NYIMBA TOWN COUNCIL

Ministry of Local Government and Rural Development

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

Nyimba Town Council, P.O. BOX 570022, Nyimba.

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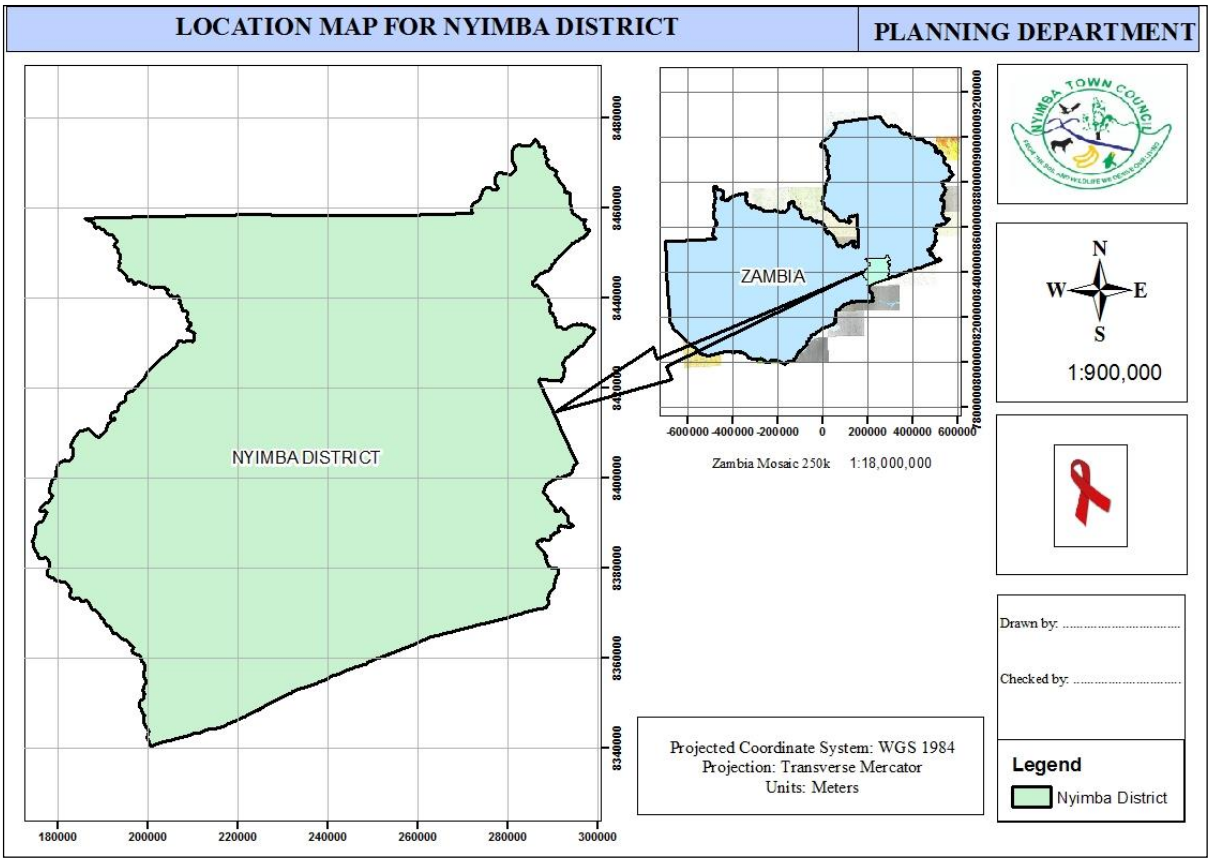
REPORT OF THE COUNCIL

The Council has the pleasure of presenting the report together with the financial statements for the year ended 31st December, 2018 which disclose the sources, utilization and balances of cash for Nyimba Town Council during the period under review.

Background and Location of the Council

The Council is located in Nyimba District, Eastern Province of Zambia on Great Eastern Road. The District is about 220 Km from Chipata City, the Eastern Province of Zambia and 340 Km from the Nation's capital, Lusaka. The latitudinal and longitudinal position of Nyimba District is 29^0 and 27^0 east and 15^0 and 17^0 south respectively.



District Profile

Nyimba District has an approximate surface area of about 10,468 sq. Km. It is divided into two landform segments, the plateau and the valley. The plateau is characterized by gently undulating relief with some hills. The lower Luangwa valley is characterized by rough landform. The terrain is rough with steep slopes and is bordered by hills to the east and escarpments to the west. The plateau spans from east to southeast, the valley from north to northwest, with the Luangwa River as a bordering physical feature. The valley is characterized by poor accessibility with several hills and mountains.

REPORT OF THE COUNCIL

The District has a total population of 85,025 segmented into urban and rural population with the growth rate of 2.5% per annum (CSO 2010). The urban population stand at 3,738 males and 3,928 females, while rural population stand at 38,254 male and 39,105 females (CSO 2010).

