**

The Town Clerk submitted that an emergency issue lead to procurement of some goods and services and hire of equipment as some roads which were impassable. Some Minutes have been traced for the tender meetings. The Procurement office had also misplaced other documents and was still searching for them. In future the Council would ensure that it adheres to *the Public Procurement Act* and Procurement Regulations.

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

Your Committee does not accept the reason given by the Town Clerk and directs him to ensure that officers are sternly cautioned for the failure. The Town Clerk was also directed to ensure that officers adhere to *the Zambia Public Procurement Act* and its regulations. Your Committee resolves to close the matter subject to audit verifications.

#### **s) Unaccounted for Funds**

The Town Clerk submitted that the query arose because of non-submission of returns by former Councilors. All effected the former Councilors had since been written to for them to submit the expenditure returns which would be subjected to audit verification. The Council was waiting for responses from them. In addition, strict measures had been put in place so that all funds were accounted for.

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

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

#### **t) Unapproved Compensation Payments**

The Town Clerk acknowledged that at the time of audit, documents relating to the payments cited were misplaced. The documents relating to the cited payments had since been traced and were available for verification. In future, the Council would ensure that all the documents were available for audit.

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

Your Committee observes with concern that the Council has not been keeping important documents and availing them for audit on time. This is an acceptable and the Town Clerk is urged to supervise his subordinates diligently in order to avoid such lapses in future. Your Committee resolves to close the matter subject to audit verification.

#### **u) Failure to Remit Tax**

The Town Clerk submitted that at the time of audit, the Council had not remitted the tax payable to Zambia Revenue Authority due to financial constraints. The Council had since come up with

a payment plan with ZRA and to this effect a sum of K300,000.00 was remitted towards the liquidation of the debt. The Council had also embarked on a plan to increase its revenue collection base so that statutory dues could be paid on time.

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

Your Committee notes with concern that the Council had been deducting tax every month, but failed to remit it to ZRA. As a result, the debt had increased making it difficult for the Council to settle the debt. The Town Clerk is urged to ensure that the Council strictly implements its payment plan in order to liquidate the debt. Your Committee resolves to wait for a progress report on the matter.

#### **v) Travels abroad without Authority**

The Town Clerk submitted that at the time of audit, the letters of authority to travel abroad were misfiled. The letters concerning authority to travel abroad had since been traced and were available for verification. In future, the Council would always ensure that all trips abroad were approved accordingly.

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

In noting the submission, your Committee urges the Town Clerk to ensure that before trips abroad are undertaken, authority should be granted in writing, copied to him and also filed in personal files of officers scheduled to undertake such trips.



## **PART II**

**AUDIT QUERY**

**PARAGRAPH 1**

**HEAD: 29 Ministry of Local Government**

**DEPARTMENT: 05 Local Government Administration**

**PROGRAMME: Grants to Local Authorities**

**ACTIVITIES: Various**

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at Ministry headquarters, thirty-seven (37) local authorities and physical inspection of selected projects carried out in May and June 2016, revealed the following weaknesses to which the Council Secretary responded as set out below.

**a) Unspent funds K802, 894**

**Chinsali Municipal Council – K802, 894**

The Controlling Officer responded that the unspent funds by Chinsali Municipal Council were meant for capital projects and these funds could only be utilised against payment certificates for certified works. However, these works were still ongoing at the time of audit. The Council had since utilised the funds towards various contractors and payment certificates were available for audit verification. Going forward, the Municipal Council had been directed to ensure that funds meant for capital projects were utilized on time and on approved projects.

**Committee's Observation and Recommendations**

Your Committee observes with concern the failure by the Council to spend the funds within the stipulated time frame. Your Committee is of the view that keeping such funds is not a good practice as it is a recipe for misappropriation and that it also delays implementation of planned activities. Your Committee sternly cautions the Controlling Officer to ensure that the Council expedites their procurement and other applicable processes as soon as funds are received in order to avoid recurrence of this matter. Your Committee resolves to keep the matter in view in future audits.

**b) Misapplication of Funds - K10, 073,948**

The Council Secretary submitted that the Local Government Equalization Funds (LGEF) was given as supplementary support towards the budgets of Local Authorities. The approved Council budgets were the basis for all expenditures and only 20 percent of the funds were strictly meant for capital expenditure. The Local Authorities had been directed to ensure that they spend the funds allocated in accordance with the approved budgets.

**Committee's Observation and Recommendations**

Your Committee observes with concern that the Councils wilfully misapplied funds with impunity and that there is no assurance from the Controlling Officer that there is reimbursement these funds. Your Committee directs the Controlling Officer to ensure that all misapplied funds are reimbursed without any further delay and also that all the affected Council Managements are sternly cautioned to desist from this habit. Your Committee awaits a progress report on the matter.

**c) Failure to Deduct Tax**

## **Namwala District Council – K 82,070 & Chililabombwe Municipal Council – K16, 551**

For both Chililabombwe Municipal and Namwala District Councils, the Controlling Officer submitted that the Councils acknowledged the failure to deduct Pay As You Earn (PAYE) from the officers' settling in allowances and that this was a regrettable oversight. The Councils had started recovering the Pay As You Earn (PAYE) from the affected officers. They had also been directed to ensure that all payments to the officers that required deduction of taxes were done so and that taxes must be remitted to Zambia Revenue Authority (ZRA) offices immediately. With regards to Chililabombwe, the Town Clerk reported that Pay As You Earn (PAYE) was calculated and paid to Zambia Revenue Authority (ZRA) on Cheque number 008094 and receipt reference number 0065169896431 was issued.

### **Committee's Observation and Recommendations**

Your Committee observes that the affected Councils may cause a loss on Government revenue for failure to deduct taxes and also that this might cause unnecessary inconvenience due to recoveries on the affected officers as there is a possibility of being overpaid. Your Committee urges the Controlling Officer to ensure that Management in these Councils are sternly cautioned at the failure and also that going forward, they must strictly adhere to the *Income Tax Act Chapter 323 of the Laws of Zambia*. Your Committee also directs the Council Secretary to ensure that the balance on the statutory obligations relating to Namwala District Council is deducted and remitted in accordance with the law. Your Committee resolves to await a progress report on the matter.

#### **d) Unsupported Payments - 501,239**

The Controlling Officer submitted that the Councils were not able to provide supporting documents to some of the payments as indicated by the auditors due to lack of qualified registry and stores officers thereby resulting in misfiling of documents. For Kabompo District Council, the receipts were not attached to the payment vouchers because the Council had not yet received the receipts from NAPSA, ZULAWU and ZRA at the time of audit. The Councils had since attached relevant supporting documents to all the payment vouchers and the receipts had been obtained from NAPSA, ZULAWU and ZRA in the case of Kabompo District Council. These supporting documents were now available for audit verification. Furthermore, the Local Government Service Commission had since deployed qualified staff in some of the Councils.

### **Committee's Observation and Recommendations**

Your Committee sternly cautions Management and directs the Controlling Officer to ensure that no payments are approved and paid without the necessary supporting documents to avoid recurrence. Your Committee recommends the matter for closure subject to audit verification.

**e) Failure to Approve Payments – Zambezi District Council - K1, 233,190**

The Controlling Officer submitted that some payment vouchers at Zambezi District Council were not approved by senior officers as the Council did not have any senior officers at the time the payment were made due to transfers. The Controlling Officer also informed your Committee that Zambezi District Council had since received Senior Officers from the Local Government Service Commission.

**Committee's Observation and Recommendations**

Your Committee observes with concern that the failure is a possible recipe for fraud in that misappropriation and misapplication is possible due to these weaknesses. Your Committee directs the Controlling Officer to ensure that all payments made through the Councils are properly approved before being processed and also that the Councils' operation are not disrupted at any one time. Your Committee also directs him to ensure that all the affected Council Managements are sternly cautioned to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.

**f) Poor Record Keeping (Recurrent Grant) – Zambezi District Council K111, 949**

The Controlling Officer informed your Committee that Zambezi District Council acknowledged the observation by the auditors and that this was mainly due to lack of qualified accounts staff. The Controlling Officer also informed your Committee that the Council had since received qualified accounting staff from the Local Government Service Commission and there was great improvement in record keeping now. All documents were available for audit verification.

**Committee's Observation and Recommendations**

Your Committee finds the reason given by the Controlling Officer as a mere excuse as it did not require qualified personnel to file documents. Your Committee directs the Controlling Officer to ensure that the officers are disciplined for the failure and that storage of important documents and internal controls are enhanced to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.

**g) Questionable Payments – Zambezi Council - K862, 276**

The Controlling Officer informed your Committee that Zambezi District Council acknowledged the observation by the auditors and also that this was mainly due to lack of qualified staff at the District at the time these payments were made. The Council Secretary also informed your Committee that the Council had since received qualified accounting staff from the Local Government Service Commission and there was great improvement in record keeping. All the documents were now available for audit verification.

**Committee's Observation and Recommendations**

Your Committee finds the reason given by the Council Secretary as a mere excuse as it did not require qualified personnel to file documents. Your Committee directs the Controlling Officer to ensure that the officers are disciplined for the failure and that storage of important documents and internal controls are enhanced to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.



**h) Irregular Use of Imprest to Procure Goods and Services - K69, 070**

The Controlling Officer informed your Committee that the Council acknowledged the erroneous use of accountable imprest to procure goods and regretted upon this action. The Controlling Officer also informed your Committee that the Council had been directed to always comply with Financial Regulations regarding the use of accountable imprest.

**Committee's Observation and Recommendations**

Your Committee observes with concern the seriousness of this omission is serious and that it is a recipe for fraud which may result in funds not being received by the intended beneficiaries. Further, it is observed that there is a possibility of single sourcing and payments made at exaggerated prices coupled with payments for undelivered goods. It is surprising that such a serious omission was done with impunity. Your Committee sternly cautions Management and directs the Council Secretary to ensure that all payments are made directly to suppliers of goods and services. Your Committee recommends the matter for closure subject to audit verification.

**i) Stores Items Without Receipt and Disposal - Details K140,037 (General Stores – K130,588 and Fuel – K9,449)**

**Mpika District Council – K9, 449**

The Controlling Officer informed your Committee that Mpika District Council had stores items without receipts and disposal details due to lack of qualified officers to handle stores issues. The Council received a qualified Stores Officer from the Local Government Service Commission in 2016, and all the receipts and disposal details had been updated and were available for audit verification. The Controlling Officer further informed your Committee that the Council would ensure that only qualified staff managed the stores Unit.

**Committee's Observation and Recommendations**

Your Committee finds the reason given by the Controlling Officer as a mere excuse as it did not require qualified personnel to file documents. Your Committee directs the Controlling Officer to ensure that officers are disciplined for the failure and that storage of important documents and internal controls are enhanced to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.

**Nakonde District Council - K130, 588**

The Controlling Officer informed your Committee that Nakonde District Council was not able to avail receipts and the disposal to the auditors due to misfiling. The Council Secretary informed your Committee that the Council had since managed to retrieve all the receipts and disposal details and they were available for audit verification. The Controlling Officer further informed your Committee that the Council had put in place adequate filing systems to ensure that there was accurate filling of documents.

### **Committee's Observation and Recommendations**

Your Committee directs the Controlling Officer to ensure that the officers are disciplined for the failure and that storage of important documents and internal controls are enhanced to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.

### **j) Unretired Accountable Imprest - K499, 106**

#### **Zambezi District Council – K74, 319**

The Controlling Officer informed your Committee that Zambezi District Council acknowledged that K74, 319 had not yet been retired at the time of audit and regretted the omission. The Council Secretary added that the Council had retired the accountable imprest in question and retirement details were available for audit verification. The Controlling Officer also informed your Committee that the Council would in future ensure that all imprests drawn were retired immediately after execution of the activities.

### **Committee's Observation and Recommendations**

Your Committee directs the Controlling Officer to ensure that the officers are disciplined for failure to adhere to Financial Regulation No. 96. Your Committee resolves to close the matter subject to audit verification.

