

REPORT

of the

AUDITOR-GENERAL

**ON THE ACCOUNTS
FOR THE FINANCIAL YEAR ENDED
31st DECEMBER 2006**

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INTRODUCTION

1. This Report on the audit of the accounts of the Government of the Republic of Zambia for the financial year ended 31st December, 2006 is submitted to the President for tabling in the National Assembly in accordance with the provisions of Article 121(4) of the Constitution of Zambia.

2. In compliance with the provisions of the Public Finance Act No. 15 of 2004, each Appropriation Account as reflected in the Financial Report for the financial year ended 31st December, 2006 was certified and subject to the observations contained in this Report, the moneys expended were applied for the purpose for which they were appropriated by Parliament and the expenditure conformed to the authority that governed it.

CO-OPERATION WITH OTHER SUPREME AUDIT INSTITUTIONS

3. In paragraph 3 of the Report of the Auditor General on the accounts for the financial year ended 31st December 2005, mention was made of the cooperation activities between the Office of the Auditor General of Zambia and Office of the Auditor General of Norway. The cooperation has continued being sound. In 2006, this cooperation resulted in the Development and implementation of the Audit Methodology for Information Technology and Performance Audits which the Office has just introduced. In this regard, a pilot Information Technology audit was carried out on the Lands Information Management Systems (LIMS) at the Ministry of Lands. To further enhance the co-operation, the Auditor General of Norway visited the Office and the two Supreme Audit Institutions (SAIs) signed a three-year Memorandum of Understanding (MoU) effective 2008. The MoU is for continued capacity building and improvement of the audit methodology through technical support.

In addition, the Deputy Auditor General of the Chinese National Audit Office (CNAO) and the Judge President of the Tribunal Court of Accounts of Angola visited the Office.

In order to keep abreast of developments in the profession, the Office has continued to be part of the International Organisation of Supreme Audit Institutions (INTOSAI), the African Organisation of Supreme Audit Institutions (AFROSAI). In this regard, the Office attended the 19th International Congress of Supreme Audit Institution (INCOSAI) in Mexico and the Board of Governors' annual meeting in Angola.

INSTITUTIONAL DEVELOPMENT

4. In paragraph 4 of the Report of the Auditor General on the accounts for the financial year ended 31st December 2005, mention was made of the construction of five new Provincial Offices and the extension of the Headquarters through the Public Expenditure Management and Financial Accountability (PEMFA) programme. The construction works in Kasama, Mongu and Solwezi have since been completed while works in Chipata and Mansa have reached an advanced stage. The extension of the Headquarters has also commenced.

In line with the phased restructuring of the Office, the recruitment of the final one hundred (100) Officers aimed at attaining a full staff compliment of five hundred and seventy (570) Officers is in progress.

These developments are expected to result into improved audit coverage and audit quality.

AUDIT SCOPE AND METHODOLOGY

5. This Report is as a result of reviews, programmes of test checks, inspections and examination of accounting, stores, projects and other records maintained by public officers and others entrusted with the handling of public resources. The audit programmes were designed to give reasonable assurance of financial management in the Government and to enable me express an opinion on the financial statements for the year. They were also intended to provide information that would assist Parliament in its oversight responsibilities over the application of resources and execution of programmes by the Executive.

Accordingly, the programmes were designed to highlight areas of weakness to facilitate formulation of recommendations by Parliament for remedial action by the Executive.

6. In the course of preparing this report, each Controlling Officer was sent appropriate draft paragraphs for comments and confirmation of the correctness of the facts presented. Where the comments varied with the facts presented, and were proved to be valid, the affected draft paragraphs were amended accordingly.

LIMITATION IN SCOPE

7. The execution of the audit programmes was limited by factors outside the control of the Office such as budget constraints and staffing levels. The delay in the release of funds affected most audit programmes, while the expansion of the Office in the last three years due to the recruitment of extra staff posed a lot challenges. This was due to the fact that more pressure was put on the few old staff that spent more time inducting the new staff. The low salaries also impacted negatively on the retention of qualified and skilled personnel.

ACCOUNTABILITY OF PUBLIC FUNDS

8. According to the Public Finance Act No. 15 of 2004, the Minister responsible for finance shall, subject to the provisions of the Constitution and the Act, have management, supervision, control and direction of all matters relating to the financial, planning and the economic management of the Republic. The Minister is the head of the Office of the Treasury established under the Act and shall make policy and other decisions of the Treasury except those delegated under section six of the Act to the Secretary to the Treasury who shall exercise the powers of the Treasury. In exercising these powers, the Secretary to the Treasury designates in respect of each head of revenue or expenditure provided for in any financial year, an officer who shall be a Controlling Officer. The responsibilities of the Controlling Officers are outlined in section 7(3) to (9) of the Act and include the preparation and submission of financial statements to the Auditor General for audit and certification before inclusion in the

Financial Report. The audited financial statements are then submitted to the Secretary to the Treasury to enable him prepare the Annual Financial Report for tabling in the National Assembly by the Minister responsible for finance in accordance with the provisions of Article 118(1) of the Constitution of Zambia

INTERNAL CONTROL

9. In the previous Annual Audit Reports, mention has been made of the ineffective internal control systems obtaining in Ministries and Departments. The Public Accounts Committees (PAC) has also called upon the Ministry of Finance and National Planning (MoFNP) to improve the internal control mechanisms in the Government. In this regard, the MoFNP assured PAC that measures were being taken to redress the situation. However, in spite of the assurances made, it has been observed that cases of misappropriations, misapplications, failure to follow tender procedures, lack of reconciliations of bank accounts and unretired imprests, and other irregularities are still prevalent as reflected in this Report.

In the course of audit, it was observed that there were delays in the banking of revenues, and in some cases, where revenue was banked; there was no evidence that the monies were credited to Control 99 at the Bank of Zambia and captured by MoFNP. Similarly, revenue may have been spent without being captured in the Financial Report. There is therefore need for MoFNP to strengthen the internal controls in Government ministries and departments. There is also need for Internal Debt Management Unit under MoFNP and the Bank of Zambia to reconcile data so that correct figures are captured in the Financial Report.

OUTTURN AND APPROPRIATION ACCOUNTS

10. According to the provisions of Article 118(2) of the Constitution, the Financial Report should include inter alia a balance sheet showing the financial position of the Government as at the end of each financial year appropriation account and a statement of revenue.

The Out-turn reflected in Statement A of the Financial Report for the year ended 31st December 2006 is analysed below:

Expenditure as reflected in Statement A1.2

	(K)	(K)
Original	10,190,378,666,893	
Supplementary	654,955,006,230	
Total Authorised		10,845,333,673,123
Actual Expenditure		7,729,459,288,805
Net under Expenditure		3,115,874,384,318

The Net under expenditure of K3,115,874,384,318 is explained as follows:

Savings from head 99	(717,706,743)	
Savings from other functions	3,125,234,140,264	
less unconstitutional expenditure	8,642,049,203	
		3,115,874,384,318

Revenue As Reflected in Statement A1.1

Actual Revenue	6,990,018,969,807
Revenue Estimate	8,200,555,356,347
Deficit in Revenue collections	(1,210,536,386,540)

Actual Revenue	6,990,018,969,807
Actual Expenditure	7,729,459,288,805
Gross Deficit	(739,440,318,998)

Financing Statement A1.3

Gross Deficit		(739,440,318,998)
Internal borrowing	209,302,538,107	
External Borrowing	80,961,600,000	
Exceptional Revenue	317,010,100,225	607,274,238,332
Net Deficit		(132,166,080,666)

The Net Deficit of K132,166,080,666 for the year under review is explained follows:

Assets

Increase in cash	(12,165,080,150)	
Imprest	31,878,930,626	
Loan revolving fund	33,096,637,458	
Decrease in Advances	(22,006,202,505)	
		30,804,285,429

Liabilities

increase in deposits unreconciled balance	(226,002,542,480)	
	63,032,176,385	
		(162,970,366,095)
Net Deficit		(132,166,080,666)

ANALYSIS OF SURPLUS/SHORTFALL IN REVENUE

- An analysis of statement A1.1 of the Financial Report for the financial year under review revealed that there was a net deficit in the actual revenue collected against the estimated amount by K1,210,536,386,541 as detailed below:

Head	Description	Approved Estimates (K)	Actual Revenue (K)	Over the Estimate (K)	Shortfall (K)
201	Income Tax(other than Mineral Tax)	2,901,440,000,000	2,901,350,821,838		89,178,162
202	Customs and Excise	1,389,927,961,808	1,395,713,569,713	5,785,607,905	
204	Mineral Revenue	58,724,000,000	58,800,000,000	76,000,000	
206	Fees of Court or Office	134,335,428,140	121,891,947,413		12,443,480,727
207	Value Added Tax	1,791,540,789,659	1,791,639,195,843	98,406,184	
208	Miscellaneous and other Collection	44,672,000,000	14,775,717,268		29,896,282,732
211	Capital repayments	-	7,089,317,731	7,089,317,731	
212	Capital grants	1,879,915,176,740	698,758,400,000		1,181,156,776,740
		8,200,555,356,347	6,990,018,969,806	13,049,331,820	1,223,585,718,361
				(1,210,536,386,541)	

As can be seen from the table above, the Net deficit of K1,210,536,386,541 was mainly due to the under collection in capital grants.

REVENUE/FINANCING

12. During the year under review, amounts totalling K1,618,364,956,041 were not realized on 28 subheads as reflected in Statement A1 of the financial report for the year ended 31st December 2006 as detailed below:

	Head/Subhead	Approved Estimates (K)	
(a)	Revenue		
	Capital Grants		
		212/083	46,353,707,073
		212/090	30,191,144,000
		212/093	147,352,975,000
		212/100	175,903,200,000
		212/155	487,190,000
		212/161	100,204,724,714
		212/172	195,060,252,672
		212/193	15,877,800,000
		212/195	5,171,200,000
		212/199	152,284,300,000
		212/200	148,105,209,161
		212/201	16,055,684,800
		212/202	43,651,800,000
		212/204	55,371,624,314
		212/205	10,401,247,887
	212/207	917,373,062	
	212/208	23,775,943,851	
	212/210	14,700,000	
	Subtotal	<u>1,167,180,076,534</u>	
(b)	Financing		
	Internal Borrowing		
		214/100	<u>706,000,000</u>
	External Borrowing		
		215/103	224,919,096,759
		215/134	77,730,809,799
		215/150	2,530,000,000
		215/156	32,395,000,000
		215/157	8,404,000,200
		215/161	2,926,972,749
	215/162	52,500,000,000	
	Subtotal	<u>402,111,879,507</u>	
(c)	Exceptional Revenue		
	216/009	<u>49,073,000,000</u>	
	Grandtotal	<u>1,618,364,956,041</u>	

UNCONSTITUTIONAL EXPENDITURE

13. A review of Statement C of the Financial Report for the year under review revealed that expenditure in excess of the provision voted by Parliament in respect of twenty three (23) heads of expenditure amounted to K8,642,049,204 as follows:

Head	Ministry/Department	Total Authorised Provision	Actual Expenditure	Excess Expenditure
		(K)	(K)	(K)
o2/o1	Office of the Vice President Human Resource Admin	15,475,572,925	15,508,037,821	(32,464,896)
o2/o5	Office of the Vice President Disaster Mgt and Mitigation Department	8,801,888,187	10,368,649,308	(1,566,761,121)
o6/01	Public Service Commission Office of the President headquarters	1,404,068,732	1,420,558,041	(16,489,309)
10/o1	Police and Prisons Service Commission	1,238,508,297	1,357,491,268	(118,982,971)
11/o1	Zambia Police-Ministry of Home Affairs	90,919,337,091	93,879,948,246	(2,960,611,155)
11/o4	Zambia Police -State House	7,409,551,675	7,409,551,676	(1)
11/o6	Zambia Police-Paramilitary	15,613,904,268	15,613,904,269	(1)
11/II	Zambia Police- Central Province	6,670,046,022	6,670,046,023	(1)
II/13	Zambia Police-Western Province	5,178,098,827	5,178,098,828	(1)
12/o1	Commission for Investigations	1,544,261,825	1,544,261,826	(1)
17/o3	Ministry of Foreign Affairs- Missions Abroad-Washington	5,960,968,633	5,960,968,634	(1)
17/o5	Ministry of Foreign Affairs Lilongwe	3,389,703,609	3,389,703,611	(2)
17/o6	Ministry of Foreign Affairs London	6,898,456,326	6,898,456,329	(3)
17/o9	Ministry of Foreign Affairs Dar-es-Salaam	4,406,440,166	4,406,440,167	(1)
17/12	Ministry of Foreign Affairs Addis Ababa	4,369,188,834	4,369,188,835	(1)
77/04	Ministry of Defence-Zambia National Service	102,872,968,772	105,191,164,757	(2,318,195,985)
77/05	Ministry of Defence-Defence Medical Services	3,271,500,980	3,587,822,854	(316,321,874)
77/06	Ministry of Defence-Department of Defence Intelligence	2,966,784,576	3,020,418,125	(53,633,549)
92/40	Office of the President Central Province-Community Development Department	1,032,871,892	1,035,933,612	(3,061,720)
97/01	Office of the President-North western Province-headquarters	6,207,126,916	6,246,505,595	(39,378,679)
97/08	Office of the President-North Western Roads Department	3,245,373,372	4,153,783,166	(908,409,794)
97/19	Office of the president North western Province Water Affairs Department	1,057,045,988	1,364,180,126	(307,134,138)
98/09	Office of the President -Southern Province Buildings department	-	604,000	(604,000)
Total		299,933,667,913	308,575,717,117	(8,642,049,204)

The excess expenditure of K8,642,049,204 is unconstitutional and will require approval by Parliament as provided for under Article 117(5) of the Republican Constitution.

Tax Type	Profile	Profile	Gross		Net	Surplus/
	IMF	GRZ	Collections	Refunds	Collections	(Deficit)
	(K)	(K)	(K)	(K)	(K)	(K)
Excise Duties	821,000,000,000	750,420,269,981	663,919,795,261	11,139,000,000	652,780,795,261	(97,639,474,720)
Fuel Levy	-	204,859,878,753	175,641,949,049	-	175,641,949,049	(29,217,929,704)
Import Duties	712,800,000,000	764,666,659,625	776,641,875,701	33,638,000,000	743,003,875,701	(21,662,783,924)
Import VAT	1,211,000,000,000	1,206,960,467,938	1,234,867,492,388	1,494,000,000	1,233,373,492,388	26,413,024,450
Customs Total	2,744,800,000,000	2,926,907,276,297	2,851,071,112,399	46,271,000,000	2,804,800,112,399	(122,107,163,898)
Company Tax	673,300,000,000	492,056,261,779	692,500,000,000	-	692,500,000,000	200,443,738,221
PAYE	1,947,700,000,000	2,030,006,464,724	1,950,914,821,838	8,264,000,000	1,942,650,821,838	(87,355,642,886)
Withholding Tax and Other Taxes	262,500,000,000	325,684,362,106	266,200,000,000	-	266,200,000,000	(59,484,362,106)
Extraction Royalty	61,100,000,000	44,123,698,703	58,800,000,000	-	58,800,000,000	14,676,301,297
Medical Levy	6,100,000,000	6,627,099,344	6,208,779,116	-	6,208,779,116	(418,320,228)
DT Total	2,950,700,000,000	2,898,497,886,656	2,974,623,600,954	8,264,000,000	2,966,359,600,954	67,861,714,298
Domestic VAT Total	595,800,000,000	846,758,951,028	1,705,450,703,455	1,147,185,000,000	558,265,703,455	(288,493,247,573)
Total Tax Revenue - 2006	6,291,300,000,000	6,672,164,113,981	7,531,145,416,808	1,201,720,000,000	6,329,425,416,808	(342,738,697,173)
Total Tax Revenue - 2005	5,582,800,000,000	5,511,500,000,000	6,642,683,268,233	1,120,740,000,000	5,521,943,268,233	10,443,268,233

i. Revenue Deficit on Seven Tax Types

During the financial year ended 31st December 2006, K4,344,751,924,420 was collected against a target of K4,929,023,685,561 resulting in a deficit of K584,271,761,141 in respect of seven-tax types as shown in the table below:

TAX TYPE	PROFILE	NET	
	GRZ	COLLECTIONS	(DEFICIT)
	(K)	(K)	(K)
Excise Duties	750,420,269,981	652,780,795,261	(97,639,474,720)
Import Duties	764,666,659,625	743,003,875,701	(21,662,783,924)
PAYE	2,030,006,464,724	1,942,650,821,838	(87,355,642,886)
Fuel Levy	204,859,878,753	175,641,949,049	(29,217,929,704)
WHT	325,684,362,106	266,200,000,000	(59,484,362,106)
Medical Levy	6,627,099,344	6,208,779,116	(418,320,228)
Domestic Vat	846,758,951,028	558,265,703,455	(288,493,247,573)
TOTAL	4,929,023,685,561	4,344,751,924,420	(584,271,761,141)

ii. Revenue Surplus on Three Tax Types

During the financial year ended 31st December 2006, K1,984,673,492,388 was collected against a target of K1,743,140,428,420 resulting in a surplus of K241,533,063,968 in respect of three-tax types as shown in the table below:

TAX TYPE	PROFILE GRZ (K)	NET COLLECTIONS (K)	SURPLUS (K)
Import VAT	1,206,960,467,938	1,233,373,492,388	26,413,024,450
Company Tax	492,056,261,779	692,500,000,000	200,443,738,221
Extraction Royalty	44,123,698,703	58,800,000,000	14,676,301,297
TOTAL	1,743,140,428,420	1,984,673,492,388	241,533,063,968

iii. Tax Arrears

The total tax arrears outstanding as at 31st December 2006 were K2,909 billion as can be shown in the table below:

	2006 (K' billion)	2005 (K' billion)
Company Tax	1,265	810
Back duty	214	1
Self Employed	83	91
PAYE	318	287
Customs & Excise	222	51
Domestic VAT	807	1,318
Total	2,909	2,558

As part of the review of the debtors' balances held as at 31st December 2006, a circularisation of a sample of debtors owing amounts totalling K1,702,175,741,835 representing fifty nine percent (59%) of the total debt stock was carried out. The purpose of the exercise was to confirm the validity of debtors' balances with the Taxpayers. The results of the circularisation showed that ninety seven (97%) percent of the circularised balances were disputed, an indication that ZRA records were not up to date.

b. Central Cash Office - Refer to Drawer Cheques

There were refer-to-drawer cheques in amounts totalling K2, 568,090,979 that had not been replaced as of April 2007 as detailed below:

	<u>K</u>
Missing Taxpayer	144,212,000
Out of Town	42,224,250
Out Station	26,259,413
Pending removal	1,900,000
Quasi government	2,327,235,905
Revisit	26,259,413
Grand total	<u><u>2,568,090,980</u></u>

c. Direct Taxes

i. Pay As You Earn (PAYE)

As of 31st December 2006, ZRA was owed amounts totalling K114,538,926,572 by various taxpayers.

In his response dated 10th December, 2007, the Controlling Officer stated that a deficit recorded on P.A.Y.E was due to non-payment of tax arrears by various institutions. Notable among these were ZESCO and ZAMTEL. He stated that companies such as ZESCO were under distraint action and discussions had been going on between ZRA and ZESCO and that ZESCO had shown commitment by making some payments towards the current PAYE debt. He further stated that due to the strategic nature of the company, further distraint action could not be taken.

ii. Corporation Tax

As at 31st December 2006, various companies owed ZRA amounts totalling K1,271,448,761,399 out of which K543,940,060,851 was the principal amount and K727,508,700,548 penalties. As of April 2007, a total amount of K6,047,365,235 had been collected leaving a balance of K1,265,401,396,164.

It was observed that despite corporations being charged penalties totalling K727,508,700,548, their compliance to rules and regulations was still very low.

iii. Integrated Tax Administration

Integrated Tax Administration System (ITAS) ought to have been automatically charging penalties on outstanding debts. However, the compliance module has not been operating properly since 2004. In this regard, it was not possible to ascertain the completeness and accuracy of figures in respect of penalties charged.

iv. Back duty

As at 31st December 2006, a total amount of K214,372,096,095 was arrears in respect of Back duty. Out of this amount, four (4) cases with amounts totalling K16,476,260 were cleared, leaving a balance of K214,355,619,835.

It was observed that out of Back duty amounting to K214,355,619,835, a sample of five (5) cases involving K772,805,924 sent to Debt Collection Unit (DCU) for collection remained outstanding as of April 2007. In addition, most of the debts had been outstanding for periods of up to ten (10) years.

There were cases under objection as at 31st December 2006 amounting to K209,482,056,710 which had been not resolved as of April 2007.

d. Value Added Tax (VAT)

i. Outstanding VAT - Parastatal Institutions

Twenty five (25) quasi government institutions owed ZRA a total amount of K110,761,585,881 as at 31st December 2006. It was also observed that although most of the Parastatal companies were submitting returns, the amounts due were not paid.

ii. Outstanding VAT - Road Contractors

Though records indicated that as of December 2006, fourteen (14) contractors owed ZRA amounts totalling K64,420,131,349 in respect of VAT, the amounts had not been collected as of September 2007

iii. Un collected VAT Assessed Amounts

During the period under review, ZRA made VAT assessments amounting to K20,841,617,753 out of which only amounts totalling K4,696,483,299 were collected leaving a balance of K16,145,134,454.

e. Customs and Excise, and Import VAT

i. Time to Pay Agreements (TPA) on Excise Duty

Eleven (11) opaque beer companies entered into time to pay agreements (TPA) between February 2004 and October 2006 for durations ranging between 2 and 15 months in which to settle a total amount of K4,090,996,184. However, only K1,351,897,290 was paid by December 2006 leaving a balance of K2,739,098,894.

ii. Unresolved Cases - Flexible Anti-Smuggling Team (FAST)

There were forty nine (49) cases involving goods with a tax liability of K468,775,825 that were still outstanding as of September 2007.

f. Uncollected Cheques - Tax Refunds

Tax refunds in amounts totalling K6,247,598,607 in respect of VAT, Customs and Excise Duty and Direct Tax remained uncollected as of March 2007 as shown below:

	K
VAT	5,853,549,395
Customs & Excise duty	380,297,508
Direct Tax	13,751,705
Total	<u>6,247,598,607</u>

g. Lusaka Port Office

i. Outstanding Balances

Lusaka port office was owed amounts totalling K27,281,501,068 in Customs Duty (K618,216,119), Excise Duty (K618,216,119) and Removals in Bond (RIB) (K24,795,216,615).

ii. Goods Seized But Not Auctioned

Contrary to the provisions of the Customs and Excise Act, bicycles with a value for duty purposes amounting to K108, 222,186 seized as far back as April 2002 had not been forfeited and subsequently auctioned as of April 2007.

iii. Estreatals

Contrary to the Customs and Excise Act CAP 322, amounts totalling K17,936,987 deposited for more than sixty (60) days had not been estreated as of April 2007.

h. Lusaka International Airport

i. Customs Duty Arrears

There were tax arrears amounting to K43, 820,860,269 outstanding as at 31st December 2006.

ii. Removals in transit (RITs)

It was observed that outstanding removals in transit with guaranteed amounts totalling K449, 506,521 dating from as far back as 2004 were not cleared as of April 2007.

iii. Management of warehouse

A comparison of items detailed on seizure Nos. 1935 and 1411 with the goods in the warehouse revealed that there were discrepancies in that:

- Whereas seizure no. 1935 indicated that one used laptop computer was seized, two (2) laptop computers one of which was new, were found on hand.
- Whereas seizure no.1411 indicated that only horse riding equipment were seized, included among the items found on hand was a brand new computer hard drive not included on the seizure notice.
- An electronic piece of equipment seized on seizure notice number 1421 valued at K37,525,521 was missing.
- Seventeen (17) items such computers, personal effects and pharmaceutical products among others whose value could not be ascertained seized in February and May 2006 were not found on hand.

i. Kitwe Office

i. Value Added Tax (VAT)

- **Missing Tax Payers**

There were twenty nine (29) cases of missing taxpayers, eleven (11) with a total liability of K519,796,238 as at 31st December, 2006, whilst liability for the other eighteen (18) missing taxpayers could not be established due to lack of information. Although in their response management stated that such taxpayers had either left the country or moved to a different physical address and could therefore not be traced, there were no investigation reports on their files to support this.

- **Outstanding VAT**

A scrutiny of VAT arrears records revealed that amounts totalling K33,411,572 were outstanding as of August 2007.

- **Parastatal Debt**

Seven (7) Parastatal institutions owed ZRA a total amount of K43,725,981,079 as at 31st December, 2006, out of which K33,675,847,494 was debt of over ninety (90) days.

In his response dated 10th December 2007, the Controlling Officer stated that ninety-nine percent (99%) of the parastatal debt is owed by Zamtel (K34.7billion), Times Printpak(K1.4billion) and Zampost (K2.64billion) and that ZRA continued to engage the managements of these institutions in order to try and find a lasting solution. He further stated that ZRA had written to the MoFNP this matter.

- **Outstanding Tax Liability, Contractor**

A contractor based in Ndola during the year under review incurred tax liabilities amounting to K236, 152,837. As at 31st December 2006, the amount remained outstanding contrary to the Time to pay agreement.

- **Uncollected Assessed Amounts - VAT**

During the year 2006 VAT assessments amounting to K31,823,634,409 were made out of which a total amount of K13,338,908,280 was collected leaving a balance of K18,484,726,129 uncollected as of August 2007.

- **Refer to Drawer Cheques**

There were twenty seven (27) refer to drawer cheques with amounts totalling K460,900,833 out of which K335,574,530 was paid leaving a balance of K125,326,303 as of August 2007.

- **Oil Marketing Companies**

As at 31st December 2006, amounts totalling of K314, 509,094 were not paid by Amchile Import and Export, an oil marketing company. Although a warrant of distress was served on the company to recover the money, as of August 2007, the money had not been recovered.

In his response, the Commissioner General stated that a warrant of distress had been served on the firm to recover the outstanding amount but the company did not have sufficient distrainable assets. It was however not clear on which assets the warranty was served.

ii. Customs and Excise Duties - Goods Seized But Not Auctioned

Contrary to the provisions of the Customs and Excise Act, goods with a value for duty purposes amounting to K515,201,514 seized as far back as June 2001 had not been forfeited and subsequently auctioned as of April 2007.

j. Kasumbalesa Border Post - Goods seized but not auctioned

Contrary to the provisions of the Customs and Excise Act, various goods with value for duty purposes amounting to K29,865,577 seized as far back as June 2001 were still kept in the warehouse without being forfeited and subsequently auctioned. A physical inspection carried out in April 2007 revealed that some goods were either expired or damaged.

k. Nakonde Border Post

i. Estreatals

All deposits made with Customs and Excise Stations which are outstanding for more than sixty (60) days are estreated as revenue. However, contrary to this regulation deposits made by clients in 2006 totalling K430,880,833 which were outstanding for more than 60 days were not estreated as revenue as at 31st December 2006.

ii. Improper Management of State Warehouse

A physical inspection of the state warehouse revealed the following:-

- **Non Maintenance of Register of Seized Motor Vehicles**

The station did not maintain a register of motor vehicles and acquittal details for vehicles seized to show the revenue realised from the seized motor vehicles.

- **Goods Seized But not Auctioned**

Contrary to the provisions of the Customs and Excise Act, various goods with a value for duty purposes amounting to K129,109,195 seized as far back as June 2001 were still kept in the state warehouse without being forfeited to the state and subsequently auctioned. A physical inspection carried out in April 2007 revealed that some goods were either expired or damaged making it doubtful as to whether ZRA would recover the taxes due on them.

I. Chirundu Border Post

A review of records at the station revealed the following:

i. Improper Management of Warehouse

The state warehouse register was not availed for audit scrutiny and a few transactions selected for verification from the seizure notices book at the commercial warehouse could not be verified. It was also noted that containers were improvised as state warehouses where seized items were piled up making it difficult to verify. It was further observed that no seizure notices were placed on some of the goods found at the commercial warehouse inspected. As a result, it was not possible to reconcile the goods with seizure notices made available for audit.

ii. Removals in Transit (RITs)

There were outstanding Removals in Transit (RITs) as of August 2007 in amounts totaling K18,781,988,068. The RITs have been outstanding as far back as 2004.

m. Victoria Falls Border Post

i. Register of Accountable Documents

Ninety seven (97) receipt books, though availed for audit were not entered in the register of accountable documents. This showed that internal controls on the custody of accountable documents were weak.

ii. Goods With Receipts of Items Held (RIH) Not Seized

Contrary to existing regulations, goods on RIH valued at K71,294,404 were not seized despite the goods being in the warehouse for more than one year.

n. Livingstone Border Post

There were outstanding RIT with amounts totaling K1,940,000,000 as at 31st December 2006. The removals in transit had been outstanding from as back as 2004.

o. Kazungula Border Post

Improper Management of Warehouse

It was observed that the warehouse register was not up to date in that, some goods were not recorded in the register. A comparison of stocks on hand with ledger balances showed deficits and surpluses and no proper explanation was given for the differences.

**HEAD: 206 Fees of Court or Office
Ministry of Communications and Transport**

SUBHEAD: 184 Road Traffic Collections

Weaknesses in Accounting for Revenue

16. In paragraph 19 of the Auditor General's report on the accounts for the financial year ended 31st December 2005, mention was made of weaknesses and irregularities in accounting for revenue such as misappropriations and delays in banking among others.

During the financial year ended 31st December 2006, the Road Transport and Safety Agency (RTSA) collected revenue amounting to K54,583,333,630 against the budgeted figure of K50,035,007,771 resulting in an over-collection of revenue of K4,548,325,859.

An examination of financial and other records carried out in February 2007 at RTSA Headquarters, Lumumba, Ndola, Kitwe, Kasumbalesa, Nakonde, Chipata, Chanida, Chirundu, Livingstone, Mazabuka, Kazungula and Victoria Falls for the period January to December 2006 revealed the following:

a. RTSA Headquarters

i. Lack of Controls in Updating Computerized Road Tax Licenses

RTSA maintains both a manual and a computerized systems. The manual system has continued to be used as a parallel system due to the problems arising from the computerized system.

It was observed that there were lack of controls in updating the computerised road tax licences with the manual ones in that any one of the cashiers were able to update the computerised licence system. As a consequence, the system is vulnerable to manipulation.

ii. Unexplained Differences Between Manual and Computerized Totals

There were material differences between the amounts of revenue received and amounts recorded in the system. As an example, in January 2006 a total amount of K34,085,400 was received from clients but the system total showed that K42,883,420 was received, the difference of K8,798,020 could not be explained. It was further noted that all reprinted receipts from the system for the year 2006 had errors and therefore could not be relied upon.

iii. Zero Amounts on Receipts/Licences Issued to Private Vehicles

A sample of receipts from the system for the month of January 2006 revealed that 15 road tax licences, physical examination certificates and duplicate registration certificates were issued out to private vehicles but were indicating zero amounts. It was therefore questionable how the receipts would indicate zero amounts when fees were collectable on the documents.

iv. Unreliable Reprinted Receipts in The System

The system was designed to reprint receipts at any time for a selected transaction that occurred at any time without the need to keep physical receipts.

It was observed however that, reprints for 2006 contained errors, for example, a vehicle paid for two quarters on two different dates, which is on 27th January and 27th July 2006 with expiry dates of 30th June and 31st December 2006 respectively had reprints for both licences showing that the licences expiry dates were 31st December 2007 in both cases.

v. Failure to Monitor/Review Security Back up of the System

It was observed that despite the system storing a large volume of sensitive information regarding motor vehicles, the main system back up and the source code are kept by the contractor in South Africa posing a security risk

vi. Revenue From Traffic Offences

It was noted that there was a weakness in the procedures for the collection of revenue from traffic offences in that charge sheets used by traffic police in a number of instances were loose papers without adequate details and serial numbers.

In this regard, it was not possible to verify the correctness of the amount of K32,081,000 reported as collected during the period under review.

b. Lumumba Office - Unaccounted for Revenue Collected From Personalised Number Plates

A review of the register for personalised number plates revealed that 160 vehicles had their number plates either re-registered or personalised during the year 2006 and a total amount of K138,200,000 was collectable. The charges were K550,000 for re-registration and K1,000,000 for personalised number plates. It was observed however that there was no record to show that the K138,200,000 was actually collected.

c. Ridgeway Office

i. Unaccounted for Revenue - Identity Certificates

During the period from February to August 2006, 228 identity certificates were issued to public service vehicle operators and amounts totalling K1,094,400,000 were collectable.

However, only K741,115,000 could be verified as received and banked leaving a balance of K353,284,200 unaccounted for contrary to Financial Regulation No. 129.

ii. Unsupported Revenue Collections

During the period from January to December 2006, amounts totalling K250,753,000 were collected from the issuance of cross border permits.

However, it was not possible to verify whether the amounts collected were the actual amounts collectable as copies of the cross border permits were not availed for audit.

d. Ndola

i. Missing Accountable Documents

There were sixteen (16) identity certificate books from which revenue amounting to K93,600,000 (K117,000 per identity) was expected which were not produced for audit.

ii. Unaccounted for Revenue

Out of total collections of K543,170,900 made between February 2006 and January 2007, only K531,104,100 was banked leaving a balance of K12,066,800 unaccounted for contrary to Financial Regulation No. 129.

iii. Delayed Banking

There were delays in banking revenue totalling K531,104,100 collected during the period under review ranging from four (4) days to sixty eight (68) days contrary to Financial Regulation No.121.

iv. Irregular Transfer of Accountable Documents

According to Financial Regulation No. 104, receipt forms shall not be transferred from one receipt holder to another and that if the transfer is necessary, it shall be reported immediately to the Controlling Officer, the Auditor General and the Strong room Superintendent.

