



LUSAKA CITY COUNCIL

2018

**ANNUAL
FINANCIAL
STATEMENT**

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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 Lusaka City Council during the period under review.

Background

Lusaka City is situated 28.3228° east of the Greenwich Meridian and 15.3875° south of the Equator. The district has a surface area of 360 square kilometers. It is bordered by four districts namely; Chibombo to the North, Chongwe to the East, Kafue to the South east and Chilanga to the Southwest and West respectively. The City of Lusaka derives its name from a headman who was called "Lusaaka" and according to history settled in a swampy area now Olympia Park many years ago.

"Lusaaka" was a headman for the Soli-speaking people who are one of the seventy three (73) tribes found in Zambia. The Soli village which now makes central part of Lusaka was discovered in the early 1960's during the construction of the National Assembly Building. What has remained of the old village settlement is the Chakeluka Archaeological Site, declared as a national monument under Statutory Instrument No. 37 of 1972.

In the early 1900, a series of the private townships were developed on the north east on farms subdivided for the housing purposes, these include Villa Elisabetta (Farm 110A), Emmasdale (Farm 284A) and Thorn Park (Farm 90A) owned by Marrapodi. In 1916 the Village Management Board (VMB) boundary was extended to include Villa and Fairview.

In 1935 the colonial government decided to move the capital of Northern Rhodesia from Livingstone town located on the periphery of Northern Rhodesia to a more centrally located area. And from the shortlist, Lusaka was chosen.

Lusaka was planned for a population of 20, 000 white Europeans in 1935. The African population was housed into two compounds - old Kabwata and old Kamwala. The dominant notion was that the town dwelling was a temporary phase for the Africans and housing provision assumed that the majority would be made up of men without families, hence the one-roomed huts at old Kabwata, now Kabwata Cultural Village. This resulted in planning authorities to establish African housing areas.

Old Chilenje was built in 1945; the city boundary extended to take many peri-urban settlements. These included Kabulonga, Twin Palm, Roma and Chelstone; all developed townships in their own right with management boards.

In other more distant locations like Barlaston Park, Foxdale, Chamba Valley and Makeni sub-divided to provide plots for small holdings, the idea was intended to allow residents engage in small scale farming. This increased the city from 36 to 139 square kilometers. As a result, the population increased to 262,425 by 1970, 538,469 by 1980 and 1,103,413 by the year 2000.

Location

The Council is located in Lusaka District in Lusaka Province of Zambia, on Independence Avenue. The District is the Capital City of the Republic of Zambia and is the commercial centre of the Country. The latitudinal and longitudinal position of Lusaka District is 28.3228° east and 15.3875 ° south.

Lusaka District has a total area of 360 square kilometres (km²). The Census of Population undertaken by the Central Statistics Office in 2010 revealed that the population of Lusaka District had reached 1,747,152. The

central position of the city has made it to be one of the most important economic hubs of Zambia as it provides the market for the absorption of the agriculture produce from all provinces.

The address of the registered office of Lusaka City Council (LCC) is as follows:

The Civic Centre

Independence Avenue, Lusaka,

P O Box 30077

LUSAKA.

Composition of the Council

Lusaka City 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 City Council administers Lusaka District.

The Council is composed of an elected Mayor, thirty three (33) elected Councillors from thirty three (33) Wards, and two (2) Aldermen 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 Mayor was elected from among the Councillors in 2016 for the period of two and half years.

The said article also provides for up to three (3) chiefs selected from amongst chiefs in the District to represent them on the Council. However, Lusaka District has no chiefs; therefore, none is a part of the Council

The Councillors who held office during the year were:

S/N	NAME	GENDER	POSITION	WARD
1	Miles Bwalya Sampa*	Male	Mayor	Not Applicable
2	Christopher Shakafuswa	Male	Deputy Mayor	Mpulungu
3	Adrian Banda	Male	Councillor	Ngwerere ward 19
4	Brighton Bilumba	Male	Councillor	Kanyama Ward 10
5	Francis E. Bwalya	Male	Councillor	Lima Ward 26
6	Moses Bwalya	Male	Councillor	Kamwala Ward 9
7	Annie B. Chinyanta	Male	Councillor	Matero Ward 28
8	Longa G. Chiboboka	Male	Councillor	Kabwata Ward 6
9	Chomba Kasongo	Male	Councillor	Kalingalinga Ward 31
10	George Daka	Male	Councillor	Independence Ward 14
11	Stanley Kachibe	Male	Councillor	Libala Ward 7
12	Kelvin Kaunda	Male	Councillor	Mwembeshi Ward 27
13	Humphrey Kapapula	Male	Councillor	Lubwa Ward 15
14	Elijah Makungu	Male	Councillor	Muchinga Ward 24
15	Tasila Lungu	Female	Councillor	Nkholoma Ward 1
16	Watson Mtonga	Male	Councillor	Mtendere Ward 30
17	Mulenga V. Bupe	Male	Councillor	Munkolo Ward 12
18	Mulenga Sylvester	Male	Councillor	Munali Ward 33
19	Mutale Kafula	Male	Councillor	John Howard Ward 3
20	Mutete D. Mohamed	Male	Councillor	Lilayi Ward 4
21	Moyo S. B. Dorcas	Female	Councillor	Chainda Ward 29
22	Teddy Mwaba	Male	Councillor	Justine kabwe 21
23	Patrick Mwape	Male	Councillor	Chilenje Ward 8
24	Patrick B. Mwansa	Male	Councillor	Kabulonga Ward 16
25	Smart mwitwa	Male	Councillor	Chakunkula Ward 32
26	Tarcisious Ndolesha	Male	Councillor	Silwizya Ward 13
27	Jonas A Phiri	Male	Councillor	Kamulanga Ward 9
28	Ruth Phiri	Female	Councillor	Chaisa Ward 20
29	Lackson Sakala	Male	Councillor	Nkhubula Ward 11
30	Patrick M. Salubusa	Male	Councillor	Kapwepwe Ward 25
31	Leonard Sikombe	Male	Councillor	Chawama Ward 2
32	Douglas Tembo	Male	Councillor	Mulungushi Ward 18
33	Tamba Joseph M.	Male	Councillor	Raphael Chota Ward 22
34	Chitangala Chilando	Female	Councillor	Roma

*Note: The Mayor was elected in August 2018 following the death of the previous mayor Wilson Kalumba who was elected in 2016.

The District also has Seven (7) elected Members of Parliament for Lusaka Central Constituency, Munali Constituency, Kabwata Constituency, Chawama Constituency, Kanyama Constituency, Mandevu Constituency and Matero Constituency. The Members of Parliament that held office during the year were:

S/N	NAME	GENDER	CONSTITUENCY
1	Hon. Given Lubinda	Male	Kabwata
2	Hon. Jean Kapata	Female	Mandevu
3	Hon. Margaret Mwanakatwe	Female	Lusaka Central
4	Hon. Elizabeth Phiri	Female	Kanyama
5	Hon. Luo Nkandu	Male	Munali
6	Hon. Lawrence John Sichalwe	Male	Chawama
7	Hon. Lloyd Kaziya	Male	Matero

The affairs of Central Government in the district are coordinated by the District Commissioner. During the year under review Mr. Davies Mulenga was the District Commissioner for Lusaka District.

The Council Secretariat

The Secretariat of Lusaka City Council is headed by the Town Clerk. The Town Clerk and the rest of the Secretariat are appointed by the Local Government Service Commission.

The Town Clerk is assisted by Eight (8) Directors responsible for Finance, Planning, Engineering, Public Health, Human Resource and Administration, Valuation and Real Estate, Legal Services and Housing and Social Services and four (4) units namely Procurement, District Planning Office, Information Technology (IT) 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	278,322,181
Payments	267,576,026
Increase in Cash	10,746,155

Key Policies Adopted During the Year

The Council adopted the following policies during the year:

- Commencement of the preparation of the main Valuation Roll.
- Implementation of E-Governance Services such as e-payments, e-bills, Construction permit systems and others.