Political system and governance

Nyimba District is composed of thirteen (13) political wards and one (1) Parliamentary Constituency. Each of these wards is represented by a Councillor popularly elected by ward residents. The major role of Councillors is to make local policies and by-laws that promote and guide development activities in the District. The Council Chairperson is the political head of the Council while the Chief Executive Officer is the Council Secretary who is assisted by Chief Administration (Administration), District Planning Officer (Planning), Council Treasurer (Finance), and Director of Works (Works). In addition, the Council has 4 standing specific committees namely; Health Environment and Social Services Committee, Plans, Works, Development and Real Estates Committee Audit Committee, Finance, Human Resource and General Purposes Committee.

Traditional leaders in Nyimba District

Nyimba District has four (4) traditional Leaders; Senior Chief Luembe, Chieftainess Mwape, Chief Ndake, and Chief Nyalugwe. The township is in Chief Ndake area, Nyimba Central Ward.

Social Environment

The District is predominately occupied by the indigenous Nsenga people, with a mixture of other tribes from other districts namely Tonga, Bemba, Namwanga, Tumbukas. There is also a presence of foreigners such as Indians, Asians, Malawian and Mozambicans.

Culture and Ethnicity

There is one major cultural ceremony conducted yearly in the district known as Tuwimba ceremony. The major languages spoken in the district are English (official language), Nsenga, Nyanja, Bemba, and Chewa. The District follow patrilineal system of marriage, whereby women live with their husbands in the husband's home.

Religion

Christianity is the main religion in the district. About 90% of the people are Christians, 8% Muslims, 2% practices other forms of religion or the rest have no religion. Main Christian denominations are Seventh Day Adventist, New Apostolic, Roman Catholic, Faith, CCAP, Baptist, Jehovah's Witness, Pentecostal Assemblies of God, Bread of Life, United Church of Zambia and Reformed Church of Zambia.

REPORT OF THE COUNCIL

The address of the registered office of Nyimba Town Council (NTC) is as follows:

The Civic Centre

Great East Road

P.O Box 570022

NYIMBA.

Composition of the Council

Nyimba Town Council is a body corporate established under Article 152 of the Constitution of Zambia (Amendment) Act No.2 of 2016 and Section 6 of the Local Government Act, 1991 Cap 281 of the Laws of Zambia. As a Local Authority, the Town Council administers the Nyimba District.

The Council is composed of an elected Council Chairperson, thirteen (13) elected Councillors from thirteen (13) Wards, and three appointed (3) Chiefs as provided for under Article 153 (2)(c) of the Constitution of Zambia (Amendment) Act No.2 of 2016. The current Council was elected to office in 2016 to serve a five year term up to 2021. The Deputy Council Chairperson was elected from among the Councillors in 2016 for the period of two and half years.

The Councillors who held office during the year were:

S/N	NAME	GENDER	POSITION	WARD
1	Mackson Kapantha	Male	Council Chairperson	Not applicable
2	Chewe Katwamba	Male	Deputy Council Chairperso	Mombe
3	Davis Sakala	Male	Councillor	Lwezi
4	Ackson R Zulu	Male	Councillor	Kaliwe
5	Moses R Lungu	Male	Councillor	Ngozi
6	Gaston B Tembo	Male	Councillor	Vizimumba
7	Azele Miti	Male	Councillor	Mtilizi
8	Shelly M Sakala	Female	Councillor	Nyimba Central
9	Donald A Lungu	Male	Councillor	Chinambi
10	John TK Banda	Male	Councillor	Katipa
11	Moses A Tembo	Male	Councillor	Chamilala
12	Derrick Daka	Male	Councillor	Chinsimbwe
13	Mabvuto Phiri	Male	Councillor	Chiweza
14	Ivess Phiri	Male	Councillor	Luangwa
15	Ben Maponda Phiri	Male	Chief Ndake	Not applicable
16	Salatiele Ndhlovu	Male	Chief Nyalugwe	Not applicable
17	Serah Lungu	Male	Chieftainess Mwape	Not applicable

REPORT OF THE COUNCIL

The District also has one (1) elected Member of Parliament for Nyimba Constituency. The Member of Parliament that held office during the year was:

S/N	NAME	GENDER	CONSTITUENCY
1	Hon.Olipah Phiri	Female	Nyimba

The affairs of Central Government in the district are coordinated by the District Commissioner. During the year under review Colonel Peter Kunda Kaisa was the District Commissioner for Nyimba District.

The Council Secretariat

The Secretariat of Nyimba Town Council is headed by the Council Secretary. The Council Secretary is assisted by four (4) Heads of Department responsible for Finance, Planning, Works, and Administration and two (2) units namely Procurement and Internal Audit.

Functions of the Council

The main function of the Council is the delivery of local public goods and services to the people in the District and discharge all or any of the functions set out in Article 147 (2) (c) of the Constitution of Zambia (Amendments) Act No.2 of 2016 and Second Schedule of Cap 281 of the Laws of Zambia which include, among others, power to make By-Laws, power to make regulations, imposition of levies, fees and charges and to formulate local policies to promote, guide and regulate development in the district through various relevant departments of the Council.