#### **Masaiti District Council - K 387,787**

The Controlling Officer informed your Committee that Masaiti District Council acknowledged that the retirements were not availed to the auditors at the time of audit due to misfiling of the documents in separate box files and not together with the payment vouchers. The Controlling Officer informed your Committee that the Council had since traced all the retirements and they were available for audit verification.

### **Committee's Observation and Recommendations**

Your Committee directs the Controlling Officer to ensure that the officers are disciplined for the failure and that storage of important documents and internal controls are enhanced to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.

### **Failure to Remit Statutory and Union Contributions - K85,623,868**

The Controlling Officer informed your Committee that some Local Authorities had challenges in remitting statutory contributions due to inadequate revenues to cater for the net salaries and statutory obligations. The Councils had since started liquidating their statutory contributions as required. The Controlling Officer also informed your Committee that the all Councils had been directed to ensure that statutory contributions are deducted and remitted on time.

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

Your Committee observes with concern that failure to remit statutory obligations may result in serious penalties and eventual loss of colossal sums of the much needed financial resources. The Controlling Officer is, therefore, urged to ensure that all statutory contributions are remitted to the respective institutions without any further delay and that more revenue generation options are explored to improve the Councils revenue base. Your Committee awaits a progress report on the matter.

### **k) Failure to Report Motor Vehicle Accident to the Standing Accidents Committee - Nchelenge District**

The Controlling Officer informed your Committee that Nchelenge District Council acknowledged and regretted this serious omission of not reporting the accident to the standing accidents committee. The Controlling Officer, however, reported that the Council had been directed to normalise the matter by reporting to the standing accidents committee for guidance and follow-up action.

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

Your Committee expresses concern at the failure by the Controlling Officer to ensure that adequate orientation was given to officers in the districts. He is urged to ensure that orientation is given to all the officers including new staff joining the ministry to avoid such omissions. Your Committee directs the Controlling office to ensure that Financial Regulations No. 171 and 182 and also Stores Regulation No. 122 are understood by all staff in the local authorities to avoid recurrence as this was a great risk which may result in loss of property. Your Committee resolves to await a progress report.

### **l) Funds not Received – K900,000**

The Controlling Officer informed your Committee that Grants in Lieu of rates were disbursed according to funds available at Ministry of Finance and were not tied to any fixed disbursement plan. The Controlling Officer, further, informed your Committee that it would endeavor to improve information sharing between officers in the Ministry, Office of the Accountant General and Office of the Auditor General to ensure that only final disbursement schedules were shared and relied upon.

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

The matter is recommended for closure subject to audit verification.

#### **m) Irregular Payment of Rural Hardship Allowance - Lundazi District Council - K408, 044**

The Controlling Officer informed your Committee that Lundazi District Council paid the officers rural hardship allowances due to misinterpretation of regulations regarding its payment. The Controlling Officer further informed your Committee that the Council had since stopped the payment of rural hardship allowances to all officers and that the Council had been instructed to recover the funds.

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

Your Committee observes with concern that this serious commission came as a result of Management's failure to consult. The Controlling Officer is urged to ensure that disciplinary action is taken against the Principal Officer who made this decision. The Council Secretary is also directed to ensure that full recovery is made without any further delay and that only then would the matter be closed. Your Committee awaits a progress report on the matter.

#### **n) Irregular Payment of Housing Allowance - K31, 701**

#### **Mazabuka Municipal Council – K16,079 & Namwala District Council – K15, 622**

The Controlling Officer informed your Committee that the Councils acknowledged that the payment was erroneous and regrettable. The Controlling Officer also informed your Committee that the Councils had stopped paying the officers the 20 percent housing allowance and it had effected monthly recoveries through the payroll to recover the K16, 078.68 and 15,622 for Mazabuka Municipal and Namwala District Councils, respectively, which was erroneously paid to the officers as housing allowance. The payslip showing the monthly recoveries was available for audit verification. Going forward, the Controlling Officer informed your Committee that the

Councils had put in place measures to ensure that any worker who would be accommodated by the Council would not be paid housing allowance.

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

As in n) above, your Committee observes with concern that this serious commission came as a result of Management's failure to consult. The Controlling Officers is urged to ensure that disciplinary action is taken against the Principal Officers who made this decision. The Controlling Officer is also directed to ensure that full recovery is made without any further delay and that only then would the matter be closed. Your Committee awaits a progress report on the matter.

<b>AUDIT QUERY</b>		<b>PARAGRAPH</b>	<b>2</b>
<b>HEAD:</b>	<b>29</b>	<b>Ministry of Local Government and Housing</b>	
<b>UNITS:</b>	<b>04</b>	<b>Local Government Finance and Audit</b>	
<b>PROGRAMMES:</b>		<b>Constituency Development Funds</b>	
<b>ACTIVITIES:</b>		<b>Various</b>	

### **Accounting and Other Irregularities**

An examination of accounting and other records carried out at the Ministry headquarters and thirty-five (35) selected districts in May/June 2016, revealed that there were weaknesses in the way Constituency Development Funds (CDF) were managed by Local Authorities. Among the

weaknesses identified were failure to spend allocated funds, delayed completion of projects, poor workmanship and poor accountability for materials and unauthorized retention of interest. In particular the following were observed to which the Controlling Officer responded as set out below.

**a) Unspent Funds - K38, 688,659**

The Controlling Officer submitted to your Committee that a number of Local Authorities had not exhausted spending the 2015 funds because of late receipt of the funds, delays in project identification, approval and lengthy procurement processes. Furthermore, part of the unutilised funds was the 5 percent retention as some completed projects were still within the defect liability period. The Council Secretary also submitted that all the projects were being undertaken and were now at various stages in all the Local Authorities. He assured your Committee that all Local Authorities had been instructed to expedite the implementation of all ongoing projects.

**Committee's Observation and Recommendations**

Your Committee observes with concern the failure by the Councils to spend the funds within the stipulated time frame. Your Committee is of the view that keeping such funds is not a good practice as it is a recipe for misappropriation and also that it delays implementation of planned activities. Your Committee sternly cautions the Controlling Officer to ensure that Councils expedite their procurement and other applicable processes as soon as funds are received in order to avoid recurrence of this matter. He is also urged to ensure that expedites the process of enacting *the Constituency Development Fund Act* which among others will help to address the gaps in the implementation of CDF projects. Your Committee resolves to keep the matter in view in future audits.

**b) Payments Made without Obtaining Competitive Quotations - K193, 292**

The Controlling Officer submitted to your Committee that Kabompo District Council had difficulties to obtain three competitive quotations for these items due to limited supply in the district. The items were burnt bricks, crushed stones, timber and panel doors which were urgently required for the construction of Kalwilo, Mutokoma and Kami – Kambi Community Schools and Chikata market. The Controlling Officer further submitted to your Committee that the Council would in future ensure that ZPPA authority was sought before undertaking such kind of procurements.

**Committee's Observation and Recommendations**

Your Committee observes with concern that this omission is serious and that it is a recipe for fraud which may result in funds not being received by the intended beneficiaries. Further, it is observed that there is a possibility of single sourcing and payments made at exaggerated prices coupled with payments for undelivered goods. It is surprising that such a serious omission was done with impunity by the officers. Your Committee sternly cautions the Controlling Officer and urges him to ensure that the officers are cautioned for the failure. He is also urged to ensure that all the payments are made directly to suppliers of goods and services and that failure to do so must be meted with stiffer punishment. Your Committee recommends the matter for closure subject to audit verification.

**c) Unapproved Payments - K691, 780**

**Zambezi District Council – K691, 780**

The Controlling Officer submitted to your Committee that some payment vouchers at Zambezi District Council were not approved by senior officers as the Council did not have any senior officers at the time the payment were made due to transfers. He, however, assured your Committee that Zambezi District Council had since received senior officers from the Local Government Service Commission.

**Committee's Observation and Recommendations**

Your Committee observes with concern that the failure is a possible recipe for fraud in that misappropriation and misapplication is possible due to these weaknesses. Your Committee directs the Controlling Officer to ensure that all payments made through the Councils are properly approved before being processed and also that the Councils' operation are not disrupted at any one time. Your Committee also directs him to ensure that all the affected Council Managements are sternly cautioned to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.

**Unsupported Payments - K709, 323**

**Kabompo District Council – K72,123**

The Controlling Officer submitted to your Committee that Kabompo District Council did not avail some of the receipts due to the fact that some suppliers from the remotest areas of Kabompo were not able to issue quotations/receipts. For example, the payment of K9, 998 to a supplier for supplying timber for Kalwilo Community School. The supplier could not issue a quotation or a receipt, but the Council needed the timber urgently for the Community School to be completed. He was the only one who had timber at the time and the Council had to do what was in the best interest of the community. The Controlling Officer submitted that the Council had attached all the documents which were missing and they were ready for audit verification apart

from the payment made to the supplier for supplying timber. The Controlling Officer assured your Committee that the Council would ensure that all the relevant supporting documentations were always attached to the payment vouchers and also endeavour to deal with suppliers that can issue quotations and receipts.

#### **Zambezi District Council – K591, 550**

The Controlling Officer submitted to your Committee that the payments were not supported with stage completion certificates because the Council did not have a director works of prepare the relevant documents. He informed your Committee that the Council had since received the Director of Works and District Planning Officer from the Local Government Service Commission. Further, the Controlling Officer submitted to your Committee that the payments in question had been supported with relevant supporting documents and were ready for audit verification.

#### **Chinsali Municipal Council – K45, 650**

The Controlling Officer submitted to your Committee that the unsupported payments were as a result of misplacement and misfiling of documents during the period Chinsali Municipal Council was carrying out renovation works at their offices. The Controlling Officer submitted to your Committee that Chinsali Municipal Council had traced the misplaced and misfiled documents and they were available for audit verification. The Controlling Officer submitted to your Committee that Chinsali Municipal Council had been directed to secure all financial documents to avoid loss or misplacement.

#### **Committee's Observation and Recommendations**

Your Committee observes with concern that this omission made by the three Councils is serious and that it is a recipe for fraud which may result in funds not being received by the intended beneficiaries. Further, it is observed that there is a possibility of single sourcing and payments made at exaggerated prices coupled with payments made for undelivered goods. Your Committee sternly cautions Management and directs the Controlling Officer to ensure that all the three Councils are sternly cautioned and that no payments are approved and paid without the necessary supporting documents to avoid recurrence. Your Committee recommends the matter for closure subject to audit verification.

#### **d) Unauthorized Retention of Interest Earned**

#### **Solwezi Municipal Council – K32, 510**



The Controlling Officer submitted to your Committee that Solwezi Municipal Council had retained the accrued interest on the CDF account with intention of applying it on acquisition of a motor vehicle for monitoring of CDF projects. However, this retained interest was mopped by the Ministry of Finance together with the unspent CDF funds. The Controlling Officer also informed your Committee that the Council would now strictly adhere to Financial Regulations pertaining to retention of interest earned.

### **Committee's Observation and Recommendations**

Your Committee notes the efforts made to recover the interest, but urges the Controlling Officer to ensure that sensitisation is done to all the Councils in the country and that the erring Councils are sternly cautioned to desist from the habit of using interest at source. Your Committee, however, recommends the matter for closure subject to audit verification.

### **Mbala Municipal Council – K17, 741**

The Controlling Officer submitted to your Committee that Mbala Municipal Council acknowledged the observation made by the auditors and regretted the unauthorized retention of interest earned. The Controlling Officer, however, informed your Committee that the Council had since paid the interest earned into the Ministry of Finance Revenue Account and that the Council would now strictly adhere to Financial Regulations pertaining to retention of interest earned.

### **Committee's Observation and Recommendations**

Your Committee notes the efforts made to recover the interest, but urges the Controlling Officer to ensure that sensitisation is done to all the Councils in the country and that the erring Councils are sternly cautioned to desist from the habit of using interest at source. Your Committee, however, recommends the matter for closure subject to audit verification.