Related Party Transactions

There were no related party transactions during the financial year.

Property, Plant and Equipment

The Council purchased property, plant and equipment amounting to K2, 804,994. No property, plant and equipment was disposed of during the year.

Intangible Assets

The Council purchased Computer Software amounting to K745, 846 during the year.

Employees

The average number of employees during the year was 3,070. The total amount spent on employees' remuneration and welfare during the year was K157, 496,056.00.

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 K1, 246,693 towards sponsoring various sporting activities.

Corporate Social Responsibility

The Council made donations during the year amounting to K32, 600 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.

Signature Chola

Name CHILADO CHITANGALA

Position: Mayor

Date 5th April 2022

STATEMENT OF RESPONSIBILITIES FOR ANNUAL FINANCIAL STATEMENTS

The Lusaka City 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 suitable policies from Local Authorities Accounting Policies (LAAPs) 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 the Local Government Act, 1991, the Public Finance Management Act No.1 of 2018 and Local Authorities Accounting Policies (LAAPs).

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 Lusaka City Council will not remain a going concern 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 City Council for the financial year ended 31st December, 2018.

Signed on behalf of the Council on 3rd April 2022 by;

Name: CHILWANDO CHITANGA

Name: ALEX MWANSA

Signature: [Signature]

Signature: [Signature]

Position: Mayor

Position: Town Clerk

Name: KAJURA BESION

Signature: [Signature]

Position: Director of Finance



REPUBLIC OF ZAMBIA
OFFICE OF THE AUDITOR GENERAL

INDEPENDENT AUDITORS REPORT

STAND No. 7951
HAILE SELASSIE AVENUE
LONGACRES
P.O BOX 50071
LUSAKA, ZAMBIA

E-mail: auditor@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 Lusaka City Council

Opinion

I have audited the financial statements of the Lusaka City Council for the financial 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 the Local Government Equalization Fund and the Statement of Cash Receipts and Payments for the Constituency Development Fund (CDF) and a summary of significant accounting policies and other explanatory information on pages 15 to 30.

In my opinion, the accompanying financial statements of Lusaka City 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).

Emphasis of Matter

I draw attention to Note 1.1 to the financial statements which explains non-inclusion of prior period comparatives in these financial statements due to the first time adoption of Cash Basis as allowed by the provisions of Cash Basis International Public Sector Accounting Standard (IPSAS).

My opinion is not qualified in respect of this matter.



**REPUBLIC OF ZAMBIA
OFFICE OF THE AUDITOR GENERAL**

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 Lusaka City Council in accordance with the International Organization 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.

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 1991 Cap 281, the Public Finance Management Act 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.




REPUBLIC OF ZAMBIA
OFFICE OF THE AUDITOR GENERAL

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.
- 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. Dick Chellah Sichembe
AUDITOR GENERAL
OFFICE OF THE AUDITOR GENERAL

DATE: 26/07/22

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

	Note	2018 Kwacha
RECEIPTS		
Local taxes	2	71,367,268
Fees and Charges	3	113,522,414
Licences	4	2,563,339
Levies	5	25,611,015
Permits	6	12,003,975
Local Government Equalisation Fund	7	41,604,203
Constituency Development Fund	8	10,857,967
Other Grants	9	792,000
Borrowing	10	-
Commercial Venture	11	-
Other Receipts	12	-
TOTAL RECEIPTS		278,322,181
PAYMENTS		
Personal Emoluments	13	157,496,056
Use of Goods and Services	14	52,663,070
Financial Charges	15	2,880,187
Social Benefits	16	325,571
Non Financial Assets Acquisition	17	11,219,179
Acquisition of financial assets	18	-
Loan Repayments	19	3,797,647
Other Payments	20	39,194,316
TOTAL PAYMENTS		267,576,026
Increase/(decrease) in Cash		10,746,155
Foreign Exchange Losses	21	34,690
Cash at beginning of the year	22	10,780,845
Cash at the end of the year		

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.