Contrary to the regulation, fifteen (15) receipt books were transferred from the Ndola office to Kasumbalesa (5) and Nakonde (10) border posts.

v. Failure to Account for Revenue Collected From Identity Certificates

A review of identity certificates issued to public service vehicle operators between January and December 2006 revealed that out of a total amount of K546,624,000 expected to have been collected, only a total amount of K201,050,500 was receipted and banked leaving a balance of K345,573,500 unaccounted for.

e. Kitwe

i. Delayed Banking

There were delays of periods ranging from four (4) to nineteen (19) days in banking revenue amounting to K9,342,800 collected during the period from January to April 2006 contrary to Financial Regulation No. 121.

ii. Unaccounted for Revenue - Identity Certificates

Out of total collections of K186,591,600 made between January and December 2006, only K 127,994,400 was banked leaving a balance of K58,597,200 unaccounted for contrary to Financial Regulation No. 129.

f. Nakonde

i. Missing Receipt Books

There were four (4) Toll Fee Receipt Books with serial numbers 626301-626350, 626551-626600, 626651-626700 and 626751-626800 from which revenue totalling US\$60,000 (K279,516,622) was collectable, which were missing. However, as of April 2007 no action had been taken.

ii. Unaccounted for Revenue

Amounts totalling K37,044,000 and US\$6,775 (K31,562,085) collected between December 2005 and March 2006 were not accounted for as no records were made available for audit.

g. Chirundu

Missing Accountable Documents

Fifty five (55) toll fee receipt books from which revenue totalling US\$160,930 (K749,710,165) was collected, were not made available for audit.

h. Livingstone Main Office

i. Theft of Public Funds

A review of revenue records at the station revealed that an amount of K32,940,600 was stolen on 15th December 2006. Although the theft was reported to the Police, no recoveries of the money had been instituted as of April 2007.

ii. Missing Accountable Documents

- Six (6) used receipt books whose serial number ranges are detailed below were not made available for audit:

**Serial No.
Range**

1698651-1698700
0112051-0112100
0125851-0125900
0133801-0133850
0088651 - 0088700
01666401- 01666450

- There were three (3) used identity certificate books bearing serial number ranges 107401-107450, 122751 – 122800 and 12280 – 122857 from which K17,550,000 was expected that were not made available for audit.

i. Mazabuka - Irregular Transfer of Accountable Documents

During the year under review, seven (7) receipt books were transferred to various stations without the authority from the Strong room Superintendent and without notifying the Auditor General contrary to Financial Regulation No. 104.

j. Kazungula Border Post

i. Unaccounted for Toll Fees

A total amount of US\$1,140 (K5,310,816) collected between May and December 2006 in respect of toll fees was not accounted for.

ii. Missing Accountable documents

There were four (4) toll fee receipt books bearing serial numbers 313051-313100, 313751-313800, 314501-314550 and 314551-314600 which were not produced for audit.

k. Misappropriation of Revenue

A review of internal audit reports from RTSA for the period under review revealed that revenue totalling US\$6,455 (K30,071,330) collected as toll fees at four (4) stations was misappropriated as shown in the table below:

Station	Amount as per original receipts	Amount as per duplicate receipts	Misappropriated amount	
	(US\$)	(US\$)	(US\$)	(K)
Kasumbalesa	2,940	400	2,540	11,833,860
Nakonde	3,010	635	2,375	11,065,125
Kazungula	905	310	595	2,772,105
Victoria Falls	1,430	485	945	4,402,755
			<u>6,455</u>	<u>30,073,845</u>

As of October 2007 no action had been instituted to recover the money.

HEAD: 206 Fees of Court or Office

Ministry of Home Affairs

SUBHEAD: 052 Police

Weaknesses and Irregularities in Accounting for Revenue

17. In Paragraph 10 of the Auditor General's report for the financial year ended 31st December 2005, mention was made of misappropriation of K167,637,006, delayed banking of K1,005,279,000, under banking of K13,773,900 and over banking of K9,792,400.

In 2006, K9,618,904,132 was provided for in the Estimates of Revenue and Expenditure for against which K8,420,138,728 was collected.

An examination of financial and other records maintained at various Police Stations carried out in September 2007 revealed the following:

a. Unaccounted for Revenue

Contrary to Financial Regulation No.129, amounts totalling K314,322,600 collected during the period under review at various police stations were not accounted for as there was no evidence of banking and the cash were not found on hand as shown in the table below

Station	Amount not accounted for (K)
Headquarters Interpol Section	230,669,200
Livingstone Central Police Station	35,984,000
Linda Police Station	1,380,000
Kalomo Police Station	13,167,000
Kabwe Central Police Station	11,989,600
Kapiri Mposhi Police Station	14,403,600
Ndola Central Police Station	5,892,200
Kamuchanga Police Station	837,000
Total	314,322,600

b. Delayed Banking

There were delays of periods ranging from two (2) days to three (3) years in banking revenue totalling K1,106,014,850 collected during the period under review contrary to Financial Regulation No. 121 as shown below:

Station	Amount (K)	Days delayed
Traffic -Hq	337,864,000	3 to 139
Finger Printing Section	256,582,200	3 to 69
Kabangwe Police Post	71,754,500	7 to 88
West wood - Administration	3,180,500	2 to 1095
Chilanga	38,760,000	6 to 73
Kafue	109,473,250	3 to 25
Southern Division - Interpol	20,600,000	2 to 101
Kalomo Police Station	12,945,000	18 to 57
Kabwe Central Police Station	12,604,700	3 to 138
Ndola Central Police Station	27,314,000	3 to 327
Kasenshi Police Station	192,898,700	2 to 30
Wusakile Police Station	22,038,000	2 to 37
Total	1,106,014,850	

c. Accountable Documents Not Availed For Audit

There were one hundred and seventy six (176) accountable documents at various police stations that were not availed for audit contrary to Financial Regulation No. 103 as detailed below:

<u>Station</u>	<u>Documents not availed</u>	
Headquarters - Interpol	85	Receipt books
Kabwe Central Police Station	7	Receipt books
Kabwe Central Police Station	1	Admission of guilt book
Lusaka Central Police Station	63	Receipt books
Kapiri Mposhi Police Station	6	Receipt books
Kapiri Mposhi Police Station	1	Admission of guilt book
Ndola Central Police Station	3	Admission of guilt books
Wusakile Polices Station	<u>10</u>	Receipt books

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d. Revenue Collections Not Deposited in Control 99

Revenue collections in amounts totalling K281,306,000 collected at Interpol Copperbelt Division (K279,662,400) and Kabwe Central Police Station (K1,643,600) during the period under review had not been deposited into Control 99 as of September 2007, contrary to Financial Regulation No. 130 (1).

e. Unauthorised Use of Revenue

Contrary to Financial Regulation No.122, Livingstone Traffic Section utilised amounts totalling K37,067,000 collected during the period under review without Treasury authority.

**HEAD: 206 Fees of Court or Office
Ministry of Home Affairs**

SUBHEAD: 053 Immigration

Weaknesses in Accounting for Revenue

18. During the financial year ended 31st December 2006, a provision of K24,602,641,866 was made in the Estimates of Revenue and Expenditure as the amount to be collected by the department. The department collected a total amount of K27,185,505,540 K2,582,863,674 in excess of the estimate.

An examination of financial and other records maintained at the Immigration headquarters, Lusaka Regional Office, Lusaka International Airport, Livingstone, Solwezi, Chipata, Kabwe and Kasumbalesa carried out in June 2007 revealed the following:

a. Delayed Banking

There were delays ranging from one (1) to three hundred and ninety one (391) days in banking revenue totalling K1,409,293,631 collected at six (6) stations contrary to Financial Regulation No. 121. The six (6) stations are shown in the table below:

<u>Station</u>	<u>Amount (K)</u>	<u>Range Days</u>
Immigration HQ	152,717,686	1 to 8
Lusaka Regional Office	165,730,000	5 to 21
Livingstone Regional Office	380,878,000	3 to 43
Kazungula Border Control	241,271,220	3 to 391
Mwami Border Control	205,876,725	2 to 17
Kasumbalesa Border Control	<u>262,820,000</u>	5 to 9
Total	<u>1,409,293,631</u>	

b. Unaccounted For Revenue

Revenue in amounts totalling K83,639,500 collected from six (6) stations during the period under review could not be accounted for contrary to Financial Regulation No. 129. The six (6) stations and the amounts involved are detailed in the table below:

<u>Station</u>	<u>Amount Unaccounted (K)</u>
Immigration HQ	4,320,000
Lusaka International Airport	2,160,000
Solwezi Regional Office	700,000
Mwami Border Control	25,469,500
Kasumbalesa Border Control	19,020,000
Kabwe Regional Office	<u>31,970,000</u>
Total	<u>83,639,500</u>

c. Accountable Documents Not Accounted for

There were one thousand two hundred and sixty five (1,265) accountable documents with a total value of K2,530,000,000 as shown in the table below which could not be accounted for contrary to Financial Regulation No.103.

<u>Station</u>	<u>Document not accounted for</u>	<u>No. of Documents</u>	<u>Value of Documents (K)</u>
Immigration HQ	Temporal Employment Permits	691	1,382,000,000
	Employment Permits	397	794,000,000
Lusaka International Airport	Temporal Employment Permits	159	318,000,000
Solwezi Regional Office	Temporal Employment Permits	<u>18</u>	<u>36,000,000</u>
		<u>1,265</u>	<u>2,530,000,000</u>

d. Revenue Collections Not Deposited in Control 99

Revenue in amounts totalling K53,810,686 collected as Admission of Guilt (K35,640,000) and VISA fees (K18,170,686) during the period under review was deposited into Control 15 (the Ministry's expenditure account) instead of Control 99, contrary to Financial Regulation No.130.

**HEAD: 206 Fees of Court or Office
Ministry of Home Affairs**

SUBHEAD: 054 Passports

Weaknesses in Accounting for Revenue

19. In Paragraph 12 of the Auditor General's report on the accounts for the financial year ended 31st December 2005, mention was made of passport sales not accounted for. In particular, it was mentioned that amounts totalling K410,913,141 (K168,214,141 in 2004 and K242,699,000 in 2005) were not accounted for.

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K4,124,585,320 was made for collections of revenue against which amounts of K4,142,229,200 were collected.

An examination of accounting and other records maintained at the Passport Office headquarters, Ndola, Kabwe, Chipata and Livingstone offices in April 2007 revealed the following:

a. Unaccounted for Revenue

Revenue in amounts totalling K156,696,000 collected at four (4) stations during the period under review were not accounted for as shown in the table below:

<u>Station</u>	<u>Amount (K)</u>
Headquarters	116,848,000
Ndola	10,346,000
Chipata	<u>29,502,000</u>
Total	<u><u>156,696,000</u></u>

b. Delayed Banking

There were delays ranging from two (2) to one hundred and twenty seven (127) days in banking revenue amounting to K180,978,000 collected in Kabwe (K86,240,000) and Chipata (K94,738,000) contrary to Financial Regulation No. 121.

HEAD:	206	Fees of Court or Office Ministry of Justice – Legal Aid Department and Administrator General’s Chambers
SUBHEADS:	080	Legal Aid Contributions
	083	Administrator General’s Fees,

Weaknesses in Accounting for Revenue

20. The Ministry of Justice collects revenue from Legal Aid contributions under the Department of Legal Aid, and Administrator General’s fees under the Administrator General’s Chambers.

During the period from 2004 to 2006, a total amount of K189,557,170 was budgeted for in the Estimates of Revenue and Expenditure and the actual collections were K355,411,627 as detailed below:

Year	Budget		Actual	
	Legal Aid Department K	Administrator General's Chambers K	Legal Aid Department K	Administrator General's Chambers K
2004	11,555,000	34,827,147	27,604,771	35,801,650
2005	22,442,143	42,691,363	61,763,565	59,752,628
2006	23,788,672	54,252,845	106,980,585	63,508,428
	57,785,815	131,771,355	196,348,921	159,062,706
Total (2004 -2006)		189,557,170		355,411,627

An examination of revenue records maintained at the Department of Legal Aid and the Administrator General’ Chambers carried out in September 2007 for the years under review revealed the following:

a. Legal Aid Department

i. Unaccounted For Revenue

Revenue collected during the period from August 2005 to December 2006 amounting to K10,240,225 was not accounted for contrary to Financial Regulation No.129.

ii. Delayed Banking

There were delays of periods ranging from 4 to 46 days in banking revenue totalling K28,633,925 collected during the period under review contrary to Financial Regulation No.121.

iii. Misappropriation of Revenue

Contrary to Financial Regulation No.140 (1), amounts totalling K3,836,500 were misappropriated by a cashier through alterations on bank deposit slips after banking. It was further observed that contrary to Financial Regulation 140 (2) and (3), no appropriate action had been taken against the cashier. As of September 2007, the money had not been recovered and the cashier had since been transferred to another Ministry.

iv. Poor Record Keeping

There was poor record keeping as evidenced by non maintenance of records such as receipt books, bank statements, bank reconciliation statements and cash books for the commissions received contrary to Financial Regulation No.128. Consequently, it was not possible to verify whether amounts totalling K61,539,638 collected as commission from successful legal representations had been credited to Control 99.

v. Revenue Not Remitted To Control 99

Contrary to Financial Regulation No. 130, revenue totalling K121,638,921 collected during the period under review had not been remitted to Control 99.

b. Administrator General's Chambers

i. Misappropriation of Revenue

A total amount of K5,362,550 collected between July and December 2006 was misappropriated by a cashier. As of September 2007, no appropriate action had been taken against the cashier contrary to Financial Regulation Nos.121 and 122(2).

ii. Failure to Remit Revenue to Control 99

Revenue collected during the period from November 2005 to June 2006 amounting to K10,189,524 had not been remitted to Control 99 as of September 2007 contrary to Financial Regulation No.130.

iii. Delayed Remittance of Revenue to Control 99

There were delays of up to one and a half (1.5) years in remitting revenue to Control 99 totalling K50,167,324 collected during the period under review. It was not clear why it took too long to remit the funds despite the proximity to banking facilities.

HEAD:	206	Fees of Court or Office, Ministry of Lands
SUBHEADS:	101	Ground Rents
	102	Document Fees and Registration Fees
	104	Survey and Miscellaneous Fees
	105	Inspection Fees
	106	Rent of Government Premises
	107	Consent Fees

Weaknesses and Irregularities in the Management of the Lands Management Information System (LIMS) and Accounting for Revenue

- 21.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K12,040,629,958 was made for revenue collections

out of which K8,916,717,443 was collected resulting in an under collection of K3,123,912,515.

An audit carried out in January 2007 at the Ministry headquarters, Livingstone, Chipata and Ndola offices revealed the following:

a. Ministry Headquarters

Weaknesses and Irregularities in the Management of the Lands Information Management System (LIMS)

The Ministry of Lands operates a system allowing identification, maintenance of land parcels and payment of relevant fees. The system called the Lands Information Management System (LIMS) keeps a record of properties, leases, legal rights and account details.

A review of controls in the Information Technology (IT) environment carried out in March 2007 revealed the following:

i. Overall Policy and Management Control

• IT Governance

The Ministry had a Strategic Plan (2002 – 2006) for the entire Ministry. However, it was observed that the Strategic Plan did not take into account information technology. Further, it was noted that the draft Strategic Plan (2007-2011) did not adequately address IT strategic issues.

• IT Security Policy

It was observed that the Ministry did not have an IT security policy in place and was relying on existing government regulations which did

not adequately address IT policies. In this regard, there were no documented IT policies and guidelines to provide direction on the use of IT infrastructure. There were also no policies and guidelines for retaining electronic documents and computer printouts.

- **Organization Structure**

According to the organization structure in place, the Principal Systems Analyst who is heading the IT unit should report to the Head of Planning and Information. However, it was observed during the audit that the Principal Systems Analyst reported to the Director Human Resource and Administration instead. There was no documentation to support the deviation from the reporting lines in the approved structure.

- **Monitoring and Evaluation of IT Activities**

There was very little monitoring of the activities performed by IT section. Although there was a plan and a budget for activities that were to be undertaken in 2006, there was no evidence of assessment of the activities and approval by management. No progress reports were produced to show what had been achieved and how the funds were utilized.

According to the 2006 IT work plan, the LIMS sub-system should have been installed in all the provincial offices. As of March 2007, only one installation had been done at the Ndola office. However, the installation was not fully implemented and utilized by the Ministry.

- **Training**

The Ministry's training programme did not include specialized IT training for the officers that were managing the IT infrastructure.

Although several proposals and requests were made to undertake IT training they were declined by management.

ii. Segregation of Duties

The Ministry had an IT organizational structure. According to the approved structure, the IT department should have had six (6) officers. As of March 2007, there were only three (3) officers who had been seconded from the Computer Centre since 2003.

Although the organization structure existed, the duties and responsibilities of each position highlighted in the structure were not outlined. In other words, there were no job descriptions for all the officers in the department. For example, the data entry clerk had been assigned the responsibility of managing the network and IT officers perform data entry functions that were supposed to be done by the user departments.

There were no formal procedures for administration and maintenance of the database, the Local Area Network (LAN) and associated infrastructure. The Principal Systems Analyst performed all database administration functions and had the super-user access rights, the highest level of access to the system. This type of access allows the holder to perform all restricted functions such as amendments, deletions, additions and set up of parameters governing the security, functional set up and performance of the system. The activities performed by the database administrator were not monitored or checked.

iii. Physical Access Controls

- **Server Room**

Although the Ministry ensured that the computer facilities in the server room were under lock and key in an air-conditioned environment, there

was no register in place to record access to the facility by individuals who were contracted to carry out works within the room or on the system itself. Further, the fire extinguishers examined had expired.

It was further noted that there were no contracts for the maintenance of hardware such as the server and the Uninterruptible Power Supply (UPS) unit. As of March 2007, the situation had not been normalized.

- **Back-ups**

There were no procedures in place for performing and maintaining back-ups of data files and system data. It was observed in this regard that backups were done in an ad-hoc manner. It was also not possible to confirm whether the backups that were being done were for data files or system files as the back-up could not be restored. Further, it was revealed that the IT unit did not know how to restore the backups. In addition, the Ministry did not maintain a backup server.

Contrary to the industry's approved standard of using tapes which have a higher capacity, more durable and reliable as back-up media, it was observed that the Ministry was using rewritable CDs. In addition, the CDs were not adequately safeguarded as they were kept in the custody of the officers in unsecured drawers instead of a designated safe.

The IT department did not maintain an asset register for computers and other IT-related equipment. Most of the equipment examined did not have any identification marks contrary to government regulation.

iv. Logical Access Controls

- **Logical Access Control Policy**

There was no logical access control policy maintained by the Ministry. However, user names and passwords had been assigned to all users and were being used. Despite the passwords being in place, users in particular sections were assigned blanket access rights on all the roles expected to be performed within that section. There were no restrictions on the menus or tables to be accessed depending on the tasks of the user. The implication of this was that data could be accessed and manipulated by any staff in the section.

- **Password Policy**

There was no password policy in place. It was observed in this regard that, guidelines providing for password cycles and composition and length of the password were not in place. Consequently, some users still maintained the password assigned at the time of creation of the account. In addition, none of the computers had password protected screen savers when terminals were idle particularly, screens were left active in shared offices.

- **Data Transmission Controls**

The LIMS subsystem in Ndola is linked to headquarters via a leased line provided by Zambia Telecommunication Company Limited (ZAMTEL). It was observed that there were no data transmission controls in place for the connectivity in that the connection was not secured and data accessed through the connection was not encrypted to prevent unauthorized access.

- **Transaction Logs and Audit Trail**

Transaction logs and the audit trail were not enabled in the system. It was therefore not possible to determine what actions had been taken on the system such as who logged on and what data were accessed among others.

v. Change Management Controls

There were no documented procedures for implementing changes to the LIMS and associated infrastructure. Changes were done in a haphazard manner without taking into account the impact of those changes. Changes that had been made to the system were carried out on the operational or live server without testing as there was no backup server or test server that could be used for this purpose. Consequently, some functions within the system that had been working previously had stopped working. This was noted in the case of the Withdrawal of Land Offers module. As a result, this function was being performed by IT staff who should not be involved in functional data input.

vi. Systems Development Controls

Grant Thornton Associated Ltd was contracted to implement the LIMS system. There was no evidence of tender procedures being followed in awarding the contract to Grant Thornton.

Non adherence to tender and procurement procedures led to the Ministry acquiring a system that did not adequately address its objectives. The contract between the Ministry and Grant Thornton outlined the deliverables of the project as “a basic land management system”. The contract terms were not indicative of the expected measurable outcomes of the implemented system.

As a result of entering into a contract that did not outline the specific deliverables of the project, the Ministry ended up using the solution/system

that the supplier delivered. It was not possible to ascertain whether the requirements of the Ministry had been met at the time of completion.

In addition, on-going support for the system was not taken into account at the time. This led to the Ministry dealing with various consultants to assist in resolving system problems at a cost.

There was lack of documentation for all project management activities. The following documents were not available for audit:

- User Requirements
- Project proposal
- Feasibility study
- Project authorization
- Procurement documents
- Budgets and work plans
- System Documentation
- Training documentation
- Testing documentation
- Data conversion plan
- Data conversion activity reports and reconciliation
- Progress reports
- User manuals
- Final project report

As a result of the absence of the above documents, it was not possible to assess whether:

- Users had been adequately involved in coming up with user requirements and also in the systems development and testing.
- A feasibility study had been conducted prior to the implementation.

- Appropriate approval channels were followed.
- Tender and procurement procedures were observed.
- The system was setup and operated as expected.
- Data cleaning and conversion were adequately planned for and executed.
- Testing was planned for, performed and signed off.
- Adequate training was conducted.
- The technical specifications had been met in the design.

Lack of application documentation resulted in the IT department's failure to understand the System, thereby making it difficult for them to maintain the system and provide user support.

Lack of training of IT staff led to IT staff not appreciating critical processes such as backups and infrastructure maintenance which are top priority functions for any IT system.

Failure to adhere to project management methodology led to conflict between the Ministry and Grant Thornton (the supplier). Consequently, various problems the system was facing could not be resolved.

vii. Data Conversion Reviews

There was no documentation produced for audit to support data conversion activities during the implementation of the System. It was therefore not possible to determine whether all the data was cleaned and converted at the time of migration.

From the time the new system was put in place there has never been a reconciliation of the old data and the data that was migrated to the new system. It was observed that there were numerous discrepancies between the actual information on the physical files and the information contained in the system. Although proposals were made by the IT unit to clean the data, as of March 2007, nothing had been done.

viii. Business Continuity Plan

There were no business continuity and disaster recovery plans in place. There was no backup policy and backups were not taken on a regular basis. The backup media was not adequately protected as it was kept in staff drawers instead of a fire proof safe. In addition, the Ministry did not have offsite storage facilities for backup media.

ix. Use of External IT Service Providers

The Ministry had no permanent contract with any IT service provider. When need arose for services such as the servicing of the server, the IT unit identified a supplier to perform the service. In some cases there was no evidence of tender procedures having been followed. In the case of supply of computers and other accessories, the user departments forwarded their requests to the Procurement unit without the involvement of the IT unit. No quality control checks were done by IT and there were no after sales service provisions and service level agreements entered into.

x. Operational Controls

The IT unit did not have a Service Level Agreement (SLA) with the rest of the organisation. There was no Helpdesk in place to provide user support and there were no formal procedures for reporting and logging system problems. There was no management monitoring and supervision of the computer operations and system support staff. There were no agreed performance measures and maintenance procedures for the computers were not

documented. There were no monitoring activities done on the network to detect and prevent any unauthorised access to the system.

xi. Network Communication Security Control

The network configuration had not been documented and there was no inventory documentation. The network operations were not monitored for any security irregularities and sensitive information on the network was not protected.

The network lacked automated diagnostic tools and fire walls to protect it from external network and unauthorised users and there was no anti-virus protection running on either the server or workstations.

xii. Review of Application controls

- **Auditability**

The embedded audit trails and system logs had not been activated. Consequently, there was loss of accountability through inability to trace action by users. Further, the authenticity of electronic business records was doubtful as there was no way of confirming that the proper authority performed the data input and amendments on the system.

- **Application Security - Physical and Logical Access**

There were no operational physical measures in place to prevent unauthorised access to the Systems application terminals.

The lists or schedules of authorised application users were not updated and most system users were given general privileges. It was observed that some employees who had been transferred or no longer worked for the Ministry still had active accounts on the system. Further, there was no deliberate policy for frequent management review of the actions of individual users.

- **Input controls**

There was no action taken by management to monitor data input and there were no controls operating to ensure that data input was properly validated and authorised. Reconciliations were not done to provide assurance that only valid information was entered into the system.

It was also observed that no transaction logs were being produced.

- **Processing Controls**

There were no controls in operation to ensure accuracy of data that was being processed. According to the existing procedure, revenues collected by the provincial offices are input into the System at the Ministry Headquarters (H/Q). The provincial offices issue manual receipts and then deposit the money in their local accounts. Later receipts for a given period are compiled and a cheque issued in favour of the Ministry H/Q.

It was observed that the transmission and input of the revenue data into the System was delayed, in some instances for periods up to three (3) months. As a result, clients' accounts were not always up to date and consequently, the System wrongly charged interest for delayed payments. There was no evidence of reconciliations between receipts batch totals and the System's totals.

- **Output Controls**

There were no controls to ensure correct storage of computer output. There was evidence of missing copy receipts on customer files, especially those where unauthorised amendments or manipulation had occurred.

- **Master File and Standing Data Controls**

There were no controls to ensure that only authorised amendments were made to standing or permanent data maintained on the system thus there was no way of detecting unauthorised amendments to the systems standing data.

Weaknesses and Irregularities in Accounting for Revenue

i. Ground Rent Arrears

According to reports generated by the Lands Information Management System (LIMS), a total amount of K270,313,494,103 (Principal - K208,593,498,943 and Interest - K61,719,995,160) in respect of ground rent remained uncollected as of July 2007. It was observed that some of the balances have been outstanding from as far back as 1998.

ii. Revenue not Received

A total amount of K1,286,198,088 was collected by the provincial offices and deposited in the transit account at headquarters in Lusaka out of which only collections totalling K640,723,905 were received leaving a balance of K645,474,183 contrary to Financial Regulation No.123.

iii. Irregular Payments From Transit Account

Contrary to Financial Regulation No.130 (1), amounts totalling K244,132,027 collected during the period under review were not deposited to the credit of the Treasury Account (Control 99).

iv. Failure to Maintain Stores Records

Despite mention being made in the Auditor General's report for the Financial year ending 2005, of the failure by the map sales section to maintain stores

records such as bin cards, daily sales ledgers and stores ledgers among others, it was observed that the situation had not improved as of April 2007.

v. Unauthorized Appropriations of Revenue

According to Appropriation in Aid guidelines, Appropriation in Aid shall start on 1st April and end on 30th November during each fiscal year. It was however observed that contrary to the guidelines, the Ministry appropriated revenue in amounts totalling K1,164,231,548 outside the months in which it was authorized to appropriate, contrary to the Appropriation in Aid Guidelines.

b. Chipata Provincial Survey and Lands Offices

i. Survey Office

The Office was understaffed and there were no segregation of duties. As a result, the Senior Survey Officer did all the survey works, receipting, recording and banking. It was observed in this regard that:

• Delayed Banking

There were delays ranging from 3 to 70 days in banking revenue amounting to K202,905,000 collected during the period from January 2005 to December 2006, contrary to Financial Regulation No. 121 (1).

• Revenue Borrowed not Reimbursed to Third Party Account

Revenue collections amounting to K13,530,280 were borrowed in February 2005 by the Provincial Administration office. As of April 2007, the money had not been reimbursed.

ii. Lands Office

• Delayed Banking

There were delays ranging from 3 to 29 days in banking revenue collections made during the period January 2005 to December 2006 contrary to Financial Regulation No.121 (1).

c. Livingstone Provincial Lands and Survey Offices

i. Survey Office

• Accountable Documents

There were three (3) receipt books with serial numbers 1138951 to 1139000, 1139751 to 1139800 and 701451 to 701500 that were not produced for audit.

• Arrears of Revenue

Arrears of revenue totalling K37,850,000 in respect of survey fees for the period from April to August 2006 had not been collected as of March 2007.

ii. Lands Office

• Unaccounted for Revenue

Revenue totalling K11,475,098 collected between August and November 2006 was not accounted for in that there was no evidence of banking nor was there cash found on hand.

• Delays in Banking

Contrary to Financial Regulation No. 121 (1), there were delays in banking revenue totalling K19,806,930 collected during the period January to October 2006 for periods ranging from 3 to 18 days.

d. Ndola Provincial Survey Office

• **Unremitted Revenue Collections**

Revenue from survey fees for 2006 totaling K102,411,000 was not remitted to the Ministry of Lands Headquarters. This is contrary to the Appropriation in Aid Guidelines.

• **Delayed Banking**

There were delays ranging from four (4) to sixty three (63) days in banking revenue totalling K74,339,000 collected during the period under review.

• **Unreceipted Revenue**

Contrary to Financial Regulation No. 123, amounts totalling K28,510,000 collected during the period under review although banked were not receipted.

**HEAD: 206 Fees of Court or Office
Ministry of Works and Supply**

SUBHEADS: Various

Weaknesses in Accounting for Revenue

22. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2005 and 2006 provisions of K1,178,073,176 and K1,162,411,080 were made respectively for revenue collections under the Ministry. It was however, observed that K2,035,790,500 and K4,167,833,942 were collected resulting in over collections of K857,717,324 and K3,005,422,862 as shown below:-

Year	Estimates	Actual Collections	Variance
	<u>K</u>	<u>K</u>	<u>K</u>
2005	1,178,073,176	2,035,790,500	857,717,324
2006	3,667,163,496	4,167,833,942	500,670,446

An examination of revenue records at the Ministry Headquarters, Government Printing and Office Equipment and Maintenance Services Departments revealed the following:

a. Headquarters

i. Cash Shortage

A cash count carried out on 14th November 2006 revealed a shortage of K726,730. As of September 2007, no action had been taken against the erring officer.

ii. Sale of Personal to Holder Motor vehicles

According to the conditions governing the sale of personal to holder motor vehicles, when a motor vehicle is offered for sale, payments were to be made in full within three (3) months from the date of acceptance, failure to which the offer is cancelled.

It was observed however that, contrary to the conditions of sale, fourteen (14) motor vehicles valued at K246,600,644 offered for sale to senior officials were released by the respective ministries and departments and ownership transferred before payments were made.

iii. Unauthorised Transfer of Receipt Books

There were fifty four (54) receipt books that were transferred by the Ministry headquarters to Office Equipment headquarters without notifying the Auditor General and Strong Room Superintendent contrary to Financial Regulation No. 104 (1).

b. Government Printing Department

i. Delayed Banking of Revenue

A cash count carried out on 21st November 2006, revealed that revenue collected between 23rd October and 20th November 2006 totalling K85,534,000 (K17,766,000 cash and K67,768,000 cheques) had not been banked as of 21st November 2006. Another cash count conducted

on 19th January 2007 revealed that the practice of delayed bankings had continued and a total amount of K34,856,000 (K20,392,500 cash and K14,463,500 cheques) collected between 17th November and 29th December 2006 had not been banked as of 19th January 2007, resulting in delays of 11 to 43 days contrary to Financial Regulation No. No.121(1).

ii. Unauthorised use of Revenue

It was observed that although no appropriation-in-aid was approved for the Government Printing Department, the Department spent amounts totalling K1,516,172,000 (K130,457,700 in 2005 and K1,385,714,500 in 2006) from their collections without treasury authority contrary to Financial Regulation No.129.

iii. Unaccounted for Revenue

Amounts totalling K215,489,099 collected during the period under review could not be accounted for as of September 2007.

iv. Receipt Books Not Produced For Audit

- An unused receipt book bearing serial numbers 1674551 – 1674600 received in September 2005 could not be produced for audit scrutiny.
- There were nineteen (19) general receipt books used between 1st January and 31st March 2005 that were not presented for audit verification. Inquiries from management revealed that the receipt books were destroyed by water when the offices were flooded. However, there was no report processed and the destroyed books were not produced for audit verification. It was difficult to establish total collections from these receipt books and how the revenue collected in the same period was accounted for because the general revenue cashbook was also not maintained.

c. Office Equipment and Maintenance Services Department

A review of revenue records at the Department revealed that:

i. Arrears of Revenue

Records maintained at the Department showed that a total amount of K350,022,250 had not been paid by various clients for services rendered between January 2005 and December 2006 and as of April 2007 the amount remained outstanding.

ii. Receipt Book not Produced for Audit

Two (2) receipt books bearing serial numbers 0323251 – 0323300 and 0156151 – 0156200 were not presented for audit.

iii. Unauthorised Transfer of Receipt Books

There were eight (8) receipt books transferred without notifying the Auditor General or the Strong Room Superintendent contrary to Financial Regulation No. 104 (1) (2).

iv. Use of Revenue Without Authority

It was observed that the office equipment and maintenance services department spent amounts totalling K339,240,000 from their collections without treasury authority contrary to Financial Regulation No.129.

v. Non-maintenance of Cash Book

During the period under review, the Department did not maintain a cashbook contrary to Financial Regulation No. 128.

vi. Non-submission of Returns

It was observed that there where no revenue returns submitted to the Office Equipment and Maintenance Services headquarters by the provincial stations. As a result, it was difficult to verify amounts totalling K30,150,000 reflected on the bank statements as actual revenue collected by the provincial stations.

EXPENDITURES

HEAD :	03/01	National Assembly – Headquarters
UNIT:	1	Office of the Clerk
PROGRAMME:	1	Personal Emoluments
ACTIVITY:	03	Members Gratuity
PROGRAMME:	2	General Administration
ACTIVITY:	01	Security and Related Services

Accounting and Other Irregularities

23. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, provisions of K33,200,000,000 and K733,161,000 were made to cater for members gratuity and security and related services respectively. Against these provisions, amounts of K32,938,000,000 and K582,555,765 were released by the Treasury.

An examination of the financial and other records maintained at the National Assembly carried out in March 2007 revealed the following:

a. Non Recovery of Loans, Advances and Imprests

There were amounts totalling K566,323,245 in unrecovered loans, advances and unretired imprests owed by twelve (12) Members of Parliament (MPs) who served during the December 2001 to July 2006 Session as follows:

- i. Eight (8) MPs who had served as Ministers still owed amounts totalling K331,930,970 through un-retired imprest and loans obtained from their respective Ministries. In an effort to recover the money, the Ministry of Finance and National Planning (MoFNP) requested the National Assembly to recover the money from the Members' gratuity. However, the members' gratuity was not adequate to cover the debts and as of March 2007, the amounts were still outstanding.

In her response dated 21st November 2007, the Controlling Officer stated that whereas the National Assembly simply made efforts to recover the monies owed, the debt was actually owed to the Ministry of Finance and National Planning.

- ii. Amounts totalling K210,778,902 owed by four (4) MPs had not been recovered as of March 2007.

In her response dated 21st November 2007, the Controlling Office stated that efforts were being made to recover the monies owed through the legal department and the Attorney General's Office.

b. Failure to Follow Tender Procedures

In January 2006, the National Assembly retrospectively signed a contract for the installation of a digital security system at a contract price of K2,692,626,865. However, this price was K110,500,000 over and above the contract price of K2,582,126,865 agreed with the contractor in June 2004.

It was also observed that although the contract price was above the National Assembly's threshold, there was no competitive bidding and no authority was obtained from the Zambia National Tender Board.

As of September 2006, the contractor had been paid amounts totalling K2,582,126,865.

In her response dated 21st November 2007, the Controlling Officer stated that attempts were made to normalize the contract for the Digital Security System through a copy of a letter dated 20th July 2004 and that she had since received a letter from the Office of the Director General, Zambia National Tender Board which noted the anomaly made on the procurement and installation of the above mentioned equipment.

HEAD: 05/01 Electoral Commission – Headquarters

UNITS: Various

PROGRAMMES: Various

ACTIVITIES: Various

Accounting and Other Irregularities

24. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2005 and 2006, provisions of K152,478,594,734 and K302,400,747,319 were made to cater for the Commission’s activities out of which K146,144,217,840 and K235,040,704,538 were released respectively.