### **Mpulungu District Council – K 90,051**

The Controlling Officer submitted to your Committee that Mpulungu District Council utilised the interest earned on the CDF account on a borrowing basis. He added that the Council was in the process of remitting the interest earned to the CDF Account. The Controlling Officer also informed your Committee that the Council would now strictly adhere to Financial Regulations pertaining to retention of interest earned.

### **Committee's Observation and Recommendations**

Your Committee notes the intention to pay back the interest which was used without any authorisation. Your Committee urges the Controlling Officer to ensure that sensitisation is done to all the Councils in the country and that the erring Councils are sternly cautioned to desist from this habit of using interest at source. Your Committee awaits a progress report on the matter.

**e) Failure To Prepare Bank Reconciliations**

**Mongu Municipal Council – K1, 400,000**

The Controlling Officer submitted to your Committee that the delay in preparing bank Reconciliation was due to delays in accessing bank statements from the bank. The bank reconciliation statements had now been prepared and were verified by auditors. Going forward, the Controlling Officer assured your Committee that the Council would engage the bank to ensure bank statements were availed on time.

**Masaiti District Council – K1, 400,000**

The Controlling Officer submitted to your Committee that Masaiti District Council did not consistently prepare bank reconciliation statements due to inadequate staff in the Accounts Department. The Controlling Officer submitted to your Committee that the Council had since prepared all the bank reconciliation and they were available for audit verification. The Controlling Officer assured your Committee that the Council would always endeavour to prepare bank reconciliations every month as required by Financial Regulations.

**Committee's Observation and Recommendations**

Your Committee did not accept the reasons given and urges the Controlling Officer to ensure that officers in these Councils are disciplined for the failure. It was of the view that preparation of bank reconciliation is daily activity and if done properly and consistently helps to culminate into monthly bank reconciliation. Your Committee, however, recommends the matter for closure subject to audit verification.

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

The Controlling Officer submitted to your Committee that this matter arose because the contractors included Value Added Tax in their bids despite not having been registered VAT with Zambia Revenue Authority (ZRA). Kitwe City Council would in future ensure that a due diligence was done on all bidders during the evaluation processes to avoid this kind of scenario where bidders submitted VAT inclusive BOQs when in fact they were not registered for VAT. Further, ZRA was informed of the anomaly and informed the Council that they would make a follow-up

with the contractors. As regards payments made after the anomaly was identified, VAT was not paid to the said contractors as could be seen from the payment for Jola Tech on Cheque No. 000913 and a transfer advice to Cinque Zambia Limited dated February 12, 2017. Copies of the stated cases were available for audit verification. The Controlling Officer assured your Committee that the Council would endeavour to deal with VAT Certified Contractors only.

### **Committee's Observation and Recommendations**

Your Committee observes that the failure by the officers to examine the bid documents in the evaluation process is unacceptable and urges the Controlling Officer to ensure that stern disciplinary action is taken against them. Your Committee also directs the Controlling Officer to ensure that the named contractors are blacklisted as they were not untrustworthy in business. Your Committee awaits a progress report on the matter.

### **g) Unaccounted for Stores - K445,040 (General stores – K352,088 and fuel – K92,952)**

#### **Namwala – K276, 918**

The Controlling Officer submitted to your Committee that Namwala District Council had not attached the receipts and disposal details at the time of the audit as the documents were still at the sites where the materials were delivered. He informed your Committee that the Council had accounted for all the general stores items and fuel. The receipts and disposal details were available for audit verification. The Controlling Officer submitted to your Committee that Council would ensure that all documents were availed to auditors at the time of audit.

### **Committee's Observation and Recommendations**

Your Committee did not accept the reasons given and urges the Controlling Officer to ensure that the erring officers are disciplined for the failure. Your Committee, however, recommends the matter for closure subject to audit verification.

#### **Masaiti District Council – K16, 788**

The Controlling Officer submitted to your Committee that Masaiti District Council could not avail receipt and disposal details to the auditors because the community from which the crushed stones and bricks were procured were not in a position to provide any form of documentation. Your Committee was further informed that the Council would in future ensure that it procured such kind of materials from established suppliers.

### **Committee's Observation and Recommendations**

Your Committee did not accept the reasons given and urges the Controlling Officer to ensure that the erring officers are disciplined for the failure. Your Committee, however, recommends the matter for closure subject to audit verification.

### **Kabompo District Council – K146, 606**

The Council Secretary submitted to your Committee that Kabompo District Council did not avail Goods Received Notes (GRN) and disposal details due to the fact that the Acting Stores Officer was not around during the audit as he was in School. He also submitted to your Committee that the documents which Council did not availed to Auditors during the audit were now available and ready for verification. The Controlling Officer assured your Committee that the Council would ensure that these important documents were availed to auditors during audits.

### **Committee's Observation and Recommendations**

Your Committee did not accept the reasons given and urges the Controlling Officer to ensure that the erring officers are disciplined for the failure. Your Committee, however, recommends the matter for closure subject to audit verification.

### **Chinsali Municipal Council – K4, 728**

The Controlling Officer submitted to your Committee that Chinsali Municipal Council could not avail the disposal details of the fuel procured because the records were kept on file and not attached to the payment vouchers. Your Committee also learnt that Chinsali Municipal Council had since attached the disposal details which were still being kept with the stores officer and the same were available for verification. The Controlling Officer assured your Committee that Chinsali Municipal Council would ensure that all appropriate supporting documents were attached to their respective payment vouchers.

### **Committee's Observation and Recommendations**

Your Committee did not accept the reasons given and urges the Council Secretary to ensure that the erring officers are disciplined for the failure. Your Committee, however, recommends the matter for closure subject to audit verification.

### **Undelivered Stores Items K299, 632**

The Controlling Officer submitted to your Committee that Mulobezi District Council did not receive the materials because the supplier claimed that the road to Sibala and Nabwinda construction site was impassable due to flooding and could not risk their trucks. The Controlling Officer informed your Committee that the Council took the suppliers to court for failure to deliver the materials even after the rainy season. The court passed judgment in favour of the Council in the case of one supplier and the case of the other supplier was still in court.

### **Committee's Observation and Recommendations**

Your Committee observes with concern how long it had taken the Council to pursue the matter. It is evident that attempts to correct the matter were only made after the audit. Your Committee directs the Controlling Officer to ensure that Management at the Council is sternly cautioned and that the matter is resolved without any further delay. Your Committee awaits a progress report on the matter.

### **h) Questionable Retirement of accountable Imprest –Namwala Council - K45, 246**

The Controlling Officer submitted to your Committee that Namwala District Council used imprest to procure building sand and gravel from the community for the civil works for CDF funded boreholes and the community could not provide quotations and receipts. The Controlling Officer informed your Committee that the Council made the suppliers to sign for proof of receipt of the funds and oral contract forms were signed as well.

### **Committee's Observation and Recommendations**

Your Committee observes with concern that this omission is serious and that it is a recipe for fraud which may result in funds not being received by the intended beneficiaries. Further, it is observed that there is a possibility of single sourcing and payments made at exaggerated prices coupled with payments made for undelivered goods. It is surprising that such a serious omission was done with impunity. Your Committee sternly cautions Management and directs the Controlling Officer to ensure that all payments are made directly to suppliers of goods and

services and for avoidance of doubt, no imprest is to be used on goods that can be obtained on the market. Your Committee recommends the matter for closure subject to audit verification.

**i) Funding of Unapproved Projects K152, 125**

The Controlling Officer submitted to your Committee that Solwezi Municipal Council approved these projects for financing using the 2012/2013 CDF funds. Therefore, they were not included in the schedule of approved projects for 2014/2015 CDF funding. This was caused by delayed completion of the projects. He also informed your Committee that the projects had since been completed. The Controlling Officer assured your Committee that the Council would always endeavour to complete all the projects within the stipulated time frame.

**Committee's Observation and Recommendations**

Your Committee notes the submission and recommends the matter for closure subject to audit verification.

**j) Non-Operational Projects – Chilanga District Council K91, 589**

The Controlling Officer submitted to your Committee that Chilanga District Council could not operationalise the community empowerment projects as the funds allocated towards the projects were inadequate. At the time of audit, the Council was still waiting for more funds to complete the projects. The Controlling Officer added that the Council had allocated adequate funds in the next project proposals in order to have these empowerment projects operational for the benefit of the Communities.

In her verbal submission, the Controlling Officer also informed your Committee that price fluctuations also caused the delay of implementing these activities. She added that at the time funding was released; only two projects could be undertaken out of the total released funds due to price increase.

**Committee's Observation and Recommendations**

Your Committee did not accept the reason given and cautioned the Controlling Officer, for her failure to advise the full Council about these price changes. Your Committee observes that keeping the funds for this long is not the best option as it is tempting to Management to misapply or misappropriate the funds. The Controlling Officer is urged to ensure that he provides leadership and guidance in these councils to avoid recurrence of such omissions and to ensure that these projects are undertaken and successfully implemented. Your Committee awaits a progress report on the matter.

**k) Over Expenditure on Approved Projects - K161, 011**

**Masaiti District Council – K 127,090**

The Controlling Officer submitted to your Committee that Masaiti District Council incurred an extra cost on this project due to the upwards adjustment on the quotation that was obtained for the electrification of Chikumbi Primary School and staff houses. He also submitted that the Council would always endeavour to stick to the approved budget allocations on all its projects.

**Committee's Observation and Recommendations**

In noting the submissions, the Controlling Officer is urged to ensure that all Councils adhered to budget sealing to avoid recurrence. The matter is recommended for closure subject to audit verification.

**Chililabombwe Municipal Council – K33, 921**

The Controlling Officer submitted to your Committee that two projects were marked for street lighting namely: International Road, and Illuta Yeta Ward street lighting and they were allocated K300,000 and K55,000, respectively. However, by the time the Constituency Development Fund (CDF) projects were approved by the Ministry, the Illuta Yeta project had already been funded by Council using its own resources. The Controlling Officer added that Management had reported the matter to the Constituency Development Fund Committee (CDFC) and it was resolved that the allocation for Illuta Yeta be transferred to street lighting of International Road, which had increased because of the price increase of the cables from ZAMEFA resulting from unstable kwacha on the market against the US dollar rate at the time of payment. The Controlling Officer, however, assured your Committee that Management would ensure that the Tender Committee and the full Council was informed of the variation.

**Committee's Observation and Recommendations**

In noting the submissions, the Council Secretary is urged to ensure that all the Councils adhered to budget sealing to avoid recurrence. The matter is recommended for closure subject to audit verification.

**l) Questionable Hiring Out of CDF Equipment K1, 236,850 (Luwingu - K1, 045,276 and Mbala - K191, 574)**

The Controlling Officer stated that the two Local Authorities did not obtain authority from the Ministry to hire out the CDF equipment and the ministry had taken note of the observation by the Auditor General. He assured the Committee that the ministry would take issue appropriate and that instructions would be made to all Local Authorities on the Management of CDF equipment.

**Committee's Observation and Recommendations**

In noting the submissions, the Controlling Officer is urged to ensure that all the erring officers are sternly disciplined for the failure. Your Committee awaits a progress report on the matter.

**m) Project Management**

A review of accounting, project and other documents and physical inspections carried out on selected projects in different provinces and districts carried out in June 2016, revealed weaknesses in the Management of projects in that, there was poor workmanship, failure to complete projects on time, failure to avail contracts and failure to take action against defaulting contractors, among others, as detailed in the tables below.