Name: CHIMWANDO CHITANGALA

Signature: [Signature]

Position: Mayor

Name: Benson Kosioko

Signature: [Signature]

Position: Director of Finance

Name: Alex Mwanji

Signature: [Signature]

Position: Town Clerk

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

	Original Budget Kwacha	Adjustment Kwacha	Final Budget Kwacha	Actual Amounts Kwacha	% Performance Kwacha	Variance Kwacha	% Variance Kwacha
RECEIPTS							
Local taxes	138,688,188	-	138,688,188	71,367,268	51%	(67,320,920)	-49%
Fees and Charges	176,574,842	-	176,574,842	113,522,414	64%	(63,052,428)	-36%
Licences	2,655,095	-	2,655,095	2,563,339	97%	(91,756)	-3%
Levies	14,430,778	-	14,430,778	25,611,015	177%	11,180,237	77%
Permits	15,503,993	-	15,503,993	12,003,975	77%	(3,500,018)	-23%
Local Government Equalisation Fund	47,082,171	-	47,082,171	41,604,203	88%	(5,477,968)	-12%
Constituency Development Fund	9,800,000	-	9,800,000	9,857,786	101%	57,786	1%
Other Grants	-	-	-	792,000	0%	792,000	0%
Borrowings	-	-	-	-	0%	-	0%
Commercial Venture	-	-	-	-	0%	-	0%
Other Receipts	-	-	-	-	0%	-	0%
TOTAL RECEIPTS	404,735,067	-	404,735,067	277,322,000	69	(127,413,067)	(31)
PAYMENTS							
Personnel Emoluments	143,376,439	-	143,376,439	156,461,185	109%	(13,084,746)	-9%
Use of goods and services	161,636,231	-	161,636,231	52,663,070	33%	(108,973,161)	-67%
Financial Charges	6,127,120	-	6,127,120	2,880,187	47%	(3,246,933)	-53%
Social benefits	526,899	-	526,899	325,571	62%	(201,328)	-38%
Non-financial assets acquisition	63,357,306	-	63,357,306	11,219,180	18%	(52,138,126)	-82%
Financial Assets	-	-	-	-	0%	-	0%
Loan Repayments	-	-	-	3,797,647	0%	(3,797,647)	0%
Other payments	29,711,072	-	29,711,072	39,194,316	132%	(9,483,244)	-32%
TOTAL PAYMENTS	404,735,067	-	404,735,067	266,541,155	66%	138,193,912	34%
Increase/(Decrease in Cash)	-	-	-	10,780,845		(265,606,980)	

There were no adjustments on the budget in the financial year 2018.

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

		2018 Kwacha
RECEIPTS		
Funding		41,604,203
TOTAL RECEIPTS	7(a)	<u>41,604,203</u>
PAYMENTS		
Operational Expenditure Payments:	7(b)	
Salaries and Wages		32,145,001
Waste and refuse collection		75,308
Hire of plant and equipment		702,000
Maintenance of street lights		41,700
Legal costs		319,353
Sub-Total		<u>33,283,362</u>
Capital Expenditure Payments:	7(c)	
Infrastructure Development		1,516,524
Rehabilitation Works		597,776
Asset Acquisition (motor vehicles)		5,460,695
Computer software		745,846
Sub-Total		<u>8,320,841</u>
TOTAL PAYMENTS		<u>41,604,203</u>
Increase/(decrease) in cash		<u>-</u>

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

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

		2018
		Kwacha
RECEIPTS		
Funding	8(a)	10,652,357
Other sources	8(b)	205,610
TOTAL RECEIPTS		10,857,967
PAYMENTS		
Infrastructure Development	8(c)	272,169
Rehabilitation Works	8(d)	460,530
Asset Acquisition	8(e)	50,000
Administrative Costs	8(f)	44,454
TOTAL PAYMENTS		827,153
Increase/(decrease) in Cash		10,030,814
Cash at beginning of the year		1,427,128
Cash at the end of the year		11,457,942

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 relevant Treasury and Financial Management Circular issued prior 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 Lusaka City Council. The financial statements encompass the Council as specified in the Local Government Act of 1991, Public Finance Management Act No.1 of 2018 and the Constitution of Zambia (Amendment), Act 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 Authorisation Date