An examination of financial and other records maintained at the Commission and visits to various councils carried out in May 2007 revealed the following:

a. Other Income

In addition to the funds released from government, the Commission generated amounts totalling K7,871,000 in 2005 and K1,039,690,835 in 2006 respectively from the sale of maps, registers and nomination fees pertaining to presidential, parliamentary and local government elections.

b. Non Maintenance of Register of Accountable Documents

Contrary to Financial Regulation No. 103(1), the Commission did not maintain a register of accountable documents. In this regard, it was not possible to ascertain the completeness, accuracy and validity of income raised.

c. Failure to Prepare Annual Reports

According to the provisions of Part IV section 16 subsection (1) and (2) of the Electoral Act No. 24 of 1996, the Electoral Commission, is required as soon as is practicable, but not later than ninety (90) days after the end of the financial year, to submit to the President a report concerning its activities during the

financial year. The report referred to in Subsection (1) include information on the financial affairs of the Commission such as the balance sheet, statement of income and expenditure; and such other information as the President may require.

Contrary to the provisions of the Act, the Electoral Commission of Zambia has not prepared the annual reports for submission to the President since 2002 and it was also observed that as of November 2007, the Commission had not prepared the financial statements for the year ended 31st December 2006.

d. Unutilised Funds not Recovered

The Commission disbursed amounts totalling K73,397,365,850 to all councils during the period from May and October 2006 as funding for the tripartite elections. Out of the funds disbursed, K973,533,167 was not utilised by various councils as of November 2006. A scrutiny of the bank statements at ECZ revealed that a total of K776,214,774 was remitted back to ECZ leaving a balance of K197,318,423. As at 31st October 2007 the Commission had only recovered K6,534,000 leaving a balance of K190,784,423.

e. Unjustified Procurements

It was observed that there was no evidence that the Commission carried out a needs assessment prior to the procurement of various election materials for the tripartite elections in September 2006. In this regard, materials costing K925,082,512 procured for the elections were not utilised and were still in the warehouse at the Commission headquarters as shown in the table below:

Description	Quantity	Cost (K)
Lanterns	19,512	279,567,936
Plastic Trays	60,816	316,243,200
Lantern Batteries	146,880	228,427,776
Canvas Bags	11,180	100,843,600
Total		925,082,512

As of May 2007, stores records indicated that forty nine (49) Lanterns, five hundred and seventy six (576) Lantern batteries and nineteen (19) Canvas Bags were stolen from the warehouse though the matter had not been reported to the police.

f. Unaccounted for Election Materials

In October 2006, the Commission disbursed amounts totalling K492,375,000 to the councils country wide to cater for the return of election materials after the conclusion of the elections. It was however observed that election materials costing K1,845,061,044 were not accounted for as detailed below:

Description	Purchased	Stock Count	Unaccounted	Cost (K)
Canvas bags	24,000	17,643	6,357	503,540,087
Lanterns	30,000	23,969	6,031	325,674,000
Cameras	6,700	6,454	246	263,908,800
P A System	150	52	98	403,025,000
Mega Phones	450	269	181	348,913,157
Total				1,845,061,044

g. Undelivered items: HP Computer Consumables

In July 2006, the Commission paid a local company amounts totalling US\$77,904 (K252,954,000) for the supply of various computer consumables. According to the contract, the materials were to be delivered in August 2006. However, as of July 2007, only materials costing US\$50,820 (K165,012,352) had been delivered leaving a balance of materials costing US\$27,084 (K87,941,648).

h. Travel Abroad Without Authority

During the period under review the Commission spent amounts totalling K256,052,420 on airfares and allowances for officers' trips abroad. It was however observed that the Commission did not obtain authority to travel abroad from Cabinet Office for the officers' trips.

In his response dated 22nd October 2007, the Controlling Officer stated that the Commission had resolved to give authority to travel abroad and that Cabinet Office would be informed.

This however, is contrary to Cabinet Office Circular No. 12 of 1998.

i. Disbursement of Election Funds to Councils

The funds were released in respect of training of Assistant Registration Officers (AROs) in the 3rd week of October 2005, initial registration of voters was conducted from 31st October to 20th November 2005, first extension of registration of voters from 21st November to 10th December 2005 and final extension of registration of voters from 11th to 31st December 2005.

In addition ECZ disbursed K73,397,365,850 between May 2006 and October 2006 to the councils to cater for fourteen (14) days of inspection of voters' registers, Zambia News and Information Services (ZANIS) for inspection of voters roll, briefing and temporal shelter budget, conflict management, briefing and nomination, polls (for general elections and bye-election) training of assistant publication officers, nomination training, voter education, return of materials from the districts, budget shortfalls and contingency.

An examination of the payment vouchers and other pertinent records in relation to election funds disbursed to city, municipal and district councils revealed the following:

i. Accounting Irregularities

There were various irregularities in accounting for funds disbursed by the Commission to the councils in that:

- Contrary to Financial Regulation No.96(1), imprests in amounts totalling K183,415,415 issued to various officers in eleven (11) Councils had not been retired as of October 2007;

- Contrary to Financial Regulation No.45, amounts totalling K705,115,575 were not accounted for as there were no documents to support the expenditure;
- Amounts totalling K131,413,240 were paid as allowances to various persons over and above their entitlements; and
- Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items costing K131,757,763.

The details of the above accounting irregularities are shown in the table below:

	Unretired Imprest (K)	Unaccounted for Funds (K)	Irregular payment of Allowance (K)	Lack of Receipt & Disposal Details (K)
Luangwa D C	3,479,777	-	-	-
Chongwe	-	6,274,953	17,283,240	-
Sesheke	-	50,480,000	-	-
Mongu	-	6,280,000	-	-
Livingstone	13,915,000	-	-	-
Monze	5,133,951	-	-	-
Namwala	96,204,500	81,271,000	-	-
Siavonga	4,799,187	-	-	-
Chinsali	-	21,425,000	-	-
Isoka	-	12,436,870	-	-
Mporokoso	-	9,405,300	-	18,977,800
Luwingu	28,453,500	-	-	-
Kaputa	-	30,754,352	-	-
Kalabo	-	28,160,020	-	-
Milenge	-	94,281,645	-	-
Mansa	-	34,668,015	-	-
Chililabombwe	-	5,480,000	-	-
Chingola	4,500,000	14,808,214	7,400,000	-
Kitwe	4,500,000	-	-	-
Ndola	15,350,000	2,150,000	-	22,880,000
Masaiti	-	14,038,000	-	-
Mpongwe	-	10,875,000	-	-
Kabompo	-	164,800,000	-	-
Mwinilunga	-	97,650,456	-	-
Chama	7,079,500	-	-	14,299,963
Lundazi	-	-	-	-
Chadiza	-	16,916,750	-	-
Kaoma	-	2,960,000	23,330,000	7,600,000
Lusaka	-	-	83,400,000	68,000,000
Totals	183,415,415	705,115,575	131,413,240	131,757,763

Further it was observed that:

- **Lusaka City Council (LCC)**

Contrary to the procurement guidelines, LCC single sourced procurement of stationery. In particular, a scrutiny of four (4) invoices revealed that LCC purchased four (4) HP toner cartridges at an unreasonably high price of K5,000,000 each when the average price of the toner in established stationery shops was K1,700,000.

- **Sesheke District Council - Misuse of fuel funds**

The District Council procured 18,253 litres of fuel costing K99,170,000 from three individuals despite the Commission having provided amounts totalling K7,475,000 for fuel to be procured from an approved vendor in Livingstone.

- **Kaoma District Council - Double Payment on Hire of Vehicles**

According to the existing arrangements, hiring of and payment for all motor vehicles used during the election exercise were to be done centrally at the Commission headquarters. However, the Council paid K28,464,125 to a car hire firm for hire of motor vehicles for which the Commission had already paid the firm an amount of K33,104,000. As of October 2007, the K28,464,125 paid to the car hire firm had not been recovered.

HEAD:	15/09	Ministry of Home Affairs – Lusaka Province Prisons and Reformatories
UNIT:	1	Human Resources and Administration
PROGRAMME:	2	General Administration
ACTIVITIES:		Various

Accounting and Other Irregularities

25. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2005 and 2006, provisions of K553,013,600 and K531,849,843 respectively were made to cater for general administration out of which amounts totalling K301,908,660 and K421,293,177 were released.

An examination of financial and other records maintained at Lusaka Regional Headquarters, Mwembeshi Open Air and Lusaka Remand Prisons carried out in August 2007 revealed the following:

Lusaka Region Headquarters

a. Unvouched Expenditure

i. Missing Payment Vouchers

There were seventeen (17) payment vouchers in amounts totalling K39,321,558 for the period from January 2005 to May 2006 which were not produced for audit contrary to Financial Regulation No. 65.

ii. Inadequately Supported Payments

There were sixteen (16) payment vouchers in amounts totalling K31,968,192 for the period from March 2005 to August 2006 which were inadequately supported as there were no invoices, receipts and other documents contrary to Financial Regulation No. 52.

b. Unretired Imprest

Imprest in amounts totalling K59,031,930 involving fifteen (15) transactions issued to various officers during the period under review had not been retired as of August 2007 contrary to Financial Regulation No. 96.

c. Mealie Meal Not Accounted For

There were no disposal details in respect of 289 x 25 kg bags of Mealie Meal costing K7,225,000 that were supplied to Lusaka Central Prison in March and December 2006 contrary to Public Stores Regulation No. 16.

d. Mwembeshi Open Air and Lusaka Remand Prisons

During the period from March 2005 to April 2006, various food stuffs valued at K106,515,000 as detailed below issued to Mwembeshi Open Air Prison and Lusaka Remand Prison could not be accounted for.

<u>Date</u>	<u>Item</u>	<u>Station</u>	<u>Issue Voucher No.</u>	<u>Quantity Issued (Kg/Bag)</u>	<u>Quantity Received (Kg/Bag)</u>	<u>Variance (Kg/Bag)</u>	<u>Cost Per (Kg/Bag)</u>	<u>Cost of Foodstuffs Unaccounted For (K)</u>
18-Mar-05	Rice	Mwembeshi	3529	500	-	(500)	5,500	2,750,000
27-Apr-05	Beans	Mwembeshi	3536	898	848	(50)	5,000	250,000
11-Jun-05	Mealie Meal	Mwembeshi	3541	3,750	750	(3,000)	26,000	78,000,000
10-Mar-06	Rice	Lusaka Remand	3589	4,600	-	(4,600)	5,500	25,300,000
28-Apr-06	Beans	Mwembeshi	3598	1,536	1,493	(43)	5,000	215,000
				<u>11,284</u>	<u>3,091</u>	<u>(8,193)</u>		<u>106,515,000</u>

HEAD:	15	Ministry of Home Affairs
	15	Prisons and Reformatories – Luapula Province
	32	Immigration Department - Luapula Province
	41	National Registration - Luapula Province
	54	Drug Enforcement Commission – Luapula Province
UNIT:	1	Human Resource and Administration
PROGRAMME:	02	General Administration
ACTIVITY:	01	Office Administration.

Accounting and Other Irregularities

26. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, provisions totalling K776,159,763 were made to cater for General Administration activities under the Provincial offices of the Drug Enforcement Commission, Prisons and Reformatories, National Registration and Immigration in Luapula Province. In this regard, amounts totalling K555,766,914 were released representing seventy two percent (72%) of the provisions as shown below.

UNIT	PROVISION (K)	RELEASE (K)	PERCENTAGE RELEASED
15/54 Drug Enforcement Commission	78,237,540	62,832,123	80
15/15 Prisons and Reformatories	354,852,300	234,740,854	66
15/41 National Registration	106,096,450	62,832,122	59
15/32 Immigration	236,973,473	194,761,815	82
Total	776,159,763	555,166,914	72

An examination of accounting and other records maintained at the Ministry of Home Affairs -Provincial Accounting Unit (PACU) revealed the following:

a. Imprest

Amounts totalling K145,345,754 issued as imprest to various officers during the period under review had not been retired as of May 2007 contrary to Financial Regulation No.96. It was also observed that contrary to Financial Regulation No.91(1), imprest in amounts totaling K85,684,644 had been issued to various officers who had not cleared previous imprests as detailed below:

<u>Unit</u>	<u>Imprest Not Retired (K)</u>	<u>Imprest Issued Irregularly (K)</u>
DEC	23,980,000	12,930,000
Prisons and Reformatories	42,487,624	29,054,644
National Registration	24,080,000	10,490,000
Immigration	54,798,130	33,210,000
Total	145,345,754	85,684,644

b. Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K345,004,200 purchased for the departments during the period under review as detailed below:

<u>Unit</u>	<u>Cost (K)</u>
DEC	645,000
Prisons and Reformatories	296,393,200
National Registration	25,254,000
Immigration	22,712,000
Total	345,004,200

c. None Utilisation of Equipment

An inspection of Farm equipment (tractor propelled boom sprayer, disc plough, row planter and disc harrow) delivered to Mansa Central Prison revealed that the equipment was not being utilised.

HEAD : 17/01 Ministry of Foreign Affairs - Headquarters

UNIT: 1 Human Resource and Administration

PROGRAMMES: Various

ACTIVITIES: Various

Accounting and Other Irregularities

27. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K7,697,853,398 was made and K11,457,931,896 was released representing one hundred and seventy one (149%) percent of the provision.

An examination of the financial and other records maintained at the Ministry Headquarters carried out in March 2007 revealed the following:

a. Purchase of Home Appliances

During the period under review, the Ministry purchased a fridge, a microwave oven and an electric stove at a total cost of K13,690,000 for the Deputy Minister's official residence.

It was observed however that, the former Deputy Minister went away with the items. In this regard, the Ministry wrote to the former Deputy Minister on the matter, who in turn paid an amount of K5,000,000 in August 2007 towards the cost of the items leaving a balance of K8,690,000.

b. Unaccounted for Stores

There were no receipt and disposal details in respect of stores items costing K75,383,500 procured during the period under review contrary to Public Stores Regulation No. 16.

c. Unretired Imprest

Imprest in amounts totalling K615,568,011 involving one hundred and fifteen (115) transactions had not been retired as of March 2007 contrary to Financial Regulation No. 96(1).

d. Internal Audit Report

A review of an internal audit report MFA/71/22/2C dated 10 April, 2007 revealed the following as regards payment and recoveries of loans and advances paid between July, 2005 and July, 2006:

i. House Hold Loans

An amount of K5,000,000 paid to an officer in December 2005 had not been recovered as of August 2007 and the officer had since been dismissed from the civil service and his terminal benefits were paid in full.

ii. Third Party Payments

Fourteen (14) cheques in respect of third party payments amounting to K284,438,642 prepared during the period under review had not been collected by the recipient Institutions as of November 2007.

**HEAD: 17/02 Ministry of Foreign Affairs – Mission Abroad
Lubumbashi**

PROGRAMMES: Various

ACTIVITIES: Various

Accounting and other Irregularities

- 28.** In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2005 and 2006 provisions of K2,377,287,111 and K2,845,730,975 were made to cater for the Mission's Personal Emoluments and operations. In this regard, amounts totaling K2,673,202,244 and K2,865,410,264 were released to the Mission

resulting in the excess release of K295,915,133 and K19,679,289 in 2005 and 2006 respectively.

An examination of records and a physical inspection of the Mission's properties carried out in March 2007 revealed the following:

a. Purchase of a Generator

Due to constant power failures in the area where the residence for the Consular General is situated, the Mission in February 2007 requested for authority to purchase a 5.5KVA diesel electricity generator which was granted. In this regard an amount of US\$2,606 (ZK8,790,058) was paid to a local supplier and the generator was delivered. A physical inspection of the generator and an inquiry made in March 2007 into its effectiveness revealed that it was inadequate in that it could not generate enough power. The decision of the Mission to buy the 5.5KVA generator amounted to wasteful expenditure.

b. Irregular Engagement of Local Staff

The Mission had a locally engaged staff establishment of eleven (11). A review of records and a physical count of locally engaged staff however, revealed that the Mission had employed nineteen (19) local staff, eight (8) over the approved establishment without authority. In this regard, the Mission incurred unauthorized expenditure of US\$24,410 (K113,716,679) in respect of the eight local staff irregularly engaged.

c. Unaccounted for Recoveries - Salary Advances

According to existing arrangements at the Mission, all advances paid out should be recovered at source in cash at the time the wages and allowances are paid out. In this regard, amounts totalling US\$33,265 (K154,968,674) were recovered from twenty three (23) Mission staff during the period from January 2005 to March 2007. However, no documentary evidence was produced to show that the money was either receipted or banked.

Although the Mission Accountant explained that the cash recovered from salary advances was used at source, no expenditure details were made

available for audit. In addition, it is not clear why advances were recovered in cash when this could be done at computation.

d. Properties Management

The Mission has seven (7) properties comprising the Chancery, the Residence and five (5) other houses. However, title deeds were not made available for audit scrutiny. It was further observed that the properties had not been insured as of March 2007 contrary to Foreign Service Regulation No 99.

A physical inspection of the properties carried out in April 2007 revealed that with the exception of a house at 25, Biayi avenue, the properties were in a general state of disrepair and needed attention.

In this regard, the Third Secretary – Accounts who was occupying the house at 1332, Kapenda Avenue abandoned the house in November 2005. As of April 2007, the house had not been rehabilitated and the Mission had spent amounts totaling US\$27,000 (K125,782,480) in rentals for the officer.

e. Unserviceable Public Stores

As of April 2007, there were various unserviceable public stores items such as old furniture, geysers and stoves that needed to be boarded.

**HEAD: 17/05 Ministry Of Foreign Affairs – Mission Abroad
Lilongwe**

PROGRAMME: Various

ACTIVITIES: Various

Accounting and Other Irregularities

29. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2005, a provision of K3,352,411,657 was made for the Mission. However K3,698,644,917 was released for the Mission by the Ministry of Finance and National Planning.

An examination of accounting and other pertinent records maintained at the Mission revealed the following:

a. Delayed Banking

There were delays in banking of revenue collected during the period from April, 2005 to July, 2006 amounting to MK 2,218,884 (ZK57,690,984) for periods ranging from two (2) to thirty (30) days contrary to Financial Regulation No.129.

b. Chancery Wall Fence.

In August 2005, the Mission decided to construct a wall fence around the Chancery in order to enhance security. The initial plan was to construct a solid wall fence around the Chancery. In this regard, a design of a solid wall fence was made and a bill of quantities totaling MK2,565,407.50 (K89,789,2450) prepared based on this design. When the Mission sought for permission from the Lilongwe City Assembly to build the fence, the Assembly did not approve the design. Consequently, the design was changed to a palisade type.

It was observed that instead of preparing a new bill of quantities for the palisade fence, the contractor used the bill of quantities for the solid wall type and included an additional cost for steel works without a corresponding reduction on the cost of the brickwork. This increased the cost of the steel works from the initial MK98,027.50 (K2,940,825) to MK1, 111,256.05 (K33,337,681.50) but did not reduce the cost of the brick work pegged at MK877, 975.00 (K26,33,9,250).

It is evident from the above that the Mission did not exercise due care and diligence to ensure that the works were properly costed prior to awarding the contract.

c. Rehabilitation of the roof of the Ambassador's Official Residence.

In October 2003, the Mission engaged a contractor to rehabilitate the roof of the Ambassador's official residence at a contract price of US\$ 19,945.98 (K89,7546,910) for a duration of sixty (60) days from the date of commencement.

It was however observed that the Mission paid the contractor amounts totalling US\$27,709.84 (K124,694,280) resulting in an overpayment of US\$7,764.86 (K34,941,870).

A physical inspection of the residence carried out in October 2006 revealed that the ceiling boards were falling out of place as shown in the pictures below:



Damaged ceiling boards at the residence.



A roof at the servants quarters damaged by a bamboo Plant.

d. Failure To Maintain Kabula Hill House – Blantyre

The Mission has a house in a prime area of Blantyre called Kabula Hill. A site inspection of the property carried out in October 2006 revealed that while the brickwork of the house was solid, the roof had sagged in a number of places. The interior and the exterior walls of the house had not been painted in several years.

It was observed that despite the mission submitting requests for funds from as far back as 1980 to enable it repair and maintain the house, the Ministry had not responded to the requests. This state of affairs resulted in the house fetching as little as MK14,850 (K396,000) in monthly rentals in an area where houses fetch as much as MK228,000 (K6,000,000) per month resulting in Government losing revenue.

**HEAD: 17/06 Ministry of Foreign Affairs - Missions Abroad
London**

UNIT: 2 Human Resource and Administration

PROGRAMMES: Various

ACTIVITIES: Various

Irregularities in Accounting for Revenue and Mission Funds

- 30.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K6,898,456,326 was made and K7,374,268,907 was released resulting in an over-funding of K475,812,581.

An examination of accounting and other records maintained at the Ministry Headquarters and the Mission revealed the following:

a. Irregular Payment of Airtime Allowances

Contrary to Foreign Service Regulations and condition of services, the Mission paid the High Commissioner and the First Secretary Protocol amounts totalling US\$20,493.81 (K72,529,953) as air time allowances. It was however observed that the High Commissioner was paid US\$11,826.87 (K40,985,095) in excess of his entitlement while the First Secretary Protocol, who was not entitled was paid \$7,466.94 (K27,189,146) during the period under review.

b. Locally Engaged Staff

A scrutiny of records revealed that the Mission engaged sixteen (16) local staff against an approved establishment of eleven (11) resulting in an excess of five (5) staff contrary to Foreign Service Regulations and condition of service for 2004. In this regard an excess of GBP89,808 (K608,032,333) was paid as personal emoluments in 2006.

c. Outstanding Bills

During the year under review, the Mission had outstanding bills totalling £316,868.31 (K2,471,572,818) out of which £276,379.85 (K2,155,762,830) was paid leaving a balance of £40,488.46 (K315,809,988) outstanding.

d. Payment of Rentals Above Mission Staff Entitlements

A total amount of US\$190,368.83 (K694,601,764) was paid as rentals between January and December 2006 exceeding the Mission staff entitlements by US\$38,218.92 (K133,766,220). As of October 2007, only US\$ 1,000 had been recovered leaving a balance of US\$ 37,218.92 (K130,266,220).

e. Irregular Payment of Salary Advances

Contrary to the Terms and Conditions of Service which stipulate that an officer shall not obtain an advance while one is running, five (5) officers were paid subsequent advances in amounts totalling £65,981.15 (K527,633,043) while previous advances were still outstanding.

f. Motor Vehicles

There were two non runner motor vehicles, a Mercedes Benz registration number 282 D 227 and Toyota Hiace mini bus registration number 282 D226 parked at the High Commissioner's residence which needed boarding. However as at the time of the audit, the vehicles had not been boarded. Below are the two (2) vehicles parked at the Ambassador's residence.



Mission's non-runner motor vehicles parked at the residence

g. Unserviceable Stores

A visit at the residence also revealed that there were a lot of unserviceable stores items piled up in the garage requiring boarding, as can be seen from the pictures below.



Obsolete and unserviceable furniture at the residence that require boarding and disposal

h. Irregular Engagement of a Contractor

In 2006 the Mission engaged a contractor to rehabilitate the Chancery building at the contract price of £225,690 (K1,309,938,614). The works involved interior painting and decorations and electrical and mechanical repairs. It was however observed that no formal (written) contract was entered into with the contractor.

i. Property Management

The Mission owns four (4) properties namely 2 Palace Gate, Kensington W8 5NG, 17 Courtenay Avenue, Highgate N6, 13 Fostcote, Hendon NW4 and 12 Chelmsford, Wilesden Green. A physical inspection of the properties revealed the following:

i. 17 Courtenay Avenue, Highgate N6

The building had developed cracks, the ceiling board was leaking while wooden window frames needed repairs. In this regard, in October 2006, the Mission submitted a claim to the Insurance Company to have the building repaired. Although the Insurance Company had accepted the claim, as of June 2007, the repairs had not commenced.



17 Courtenay Avenue, Highgate N6



Cracks viewed from outside and from inside the residence



More cracks inside the house



Peeling paint due to leaking roof

ii. 13 Fostcote, Hendon NW4

Generally with the exception of the leaking roof, the property was in good condition.

iii. 12 Chelmsford, Wilesden Green

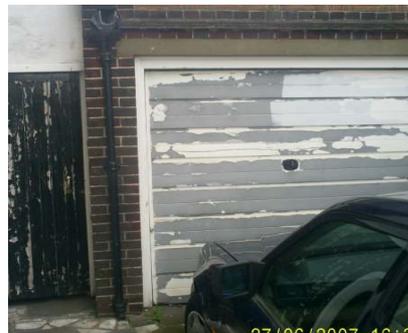
The property requires rehabilitation in that the paint in most of the rooms was peeling off and the wooden floor needed attention. Below are pictures of the property.



12 Chelmsford in Wilesden Green



Peeling paint in one of the rooms



Disused garage which requires repairs

HEAD: 17/07 Ministry of Foreign Affairs - Mission Abroad
Cairo

PROGRAMMES: Various

ACTIVITIES: Various

Accounting and Other Irregularities

31. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2004 and 2005, provisions of K3,103,167,078 and K3,253,167,078 were made to cater for the Mission. However, the Mission was funded K3,435,015,320 and K2,929,982,906 respectively.

An examination of financial and other records maintained at the Mission for the period from January 2004 to September 2006 revealed the following:

a. Delays in Banking Revenue Collections

There were delays in banking revenue collections in amounts totalling LE7,325.65 (K5,231,748) collected during the period from February 2005 to September 2006 for periods ranging from 5 to 16 days contrary to Financial Regulation No. 121.

b. Outstanding Salary Advances

A total amount of US\$15,271 (K53,295,790) involving six (6) transactions was paid to five (5) officers as salary advances during the period from June 1989 to August 2000 but had not been recovered as of February 2007 contrary to the Terms and Conditions of Service of the Civil Service.

c. Unaccounted for Stores

There were no receipt and disposal details in respect of stores items costing US\$7,690 (K26,838,100) procured during the financial year ended 31 December 2005.

Although in her response dated 19th November 2007, the Controlling Officer stated that the items were eventually recorded as required, no documentary evidence was provided.

d. Failure to Follow Tender Procedures

In June 2006 the Mission procured a Toyota Hiace minibus at a total cost of US\$20,500 (K71,545,000) without authority from the Ministerial Tender Committee contrary to tender procedures.

Although in her response dated 19th November 2007, the Controlling officer stated that tender authority had since been granted, no documentary evidence was provided.

e. Payment of Rentals Above Mission Staff Entitlements

According to Foreign Service Regulations and Conditions of Service for 2004, in the absence of an official residence, the Mission was obliged to pay for the Ambassador's rentals up to US\$4,000 (K13,960,000) per month. However, contrary to the regulations, the Mission paid up to US\$4,650 (K16,228,500) for the Ambassador's accommodation for the period from January 2004 to August 2006. Consequently, an amount of US\$132,900 (K463,821,000) was paid resulting in an overpayment of US\$16,900 (K58,981,000).

Although the Mission in a letter dated 24th August 2005 to the Permanent Secretary had requested for authority to incur the excess expenditure, there was no evidence that authority was granted.

f. Wasteful Expenditure

In August 2005 the Mission entered into a lease agreement for the rental of House No. 188, El Nile Street, Agouza, Giza, sixth floor, Second Apartment as the Ambassador's residence at the monthly rental of US\$4,500 (K15,705,000). According to the agreement, the house was to be ready for occupation by 1st September 2005 after renovations. In this regard, an amount of US\$9,000 (K31,410,000) was paid to the landlord on 16th August 2005 (being one month rental deposit and one month security deposit).

It was however, observed that on 1st September 2005 the house was not ready for occupation. Consequently, the lease was terminated and the Mission claimed a refund of US\$9,000 (K31,410,000). As of February 2007, the Mission had not obtained the refund from the landlord.

g. Unserviceable Public Stores

In 2004 the Mission requested the Ministry of Foreign Affairs headquarters to arrange for a Board of Survey to board a number of unserviceable items such as chairs and fridges. In 2006 the Mission reminded the Ministry Headquarters of the need to constitute a Board of Survey. However, as of February 2007, the

Board of Survey had not been constituted and the items had not been boarded resulting in some items being stored outside the store room as shown below.



Unserviceable Stores stored at the Chancery

HEAD: 17/09 **Ministry of Foreign Affairs – Mission Abroad
Dar-es –Salaam**

PROGRAMMES: **Various**

ACTIVITIES: **Various**

Accounting and Other Irregularities

32. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2004 and 2005, provisions of K3,092,151,400 and K3,342,151,400 was made to cater for the Mission. However, the Mission was funded K2,698,642,305 and K3,589,824,336 respectively.

An examination of financial and other records maintained at the Mission for the period from January 2004 to September 2006 revealed the following:

a. Rent Arrears

During the period from May 2002 and May 2004, the Mission leased out part of the Chancery to eight (8) tenants at an average rent of US\$1,270 (K5,715,000). A review of the lease agreements and receipts revealed that although the tenants were still occupying the premises, the tenancy agreements had expired and had not been renewed. It was also noted that as of December 2006, three (3) tenants had rent arrears totalling US\$5,935 (K26,707,500).

b. Non Recovery of Proceeds from Sale of Motor Vehicles

In May 2002, the Mission sold two motor vehicles, a Leyland truck and a Mercedes Benz Car at a total of US\$18,000 (K81,000,000). In this regard an amount of US\$14,250 (K64,125,000) was received from the buyer between May 2002 and December 2005 leaving a balance of US\$3,750 (K16,875,000). However, as of October 2006, the balance had not been received.

c. Un accounted for Stores

There were no receipt and disposal details in respect of stores items costing US\$4,781 (K21,514,500) procured during the period from February to August 2005.

d. Irregular Engagement of Local Staff

According to the approved establishment for local staff, the Mission was entitled to engage 14 local staff. In August 2006, the High Commissioner requested for authority to increase the establishment from 14 to 19 of which authority was granted to employ one general worker only for the residence bringing the total to 15 employees.

However, records examined in September 2006 revealed that the Mission had employed 22 local staff resulting in 7 extra staff employed without the approval of the Permanent Secretary. As a result, the Mission irregularly paid wages amounting to US\$ 11,225.25 (K50,980,278) between January and December 2005 on the extra seven staff engaged without authority.

e. Poor Maintenance of the Chancery

Although at the time of the visit in September 2007 the Chancery was undergoing renovations on the fourth floor, the building was in a deplorable state. The pictures below show some of the parts that need to be maintained.



Broken door and wall with patches that needs replacement and maintenance

f. Unserviceable Public Stores and Motor Vehicle

As of September 2006, there were unserviceable public stores such as old mattresses, cabinets and sofas that needed to be boarded and disposed off as can be seen from the pictures below.



Old mattresses piled at the Chancery and display cabinet outside at the Second Secretary (Administration)'s house.

In addition, there was a Toyota Coaster Minibus registration number T124CD166, whose market value was US\$ 1,818 (K6,363,000) which had been parked for over six months as it had become uneconomical to operate.

Although the Mission had written to the Ministry Headquarters in March 2006 for authority to dispose of the bus, the Ministry had not responded as of September 2006.

In her response dated 19th November 2007, the Controlling Officer stated that though the observation was correct, a Board of Survey had since been sent to Dar-es-Salaam, items boarded and authority granted for disposal. However, no documentary evidence was provided.

HEAD: 17/10 Ministry of Foreign Affairs- Mission Abroad
Kinshasa

PROGRAMMES: Various

ACTIVITIES: Various

Accounting and Other Irregularities

33. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2005 and 2006, provisions of K3,047,733,042 and K4,368,830,044 were made to cater for the Mission. However, K3,353,624,969 was released in 2005 and K3,702,992,628 in 2006.

An examination of financial and other records maintained at the Mission and a physical inspection of the properties in March 2007 revealed the following:-

a. Revenue

During the period January 2005 to February 2007 a total amount of US\$15,771 (K73,470,944) was collected as revenue out of which US\$1,004 (K4,677,245) was utilized by the Mission without Treasury authority contrary to established procedures.

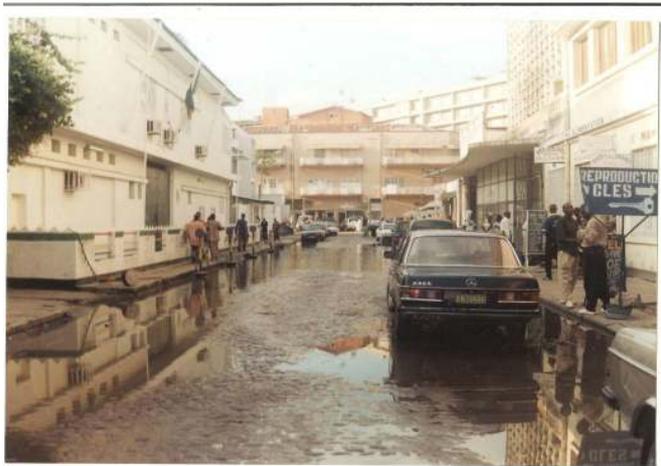
b. Non Refund of Security Guarantee

In November 2004, the Mission entered into a one (1) year lease agreement for the rent of a house for the Counsellor for which a security deposit of US\$10,500 (K48,915,409) was paid.

It was however observed that when the Counsellor vacated the house in October 2006, the Mission did not recover the security deposit. As of April 2007, the security deposit had not been recovered.

c. Location of Chancery

It was observed that the Chancery building is located in the town centre along a street leading to the centre market thereby making the offices very unsecured in times of civil unrest. It was further noted that the street also experiences flooding during the rain season. The picture below shows the Chancery and the flooded street.



The Chancery 54 – 58 de l'École, Gombe

- **6 Des Coteaux Avenue – The Residence**

In general, the residence requires rehabilitation in that, the roof in many areas of the building was leaking, the walls had cracks in most of the rooms and the paint was peeling off.

d. Unserviceable Public Stores

As of April 2007, there were various unserviceable public stores items such as old furniture, geysers and stoves that needed to be boarded.



Unserviceable stores items at the Residence

HEAD	17/11	Ministry of Foreign Affairs - Mission Abroad Moscow
UNIT:	2	Human Resources and Administration
PROGRAMMES:		Various
ACTIVITIES:		Various

Weaknesses in Accounting and other Irregularities

- 34.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K K4,580,066,514 was made to cater for the Mission's operations against which amounts of K K5,400,024,848 were released.

An examination of financial and other records maintained at the Ministry headquarters and the Mission carried out in July 2007 revealed the following:

a. Unauthorised Use of Revenue

Amounts totalling 28,015 Rubles (K4,348,596) were transferred in June 2005 from the revenue account to the operations account without Treasury authority. As of July 2007, the revenue had not been reimbursed.

b. Collections not Recorded in General Revenue Cash Book

Contrary to Financial Regulation No.128, visa fee collections totalling US\$4,515 (K18,511,500) for the period from November 2006 to June 2007 though banked were not entered in the general revenue cashbook.

c. Cash Shortage

A cash count carried out on 29th June 2007, revealed a cash shortage of K15,407,800 (US\$3,758). Further enquiries revealed that the money had been irregularly paid to the children of a senior government official who were stranded in Russia. As of July 2007, the money had not been reimbursed.

d. Poor Accounting for Expenditure.

Contrary to Financial Regulation No. 45(1), cash payments totalling US\$498,860 (K2,045,326,000), were not vouched in that accounts form 2: wages payment voucher, accounts form 5: general payment voucher and accounting form 44: claim and payment voucher were not used.

e. Unsupported Payments

Out of the total payments of US\$498,860 (K2,045,326,000) made during the period under review only a total of US\$219,671.08 (K900,651,428) was supported by expenditure receipts leaving a balance of US\$279,188.92 (K1,144,674,572) un-accounted for.