Financial Results

	2018 Kwacha
Cash Receipts	10,151,267
Payments	9,269,773
Increase/(decrease) in Cash and Cash Equivalents	881,494

Key Policies Adopted During the Year

The Council adopted the following policies during the year:

- Upward adjustment of rentals by K200 from K 800 to K1,000 to cater for the increased cost of service delivery.
- Upward adjustment of the toilet fee by K1 from K2 to K3 to cater for the increased cost of service delivery.
- Upward adjustment of the abattoir fee for each cow by K50 from K50 to K100 to cater for the increased cost of service delivery
- Upward adjustment of the abattoir fee for each goat/sheet/pig by K15 from K15 to K20 to cater for the increased cost of service delivery

REPORT OF THE COUNCIL

Related Party Transactions
There was no related party transaction during the financial year.

Property, Plant and Equipment
The Council purchased property, plant and equipment amounting to K 1,498,084

No property, plant and equipment were disposed off during the year.

Intangible Assets
There were no purchases of intangible assets during the year.

Employees
The average number of employees during the year was ninety-seven (97). The total amount spent on employees' remuneration and welfare during the year was K4,719, 629.

Health and Safety of Employees
The Council is aware of its responsibilities regarding the safety and health of employees as prescribed in the Occupational, Health and Safety Act No. 36 of 2010 and took appropriate measures to safeguard their safety and health.

Recreation
The Council during the financial year incurred K35,600 towards sponsoring its team Nyimba Council Football Club.

Corporate Social Responsibility
The Council did not make donations during the year towards the support of various socially responsible causes.

Auditors
In line with Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016, the Council is audited by the Auditor-General.

By order of the Council.

NYIMBA DISTRICT COUNCIL
COUNCIL CHAIRPERSON
P.O. BOX 510022, NYIMBA

Signature:.....

Name: Cllr. Tembo

Position: Council Chairperson

Date: 27/07/2023

STATEMENT OF RESPONSIBILITIES FOR ANNUAL FINANCIAL STATEMENTS

The Nyimba Town Council is responsible for preparing the financial statements for the year ended 31st December, 2018 which are free from material misstatement, whether due to fraud or error, and are prepared, in all material respects, in accordance with the Cash Basis International Public Sector Accounting Standard (IPSAS). In preparing the financial statements, the Council selected applicable policies from Local Authorities Accounting Policies (LAAPs) of October 2019, and then applied them consistently, making judgment and estimates that were reasonable and prudent.

The Council is also responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The Auditor General has audited the financial statements and his report is shown on pages 8 to 10.

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with the Cash Basis IPSAS, the requirements of Cap 281 of the Laws of Zambia, the Public Finance Management Act No.1 of 2018 and Local Authorities Accounting Policies (LAAPs) of 2019.

The Council further accepts responsibility:

- for the maintenance of accounting records that may be relied upon in the preparation of financial statements,
- for designing, implementing and maintaining systems of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Nothing has come to the attention of the Council to indicate that the Nyimba Town Council will not [illegible] for at least twelve months from the date of this statement.

In the opinion of the Council, proper books of accounts were maintained to support preparation of Financial Statements that present fairly the financial results of the Town Council for the financial year ended 31st December, 2018.

Signed on behalf of the Council by; 27/07/2023

Name: Cllr. Temba Gibson

Signature:

Position: Council Chairperson

Name: Gibson Mwemba

Signature:

Position: Council Secretary

Name: Caphaes Simuko

Signature:

Position: Council Treasurer

NYIMBA TOWN COUNCIL TREASURER
27 JUL 2023
P.O.BOX 570922, NYIMBA

NYIMBA TOWN COUNCIL COUNCIL SECRETARY
P.O. BOX 570022, NYIMBA

INDEPENDENT AUDITOR'S REPORT

STAND No. 7951

HAILE SELASSIE AVENUE
LONGACRES

P.O BOX 50071

LUSAKA, ZAMBIA

E-mail: auditorg@ago.gov.zm

Website:www.ago.gov.zm

Telephone: +260252611/252771

To: The Minister – Ministry of Local Government and Rural Development

Report on the Audit of the Financial Statements of Nyimba Town Council

Opinion

I have audited the financial statements of the Nyimba Town Council for the year ended 31st December, 2018 which comprise the Statement of Cash Receipts and Payments, the Statement of Comparison of Budget and Actual Amounts, Statement of Cash Receipts and Payments for Local Government Equalization Fund and the Statement of Cash Receipts and Payments for Constituency Development Fund (CDF) and a summary of significant accounting policies and other explanatory information on pages 11 to 30.

In my opinion, the accompanying financial statements of Nyimba Town Council present fairly, in all material respects, its cash receipts and payments and balances for the year ended 31st December, 2018 in accordance with the Cash Basis International Public Sector Accounting Standard (IPSAS) and the Local Authorities Accounting Policies (LAAPs).

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Nyimba Town Council in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Code of Ethics together with the ethical requirements that are relevant to my audit of the financial statements in Zambia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the INTOSAI Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

INDEPENDENT AUDITOR'S REPORT

Emphasis of Matter

I draw attention to part 1.1 to the financial statements which describe the roadmap of the Council to adoption of Accrual Basis Financial Reporting Framework as result of which the Council has not

produced Accrual Basis type of financial statements required by the Local Government Act No. 2 of 2019.