The financial statements were authorized for issue on 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 Lusaka City Council as a Local Authority to levy, impose, recover and retain local taxes. Further, section 69(1) of the Local Government Act, 1991 Cap 281 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.
- A levy on the purchase or sale of a commodity within the area of the council. This includes levies on sale of livestock, grain and poles.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 local authority 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 a given 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 Equalisation Fund which shall be disbursed by the Ministry responsible for finance to local authorities. Receipts under LGEF supplement revenue generated by the Council. The Local Authority 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.

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.

1.14 Budget Information

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.

NOTES TO THE FINANCIAL STATEMENTS

The approved budget is developed on the same accounting and classification basis, and for the same period as the financial statements. All material differences are explained in the notes to the annual financial statements.

2. Local Taxes

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

Local Tax Type	2018
	Kwacha
Residential Rates	28,356,676
Industrial / Commercial Rates	40,583,567
Mining Rates	-
Personal Levy	2,427,025
	-
	<u>71,367,268</u>

The Council relied on the Valuation Roll updated for the period 2013 – 2018 to determine the property rates receivable.

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	113,348,890
Land Development Charges	173,524
Total	<u>113,522,414</u>

NOTES TO THE FINANCIAL STATEMENTS

a. Fees and charges

The Council generated the following fees:

Fee and Charge Type	2,018 Kwacha
Consent Fees	-
Survey Fees/Beacon Identification/Placement	20,331
Building Inspection Fees	682,784
Plan Scrutiny	4,714,305
Change of Premise Use	867,098
Container/Ntemba Fees	334,872
Rentals/Leases of Council Properties	4,790,294
Application Fees (Plots, Forms)	65,389
Sketch Plan Billboards	35,885
Search Fees	98,472
Billboards and Banners	12,431,605
Market Fees	23,665,740
Bus Station Fees	19,385,762
Hire of Halls	552,685
Hire of Grounds and Stadia	108,300
Hoarding Fees	103,505
Grave Reservation	353,165
Body Remains Exhumation Fees	7,015
Boundary location (Tombstone) Fees	2,835
Course Fees	357,030
Vacuum Tanker Service	128,280
Refuse Disposal	7,690,524
Exhibitions for Commercial and Non-Commercial	23,395
Library Membership Fees	111,301
Rentals from Parks	11,402
Notice of Marriage	2,185,902
Abattoir/Meat Inspection Fees	531,017
Communication Mast Levy	1,384,989
Land Record	59,375
Sales at Parks	22,992
Ground Rent/Site Rent	9,964,710
Change of Ownership/plot	91,667
Other Fees and Charges	22,546,264
Total	113,348,890

NOTES TO THE FINANCIAL STATEMENTS

b. Land Development Charges

The Council did not collect any Land development related charges during the year.

Charge Type	2018 Kwacha
Service charges - Residential Plots	173,524
Service charges - Industrial Plots	-
Premium Plots - Residential	-
Premium Plots - Commercial	-
Lease Charges	-
Other	-
TOTAL	173,524

4. Licences

Licence Type	2018 Kwacha
Occupancy licence	427,917
Liquor licence	319,185
Firearm and ammunition licence	428,065
Petroleum licence	1,221,411
Dog licence	166,761
TOTAL	2,563,339

5. Levies

The Council generated cash receipts by charging levies as follows:

Type of Levy	2018 Kwacha
Pole Levy	-
Business Levy	25,611,015
TOTAL	25,611,015

NOTES TO THE FINANCIAL STATEMENTS

6. Permits

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

Type of Permit	2018
	Kwacha
Health Permit	5,099,464
Burial Permits and Grave sites	669,241
Fire Certificates	6,206,627
Extension of business hours permits	8,640
Public permits (social gatherings, etc)	-
Other Permits	20,003
TOTAL	12,003,975