It was also noted that the Mission had stopped preparing and sending monthly returns to Ministry of Foreign Affairs Headquarters since January 2006.

f. Irregular Payments - Graduation Parties

Between February and September 2006 the Mission irregularly paid \$4,228.54 (K14,691,083) for graduation parties for government sponsored students who were graduating from Universities.

g. Stores

There were no receipt and disposal details in respect of stores items and fuel costing K59,468,315 (US\$ 16,923) purchased during the period contrary to Public Stores Regulation No. 16.

h. Failure to Update Inventory Records.

It was observed that the inventory for the Chancery and the Ambassador's residence had not been updated since October 1999 as such furniture purchased in the last seven years had not been recorded making it not possible to account for the furniture. It was further observed that Government property in the Ambassadors residence and Chancery had no GRZ identification markings.

i. Unretired Imprests

Contrary to Financial Regulation No. 96, imprest in amounts totalling US\$7,600 (K25,371,100) issued to various officers had not been retired as of July 2007.

HEAD: 17/12 **Ministry of Foreign Affairs – Mission Abroad
Addis Ababa**

PROGRAMMES: **Various**

ACTIVITIES: **Various**

Accounting and Other Irregularities

35. During the financial years 2004 and 2005 provisions of K4,913,469,063 and K4,590,291,152 were made in the Estimates of Revenue and Expenditure respectively. However, amounts released were K5,269,086,795 and K4,858,068,047 respectively out of which expenditure of K4, 913,469,062 and K4, 583,014,445 was incurred.

An examination of financial records for the period January 2004 to September 2006 maintained at the Mission in October 2006 revealed the following:

a. Revenue Collections Banked into the Operations Account

During the period under review the Mission collected amounts totalling US\$28,868 (K98,529,326) from issuance of Visas, TDIs, and Passports out of which amounts totalling US\$2,495 (K11,227,500) were banked in the main dollar account instead of revenue account contrary to existing accounting arrangements. As of September 2007 the money had not been transferred to revenue account.

b. Expenditure

i. Lack Of Title Deeds-Chancery And Residence

In 1965 and 1971 the Embassy procured a chancery situated at Nifas Silk Ketema, woreda 23 Kebale 12 and the Ambassador's residence Nifas silk Lafto woreda 23 Kebele 10 at costs of US\$3,400 (K15,300,000) and US\$13,428.71 (K60,430,500) respectively. However, as of February

2007 the titles of the two properties had not passed to the Zambian Government.

ii. Failure to Develop a Plot

In June 2006, the Mission was allocated 2,000 square metres of land situated at Bole Sub City Worda 17 Kebele 23 for which title was issued. The plot was to be developed within eighteen (18) months effective June 2006.

However, as of February 2007 no development had taken place and the Mission risks forfeiting the plot.

iii. Inventory

An inventory carried out in September 2006 revealed that unserviceable public stores such as mattresses, fridges deep freezers beds among others, the value of which could not be ascertained had not been boarded.

c. Below the Line Accounts

i. Outstanding salary Advances

A total amount of K11,995,860 was paid to fifteen (15) officers as salary advances for the period from June 1989 to June 2003 but had not been recovered as of September 2007 contrary to the Terms and Conditions of Service of the Civil Service.

ii. Unretired Imprest

Imprest in amounts totalling K29,079,690 involving six (6) transactions issued to four (4) officers during the period from 1997 to 2004 had not been retired as of September 2007 contrary to Financial Regulation No.96.

HEAD :	17/13	Ministry of Foreign Affairs - Mission Abroad Gaborone
UNIT:	2	Human Resources and Administration
PROGRAMME:	2	General Administration
ACTIVITY:	01	Office Administration

Accounting and Other Irregularities

36. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K2,290,535,325 was made and K2,350,208,234 was released representing 103 percent of the provision.

An examination of financial and other records maintained at Headquarters and the Mission carried out in April 2007 revealed the following:

a. Delays in Banking Revenue

There were delays of periods ranging from four (4) to twenty eight (28) days in banking revenue collections amounting to K9,049,520 (P14,596) contrary to Financial Regulation No. 121(1).

b. Payments for Rentals.

Although the Mission has enough housing stock to accommodate the entire diplomatic staff, it has been paying rentals for the Deputy High Commissioner since April 2005 at monthly rentals of (P 8,500) K 5,243, 727. In this regard, the Mission had paid a total of (P 85,000) K52, 513,724 in rentals for the Deputy High Commissioner's accommodation in 2006

c. Payments for Garden Services.

During the period under review the Mission paid amounts totalling P23,679.70 (K14,732,150) to a local company for garden service charges at the High Commissioner's residence at P2,420 (K1,606,000) per month.

However, there was no evidence that the Mission had a contract with the company.



Untended Gardens at the High Commissioners Residence

d. Payment for Security Services

During the year under review, the Mission paid amounts totalling P128,532 (K79,746,452) to a security firm for the provision of security services at the Chancery and the Residence at a monthly charge of P12,883.20 (K 8,549,760). However, the contract with the security firm expired in November 2006 and as of April 2007, it had not been renewed.

e. Payments from Rental Collections without Authority

During the period from December 2003 to July 2006 a total of P681,828.61 (K644,570,881) was used from rental collections without authority. As of April 2007, only an amount P164,803.91 (K131,787,915) had been refunded leaving a balance of P517,024.70 (K 512,782,966).

Though in his response dated 31st July 2007 the Controlling Officer stated that authority was given to utilise revenue on capital expenditure, all expenditure incurred was recurrent in nature.

f. Properties

The Mission owns nine (9) properties. A physical inspection of the properties in April 2007 and a scrutiny of the financial records for 2006 revealed the following:

- **Plot Number 1120-Chancery Building**

The Mission rents out part of the Chancery building to two (2) companies at monthly rentals of P9,350 (K7,476,868) and P4,287 (K3,428,164). It was however observed that the lease agreements had expired and had not been renewed as of April 2007.

- **Plot 262 Kgali Close**

The house is dilapidated beyond repair and requires being demolished. Despite several recommendations from the Public Accounts Committee and the Board of Survey to have the house demolished and a new one built, this had not been done as of April 2007. The state of dilapidation can be seen in the pictures below:



Inside the dilapidated house

- **Plot 105/4703 Mongana Close**

The house is occupied by the Third Secretary (Personal Secretary to the High Commissioner). The boundary wall fence was reconstructed.

An electric fence system and a sliding gate were installed. However, the house still has cracks in the walls and a leaking roof. The electrical wiring also requires attention.

HEAD:	17/15	Ministry of Foreign Affairs- Mission Abroad Beijing
UNIT:	2	Human Resource and Administration
PROGRAMME:		Various
ACTIVITIES:		Various

Accounting Irregularities

37. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K4,396,548,884 was made to cater for the Mission's activities out of which K4,263,279,210 was released leaving a balance of K133,269,674.

An examination of the financial and other records maintained at the Ministry headquarters and the Mission carried out in July 2007 revealed the following:

a. Non recording of Revenue Transaction

Contrary to Financial Regulation No.123, amounts totalling K65,313,436 collected during the period from January 2005 to July 2007, though banked could not be reconciled to receipts.

In addition, contrary to Financial Regulation No.128(1), the Mission did not maintain a General Revenue Cashbook (Accounts Form 47B).

b. Non Preparation of Bank Reconciliation Statements

Contrary to Financial Regulation No.138, it was observed that during the period under review, the Mission did not prepare monthly bank reconciliations for all its accounts. Consequently, it was not able to detect errors which occurred in the accounts.

c. Transfers of Funds from Revenue Account

Two transfers were made from the Revenue Account, US\$9,394 (K34,173,099) to the Dollar account in July 2006 and US\$15,575.24 (K56,658,955) to the

Yuan account in January 2007. However, as of July 2007, the moneys had not been credited to the receiving accounts.

It is difficult to understand how transfers effected as far back as July 2006 had not been credited to the accounts as of July 2007 and that the Mission Accountant was not aware of the anomaly.

d. Accountable Documents not Recorded in the Register

Contrary to the Financial Regulation No.103, one (1) General Receipt Book Serial Nos. 0577501-0579000 and three (3) Visa Fee receipt Books with Serial Nos. 603501-608000, 504501-506500 and 04001- 04200 were not entered in the register of Accountable Documents.

e. Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of furniture and other stores items costing K54,931,784 (US\$15,100.45) that were purchased during the period from January 2006 to May 2007. Further, it was observed that the stores ledger was last updated in 2002 and that the Mission did not maintain inventory records both at the Chancery and the Residence.

It was therefore not possible to verify how the items were accounted for.

f. Failure to Purchase Chancery Building

In paragraph 26 of the Auditor General's report on the accounts for the financial year ended 31st December 2003, mention was made of the high cost of rental charges and the Government's intention to purchase the property from Beijing Housing Service Corporation. In this regard, the property was offered at US\$1,880,000 in 1989 which was revised to US\$6,352,050 in 1999. However, Government failed to procure the properties. Consequently, Government was still renting the properties and as at 31st December 2006 owed the Landlord US\$705,195 (K2,820,780,000).

g. Irregular Payment of Meal Allowances

During the period from January to December 2005, the Mission irregularly paid amounts totalling K39,822,333 (Rmb71,580) to locally engaged staff as meal allowances. However, it was observed that only K24,548,547(Rmb42,880) was supported by acquittal sheets leaving a balance of K15,273,786 (Rmb28,700) unaccounted for.

As of July 2007, the K39,822,333 had not been recovered.

h. Unretired Imprests.

Imprests in amounts totalling K47,822,740 (US \$11,220), issued to various officers during the period from May 2005 to November 2006 had not been retired as of July 2007 contrary to Financial Regulation No.96(1).

i. Outstanding Salary Advances

Salary advances amounting to K6,651,072 (US\$1,539) paid to the former Ambassador in October 2005 had not been recovered as of July 2007 contrary to Public Service Terms and Conditions of Service

**HEAD: 17/20 Ministry of Foreign Affairs - Mission Abroad
Stockholm**

UNIT: 2 Human Resource and Administration

PROGRAMMES: Various

ACTIVITIES: Various

Accounting and other Irregularities

- 38.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K5,063,166,219 was made against which amounts totalling K5,279,361,655 were released.

An examination of financial and other records maintained at the Ministry headquarters and at the Mission carried out in July 2007 revealed the following:

a. Unserviceable Stores/Wasteful Expenditure

In September 2006, a Board of Survey inspected valued and boarded obsolete and unserviceable stores at the Mission. Despite authority being given by the Permanent Secretary (FMA) in the Ministry of Finance and National Planning in November 2006 to dispose of boarded public stores, as of July 2007, no disposals had been made. Included in the unserviceable stores was a custom made Apollo Box bed and mattress purchased in 2004 at a total cost of SEK7,790.12 (K5,068,730) which were never used as they could not go through the doors because of their size. Therefore, the expenditure of K5,068,730 was wasteful. Below are the pictures of the unserviceable stores:



Unserviceable Stores

b. Property Management

The Mission has only one property, the Ambassador's residence at Varingavagen 14,182 63 Djursholm. However, the title deeds for the property could not be produced for audit.



The Ambassador's Residence

A physical inspection of the property revealed that the building was dilapidated as the walls had developed cracks, paint was peeling off and wooden stairs were eaten by termites as shown in the pictures below.



Peeling paint on the wooden walls and cracks between wooden walls and pillars



Outside Doors Leading to the Visitors Lounge



Stairways Leading to Main Entrance

Due to the state of the property, neighbours have complained that it is having a negative impact on property values in the neighbourhood.

HEAD: 17/24 **Ministry of Foreign Affairs – Mission Abroad
Maputo**

UNIT: 2 **Human Resource and Administration**

PROGRAMME: **Various**

ACTIVITIES: **Various**

**Accounting Irregularities and Weaknesses in Management of Government
Properties**

39. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2005, a provision of K3,232,100,228 was made for the Mission. However, K3,256,492,588 was released.

An examination of financial and other records maintained at the Mission for the period under review carried out in October 2006 revealed the following:

a. Irregular Disposal of Motor Vehicles

On 12th January 2006 a Toyota Land Cruiser (GX) Registration Number CD002M08 which was the official vehicle for the Defence Attaché, was involved in a road traffic accident while being driven by a Mission driver. A review of the accident report revealed that the vehicle had been extensively

damaged and was beyond repair. It was observed that without obtaining authority from the Secretary to the Treasury, the Mission disposed of the vehicle.

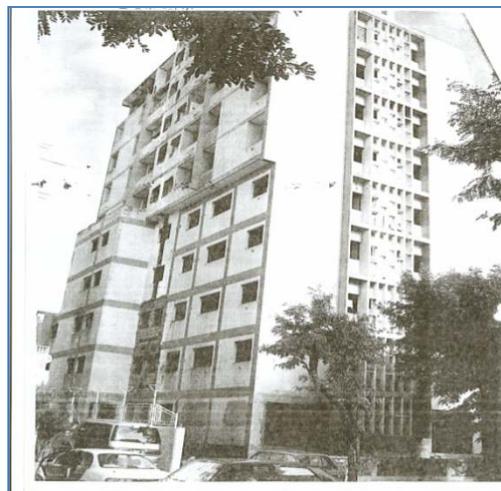
It was further observed that in May 2004, the Mission disposed of an old representational Mercedes Benz car for US\$300.00 (K1,350,000) without authority.

b. Properties

The Mission has three (3) properties under its charge, these being; the official residence which is owned by the Zambian Government, the Chancery and a nine storey incomplete building which are provided by the host government on gratis. However, it was observed that there were weaknesses in securing the title deeds for the property under gratis as well as maintenance of the properties as detailed below:

i. Nine Storey Building

In 1975 the Mozambican government gave the Zambian government an incomplete nine storey building situated at the corner of Paulo S Kankhomba and Valentim Siti roads. However, as of October 2006, no title deeds had been issued for the property. Consequently no works had been carried out to complete the building as can be seen from the picture below.



The building is currently occupied by a large number of squatters some of whom have lived in the incomplete structure for more than thirty (30) years and may cause serious problems.

On further enquiry, it was observed that there was no written documentation to prove that the Mozambican Government gave this building to the Zambian Government.

ii. Chancery

The property situated at Kenneth Kaunda Avenue No.1286 Sommerschield was provided by the Mozambican Government for use on gratis basis in 1975. However, it was observed that thirty two (32) years after occupying the building, title deeds have not been obtained. Like the nine storey building at the corner of Paulo S Kankhomba and Valentim Siti roads , there was no record of this transaction.

HEAD : 17/26 **Ministry of Foreign Affairs-Mission Abroad
Windhoek**

UNIT: 2 **Human Resource and Administration**

PROGRAMMES: **Various**

ACTIVITIES: **Various**

Weaknesses in Accounting for Revenue and Other Irregularities

40. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K3,014,076,193 was made for the Mission and amounts totalling K3,268,284,528 released representing 108 percent of the approved estimate.

An examination of the financial and other records maintained at Headquarters and the Mission carried out in March 2007 revealed the following:

a. Delayed Banking

There were delays in banking revenue collected totaling K11,634,210 (N\$21,910) for periods ranging from 7 to 22 days contrary to Financial Regulation No. 121 (1).

b. Duplication of Payment of Allowances

It was observed that the former Deputy High Commissioner was paid her full January 2006 Representation, Cost of living, Entertainment and Telephone Allowances of K17,286,625 (US\$5,125) on cheque number 102647 dated 18th January 2006, and another payment covering the same period but starting from 19th January 2006 to 3rd February 2006 on cheque number 102690 dated 2nd February 2006 for an amount of K9,957,137 (US\$ 2,928.77) .

c. Outstanding Bills

A total of K110,500,000 (US\$30,000) was released to the Mission for the settlement of outstanding bills which stood at K157,534,189 (N\$280,227) as at 31 December, 2005. It was however observed that despite the funding of K110,500,000 for settlement of outstanding bills, the figure had increased to K333,710,876 (N\$524,511) as of December 2006.

HEAD:	17/28	Ministry of Foreign Affairs - Mission Abroad Luanda
UNIT:	2	Human Resource and Administration
PROGRAMMES:		Various
ACTIVITIES:		Various

Accounting and Other Irregularities

41. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2003 to 2006, total provisions of K20,079,165,492 were made to cater for the Mission activities.

An examination of financial and other records maintained at the Ministry headquarters and the Mission revealed the following:

- a.** Contrary to Financial Regulation No.156, the Mission Accountant had no safe and was using filing cabinets as a safe.
- b.** Contrary to Financial Regulation Nos.18(2)(d) and (f), it was observed that as of March 2007, the Mission had not submitted returns for last quarter of 2006.
- c.** Contrary to Foreign Service Regulations, the Ambassador had accumulated telephone bills at the residence totalling US\$14,736.33 (K58,945,320) in excess of his entitlement which the Mission had settled on his behalf. As of March 2007, the money had not been recovered.
- d.** Contrary to the principles of cash budgeting, as of March 2007, the Mission had outstanding bills totalling US\$113,012 (K452,048,000) for goods and services rendered.
- e.** The Mission in Luena was renting a house for the Consul Office and a house at a monthly rental of US\$9,000 (K36,000,000). It was observed that in addition to the monthly rentals, the Landlord demanded for and was paid a separate monthly fee US\$500 (K2,000,000) for a standby generator.

However, there was no contract with the Landlord in respect of the monthly fee of US\$500 (K2,000,000) for the generator. As of March 2007, the Mission had paid amounts totalling US\$3,000 (K12,000,000). The basis for the payment for the generator in the absence of a contract is questionable.

HEAD:	17/30	Ministry Of Foreign Affairs – Mission Abroad Harare
UNIT:	2	Human Resource and Administration
PROGRAMME:		Various
ACTIVITIES:		Various

Accounting and Other Irregularities

42. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2005, a provision of K3,477,689,214 was made for the Mission out of which K3,251,157,388 was released leaving a balance of K226,531,826.

An examination of financial and other records maintained at the Mission carried out in October 2006 revealed the following:

a. Revenue not banked

It was observed that revenue totaling Z\$66,780,000 (K1,842,207) collected from issuance of visas and travel documents had no supporting bank deposit slips to account for the funds.

b. Receipt Books not Entered in the Register of Accountable Documents

It was observed that a total of thirty six (36) receipt books bearing the serial Nos. 185651- 185950, 185151-185450, 184951-185150, 185451-185500, 530801-531000, 538001-538500, 532701-532900, and 534001-535000 were not entered in the register of accountable documents. It was further observed that the Mission did not maintain a General Revenue Cashbook to record revenues received and banked but instead a field cash book was being used to record the revenue collections in retrospect.

c. Rent from Properties.

The Mission has 16 Properties under its charge comprising the Chancery and 15 residential properties (Houses). The Mission was renting out office space in the Chancery to thirteen (13) tenants and seven (7) of its residential houses. In

this regard, an estate agent was engaged in 2002 to manage the rented estates on behalf of the Mission at a fee of 5% of the rentals collected. The revenue on rented properties was being banked in a separate bank account maintained with Standard Chartered Bank in Harare. However, it was observed that the Mission did not maintain its own records to capture the rentals receivable from its tenants for both office and residential properties but relied on the records maintained by the estate agent for the said properties for which only 'rent rolls' for the month of August 2006 were produced for audit.

This resulted in a loss of audit trail as regards the correctness of the state of affairs as not all monthly rolls were provided for audit to provide details of rent payable by the tenants, what they paid and the outstanding amounts. It was further observed that as of April, 2006, there was a total of Z\$382,820,286 (K10,560,560) owed by a number of tenants that could not be verified due to poor record keeping.

d. Rehabilitation of Bathrooms at Ambassador's Residence

In July 2006 the Mission paid amounts totaling Z\$1,157,765,462 (K31,938,909) to two contractors for the supply and fitting of bath tubs, toilet pans and cisterns and general rehabilitation of three (3) bathrooms at the Ambassador's residence at 4 Kevin road Chisipite. It was however observed that no contract was entered into with the contractors and no bills of quantities were prepared.

e. Payments for Construction of a Generator House

In August 2006 the Mission paid a contractor amounts totalling Z\$598,210,000 (ZK9,858,691) for the construction of a generator house at the Ambassador residence at 4 Kevin Road Chisipite. However, it was observed that no contract was entered into with the contractor and no bills of quantities were provided as evidence of the costing of the works. Below is the generator house.



Generator House

f. Weaknesses in the Maintenance of Properties.

A physical inspection of selected Mission houses and regular assessments carried out by the mission revealed a general state of disrepair of the houses. It was observed in this regard that houses had leaking roofs, collapsing ceiling boards, unkempt grounds and swimming pools which had occurred over the years due to lack of attention. Although the Ministry of Foreign Affairs in 2004 approved use of the revenue collection to a tune of K1,300,000,000 on rehabilitation of Mission properties, this has not materialized due to slow tender procedures. The poor state of the properties has resulted in the Mission collecting uneconomic rentals. (See pictures below).



Above a rotten and worn out ceiling board in a bedroom at house No.8 Simms Road Mt Pleasant



Bathroom with worn out tiles



A disused swimming pool at No.7 Samson Mt Pleasant

g. Title Deeds for the Mission properties

Out of the sixteen (16) properties owned by the Mission, title deeds for five (5) properties mentioned below were not made available for audit scrutiny. The properties for which title deeds were not made available are as follows:

- No. 48 Union Avenue Stand No. 2436
- No. 4 Kevin Avenue Chisipite, Harare stand No. J of Mandeley Lot E
- No. 1 Alvord Road Mount Pleasant, Harare Lot 1 Plot 8 of Mount Pleasant
- No. 3 Verdi Lane, Strathaven Harare, Stand No 213
- Zambia House, Kwame Nkhuruma Avenue.

HEAD : 17/33 **Ministry of Foreign Affairs - Mission Abroad
Pretoria**

UNIT: 2 **Human Resource and Administration**

PROGRAMMES: **Various**

ACTIVITIES: **Various**

Accounting and other Irregularities

43. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K4,981,496,366 was made out of which K4,768,837,031 was released leaving a balance of K212,659,335.

An examination of the financial and other records maintained at the Headquarters and the Mission revealed the following:

a. Delays in Banking

There were delays in banking revenue collected during the period under review for periods ranging from 8 to 68 days in amounts totalling K135,520,227 (ZAR255,217) contrary to Financial Regulation No. 121(1).

b. Unauthorized use of Revenue Collections

During the period under review, the Mission used revenue amounting to K154,588,415 (ZAR 291,126.96) without authority. As of April 2007, the amount had not been reimbursed to the revenue account.

c. Security Services

The Mission had engaged a security company to provide security services at the High Commissioners residence and the Chancery. In this regard during the year under review, amounts totalling K124,483,872 (ZAR237,771.68) were paid to the company. However, it was observed that the Mission had no signed contract agreement with the security firm.

d. Mission Properties

The Mission has a total of three (3) properties. These consist of the Chancery, the High Commissioner's and the Counsellor's residences. All these properties are insured and have title deeds except for the High Commissioner's residence. A physical inspection of the properties carried out in April 2007 and enquiries made, revealed the following:

i. House No. 17 Suikerbos Drive

The property is the residence of the High Commissioner. It is in a fair condition except for minor leakages in the house and peeling off of paint outside. The location of the house in terms of security is poor as it is not in a diplomatic zone.

ii. Plot 1159 Zie Vogel Street, Arcadia

Defects such as cracks have not been attended to. The furniture and carpets in most of the offices are old and need immediate replacement.

iii. House No.246 Outeique Avenue, Waterkillof Heights

The house borders a large area of bush and makes the place insecure. It was vacated in May 2006 and as of April 2007, the house was still vacant.

HEAD:	17/38	Ministry of Foreign Affairs - Mission Abroad Tripoli
UNIT:	2	Human Resource and Administration
PROGRAMMES:		Various
ACTIVITIES:		Various

Accounting and Other Irregularities

44. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006 a provision of K4,497,358,500 was made to cater for the Mission out of which amounts totalling K3,693,627,963 were released.

An examination of financial and other records maintained at the Ministry headquarters and the Mission carried out in July 2007 revealed the following:

a. Non Recovery of a Debt

In April 2006, Fadijah Limited Company participated in the Tripoli International Trade Fair where they were required to pay rentals of US\$1,980 (K7,830,900) for the stand. However, at the end of the Fair, the company failed to settle the rental bill. In this regard, the Mission paid the bill on behalf of the company on the understanding that the company was to reimburse the money but as of July 2007, only US\$500 (K1,977,500) had been reimbursed leaving a balance of US\$1,480 (K5,853,400).

b. Misapplication of Funds

In August 2005 the Mission procured a motor vehicle costing LD24,000 (K86,454,545) using funds meant for Recurrent Departmental Charges contrary to the provisions of the Appropriations Act of 2005.

HEAD : 26/01 **Ministry of Information And Broadcasting Services**
Headquarters

UNITS: **Various**

PROGRAMMES: **Various**

ACTIVITIES: **Various**

Accounting and other Irregularities

45. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K22,470,169,022 was made against which amounts totalling K24,427,450,506 were released resulting in excess funding of K1,957,281,484.

An examination of the Financial and other records maintained at the Ministry Headquarters carried out in September 2007 revealed the following:

a. Wasteful Expenditure

- i.** In September 2006, the Ministry paid amounts totalling K302,264,000 to a company for the supply of forty (40) digital cameras (K235,000,000) and forty (40) card readers and forty (40) memory cards (K67,264,000). It was however observed that the memory cards were not compatible with the cameras and therefore could not be used. In this regard, the amount of K67,264,000 used to buy the forty (40) memory cards was wasteful.
- ii.** In December 2005, the Ministry paid K33,570,450 for the installation of a local area network and wireless internet link. It was however observed that the company failed to fulfill its contractual obligations. In this regard, another company was engaged to carry out the same works at a cost of

K35,035,705 and was paid the whole amount in August 2006. Therefore the amount of K33,570,450 paid to the earlier company was wasteful.

b. Unretired Imprest

Imprest in amounts totalling K77,340,416 issued to various officers during the period under review had not been retired as of December 2007 contrary to Financial Regulation No. 96(1). It was further observed that the above transactions were not entered in the imprest register contrary to Financial Regulation No. 93.

HEAD:	26/01	Ministry of Information and Broadcasting Services - Headquarters
UNIT:	2	Press
PROGRAMME:	8	Electronic Media Promotion
ACTIVITY:	08	Rural Television

Weaknesses in Accounting for Rural Television Funds

46. In paragraph 27 of the Auditor General's report on the accounts for the financial year ended 31st December 2003, mention was made on the engagement of Cable and Satellite Technologies Limited (CASAT) for the installation of transmitters in seventeen (17) rural districts. The project was meant to enable rural communities receive television programmes of the Zambia National Broadcasting Corporation (ZNBC). Due to the various problems encountered in the implementation of the project, the contract was terminated in 2004. Consequently, ZNBC was given the responsibility to implement the project.

In the Estimates of Revenue and Expenditure for the financial years ended 2004 and 2005 provisions of K5,680,472,214 (K1,480,472,214 in 2004 and K4,200,000,000 in 2005) were made for the rural television (TV) Project out of which amounts totalling K4,950,000,000 were released.

An examination of financial and other records maintained at the Ministry headquarters and Zambia National Broadcasting Corporation (ZNBC) carried out in June 2007 revealed the following:

a. Poor Record Keeping

There was poor recording keeping as evidenced by a lack of stores records such as delivery notes, goods received vouchers and stores ledgers among others. Consequently, it was not possible to verify the receipt and disposal of equipment costing K1,737,174,611 as shown in the table below:

<u>Item</u>	<u>Cost (K)</u>
30 Antennas	202,999,211
74 Transmitters	1,081,648,295
84 Voltage Regulators	227,836,812
Auxiliary Electrical Materials	<u>224,690,293</u>
Total	<u><u>1,737,174,611</u></u>

b. Supply of Racks

ZNBC awarded a contract for the supply of 21 x 19'' 18U steel racks for the rural TV project phase 2 at a contract price of K40,158,563 to a local company.

It was however observed that the company was owned by the Principal Engineer in charge of planning and development at ZNBC. In addition, it was also observed that the Principal Engineer had not declared interest at the time of tendering.

HEAD:	29/05	Ministry of Local Government and Housing Local Government Administration Department
UNIT:	1	Human Resources and Administration
PROGRAMME:	15	Government Support to Councils
ACTIVITY:	01	Statutory Grants to Councils
PROGRAMME:	15	Restructuring in the Councils
ACTIVITY:	01	Disbursement of Grants for Retrenchment Exercises in the Councils

Irregularities in Accounting For Grants

47. According to existing arrangements, the Ministry of Local Government and Housing (MLGH) receives funding from the Ministry of Finance and National Planning (MoFNP) for disbursements as grants to District Councils.

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2005, a total provision of K35,000,000,000 (K10,000,000,000 as statutory grants and K25,000,000,000 as grants for Retrenchment Exercises to Councils) was made.

An examination of financial and other records maintained at the ministry Headquarters revealed the following:

a. Grants to Councils

During the year under review, amounts totalling K8,820,000,000 were disbursed to seventy two (72) Councils. However, as of September 2007, no expenditure returns had been submitted to the Ministry.

b. Funds not Received by Councils.

Although the Ministry disbursed K25,000,000,000 in July 2005 for the payment of retrenchment packages in various Councils, it was observed that amounts

totalling K5,106,880,000 meant for twenty three (23) Councils had not been received by the Councils as of September 2007.

c. Disbursement of Funds to Undisclosed Accounts

Amounts totalling K7,679,345,253 involving forty four (44) transactions were transferred in 2005 to unknown bank accounts. As of September 2007, the accounts had not been identified.

d. Lack of Progress Report On Retrenched Councils Workers

As of September 2007, there was no progress reports produced to show the names and total numbers of retrenched employees in each of the councils that had been paid.

**HEAD: 29/05 Ministry of Local Government and Housing
Local Government Administration**

UNIT: 1 Human Resources and Administration

PROGRAMME: 16 Constituency Development Funds

ACTIVITIES: 01 Constituency Development Funds

Irregularities in Accounting for Constituency Development Funds.

48. The Constituency Development Fund (CDF) was created to finance micro-community projects for poverty reduction in all the constituencies in the country.

According to CDF Guidelines issued by Cabinet Office, funds are released to the Ministry of Local government and Housing who in turn disburses the funds equally to all the constituencies in the country. The guidelines further provide that the funds should be disbursed either by bank transfer to the individual constituency account or to councils by cheque accompanied by a list of beneficiary constituencies.

Upon receipt of funds the District Development Co-ordinating Committee through planning sub-committees then advises the council on suitability of programmes for funding. The projects eligible for funding are those relating to water supply and sanitation, primary education and health programmes, agricultural projects, road

services and other social amenities which include police and fire services, markets and development shelters and sports and recreation.

In this regard, provisions of K9,000,000,000 in 2005 and K9, 000,000,000 in 2006 were made in the Estimates of Revenue and Expenditure. According to funding details, funds for 2005 totalling K 9,030,000,000 were released in October 2005 while funds for 2006 totalling K9,000,000,000 were released on 29 December, 2006. The funds for 2006 were not available for expenditure in 2006 because they were released late.

An examination of financial and other records pertaining to CDF maintained at the Ministry and visits to twelve (12) constituencies revealed the following:-

a. Failure to Submit Expenditure Returns.

Contrary to CDF guidelines which provide that councils should submit monthly expenditure returns and bank reconciliation statements, it was observed that none of the councils had submitted the documents to account for the funds released to them.

b. Utilisation of Constituency Development Funds

A test check carried out in eight (8) selected constituencies revealed the following:

i. Matero

During the period under review, a total amount of K156, 510,859 was available for CDF activities. It was however observed that as of February 2007, the funds had not been utilized. Consequently, planned activities such as the completion of Chunga market had not been done as shown in the picture below.



Stalled works at Chunga Market

ii. Mandevu

During the period under review, a total amount of K155,096,252 was available for CDF activities out of which K153,716,594 was utilized. It was observed however that contrary to the guidelines, amounts totalling K21,390,000 were paid to a link officer based at the council.

iii. Chawama

During the period under review, a total amount of K153,452,163 was available for CDF activities out of which K96,145,453 was utilized. It was observed that amounts totalling K44,414,720 were utilised without the knowledge of the MP and Ward Councilors contrary to CDF guidelines.

iv. Kabwata

- During the period under review, a total amount of K157,559,776 was available for CDF activities out of which K107,740,558 was utilized. It was however observed that amounts totalling K26,005,400 were utilised without the knowledge of the MP and Ward Councilors contrary to CDF guidelines.
- An amount of K14,338,800 was utilized on the rehabilitation of Kabwata Market toilets. However, a visit to the site in February 2002 revealed that the works had not been completed in that the doors were not fitted and the water supply system had not been installed.

v. Lusaka Central

During the period under review, a total amount of K157,076,401 was available for CDF activities out of which K138,708,744 was utilized. It was observed that amounts totalling K9,000,000 were utilised without the knowledge of the MP and Ward Councilors contrary to CDF guidelines.

vi. Chifunabuli

During the period under review, a total amount of K60,000,000 was available for CDF activities out of which K34,000,000 was utilized.

It was observed that imprest of K34,000,000 was issued to an officer to purchase building materials for various projects but only building materials costing K25,342,500 had been bought leaving a balance of K8,657,500 unaccounted for.

vii. Bangweulu

Although a total amount of K64,127,000 was spent on CDF activities in the constituency, there were no receipt and disposal details in respect of five hundred and twenty (520) roofing sheets and ridges costing K42,927,000 purchased during the period under review contrary to Public Stores Regulation No.16.

viii. Livingstone

In March 2006, an amount of K10,000,000 was released to Nsanzu Poultry Project for the electrification of a building to be used as poultry house.

An inspection of the building revealed that it had not been electrified and that it was in a deplorable condition. It is therefore not clear how the K10,000,000 was used.

HEAD:	29/08	Ministry of Local Government and Housing House of Chiefs Department
UNIT:	3	Chiefs Affairs
PROGRAMME:	8	Traditional Rulers and Kapasus Welfare
ACTIVITY:	01	Chiefs Subsidies and Retainers Wages

Irregularities in Accounting for Chiefs Subsidies and Retainers' Wages.

49. The Chiefs Act No 287(8) provides for the payment of subsidies to every Chief and Deputy Chief as the President may determine, for the purpose of enabling him or her maintain the status of his or her office and to discharge the traditional functions of this office under African customary Law in a fit and proper manner.

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2005 and 2006, provisions of K8,087,620,333 and K9,344,458,072 respectively were made to cater for Chiefs subsidies and retainers wages out of which K8,087,620,333 and K9,309,015,147 were released.