My opinion is not qualified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Cash Basis International Public Sector Accounting Standard, the Local Government Act No. 2 of 2019, the Public Finance Management Act No. 1 of 2018 and Local Authorities Accounting Policies (LAAPs) of 2019, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

INDEPENDENT AUDITOR'S REPORT

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Dr. Ron M. Mwambwa, FCMA, FZICA, CGMA, CFE
ACTING AUDITOR GENERAL
OFFICE OF THE AUDITOR GENERAL

DATE: 04/08/2023

STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	2018 Kwacha
RECEIPTS		
Local taxes	**2**	46,852
Fees and Charges	**3**	1,784,318
Licences	**4**	6,625
Levies	**5**	345,038
Permits	**6**	12,630
Local Government Equalisation Fund	**7**	6,982,653
Constituency Development Fund	**8**	500,000
Other Grants	**9**	400,000
Borrowings	**10**	-
Commercial Venture	**11**	-
Other Receipts	**12**	73,151
TOTAL RECEIPTS		**10,151,267**
PAYMENTS		
Personal Emoluments	**13**	4,719,629
Use of goods and services	**14**	2,668,078
Financial Charges	**15**	-
Social benefits	**16**	-
Non-financial assets acquisition	**17**	1,498,084
Financial Assets	**18**	-
Loan Repayments	**19**	383,981
Other Payments	**20**	-
TOTAL PAYMENTS		**9,269,773**
Increase/(decrease) in Cash		**881,494**
Foreign Exchange Losses	**21**	-
Cash at beginning of the year		326,564
Cash at the end of the year	**22**	**1,208,058**

Incorporated in the payments recognised in this Statement are those for Local Government Equalisation and Constituency Development Funds. However, the details of payments under each of these Funds are presented separately in each Fund's own Statement of Cash Receipts and Payments.

Signature:.....

Position: Council Chairperson

Signature:.....

Position: Council Secretary

Signature.....

Position: Council Treasurer

NYIMBA TOWN COUNCIL
TREASURER
P.O.BOX 570022
NYIMBA

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

	Original Budget	Adjustments	Final Budget	Actual Amounts	% Performance	Variance	% Variance
	Kwacha	Kwacha	Kwacha	Kwacha		Kwacha	
RECEIPTS							
Local taxes	62,236	-	62,236	46,852	75%	(15,384)	**-25%**
Fees and Charges	2,224,871	-	2,224,871	1,784,318	80%	(440,553)	**-20%**
Licences	10,000	-	10,000	6,625	66%	(3,375)	**-34%**
Levies	706,950	-	706,950	345,038	49%	(361,912)	**-51%**
Permits	4,350	-	4,350	12,630	290%	8,280	**190%**
Local Government Equalisation Fund	7,596,128	-	7,596,128	6,982,653	92%	(613,475)	**-8%**
Constituency Development Fund	1,600,000	-	1,600,000	500,000	31%	(1,100,000)	**-69%**
Other Grants	300,000	-	300,000	400,000	133%	100,000	**33%**
Borrowings	-	-	-	-	0%	-	**0%**
Commercial Venture	-	-	-	-	0%	-	**0%**
Other Receipts	523,409	-	523,409	73,151	14%	(450,258)	**-86%**
TOTAL RECEIPTS	**13,027,944**	**-**	**13,027,944**	**10,151,267**	**78%**	**(2,876,677)**	**-22%**
PAYMENTS							
Personnel Emoluments	5,566,400	-	5,566,400	4,719,629	85%	(846,771)	-15%
Use of goods and services	5,103,460	-	5,103,460	2,668,078	52%	(2,435,382)	-48%
Financil charges	-	-	-	-	0%	-	0%
Social Benefits	-		-	-	0%	-	0%
Non-financial assets acquisition	1,938,084	-	1,938,084	1,498,084	77%	(440,000)	-23%
Financial Assets	-	-	-	-	0%	-	0%
Loan Repayments	-	-	-	383,981	0%	383,981	100%
Other Payments	420,000	-	420,000	-	0%	(420,000)	**-100%**
TOTAL PAYMENTS	**13,027,944**	**-**	**13,027,944**	**9,269,773**	**71%**	**(3,758,171)**	**-29%**
Increase/(Decrease in Cash	**-**	**-**	**-**	**881,494**		**881,494**	

The composition of budget adjustments and explanations of major variances are provided in note 23.

STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE LOCAL GOVERNMENT EQUALISATION FUND (LGEF) FOR YEAR ENDED 31ST DECEMBER 2018

		2018 Kwacha
RECEIPTS		
Funding	7 (a)	6,982,653
TOTAL RECEIPTS		**6,982,653**
PAYMENTS		
Operational Expenditure Payments:	7 (b)	
Salaries and Wages		4,719,629
Terminal Benefits		97,437
Utility bills		131,955
Service Provision		780,755
Goods and Services		-
Administrative Costs		-
Other Costs		-
Sub-Total		**5,729,776**
Capital Expenditure Payments:	7 (c)	
Infrastructure Development		862,055
Rehabilitation Works		10,597
Asset Acquisition		80,829
Other Costs		-
Sub-Total		953,481
TOTAL PAYMENTS		**6,683,257**
Increase/(decrease) in cash		**299,396**
Cash at beginning of the year		**-**
Cash at the end of the year		**299,396**

Note 7 explains the composition and other details relating to the various elements included in this Statement.