7. Local Government Equalisation Fund

a. Funding

	2018
	Kwacha
Month	
1st Funding - January	3,922,363
2nd Funding - February	3,922,363
3rd Funding - March	3,922,363
4th Funding - April	3,861,606
5th Funding - May	3,922,363
6th Funding - June	99,000
7th Funding - July	-
8th Funding - August	3,922,363
9th Funding - September	3,715,497
10th Funding - October	3,856,606
11th Funding - November	3,456,606
12th Funding - December	7,003,073
Total	41,604,203

b. Operational Expenditure

The Council applied amounts totalling K33,283,362 of LGEF receipts towards meeting operational expenses representing 80% of the total funding received as LGEF for the reporting period. These expenses are included in the amounts disclosed in notes accompanying the Statement of Cash Receipts and Payments.

c. Capital Expenditure

The Council applied amounts totalling K8, 320,841 of LGEF receipts towards meeting capital expenditure representing 20% of the total funding received as LGEF for the reporting period. This expenditure is included in the amounts disclosed in notes accompanying the Statement of Cash Receipts and Payments.

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:

	2018 Kwacha
Funding	10,652,357
Other Sources of Funding	205,610
Total Receipts	10,857,967

(a) Funding

	2018 Kwacha
Constituency	
Lusaka Central	1,411,970
Munali	1,208,662
Mandevu	705,625
Kanyama	3,330,811
Matero	1,889,390
Chawama	1,411,345
Kabwata	694,554
Total Funding	10,652,357

(b) Other Sources of funding

This comprises interest earned on the amounts held in CDF bank accounts.

	2018 Kwacha
Constituency	
Lusaka Central	42,841
Matero	20,904
Mandevu	31,428
Munali	21,116
Kanyama	42,135
Kabwata	36,404
Chawama	10,782
Total Interest Income	205,610

NOTES TO THE FINANCIAL STATEMENTS

(c) Infrastructure Development

	2018 Kwacha
Constituency	
Lusaka	57,571
Matero	34,735
Mandevu	-
Munali	168,423
Kanyama	11,440
Kabwata	-
Chawama	-
Total Infrastructure development payments	272,169

Infrastructure development works included construction of mothers' shelters at various clinics and classroom blocks.

(d) Rehabilitation Works

	2018 Kwacha
Constituency	
Lusaka	-
Matero	-
Mandevu	-
Munali	460,530
Kanyama	-
Kabwata	-
Chawama	-
Total Rehabilitation Payments	460,530

Rehabilitation works included renovation of mothers' shelters at various clinics and classroom blocks.

NOTES TO THE FINANCIAL STATEMENTS

(c) Infrastructure Development

	2018 Kwacha
Constituency	
Lusaka	57,571
Matero	34,735
Mandevu	-
Munali	168,423
Kanyama	11,440
Kabwata	-
Chawama	-
Total Infrastructure development payments	272,169

Infrastructure development works included construction of mothers' shelters at various clinics and classroom blocks.

(d) Rehabilitation Works

	2018 Kwacha
Constituency	
Lusaka	-
Matero	-
Mandevu	-
Munali	-
Kanyama	460,530
Kabwata	-
Chawama	-
Total Rehabilitation Payments	460,530

Rehabilitation works included renovation of mothers' shelters at various clinics and classroom blocks.

NOTES TO THE FINANCIAL STATEMENTS

(e) Asset Acquisition

	2018 Kwacha
Constituency	
Lusaka	-
Matern	-
Mandevu	50,770
Munali	-
Kanyama	-
Kalwata	-
Chawama	-
Total Asset Acquisition	50,770

(f) Administrative Costs

	2018 Kwacha
Constituency	
Lusaka	5,520
Matern	10,570
Mandevu	565
Munali	10,570
Kanyama	10,570
Kalwata	550
Chawama	6,109
Total Administrative Costs	44,454

9. Other grants

During the year, the Council received the following grants:

Revenue Source	2018 Kwacha
Grants in Lieu of Rates	792,100
Other	-
Total	792,100

NOTES TO THE FINANCIAL STATEMENTS

10. Borrowings

During the year under review, Lusaka City Council entered into a Financing Agreement with Indo Zambia Bank as follows:

- (i) Purchase of motor vehicles - K14,000,000
- (ii) Refinancing of Stanbic and ZANACO loans - K4,500,000

The money was not paid into the Council bank account, but was paid directly to the relevant suppliers and institutions.