An examination of financial and other records maintained at the Ministry Headquarters revealed the following:

a. Misapplication of Funds

Amounts totalling K2,945,445,756 and K2,973,553,373 in the years 2005 and 2006 respectively were misapplied on activities not related to Chiefs' subsidies and retainers wages contrary to the Provisions of the Appropriations Act.

b. Reconciliation of Schedules Against Bank Statements

A reconciliation of schedules maintained at the Ministry Headquarters and Bank statements obtained from Zambia National Commercial Bank pertaining to Chief's Subsidies and Retainer's wages revealed that:

- i. Out of the total transfers to various banks for the Chiefs subsidies and retainers wages of K5,142,174,577 in 2005, amounts totalling

K495,386,865 involving one hundred and eighty four (184) transfers were made between April and December 2005 by the bank to account numbers different from those on the Ministry's funds transfer schedules. As of September 2007, the matter had not been resolved.

- ii. There were ninety two (92) unidentified debits appearing on the bank statements in amounts totalling K115,920,789. As of September 2007, the matter had not been addressed.

HEAD: 31/01 Ministry of Justice - Headquarters
UNIT: 01 Human Resources and Administration
PROGRAMME: 11 Law Reforms
ACTIVITY: 01 Constitutional and Electoral Reforms

Irregularities in Accounting for Funds

- 50. The Constitution Review Commission (CRC) was created in April 2003. Its main purpose was to review the Republican Constitution, collect views from the general public and make recommendations on the enactment of a new constitution.

In the Estimates of Revenue and Expenditure for the financial years ended 31 December 2003 to 2006 provisions totalling K37,153,045,918 (2003 – nil, 2004 – K20,000,000,000, 2005 – K13,814,400,000 and 2006 – K3,338,645,918) were made for the operations of the CRC.

However, the Treasury funded the CRC a total amount of K37,805,847,160 during the period April 2003 to July 2006 resulting in an over-funding of K652,801,242.

An examination of financial and other records maintained at CRC Secretariat carried out in October 2006 revealed the following:

a. Irregular Payment of Sitting Allowances

In 2003, the CRC wrote to the Zambia National Tender Board (ZNTB) to requesting for a waiver on tender procedures in order to facilitate the procurement of goods and services when CRC was mobile. However, the waiver was not granted. Instead, ZNTB instructed that all procurements up to K15,000,000 were to be authorised by the Permanent Secretary while procurements up to K500,000,000 were to be authorised by the Ministerial Tender Committee of the Ministry of Justice.

Contrary to this directive, CRC formed two committees of which one was the tender committee comprising four (4) members for approving procurements for the commission and a planning and preparatory committee to approve procurements when the commission was on provincial hearings.

It was observed in this regard that amounts totalling K91,790,000 were irregularly paid as sitting allowances.

b. Failure to Follow Tender Procedures

Stores items costing K85,862,969 were purchased during the period under review without obtaining three quotations contrary to the procurement guidelines.

In addition, fixed assets costing K104,865,408 were also purchased without following tender procedures.

c. Unaccounted For Stores

There were no receipt and disposal details in respect of stores items costing K348,561,767 purchased during the period under review.

d. Unrecovered Advances

In May 2004, CRC paid researchers advances amounting to K20,000,000 to be recovered from their dues. As of October 2006, amounts totalling K18,000,000

had been recovered leaving a balance of K2,000,000 still outstanding from one of the Researchers.

e. Missing laptops and mobile phone

- i.** An HP laptop, serial number HUB351036X valued at K7,000,000 was reported missing at the Secretariat. However, as of July 2006, no loss report had been processed contrary to Financial Regulation No.172.

In addition, out of the assets transferred to Cabinet Office from the Secretariat in July 2006, two (2) HP laptops, one (1) UPS and two (2) HP 17inc monitors were discovered missing. The laptops were removed from the bags, and the bags were then filled with reams of plain papers. As of October 2006 no loss report had been processed contrary to Financial Regulation No.172.

Although in her response dated 23rd November 2007, the Controlling Officer provided copies of a police report dated 30th June 2006, no loss report had been processed as of December 2007.

Although in her response dated 23rd November 2007, the Controlling Officer provided copies of a police report dated 30th June 2006, no loss report had been processed as of December 2007.

f. Repair of a Motor Vehicle

There was lack of controls in the repair of motor vehicles in that motor vehicles could be transferred from one garage to another without due care and diligence. Payments of the repair of motor vehicles were made on the basis of quotations while some payments were made without any supporting documents

It was observed in this regard that a Motor Vehicle, Hyundai Santa-fe, registration No. ABA 7408 was taken to Yeti Motors in 2005 for repairs where its engine was dismantled and not reassembled. The same vehicle was then taken to Top Gear garage and finally to Metts Motors Ltd in order to have it

repaired. However, a physical inspection carried out in October 2006 revealed that the Hyundai Santa- Fe still had its engine still not assembled.

Enquiries from Mett Motors revealed that the Commission was expected to either pay an amount of K61,552,023 for the repair of the motor vehicle or storage charges for the motor vehicle for a period of more than a year.

g. Unaccounted for Payments

Amounts totalling K142,751,800 purportedly paid to Commissioners in sitting allowances during the period under review were not acquitted.

h. Unretired Imprest

Out of imprest in amounts totalling K260,000,000 issued to nine (9) Provincial Permanent Secretaries during the period August, 2005 for the distribution of the draft constitution, K97,640,000 had not been retired as of December 2007 contrary to Financial Regulation No.96(1).

HEAD:	37/01	Ministry of Finance and National Planning - Human Resources and Administration
UNIT:	2	Accounts
PROGRAMME:	7	Accounting
ACTIVITY:	06	Compensations and Awards

Delays in Paying Compensations and Awards

51. In paragraph 31 of the Auditor General's report for the financial year ended 31st December 2005, mention was made of irregular payments, delays in processing compensations and inadequate provisions in the Estimates of Revenue and Expenditure to cater for payments of compensations and awards.

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K60,000,000,000 was made to cater for

compensations and awards out of which K49,332,679,860 was released representing eighty two percent (82%) of the budget.

An examination of accounting and other records carried out in April 2007 revealed that although the debt stock balance at 31st December 2005 was K87,492,903,406, only K60,000,000,000, representing sixty nine (69%) percent of the debt was provided for in the Estimates of Revenue and Expenditure for 2006. Further, only K49,332,679,860 was released representing fifty six (56%) percent of the debt. Consequently, there were delays in settling claims resulting in accumulation of huge interest charges. As at 31st December 2006, the debt had increased to K93,476,709,233 comprising the principal of K60,239,203,906 and interest of K33,237,505,331.

**HEAD: 37/09 Ministry of Finance and National Planning
Central Statistical Office**

UNIT: 1 Administration

PROGRAMME: 8 Minor and Major works

ACTIVITY: 01 Building a new CSO Office Block

Accounting and other Irregularities

- 52.** In Paragraph 67 of the Auditor General's report on the accounts for the financial year ended 31st December 2002, mention was made of the engagement of a contractor at a contract sum of K14,743,125,080 for the construction of a six storey office block for the Central Statistical Office (CSO). The contract was for a period of twenty-two (22) months commencing September 2001 and ending in May 2003.

It was also mentioned that although the initial contract period was twenty two (22) months, the contract was later extended by thirteen (13) months resulting in the rise in the contract price to K23,082,341,389.

During the period from January 2003 to December 2006, a total provision of K16,000,000,000 was provided for in the Estimates of Revenue and Expenditure for the construction of the office block out of which K11,994,393,939 was released for the project resulting in an under funding of K4,005,606,061 as shown below:

YEAR	PROVISION (K)	AMOUNT RELEASED (K)	OVER/(UNDER) FUNDING (K)
2003	-	2,000,000,000	2,000,000,000
2004	5,000,000,000	6,065,286,047	1,055,000,000
2005	7,000,000,000	2,000,000,000	(5,000,000,000)
2006	4,000,000,000	1,939,393,939	(2,060,606,061)
TOTAL	16,000,000,000	11,994,393,939	(4,005,606,061)

An examination of accounting and other records maintained at CSO headquarters revealed the following:

a. Irregular Advance Payments

According to the general conditions of the contract, the contractor was entitled to an advance payment of 20% of the contract amount which was paid in September 2001. However, contrary to the General conditions of the contract further payments of advances totaling K1,253,493,628 were made to the contractor in December 2004 (K655,195,755) and December 2005 (K598,397,873) bringing the total to K3,762,961,728. As of August 2007, a total amount of K2,782,961,728 had been recovered leaving a balance of K1,000,000,000.

The rationale for payment of further advances when the contract provided for only one could not be established.

b. Interest Charges

As of August 2007, the value of work certified by the Buildings Department amounted to K17,721,857,933 out of which K3,141,794,902 was in respect of interest charges on delayed payments.

c. Delays in the Completion of the Project

Although the contract was for eighty eight (88) weeks up to May 2003, the contract completion date had been extended five times to a new completion date of May 2008, which will result in a delay of two hundred and sixty (260) weeks.

Due to the extensions, the cost of the building was in August 2007 estimated at K25,342,444,208 compared to the original contract price of K14,743,125,080 representing an increase of K10,599,319,128 (42%) on the original contract amount.

d. Misapplication of Project Funds

Out of a total amount of K1,939,393,939 released for the construction of the office block, amounts totalling K981,192,105 were misapplied on Recurrent Departmental Charges (RDCs). As of October 2007, the misapplied amount had not been reimbursed.

e. Overpayment

Amounts totalling K111,477,821 in respect of consultancy fees for the period September 2002 to July 2007 were paid instead of K90,447,368 resulting in an overpayment of K21,030,453. As of August 2007, the money had not been recovered from the consultant.

f. Current Status of the Project

An inspection of the project in August 2007 revealed that work was still in progress as shown in the pictures below:



CSO Building Under Construction

HEAD: 46/01 Ministry of Health – Human Resource and Administration

UNITS: Various

PROGRAMMES: Various

ACTIVITIES: Various

Accounting and Other Irregularities

53. In paragraph 34 of the Report of the Auditor General for the financial year ended 31st December 2005, mention was made of accounting irregularities, in particular, misapplication of funds, overpayment of contract fees, unaccounted for fuel and stores, and unretired imprest; among others.

A review of financial operations of the ministry and test checks of the accounts for the year ended 31st December, 2006 revealed that the weaknesses have continued in that there were weaknesses in the management and internal control systems and no significant improvement had been made.

In the Estimates of Revenue and Expenditure for the year 1st January to 31st December 2006, a provision of K232,999,582,371, out of which K248,031,461,790 was released (K15,031,879,419 in excess of the approved provision).

An examination of financial and other records maintained at the Ministry Headquarters revealed the following:

a. Misapplication of Funds

Out of the total amount of K93,898,721,400 released to cater for Support to Institutions (K47,455,506,155), Drugs (K30,049,060,065) and Recruitment (K16,394,155,180), a test check revealed that amounts totaling K 28,045,057,755 were misapplied on unrelated activities such as fuel, air fares, staff retirement benefits, stationery, training, workshops and seminars, payment of salaries and housing allowances among others.

b. Unaccounted for Funds

Amounts totalling K5,454,004,689 meant for the repatriation of health workers were unaccounted in that though the amount was reflected in financial statements, there were no expenditure records provided for audit scrutiny.

c. Unvouched Expenditure

Contrary to Financial Regulations No. 45 and 52, payments in amounts totalling K23,518,186,103 made during 2006 were not vouched in that payment vouchers were either missing (K2,894,371,442) or inadequately supported (K20,623,814,661).

d. Unretired imprest

Imprests in amounts totalling K4,411,793,224 involving 150 transactions issued to eighty two (82) officers during the period from March to December, 2006 had not been retired as of October, 2007 contrary to Financial Regulation No. 96(1).

e. Unaccounted for Drugs

There were no receipt and disposal details in respect of drugs costing K1,838,731,252 purchased during the period March to December, 2006 contrary to Public Stores Regulation No. 16.

f. Overpayment

There was an overpayment of K142,968,000 relating to the purchase of sodium chloride and ringers lactale, from the International Drug Company in that instead of paying the invoiced amount of K110,411,700, the Ministry paid K253,379,700 in February 2007. As of November 2007, the overpayment had not been explained.

g. Failure to Follow Tender Procedures

Purchases of goods and services amounting to K28,669,862,088 were made without following tender procedures.

HEAD: 64 Ministry of Works and Supply

UNITS: Various

PROGRAMMES: Various

ACTIVITIES: Various

Accounting Irregularities

- 54.** In the Estimates of Revenue and Expenditure for the year 1st January to 31st December 2006, a provision of K124,458,621,211 was made out of which K105,726,447,133 was released leaving a balance of K18,732,174,078.

An examination of the financial and other records maintained at the Ministry Headquarters revealed the following:

a. Unvouched Expenditure

There were payments in amounts totalling K9,421,995,182 made during the period between January and December involving 294 transactions that were unvouched in that they were either missing supporting documents (K1,175,094,241), or inadequately supported (K8,246,900,941) contrary to Financial Regulation No. 45.

b. Poor Fuel Record Keeping

During the year under review, fuel costing K972,478,723 involving forty-six (46) transactions purchased from various filling stations were not reconciled with invoices and statements from suppliers. In this regard, it was not possible to ascertain how the fuel was accounted for.

c. Taxes not remitted to Zambia Revenue Authority

Amounts totalling K667,992,484 in respect of deductions from officers' commutation of leave days, long service bonuses and retirement benefits were not remitted to Zambia Revenue Authority.

d. Unretired Imprests

Imprest in amounts totalling K910,545,454 issued to 61 officers involving 102 transactions had not been retired as of August 2007 contrary to Financial Regulation No. 96(1).

e. Failure to Reimburse the RDC Account

Amounts totalling K1,026,260,484 involving twenty two (22) transactions were transferred from Recurrent Departmental Charges Account to salaries account to meet payments related to personal emoluments such as terminal benefits. As of August 2007, the RDCs account had not been reimbursed.

f. Poor Maintenance of Records – Below the Line

Amounts totalling K3,694,341,660 paid as salary advances (K30,390,830) and loans (K3,663,950,830) to various officers in the Ministry could not be verified

as recovered as there were no salary advance registers, loan registers, ledgers and below the line abstracts.

Irregular Transfers of Funds

55. The Ministry of Works and Supply maintains Capital and HIPC mirror bank accounts with Zambia National Commercial Bank (ZNCB) at the Ministry of Finance Agency.

A review of financial and other records for the period from January 2004 to December 2006 carried out in July 2007, revealed the following:

a. Capital Expenditure Bank Account

A scrutiny of the bank statements and bank reconciliation statements for the year under review revealed that there were weaknesses in the maintenance of the account in that it was not properly reconciled. In particular the following were observed:

- i.** Between January and December 2006, there were unexplained adjustments on the bank reconciliation statements totalling K3,068,815,151. As at 28th December 2007, the adjustment had not been explained.
- ii.** On 4th September 2006, an amount of K24,293,913 was transferred to a beneficiary, Public Administration, whose account was maintained at Barclays Bank Plc Hanover Square 200575, London, UK. However, there were no supporting documents to show the nature of services rendered by Public Administration to the Zambian Government. As at 28th December 2007, the adjustment had not been explained.
- iii.** On 6th November 2006, the Ministry paid an amount of K74,496,871 ZNCB to clear outstanding bank charges accumulated from 2003 to 2006. Enquiries from the bank revealed that the funds were credited to various beneficiaries' accounts. The rationale of raising a cheque to clear bank charges instead of the bank debiting the accounts directly is questionable.

- iv. The bank reconciliation for the month of October 2006, included an amount of K430,000,000 as “other income” whose source was not explained.

b. HIPC Account

- i. Between January and November 2004, there were bank transfers totaling K1,955,071,863 which as at 28th December 2007 could not be authenticated for lack of documentation such as authorization letters and transfer notes among others.

The transfers included amounts totaling K1,029,584,554 made to four (4) beneficiaries whose details were not disclosed by the Ministry.

- ii. According to the bank statements, in June 2004 and June 2006, two transfers amounting to K360,000,000 (2004 - K180,000,000 and 2006 – K180,000,000) were made to a Provincial Administrator. It was however not clear who this Provincial Administrator was and as to what goods were supplied or services rendered to the Ministry.

As of 28th December 2007, no explanation had been provided on the nature of this transaction.

c. Recurrent Departmental Charges Bank Account.

- i. Between January and December 2006, there were unexplained adjustments on the bank reconciliation statements totaling K1,314,268,965. As at 28th December 2007, the adjustment had not been explained.

- v. Between March and October 2006, there were unexplained adjustments on the bank reconciliation statements on Control 64 at the Bank of Zambia amounting to K254,354,291. As at 28th December 2007, the adjustment had not been explained.

HEAD:	64/01	Ministry of Works and Supply – Human Resources and Administration
UNIT:	6	Hostels Board of Management
PROGRAMMES:	9	Rehabilitation of Luangwa Lodge
	10	Construction and Rehabilitation of Lodges
ACTIVITIES:	01	Rehabilitation of the Deluxe Suite
	02	Henry Makulu Lodge
	03	Mansa Lodge

Accounting and other Irregularities

56. In the Estimates of Revenue and Expenditure for the years 1st January to 31st December 2004, 2005 and 2006, total provisions of K1,620,476,511 were made to cater for the rehabilitation of Luangwa , Henry Makulu and Mansa lodges. In this regard, amounts totaling K1,327,621,329 were released as shown in the table below:

Project/Year	Budget (K)	Releases (K)	Variance (K)
Luangwa Lodge			
2004	-	-	-
2005	216,666,668	216,666,668	-
2006	-	-	-
	<u>216,666,668</u>	<u>216,666,668</u>	<u>-</u>
Henry Makulu			
2004	300,000,000	-	300,000,000
2005	246,432,864	246,432,865	(1)
2006	357,376,978	360,355,129	(2,978,151)
	<u>903,809,842</u>	<u>606,787,994</u>	<u>297,021,848</u>
Mansa Lodge			
2004	-	-	-
2005	-	-	-
2006	500,000,000	504,166,667	(4,166,667)
	<u>500,000,000</u>	<u>504,166,667</u>	<u>(4,166,667)</u>
Totals	<u>1,620,476,510</u>	<u>1,327,621,329</u>	<u>292,855,181</u>

The funds released were deposited in a Capital Projects Account maintained at the Ministry Headquarters.

An examination of financial and other records at the Ministry Headquarters and physical inspections of the projects carried out in September 2007 revealed the following:

a. Luangwa Lodge/Deluxe Suite

In July 2006, the Ministry engaged Zamchin Construction Limited to rehabilitate the lodge's Deluxe Suite at a contract price of K192,498,537. The works included the refurbishment of the bathroom, walls and floors and the front entrance among others. The project was to run for duration of twelve (12) weeks effective from July 2006. As of February 2007, a total amount of K172,062,810 had been paid to the contractor against a certified amount of K181,358,810 leaving a balance of K9,295,000.

It was further observed that:

- i.** The second interim certificate issued on 30th November 2006, six (6) weeks after the completion date of 14th October 2006, showed that the contractor had only done eighty four percent (84%) of the works and included a variation to the works of K32,277,684, which was approved by the Buildings Department who were the supervisors, bringing the total contract price to K224,776,220. However, as of August 2007, the variation had not been approved by the Ministerial Tender Committee.
- ii.** Although the project had been delayed by ten (10) months, as of August 2007, the Ministry had not claimed liquidated damages as provided for in Clause 2.3 of Contract No. 16 of 2006 and the works were still in progress.

b. Henry Makulu Lodge

In March 2006, Provincial Tender Committee awarded a contract for the rehabilitation of the Henry Makulu Lodge to Messrs Kwenje Industrial Contract Services at a contract price of K187,733,696. The works included renovations and repairs to the existing guest rooms and were to run for three (3) months from March 2006.

It was however observed that:

- i. Although the contract price was K187,733,696, certified works amounted to K313,096,687, which was K125,362,991 above the contract price. There was no evidence of approval of the extra works by the Provincial Tender Committee. As of July 2007, a total amount of K308,806,687 had been paid leaving a balance of K4,290,000.
- ii. Generally, the works done by the contractor were poor in that some rooms had water leakages and plumbing works were of low standard (see picture below)



Poor Workmanship Exhibited in Poor Finishing

Although the contract provided for the supply and laying of decorative glazed ceramic tiles in the rooms at a cost of K14,433,000, the tiles were not fixed.

c. Mansa Lodge

Although K504,166,667 was released to cater for the rehabilitation of the Mansa lodge, enquiries made at the hostels board revealed that as of August 2007, the tendering process for the award of the contract had not started.

A physical inspection of the lodge carried out in August 2007 revealed that the lodge infrastructure was in a dilapidated state as shown in the pictures below:



Outside and inside Views of the Dilapidated Kitchen

HEAD: 76 **Ministry of Sport, Youth and Child Development**
UNITS: **Various**
PROGRAMMES: **Various**
ACTIVITIES: **Various**

Accounting and other Irregularities

57. In the Estimates of Revenue and Expenditure for the financial years ended 31 December 2005 and 2006, provisions of K29,298,186,007 and K30,157,563,176 were made to cater for various programmes out of which amounts of K25,670,882,887 and K26,907,599,480 were released.

An examination of the financial and other records maintained at the Ministry Headquarters carried out in February 2007 revealed the following:

a. Unvouched Expenditure

There were payments in amounts totalling K586,706,057 made between 2005 and 2006 that were not vouched in that payment vouchers were either missing, unsupported or inadequately supported by invoices or cash sale receipts contrary to Financial Regulation No. 52.

b. Unretired Imprest

Imprest in amounts totalling K156,546,936 issued to various officers during the period under review had not been retired as of February 2007 contrary to Financial Regulation No. 96.

c. Non Submission of Expenditure Returns For Grants Paid

The Ministry disbursed grants to various institutions under its charge amounting to K3,660,252,983 and funds for rehabilitation works amounting to K846,201,122 between 2005 and 2006. However, expenditure returns for K2,165,392,492 were not submitted to the Ministry making it not possible to ascertain whether the funds were utilized for the intended purposes. Enquiries made at selected institutions revealed that they were not aware that they were required to submit returns.

d. Stores

There were no receipt and disposal details in respect of stores items costing K25,045,000 purchased during the period under review contrary to Public Stores Regulation No. 16.

e. Non Maintenance of Fuel Records

There were no receipt and disposal details in respect of fuel costing K884,916,730 procured during the period from 2005 and 2006 contrary to Public Stores Regulation No. 16.

HEAD:	76/04	Ministry of Sport, Youth and Child Development Child Affairs Department
UNIT:	1	Human Resource and Administration
PROGRAMME:	8	Child Protection – (PRP) 1
ACTIVITIES:	08	Rehabilitation of Kitwe and Katete Child Protection Centres
	13	Provisions and Requisites

Accounting Irregularities

- 58.** In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2005 and 2006, provisions of K2,820,759,698 were made to cater for Youth Empowerment Programme.

An examination of the financial and related records maintained by the Ministry headquarters and the centres carried out in April 2007 revealed the following:

a. Headquarters

i. Non Submission of Expenditure Returns

Although the Ministry disbursed amounts totalling K1,864,409,500 for the rehabilitation of skills centres, no expenditure returns were submitted by the centres contrary to Financial Regulation No. 8.

ii. Non Maintenance of Stores Records

There were no receipt and disposal details in respect of stores items costing K988,105,525 procured in 2004 and 2005 contrary to Public Stores Regulation No.16.

b. Kitwe Skills Camp - Rehabilitation of Cold Storage and Supply of Four (4) Deep Freezers

In April 2006, an amount of K45,950,000 was paid to a local company for the rehabilitation of cold storage and stores and to supply four (4) deep freezers.

As of April 2007, no works had been done on the cold storage and the deep freezers had not been supplied.

c. Katete Skills Camp - Purchase of Blankets

In December 2006, the Ministry paid K82,500,000 to a local company for the supply of one thousand five hundred (1,500) blankets. It was observed that five hundred and fifty (550) blankets costing K30,250,000 were of low quality for which the Ministry demanded a refund. However, as of April 2007, the company had only refunded K20,625,000 leaving a balance of K9,625,000 outstanding.

HEAD :	77/01	Ministry of Defence-Headquarters
UNIT:	1	Human Resources and Administration
PROGRAMMES:	1	Personal Emoluments
	2	General Administration
ACTIVITIES:	01	Salaries
	01	Office Administration
UNIT:	5	Procurement and Supplies
PROGRAMME:	2	Procurement and Supplies
ACTIVITY:	01	Procurement and Supplies of Goods and Services

Irregularities in Accounting for Personal Emoluments and Procurements

59. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, provisions totalling K96,829,772,627 were made to cater for personal emoluments (K23,338,852,152), general administration (K3,787,380,505) and procurement and supplies (K69,703,539,970) out of which K89,614,791,947 was released.

An examination of the financial and other records maintained at Ministry headquarters carried out in May 2007 revealed the following:

a. Personal Emoluments

Contrary to Terms and Conditions of Service, four (4) officers who were placed on suspension in January, 2004 were still drawing full salaries and as of May 2007, the officers had been paid amounts totalling K126, 751,964.

b. Funds not Accounted For

In December 2005, the Ministry drew amounts totalling K577,700,000 to pay housing allowances to classified daily employees (CDEs) based in various units of the Zambia Army, Zambia Air Force and Zambia National Service. However, only K377,700,000 was supported by acquittal sheets leaving a balance of K200,000,000 unaccounted for.

c. Irregular Payments of Meal Allowances

Contrary to the provisions of Cabinet Office Circular No.B.4 of 2003, amounts totalling K42,950,000 were irregularly paid to various officers who were not eligible for the allowance.

d. Non recovery of Loans

Contrary to terms and conditions of service, as of May 2007, no recoveries had been instituted in respect of loans totalling K3,035,343,867 paid to various officers during the period under review.

e. Unretired Imprest

There were Imprests in amounts totalling K1,413,859,919 issued to various officers during the period under review that had not been retired as of May 2007 contrary to Financial Regulation No. 96.

f. Stores

There were no receipt and disposal details in respect of stores items costing K144,150,283 purchased during the period under review contrary to Public Stores Regulation no. 16.

g. Overstatement of Prices

A comparison of the prices quoted for the Ministry on which the payments were based with market prices used by the same suppliers for the same goods revealed that prices for goods bought by the Ministry were overstated by K54,534,987.

h. Misapplication of Funds

There was a total amount of K820,468,737 meant for recurrent departmental charges that was misapplied on execution of minor works such as extension of service shelter car park, repair and maintenance of access control security system, construction of water reservoir among others.

i. Extension of the Service Shelter, Car Park

In December, 2006, the Ministry entered into a contract with a local contractor for the extension of the service shelter, digging a pit for repairing cars and extension of the car park at the Ministry headquarters at a contract price of K139,528,800 for a contract period of twenty one (21) days commencing 26 December, 2006.

It was observed that contrary to the conditions of the contract which required the contractor to be paid an advance payment of 50 %, the contractor was paid the full amount before commencement of the works.

j. Construction of a Water Reservoir and Replanting of Grass.

In January 2006, the Ministry paid a total of K37,978,887 to a local contractor for the construction of a reservoir and replanting of grass at the cenotaph. It was observed that although the contractor was paid in full, the contractor had only carried out works to the tune of K25,817,637.

In his response dated 19th December 2007, the Controlling Officer stated that the contractor had since been requested to refund the amount of K12,161,250.

k. Payments for Renovation of the Gutter and Water Proofing.

In June 2006, the Ministry paid an amount of K27,671,250 to a local contractor to repair the gutter and water proof the roof of the main building. It was however observed that no contract document was made available for audit.

l. Erection of the Security Barrier and Laying of Concrete Slab on the Parking Area.

In February 2006, the Ministry paid an amount of K33,452,888 to a local contractor to erect a security barrier and lay a concrete slab in the parking area. It was however observed that no contract document was made available for audit.

m. Procurement of Irrigation System

In December 2004, the Ministry engaged an international company to supply and install four (4) Reinke Centre Pivot System at a contract price of K3,073,600,588 and the company was paid in full. It was however observed that two (2) pumps costing K167,745,335 had not been delivered as of May 2007.

HEAD: 80 Ministry of Education

UNIT: Headquarters

PROGRAMME: Various

ACTIVITIES: Various

Accounting Irregularities – GRZ Funded Programmes and Activities

- 60.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December, 2006, a provision of K1,555,842,416,463 was made comprising K1,321,298,239,244 from GRZ and K234,544,177,219 from Donor pledges out of which a total of K1,513,349,022,216 was released made up of K1,280,136,378,039 from the Treasury and K233,212,642,227 from the Donor funding.

Out of the Ministry's total budget of K1,555,842,416,463, a total amount of K521,976,917,784 was provided for Headquarters, Directorates of Human Resources and Administration, Planning and Information, Standards and Curriculum, Teacher Education and Specialised Services, Distant Education (Donor Funds Inclusive) for which the Treasury released a total amount of K361,930,124,348 as detailed in the table below:

<u>Dept Head</u>	<u>Name</u>	<u>Budget K</u>	<u>Treasury Releases K</u>
80/01	Headquarters	279,327,662,837	284,626,858,814
80/45	Human Resources & Admin	7,559,637,251	4,263,241,742
80/46	Planning and Information	182,130,389,991	44,232,440,284
80/48	Standards & Curriculum	44,330,680,195	24,362,282,779
80/49	Teacher Education & Specialised	5,452,404,014	2,978,063,475
80/50	Distant Education	3,176,043,496	1,467,237,254
TOTAL		521,976,817,784	361,930,124,348

An examination of financial and other records maintained at the Ministry Headquarters carried out in September 2007 regarding the released amounts revealed the following:

a. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K4,755,542,135 issued to three hundred and eighty three (383) officers during the period from January to December, 2006 had not been retired as of September 2007.

b. Unvouched Expenditure

i. Missing Payment Vouchers

Contrary to Financial Regulation No. 45, forty five (45) payment vouchers in amounts totalling K759,756,860 were not produced for audit.

ii. Unsupported Payment Vouchers

Contrary to Financial Regulation No. 52(1), forty eight (48) payment vouchers in amounts totaling K966,972,153 had no supporting documents.

c. Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K728,158,814 purchased during the period under review. Included in this amount was K317,183,305 in respect of fuel purchases.

d. Repair of Motor Vehicles.

- i.** A Tata truck registration No. GRZ 787 W- 1210 SE belonging to Luwingu District Education office was taken to a local garage in May, 1999 for engine overhaul at a cost of K41, 309,885. In May 2005, an amount of K20,000,000 was paid leaving the balance of K21,309,885. As of September, 2007 the truck had not been repaired and the engine which had been removed from the truck was not available for audit inspection.

e. Non Recovery of an Advance Payment Against Member's Subscription to SESTUZ

In May, 2006 the Secondary School Teachers Union of Zambia (SESTUZ) borrowed an amount of K150,000,000 from the Ministry. However, as of September, 2007 the funds had not been recovered.

f. Diversion of funds - Construction of Teacher's Houses

In December 2006, the Ministry disbursed K200,000,000 to the Lusaka District Education Board for the construction of two (2) staff houses at Chelston High School. By the end the year, this amount had not been spent.

It was observed in this regard that:

- i.** The Ministry charged the disbursement of K200,000,000 as expenditure for 2006. The effect was that the expenditure figure for 2006 was overstated by K200,000,000.
- ii.** The District Office also delayed in releasing the funds in that the School received the funds in May 2007.
- iii.** As of September, 2007 no works had commenced and amounts totalling K43,252,823 had been misapplied on travel, electricity and other administrative expenses leaving a balance of K156,747,177.

A visit to the construction site revealed that there were two (2) illegal structures on the plots where the houses were to be constructed.



Structures on land belonging to Chelstone High School.

g. Misapplication of Funds - National College of Management and Development Studies

In the quest to increase access to tertiary education and improving the quality of education in general, the Ministry of Education embarked on a programme to upgrade the National College for Management and Development Studies into a 3rd University by upgrading the existing infrastructure and constructing additional infrastructure.

The works involved partitioning of twelve (12) student's dormitory, rehabilitation of (8) ablutions blocks and construction of sewerage system under Phase I.

A scrutiny of records pertaining to the rehabilitation works carried out in September 2007 revealed that out of a total amount of K6,699,997,000 released for the civil works, K1,420,540,766 was misapplied on the supply, delivery and installation of one hundred (100) desktop computers, eight (8) laptop computers, twenty five (25) servers, one hundred (100) UPSs for the desktops and two (2) UPSs for the servers.

HEAD: 80 Ministry of Education

UNIT: Various

PROGRAMME: Various

ACTIVITIES: Various

Weaknesses in Accounting for Sector Plan Implementation Funds

61. In paragraph 40 of the Auditor General's Report for the financial ended 31st December 2005, mention was made of weaknesses in accounting for sector plan funds; in particular mention was made of lack of supervision in the award of contracts, awarding of contracts to contractors without capacity, delays in completion of projects among others. In their report for the First Session of the Tenth National Assembly, the Public Accounts Committee (PAC) re-emphasized the need for the Ministry of Education (MOE) to ensure that the funds were put to good use and there was value gained.

In 2006, the Ministry planned to implement the following activities, among others, under Sector Pool:

- Rehabilitation of classrooms, hostels, water and sanitation facilities at high schools in the nine (9) Provinces;
- procurement of books and other education materials;
- construction of zonal centres and rehabilitation of staff houses;
- complete the construction of the Ndola, Kafumbwe and Lumezi high Schools, and commence the construction of the Kapiri Girls Technical High School;
- complete construction of 250 portal frame classrooms in Luapula, Northern and Central Provinces;
- construction of forty (40) zonal centres and six (6) basic schools in Lusaka urban district under JICA support;
- procurement of equipment and furniture for the newly constructed schools;

An examination of financial and other records maintained at the Ministry Headquarters, Provincial Education Offices, selected District Education Boards, Colleges, High and Basic schools carried out in June 2006 revealed the following:

a. Funding

During the year under review, the cooperating partners released a total sum of US\$69,178,835 (K233,212,642,927). In addition, a total of K15,673,422,339 comprising GRZ counterpart funding (K14,479,638,051) and bank interest (K1,101,112,540) and other income (K92,671,748) were made available for expenditure thus bringing the total funding to K248,886,065,266.

Source (Budget Releases)	Modality	Pledges		Pledges	
		USD	ZMK	USD	ZMK
CIDA	Sector Pool	1,582,867	5,089,616,219	1,582,868	5,089,616,220
Netherlands	Sector Pool	13,080,000	43,164,000,000	13,079,970	46,104,254,850
Norway	Sector Pool	16,200,000	53,460,007,000	16,106,153	53,293,296,466
EU	Sector Pool	3,105,600	10,248,480,000	2,117,823	6,882,924,750
DFID	Sector Pool	9,000,000	29,700,000,000	11,210,188	38,758,434,500
Ireland DC	Sector Pool	6,120,000	20,196,000,000	7,075,403	25,428,375,329
DANIDA	Sector Pool	3,000,000	9,900,000,000	2,039,385	6,077,367,300
Finland	Sector Pool	4,800,000	15,840,000,000	5,138,841	17,407,760,430
USAID	Sector Pool	1,400,000	4,620,000,000	1,266,734	3,923,850,125
UNESCO	Sector Pool	-	-	1,746	5,639,580
ADB	Designated	1,747,292	5,766,074,000	1,927,301	4,655,713,019
IDA/World Bank	Designated	11,078,788	36,560,000,000	7,632,423	25,585,410,358
GRZ	Counterpart	-	14,479,638,051	-	14,479,638,051
Interest Earned		-	-	308,043	1,101,112,540
Other income		-	-	24,174	92,671,748
Grand Total		71,114,547	249,023,815,270	69,511,052	248,886,065,266

As can be seen from the table above, amounts totalling US\$71,114,547 (K234,544,177,219) were pledged out of which US\$69,178,835 (K233,212,642,927) was released representing ninety nine (99%) percent.