Note: The cash at the end of the year is as indicated in the following accounts:

District Fund A/C K43,781.48, Salaries A/C K26,967.12 and Capital Projects A/C 228,647.27.

STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE CONSTITUENCY DEVELOPMENT FUND (CDF) FOR THE YEAR ENDED 31ST DECEMBER 2018

		2018 Kwacha
RECEIPTS		
Funding	8 (a)	500,000
Other sources	8 (b)	-
TOTAL RECEIPTS		**500,000**
PAYMENTS		
Infrastructure Development	8 (c)	404,299
Rehabilitation Works	8 (d)	140,304
Asset Acquisition	8 (e)	-
Administrative Costs	8 (f)	11,276
TOTAL PAYMENTS		555,880
Increase/(decrease) in Cash		**- 55,880**
Cash at beginning of the year		**702,725**
Cash at the end of the year		**646,845**

Note 8 explains the composition and other details relating to the various elements included in this Statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of the Preparation of the Financial Statements

The Financial Statements have been prepared in accordance with Part 1 of Cash Basis IPSAS, *Financial Reporting under the Cash Basis of Accounting*, issued by the International Public Sector Accounting Standards Board (IPSASB) and Local Authorities Accounting Policies (LAAPs).
These financial statements have been prepared in accordance with the historical cost convention as the basis of measurement, unless specified otherwise.
The accounting policies have been applied consistently throughout the period.

1.1 Comparatives

In line with the Local Authorities Accounting Policies (LAAPs) and the Treasury and Financial Management Circular No. 10 of 2019 issued prior but applicable to finalisation of these financial statements, the starting point for preparation of financial statements using Cash Basis IPSAS *Financial Reporting under the Cash Basis of Accounting* is 2018. The IPSAS allows that in the year of first application, comparative financial statements for the previous year may not be included. In this regard, these financial statements do not include such.

1.2 Reporting Entity

The Financial Statements are prepared for Nyimba Town Council. The financial statements encompass the Council as specified under Cap 281 of the Laws of Zambia, Public Finance Management Act No.1 of 2018 and the Constitution of Zambia (Amendment), Act No. 2 of 2016. It also includes projects and activities of the Constituency Development Fund and the Local Government Equalisation Fund in the district.

1.3 Authorization Date

The financial statements were authorized for issue on 25th July 2023 by the Ordinary Council.

1.4 Revenue

Revenue is recognised when cash is received. It is generated from various sources as explained below:

a. Local Taxes

Article 161 of the Constitution of Zambia (Amendment) Act, 2016 authorises Nyimba Town Council as a Local Authority to levy, impose, recover and retain local taxes. Further, the Local Government Act, 1991 Cap 281 section 69(1) prescribes a system of local taxes by empowering Local Authorities to make by-laws imposing all or any of the following levies:

- A levy on leviable persons owning or occupying property or premises situated within the area of the council.
- A levy on leviable persons carrying on a business, trade or occupation within the area of the council.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A levy on the purchase or sale of a commodity within the area of the District. This includes levies on sale of livestock, grain and poles.

b. Fees or Charges

Section 70 (1) of the Local Government Act, 1991 as amended by Act 19 of 1992 empowers Local Authorities to impose fees or charges payable to the Council:

- For any licence or permit issued under any by-law or regulation made under the Act. These may include health permits, fire certificate licences, burial permits and extension of business hours permits.
- For any service or facility provided or goods or documents supplied by the Council in pursuance of or in connection with the discharge of any function of the Council. These may include survey fees, consent fees, building inspection fees, waste collection fees and parking fees.

1.5 Expenditure

Expenditure is recognised when payment is made for expenses incurred. The Council incurs expenditure relating to the discharge of its functions which includes expenses relating to personal emoluments, use of goods and services, social benefits and acquisition of non-financial assets.

Items of a capital nature are expensed at the time of payment and such transactions are depicted in the appropriate class and heading in the financial statements. Since capital expenditure is expensed when incurred, neither depreciation nor amortization is charged on non-current assets.

1.6 Reporting on Gross Basis

Transactions are reported on gross basis without netting off similar classes of receipts and payments. However, transactions may be reported on net basis when they relate to transactions the Council administers on behalf of other entities recognised in the Financial Statements.

1.7 Cash at the Beginning and End of the Year

Cash at the beginning and end of the year consist of cash on hand, demand deposits and cash equivalents held at such dates.

Cash on hand refers to notes and coins held by the Council at the reporting date and it includes petty cash and cash collections not yet deposited into bank accounts. Demand deposits consist of reconciled balances held in the Council's bank accounts which it can use on demand. Cash equivalents, on the other hand, refer to short term high liquid investments that can easily be converted to known amounts of cash and are subject to insignificant risk of change in values.
The Council recognises all short term high liquid investments having maturities of three months or less as cash equivalents.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.8 Local Government Equalization Fund

Article 163(2) of the Constitution of Zambia (Amendment) Act No. 2 of 2016 provides that Parliament shall annually appropriate monies to the Local Government Equalizations Fund which shall be disbursed by the Ministry responsible for finance to Local Authorities.