At 31st December 2018, the Council had made repayments amounting to K3, 797,647 leaving a balance of K14, 702,353.

The following conditions apply to these facilities:

- Tenure is 5 years from 2018
- Simple interest is charged at the rate of 20%
- The security was conditioned on the Council moving all its project and grant receiving bank accounts to Indo Zambia Bank.

11. Council Commercial Venture

The Council has no commercial ventures.

12. Other Receipts

Council did not receive any money as other receipts during the year.

13. Personal Emoluments

Personal Emoluments consist of actual amounts K157,496,056 of salaries and wages paid to staff of the City Council. The Council had categories of staff that were paid as follows:

Grade	2018 Kwacha
Salaries Division I	20,181,188
Salaries Division II	51,265,384
Salaries Division III	11,616,527
Salaries Part Time	817,795
Wages- Division IV	64,924,804
Other wages	8,690,358
TOTAL	157,496,056

NOTES TO THE FINANCIAL STATEMENTS

14. Use of Goods and Services

Use of goods and services consist of expenditure incurred on administrative activities K51, 175,098.

Details	2018 Kwacha
Office Running Costs	5,303,425
Building, Repair and Maintenance Costs	6,737,923
Plant, Machinery, Vehicle Running and Maintenance Cost	9,906,225
Other Administrative Operating Costs	3,387,172
Requisites	6,845,547
Services	11,533,879
Travel Expenses	5,907,491
Training	1,004,885
Legal Costs	2,036,523
Total	52,663,070

15. Financial Charges

The Council paid amounts totalling K2, 880,187 in financial charges.

	2018 Kwacha
Interest & Principal repayments on Indo (Z) bank loan	2,880,187
Other Interest	-
Total	2,880,187

16. Social Assistance Benefits

Social benefits include payments towards death on duty, burial and other benefits. During the year, the Council made social benefit payments amounting to K352, 571.

17. Non-financial Asset Acquisition

Acquisition of assets involved the following payments:

	2018 Kwacha
Buildings and structures	2,129,957
Property, plant and equipment	2,804,994
Office equipment	1,313,025
Other assets	689,771
Vehicles and motor cycles	3,261,204
Intangible fixed assets	745,846
Other inventories	274,382
Total	11,219,179

NOTES TO THE FINANCIAL STATEMENTS

18. Financial Asset Acquisition

The Council did not make any payments towards acquisition of financial assets.

19. Loan Repayments

The following amounts were paid towards settlements of principal amounts of loans held by the Council:

	2018
	Kwacha
Repayment of Indo Zambia Bank Loan	2,428,709
Repayment of Indo Zanaco Bank Refinancing Loan	1,368,938
	-
Total	3,797,647

20. Other payments

These relate to sundry items as follows:

	2018
	Kwacha
Staff and statutory creditors	3,762,437
Terminal benefits	35,431,879
	-
Total	39,194,316

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 Cash amounts consisted of cash on hand and demand deposits.

	2018
	Kwacha
Cash on hand (22(a))	207,338
Demand Deposits (22(b))	10,573,507
Cash equivalents 22(c)	-
Total	10,780,845

NOTES TO THE FINANCIAL STATEMENTS

a. Cash on hand

The Council's cash on demand was made of cash collections and petty cash:

	2018 Kwacha
Cash collections undeposited	207,295
Petty Cash	43
Total	207,338

b. Demand Deposits – Bank Balances

Account Name	Account No	2018 Kwacha
Atlasmara	3015413441016	137,552
Barclays Bank	171349125	-2,837,803
First Alliance Bank	50600103008	1,130
FNB-E-Wallet	62560364904	34,678
FNB-Swipe	62495364764	643
Indo Zambia	13203000019	-
NATSAVE Operations		452,044
NATSAVE Revenue	2080130315401	151,440
Stanbic	9130001669536	27,123
Zanaco Bank- Grants	1316574500188	65,835
Zanaco Bank- General Revenue Fund	20733500123	176,147
Zanaco Bank- Rates and Revenue	20801500153	292,253
Zanaco Bank- Loans	581630500122	-2,031
Zanaco Bank- Salaries and wages	1324741500165	304,177
Indo Zambia Bank- Markets	53020000009	345,136
Zanaco Bank- MPU	1052318300167	59,796
Indo Zambia Bank- Michael Sata	5300000015	180,662
Zanaco Bank- Waste Management	519510500150	28,315
Chawama CDF	2045300171	1,448,022
Kabwata CDF	20750300119	715,070
Kanyama CDF	20743300153	2,379,447
Lusaka CDF	207463001801	1,417,759
Mandevu CDF	20747300189	675,914
Matero CDF	20748500101	1,854,818
Munali CDF	20742300144	1,066,029
Lusaka City Market Managers	496950300168	462,120
Intercity Management Committee	70841437008	478,577
Intercity Revenue Transit	70582340008	585,517
TOTAL		10,500,370
FNB UNAIDS- Dollar	62560365001	24,068
FNB-Dollar	62582803592	49,069
Sub Total		73,137
Grand Total		10,573,507

NOTES TO THE FINANCIAL STATEMENTS

c. Cash Equivalents

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

23. Budget Adjustments and Variances

a. Budget Adjustments

The budget was approved by the Minister responsible for Local Government on 14th February 2018 and it was not subsequently adjusted.

b. Budget Variances

• Local taxes

The Council planned to collect K138,688,188 in local taxes but collected K71,367,268 resulting in an adverse variance of K67,320,920 representing 54%. The Council could not reach its anticipated target due to expired Valuation Roll. The Council has since embarked on a renewal exercise for the Valuation Roll which should be able to generate significant income.

• Fees and Charges

The Council planned to collect K176,574,842 in fees and charges but collected K113,522,414 resulting in an adverse variance of K63,052,428 representing 45%. Lack of transport and community sensitization contributed to poor performance in this area. The Council has intensified community sensitization efforts and has since procured some motor vehicles in a bid to improve performance.

• Levies

The Council collected K25,611,015 against planned amount of K14,430,778 in levies resulting in a favourable variance of K11,180,237 representing 77%. Improvements in collections for Levies arose mainly from increased revenue sources and collection strategies such as community sensitization.

• Permits

The Council planned to collect K15,503,993 in permits but collected K12,003,975 resulting in an adverse variance of K3,500,018 representing 23%. Insignificant enforcement measures coupled with lack of transport and community sensitization caused the Council not to perform well. The Council has since formed a task force to enforce compliance in this area.

• Use of Goods and Services

The Council planned to spend K161,636,231 on the Use of Goods and Services but managed to spend K52,863,070 representing 33% of the planned expenditure resulting in a variance of 67%. Council could not fund all the planned activities because not enough money was generated during the financial year.

• Financial Charges

The Council spent K2,880,187 against planned amount of K6,127,120 on the Financial Charges resulting in a variance of K3,246,933 representing 53%. The Council spent less than was anticipated on Financial Charges as it did not access all the planned facilities – Asset Finance, from financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

- **Social benefits**

The Council planned to spend K526, 899 on the Social benefits but managed to spend K325, 571 representing 62% of the planned expenditure resulting in variance of 38% amounting to K201,328. This was due to financial challenges the Council faced in the year.

- **Non-Financial asset acquisition**

The Council spent K11,219,179 against planned amounts of K63,357,306 on the Non-Financial asset acquisition resulting in a variance of K52,138,127 representing 82%. The Council could not fund all the planned activities because not enough money was generated during the financial year.

- **Other payments**

A Council planned to spend K29,711,072 on Other Payments but managed to spend a sum of K39,194,316 on domestic and staff creditors and on other creditors resulting in a variance of K9,483,244 representing 76%. The adverse expenditure was as a result of increase liabilities and litigation.