Out of the total amount of K248, 886,065,266 funded, the Ministry disbursed a total of K141,494,653,212 to various institutions and the balance of K107,391,412,054 remained at Headquarters.

b. Headquarters:

i. Computerization of the Accounting Systems

During the period from January to March 2005, the Ministry paid a local company a total amount of K342,674,376 to train staff in the use of the Sun Systems Accounting Package and to roll out the package to the provinces. Between January and December 2006, the company was also paid amounts totalling K182,772,557 to capture data into the system (K37,500,00) and to maintain and service the system (K145,272,557).

In addition, the Ministry paid ZAMTEL in September 2006 to network the Provincial Education Offices at a contract sum of K225,641,190.

A review of the accounting and other documentation relating to the computerization of the accounting system revealed the following:

- Although the local company was paid K145,272,557 for maintenance and service of the system, it was observed that the system was constantly breaking down;
- Although ZAMTEL was paid amounts totalling K225,641,190 to provide a wide area network to link headquarters and all the provincial offices, as of November 2007, only the Copperbelt, Central, Lusaka, Southern and Eastern Provinces were connected.
- Due to constant system failures at Headquarters in the period between April to June 2007, there were delays in providing ledger printouts for audit purposes and this contributed to the failure to consolidate the Sector Pool accounts:

ii. Unretired Imprest

Contrary to Financial Regulation No.96(1), travel imprest in amounts totalling K1,000,033,188 issued to seventy nine (79) officers had not been retired as of June 2007.

c. Construction of Zonal Centers

In 2006, the Ministry awarded contracts to seven (7) contractors to construct thirty seven (37) Zonal Centers in eight (8) provinces for periods ranging from fourteen (14) to forty two (42) weeks at a total sum of K17,451,214,701. As of June 2007 amounts totalling K12,133,567,917 had been paid leaving a balance of K5,317,646,784 as shown in the table below.

Contractor	No of centres.	Duration. (weeks)	Contract Sum (K)	Amounts Paid (K)	Variance (K)
Provident Investment Ltd	4	28	3,762,947,525	2,652,039,769	1,110,907,756
Gabmans Electrical Limited	4	24	2,961,752,585	2,592,816,205	368,936,380
Matty (Z) Ltd	2	14	745,099,364	678,646,704	66,452,660
Apollo Enterprises	5	42	2,804,140,048	2,602,127,726	202,012,322
Infinity Zambia Limited	4	28	1,622,857,659	2,404,179,047	(781,321,388)
Infinity Zambia Limited	4	30	1,855,872,190	-	1,855,872,190
Fair Face Enterprises Limited	3	28	1,166,491,380	452,781,936	713,709,444
SRC Construction PVT Limited	4	18	2,532,053,950	750,976,530	1,781,077,420
	30		<u>17,451,214,701</u>	<u>12,133,567,917</u>	<u>5,317,646,784</u>

The works involved the construction of a reading room, library, office and a storeroom; construction of two (2) water borne or Ventilated Improved Pit latrines (VIP) toilets; connecting power from the main grid or installation of solar power supply; supply and installation of an overhead water tank.

The objectives of establishing Zonal centers were to hold training sessions, produce training and teaching materials for teachers, maintenance of a data base for the Basic Schools and provision of research materials. The centers were also to be used as a liaison points with the District and Provincial Resource centers.

Site inspections of the projects in the eight (8) provinces carried out in June 2007 revealed that apart from works at St Patrick's School Zonal centre in Southern Province which had been demolished in March 2007 due to poor workmanship, the other zonal centres were completed except for the following observations:

Province	District	Zonal Centre	Observations
Northern	Kasama	Chishimba	-Electrification not done
	Mungwi	St John	-Non construction of the Water Girth -Soakaway improperly done -Wrongly fitted ridges on the conference room
	Chinsali	Kalalantekwe	-Plastering and painting poorly done -Non functioning solar system
	Luwingu	Tungati	-Solar power not installed -Cracked VIP toilets
	Chilubi	Chaba	-Cracked floors -Solar power not installed
	Mporokoso	Chitoshi	-Solar power not installed
	Isoka	Thendele, Chibale	-Non functioning solar power systems
	Nakonde	Nteko	-Non functioning solar power systems
Luapula	Nchelenge	Nshinda	-Power supply not connected
	Mansa	Mabumba	-Roofing steel structure and electrical fittings not earthed -Cracks on the floor
	Samfya	Chisakana	-Non functioning solar power system
Eastern	Chipata	Chingazi	-Outstanding construction works on dish drains, painting, fixing of window panes and doors, plumbing works and construction of VIP toilets
	Petauke	Mumbi	-Outstanding works on air vents, glazing, window seals, door frames, doors, painting, flooring, ceiling board, dish drains and VIP toilets
	Katete	Sinda	-Outstanding works on flooring, glazing, painting, ceiling board, door frames, doors, plumbing, drainage system and construction of VIP toilets
North Western	Solwezi	Mutanda	-Leakages on the water tank -Incomplete extension of three (3) rain gutter pipes to the dish drain -The project was supposed to end in January 2007 but continued for three (3) beyond the agreed time and as of May 2007 liquidated damages totalling \$9,000 (K33,300,000)

d. Breakthrough to Literacy Kits

In February, 2006 the Ministry entered into a contract with Longman Zambia Limited for the supply and delivery of 4,500 New Breakthrough to Literacy Kits

(738,000 various books) for Basic Education at a contract price of USD 690,075 (K2,346,255,000). In this regard, between June and November 2006 the Ministry paid the company the whole contact sum of USD 690,075 (K2,346,255,000). The company delivered all the 4,500 kits in June, 2006 to Curriculum Development Centre (CDC) for storage and further distribution to the Provinces. Out of the 738,000 delivered and distributed, 585,000 books valued at USD339,300 were rainbow readers.

It was observed that:

- i.** 21,799 rainbow readers valued at USD 12,643 (K42,986,200) were stolen between March and May 2006 and as of June 2007 no appropriate action had been instituted. In her response dated 27th September 2007, the controlling officer stated that out of the total of 21,799 Rainbow Readers which were alleged to have been stolen, 166 had since been found.
 - ii.** Contrary to the terms and condition of the contract, the supplier wrongly delivered six (6) cartons containing Bemba Readers to Southern Province. As of June 2007, the anomaly had not been corrected.
- e. Poor record keeping - Warehousing and Distribution of books at ZEPH**

A scrutiny of records relating to management of books at the Ministry and a physical inspection at ZEPH warehouse carried out in May, 2007 revealed that:

- i.** no regular stock count of books were conducted by the Ministry to reconcile the distribution of book with stores records and there was therefore lack of control over stock movements;
 - ii.** the ministry has no record detailing the books stored at ZEPH on their behalf.

f. Unutilised Warehouse

Although the Ministry has had two (2) large warehouses since 2000 situated on plot No. 69 along Lumumba Road to store education material at its disposal, it was observed that during the period January 2004 to October 2006 the Ministry paid amounts totalling K228,540,352 to ZEPH as storage, warehousing and consolidating

In her response dated 26th September 2007, the Controlling Officer stated that the two warehouses were in a dilapidated state and required major rehabilitation.

It was not clear however, why the rehabilitation works had not taken place since 2000.

g. Grants to Provinces

During the period under review, amounts totalling K141,072,241,840 were disbursed as grants to the provinces as shown below:

	Province	Amount Disbursed (K)
1	Northern	19,370,468,682
2	Luapula	13,508,830,565
3	Eastern	14,347,680,114
4	Central	14,843,250,916
5	N/Western	12,733,078,405
6	Lusaka	14,202,335,776
7	Southern	17,534,454,428
8	Western	14,764,944,020
9	Copperbelt	19,767,198,934
	Total	141,072,241,840

An examination of expenditure records pertaining to the funds disbursed to the provinces revealed the following:

i. Northern Province

• **Kasama District Education Board**

During the period under review, a total amount of K1,189,568,477 was received as school grants for disbursement to eighty (80) schools in the district. However, contrary to Sector Pool guidelines, the amount of K73,759,781 released in the third quarter was not based on the agreed formula, which considered school populations.

• **Mungwi District Education Board**

The district received K985,391,148 comprising grant to DEBS (K254,211,157); grants to schools (K284,090,093); procurement of books (K227,089,898) and infrastructure (K220,000,000). It was however observed that:

- **School Grants**

A total amount of K284,090,093 was disbursed to eighty five (85) schools in the district. However, contrary to Sector Pool guidelines which require that the Sector Pool accounts be finalized and audited by 30th June, the DEBS had not submitted the expenditure returns to the Provincial Education Office for onward transmission to the Ministry Headquarters.

- **Katilungu Basic School - Infrastructure**

In 2006, the school received an amount of K200,000,000, out of the budgeted amount of K315,000,000, for the construction of three (3) staff houses and seven (7) VIP latrines. In November 2006 four (4) labour based contractors were engaged at a total contract price of K26,000,000 and the balance was to be used on the procurement of building materials.

A physical inspection carried out in November 2007, revealed that the VIP latrines and one staff house had been completed,

one house was roofed and construction works on the third house had not started. As of November 2007, the whole amount of K200,000,000 had been spent on the project and the school was awaiting K115,000,000 to complete the remaining works and construction of the third house.

- **Mbala District Education Board**

- **Funding**

A scrutiny of disbursement schedules at the Ministry Headquarters revealed that a total amount of K1,607,312,454 was released to the district office. However, records maintained at the district office showed that a total amount of K1,501,874,471 was received leaving a balance of K105,997,983 which was not explained.

In her response dated 27th September 2007, the Controlling Officer stated that the matter was being investigated.

- **Lunzuwa Basic School – Failure to Utilise Funds.**

In 2006, the school budgeted for a total amount of K105,000,000 to rehabilitate school infrastructure. However, in September 2006, the Ministry instead released the whole amount of K105,000,000 to the school to cater for the construction of 1x3 classroom block.

Consequently, as of November 2007 the funds had not been utilized as management at the school were of the view that it would be more cost effective to rehabilitate the existing infrastructure than to construct a class room block.

A visit to the school in November 2007 revealed that out of nine (9) existing class rooms, only two (2) were in use due to dilapidation.



Two dilapidated classroom blocks at Lunzuwa Basic School

- **Chinsali District Education Board**

- Nambuluma Basic School**

In paragraph 40 of the Auditor General's Report on the accounts for the financial year ended 31st December, 2005 mention was made on the failure by the contractor to complete the construction of school infrastructure. According to the terms of the contract, the contractor was to construct 1x2 CRB, 1x3 CRB, 1x6 VIP double latrines and to drill a borehole at each site on Lots 1,2,3,8 and 9 of Nambuluma, Chabola and Bwalya Chokwe Basic schools in Chinsali District, and the completion period was 38 weeks from the date of signing the contract in December, 2005.

A review of the situation at Nambuluma Basic School revealed that, although the 1x2 CRB and 1x3 CRB portal frame structures had been completed the following were observed:

- The borehole which was drilled at site, in November 2005 stopped functioning four (4) days later and as of June 2007 had not been redone, the 1x6 Double VIP latrines had not been built, a contribution of 25 percent up front materials worth K8,500,000 meant for the completion of the portal frame classroom was borrowed by the contractor in December, 2006 and had not been reimbursed as at the time of audit in May 2007;

- the contractor has since left the site.

- **Luwingu District Education Board School Grants**

A total of K276,964,302 was disbursed to 118 schools in the district in 2006. It was however, observed that grants amounting to K12,948,488 paid to thirteen (13) schools had not been retired to the DEBS Secretary's Office as of June 2007.

- **Isoka District Education Board - Construction of Kaunga Basic School**

In August 2006 the Ministry released an amount of K125,000,000 for the construction of a 1x3 CRB out of which K20,000,000 was to be used by the DEBS office for monitoring of the project.

A scrutiny of records and a physical inspection of the project revealed that as of June 2007, the project had not commenced and pupils were still learning from under a tree. The picture below shows an improvised classroom.



Kaunga School Class Room Learning under the tree

Luapula Province

- **Provincial Education Office - Imprests**

Imprests in amounts totalling K111,701,800 issued to twenty four (24) officers during the period from January to October 2006 involving

sixteen (16) transactions had not been retired as of October 2007 contrary to Financial Regulation No.96(1). It was further observed that subsequent imprests in amounts totaling K48,909,280 were issued to five (5) officers with outstanding imprest contrary to Financial Regulation No.91(1).

- **Kawambwa District Education Board - Imprest**

Imprests in amounts totalling K36,763,653 issued to eight (8) officers during the period from January to November 2006 had not been retired as of October 2007 contrary to Financial Regulation No. 96(1).

- **Rehabilitation of school infrastructure - Mable Shaw High School**

In November 2006, the Provincial Administration awarded a contract to Momentous Enterprises Limited at a contract price of K361,560,000 for a period of seven (7) weeks ending January 2007. The works involved the construction of a pump house, installation of pipes, water pumps, electric motors, control panels, excavation, laying pipes and backfilling a 2,400 meters of trench from the river to the water tanks at the school.

As of June 2007, the contractor had been paid a total of K294,000,000.

A scrutiny of records and a physical verification carried out in June 2007 revealed the following:

- Equipment costing K76,000,000 was not supplied to the project;
- Works on the construction of the pump house were not complete in that plastering, painting and fitting of the 150mm x 25mm facial boards was not done;

- Pumps, electric motors and control panels had not been installed at the pump house;
- Stage completion certificates were certified by two Senior Buildings Officers instead of the Provincial Water Officer;
- There were no retention and defects liability period clauses in the contract.

- **Samfya District Education Board**

Infrastructure rehabilitation - Lubwe High School,

In August 2006, the school received K250,000,000 for the rehabilitation of school infrastructure out of which K144,998,235 was used to rehabilitate the water reticulation system and an amount of K105,061,765 was used to procure building materials for the construction of VIP toilets.

For the rehabilitation of the water system, the Provincial Administration Office awarded a contract to Luapula Water Systems and Engineers at a contract price of K130,652,984 in December 2006 for a period of six (6) weeks. According to the contract, works involved the supply and installation of one electric motor, delta start panel, supply and replace raising main 110mm asbestos pipes with 110mm PVC pipes.

It was observed, however, that:

- the contract entered into had no defects liability period;
- there were no receipt and disposal details in respect of building materials worth K30,621,500 for the construction of the VIP toilets contrary to Public Stores Regulation No. 16.

- **Nchelenge District Education Board**

Imprests

Imprests in amounts totalling K92,422,964 issued to twenty two (22) officers during the period from February to November 2006 had not been retired as of June 2007 contrary to Financial Regulation No. 96(1).

- **Nchelenge High School - rehabilitation infrastructure.**

In October 2006, the school received K 250,000,000 for the rehabilitation of school infrastructure out of which K218,633,432 was paid to a contractor (Davis and London Contractors) for the construction of two (2) pump houses, installation of the submersible pumps, control panels, erection of a stand and fixing a 5,000 litre water tank, installation of pipes to the Home Economics classroom, three (3) laboratories and the Administration Building.

A scrutiny of records pertaining to the project and a site inspection carried out in June 2007 revealed that:

- the control panel worth K8,000,000 supplied by the contractor for the pump installed in the borehole near the administration block is not operational.
- In May 2006, the contractor was paid K18,238,946 as final certificate despite the work not being fully completed. It is therefore not clear how the outstanding works will be completed following the pulling out of the contractor.

ii. Eastern Province

Provincial Education Office

- **Imprest**

Imprests in amounts totalling K500,161,773 issued to various officers during the period from January to October 2006 involving twenty three (23) transactions had not been retired as of October 2007 contrary to Financial Regulation No.96(1). It was however difficult to verify beneficiary officers in that their man numbers were not indicated on the vouchers.

- **Stores**

There were no receipts and disposal details in respect of stores items amounting to K17,780,000 procured during the period under review contrary to Stores Regulation No.16.

- **Construction of Lumezi High School**

In June, 2004 the Ministry of Education awarded a contract to China Jiangxi for the construction of Lumezi High school at a contract sum of K22,452,144,135 out of which K21,265,414,105 had been paid. The works involved construction of buildings and external works, sewer ponds, computer laboratories and payment to ZESCO to connect power to the institution and were to be completed within a period of one hundred and four (104) weeks from the date of signing the contract.

A site visit conducted in June 2007 revealed that although the works had been completed, the pipes linking the dams were fixed at higher level contrary to the contract specifications.

- **Supply and Delivery of Furniture**

In January 2006 the Ministry signed a contract with a Chinese company Yota International Ltd, for the supply and delivery of furniture to Kafumbwe and Lumezi Secondary Schools at a contract

price of \$194,790 (K662,286,000) out of which a \$159,727 (K543,071,800) had been paid as of June 2006.

The furniture was supplied and delivered to both schools in September 2006. However, a review of a Project inspection report issued in April, 2007 revealed that pre-inspection of the furniture was not conducted by the Ministry (MEPSU) to ascertain whether they conformed to specifications. In this regard, it was observed that various items costing US\$56,940 did not conform to specifications as detailed in the table below:

Furniture Item	Quantity	Cost (US \$)	Observation
Single Seater Desks	720	21,000	Delivered desks with timber 15mm thick instead of 26mm .
Dinning Hall Tables	50	4,500	Linnings have already started coming out
Labaratory Stools	328	9,840	Legs of stools not of the same length and not usable.
Stack Chairs	720	21,600	Soft wood instead of hardwood used
		<u>56,940</u>	

- **Supply and Delivery of Equipment**

In May 2006, the Ministry signed a contract with Goodwill Holdings for the supply and delivery of equipment to Kafumbwe and Lumezi Secondary Schools at a contract price of \$351,809 (K1,196,150,600) out of which \$316,628 (K1,076,535,200) had been paid as of June 2006.

A scrutiny of records and a site inspection carried out in June, 2007 and a review of project inspection report issued in April, 2007 revealed the following:

- **Lumezi Secondary School**

Two (2) drill machines were defective and hinges of a band saw machine were broken.

- **Kafumbwe Secondary School**

A bending machine was supplied instead of a shaping machine.

- **Chama District Education Board**

Stores

There were no receipt and disposal details in respect of stores items costing K7,205,000 procured during the period from February to October 2006 contrary to Public Stores Regulation No.16.

- **Misapplication of Funds - Katete District Education Board**

In 2006, the DEBS received a total amount of K220,103,435 for operations out of which a total amount of K4,018,244 was misapplied to pay officers settling-in-allowances contrary to Sector Pool guidelines. As of June 2007, the funds had not been reimbursed.

- **Petauke District Education Board**

Petauke Boarding High School - Misapplication of Funds

During the year under review, the School received K88,771,521 as school grant. The grant was to be used on procurement of school requisites. However, It was observed that amounts totalling K25,696,600 were misapplied on purchase of foodstuffs for pupils (K21,696,600), and settlement of penalty fee (K4,000,000) contrary to Sector Pool guidelines.

As of June 2007, the funds had not been reimbursed.

iii. Central Province

Provincial Education Office

- **Unvouched Expenditure**

There were twenty four (24) payments in amounts totaling K303,036,599 made during the period under review whose vouchers could not be produced for audit scrutiny contrary to Financial Regulation No.58.

- **Imprest**

Imprests in amounts totalling K247,247,337 issued to thirty one (31) officers during the period under review had not been retired as of June 2007 contrary to Financial Regulation No.96(1).

- **Chibombo District Education Board**

- **Imprests**

Imprests in amounts totaling K14,069,200 issued to two (2) officers in July and November 2006 had not been retired as of June 2007.

- **Chibombo High School - non-functional boreholes**

In paragraph 40 (i) of the Auditor General's report on the accounts for the financial year ended 31stDecember, 2005, mention was made of the contractor who had been contracted to drill and equip two (2) boreholes, build two (2) pumps houses and rehabilitate the water tank at a contract sum of K88,000,000. The amount was paid in full and another K15,000,000 paid for painting and mending the tank and its stand as additional works. According to the report, the contractor used oil paint instead of metallic and no repairs were done to the tank.

A review of records at the Ministry Headquarters and a physical inspection at the site revealed that an additional payment of K35,000,000 was made for the same works but the borehole was still not in use.

- **Moomba High School - Construction of Staff Houses**

In 2006, the school received a total amount of K328,000,000 for the construction of three (3) Staff houses (K223,000,000) and 1x3 class room block (K105,000,000).

A visit to the school in June 2007 revealed that no construction works had begun. Inquiries revealed that works had not commenced due to the non availability of land (site).

• **Kapiri Mposhi District Education Board**

Stores

There were no receipt and disposal details in respect of stores items costing K78,925,703 procured during the period from February to October 2006 contrary to Public Stores Regulation No.16.

• **Nkole Basic School - Stolen Text Books**

Educational books purchased in April 2006 for K4,912,000 were reported stolen. However, as of June 2007 the matter had not been reported to Police.

• **Mumbwa District Education Board**

Unverified Expenditure

In 2006, amounts totalling K1,729,185,236 were released to the Mumbwa District Education office to cater for school grants (K559,472,639); procurement of books (K351,670,839); infrastructure development (K461,414,000) and DEBS funding (K356,627,758).

A visit to the district in June 2007 revealed that there were no accounting documents to facilitate the audit of Sector Plan Funds. Consequently, expenditure incurred could not be verified.

- **Kashinka Basic School - Infrastructure Development**

A cheque for K317,000,000 payable to Kashinka Basic School in September 2006 meant for infrastructure development had not been released to the school as of June 2007. Further, the district education office engaged three (3) suppliers for the supply of building materials at a total cost of K136,280,500. However, as of June 2007, the suppliers had not been paid.

iv. North Western Province

- **Kabompo District Education Board – Misapplication of Funds**

Contrary to Sector Pool guidelines, amounts totalling K5,677,204 were misapplied on paying settling in allowances to three (3) officers in January 2006. As of June 2007, the funds had not been reimbursed.

- **Chatwika Basic School - Construction of Staff Houses**

Between 2001 and 2003, amounts totalling K165,954,000 were released for the construction of three (3) staff houses at Chatwika Basic School under BESSIP. However, the project stalled due to inadequate funding. In this regard, in 2006 a sum of K51,140,000 was disbursed to complete the remaining works.

- **Lamba Basic School - Construction of Classroom Block**

In 2006, the school received K105,000,000 for the construction of a 1x3 Classroom Block at Lamba Basic School. In this regard, a labour-only contract was awarded in August 2006 to Solwezi Building Centre to construct the class room block at a cost of K17,000,000. The Construction works started in August, 2006 and were expected to end in December, 2006. A review of the Project records and site inspection carried out in June 2007 revealed the following:

- **Failure to Follow Tender Procedures**

Contrary to Sector Pool guidelines, the Senior Buildings Officer at Provincial Education Office unilaterally invited companies for tender and selected Solwezi Building Centre without involving the Project Management committee. Further, the contract was signed by a teacher on behalf of the Government instead of the PTA Chairman.

It was also noted that the contractor was not registered with the National Council for Construction.

- **Wasteful Expenditure**

Timber costing K16,071,160 were procured in excess of the project requirements and were being eaten by termites.

- **Maheba High School- Rehabilitation Works**

In 2006, the school received K 300,000,000 for the rehabilitation of infrastructure. A scrutiny of records relating to the rehabilitation works revealed the following:

- **Irregular selection of the contractor**

In December, 2006 the Senior Buildings Officer, without following tender procedure, engaged Solwezi Building Center to rehabilitate the school infrastructure at a contract price of K103,250,000. The works consisted of rehabilitation of the building (K30,366,996), repair of furniture (K66,391,629) and construction of a Kitchen (K6,491,375). As of June, 2007 a total of K 262,727,375 had been spent on materials, transport and labour representing 87 percent of the funds released.

- **Payments without Stage Completion Certificates**

Contrary to Sector pool guidelines, a total amount of K94,741,375 was paid to the contractor in January, 2007 without supporting stage completion certificates.

- **Physical Inspection**

A physical inspection of the rehabilitation works revealed that, due to poor quality of materials used, most of the furniture that had been repaired had started breaking, barely three months after works had been completed. Meanwhile, it was revealed that out of the contract price of K66,391,621, for the repair of furniture, as of June 2007, the contractor had been paid a total amount of K57,883,010.

- **Zambezi District Education Board**

- Overpayment to Supplier**

During the period from November to December 2005 the DEBS engaged Long Bew Enterprise to repair three (3) motor vehicles at a total sum of K29,052,600. It was however observed that the company was paid a total amount of K39,854,427 in January 2006 instead of the quoted amount of K29,052,600 resulting in an overpayment of K10,801,827. As of November 2007, the company had not refunded the overpaid amount.

- **Kawumbu High School**

In June 2006, a total amount of K80,000,000 was released for the construction of a 1x3 classroom block. In this regard, a labour only contract was awarded to a local contractor in April 2007 at contract price of K17,000,000. As of June 2007, a total amount of K62,260,000 had been spent on procurement of materials representing 78 percent of the released funds. A scrutiny of records relating to the project and a site inspection carried out in June 2007 revealed the following:

- **Delay in Commencing of Works**

Although funds were released in June 2006, the project only commenced in April 2007, resulting in a delay of eleven (11) months.

- **Payments Made Without Vouchers**

There were five (5) payments in amounts totalling K62,260,000 that were made during the period August 2006 to March 2007 without raising payment vouchers contrary to Financial Regulation No. 45(1b).

- **Status of Works**

As of November 2007, the construction of the classroom block was at ring beam level and the works had stalled due to insufficient funds.

v. Lusaka Province

• **Kafue District Education Board**

- **Imprest**

Imprest in amounts totalling K4,900,000 issued to an officer during the period under review had not been retired as of June 2007 contrary to Financial Regulation No. 96(1).

- **Unsupported Payments**

There were three (3) payment vouchers in amounts totalling K12,000,000 made in November and December 2006 which had no supporting documents such as invoices, receipts or acquittal sheets contrary to Financial Regulation No. 45.

- **Maano Basic School**

An amount of K3,483,869 meant for Maano Basic School, released by the Ministry Headquarters for term one (1) could not be accounted for by Kafue District Education Board as of June 2007.

- **Lusaka District Education Board**

Missing payment vouchers

There were two (2) payment vouchers in amounts totalling K6,642,929 made in August 2006 which were not produced for audit contrary to Financial Regulation No. 45.

vi. Southern Province

- **Chisangano Basic School**

In 2006, the school received K103,005,000 for the construction of a 1x3 classroom block and 1 VIP latrine. In this regard, in November 2006, a labour only contract was signed with a local contractor at a contract price of K13,770,000. As of May 2007, a total amount of K98,185,000 had been spent leaving a balance of K4,820,000.

As of May 2007, the 1x3 classroom block had been completed and was in use while the construction of the VIP latrine had not commenced.

- **Chisanga Basic School**

The school received amounts totalling K128,495,000 (November 2006 - K98,195,000 and January 2007 - K118,676,000) for the construction of a 1x3 CRB. In this regard, in February 2007 the school entered into a labour only contract with a local contractor at a contract price of K17,000,000. As of May 2007 a total amount of K93,270,000 had been spent on the project leaving a balance of K35,225,000. A scrutiny of records relating to the project and a site visit carried out in May, 2007 revealed that 139x50kg bags of cement costing K5,938,000 had solidified.

- **Itezhi Tezhi District Education Board**

- **Imprest**

Imprests in amounts totaling K4,735,000 issued to five (5) officers during the period under review had not been retired as of November, 2007 contrary to Financial Regulation No 96(1) .

- **Misappropriation of allowances.**

In December, 2006 an amount of K3,200,000 was misappropriated by an officer at the DEBS office. Although the Controlling Officer in her response dated 27th September 2007 stated that the culprit had been reprimanded and recoveries effected from his salary, his pay slips were not made available to evidence the deductions.

vii. Western Province

- **Sesheke District Education Office**

- Infrastructure Development**

The Ministry of Education released K220,292,000 to Sesheke District Education Office for infrastructure works. The funds were for the completion of projects at Mwanalulenga and Mangamu Basic Schools. In October 2006 the DEBS office disbursed K98,587,000 and K101,705,000 to Mwanalulenga and Mangamu Basic Schools respectively and retained K20,000,000 for monitoring. A follow up of the funds revealed the following:

- **Mwanalulenga Basic School**

Out of the funds received of K98,587,000, amounts totalling K81,067,000 were spent on building materials and K5,780,000 was paid to the contractor for labour only to complete 1x3 class room block, seven (7) VIP latrines and one (1) staff house leaving a balance of K11,740,000.

A physical inspection of the project carried out in June 2007 revealed that, while the construction of the 1x3 class room block had been completed, construction of the staff house and seven (7) VIP toilets had not commenced.

- Procurement of building materials - Mangamu Basic School

Contrary to sector Pool Guidelines, the Provincial Education Office procured building materials in amounts totalling K67,354,600.

A review of progress reports and a physical inspection of the project carried out in June 2007 revealed that although the construction of the classroom block had been completed, no works had commenced on the staff house and seven (7) VIP latrines.

• Shangombo -District Education Board

- Misapplication of Funds

Contrary to sector pool guidelines, amounts totalling K17,438,000 were misapplied on salaries (K8,964,000) and wages (K8,474,000). As of June 2007 the amount had not been refunded.

- Fuel

There were no receipt and disposal details for fuel costing K13,584,280 bought during the period under review.

viii. Copperbelt Province

Provincial Education Office (PEO)

• Unvouched Expenditure

There were 12 payments in amounts totalling K 75,414,500 that were not produced for Audit scrutiny contrary to Financial Regulation No. 45.

- **Imprest**

Imprest in amounts totaling K45,551,423 issued to five (5) officers between January and October 2006 had not been retired as of June 2007 contrary to Financial Regulation No. 96(1).

HEAD: 80 Ministry of Education – Central Province

/16 Regional Headquarters

/17 Basic Schools

/18 High Schools

/19 Teacher Education

UNIT: Various

PROGRAMME: 1 Personal Emoluments

ACTIVITIES: Various

Accounting and other Irregularities

62. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2005 and 2006, provisions of K52,817,623,465 and K79,069,153,957 were made respectively to cater for Personal Emoluments. However, amounts totalling K81,365,596,821 in 2005 and K104,051,461,363 in 2006 were released resulting in excess funding of K28,547,973,356 in 2005 and K24,982,307,406 in 2006.

An examination of financial and other records maintained at the Provincial Education Office carried out in July 2007 revealed the following:

a. Failure To Take Disciplinary Action On Attempted Theft

On 10th February, 2006 an amount K8,244,456 was paid as long service bonus to an officer based at the Provincial Education Office. However, on 14th February, 2006 another payment was made for the same amount (K8,244,456) to the same officer using the same documentation but a different set of signatories. The matter was only detected by the bank that questioned the Accountant for paying the

officer the same amount in a space of 4 days. As of April 2007, the matter had not been reported to the police and no disciplinary action had been taken.

b. Poor Record Keeping

i. Cash Book Maintenance

The cashbooks for the financial years ended 31st December 2005 and 2006 were not properly maintained in that they were under cast by a total of K312,557,128. Further, it was noted that eighty seven (87) payments amounting to K1,072,008,271 made in 2006 were not recorded in the cashbook as of April 2007 contrary to Financial Regulation No. 145.

ii. Unvouched Expenditure

There were three hundred and sixty three (363) payments in amounts totalling K13,165,219,889 that were unvouched in that the payment vouchers were either missing or were inadequately supported by invoices or receipts contrary to Financial Regulation number 45.

c. Misapplication of Funds

Contrary to the Appropriation Acts of 2005 and 2006, amounts totalling K669,243,200 were applied on activities not related to personal emoluments as detailed below:

	K
Imprest	13,276,800
Transfers to RDC Accounts	267,966,400
Payment of Advances	388,000,000
	669,243,200

HEAD:	85/01	Ministry of Lands - Human Resource and Administration
UNIT:	1	Human Resources and Administration
PROGRAMME:		Various
ACTIVITIES:		Various

Accounting and Other Irregularities

- 63.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, provisions of K8,264,793,549 (K6,831,346,301 for Recurrent Departmental Charges, and K1,433,447,248 for Personal Emoluments) were made for the Human Resource and Administration department.

An examination of records maintained at the Ministry Headquarters and three (3) Provincial Lands and Survey Offices revealed the following:

a. Unretired Imprest

Imprest in amounts totalling K630,687,107 involving 108 transactions issued during the period from January to December 2006 had not been retired as of March 2007 contrary to Financial Regulation No. 96.

b. Unvouched Expenditure

There were sixteen (16) payments made during the period from January to December 2006 in amounts totalling K71,472,270 which were either unsupported or inadequately supported.

c. Unaccounted For Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items and fuel costing K1,379,898,142 purchased during the period from January to December 2006.

d. Fuel and Lubricants not Recorded in the Fuel Register

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of fuel and lubricants costing K358,659,000 purchased during the period from January to December 2006.

e. Rehabilitation Works, Lands and Survey Departments

During the year 2006 a total amount of K208,824,284 was spent on the refurbishing of toilet facilities and unblocking of main sewer pipe and water reticulation (K36,330,330) and purchase and fixing of ceramic tiles (K172,493,954). The works were done by four (4) companies which were selected through the Ministerial Tender Committee.

It was observed that no contracts were signed between the Ministry and the contractors making it not possible to ascertain the conditions and terms under which the works were being done and no bills of quantities were prepared. In addition, although K208,824,284 was paid to the contractors, no stage completion certificates were made available for audit scrutiny.

An inspection carried out in March 2007 revealed that although the works which included water reticulation and laying of ceramic tiles were completed and the contractors were paid in full, water was still not reaching the toilets on the ground floor of the building and the ceramic tiles had started breaking.

f. Wasteful Expenditure

An examination of records relating to Land Policy Development revealed that a total amount of K466,779,250 was paid in advance to three lodges (Tecla Lodge K99,500,000, Amaka Lodge K93,500,000, Palm Wood Lodge K94,998,750) for meals and accommodation. Further, the Mulungushi International Conference Centre was paid K178,780,500 for conference facilities in December 2005 for a workshop on National Land Policy which was supposed to be held from 30th January 2006 to 3rd February, 2006. It was however, noted that as of February 2007 the workshop had not taken place and the money had not been refunded.

It was further observed that in all cases, accommodation was paid for 50 rooms when as of February 2007, none of these three Lodges had that number of rooms.

g. Consultancy Contract On National Land Policy

In June 2005, the Ministry of Lands engaged a consultant to prepare a National Land Policy at a contract price of K99,000,000 for a duration of sixty six (66) days commencing 30th June 2005. The scope of work included harmonisation of the policy recommendations with other land-based policies, preparation of checklist for comparative studies, incorporation of the findings into the draft land policy document, incorporation of the National conference recommendations into the draft and post conference consultations with high-level decision makers. It was however observed that whereas work valued at K82,500,000 had been completed, the consultant had been paid amounts totalling K96,000,000 resulting in an overpayment of K13,500,000.