Receipts under LGEF supplement revenue generated by the Council. The Council uses at least 20% of the funds received from the equalization fund, in any financial year, to finance capital expenditure and the balance to meet operational expenses.

1.9 Constituency Development Fund

The Constituency Development Fund (CDF) was established under Article 162(1) of the Constitution of Zambia (Amendment) Act No. 2 of 2016. The fund was set up to finance micro-community projects for poverty reduction in communities and it is financed by monies appropriated by Parliament.

The administration of CDF is guided by Guidelines on the Management and Utilisation of Constituency Development Fund of 2016. The Council maintains separate bank accounts for each constituency. Transfers are made from CDF into constituency bank accounts from which payments are made to finance approved CDF projects.

1.10 Other Grants

These include grants in lieu of rates and support from Cooperating Partners. Grants in lieu of rates are paid by the Government to the Council to cover property rates of Government properties in the district. Support from Cooperating Partners may consist of cash receipts under bilateral and multilateral agreements.

1.11 Presentation Currency

The presentation currency is Zambian Kwacha (ZMW).

1.12 Foreign Currencies

Transactions in other currencies are converted into Zambian Kwacha using the ruling Bank exchange rates at the time of payment. Balances expressed in foreign currencies at the year-end are translated into Kwacha at the ruling rate then. The resulting difference from the conversion and translation are charged to the Statement of Cash Receipts and Payments.

1.13 Borrowings

Borrowings comprise actual cash inflows received from financial institutions, bilateral and multilateral institutions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.14 Budgets and Actual Amounts

A final budget includes all adjustments (supplementary and re-allocations) made to the original approved budget during the year. Supplementary budgets consist of additional provisions beyond what was originally approved while re-allocations are approved budget variations.

The approved budget is developed on the same accounting and classification basis, and for the same period as for the financial statements. All material differences between final budgets and actual amounts are explained in the notes to the annual financial statements. Budget differences of 20% and above are considered material.

NOTES TO THE FINANCIAL STATEMENTS

2. Local Taxes

During the year, the Council generated local tax cash receipts as follows:

Local Tax Type	2018
	Kwacha
Residential Rates	1,500
Industrial / Commercial Rates	20,184
Mining Rates	-
Personal Levy	25,168
TOTAL	**46,852**

The Council relied on the Valuation Roll updated.

3. Fees and Charges

The local authority generated cash receipts in form of fees and charges arising from offering various services as follows:

		2018
		Kwacha
Fees and charges	(a)	1,631,467
Land Development Charges	(b)	152,851
Total		**1,784,318**

NOTES TO THE FINANCIAL STATEMENTS

a. Fees and charges

The Council generated the following fees:

Fees and Charges Type	2018
	Kwacha
Building Inspection fees	950
Rentals/Lease of Council's properties	78,474
Application Form Fees	221,745
Rentals from houses	336,537
Market Fees	180,115
Bus Station Fees	489,223
Hire of halls	3,900
Refuse Disposal Fees	13,050
Notice of Marriage	2,150
Abbattoir/Meat Inspection Fees	75,156
Communication Mast Levy	83,800
Billboard and Banner	42,455
Ground rent	42,213
Change of ownership of plot	12,000
Other Fees and Charges/other income	49,699
TOTAL	**1,631,467**

b. Land Development Charges

The Council collected the following land development related charges:

Charges Type	2018
	Kwacha
Service charges - residential plots	111,656
Service charges - Industrial plots	20,000
Other	21,195
TOTAL	**152,851**

NOTES TO THE FINANCIAL STATEMENTS

4. Licenses

A total of K 6,625 cash receipts was raised from issuance of various licenses

Licence Type	2018
	Kwacha
Liquor Licence	900
Firearm and ammunition Licence	5,725
TOTAL	**6,625**

5. Levies

The Council generated cash receipts by charging levies as follows:

Type of Levy	2018
	Kwacha
Livestock Levy	4,279
Charcoal Levy	145
Business levy	271,520
Miscellaneous levies	69,094
TOTAL	**345,038**

6. Permits

The Council generated cash receipts from issuing various permits as follows:

Type of Permit	2018
	Kwacha
Health Permit	8,432
Permit for Opaque beer	2,525
Herbalist permit	1,150
Transportation of meat product	523
TOTAL	**12,630**

NOTES TO THE FINANCIAL STATEMENTS

7. Local Government Equalization Fund

Funding

	2018
	Kwacha
1st Funding, Jan 2018	632,677
2nd Funding	630,096
3rd Funding	632,677
4th Funding	630,096
5th Funding	632,677
6th Funding	670,096
7th Funding	-
8th Funding	632,677
9th Funding	630,521
10th Funding	630,521
11th Funding	630,521
12th Funding	630,090
TOTAL	**6,982,653**

a. **Operational Expenditure**

The Council applied amounts totalling K5,729,776 of LGEF receipts towards meeting operational expenses representing 82% of the total LGEF funding for the reporting period. These expenses are included in the amounts disclosed in notes accompanying the Statement of Cash Receipts and Payments.