<b>SOUTHERN PROVINCE</b>						
<b>Constituency</b>	<b>Project</b>	<b>Amount Allocated/Contract Sum K</b>	<b>Amount Spent K</b>	<b>Scope of works</b>	<b>Observations</b>	<b>Management Response</b>
<b>Mazabuka Central</b>	Construction of Kabobola Market Phase 2	Allocated K100,000 Sum K32,200	Materials K64,770 Labour K30,590	Construct Concrete slab Construct 4 stands Construct Shoulder walls and Painting Casting of floor screeds	The market slab and walls had been done remaining with painting of walls. The floor had started peeling off in some section due to poor workmanship	The Controlling Officer reported that the contractor was called back on site to rectify the defects and the floor which was peeling off had been done as it was within the defects Liability Period. The Project was completed and handed over to the Community. The Engineers certificate of completion was available for verification.
	Installation of transformer and electricity connection to Sikalozia Primary School	Allocated K130,000	K121,024	Installation of Transformer and Electricity connection to 2No. CRB and 7No. Staff Houses	The transformer had been installed and poles erected to CRB and Staff house. However, there was delayed completion in that electricity had not been connected as of	Controlling Officer reported that the connection of electricity had been done. The project had been

					May 2016 despite payment having been made in 29 <sup>th</sup> September 2015.	completed and handed over to the Sikalozia Primary School. The Engineers certificate of completion was available for verification.
	Drilling of Borehole and Installation of Hand pump at Nanga High School	Allocated 35,000	K35,000	Drilling of Borehole and Installation of Hand pump at	The borehole had been drilled and was in use. However, a separation had developed between the apron and the hand pump due to poor workman ship	The Controlling Officer reported that the separation which developed between the apron and the hand pump had been fixed. The project had been completed and handed over to the Nanga High School. The Engineers certificate of completion was available for verification.
Namwala	Completion of Maala ART Clinic	Allocated K100,000 Sum K29,815	Materials K54,934 Labour K14,335	Completion works from Slab level.	The structure was at Roof level. The following observations were made:  <b>Outstanding works</b> complete roofing,	The Controlling Officer reported that the Council had not completed due to inadequate funds. The Council would

					<p>window &amp; door frames, plastering, flooring, glazing, painting, drainage, electricals and ceiling board.</p> <p><b>Defects:</b> roofing tiles not properly done, some trusses were resting directly on the walls instead of the wall plate, the laps (joints) of the roofing sheets were not closing, the internal plaster was rough.</p> <p><b>Other:</b> The contract was terminated due to shoddy works and abandonment by the contractor. As of July 2016, a new contractor had not been engaged.</p>	allocate more funds from the 2017 CDF to complete the project.
	Completion of Moobola ART Clinic	Allocated K40,000 Sum K (No contract)	Materials K100,577 Labour K4,260.38	Completion of Clinic from gable level.	<p>The structure was at roof level. However, the following observations were made:</p> <p><b>Outstanding works:</b></p>	The Controlling Officer submitted that the Council had completed the construction of Moobola ART

					fitting door & window frames, cast slabs, plastering, flooring, ceiling board, painting, laying drainage. <b>Defects:</b> 10 x 50kg pockets of cement had caked.	Clinic and it is awaiting commissioning.
	Completion of 1x3 CRB at Chuulu Chikunka	Allocated K33,711 Sum K6,500	Materials K33,300 Labour K3,500	Putting iron sheets, plastering, casting of slab, flooring, painting, construction of a storm drain and putting of window panes.	The structure was at roof level. However the following observations were made: <b>Outstanding works:</b> Completing office & strong room, fitting doors, glazing, painting, flooring, drainage, verandah. <b>Other:</b> Contractor not on site.	The Controlling Officer submitted that the 1 X 3 CRB at Chuulu Chikunka Community School was roofed but the roof was again blown off. The Council had not yet assessed the extent of the damage due to bad roads making the were a inaccessible.
	Construction of 1x3 Housing Flat Block at Namubanga Primary Sch.	Allocated K230,000 Sum K47,037	Materials K132,220 Labour K24,560	Construction of 1x3 Housing Flat	The structure was at roof level. However, the following observations were made: <b>Outstanding works:</b>	The Controlling Officer submitted that the 1 X 3 Housing flats at Namubanga

					<p>Complete Partition walls, plastering, flooring, glazing, door fitting, painting, drainage, complete ceiling boards.</p> <p><b>Other:</b> Re-enforcement bars for ring beam had run out; shortage of seven (7) window frames; shortage of cement; shortage of two (2) doors. The contractor was not on site.</p>	<p>Primary School were roofed and fitting of the ceiling board was currently in progress.</p> <p>Further, the bars for the ring beam were delivered and the 7 window frames.</p>
	<p>Construction of 1x3 Housing Flat Block at Musemu Primary School</p>	<p>Allocated K250,000</p> <p>Sum K47,037</p>	<p>Materials K138,752</p> <p>Labour K8,360</p>	<p>Construction of a 1x3 Housing Flat Block (HFB)</p>	<p>The structure was at slab level. However, the following observations were made:</p> <p>Outstanding works: Super structure, roofing, fixing window &amp; door frames, glazing, doors, plastering, flooring, spoon drain, painting, ceiling board. Contractor's contract was terminated.</p> <p>There was a new contractor Simutelo Construction but was not on site.</p>	<p>The Controlling Officer submitted that the 1 X 3 Housing flats at Musemu Primary School was still at slab level due to abandonment of site and not being able to cooperate with the community. The Council had since taken the contractor to court. No new contractor had been engaged.</p>

					<p>The new contractor was not on site because there was a shortage of cement (only 3 x 50 kg pockets were in stores at time of visit).</p> <p>Upfront materials such as bricks, river sand, building sand and crushed stones had not yet been transported to the site by the Council.</p>	
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WESTERN PROVINCE								
Constituency	Project	Amount Allocated/Contract Sum K	Amount Spent K			Scope of works	Observations	Management Response
			Full Contract K	Labour K	Materials & Transport K			
Mongu Central	Completion of a 1x3 CRB at Mulambwa Primary School	150,000	148,290	N/A	N/A	Roofing of structure, fitting of window and door frames and doors, grill doors, plastering, glazing, painting and flooring	As of 16 <sup>th</sup> June, 2016, the structure had been roofed with door and window Frames fitted, interior plastering, flooring and air vents done while the following works were still outstanding: glazing, external plastering, painting and fitting of doors	The Controlling Officer submitted that works had been 100percent completed in line with the scope of works. Engineers' certifications were available for verification.
Mongu Central	Construction of Clinic Block at Kashembe	150,000	47,500	N/A	N/A	Construction of sub and superstructure, fitting of window and door frames, plastering, concrete waiting bench, glazing, roofing, painting.	As of 16 <sup>th</sup> June 2016, the structure had reached gable level with door and window frames fitted while roofing, plastering, concrete waiting bench, glazing, fitting of doors and painting were still outstanding.	The Controlling Officer submitted that works had been done 53percent, however no progress had been made because K75, 000 balance to complete the project was mopped by Ministry of Finance. Request for reimbursements of funds had been made. Certification had been done and available for verification.
Mongu Central	Construction	150,000	47,500	N/A	N/A	Construction	As of 16 <sup>th</sup> June	As above

	of Clinic Block at Kashembe					of sub and superstructur e, fitting of window and door frames, plastering, concrete waiting bench, glazing, roofing, painting.	2016, the structure had reached gable level with door and window frames fitted while roofing, plastering, concrete waiting bench, glazing, fitting of doors and painting were still outstanding.	
Mongu Central	Construct ion of Admission Ward Block at Nomai	75,000	36,939	N/A	N/A	Construction of Extended Admission Ward Block from sub to superstructur e, flooring, roofing, window and door frames and plastering,	As of 16 <sup>th</sup> June 2016, the structure had reached gable level while flooring, plastering fitting of door and window frames, roofing, glazing, fitting of doors and painting were still outstanding. A crack running across the slab surface in one of the rooms had manifested.	The Controlling Officer submitted that works had been done 49percent, however no progress had been made because K38,061. balance to complete the project was mopped by Ministry of Finance ,request for reimbursement of funds together with certifications were available for verification and funds had not yet been reimbursed yet. As for the crack, the contractor had been advised to work on it.
Mongu Central	Electrification of 8 Staff Houses at Mawawa Primary School	40,000	36,000	N/A	N/A	Chiselling of walls for conduit, placement of conduits, wiring to approved standards,	As of 16 <sup>th</sup> June 2016, seven (7) staff houses, one classroom and office had been wired and electrical fittings done. However, electricity connection from	The Controlling Officer submitted that works had been 100percent completed and were in line with the scope of work. Engineers Certifications were available for



						installation sockets, meter boxes, switches, earthing and Zesco line.	Zesco was still outstanding.	verification
Mongu Central	Completion of 1x3 CRB at Tungi Primary School	61,000	N/A	6,000	43,500	Roofing, metals works, flooring in the classrooms and veranda, painting, glazing	As of 16 <sup>th</sup> June 2016, roofing, plastering, flooring and painting had been done. However, there were multiple cracks on the classroom and veranda floors. The plastering of the plinth at the door steps was poorly done in that it had since started falling off.	The Council Secretary submitted that the Contractor had been advised to work on the defects.
Mongu Central	Completion of Maternity Ward at Liyoyelo	32,000	28,800	N/A	N/A	External plastering and painting, conduiting, plumbing, construction of soak away and septic tank	As of 17 <sup>th</sup> June 2016, the works had been completed as per contracted scope of works. However, the structure was still incomplete in that flooring (tiling), electrical fittings, connection of water and electricity were still outstanding.	The Controlling Officer submitted that works had been 100percent completed in line with the scope of work. Engineers' certifications were available for verification.
Mongu Central	Rehabilitation of Mongu Primary School	60,000	44,177	N/A	N/A	Replacement of the floor in the 1x4 CRB and veranda	As of 17 <sup>th</sup> June 2016, the works had been completed. However, the floor in the classrooms was poorly	The Controlling Officer submitted that the contractor had been advised to work on the defects before final balance was paid.

							done in that there were big cracks and was hacking off in some sections.	
Mongu Central	Completion of Yuka Traditional Court	30,000				Sub and superstructure, roofing, plastering, metal works in the office, fitting of doors	As of 17 <sup>th</sup> June 2016, the Structure had stalled at gable level with roofing, flooring, plastering, metal works, and fitting of doors still outstanding.	The Controlling Officer submitted that the works had been 55percent done, however no progress had been made because K14, 370 balance to complete the project was mopped by Ministry of Finance. Request for reimbursements of funds together with certifications had been made. Funds had not yet been reimbursed.
Nalikwanda	Construction of a Staff House at Siwa Clinic	50,000		9,173	40,827	Scope of works could not be ascertained as the contract document was not availed.	As of 19 <sup>th</sup> June 2016, the structure had only reached Slab level. Cracks were observed on the concrete. No contract document was availed.	The Controlling Officer submitted that the contractor had been advised to work on the defects before the final balance was paid. Balance to complete the project was mopped by Ministry of Finance. The request for reimbursements of funds together with certifications had been made. Funds had not yet been reimbursed. The Contract will be

								availed for verification.
Nalikwanda	Construction of a Staff House at Looma	50,000			40,670	Scope of works could not be ascertained as the contract document was not availed.	As of 19 <sup>th</sup> June 2016, the Construction of the staff house had not commenced despite availability of building materials. No contract document was availed.	The Controlling Officer submitted that the Project Progress had been affected by the mopping up of funds by Ministry of Finance. Request for reimbursements of funds together with certifications had been made. Funds had not yet been reimbursed.
Mulobezi	Construction of Machile Bridge	130,000	N/A	15,750	139,415	Raising of the embankment, road formation and construction of a culvert	As of 4 <sup>th</sup> June 2016, only a 20 metre embankment upstream had been done and The works had since stalled with road formation and construction of the culvert still outstanding.	The Controlling Officer submitted that the first contract was terminated due to abandonment of the site by the contractor. However, a re-assessment that had been done revealed that the project was not of economic benefit and the Council was proposing to vary the materials on site to another bridge that washed away and was of more economic benefit to the community.