Although the contract was for sixty six (66) days, as of March 2007 the National Land Policy document had not been completed 640 days after the completion date.

h. Under Deduction of Tax

Between January and May 2006 a gross amount of K469,397,438.26 was payable to members of staff as commutations, overtime claims, acting allowances, salary arrears and retention arrears. The tax deductible was K140,819,231.

A review of payments revealed that wrong tax calculations were made. In this regard, instead of deducting tax totaling K140,819,231, a total amount of K108,821,973 was deducted resulting in an under deduction of tax by K31,997,258. As of March 2007, the under deduction of tax had not been regularised.

HEAD:	85/01	Ministry of Lands – Human Resource and Administration
UNIT:	1	Human Resources and Administration
PROGRAMME:	9	Land Development Fund and Land Policy Review (PRP) 1
ACTIVITIES:		Various

Weaknesses in Accounting for Funds and Other Irregularities

64. The Land Development Fund (LDF) was established in 1995 by the Lands Act No. 29 of 1995. The objectives of the fund are among others to open up new areas for development by the Ministry of Lands and the beneficiary Councils.

The land development included projects such as re-planning, demarcating and surveying new areas, construction of roads, electrification and provision of water.

Sources of Income

The sources of income for LDF were from moneys appropriated by Parliament, 75% of revenue collected from alienation of land and 50% ground rent.

Administration of Funds

According to Section 17 of the Act, administration of the Land Development Fund is vested in the Minister responsible for Finance and managed by the Minister responsible for Land. The two Ministers are responsible for the preparation and laying before the National Assembly the annual statement of income and expenditure for the Fund. In order to assist the Ministers administer the Fund, a Land Development Fund Committee was established in 1996 through a Statutory Instrument No.88 of 1996. The committee comprised the following:

- i.** Permanent Secretary, Ministry of Lands (Chairperson);
- ii.** Commissioner of Lands (Vice Chairperson);
- iii.** One officer from the Local Government Association of Zambia;
- iv.** One senior official from the Ministry of Local Government and Housing;

- v. One officer from the Land use Planning Section at the Ministry of Agriculture;
- vi. One representative from the Ministry of Environment and Natural Resources;
- vii. Principal Accountant from the Ministry of Lands;
- viii. An Accountant from the Ministry of Finance and National Planning;
- ix. Two officers co-opted by the Minister of Lands; and
- x. A secretary appointed by the Minister of Lands.

The purpose of the committee is to examine applications from the Councils, consider and/or recommend proposed development projects to the Minister of Lands as well as, monitoring and evaluation of the utilisation of the funds among others.

According to the Act, after the Minister of Lands has ratified the Committee's recommendations, the Minister of Finance is requested to release funds collected from ground rent and alienation of Land.

Procedure for Accessing Funds

According to the LDF guidelines, any Council wishing to access funds should submit a written application to the Secretary to the Fund Committee indicating the following details:

- i. Nature of the development project;
- ii. Location for the development project recommended;
- iii. The estimated cost of the development project;
- iv. A sketch plan/diagram, showing the hecterage of the Land;
- v. An implementation plan of the proposed projects; and
- vi. Proposed operation, financing and maintenance of the Project.

The beneficiary council is required to:

- i. Open a separate project bank account;
- ii. Submit quarterly reports to the Land Development Fund Committee regarding physical achievements; and

- iii. Submit a monthly income and expenditure and cash flow statements.

In the event of failure by the beneficiary to meet all or some of the above requirements, the Committee may not recommend further disbursement of the funds.

Review of Operations

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K5,466,511,101 was made for the fund out of which a total amount of K3,793,813,988 (K1,727,302,888 from ground rent and K2,066,511,101 from GRZ funding) was released. In addition, there was a balance of K6,027,027,858 brought forward from the previous year bringing the total funds available for the Fund to K9,819,841,015. In this regard, a total amount of K8,439,191,249 was disbursed to nineteen (19) councils and K64,045,000 spent at the Ministry headquarters leaving a balance of K1,444,694,766.

An examination of the expenditure records at the Ministry headquarters and a visit to selected councils revealed the following:

a. Ministry Headquarters

i. Disbursements without signed contracts

According to LDF guidelines, the Ministry and the Council are supposed to enter into a contract before disbursement of funds. It was however observed that a total amount of K2,160,409,249 was disbursed to five (5) Councils in March 2006 without entering into contracts contrary to the guidelines.

ii. Disbursements not Supported by LDF Committee's Recommendations

Between March and December 2006, the Ministry disbursed a total amount of K7,809,275,249 to eighteen (18) councils. It was however, noted that contrary to the guidelines the disbursements were not supported by the Fund Committee's recommendations, site plans, environment impact assessment reports and there was no proof that the respective councils opened separate Fund accounts.

iii. Unretired Imprest

It was observed that out of the K64,045,000,000 spent at headquarters, K30,550,000 was issued as imprest to various officers between April 2006 and December 2006 who had not retired their imprests as of August 2007 contrary to Financial Regulations No. 96(1).

b. Nyimba District Council

During the year under review, the council received K375,000,000 from LDF for demarcating and surveying new plots. As of April 2007, K169,905,000 had been spent leaving a balance of K205,095,000. It was observed however that:

i. Misappropriation of funds

Out of amounts totalling K152,905,000 drawn from the LDF account during the period from January to March 2006 for the purchase of various materials for the project, K9,577,000 was misappropriated

In addition, out of a total amount of K17,500,000 drawn in February 2007 for the purchase of tools for the road rehabilitations, an amount of K3,091,000 could not be accounted for.

ii. Wasteful Expenditure

In February 2007, the council spent amounts totalling K18,500,000 for the purchase and mounting of two (2) 12,500 litres fibre glass water tanks.

A physical inspection of the water tanks in April 2007 revealed that the tank stand on which the tanks were mounted had collapsed and the tanks had burst rendering the expenditure wasteful.

iii. Unvouched Expenditure

There were eight (8) payment vouchers in amounts totalling K43,745,000 that were unvouched in that they were either missing or inadequately supported.

iv. Undelivered Materials

In February 2007, the council ordered and paid for 100 culvert pipes for township roads under the LDF project at a total cost of K41,125,000 out of which 85 culvert pipes costing K34,956,250 were delivered and the remaining balance of 15 costing K6,168,750 had not been delivered as of April 2007.

c. Kalulushi Municipal Council

A total amount of K629,916,000 was received by Kalulushi Municipal Council in March 2006 for demarcating and surveying new areas in North Kalengwa. It was observed however that:

i. Missing Acquittal Sheets

There were two (2) acquittal sheets with amounts totalling K2,215,000 payable to various officers that were not produced for audit, contrary to Financial Regulation No. 28(n).

ii. Misapplication of Funds

During the period from March 2006 to April 2007, payments amounting to K307,771,000 were made from the LDF account for the purchase of a Mayoral vehicle (K23,028,000), retirement benefits of council workers (K25,000,000), Salaries (K104,766,000), purchase of floor tiles for Town Clerk's office and Architectural Fees (K150,300,000). As of April 2007, the council had reimbursed K153,393,560 leaving a balance of K154,377,440.

iii. Overpayment of Survey Fees

Although an amount of K35,000,000 was budgeted for and released for survey fees, the council engaged a surveyor at a contract price of K278,000,000, six hundred and ninety four percent (694%) over and above the amount allocated for survey fees and no authority was obtained from the LDF Committee. As at the time of the audit in March

2007, 70% of the work had been done and a total amount of K194,880,000 paid leaving a balance of K83,120,000.

iv. Un accounted for Fuel

There were no receipt and disposal details in respect of fuel costing K38,400,000 purchased during the period under review contrary to Public Stores Regulation No.16.

v. Irregular Payments for Architectural Services

During the period from July 2006 to March 2007, amounts totalling K126,000,000 were paid to an architectural firm for architectural services on behalf of individual plot owners contrary to the guidelines.

As of April, 2007, a total amount of K21,800,000 had been reimbursed to the LDF account by the owners of the plots leaving a balance of K104,200,000.

vi. Unretired Imprest

Imprest in amounts totaling K17,890,000 issued to two (2) officers between April 2006 and April 2007 had not been retired as of April 2007 contrary to Financial Regulation No. 96.

d. Kazungula District Council

In March 2006, Kazungula District Council received K84,408,500 for demarcating and surveying new areas. As of April 2007 a total amount of K45,134,020 was spent on the purchase of PVC pipes and paying surveyors leaving a balance K39,274,480. It was noted however that contrary to the Lands Act No. 184, the council did not open a separate account instead, the money was deposited into the District Development Fund Account held with the Zambia National Commercial bank.

e. Luanshya Municipal Council

The Council received a total amount of K325,000,000 for the projects in December 2006. As of April 2007, only an amount of K21,150,000 had been

spent on survey work in February 2007. As of April 2007, survey on setting out of service roads had been completed, but the setting out of individual stands was in progress while the preparation of survey diagrams had not commenced.

f. Kitwe City Council

An amount of K500,000,000 was released in December 2006 to the Council for LDF projects without supporting application forms from the council contrary to the guidelines. A review of the documents relating to LDF in Kitwe revealed that the Council in January 2007 wrote to the Permanent Secretary, Ministry of Lands that the LDF account had been opened. However, a check at the Council in April 2007 revealed that no separate bank account was opened instead the money released was deposited in the Capital account. Work had not commenced at the time of audit in April 2007 and the moneys had not been utilised.

g. Mufulira and Mpongwe Municipal Councils

In December 2006, amounts of K500,000,000 each were disbursed to Mufulira Municipal and Mpongwe District councils respectively for demarcating and surveying new areas. A visit to the two (2) councils in April 2007 revealed that separate LDF Accounts had been opened into which the money were deposited. However, as of April 2007, the works had not started and the moneys were unutilised.

HEAD: 89 Ministry of Agriculture and Cooperatives

UNITS: Various

PROGRAMMES: Various

ACTIVITIES: Various

Accounting and Other Irregularities

65. Inadequate Control over Administration of Out-grower Schemes and other Irregularities

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K711,566,070,762 was made to cater for the planned activities in the Ministry out of which K465,119,869,377 was released leaving a balance of K246,446,201,385.

An examination of financial and stores records maintained at the Ministry and a review of the various schemes carried out in August 2007 revealed the following:

a. Accrued Interest on Delayed Payments

In 2005, following the outbreak of foot and mouth disease, the Ministry procured 2,132 vials of FMD vaccines on credit from a local company at a cost of US\$305,893.84 (K1,223,575,360). In 2006, the Ministry made a further procurement of 1,266 vials at a cost of US\$197,559.30 (K707,459,853). It was observed that the Ministry delayed in settling the bill, and as a result, the company started charging monthly interest of one (1%) on the outstanding amounts which had accumulated to US\$71,981.70 (K287,926,800) bringing the total to US\$575,434.84 (K2,218,962,013). There was no agreement signed to charge interest on delayed payments.

As of June 2007, the Ministry had paid amounts totalling US\$279,486.78 (K1,059,800,000) leaving a balance of US\$295,948.06 (K1,159,162,013) still outstanding.

b. Fuels without Disposal Details

A test check on fuel procurements costing K567,198,760 revealed that there was poor record keeping in that only procurements totalling K75,633,844 were supported by documentary evidence leaving a balance of K491,564,916.

c. Unretired Imprest

Imprests in amounts totalling K402,699,069, involving fifteen (15) transactions issued to thirteen (13) officers during the period from April to December 2006 had not been retired as of August 2007 contrary to Financial Regulation No. 96.

Further, it was observed that contrary to Financial Regulation No.96 (9), no action had been taken against the officers.

d. Out Grower Schemes

The Out Grower Scheme is a programme where the Ministry offers loans to entities in the Agriculture sector at a minimal interest rate of 8% in order for the entities to provide inputs to small scale farmers.

During the years from 2002 to 2007, the Out Grower Scheme received a total funding of K16,355,211,937 as tabulated below:

Year	Amount (K)
2002	4,920,000,000
2003	6,017,500,000
2004	4,076,878,604
2005	680,000,000
2006	565,833,333
2007	95,000,000
Total	16,355,211,937

According to the requirements, contracts for each loan obtained were to be signed between the Ministry and the various schemes clearly stipulating the principal amount and interest to be repaid and the repayment period.

In this regard, the Ministry entered into Out Grower Scheme contracts totaling K14,500,000,000 with various Boards as shown below:

	Coffee Board of Zambia (K)	Tobacco Board of Zambia (K)	Cotton Board of Zambia (K)	Support of Small Farmers Associations Projects (K)	Total (K)
Contract Amount	4,200,000,000	2,500,000,000	3,500,000,000	4,300,000,000	14,500,000,000
Amount Disbursed	3,414,260,507	4,236,626,879	4,171,079,574	3,969,455,260	15,791,422,220
Less Grant	682,852,101	847,325,376	834,215,915	396,945,526	2,761,338,918
Principal	2,731,408,406	3,389,301,503	3,336,863,659	3,572,509,734	13,030,083,302
Add Interest to Date	425,392,672	573,825,520	675,737,305	974,444,763	2,649,400,260
Amount to be Repaid	3,156,801,078	3,963,127,023	4,012,600,964	4,546,954,497	15,679,483,562
Repayment	-	1,800,520,296	1,472,797,000	641,073,221	3,914,390,517
Outstanding Balance	3,156,801,078	2,162,606,727	2,539,803,964	3,905,881,276	11,765,093,045

A scrutiny of contracts and accounting records revealed that contrary to the agreements, the Tobacco and Cotton Boards created revolving funds where loan recoveries were deposited instead of paying back to the Ministry. In this regard, amounts totaling K2,407,706,453 (K1,736,626,879 – Tobacco Board and K671,079,574 – Cotton Board) were paid in excess of the amounts stipulated in the contracts. As of August 2007, amounts totaling K15,791,422,220 had been disbursed out of which amounts totaling K3,914,390,517 had been repaid leaving a balance of K11,765,093,045 inclusive of interest.

In addition amounts totaling K283,333,333 were disbursed to the Provincial Agriculture Coordinators in Mongu and Solwezi for the Cashew Nuts Out Grower Scheme (K185,833,333) and the Pineapple Out Grower Scheme (K97,500,000) respectively. However, no contract documents were made available for audit and there was no evidence that the funds had been disbursed to the administrators of the Schemes. As of August 2007, no recoveries had been made and the whole amount was still outstanding.

e. Rehabilitation of Kalumange Farm Block Road

In November 2004, the Ministry engaged a local contractor to rehabilitate the Kalumange Farm block road at a cost price of K492,976,000 with a completion period of 120 days.

The scope of works in the contract included:

- i.** Site preparation, clear vegetation to ground level including removal of tree stumps from edge of existing road on both sides.
- ii.** Minor grading to 6.0m road width
- iii.** Road formation / reshaping, construction of side drains, minor grading to 5% camber and 6.0m road width
- iv.** Removing of BOG material, construct 'V' shaped meter drains in dambo areas and fill and compact with approved gravel placed to 97% AASHTO density to 6.0m road width and 8.4m road width formation
- v.** Carry out heavy grading to 6.0% camber and 8.4m road width formation. Re-grading with approved placed in 150mm layers and compacted to 97% AASHTO density
- vi.** Cleaning existing pipe culverts 600 mm diameter including in let/ outlet channels 6.0m on both sides.

As of March 2007 the contractor had been paid K443,678,400 representing ninety (90%) of the works.

An inspection of the works in March 2007 revealed that the works were not completed and the contractor was not on site.

A scrutiny of a report prepared by the Chief Technical Officer dated 29th March 2007 revealed that as at the time of demobilizing, the following works valued at K330,000,000 had not yet been carried out as tabulated below:

Activity	Contract Value (K)
1 Grading/ forming & reshaping Mulaila to Shidogwe (8.0 km)	140,700,000
2 Grading/ forming & reshaping Shidogwe to Kasumba (8.0 km)	45,000,000
3 Grading/ forming & reshaping Kasumba to Kakoma (8.0 km)	20,800,000
4 Grading/ forming & reshaping Kakoma to Kalumwange(8.0 km)	46,500,000
5 Repair of culverts at Chirwa, Mulalila, Shidongwe,Kanabilumbu and Kalumwange (8.5km)	74,000,000
6 Road forming-embankment on dambo areas Kanamilubu and kalumwange	3,000,000
TOTAL	<u><u>330,000,000</u></u>

The payment of K443,678,400 to the contractor in the absence of stage completion certificates was irregular.

f. Fertilizer Support Programme

The Fertiliser Support Programme (FSP) was introduced in the 2002/2003 farming season to improve access of small holder farmers to inputs, and to enhance the participation and competitiveness of the private sector in the supply and distribution of agricultural inputs. Under this programme, the cost of the inputs were subsidised by up to fifty percent (50%) in 2005/2006 farming season and sixty percent (60%) in the 2006/2007 farming season.

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K198,626,856,000 was made out of which, K188,590,145,000 was released leaving a balance of K10,036,711,000.

During the year under review, the Ministry spent amounts totalling K162,418,778,014 in respect of Inputs (Fertiliser and Seed K139,581,038,065),

Transportation (K20,573,822,535) and Storage (K2,263,917,414) while the balance of K26,171,366,986 could not be reconciled due to lack of records. The fertiliser and seed were allocated and distributed as follows:

<u>Province</u>	<u>Fertiliser (Metric Tonnes)</u>	<u>Seed (Metric Tonnes)</u>
Central	13,177	685
Copperbelt	11,734	492
Eastern	13,480	674
Luapula	3,999	180
Lusaka	6,591	240
Northern	14,540	727
N/Western	3,122	207
Southern	15,920	794
Western	<u>84,677</u>	<u>4,106</u>
Total	<u>167,240</u>	<u>8,105</u>

An examination of financial and other records maintained at the Ministry headquarters and visits to District Agriculture Offices revealed the following:

i. Agriculture Inputs Without Disposal Details

There were no disposal details in respect of 11,400 x 50kg bags of fertiliser and 584 x 10kg bags of seed valued at K1,410,381,375 issued to one hundred and forty eight (148) cooperatives/farmer groups contrary to Public Stores regulation No.16.

ii. Delivery of Underweight Fertiliser

A test check of input distributions and District Agriculture Coordinators' reports in Masiti, Mkushi, Lufwanyama and Choma districts revealed that:

- 671 x 50kg bags of fertiliser valued at K76,817,271 were lost at Masaiti (215), Lufwanyama (435) and Choma (21).
- 2,820 x 50kg bags of fertiliser valued at K317,840,000 distributed to Mkushi (2,100 x 50kg) and Masaiti (720 x 50kg) were underweight and consequently were not distributed during the farming season.

- 123 x 50kg bags of fertiliser valued at K13,468,500 were not accounted for by the warehouse agent, Mkushi District Cooperative Union.

iii. Unregistered Cooperatives - Mazabuka

A total of seven (7) cooperatives whose registration could not be confirmed due to non availability of certificates, obtained a total of 1,688 x 50kg fertilizer valued at K179,959,368 and 422 x 10kg seed costing K7,940,352.

iv. Expired Seed

A physical verification in three (3) districts visited and a scrutiny of end of season reports from six (6) districts not visited revealed that seed valued at K1,255,900,665 had expired. In this regard, the amount of K1,255,900,665 spent on the seed was wasteful.

v. Unaccounted for Maize Seed and Fertiliser

229 x 10kg bags of maize seed valued at K10,820,250 and 263 x 50kg bags of fertiliser valued at K30,383,338 were not accounted for by the warehouse agents in Chibombo (K9,213,750) and Lufwanyama (K31,989,838).

vi. Unutilized Inputs

It was observed that inputs remained unutilised at the end of a farming season due to the following reasons:

- Misdirection of inputs;
- Mismatch between seed and fertilizer;
- Lack of accurate information at the headquarters of district input requirements ;
- Late delivery of inputs.

A physical verification in three (3) districts visited revealed that significant quantities of seed valued at K171,111,360 were not utilized during the 2006/07 farming season. According to the 2006/07 FSP Closing Stock Report,

fertilizer and seed worth K793,501,469 and K3,155,844,280 respectively in districts not visited remained unutilized.

HEAD:	89	Ministry of Agriculture and Cooperatives
	30	Provincial Agriculture Coordinating Office - Luapula Province
	31	District Agriculture Coordinating Office – Luapula Province.
UNITS:		Various
PROGRAMME:	11	Crop Production, Agriculture Extension and Land Management (PRP) 1
ACTIVITIES:	07	Mansa Farm Institute (Operation)
	07	Support to Farmer Training Programmes – Mwense and Nchelenge
	09	Support to Farmer Training Programmes – Mbereshi and Samfya

Accounting Irregularities

66. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2005 and 2006, provisions totalling K908,500,000 (K471,000,000 for 2005 and K437,500,000 for 2006) were made to cater for support to the farmer training programmes as tabulated below:

Station	2005				2006			
	Budget	Receipts	Variance	%	Budget	Receipts	Variance	%
	K	K	K		K	K	K	
Mansa	100,000,000	23,500,000	76,500,000	77	96,250,000	96,500,000	(250,000)	0
Samfya	90,000,000	87,252,217	2,747,783	3	90,000,000	27,500,000	62,500,000	69
Mbereshi	90,000,000	44,750,000	45,250,000	50	80,250,000	44,750,000	35,500,000	44
Nchelenge	90,000,000	59,504,434	30,495,566	34	84,750,000	44,750,000	40,000,000	47
Mwense	101,000,000	60,850,000	40,150,000	40	86,250,000	56,050,000	30,200,000	35
	471,000,000	275,856,651	195,143,349	41	437,500,000	269,550,000	167,950,000	38

An examination of financial and other records maintained at the Provincial Agriculture Coordinator's Office and visits to various Farmers' Training Institutes carried out in February 2007 revealed the following:

a. Mansa - Farmer Training Institute (FTI).

- **Stores**

There were no receipt and disposal details in respect of various stores items costing K32,406,000 purchased during the period under review contrary to Public Stores Regulation No.16.

- **Unretired Imprest**

Imprest in amounts totalling K3,495,000 issued to an officer in February 2006 had not been retired as of February 2007 contrary to Financial Regulation No.96.

- **Kawambwa - Mbereshi Farmer Training Institute.**

There was poor record keeping in that no ledger was maintained thereby making it not possible to verify expenditure. In this regard, out of K89,500,000 availed to the institute, it was not possible to ascertain how K62,461,875 was accounted for.

- **Nchelenge Farmer Training Institute**

There were no receipt and disposal details in respect of building materials costing K15,882,000 purchased during the period under review contrary to Public Stores Regulation No.16.

- **Mwense - Farmer Training Institute**

There was poor record keeping in that no ledger was maintained for recording transactions relating to farmer training programme thereby making it not possible to verify the expenditure. In this regard, out of K116,900,000 availed to the institute, it was not possible to ascertain how K69,763,550 was accounted for.

- **Samfya - Farmer Training Programme.**

- **Poor Record Keeping**

There was poor record keeping in that no ledger was maintained for recording transactions relating to farmer training programme thereby making it not possible to verify the expenditure. In this regard, out of K114,752,217 availed to the institute, it was not possible to ascertain how K30,298,217 was accounted for.

- **Misapplication of Funds**

During the period under review, amounts totalling K84,453,400 were released for the programme out of which amounts totalling K58,519,400 representing sixty nine percent (69%) of the released amount were applied on unrelated activities contrary to the Appropriations Act.

HEAD: 91 Office of the President - Copperbelt Province

UNITS: Various

PROGRAMME: 1 Personal Emoluments

ACTIVITIES:

- 01 Salaries Division I**
- 02 Salaries Division II**
- 03 Salaries Division III**
- 04 Wages**
- 05 Other Emoluments**

Weaknesses in the Administration of Personal Emoluments

67. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, provisions totalling K10,673,873,075 were made to cater for salaries, wages and other emoluments for all the departments under the Provincial Administration out of which K9,808,163,287 was released.

An examination of financial and other records maintained at the Provincial Accounting Control Unit (PACU) carried out in February 2007 revealed the following:

a. Unvouched Expenditure

There were one hundred and nine (109) payments in amounts totaling K970,240,723 which were unvouched in that the payment vouchers were either missing or were inadequately.

b. Non Remittance of Statutory Contributions

Amounts totaling K1,156,253,609 deducted from employees as statutory contributions during the period under review had not been remitted to the appropriate authorities as of March 2007.

c. Misapplication of Personal Emolument Funds

Amounts totalling K506,200,000 were misapplied on activities not related to Personal Emoluments such as payment of loans and advances (K474,700,000) and payment of travel expenses (K31,500,000). As of July 2007, only K16,000,000 had been reimbursed leaving a balance of K490,200,000.

d. Unclaimed Salaries

Unclaimed salaries amounting to K32,778,204 received by the cashier during the period from February to November 2006 were not accounted for and as of July 2007, no action had been taken against the cashier.

HEAD: 91/01 Office of the President - Copperbelt Province – Headquarters

UNIT: 1 Human Resources and Administration

PROGRAMME: 12 School Provisions/Education Services
14 School Rehabilitation

ACTIVITIES: Various

Failure to Complete Poverty Reduction Programme (PRP) Projects

68. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2004 to 2006, provisions totalling K3,511,000,000 (2004 – K2,223,000,000, 2005 – K822,000,000 and 2006 – K466,000,000) were made to cater

for school rehabilitation and school provisions/educations services activities out of which K2,343,000,000 (2004 - K2,223,000,000, 2005 – nil and 2006 – K120,000,000) was released leaving a balance of K1,168,000,000.

An examination of financial and other records maintained at the Provincial Accounting Control Unit (PACU) carried out in March 2007 revealed the following:

a. Non Delivery of Building Materials

Building materials costing K64,534,950 as detailed below purchased for the rehabilitation of schools had not been delivered as of March 2007.

<u>School</u>	Cost of Materials Not Delivered (K)
Chifubu High School	9,059,000
Chambeshi High School	26,362,550
Tang-up High School	24,486,900
Butondo High School	<u>4,626,500</u>
Total	<u><u>64,534,950</u></u>

b. Funds not Released by Provincial Administration

Funds in amounts totalling K154,242,600 meant for the rehabilitation of schools were not released by the Provincial Administration as of March 2007 as shown below:

<u>School</u>	Amount Not Released (K)
1 Chifubu High School	49,683,400
2 Chambeshi High School	54,197,000
3 Tung-up High School	35,610,400
4 Butondo High School	<u>14,751,800</u>
	<u><u>154,242,600</u></u>

Consequently, various projects could not be commenced due to lack of funds.

HEAD:	91/52	Office of the President – Copperbelt Province District Administration
UNIT:	1	Human Resources Administration
PROGRAMME:	7	Provincial Infrastructure Development (PRP)
ACTIVITIES:	08	Construction of Police Station, Lufwanyama
	09	Construction of 3 dams for Water Reservoir, Masaiti
	10	Infrastructure Development in Masaiti, Mpongwe & Lufwanyama
	13	Rehabilitation of Ablution Block at Bulangililo, Kitwe
	14	Construction of a Community School at Kasununu, Luanshya

Accounting and other Irregularities

- 69.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K1,126,500,000 was made to cater for Infrastructure development in the Province out of which K781,500,000 was released leaving a balance of K345,000,000.

An examination of financial and other records maintained at the Provincial Accounting Control Unit (PACU) and physical inspections carried out in March 2007 revealed the following:

a. Construction of Police Station at Lufwanyama

Although amounts totalling K240,000,000 (K120,000,000 in 2005 and K120,000,000 in 2006) were released for the construction of the police station, works had not commenced as of March 2007 and the police continued to operate from inappropriate premises.

b. Construction of three (3) Dams - Masaiti

In the Estimates of Revenue and Expenditure for 2006, a provision of K200,000,000 was made for the construction of three (3) dams in Masaiti out of which K125,000,000 was released.

It was observed that although K125,000,000 was released, it was misapplied on other activities that could not be disclosed as March 2007. Consequently, as of March 2007 the dams had not been constructed and the funds had not been reimbursed.

c. Construction of a Community School at Kasununu – Luanshya

In the Estimates of Revenue and Expenditure for 2006, a provision of K50,000,000 was made for the construction of a community school at Kasununu in Luanshya out of which K12,500,000 was released.

It was observed that although Ministry of Finance and National Planning released K12,500,000 to the provincial administration, no funds were spent on the project. A site visit in March 2007, revealed that only trenches had been dug by the community.

HEAD: 93 Office of the President - Northern Province

UNITS: Various

PROGRAMME: 1 Personal Emoluments

ACTIVITIES: Various

Irregularities in the Management of Personal and other Emoluments

70. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, provisions totaling K7,938,291,925 were made to cater for Personal and other Emoluments. Amounts totaling K8,658,382,665 were released representing funding of one hundred and nine percent (109%) of the total authorized provision.

An examination of financial and other records maintained at the Provincial Accounting Control Unit (PACU) revealed the following:

a. Irregular Commutation of Leave Days

Contrary to terms and conditions of service, thirteen (13) officers were irregularly paid amounts totaling K37,481,268 as commutation of leave days for which they did not qualify. As of September 2007, the money had not been recovered.

b. Non Deduction of Tax

Contrary to the Income Tax Act, amounts totaling K140,642,743 comprising K89,046,488 for leave terminal benefits and K51,596,256 for long service bonus were paid to officers between January and December, 2006 without deducting the tax component. As of September 2007, the tax due to ZRA of K48,863,373 had not been deducted.

c. Irregular Payment of Salaries/Housing Allowances

Contrary to the Terms and Conditions of Service for Civil Service, which stipulate that any officer, who absents himself/herself for more than ten (10) days continuously without cause, shall be dismissed from the civil service, as of September 2007, no disciplinary action had been taken against four (4) officers who had deserted the office to join the Road Development Agency (RDA) in early 2006. In this regard, the officers had been irregularly paid amounts totalling K74,518,970 in salaries (K55,988,970) and housing allowances (K18,530,000).

d. Non Recovery of Loans and Advances

A total of K111,750,000 paid to sixteen (16) officers as car loans in 2004 (K34,000,000), 2005 (K9,000,000) and 2006 (K68,750,000) had not been recovered as of September 2007 contrary to the Terms and Conditions of Service.

In addition, a total amount of K12,900,000 was paid to nineteen (19) members of staff as salary advances during the period from December 2005 to September 2006. As of September 2007, only K5,600,00 had been recovered leaving a balance of K7,300,000.

e. Irregular Payment of Salary Advance

According to the existing arrangement, payments of salaries, advances and loans to leaders are met by Ministry of Finance and National Planning (MoFNP) through the leaders' payroll.

Contrary to this arrangement, in December 2006, an amount of K10,000,000, which was over and above his gross pay was paid to the Provincial Minister as salary advance and as of September 2007, the amount had not been recovered and Provincial Administration had not been reimbursed by the Ministry of Finance and National Planning.

In his response dated 3rd September 2007, the Controlling Officer stated that he paid the Provincial Minister a salary advance higher than his gross pay because of the problem that was presented to him and that the salary advance would be recovered regardless of it being higher than his gross pay.

HEAD:	93/01	Office of the President, Northern Province-Headquarters
UNIT:	1	Provincial Administration
PROGRAMME:	12	Improvement of Health Services - (PRP)1
ACTIVITIES:	01	Construction of Health Posts
	02	Rehabilitation of Health Facilities

Delay in Completion of Projects

71. In the Estimates of Revenue and Expenditure for the years 2004, 2005 and 2006, provisions amounting to K1,734,000,000 were made for the construction of eight (8) health posts and K1,219,000,000 for the rehabilitation of seven (7) health facilities respectively out of which amounts totalling K1,522,078,623 and K1,219,000,000 were released respectively as shown below:

Year	Construction		Rehabilitation	
	Provision K	Release K	Provision K	Release K
2004	594,000,000	594,000,000	419,000,000	419,000,000
2005	540,000,000	540,000,000	400,000,000	400,000,000
2006	600,000,000	388,078,623	400,000,000	400,000,000
Totals	1,734,000,000	1,522,078,623	1,219,000,000	1,219,000,000

The works included site clearing, construction of the main building, one staff house, ablution block, an incinerator, installation of electrical fittings, the supply and installation of horse reels and rehabilitation of health facilities.

An examination of financial and other records and a physical inspection of the projects in Kasama, Mpika, Mporokoso, Isoka, Nakonde and Mbala districts carried out in May 2007 revealed the following:

a. Kasama District

i. Mulenga Hills Rural Health Post

In December 2005, Provincial Administration engaged Pamaco Construction Ltd to carry out the works at a contract price of K221,302,500. It was however observed that amount totalling K251,089,645 were paid resulting in an overpayment of K29,787,145 for which no explanation was given as of November 2007. It was also observed that the contract did not include the construction of soak away and septic tanks.

A visit to the site in May 2007 revealed that although construction works were completed, the main building had developed huge cracks and was not in use.

It was further observed that due to lack of security at the premises, six (6) window panes had been stolen and the house had not been allocated as of May 2007.

ii. Mumbi Mfumu Rural Health Post

In November 2006 the Provincial Administration entered into a contract with James Sichula Construction Company for the construction of a Rural Health Post at a contract sum of K215,649,629. The contract was for a duration of

ninety (90) days. The contractor took possession of the site on 1st November 2006. As of May 2007, the contractor had been paid K50,800,000.

A physical inspection of the project carried out in May 2007 revealed that work on the main building, the staff house and latrines had commenced while work on the incinerator had not started.

b. Kasama General Hospital

In August 2006, the Provincial Administration engaged Chalali Construction Limited to rehabilitate Kasama General Hospital at a contract sum of K194,345,962. The works included, fitting of tiles, false roofing of X- ray wing, improvement of water reticulation and supply and fitting of two PVC water tanks among others.

As of May 2007, the contractor had been paid amounts totalling K189,296,512 leaving a balance of K12,504,000.

A Physical inspection of the project carried out in March 2007 revealed the following:

- i.** Although the tiles were fitted on the ground floor, in wards B and C, the workmanship was poor;
- ii.** Although waterproofing of the roof of ward C had been completed by the contractor, it was observed that the drainage was poor as a result the roof was waterlogged;



Waterlogged roof

- iii. the doorway leading to the tanks was not secured in that it had not been fitted with a door or grill gate as shown below:



Unsecured Entrance to the Water Tanks

- iv. Although the renovations to the male and female psychiatric wards were completed, the roof in the female ward was leaking;

c. Mpika

i. Construction of Chikakala Rural Health Post

In December 2005, the Provincial Administration engaged JKC Trading of Kasama to construct the Rural Health Post at a contract price of K204,501,819. The works included construction of a staff house, incinerator, VIP latrines and sinking of a borehole. The contract was for a period of three

(3) months commencing January 2006. Records examined revealed that the contract amount was paid in full.