b. **Capital Expenditure**

The Council applied amounts totalling K953,481 of LGEF receipts towards meeting capital expenditure. This represented 14% of the total LGEF received. This expenditure is included in the amounts disclosed in the notes accompanying the statement of receipts and payments.

c. **Councillors Allowances**

The Council paid Councillors allowances as shown in the table below;

No of Councillors	Monthly Councillors Allowance, Kwacha	No. of Months Paid	Total, Kwacha
18	54,000	12	648,000
	Total		**648,000**

NOTES TO THE FINANCIAL STATEMENTS

8. Constituency Development Fund

The various elements constituting Statement of Cash Receipts and Payments for CDF are analysed as follows:

a) **CDF Funding**

	2018
Constituency	**Kwacha**
Nyimba	500,000
Total Funding	**500,000**

b) **Other CDF Sources of Funding**

The Council did not have other CDF sources of funding during the year under review.

c) Infrastructure Development

	2018
Constituency	**Kwacha**
Nyimba	
Counstruction of Nyimba Council Library	147,507
Counstruction of Nyatubanda Community School	159,480
Counstruction of Nyimba Market Shelter	97,312
Total Infrastructure Develoment	**404,299**

Infrastructure development works included construction of Nyimba market shelter, Council Library and Nyatubanda Community School.

d) **Rehabilitation Works**

	2018
Constituency	**Kwacha**
Nyimba	
Rehabilitation of Mchimazi Primary School	64,758
Rehabilitation of Muliro Primary School	75,546
Total Rehabilitation payments	**140,304**

Rehabilitation works included renovation of Muliro Primary School and Mchimazi Primary School.

NOTES TO THE FINANCIAL STATEMENTS

e) Financial Asset Acquisition

No financial asset acquisition were acquired.

f) Administrative Costs

	2018
Constituency	**Kwacha**
Nyimba	11,276
	-
Total Other Costs	**11,276**

The administrative costs included project supervision and monitoring costs.

9. Other grants

During the year, the Council received the following grants:

Revenue Source	**2018**
	Kwacha
Grants in Lieu of Rates	400,000
Grants from Cooperating Partners	-
Other	-
TOTAL	**400,000**

10. Borrowings

During the year under review, the Council did not obtain loan from any bank.

11. Council Commercial Venture

In the year under review, the Council did not have any Commercial Venture**.**

12. Other Receipts

The Council realized other receipts from Way leave clearing, community contribution and other sources of income as shown below:-

Grade	**2018**
	Kwacha
Zesco wayleave	11,157
Community contribution	11,994
Others	50,000
TOTAL	**73,151**

NOTES TO THE FINANCIAL STATEMENTS

13. Personal Emoluments

Personal Emoluments consist of actual amounts of salaries and wages paid to staff of the Town Council. The Council had categories of staff that were paid as follows below:-

Grade	2018
	Kwacha
Salaries Division 1	1,385,460
Salaries Division 2	1,163,014
Salaries Division 3	883,934
Wages- Division 4	1,082,265
Other wages	204,956
TOTAL	4,719,629

14. Use of Goods and Services

General expenditure consists of expenditure incurred on administrative activities.

Expenditure Type	2018
	Kwacha
Office Running Costs	119,451
Building, Repair and Maintenance Costs	127,651
Plant, Machinery and Vehicle Running and Maintenance Cost	178,902
Other Administrative operating costs	327,138
Requisites	5,367
Services	1,482,849
Travel expenses	363,452
Training	38,459
Registration to prfessional bodies	18,500
Medical costs	6,310
Other costs	-
TOTAL	**2,668,078**

NOTES TO THE FINANCIAL STATEMENTS

15. Financial Charges

The Council did not pay any financial charges.

16. Social Benefits

Social benefits include payments towards death on duty, burial, and other benefits. During the year, the Council did not make any payment on social benefit.

17. Non-financial Asset Acquisition

Acquisition of assets involved the following payments:

	2018 Kwacha
Construction of Nyimba Council Library	147,507
Construction of Nyatubanda Community School	159,480
Construction of Nyimba Market Shelter	97,312
Construction of Nyimba Taxi Rank	145,586
Construction of Nyimba Council Motel	561,016
Grading of feeder roads	47,693
Construction of New Shops at the Bus Station	93,293
Construction of Nyimba East Market	14,468
Rehabilitation of Mchimazi Primary School	64,758
Rehabilitation of Muliro Primary School	75,546
Rehabilitation of Council Chamber	1,070
Rehabilitation of Nymba Slaughter House	2,855
Rehabilitation of Vikonde Market	4,892
Rehabilitation of Zwezwezwe road drainage system	1,780
Purchase of Tructor Trailer	80,829
TOTAL	**1,498,084**

18. Financial Asset

The Council did not acquire any financial assets.

19. Loan Repayments

The Council paid the principal amounts of loan obtained in 2017 as follows:

	2018 Kwacha
Loan repayment	383,981
TOTAL	**383,981**

20. Other Payments

These relate to sundry items. However, the Council did not make any payment for the same.