**COPPERBELT PROVINCE**

Constituency	Project	Contract Period	CDF Allocation Sum K	Contract Sum K	Amount Paid to Contractor K	Scope of Works	Observations	Management Response
Masaiti	Renovation of Kamifungo clinic	N/A	15,000	N/A	13,205	Renovations	As of May 2016, Materials had been bought but no work had been done.	The Controlling Officer submitted that the project had failed to take off due to underfunding. The Council had been directed to fund the same using Local Revenue.
Masaiti Constituency	Construction of maternity wing – Boma clinic	8 weeks	200,000	No contract provided	122,701	Excavation and earthworks, Concrete work, Steel Fabric reinforcement, Brick work & Block work, Roof covering, Carpentry and joinery	As of May 2016, the project had not been completed with the following remaining works: Flooring, plastering, painting, fixing of glass panes and doors, plumbing and electrical wiring.  The project had delayed for 10 weeks. Contract was not availed for audit.	The Controlling Officer submitted that the project had been completed awaiting commissioning and handing over to the clinic.
Masaiti Constituency	Construction of one double VIP toilet - Katuba rural	8 weeks	150,100	114,197	72,393.25		As of May 2016, the following observations were made: Construction of VIP toilet at Katuba Clinic had been	The Controlling Officer submitted that the defects had been rectified and thus the projects were completed awaiting commissioning and

	health centre & Saka health post , Construction of soak away & Installation of electric submersible pump Mishikishi & Construction of fee paying toilet Mishikishi market,						completed. However, it was observed that there were cracks around the toilet.  Construction of VIP toilet at Saka Health Post had not completed only a Slab had been done. The project had delayed for 16 weeks.  Construction of soak away and Installation of electric Submersible pump - Mishikishi had not yet commenced. The project had been delayed for twenty four (24) weeks. Construction of fee paying toilet- Mishikishi market	handing over to the community.  The Controlling Officer submitted that the Contractor did not complete the project; it stood at slab level thus the contract had been terminated awaiting to be retendered once funds were available.
Masaiti Constituency	Construction of	6 weeks	297,000	297,000	220,636	Excavation and	As of May 2016, the following	The Controlling Officer submitted

	Clinic -Masangano & Construction of a maternity wing - Luman o Health post					earthworks, Concrete work, Steel Fabric reinforcement, Brick work & Block work, Roof covering, Carpentry and joinery	<p>observations were made:</p> <p>Construction of Clinic -Masangano. The project had not been completed with remaining works being: Plastering, Fitting windows &amp; doors, Flooring, Painting</p> <p>Construction of a maternity wing - Lumano Health post The project had not been completed with remaining works being: Fitting windows &amp; doors, Painting. The projects had been delayed for eighteen (18) weeks.</p>	<p>that the project had been roofed and partially plastered inside and outside. The Contractor could not finish hence the contract had been terminated and will be retendered when funds were available.</p> <p>The Controlling Officer submitted that the project had been completed with defects and the Contractor had been instructed to work on the defects by month end of June 2017.</p>
Masaiti Constituency	Construction of a 1 x 2 classroom		65,900				As of May 2016, the classroom block was not complete with outstanding	The Controlling Officer submitted that the project had been partially roofed. Council had been directed to

	m block-Pyutu Primary School						works being: Roofing, Flooring, Plastering Fitting windows.	complete when funds were available.
Kafulafuta Constituency	Construction of Maternity ward at Chiwala health post	8 weeks	240,000	297,000		Construction of Maternity ward at Chiwala Health Post	As of May 2016, four (4) months after the date of completion, the project was still at mobilizing stage. Works had not commenced due to the fact that the same contractor was awarded two contracts to undertake at the same time within the same contract sum.	The Controlling Officer submitted that the project had reached roof level and that the Contract had been terminated due to unsatisfactory works done. The project would be retendered once the funds were available.
Kafulafuta Constituency	Construction of 1 x 2 CRB at Muwaya School	8 weeks	90,000		45,600	Construction of 1 x 2 CRB at Muwaya School	As of May 2016, the works had commenced with the fitting of window panes in progress and the following works outstanding; flooring of the three (3) offices and verandas, fitting of doors, Front spoon drain. The project was behind	The Controlling Officer submitted that the project was underfunded and the Contractor did not put up good workmanship hence the contract had been terminated.

							schedule by four (4) months	
Kafulafuta Constituency	Completion of 1 x 3 CRB at Chtibu ke Community School		77,000		34,366		As of May 2016. All the materials to complete the project were bought and on site with roofing in progress and the following works still outstanding : Plastering, fixing of window panes, flooring, fixing of doors and locks	The Controlling Officer submitted that the project had been completed awaiting commissioning and handover.
Kafulafuta Constituency	Completion of 1 x 2 CRB at Mutaba school		74,000		74,483		As of May 2016, the project was almost complete with the fixing of panes in progress. The floor had cracks in the floor which needed to be mended.	The Controlling Officer submitted that the project had been completed awaiting commissioning and handover.
Nkana	Construction of 1x 2 Classroom block in Mugala	8 weeks	270,000	278,811	47,589	Construction of 1x 2 Classroom	As of October 2016, works had been completed and the classroom was in use. It was however observed that cracks had developed on the floor in one CRB	The Controlling Officer submitted that the Contractor was recalled to site and the defects were rectified and the project had since been handed over to the District



								Education Board Secretary [DEBS], Kitwe and these were ready for verification.
Nkana	Rehabilitation of 1x 2 classroom block at Rokana Primary school	8 weeks	130,000	224,447	67,552	Rehabilitation of 1x 2 classroom block	As of October, 2016, Ceiling,plastering, flooring, painting and counters in both CRBs had been done. Fitting of taps had been done in only one (1) CRB that was fitted with sinks. Outstanding works were fitting of sinks and taps in the other CRB and plumbing works. The works were behind schedule in that the completion date was 25.01.2016	The Controlling Officer submitted that the project was undertaken according to the contract specifications. However, what remained undone were fittings which were outside the scope of the contract. The remaining works which were outside the scope of the contract would be recommended for funding in the CDF allocation.
Bwana Mkumbwa	Construction of Multi-	Not stated	250,000	272,638	113,194	Excavation, erecting of	As of October, 2016, nineteen (19) months after signing the contract, the structure had	The Controlling Officer submitted that the project duration was expected to take 16 weeks having the

	purpose Community hall in Munkulungwe ward					walls, foundation, Roofing, flooring of the structure, plumbing, Electrification, and painting	not been completed. <b>Outstanding works:</b> Included Fitting ceiling boards Fitting window panes, Electrical fittings, Painting, Septic tank & Manhole covers	expected completion date of 19 <sup>th</sup> July, 2015. However, the project was delayed for more than 6 weeks and this led to the termination of the contract in accordance with clause 5.2 of the contract. The Ministry was in the process of re-advertising the project using funds which were mopped by the Ministry of Finance
Bwana Mkumbwa	Street Lighting of Ndeke road 1.7km stretch in Itawa ward		150,000	160,000	164,842		As of October 2016 the work had commenced with 56 timber poles installed. Cable connections had been done to 39 of them. Outstanding works included installation of the rest of the poles, completion of cabling and power connection by ZESCO. It was also observed that the Council had overspent by K14,842.32 on this project as only K150,	The Controlling Officer submitted that all outstanding works had been done at a total cost of K164,000 instead of K154,000 because K10,000 was additional funding approved under Minute no. 913/12/15

							000 was approved.	
Bwana Mkumbwa	Borehole drilling & Installation of water reticulation on Kaloko Police Post	12 weeks	75,000	81,532	48,167	Drilling of 80 metre deep borehole, Fabrication and erection of Tank Stand, Supply and fitting of 5000 litres tank, 0.75 hrs power Submersible pump and pipe work in Twashuka Ward	As of October 2016, the tank had been installed and power had been connected. It was however observed that the Police Post whose works were being done had been vandalized as the building had not yet been handed over.	The Controlling Officer submitted that all works on the police post were complete and it was in use. Verification was done by the Auditor General as per recommendation from the Audit Status Report dated 22 <sup>nd</sup> September, 2016
Chifubu	St. Bonaventure School Drainage Rehabilitation		50,000		33,265		As of October 2016 only trenches were dug, the rest of the works were still outstanding.	The Controlling Officer submitted that all works had been completed and the whole amount had been spent as verified by the Auditor General's Office

<b>EASTERN PROVINCE</b>						
<b>Constituency</b>	<b>Project</b>	<b>Allocated Amount K</b>	<b>Amount Spent K</b>	<b>Scope Of Works</b>	<b>Observation</b>	<b>Management Response</b>
Katete	Construction of Keni Health Post	Allocated K110,528  Contract Sum K 38,600	K 73,450 (Materials K 63,730) (Labour K9,720)	Construction of one (1) staff house.  Construction of one (1) single VIP toilet  Construction of two (2) double VIP toilets	As of October 2016, the staff house had been roofed and the following works were still outstanding; Flooring, painting, fitting of doors and windows. One (1) single VIP toilets: The following works were outstanding; fitting of door to single VIP toilet, Double VIP toilet: The following works were outstanding: setting, sub structure, super structure, roofing and painting	The Controlling Officer submitted that the project was 100percent complete and awaiting commissioning. The completion certificates were available for verification.
	Construction of	Allocated	K 77,980	Construction of	As of October	The Controlling Officer

	1x2 CRB at Undi Primary School	K 83,987 Contract sum K24,000	(Materials K 59,530)  (Labour K 18,450)	1x2 classroom	2016, the classroom block had been roofed with the following works outstanding: Plastering the interior of one classroom, glazing, and flooring, fitting of doors and painting.	submitted that the project was 100percent complete and awaiting commissioning. The completion certificates were available for verification
Chadiza	Construction of a wall fence at Chadiza Bus Station.	Allocated K58,841  Contract Sum K20,000	K48,841(Materials K 38,841) (Labour K10,000)	Foundation footing, construction of walls and construction of guard room.	A physical inspection of the project carried out in May 2016, revealed that the walls of the fence had been raised on three sides with the front part of gate and the guard room still outstanding. The contractor was not on site and the works had stalled.	The Controlling Officer submitted that , the construction of the wall fence had been completed on all the four sides and the bus station was completed as well and scheduled to open by the first week of June 2017

<b>MUCHINGA PROVINCE</b>						
<b>Constituency</b>	<b>Project</b>	<b>Allocated Amount K</b>	<b>Total Spent K</b>	<b>Scope Of works</b>	<b>Remarks</b>	<b>Management Response</b>

Chinsali	Completion of a sleeping house for the deaf unit at Chinsali Primary school	40,000	35,000	Beam filling, plastering, painting, flooring, fitting of air vent, doors and windows and glazing	As of June 2016, the project had not been completed and works had stalled since February 2016. The outstanding works Included fitting of doors, glazing, painting, completion of fitting of door frames and air vents.	The Controlling Officer submitted that Chinsali Municipal had terminated the contract with Mikolomo General Dealers due to poor workmanship and the Council is yet to report the matter to the Constituency Development Committee for further consideration and additional allocation of resources.
	Completion of 1x5 CRB at Nambuluma Primary school	30,000	30,000	Mending of floor screed and painting of the classrooms and chalkboards	Although the project had been handed over, it was observed that the chalkboards had not been painted and due to poor workmanship on the floor screed, pot holes had developed.	The Controlling Officer submitted that Chinsali Municipal Council would report the matter to the Constituency Development Committee once it was constituted for further Consideration and possible allocation of resources to enable completion of the works on the poorly managed project.
	Rehabilitation of 1x5 CRB at Kabungo Primary school	65,000	59,750	Mending cracks, repairing floor screed, painting, glazing and fitting of windows and doors.	As of June 2015, the works had not been completed as the following were outstanding: painting of the final coat window fittings and doors completion of glazing.  Mending of cracks in Grade 3 and 4 classrooms and on the corridor  It was also observed that the floor in Grade 8 and 4 classrooms was peeling off.	The Controlling Officer submitted that the Contract had been terminated due to poor workmanship and Chinsali Municipal Council was yet to Present the matter to the CDC once the Committee is constituted for possible allocation of funds.
	Construction of	25,000	13,750	Installatio	The contractor abandoned	The Controlling Officer

	a culvert near Chief Mubanga			n of a single line 900 mm culvert	the site soon after laying two (2) x 900 mm culvert which, as of June 2015 had been washed away, rendering the expenditure wasteful.	submitted that Chinsali Municipal Council would report the matter to CDC once it was constituted and seek authority to utilise the balance from the contract sum to finish the outstanding works.
Chinsali	Rehabilitation of a culvert at Kaminsa Village	35,000	35,000	Replacing damaged culverts, installation of double line culverts at two points and Construction of 180 metres embankment	As of June 2016, the works had been completed. However, the embankment was poorly done resulting in it being eroded and sinking. As a result only small vehicles could use the culvert.	The Controlling Officer submitted that Chinsali Municipal Council had been advised to award projects to reputable companies to ensure public resources were put to good use and benefit of the Community. Further, Chinsali Municipal Council will report the matter to CDC for Further allocation of resources
	Completion of a staff house at Kasanta Primary school	20,000	20,000	Fitting of doors and windows, glazing, flooring, plastering and painting	As of June 2016, the project had not been completed as painting of final coat and fitting of three (3) doors had not been done and the contractor had not been on site since December 2015.	The Controlling Officer submitted that Chinsali Municipal Council had since been advised to allocate adequate funds to projects to had projects completed on time.
	Completion of a 1x2 CRB at Pulwila Community school	24,000	18,600	Reinforce the wall from window level to gable level with concrete, roofing and plastering	As of June 2016, the contractor had constructed three (3) courses to gable level without constructing a lintel and had mounted timber trusses on a 1 x 2 CRB with all other works outstanding.  The works had stalled since February 2016.	The Controlling Officer submitted that Chinsali Municipal Council had been advised to assess contractors' track records to avoid engaging unqualified contractors. Further, Chinsali Municipal would recommend for further allocation of resources once the CDC was constituted and redo the poorly constructed works.