It was however, observed that:

- Payments to the contractor were made without approved stage completion certificates;
- The 10% retention to cater for any defects within six months was not withheld;

As of April 2007, the Health Post was not operational. According to explanations by the District Director of Health, the facility had not been opened because fitting of shelves in the pharmacy store room had not been done and that there were no adequate toilet facilities. It was also revealed that the contractor had not supplied a fire extinguisher.

ii. Luchembe Rural Health Post

In December 2005, the Provincial Administration engaged Julika Enterprises to construct the Rural Health Post at a contract price of K219,812,000. The works included construction of a staff house, incinerator, VIP latrines and sinking of a borehole. The contract was for a period of three (3) months commencing in January 2006. Records examined revealed that the contractor was paid in full.

It was, however, observed that:

- Although the contractor was supposed to commence works in January 2006, he later requested to start the works in February 2006 and to complete the works and handover the post in April 2006. It was observed that the project was completed and handed over to Ministry in August 2006, five (5) months after the agreed completion date. As of March 2007, the Health post was not operational. Inquiries made revealed that there was only one (1) toilet to cater for staff, patients and the public;

- The borehole was not in use and had dried up by October 2006 and the contractor had not supplied the fire extinguisher.

d. Mporokoso District

i. Vincent Bulaya Rural Health Post

In December 2005, the Provincial Administration engaged Chimasa & Bolton Construction Consortium to construct the Rural Health Post at a contract price of K212,447,339. The works included construction of a staff house, incinerator, VIP latrines and sinking of a borehole. The contract was for period of three (3) months commencing in January 2006. Records examined revealed that the contractor was over paid by K15,006,265 and there was no explanation.

A Physical inspection of the project carried out in March 2007 revealed that although works had been completed and officially handed over on 12th February 2007, the project was delayed by eleven (11) months.

ii. Njalamimba Health Post

In August 2006, the Provincial Administration engaged E. Bolton Contractors to carry out the construction works at a contract price of K149,071,393. The contract was to run for twenty four (24) weeks starting in September 2006.

A review of the records relating to the project and physical inspection carried out in March 2007 revealed the following:

- Works on the project had stalled and the contractor had abandoned the site;
- Finishing on the maternity ward which included fixing doors and mortice locks, filling up gaps in all mounted windows, window glazing and drainage system had not been done.

e. Isoka District - Completion of Kalunga Rural Health Post

In August 2006 the Provincial Administration engaged Julika Enterprises to complete extension of the maternity ward at a contract price of K28,847,578. As of March 2007, the contractor had been paid a total amount of K26,000,000.

A physical inspection of the project carried in March 2007 revealed that although the maternity ward was completed and handed over to the District Health Office, it had not been certified by the District Health Inspector as the facility had no incinerator, toilets and admission beds.



Completed Maternity Ward Not in Use

f. Nakonde District - Mukalizi Rural Health Post

In December 2005, the Provincial Administration engaged Megoms Electrical and General Dealers to construct the Rural Health Post at a contract price of K213,012,350. The works included construction of a staff house, incinerator, VIP latrines and sinking of a borehole. The contract was for a period of three (3) months commencing in January 2006.

An examination of records and a physical inspection of the project carried out in March 2007 revealed that:

- i. Contrary to the terms of the contract, the contractor only moved on site in May 2006, five (5) months after the agreed date. Further, the contractor requested for a change of completion date to August 2006 which was granted by the Provincial Buildings Engineer;

- ii. The contractor only constructed the health post and the staff house up to roof level while construction of the toilet, incinerator and sinking of the borehole had not started, and the contractor had abandoned the site in October 2006 after being paid a total amount of K97,921,612.



Abandoned Incomplete Staff House



Abandoned Rural Health Post

HEAD: 93/01 Office of the President, Northern Province-
Headquarters

UNIT: 1 Provincial Administration

PROGRAMMES: Various

ACTIVITIES: Various

Accounting Irregularities

72. In the Estimates of Revenue and Expenditure for the year ended 2006, a provision of K11,259,264,613 was made to cater for Poverty Reduction Programmes out of which K5,155,218,049 was released leaving a balance of K6,104,046,564. In addition, there was an amount of K5,008,411,571 brought forward from the previous year bringing the total amount available on the programme to K10,163,629,620.

An examination of financial and other records maintained at the Provincial Administration Headquarters, revealed the following:

a. Misapplication of Funds

Contrary to HIPC guidelines, amounts totalling K1,572,273,504 were misapplied on non-PRP/HIPC activities that included among other things the following:

- i. K197,399,970 on purchase of a mini bus (HIPC - K136,553,820 and General Deposit – K60,846,150);
- ii. Transfers to the Recurrent Departmental Charges (RDCs) account (K610,397,932);
- iii. Supply of High School tables and chairs (K409,200,000);
- iv. Liquidation of an overdraft on capital account (K3,074,443); and
- v. Administrative expenses (K219,000,000).

As of September 2007, only an amount of K585,672,012 had been refunded leaving a balance of K925,755,342.

b. Fraudulent Payment – Supply of High School Tables and Chairs

In January 2006, Provincial Administration entered into a contract with Dango and Fintec Consortium for the supply of 1,300 high school tables and chairs at a contract sum of K409,200,000. The contract was to be executed by 10th February 2006.

However, between February and June 2006, amounts totalling K499,200,000 were paid to the supplier resulting in an overpayment of K90,000,000. A scrutiny of the records revealed that the overpayment of K90,000,000 was as result of a fraudulent alteration of the figures on the Good Received Vouchers and Local Purchase Orders used to support the payment. The original figures on the GRV were K409,200,000 in accordance with the signed contract, but the Officers at Provincial Administration altered them to read K499,200,000.

In his response dated 20th August 2007, the Controlling Officer stated that he had reported the case to the Drug Enforcement Commission on 5th May 2007, and the two (2) officers and suppliers involved had been arrested and had started appearing in court.

**HEAD: 93/52 Office of the President - Northern Province
District Administration**

UNIT: 1 Human Resource and Administration

PROGRAMME: 07 Infrastructure Development (PRP)

ACTIVITY: 001 Infrastructure Development

PROGRAMME: 08 Supervision and Monitoring

ACTIVITY: 001 Supervision and Monitoring

Weaknesses in the Administration of Funds

73. In the Estimates of Revenue and Expenditure for financial year ended 31st December 2006, provisions totaling K2,261,453,600 were made to cater for infrastructure development (K740,000,000) and Supervision and Monitoring (K1,521,453,600). In this regard, K1,262,861,208 (Supervision and Monitoring - K758,247,453 and Infrastructure Development K504,613,755) were released.

An examination of financial and other records maintained at the Provincial Administration Office and a physical inspection carried out in June 2007 revealed the following:

a. Supervision and Monitoring

Although amounts totalling K758,247,453 were released to the Provincial Administration for disbursements to twelve (12) District Commissioners' (DC) offices in the province, only K574,618,794 was subsequently released while the balance of K183,628,659 retained by the Provincial Administration Office.

In his response dated 21st August 2007, the Controlling Officer stated that the amount of K183,628,659 was retained under Provincial Administration to assist District Commissioners (DCs) purchase office furniture, fax machines, computers and other office equipment centrally.

Averification carried out in September 2007 however showed that the stated items had not been procured and the money not accounted for.

b. Infrastructure Development

Procurement of Building Materials for DCs Offices

In January 2007, the Provincial Administration Office transferred an amount of K308,470,000 meant for infrastructure development to a District Commissioner's account in Nakonde.

According to their arrangement, the Head-Procurement and Supplies Unit was to withdraw monies from the account to facilitate procurement of building materials from Tunduma and Mbeya Districts in Tanzania.

It was observed that out of K308,470,000 remitted to Nakonde, an amount of K165,950,000 was withdrawn on 22nd February,2007 by the head of procurement and supplies unit leaving a balance of K142,520,000 which was later transferred back to the Provincial Administration on 20th March 2007.

A scrutiny of records pertaining to the K165,950,000 withdrawn revealed the following:

- i.** Contrary to Financial Regulation No. 86(c), the head of procurement unit was issued with imprest amounting to K165,950,000 to procure various building materials whose values could be ascertained.
- ii.** Although the officer traveled to Tanzania and bought materials worth K85,671,400, there was no evidence to show that authority from Secretary to Cabinet had been sought.

A physical inspection carried out in June 2007 relating to the construction works on the three (3) office blocks in Nakonde, Mpulungu and Mungwi revealed that work had just started and was at foundation stage.

HEADS:	94	Office of the President - Western Province
UNITS:		Various
PROGRAMME:	1	Personal Emoluments
ACTIVITIES:	01	Salaries Division 1
	02	Salaries Division 11
	03	Salaries Division 111
	04	Wages
	05	Other Emoluments

Irregularities in Accounting for Personal Emoluments

74. In Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K6,092,527,612 was made to cater for Personal Emoluments against which amounts totalling K6,935,114,317 were released resulting in an over funding of K842,586,705. In addition, a total amount of K1,058,872,000 was released for Housing Allowances.

An examination of financial and other records maintained at the Provincial Accounting Control Unit (PACU) carried out in March 2007 revealed the following:

a. Irregular Payment of Salaries

- i. Forty (40) officers who were not on the Payroll Management and Expenditure Control (PMEC) system since their posts no longer existed on the establishment were appearing on the old payroll and as of December 31, 2006 had been paid salaries totalling K285,568,905.
- ii. In 1999, the Kaoma Government Rest House was closed resulting in two workers being redundant. However, the workers continued receiving salaries and as of February 2007, they had been paid salaries in amounts totalling K11,776,578.

- iii. An officer from Kaoma District Administration office who resigned in February 2006 had continued appearing on the payroll and as of December 2006 salaries totalling K7,048,903 had been paid to him.

b. Irregular Payment of Leave Benefits

Contrary to Terms and Conditions of Service an officer was paid K2,500,000 as leave travel benefits in December 2006 six (6) months before he was scheduled to go on leave.

c. Irregular Payment of Housing Allowances

During the period from April to December 2003, due to lack of funding for housing allowances, the Office paid amounts totalling K103,413,000 as housing allowances from the RDCs account with a view of recovering the funds once funding was released. It was observed however that when an amount of K634,812,000 was received in February 2006 to pay housing allowance arrears accumulated during the same period, the office did not recover the K103,413,000 paid earlier. Instead the officers who benefited from the K103,413,000 were paid amounts totalling K131,200,000.

As of March 2007, the money had not been recovered.

d. Irregular Payment of Housing Allowances

Contrary to the Terms and Conditions of Service, amounts totaling K12,130,000 were paid as housing allowances to four (4) officers (one (1) in Kaoma district and three (3) in Sesheke district) during the period August 2005 to March 2007 despite them occupying government houses.

HEAD:	94/01	Office of the President - Western Province – Headquarters
UNIT:	1	Provincial Administration
PROGRAMME:	11	Mongu Township Electrification – (PRP) 1
ACTIVITY:	01	Installation of Township Street Lights

Delays in Project Implementation and Misapplication of Funds

75. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006 a provision of K200,000,000 was made to cater for the installation of street lights in Municipality from Mandanga area to Boma and Ngulu to Kapulanga area. The whole amount was released in August 2006.

In addition, there was an amount of K358,762,560 brought forward from the previous financial year bringing the total funds available for the activity to K558, 762,560.

An examination of financial and other records maintained at the Provincial Accounting Control Unit (PACU) in February 2007, revealed the following:

a. Failure to Enter into a Contract

In June 2006, the Provincial Administration paid Zambia Electricity Supply Corporation (ZESCO) an amount of K313,728,651 for the installation of street lights in the Municipality from Mandanga to Boma and Ngulu to Kapulanga areas.

It was however observed that the Provincial Administration did not enter into a contract with ZESCO for the works. In the absence of a contract, no completion date was set thus leaving the execution of the works at the discretion of ZESCO. As of July 2007, the project had not been completed.

In his response dated 4th December 2007, the Controlling Officer stated that the derailment in the completion of the street lights in Mongu Township was caused by ZESCO who could not easily get materials from their suppliers. He added

that ZESCO took too long to complete the project because they initially under quoted the works and has since, after a long struggle submitted another quotation for the same works amounting to K132,689,168. He apologised and stated that due to his wrong thinking that ZESCO was a parastatal, he could not enter into a contract with it.

HEAD:	94/01	Office of the President – Western Province - Headquarters
UNIT:	1	Provincial Administration
PROGRAMMES:		Various
ACTIVITIES:		Various

Accounting Weaknesses - PRP Funds

76. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, provisions of K5,056,046,185 and K7,805,074,997 were made to cater for General Administration and Poverty Reduction Programme (PRP) activities respectively. In this regard, K4,832,881,903 and K3,693,770,582 were released for General Administration and PRP.

An examination of financial and other records maintained at the Provincial Accounting Control Unit (PACU) for the financial year ended 31st December 2006 revealed the following:

a. Irregular Issue of Accountable Imprest

- i.** In April 2006, the Provincial Tender Committee approved the procurement of a speed boat at a total cost of K90,400,000. It was however observed that instead of issuing a cheque of K90,400,000 to the supplier, an imprest of K200,000,000, K109,600,000 over and above the quoted price was issued to the Principal Accountant. The basis on which the imprest of K200,000,000 was issued is questionable.
- ii.** On 18th August 2006 the Principal Accountant was issued with imprest of K4,050,000 for monitoring of revenue collections in the province for

twenty five (25) days from 21st August to 15th September 2006. It was however observed that during the same period the Principal Accountant obtained other imprest on two occasions amounting to K44,755,000 (K37,905,000 for a trip to Lusaka for one night and K6,850,000 for a trip to Lusaka for four nights). It was not clear how the Principal Accountant was in two places at the same time.

In his response dated 7th September 2007, the Controlling indicated that he redirected the Principal Accountant to travel to Lusaka for another assignment. He further stated that the Principal Accountant undertook another trip to Lusaka on 26th September 2006 on another assignment for which no subsequent imprest was issued.

According to the approved retirement forms on which the Principal Accountant retired the imprest, it was indicated that the period covered by the tour was from 21st August to 15th September 2006 contrary to the Controlling Officer's response.

b. Misapplication of Funds

Amounts totalling K1,017,244,692 meant for Poverty Reduction Programmes were misapplied on payment for fuel (K60,000,000), insurance (K45,849,687), imprest (K115,726,850), loans and advances (K115,000,000), purchase of an engine (K45,825,000), transfer to RDC activities (K250,000,000), terminal benefits (K10,000,000) and furniture (K14,617,940). As a result of the misapplication, programmes to improve water supply in the resettlement schemes were not implemented among others.

c. Unretired Imprest

Imprest in amounts totalling K857,417,219 involving one hundred and two (102) transactions issued during the period under review had not been retired as of July 2007 contrary to Financial Regulation No.96.

d. Unaccounted for Stores Materials

There were no receipt and disposal details in respect of stores items costing K1,436,733,618 purchased during the period from January to November 2006 contrary to Public Stores Regulation No.16. Out of this amount, K1,365,147,170 was attributed to fuel and lubricants.

**HEAD: 94/08 Office of the President – Western Province
Roads Department**

UNIT: 1 Roads

PROGRAMME: 8 Roads Rehabilitation (Feeder Roads) – (PRP) 1

ACTIVITIES: 02 Roads Rehabilitation

Irregularities in Contract Management

77. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006 a provision of K813,242,000 was made to cater for rehabilitation of roads and the whole amount was released.

In addition, an amount of K642,861,826 was brought forward from the previous year bringing the total funds available for the activity to K1,446,103,826.

An examination of financial and other records maintained at the Provincial Accounting Control Unit (PACU) and a physical inspection carried out in March 2007 revealed the following:

a. Non Preparation of Drawings and Bills of Quantities

There were six (6) contracts involving K344,916,218 awarded for works on culverts for which no drawings and bills of quantities were prepared. In the absence of the drawings and bills of quantities, the basis on which the works involving K344,916,218 were costed was questionable.

b. Lipaa Culvert

A contract of K75,050,000 was awarded to a local contractor in June 2006 for the construction of a culvert at Lipaa for easy accessibility to Kataba Rural Health Center and Nalikwanda Basic School. The works were completed in October 2006 and payment was made in the same month. However, a visit to the site in March 2007 revealed that the culvert had collapsed as can be seen from the picture below.



The collapsed Lipaa culvert

Therefore the amount of K75,050,000 spent on the culvert is wasteful.

c. Mulongo Culvert

A contract of K45, 825,000 was awarded to a local contractor in June 2006 for the construction of a culvert at Mulongo. The works were completed in October 2006 and the contractor was paid in full. However, a visit to the site in March 2007 revealed that the culvert had developed a crack on the head wall as can be seen from the picture below.



A crack on the culvert head

HEAD:	94/19	Office of the President – Western Province - Water Affairs Department
UNIT:	1	Water Affairs
PROGRAMME:	7	Water Supply – (PRP) 1
ACTIVITY:	02	Rural Water Supply

Accounting Irregularities

78. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K657,000,000 was made to cater for Rural Water Supply out of which amounts totaling K387,000,000 representing 58.9% of the provision was released.

In addition, an amount of K735, 300,000 was brought forward from the previous year bringing the total funds available for the activity to K1,122,300,000.

An examination of financial and other records maintained at Provincial Accounting Control Unit (PACU) in February 2007 revealed the following:

a. Unaccounted for fuel

There were no receipt and disposal details in respect of fuel and lubricants costing K35,799,723 purchased during the period under review contrary to Public Stores Regulation No. 16

b. None Delivery of Goods

In August 2004, an amount of K71,669,340 was paid to a local supplier for the supply of two hundred and sixty six (266) 5”x3m PVC plain casings. However, as of March 2007, only seventy four (74) casings costing K19,938,087 had been delivered leaving a balance of one hundred and ninety two (192) costing K51,731,253 still outstanding.

In his response dated 14th December 2007, the Controlling Officer stated that he had reported the matter to the law enforcement agencies to assist him with investigations.

HEAD:	94/42	Office of the President – Western Province Resettlement Department
UNIT:	1	Resettlement
PROGRAMME:	7	Infrastructure Development – (PRP) 1
ACTIVITY:	02	Water Supply

Misapplication of Funds

79. In the Estimates of Revenue and Expenditure for the year 1st January to 31st December 2006, a provision of K150,000,000 was made to cater for the supply of water in resettlement schemes in the province and the funding records made available revealed that the whole amount was released. In addition, there was a brought forward figure from the previous year of K186,109,219, bringing the total funds available on the activity to K336,109,219.

An examination of financial and other records maintained at the Provincial Accounting Control Unit (PACU) carried out in February 2007 revealed that amounts totalling K334,506,780 were applied on activities not related to the programme such as procurement of a motor vehicle (K87,454,500), purchase of fuel (K35,799,793), payment of loans (K30,000,000), repair and servicing of motor vehicles (K26,874,600), allowances (K106,910,000) and demarcation of plots (K47,467,957). As a result of the misapplication, the activities to improve water supply at the resettlement schemes were not carried out. In addition, although the K35,799,793 was used on the procurement of fuel, there were no receipt and disposal details contrary to Public Stores Regulation No.16.

HEAD:	95	Office of The President - Eastern Province
UNITS:		Various
PROGRAMMES:	7	Development of Infrastructure
	8	HIV/AIDS Awareness
	14	Improvement to Health Services
	7	Resettlement Schemes
ACTIVITIES:		Various

Irregularities in Accounting for Poverty Reduction Programme Funds

80. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, provisions totalling K2,508,739,610 were made out of which amounts totalling K1,835,392,566 were released leaving a balance of K673,347,044 as shown in the table below:

Programme	Provision (K)	Total Released (K)	Balance (K)
Development of Infrastructure	830,729,610	830,921,614	(192,004)
HIV/ AIDs Awareness	122,000,000	100,000,000	22,000,000
School Requisites	200,000,000	200,000,000	-
School Provisions	700,000,000	285,714,286	414,285,714
Health Services	300,000,000	300,000,000	-
Resettlement Schemes	356,010,000	118,756,666	237,253,334
Total	2,508,739,610	1,835,392,566	673,347,044

An examination of accounting and other records maintained at the Provincial Accounting Control Unit (PACU) carried out in March 2007 revealed the following:

a. Construction of Staff Houses

A total amount of K609,062,352 was released for the construction of three (3) official residences for district commissioners in the three districts of Chipata, Mambwe and Nyimba. It was observed in this regard that:

i. Chipata District

In 2006 a contract was awarded to a local company for the construction of the District Commissioner's house at a contract sum of K239,276,448 for a period of sixteen (16) weeks beginning December 2006. As of March 2007, a total amount of K251,869,945 had been paid to the contractor K12,593,497 in excess of the contract sum even when the works were incomplete. A site visit in March 2007 revealed that the works were at roof level although the contractor had been paid in full. It was also observed that the contractor had requested for an extension of twelve (12) weeks up to 31st July, 2007.

ii. Mambwe District

In 2006 a contract was awarded to a local company for the construction of the District Commissioner's house at a contract sum of K280,775,415 for a period of fourteen (14) weeks beginning September 2006. As of March 2007, a total amount of K312,347,611 had been paid to the contractor, K31,571,196 in excess of the contract sum.

A review of the progress report and a visit to the site in February, 2007 revealed that the house was complete but not occupied as power had not yet been connected.

iii. Nyimba District

The construction of the District Commissioner's house in Nyimba District had not commenced as of February 2007 as funds in amounts totalling K45,000,000 allocated to the project were diverted by the Provincial Administration Office for the procurement of tiles. It was further observed that tender procedures were not followed.

b. HIV/AIDS Awareness

In 2006 a total amount of K100,000,000 was released for HIV/AIDS Awareness activities out of which K96,119,000 had been spent as at 31st December 2006. It was observed in this regard that:

i. Foodstuffs

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of foodstuffs costing K24,866,000 meant for distribution to affected officers.

ii. Payment Made Without Competitive Quotations

Contrary to Government procurement procedures, a payment of K35,600,000 was made in December 2006 for printing 400 HIV/AIDS T-shirts without obtaining three (3) competitive quotations.

c. Improvement to Health Services

In 2006 amounts totalling K300,000,000 were released for construction of health posts. It was however observed that the funds were diverted to other activities and as a result the health posts had not been constructed as of March 2007.

HEAD:	95	Office of the President – Eastern Province
UNIT:		Various
PROGRAMMES:		Various
ACTIVITIES:		Various

Accounting and Other Irregularities

- 81.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, amounts totalling K9,008,405,644 were provided to cater for Recurrent Departmental Charges out of which amounts totalling K6,092,286,325 was released leaving a balance of K2,916,119,319.

An examination of financial and other records maintained at the Provincial Administration and Departments carried out in February 2007 revealed the following:

a. Stores

There were no receipt and disposal details in respect of stores items costing K201,203,000 purchased during the year contrary to Public Stores Regulation No.16.

b. Unretired Imprest

Imprest in amounts totalling K228,762,960 issued to various officers during the period under review had not been retired as of February 2007 contrary to Financial Regulation No. 96.

c. None Delivery of Industrial Photocopier

In December 2006, the Provincial Administration paid K14,000,000 to a local company for the supply of an industrial photocopying machine.

However an inspection in February 2007 revealed that the industrial photocopier had not been delivered.

d. None Repair of a Mitsubishi Truck

During the period under review, Provincial Administration paid amounts totalling K36,545,218 to a local Garage for the repair of a Mitsubishi truck.

An inspection of the truck in February 2007 revealed that it was still at the garage and no repair works had been done. It was further noted that the truck was cannibalised in that some parts had been removed.

HEAD:	96/01	Office of the President – Luapula Province - Headquarters.
UNIT:	1	Provincial Administration
PROGRAMME:	2	General Administration
ACTIVITY:	01	Office Administration

Accounting Irregularities

82. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K 8,495,888,033 was made to cater for Recurrent Departmental Charges (RDCs) out which K 6,473,244,413 was released representing 76.2% of the budget.

An examination of financial and other records maintained at Provincial Administration in Mansa revealed the following:

a. Unretired Imprest

During the year under review, K851,281,236 was issued to various officers as imprest out of which K447,824,060 was retired leaving a balance of K403,457,176. As of April 2007, the imprest had not been retired contrary to Financial Regulation No. 96(1).

Further, it was noted that thirty-two (32) officers who had not retired previous imprests, were issued with subsequent imprests totaling K 419,196,172 contrary to Financial Regulation No. 91.

b. Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K220,249,759 purchased during the period under review as shown below:

Description	Cost K
Stationery	17,368,500
Fuel	178,420,251
Furniture	2,000,000
Spares	6,369,608
Building Materials	16,091,400
	220,249,759

c. Unsupported Payment Vouchers.

There were thirty nine (39) payments in amounts totaling K90,865,454 that were not supported with relevant documentation such as receipts contrary to Financial Regulation No.45(2).

HEAD:	96/01	Office of the President – Luapula Province Headquarters
UNIT:	1	Human Resources and Administration
PROGRAMME:	11	Oil Palm Out growers Scheme – (PRP) 1
ACTIVITIES:	01	Farmer Selection
	02	Research Package, Technology Development.
	03	Support to Out-grower Scheme
	04	Farmer Training
	05	Infrastructure Development.

Weaknesses in Accounting for Funds

83. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K515,313,100 was made to cater for the Oil Palm Out growers' Scheme out of which a total of K405,957,500 was released leaving a balance of K109,355,600.

An examination of financial and other records maintained at Provincial Accounting Control Unit (PACU) revealed the following:

a. Unretired Imprest

Imprests in amounts totalling K250,290,000, issued to various officers during the period under review had not been retired as of February 2007, contrary to Financial Regulation No. 96(1).

b. Unsupported Payment

An amount of K83,250,000 paid to the Provincial Agriculture Co-ordinator's office to facilitate the survey of areas earmarked for establishment of farm blocks in four (4) districts namely; Koni/Kabalenge in Kawambwa, Mulwe area in Nchelenge and Lambwe Chomba in Chienge/ Kaputa and Mwashu in Mwashu had no expenditure details contrary to Financial Regulation No. 45(2).

c. Purchase of Oil Palm Seedlings

During the period under review, the Provincial Administration spent amounts totalling K78,390,000 to procure 20,000 oil palm seedlings for the Oil Palm Out growers Scheme.

It was observed that although the plants had been received, they could not be planted as the process of land preparation and demarcation had not been carried out.

d. Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various packaging materials costing K40,152,000 procured during the period under review.

e. Uncompleted Projects

During the period under review, an amount of K85,511,000 was released for the construction of a twelve (12) kilometre irrigation canal and diversion of a stream for the weir for the Oil Palm Outgrowers Scheme at Koni/ Kabalenge in Kawambwa district. It was however observed that the funds were misapplied in that they were spent on the procurement of seedlings, preparation for the arrival

of the seedlings, farmer training and purchase of fuel. Consequently, the canal was not constructed.

f. Failure to Submit Expenditure Returns

During the period under review, an amount of K20,000,000 was transferred to Kawambwa District Agriculture Coordinator’s Office (DACO) for preparations before the arrival of oil palm seedlings. However, as of February 2007 the money had not been accounted for.

HEAD:	96/09	Office of the President – Luapula Province - Buildings Department.
UNIT:	1	Human Resources and Administration
PROGRAMME:	7	Maintenance of VIP Houses
ACTIVITIES:	01	Construction and Rehabilitation
	02	Wall fence Construction at Provincial Minister’s Residence
PROGRAMME:	8	Maintanance and Rehabilitation of Government Buildings
ACTIVITY:	01	Maintenance of Buildings

Weaknesses in Accounting for Funds

84. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006 provisions of K294,539,775 were made for the maintenance, rehabilitation and construction of buildings in the Province, against which a total amount of K188,522,083 was released leaving a balance of K106,017,792.

An examination of accounting and other records maintained at Provincial Accounting Control Unit (PACU) and a physical inspection carried out in February 2007 revealed the following:

a. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details for stores in amounts totalling K113,651,500 purchased during the period under review.

b. Unretired Imprest

Imprest in amounts totalling K9,628,920 issued for the purchase of sundry materials had not been retired as of February 2007 contrary to Financial Regulation No. 96 (1).

c. Misapplication of Funds

A total amount of K34,540,000 was misapplied on unrelated activities such as the procurement of an internal communication system, motor vehicle tyres and fuel. As of February 2007 the amount had not been reimbursed. Consequently, the activities which were planned for such as the construction of a wall fence at the Deputy Minister's residence and the rehabilitation of four (4) toilets at PACU could not be executed.

HEAD:	96/42	Office of the President – Luapula Province Resettlement Department
UNIT:	1	Human Resources and Administration
PROGRAMME:	08	Infrastructure Developments – (PRP) 1
ACTIVITIES:	04	Construction of Hand Pump Wells
	06	Construction of Rural Health Post
	07	Construction of Rural Health Centre
	08	Construction of Staff Houses
	10	Construction of Classroom Blocks.

Weaknesses in Accounting for Recurrent Departmental Charges

85. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, amounts totalling K555,818,151 were provided for to cater for the above mentioned activities against which a total of K591,154,766 was released, representing 106% funding .

An examination of accounting and other records maintained at Provincial Accounting Control Unit (PACU) carried out in March 2007, revealed the following:

a. Construction of Health and Education Infrastructure

During the period K 350,015,000 representing 100% of the amount budgeted for the construction of a health post at Mano in Samfya, a health center at Kapako resettlement in Chiengi, a staff house and a 1x3 classroom block at Mansa resettlement scheme was released to the Provincial administration. It was however observed that out of the funds released, K39,281,400 was misapplied on activities not related to infrastructure development under resettlement.

Visits to the sites in April 2007 revealed that works at the staff house had been abandoned at lintel level. The 1x3 classroom block was at roof level while works at the health post in Mano resettlement scheme were at foundation level.

b. Unretired imprests

Amounts totalling K52,617,680 issued as imprest to various officers during the period under review had not been retired as of April 2007 contrary to Financial Regulation No. 96 (1).

c. Failure to account for stores.

There were no receipts and disposal details in respect of stores items costing K92,113,500 purchased during the period under review contrary to Public Stores Regulation No.16.

HEAD:	97	Office of the President – North Western Province
UNITS:		Various
PROGRAMME:	1	Personal Emoluments
ACTIVITIES:	01	Salaries Division I
	02	Salaries Division II
	03	Salaries Division III
	04	Wages
	05	Other Emoluments

Accounting Irregularities

86. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, amounts totalling K6,180,313,291 were provided to cater for Personal Emoluments out of which K5,979,438,991 was released while K5,872,347,937 was spent leaving a balance of K107,091,054.

An examination of financial and other records maintained at the Provincial Accounting Control Unit (PACU) carried out in March 2007 revealed the following:

a. Attempted Fraud

In July, 2006 a cheque for K156,593,772 was issued to a micro-financing company for loan recoveries from employees but it was not honored due to insufficient funds. It was observed however that the cheque was overstated by K152,518,836 as the correct amount on the loan recoveries schedule was K4,074,933. As of March 2007, no action had been taken against the erring officers nor had the case been reported to the Police for further investigations.

b. Failure to Effect Half Pay

A Community Development Assistant, who was suspended in February 2006, was still drawing full salary as of March 2007 contrary to the terms and conditions of service. Consequently, amounts totalling K4,145,955 had been irregularly paid to the officer.

c. Failure to Account for Unclaimed Salaries

Amounts totalling K7,091,020 paid to accounting officers in December 2005 (K4,971,751) and February 2006 (K2,119,268) for payment of salaries were not accounted for in that they were not supported by acquittal sheets contrary to Financial Regulation No.45.

HEAD:	98/01	Office of the President - Southern Province Headquarters
UNIT:	1	Provincial Administration
PROGRAMME:	25	Livestock Restocking - (PRP) 1
ACTIVITY:	01	Cattle Restocking

Irregularities in the Procurement of Cattle

87. In paragraph fifty four (54) of the Auditor General's Report for the financial year ended 31st December 2005, mention was made of irregularities in the procurement of cattle and misapplication of funds meant for cattle restocking by the provincial Administration.

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K1,100,000,000 was made for the cattle restocking programme and the whole amount was released.

An examination of financial and other records maintained at the Provincial Accounting Control Unit (PACU) revealed the following:

a. Failure to Supply 87 Animals

During the period under review, the Provincial Administration paid amounts totalling K197,200,000 to various suppliers for the supply of two hundred and eight (208) animals. However, as of March 2007, the suppliers had only supplied one hundred and twenty one (121) animals costing K114,360,000 leaving a balance of eighty seven (87) animals costing K82,840,000 as detailed in the table below:

District	Amount Paid (K)	No. of Animals paid for	No. of Animals Delivered	Variance	Cost of Animals not supplied (K)
Livingstone	36,000,000	30	-	30	36,000,000
Monze	25,200,000	28	27	1	900,000
Monze	55,000,000	50	48	2	2,200,000
Sinazongwe	81,000,000	100	46	54	43,740,000
Total	197,200,000	208	121	87	82,840,000

b. Misapplication of Funds

Amounts totalling K221,655,273 were misapplied by the Provincial Administration on activities not related to the cattle restocking exercise such as rehabilitation of the Provincial Minister and District Commissioners' houses, payment of Statutory Allowances and Special Imprest. Consequently, the cattle restocking exercise could not be undertaken in Kazungula, Namwala and Itezhi tezhi districts.

HEAD:	98/01	Office of the President – Southern Province Headquarters
UNIT:	1	Provincial Administration
PROGRAMME:	8	Irrigation Development – (PRP) 1
ACTIVITIES:	01	Rehabilitation and construction of Dams, Wells and Canals to Promote Growing of Irrigated Crops.

Rehabilitation and Construction of Dams

88. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K1,600,000,000 was made for the rehabilitation and construction of dams, wells and canals and the whole amount was released.

An examination of financial and other records maintained at the Provincial Accounting Control Unit (PACU) and physical inspections carried out in March 2007 revealed the following:

a. Irregular Payments to Contractors

i. Rehabilitation of Kamutalala Dam – Sinazongwe District

In August 2006, the Provincial Administration Office entered into a contract with a local contractor to rehabilitate Kamutalala Dam at a contract price of K331,044,794. The contract was for a period of 28 days commencing August 2006.

As of March 2007, fourteen (14) months after the proposed completion date, the works had not been completed in that whereas the recommended work on the spillway included the widening of the spillway to sixty (60) metres, this was not done. The contractor had been paid a total of K294,492,554 representing 89% of the contract price.

ii. Rehabilitation of Dumba Dam - Mazabuka District

In August 2006, the Provincial Administration Office engaged a local contractor to rehabilitate Dumba Dam at a contract sum of K363,885,750 for period of fifty (50) days.

It was, however, observed that although the works were completed, the contractor was paid the full contract price of K363,885,750 before the certificate of completion was issued by the Site Engineer.

b. Unaccounted for Fuel

There were no receipt and disposal details in respect of fuel costing K13,373,534 procured in May 2006 contrary to Public Stores Regulation No. 16.

89. Recommendations of the Public Accounts Committee Which Have Not or Have Partly Been Implemented

During the year under review, the committee of officials from the Office of the Clerk of the National Assembly, Office of the Auditor General and the Ministry of Finance and National Planning met to resolve the outstanding issues.

In the past it has been a practice to include an appendix of such issues in this Report. However, a separate report on outstanding issues will be issued.

**AUDIT HOUSE
HAILE SELASSIE AVENUE
LUSAKA**

**ANNA O CHIFUNGULA FCCA, FZICA
AUDITOR GENERAL
REPUBLIC OF ZAMBIA**

31st December 2007

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