NOTES TO THE FINANCIAL STATEMENTS

21. Foreign Exchange Losses

These arise from transactions made in other currencies and determined by reconciling opening cash to closing cash balances.

22. Cash Balances

The Council's closing Cash balance amounts consisted of cash on hand, demand deposits and cash equivalents:

	2018 Kwacha
Cash on hand (a)	12,172
Demand Deposits (b)	1,195,886
Cash equivalents (c)	-
TOTAL	**1,208,058**

a. Cash on hand

The Council's cash on hand and petty cash:

	2018 Kwacha
Cash collections undeposited	12,172
Petty Cash	-
TOTAL	**12,172**

NOTES TO THE FINANCIAL STATEMENTS

b. Demand Deposits – Bank Balances

The Council had the following reconciled bank account balances as at 31st December 2018:

Account Name	Account No	2018 Kwacha
District Fund A/c	Indo -0152020000004	43,781
Salaries A/c	Indo-0152020000006	26,967
Capital Projects A/C	Indo-0152020000003	228,647
Service Provision A/c	Indo-0152020000053	28,561
Bus Station A/c	Indo-0152020000002	28,557
Nyimba Constituency A/c	Indo-0152020000007	646,845
Grader A/C	Indo-0152020000022	15,886
Housing A/C	Indo-0152020000014	25,102
Chiefs A/c	Indo-0152020000009	48,133
KFW Rural Water A/C	Indo-0152020000056	85,300
Rural Water Community Contribution A/C	Indo-0152020000021	1,471
NTC Rural Water Somap A/c	Indo-0152020000005	16,635
TOTAL		**1,195,886**

c. Cash Equivalents

The Council did not hold any cash equivalents at the end of the year.

23. Budget Adjustments and Variances

a. Budget Adjustments

The original budget was approved by the Minister responsible for Local Government on 14th February, 2018. There were no subsequent approved adjustments to the budgets.

b. Budget Variances

- **Local Tax**

The Council planned to raise K62,236 from local taxes but generated K46,852 resulting in a variance of K15,384 representing 25% of the budgeted amount. This was due to due to resistance by some leaseholders who objected to paying property rates. Lack of a vehicle for revenue collection exercise also contributed to the variance in question.

- **Fees and Charges**

The Council planned to raise K2,224,871 from Fees and Charges but generated K1,784,318 resulting in a variance of K440,553 representing 20% of the budgeted amount. This was due to due to reduced business activity.

NOTES TO THE FINANCIAL STATEMENTS

- **Licences**

The Council planned to raise K10,000 from Licences but generated K6,625 resulting in a variance of K3,375 representing 34% of the budgeted amount. This was because of the low crop harvest in 2018 and the ban of livestock movement. Lack of a vehicle for revenue collection exercise also contributed to the variance in question.

- **Levies**

The Council planned to raise K706,950 from Levies but generated K345,038 resulting in a variance of K361,912 representing 51% of the budgeted amount. This was because of the low crop harvest in 2018 and the ban of livestock movement. Lack of a vehicle for revenue collection exercise also contributed to the variance in question.

- **Permits**

The Council planned to raise K4,350 from permits but generated K12,630 resulting in a variance of K8,280 representing 190% of the budgeted amount. This was because the Council had introduced fire certificates in 2018.

- **Constituency Development Fund**

The Council expected K1,600,000 as constituency development fund from Central Government but only received K500,000 resulting into underfunding of K1,100,000 representing 69% of the budget.

- **Other Grants**

The Council expected K300,000 as other grants fund from Cooperating Partners but received K400,000 resulting into overfunding of K100,000 representing 133% of the budget. The variance is due to the nature of what constitutes other grants where the Council has no control over it.

- **Other Receipts**

The Council had budgeted to raise K523,409 from Other Receipts but generated K73,151 resulting into a variance of K450,258 representing 86% of the budget. The variance was due to non-receipt of the KWF funding (Donation) for rural water and sanitation programmes from the Germany country which was not granted to the Council in the year 2018.

- **Use of Goods and Services**

The Council had an expenditure budget of K5,103,460 for Use of Goods and Services but spent K2,668,078 resulting into a variance of K2,435,382 representing 48%. The variance was because the Council did not procure computer and peripherals and office materials as per the expenditure target due to austerity measures guidelines towards reducing expenditure and only spend on inescapable expenditures and only those of service provision nature.

- **Non-Financial Assets**

The Council had an expenditure budget of K1,938,084 for Non- Financial Assets Acquisition but spent K1,498,084 resulting into a variance of K440,000 representing 23%. The variance was because it did not procure the budgeted furniture in the year 2018 as per the expenditure target due to austerity measures guidelines towards reducing expenditure and only spend on inescapable expenditures and only those of service provision nature.

NOTES TO THE FINANCIAL STATEMENTS

- **Loan Repayments**

The Council had not budgeted for loan Repayments separately as it was budgeted for under Other Payments hence the variance of K383,981 representing 100%.

- **Other Payments**

The Council budgeted to spend K420,000 on Other Payments but no expenditure was incurred resulting into a variance of K420,000 representing 100%. The variance was as a result of having budgeted for loan repayments under this line whose expenditure was reported under the expenditure line of Loan Repayments.