	Rehabilitation of two (2) staff houses at Chilunda Primary school	31,000	25,650	Plastering, glazing, flooring, painting and roofing	The works had not been completed as of June 2016 as glazing and painting of the skirt had not been done and works had stalled since January 2016.	The Controlling Officer submitted that Chinsali Municipal Council managed to get the contractor back on site and the observed shortcomings had since been worked on and the same was available for verification.
	Rehabilitation of a 1 x 2 CRB at Ngumbo Community school	40,000	36,000	Mending of cracks, roofing, plastering, painting, flooring and fitting of a door at the office	As of June 2016, plastering and painting had not been done. It was also observed that: The floor was poorly done and was peeling off cracks were poorly mended and several had re-developed	The Council Secretary submitted that Chinsali Municipal Council had terminated the Contract and the matter will be reported to CDC once the Committee was constituted for possible allocation.
Nakonde	Construction of a 1 x 4 CRB at Donald Siwale Secondary school	40,000	34,450 (Materials)	Construction from foundation to gable level	A physical inspection carried out in October 2016 revealed that half of the CRB was at foundation level while the other half was at ring beam level with all other works outstanding and the contractor was not on site.	The Controlling Officer submitted that the project was 100percent complete. The matter was recommended for closure after audit verification. The completion certificates and a status report from the Office of the Auditor General were available for verification.
	Construction of soak away and wiring of two (2) staff houses at Mwenzo Rural Health centre	21,105	18,040 (Materials), 3,000 (Labour)	Connection of septic tank to the houses, glazing, fitting of doors, wiring, installation of	As of October 2016, only flooring of one house and fitting of doors had been done. The outstanding works included flooring in the other house, glazing, connection of septic tank, painting, wiring and installation of electrical fittings.  It was observed that the contractor had been paid	The Controlling Officer submitted that the project was 100percent complete. The matter was recommended for closure after audit verification. The completion certificates and a status report from the Office of the Auditor General were available for verification.



				electrical fittings and painting	the whole labour contract sum although he had not completed the works and one house had been wired by an occupant who used his own money.	
	Completion of a 1 x 2 CRB at Nchenga Basic school	35,801	29,750 (Materials)	Flooring, beam filling, roofing, plastering, glazing, fitting of window frames, door frames, air vents and doors.	A physical inspection carried out in October 2016, revealed that although most of the works were done, some of the glass panes had not been fitted.	The Controlling Officer submitted that the project was about 98 percent complete with the only outstanding works being 15 glass panes that were yet to be fitted. The remaining work would be done in the next CDF allocation.
	Completion of a 1 x 4 CRB at Waitwika Secondary school	40,373	32,800 (Materials)	Construction of block work from slab to wall plate	As of October 2016, two (2) classrooms were at lintel level while the other two (2) were at foundation level.	The Controlling Officer submitted that the project was 100percent complete. The matter was recommended for closure after audit verification. The completion certificates and a status report from the Office of the Auditor General were available for verification.
	Completion of a 1 x 3 CRB at Ntindi Secondary School	46,908	30,935 (Materials)	Roofing and fitting of window frames and door frames	As of October 2016, fitting of ridges on the roof and fitting of window and door frames had not been done.	The Controlling Officer submitted that the project was 100percent complete. The matter was recommended for closure after audit verification. The completion certificates and a status report from the

						Office of the Auditor General were available for verification.
Isoka	Completion of a 1 x 3 CRB at Chinyansi Secondary school	30,000	23,415 (Materials and transport)	Construction from slab level to wall plate level and fitting of window frames and door frames	As of October 2016, the structure was at Ring Beam Level with the lintel done.  The outstanding works included fitting of windows and door frames. It was observed that there was no concrete poured on the foundation.	The Council Secretary submitted that works stalled due to the mopping of funds by Ministry of Finance. However, the Council through the Ministry had written to the Ministry of Finance on the reimbursement of funds for the project.
	Construction of a Culvert at Chinyonga stream in Milongo	49,000	31,850	Erection of spam, wing walls, compacting, back filling	A physical inspection carried out in October 2016, revealed that wing walls had been done. The outstanding works include; erection of spam, compacting and back filling.	The Controlling Officer submitted that the project was 100percent complete. The completion certificates were available for verification.
	Completion of a Health post at Katyetye	35,000	26,090 (Materials and transport)	Building from window level to wall plate, plastering, painting, flooring, glazing, fitting of window and door frames, doors, roofing and construction of a Drainage	Although the works had been completed, the structure was not in use. It was also observed that the floor Screed was poorly done hence cracks had developed on the floor and one (1) window was poorly fitted as a result it could not open.	The Controlling Officer submitted that the project was 100percent complete and is now in operation. The completion certificates were available for verification.

	Construction of a water kiosk at Mwaiseni	25,000		Construction of sub and super structures, fitting of water pumps, mounting of 3,000 litres capacity tank and connection of power	As of October 2016, the water pump, had not been fitted.	The Controlling Officer submitted that the contractor had since fitted the water pump and the water kiosk was now operational.
	Construction of a water kiosk at Tusunkane Market	29,000		Construction of sub and super structures, fitting of water pumps, mounting of 5,000 litres capacity tank and connection of power	As of October 2016, the works were outstanding as fitting of water pump, water connection and connection of power had not been done.  It was further observed that: the contractor had erected a tank stand instead of constructing a pump house without variation authority that a 3,000 litres tank was fitted instead of 5,000 litres. There was no evidence that the full Council approved the installation of a tank with less capacity.	The Controlling Officer submitted that all the outstanding works had since been completed as fitting of the water pump, water connection and connection of power was done. Furthermore the contractor was directed to erect a 3,000 litre tank in response to the letter which the Council received from the contractor on the variation. There was no mention of a pump house in the contract and scope of works but a super structure
Mpika Central	Construction of a Culvert bridge at Chiponya	25,000	22,760	Installation of 600m culvert rings, 2 metre	A physical inspection of the site carried out on 31 May 2016 revealed that the bridge was constructed on a portion where there was no	The Controlling Officer submitted that Mpika Council did not allocate adequate funds for the project up to completion stage The culvert was constructed

				width, 7 metres length and slab 100 mm thickness	road. It was not possible to check the works as the place where it was installed was bushy and impassable rendering the works wasteful.	at a new site where the new road was to pass. The project was at first phase 1 where the slab and culvert rings had been laid. The Mpika Council had planned that the project be funded in the next CDF allocation in order to complete it.
	Construction of Misoshi Culvert Bridge	25,000	24,855	Installation of 600mm culvert rings, 2 metre width, 7metres length and slab 100 mm thickness	Although the bridge was in use, it was observed that the head walls had not been constructed.	The Controlling Officer submitted that Mpika Council allocated K25, 000 towards the project which was inadequate to include the construction of the head walls. The remaining works would be done in the next CDF allocation.
	Construction of a culvert bridge at Malashi	25,000	24,951	Installation of 600mm culvert rings, 2 metre width, 7 metres length and slab 100 mm thickness	As of June 2016, the works had been completed. However, it was observed that the embankment and back filling were poorly done. As a result, the deck was steeping in.	The Controlling Officer submitted that Mpika Council had since requested the contractor to redo the works.

<b>NORTHERN PROVINCE</b>						
<b>Constituency</b>	<b>Project</b>	<b>Amount Allocated</b>	<b>Amount Spent</b>	<b>Scope of works</b>	<b>Status</b>	<b>Management Response</b>

		<b>K</b>	<b>K</b>			
Lupososhi	Construction of one (1) Staff House at Mapulanga Rural Health Centre	111,000	K44,153 from initial Contract and K26,800 from the second Contract	Construction of the superstructure, metal works, roofing, carpentry works and finishes works among others	<p>As of October 2016, the trusses had been placed with roofing partially done. The outstanding works included metal works, carpentry works and finishes which include plastering, painting among others.</p> <p>Further, according to the letter of Termination dated 24<sup>th</sup> August, 2015, the initial contractor Educwere Enterprises was required to pay back to the District Council K7,482.18 arising from advance.</p> <p>Further, according to the letter of termination dated 24<sup>th</sup> August, 2015, the initial</p>	<p>The Controlling Officer submitted that the Council engaged another contractor Crambus</p> <p>General Dealers who had taken over works and completion was set for 30<sup>th</sup> June 2017. However, the Council had not yet recovered the money from the first contractor and efforts were being made to recover the money.</p>

					<p>contractor Educwere Enterprises was required to pay back to the District Council K7,482.18 raising from advance payment.</p> <p>However as of May 2016, the funds had not been recovered by the Local Authority.</p>	
Lubansenshi	Construction of 1X2 CRB at Jeke Primary School	150,000	81,479	Construction of the sub structure, superstructure, metal works, roofing, carpentry works and finishes such as plastering and painting works among others.	As of October 2016, the classroom block was at roof level with the Trusses mounted. The door and window frames had been fitted while the following works were still outstanding: roofing, carpentry works and finishes such as plastering and painting works among others.	The Controlling Officer submitted that the contractor went back to site and completed all the works that were outstanding in April 2017 and it was being used by the school.
Lubansenshi	Construction of 1X2 CRB at Chilekwa	150,000	112,453	Construction of the sub structure, superstructure	As of October 2016, the structure was at gable level with the following	The Controlling Officer submitted that the first contractor was terminated due

