

**MPULUNGU TOWN COUNCIL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022**

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**INDEPENDENT AUDITOR'S REPORT**



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

**STAND No. 7951  
INDEPENDENT AUDITOR'S  
REPORT HAILE SELASSIE  
AVENUE LONGACRES  
P.O BOX 50071  
LUSAKA, ZAMBIA**

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

**Report on the Audit of the Financial Statements of Mpulungu Town Council**

**Qualified Opinion**

I have audited the financial statements of Mpulungu Town Council for the financial year ended 31<sup>st</sup> December, 2022 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 16 to 35.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements of Mpulungu Town Council present fairly, in all material respects, its cash receipts and payments and balances for the year ended 31<sup>st</sup> December, 2022 in accordance with the Cash Basis International Public Sector Accounting Standard (IPSAS) and the Local Authorities Accounting Policies (LAAPs).

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**Basis for Qualified Opinion**

- **Variations between the Statements and the Notes**

Annex 2 of the LAAPs requires that closing cash amounts recognised in the Statements of Cash Receipts and Payments should equal closing cash amounts disclosed in the Notes to the Financial Statements. However, there were variances amounting K5,153,022 between the amounts recognised in the Statements of Cash Receipts and Payments and amounts disclosed in the notes. **See table 1 below:**

**Table 1: Variations between the Statements and the Notes**

Item	Statement	Note 22	Note 7b	Note 2	Note 12	Variance
Cash at the beginning	2,166,048	2,178,153				12,105
Cash at the end	21,785,165	23,984,644				2,199,479
Cash at the beginning (LGEF)	64,874	40,486				24,388
Cash at the end (LGEF)	2,011,841	1,662,109				349,732
Local Taxes	1,176,432			1,012,788		163,644
Other Receipts	671,906				179,198	492,708
Capital Expenditure	101,948		2,012,914			1,910,966
<b>Total</b>						<b>5,153,022</b>

- **Variations in Comparative Figures**

Prior year figures are supposed to be reflected in the current year financial statement as comparatives and should match figures in the prior year financial statements. However, there were variances amounting to K1,391,973.

**Table 2: Variations in Comparative Figures**

Financial Statement (FS) Item	2021 FS	2022 FS	Variance
Cash at the end (Main Statement)	1,874,031	2,166,048	292,017
Cash at the end (LGEF)	1,133,681	64,874	1,068,807
Cash at the end (CDF)	1,802,356	1,771,207	31,149
<b>Total</b>			<b>1,391,973</b>

- **Inclusion of Refunds and Unpaid Allowances as Income**

The Council included refunds and unpaid allowances in other income when thereby overstating other income by K35,375.

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---

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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 Mpulungu 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 qualified opinion.

**Emphasis of Matter**

I draw attention to part 1.1 of the summary of significant accounting policies to the financial statements which describes 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), 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.

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---

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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.
- 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.
- 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.

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.

A handwritten signature in black ink, appearing to read 'Ron Mwambwa'.

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

DATE: 28/12/2023