	Primary School			e, metal works, roofing, carpentry works and finishes such as plastering and painting works among others.	works still outstanding: roofing, finishes carpentry such as works plastering and painting works among others. The contractor had abandoned the site.	to abandonment of site and the contractor could not work according to the work schedule. A new Contractor by the name of Auntie Grace had been engaged and took possession of the site in April 2017. The works were currently at roof level.
Lubansenshi	Construction of a Farmers' Association Office block	30,000	25,470	Construction of a Farmers' Association Office up to the concrete slab level.	As of October 2016, the foundation had been dug and footing casted and the pillars were mounted on the sides and works had since stalled despite the building materials being procured by the Council.	The Controlling Officer submitted that this was a two phased project and the first CDF funding was used to construct up to window level. The 2017 CDF would be used to complete the structure.
Lubansenshi	Construction of a Staff House at Kasunga Primary School	60,000	20,866	Construction of the sub structure, superstructure, e, metal works, roofing and carpentry works among others.	As October 2016, the staff house was at window stay with the following works still outstanding: completion of the superstructure, metal works, roofing and carpentry works among others.	The Controlling Officer submitted that trusses had been put and awaiting roofing and the roofing sheets were already on site. The expected completion date

						was 30 <sup>th</sup> June 20107.
Lubansenshi	Construction of a Staff House at Mucheleka Health Post	60,000	23,919	Construction of the sub structure, superstructure, metal works, roofing and carpentry works among others.	As of October 2016, the staff house was at slab level with the following works still outstanding: sub and super structure, metal works, roofing and carpentry works among others	The Controlling Officer submitted that the staff house at Mucheleka Health Post was at gable level and all materials were on site for completion. The project was scheduled to be completed by 30 <sup>th</sup> June 2017.
Lubansenshi	Construction of a Staff House at Makolongo Primary School	60,000	27,350	Construction of the sub structure, superstructure, metal works, roofing and carpentry works among others.	As of October 2016, the staff house was at wall plate level with the following works still outstanding: metal works, roofing and carpentry works among others.	The Controlling Officer submitted that the staff house at Makolongo Primary school had since been roofed and works the remaining works would be completed by 30 <sup>th</sup> June 2017.
Mpulungu	Construction of 1X3 CRB at Kasakalawe Primary School	35,000	31,350	Construction of the sub structure, superstructure up to roof level only	As of October 2016, all the building materials had been delivered to the school. The Classroom Block was at ring beam level and the lintel had been	The Controlling Officer submitted that the construction of Kasakalawe Primary School was a joint project between the Council and the Ministry of



					placed on the front half of the Structure with other remaining works still outstanding	Education. The contract stated that the Council was required to construct to up to wall plate level and thereafter the Ministry of Education would complete the project. The Council had completed its part and the project was at wall plate level.
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<b>COPPERBELT PROVINCE</b>							
<b>Constituency</b>	<b>Project</b>	<b>Allocated Amount K</b>	<b>Contract sum K</b>	<b>Total Spent K</b>	<b>Scope of works</b>	<b>Observation</b>	<b>Management Response</b>
	Construction of offices for Chililabombwe District Police	250,000	241,122	224,010	Construction of substructure, concrete works, block work, roofing, metal works, electrical installations and plastering	As of October 2016, the works had not been completed as per contract. However plastering, flooring, fitting of ceiling board, electrical installations, fitting of doors and window panes had not been done as these were not included in the contract.	The project was not yet completed because the allocated funds of K250, 000.00 were not enough. The Council was waiting for phased funding to complete the remaining works.

Chililabombwe	Rehabilitation of Lubengele Community Hall	150,000	184,162	Contractor is yet to be paid as of May 2016.	Painting, plumbing works, carpentry, ironmongery and carpentry	As of October 2016, the works had not been completed with the following works outstanding: fitting of ceramic floor tiles was only partly done, fitting of propeller fans for ventilation, fitting of window panes, reconstructing of the stage and landscaping	The Contractor moved on site but was too slow to complete the project within the contract period agreement the Council had since recommended termination of the Contract. The contractor would only be paid for the works done as the Council was awaiting the Ministry of Finance to reimburse the funds which were mopped.
	Construction of Kawama bridge in Chililabombwe District	100,000	137,785	100,000	Site establishment works, earth works, concrete works, form work for headwalls and concrete under culverts	As of October 2016, the works had been completed. It was however observed that cracks had developed on the head walls and lifting of the embankments on both sides of the road had not been done	The contractor was written to by the Council to work on the defects. He had not responded. Council would go ahead to work on the defects since 10percent retention on defects liability amount had not yet been paid.

	Construction of an ablution block at Makofi Market	70,000	69,174	62,257	Substructure, superstructure, carpentry and joinery, roofing, metal works, glazing, finishes, painting and plumbing works.	As of October 2016, the ablution block had not been completed as the following works were still outstanding: Allow for connection to new water connection point, supply and fix 100mm diameter PVC vent pipe including grating, allow for sewer line in PVC pipe including all excavation and back fill and allow for construction of a shower including all water pipes, riser pipes, waste plate and all water waste disposal.	The project was now 100percent complete handed over to the community awaiting commissioning.
	Rehabilitation of Kamenza Market Shelter	150,000	46,034	100,000	Steel work, concrete works, electrical works, plumbing and civil works and other works.	As of October 2016, the structure had not been completed as electrical works were still outstanding.	About 95percent of the works had been done and Payment to ZESCO. The Council was waiting for the power connection and the replacement of the faulty prepaid meter.

<b>LUSAKA PROVINCE</b>						
<b>Constituency</b>	<b>Project</b>	<b>Allocated Amount K</b>	<b>Amount Spent K</b>	<b>Scope Works</b>	<b>Observations</b>	<b>Management Response</b>
Chongwe	Construction of 1x2 CRB at Chongwe Primary School.	K160,082	K169,056 (Materials K148,656) (Labour K20,400)	Construction of 1x2 CRB	As of October 2016, the structure had been completed. However, the floor was peeling off and the liability had expired.	The Controlling Officer submitted that the classroom block was completed and handed over to the school in 2015 and was currently in use. However, the Council acknowledged that the floor was peeling off,
	Construction of 1x5 CRB at Daughters of the Redeemer	K155,677	K166,136 (Materials K148,136) (Labour K18,000)	Construction of 1x5 CRB	As of October 2016, the structure had been roofed and interior plastered. The following works were outstanding: plastering on the exterior walls, fitting of doors and windows, painting and external works.	The Controlling Officer submitted that works stalled due to the mopping of funds by Ministry of Finance. However, the Council through the Ministry had written to the Ministry of Finance on the reimbursement of funds for the project.
	Construction of a staff house at Antioch Central Community School.	K29,596	K25,857 (Materials K20,129.23) (Labour K5,728)	Construction of Staff House	As of October 2016, the structure had been completed. However, the apron and the pillars to support the veranda had not been done as they	The Controlling Officer submitted that the Council would seek authority from the CDF Committee to complete the works that were not in the

					were not in the contract.	contract using the balance of the CDF funds from the same project. However, these funds were now not available as they were mopped by the Treasury.
	Construction of 1x4 Two (2) Bedroomed Flats at Chiyabale Primary School	K32,238	K31,767 (Materials K29,767)  (Labour K2,000)	Construction of 1x4 Two (2) Bedroomed Flats	As of October 2016, the structure had been roofed with outstanding works being painting of the exterior walls. It was also observed that the plastering and roofing were poorly done.	The Controlling Officer submitted that the Council would allocate more funds from the 2017 CDF allocation to complete the remaining works.

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

Your Committee observes with concern the inordinate delays by the Councils in implementing the funded CDF activities and also the failure to allocate enough funds to projects that were identified. Your Committee also observes that the Office of the Secretary to the Treasury mops funds without being remitted back in preceding years which is a source of worry as ongoing projects may not be completed. Furthermore, your Committee observes that there is poor workmanship on most of the CDF funded projects due to lack of supervision and monitoring on the projects. Your Committee, therefore, strongly recommends the following:

- i. that the Councils must allocate enough funds to projects in order to see them up to completion;
- ii. the Secretary to the Treasury to ensure that particular attention is taken to include figures relating to accrued amounts on CDF in every budget and also that funds are released within the first quarter to allow for the procurement processes to be done in time;
- iii. the Councils to use the monitoring funds allocated to them from the CDF funds towards monitoring of projects to eradicate poor workmanship on projects;
- iv. the Government to consider increasing the CDF in order to allow for more projects to be completed within the parliamentary calendar to avoid stalling works due to new priorities by other political leaders who take over offices;
- v. the Council Secretary is directed to take action against all erring contractors and without any further delay; and
- vi. all outstanding works on contracts must be completed as well rectifying the defects that have been observed on finished works.

## **Overall Recommendations**

The following are the overall recommendations:

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

- vii. the Councils should develop Information Communication Technology (ICT) policies to provide guidance on the acquisition of ICT equipment and software.

The Secretary to the Treasury submitted that the recommendations made were noted and further added that the Treasury through the Council Secretary in charge of Local Government shall ensure that all Councils undertook the following:

- adopt and fully implement the International Public Sector Accounting Standard (IPSAS) within two (2) years;
- all Councils should adhere to *Local Government Act* by preparing annual financial statements within the stipulated timeframe for the Minister in charge of Local Government to appoint auditors to audit the accounts;
- all Councils should develop Strategic Plans to clearly provide a strategic framework on how the Councils intend to achieve their goals and vision;
- all the Councils should develop Risk Management Policies to manage the various risks that may affect their operations and internal controls that are responsive to identified risks;
- local authorities should develop strategies that will enable them generate sufficient resources to sustain their operations and remove their dependence on Government funding; and
- all Councils should develop Information Communication Technology (ICT) policies to provide guidance on the acquisition of ICT equipment and software in line with the central Government e- governance policy.

With respect to the need to fill the staff vacancies in the Councils with qualified staff, the Secretary to the Treasury informed your Committee that his office shall engage the Local Government Service Commission to speed up the processes of recruitments and replacements.

He submitted that the Treasury would follow-up on all the highlighted weaknesses so that they were resolved in order for the Local Authorities to meet their objectives to efficiently and effectively deliver to the expectations of the Zambian citizens.

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

Your Committee noted the submission, but does not accept the fact that arrears on CDF shouldn't accrue to running projects. Your Committee directs the Secretary to the Treasury to devise a way of prioritising the release of CDF in an attempt to reduce or avoid huge sums of money being mopped at the end of the financial year end. Your Committee is of the view that these funds be released in the first quarter of every year to allow for procurement processes to take place within the period intended. Your Committee also demands that the Secretary to the Treasury must devise ways and means of preparing Financial Quarterly reports.

## PART III

### FOREIGN TOUR REPORT OF THE COMMITTEE ON LOCAL GOVERNANCE HOUSING AND CHIEFS AFFAIRS TO UGANDA FROM 12<sup>TH</sup> TO 18<sup>TH</sup> FEBRUARY, 2017

#### 1.0 INTRODUCTION

Your Committee met various stakeholders to understand the Public Financial Management systems in the Local Government of Uganda and also its accountability mechanisms in the Local authorities. Some of the stakeholders whom your Committee met included; the Committee on Local Governance and Public Service, the Local Government Accounts Committee, the Accountant General's Office, the Auditor Generals' Office, the Ministry of Local Government and the Ministry of Public Service. To fully appreciate the Local Government Financial Systems in place in Uganda, your Committee was enlightened about the decentralization which took place in Uganda in the early 1990s.

#### 2.0 DECENTRALISATION

Your Committee learnt that Uganda adopted devolution as one of the forms of decentralization in 1992 through enactment of the *Local Council Resistance Statute and the Constitution of the Republic of Uganda* in 1995. The Ugandan Government devolved a wide range of powers, functions and responsibilities to various levels of local government and administrative units. These are political, legislative, fiscal, planning and budgeting, judicial and administrative. Therefore, Uganda's development and the welfare of her people was best realised through democratic decentralisation. This policy was a key vehicle for improving service provision and local economic development through devolution of planning, budgeting, financial Management and devolution of Management powers and responsibilities to popularly elected local governments.

Your Committee also learnt that Decentralisation in Uganda had been primarily associated with service provision. Local Economic Development (LED) policy objective was added in 2006, to link it to wealth creation and poverty reduction, in order to make a real difference in people's overall wellbeing. Decentralisation was also an instrument for shifting attitudes, developing and deepening skills and competencies, and engaging multiple stakeholders in the development process.

According to the stakeholders, the policy of decentralisation in Uganda had been implemented for over twenty years and was generally regarded as successful.



## **2.1 Fiscal decentralization**

Your Committee also learnt that Uganda's fiscal decentralization was supported in the early 1990s, by devolving responsibility to the local level to collect local taxes and fees. Grant transfers were allocated from the central budget to finance majorly key priority service delivery responsibilities at the local level.

However, the stakeholders in the sector namely ministries, development partners, departments and agencies, civil society and local governments were concerned about the low level of financing which was affecting service delivery in the key sectors of education, health, water, roads and agricultural production. The trend of grants to local governments was growing in reverse direction. Autonomy and discretion in planning and budgeting by local Councils was diminishing and local government capacity to implement local economic development was still very weak.

Your Committee learnt from the stakeholders that the wage component as a percentage of total grant transfers to local governments had been growing over time from 41.6 percent in the Financial Years 2000/01 peaking at 66.8 percent in Financial Years 2014/15, and levelling at 60.3 percent in Financial Years 2016/17. The significant increase had been attributed to increase in number and salaries for medical workers and primary/secondary school teachers and the expansion in administrative costs caused by the creation of more districts, municipal Councils, town Councils and sub-counties.

## **3.0 HR AND ADMIN RELATED FUNCTIONS OF KEY PLAYERS IN LOCAL GOVERNMENT**

Your Committee further learnt that a separate personnel Management system was adopted by the Government at grass root level. This was to give meaning to decentralisation by ensuring that Local Government could acquire and manage its own staff. In the Ugandan Local Government setting, there were a number of key players whose functions needed to be better mapped for the smooth running and Management of the Human resources of the LGs.

### **3.1 The District Council**

*The Local Government Act CAP 243 of the Laws of Uganda* as their parent law provides that a District Council shall be the highest political authority within the area of jurisdiction of a local government and shall have legislative and executive powers to be exercised in accordance with the Constitution and this Act.

Like in Zambia, the District Chairperson monitors the general administration of the district; implementation of Council decisions, on behalf of the Council, oversee the performance of persons employed by the Government to provide services in the district, and also monitors the provision of Government services or the implementation of projects in the district.

### **3.2 District Service Commission**

Your Committee learnt that there is an established District Commission in charge of appointing persons to hold or act in any office in the service of a district or urban Council, including the power to confirm appointments, to exercise disciplinary control over persons holding or acting in such offices and to remove those persons from office.

Whereas in Zambia a centralized Local Government Service Commission and other Commissions at national level exists, Uganda has district service commissions in each of its districts, which in relation to their functions acts upon the request and submission of the relevant Councils. When considering recruitment of staff in the education or health services, the commissions use guidelines provided by the Education Service Commission or Health Service Commission. In the performance of its functions, a district service commission conforms to the standards established by the Public Service Commission. However, to reduce political interference, the Chief Administrative Officers and Town Clerks in districts and Municipals, respectively, are employed through the Ministry of Local Government.

Subject to *Article 166(1)(d) of the Constitution of Uganda*, the District Service Commission works independently and is not subject to the direction or control of any person or authority. The District Service Commission submits a report to the District Council and the Public, Education or Health Service Commission as may be applicable on the performance of its functions after every four months and whenever a report is required by the Council or the relevant service commission. The ruling of the District Service Commission on appeal is final except in the case where their ruling conflicts with the Public Service Commission standards.

## **4.0 FINANCIAL MANAGEMENT IN LOCAL GOVERNMENT AND LOCAL AUTHORITIES**

### **4.1 The Accountant General's Office**

The Office of the Accountant General in Uganda is the sole office which is tasked with the responsibility of ensuring that financial standards (regulations) are set and followed in the administration of public funds by all Government spending agencies including local authorities. This is unlike in Zambia where the Accountant General only sets standards limited to Ministries, Provinces and Other Spending Agencies (excluding municipalities which are guided by *the Local Government Act*). In principal, the system of funds disbursement for local authorities in Uganda is centrally managed through the Office of the Accountant General, but each entity is self accounting. Practically speaking, each local authority pays its staff and produces its own financial statements yearly which are consolidated centrally for auditing and reporting purposes. The Local Authorities also produces mid financial statements which are consolidated centrally, specifically, for budgeting purposes.

Unlike in Zambia, where all staff in local authorities are employed and deployed by the Local Government Service Commission, accounting, stores and procurement officers in the local authorities in Uganda are employed and deployed in their respective centres through the Accountant General's Office.

Apart from setting standards, the Office of the Accountant General is also responsible for the production of Treasury Memorandums (or Treasury Minutes) just like in Zambia. In accordance with their existing legislation, the Office of the Accountant General is expected to table before Parliament a Treasury Memorandum for a particular report 180 days (or 6 months) after the report of the Committee is adopted in the House. This is unlike in Zambia where a Treasury minute must be tabled before Parliament 60 days after the report of the Committee is adopted in the House. The other aspect on the Treasury memorandum in Uganda is that it is audited by the Auditor General before being submitted for tabling to Parliament as contrasted to Zambia where the Treasury Minute comes directly to Parliament for tabling unaudited.

The Office of the Accountant General also ensures that funds disbursements are well monitored through the IFMIS system. Plans are underway to roll the IFMIS System up to all its districts and county levels. So far, the system can only monitor electronically up to regional level (or Province as it is called in Zambia). Like in Zambia, the Ministry of Finance in Uganda uses a Single Treasury Account System, but in addition, the Office ensures that a cash flow statement framework is prepared and reviewed to monitor the flow of funds as and when it is needed. The cash flow statement is prepared every quarter to avoid failure and late disbursements.

#### **4.2 Types of Funds handled by Local Authorities**

The Ugandan Government gives to Local Authorities the following funds:

- *Conditional Grants* – these are funds with specific guidelines;
- *Un-Conditional Funds* – these are funds without any guidelines on where to spend it;
- *Equalisation Funds* – these are funds meant to enable Local authorities manage its shortfalls like statutory obligations etc. most Local authorities are only able to collect taxes equivalent to 5 percent of its budget; and
- *Special Grants* – are funds for specific huge projects and are centrally managed.

Other special funds issued directly to constituencies included the CDF. This was initially given to Members of Parliament to help them meet day to day needs, but was not adequate and hence was scraped off. MPs are now provided with enough funds to help them run the constituency issues through; Crafted Parliamentary Foras e.g UWOPA which provides funding on gender issues and others funding on climate change, children's issues etc.

## **5.0 ACCOUNTABILITY AND OVERSIGHT SYSTEMS IN PLACE**

### **5.1 Auditor General's Office**

In Uganda, it is a requirement going by *Article 163 (3) of the Constitution of the Republic of Uganda, Section 13, 16 and 19 of the National Audit Act 2008, Section 87 of the Local Government Act 1997 as amended and Section 51(4) of the Public Finance Management Act 2015* for the Office of the Auditor General (AG) to audit and report on Local Governments. Under *Section 82(4) of the Public Finance Management Act 2015*, the Auditor General is required to submit to Parliament by 31st December annually a report of the Accounts audited by him for the year immediately preceding.

This is unlike the Auditor General in Zambia whose report on Local Authorities is not time bound and hence he may chose to prepare it any time after the 31<sup>st</sup> December of the preceding year. The AG in Uganda audits the following entities under Local Government; 115 District Local Governments, 44 Municipal Councils, 174 Town Councils, and 1,189 sub-counties. As earlier mentioned, each of these is a self accounting unit bringing the total number to 1,522 accounting units across the country.

#### **The Standing Committee on Local Government Accounts**

This Committee is a Standing Committee set up at the start of a new term of Parliament and again after two and a half years. It consists of thirty-five Members of Parliament drawn from the backbench and lasts two and a half years. The Committee has powers of a High Court during its sittings. Among its permanent witnesses are the following Members: an Officer from the Auditor General's Office; the Police; an Officer from the Law Enforcement Agencies; Committee Researchers; Parliamentary Budget Officer; a Parliamentary Legal Officer and consultants. These also offer support to the Committee in addition to the incumbent Committee Clerk and the Assistants.

The Local Government Accounts Committee (LGAC) in Uganda considers the report of the Auditor General on Accounts of Local Government and its auxiliary functions. The Committee

also considers special reports from all the 1,522 accounting units but delegates some of its functions to District Public Accounts Committees. The LGAC holds its sittings in the regions covered by the report from time to time.

In cases where the District PAC handles any of the Auditor General's Reports, its recommendations are tabled in Parliament through the Local Government Accounts Committee. The Committee also considers a Treasury Memorandum for a particular report which has been tabled before Parliament prior to being audited by the Auditor General's Office. Although not stated in any standing orders, but adopted as a practice, the Committee disposes off all its outstanding queries within a period of two and a half years so as to reduce on backlogs.

## **6.0 Other Control Measures Put in Place**

Like in Zambia, all spending agencies in Uganda have a fully fledged internal audit function. This is to ensure that internal controls are enhanced in the spending agencies.

In addition, the local authorities have the district inspectors who ensure that they monitor and check quality of all activities and construction works in a particular district of their jurisdiction.

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

After interacting with the key stakeholders during its tour, your Committee observes and makes recommendations as set out below.

- The appointment of all accountants in local authorities through the Office of the Accountant General was good for enforcing accounting standards;

The Executive must, therefore, consider reviewing its Public Finance Act to ensure that the appointment of all Accountants and Internal Auditors in Local Authorities in Zambia be done through the Office of the Accountant General so as to enforce strict adherence to accounting standards and Financial Regulations;

- Your Committee observes that funding to local authorities is quite limited due to the emerging demands and new creation of districts without corresponding budgetary allocations, hence, exerting pressure on the available resources.

It is therefore strongly recommended that the Government must consider increasing funding to local authorities to enable them fulfil all their obligations and emerging demands;

- It was a good practice to send a Treasury Memorandum to the Office of the Auditor General for auditing before being tabled in Parliament. It is further observed that the Reports of the Auditor General on Accounts of Local Authorities, currently, have no specific time frame for tabling in Parliament;

The executive is urged to consider changing existing laws so that Treasury Minutes are audited by the Office of the Auditor General before being tabled in Parliament. The Executive is further urged to consider changing existing laws so that the yearly Reports of the Auditor General on Accounts of Local Authorities are tabled by 31<sup>st</sup> December annually for the year immediately preceding (Currently, this report in Zambia has no specific time frame);

- Local authorities are not adequately staffed as most of their staffing levels ranged from 25% to 65%. Despite this percentage, 80% of the filled posts comprised mostly support staff. There is lack of capacity in the accounts department at local authorities which requires adequate training to enable them administer funds in accordance with existing standards. Further, it is observed that there is rampant acting status for heads of department in most local authorities. Furthermore, there is, generally, a high rate of employee turnover in local authorities due to lack of retention incentives in most technical positions;
- With the growing demand for service provision and workload, the executive is strongly urged to consider increasing capacity in local authorities especially in preparing them for fiscal decentralisation. The Zambian Government must consider offering incentives to officers in local authorities working in rural parts of the country in order to encourage their retention facility and also attract skilled manpower in these areas;
- The decentralisation of all key functions including political, legislative, fiscal, planning and budgeting, judicial and administrative is a sure way to expedite development in rural areas of the country; and
- The Zambian Government should consider expediting the processes of decentralisation of all key functions including; political, legislative, fiscal, planning and budgeting, judicial and administrative in order to expedite development in rural areas of the country.

## **7.0 CONCLUSION**

Your Committee wishes to pay tribute to all the stakeholders who appeared before it and made both oral and written submissions. It also wishes to thank you, Mr Speaker for your invaluable guidance throughout the Session. Your Committee also appreciates the services rendered to it by the Office of the Clerk of the National Assembly and her staff. Your Committee is confident that the observations

and recommendations contained in this report will be favourably considered and fully implemented by the Executive in the interest of the Zambian public.

M M Kabanda, MP

July, 2017

**CHAIRPERSON**

**LUSAKA**

## **Appendix 1**

### **List of Officials**

#### **National Assembly**

Mr S Kawimbe, Principal Clerk of Committee

Ms M K Sampa, Deputy Principal Clerk of Committee

Ms C Musonda, Senior Committee Clerk (FC)

Mr A Chilambwe, Committee Clerk

Mrs C K Mumba, Committee Clerk

Ms C R Mulenga, Committee Clerk

Mrs M H Mweele, Stenographer

Mr M Chikome, Parliamentary Messenger

