

REPORT

of the

AUDITOR GENERAL

ON THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED

31st DECEMBER 2008

Executive Summary

During the year 2009, a number of audit assignments were carried out. The results of such audits were communicated to the relevant Controlling Officers for both corrective action and confirmation of facts.

This Report contains ninety four (94) paragraphs on issues that could not be resolved through the various Audit Inspection Reports (Management Letters) and Draft Annual Report Paragraphs.

The Report starts by giving an introduction outlining the accountability process of public funds, the audit scope and methodology, limitation of scope, construction of offices, the Office's cooperation with its various stakeholders and a summary of the strategic plan for the period 2008 to 2012.

An analysis of the Appropriation Account on both the revenue and expenditure side for the financial year 2008 has also been included. In the analysis, the major highlights are that, there was a revenue deficit of K1,313,603,956,045, unreconciled balance of K53,670,974,188, excess expenditure of K549,973,998,666 and unretired imprest as reported in the financial report of K445,240,734,515.

The major highlights in terms of findings include:

Findings	Amount K
Misappropriation of Revenue	20 036 000
Unaccounted for Revenue	1 056 685 439
Under Banked Revenue	128 725 490
Delayed Banking	1 945 956 268
Unaccounted for Funds	792 546 311
Misapplication of funds	7 865 627 697
Unretired imprests	21 456 008 511
Unvouched Expenditure	28 337 559 092
Unaccounted for Stores	20 805 216 887
Irregular payments	27 119 540 802
Misappropriation of Funds	50 000 000
Non recoveries of Salary advances and loans	5 326 899 909
Failure to Follow Tender procedures	2 627 420 322
Undelivered Materials	894 335 504
Non Submission of Expenditure returns	35 181 100 829
Unauthorised Expenditure	4 916 418 128
Wasteful expenditure	569 523 537
Overpayments	1 635 102 213
Total	160 728 702 939

In addition, the audit of tax revenue revealed that there were tax arrears of K4.170 trillion in 2008 as compared to K3.452 trillion in 2007 representing an increase of about 21% and that much of these tax arrears were due to some Parastatal and Quasi Government institutions not paying tax. This was also because of unpaid for assessments, doubtful debtors and missing traders.

There were weaknesses in accounting for non tax revenues in that there were failures to collect fees, missing accountable documents, delays in transiting revenue collected and misappropriation of revenue amongst others.

On the Expenditure side, it was generally observed that there were weaknesses in internal control systems, wastages in the use of resources, poor management of contracts, failure to follow tender procedures and the abuse of imprests, poor implementation of Poverty Reduction Programmes (PRP), and delays in completion of projects, poor workmanship, and non adherence to contract terms among others. The report has highlighted, unvouched expenditure (missing payment vouchers, unsupported or inadequately supported payments and unacquitted payments) as one of the most common irregularity.

This report also contains an appendix of recommendations of the Public Accounts Committee which have either not been implemented or have been partly implemented. These recommendations are based on previous audit reports.

It is hoped that our key stake holders shall take keen interest in not only issues raised in the report but also on how the issues are resolved as contained in appropriate treasury minutes.

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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 2008, 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.

Accountability of Public Funds

2. 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 a 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.

Audit Scope and Methodology

3. This Report is as a result of reviews, programmes of test checks, inspections and examination of accounting, stores 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 the financial management to 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. 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 of Scope

4. The expansion of the Office and enhanced staffing levels that took place in the last five (5) years enabled the Office to cover more heads of revenue and expenditure for the financial year ended 31st December 2008. Therefore there was a relative increase in the audit coverage for the year.

Audits were planned so as to obtain all the information and explanations which were considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularities or error. However, the evidence available to us was limited in a number of instances because we were unable to obtain satisfactory responses and in certain instances no responses at all due to the limitations placed on the scope of our work by the Controlling officers. In these instances, we have strived to assure ourselves that the information so provided gives some level of assurance on the completeness of the financial statements.

Construction of Offices

5. In paragraph 4 of the Report of the Auditor General on the accounts for the financial year ended 31st December 2006, 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. It was also mentioned that works in Kasama, Mongu and Solwezi had been completed and that works on the extension of Headquarters had almost been completed. The five (5) provincial offices and the extension of the headquarters have now been completed and are in use.

Support from Various Stakeholders

6. In paragraph 3 of the Report of the Auditor General on the accounts for the financial year ended 31st December 2006, mention was made of cooperation activities between the Office of the Auditor General of Zambia (OAGZ) and the Office of the Auditor General of Norway (OAGN) which resulted in the development and implementation of audit methodologies for information technology and performance audits in OAGZ. These activities have continued and in this regard, the OAGZ has signed a long term agreement with OAGN to cover the period from 2008 to 2012. Further, negotiations are underway for the extension of the Restructuring and Institutional Development Project (RIDP).

It is also pleasing to note that the office has continued to receive support from all its key stakeholders including Parliament, the Executive, Cooperating partners, the

media, Non Governmental Organisations and the general public amongst others. This support is necessary in that it promotes the efficient and effective operations of the office and its contribution to good governance in general and accountability process in particular.

The office continued to be a member of the International Organisation of Supreme Audit Institutions (INTOSAI), the African Organisation of Supreme Audit Institutions (AFROSAI), the African Organisation of Supreme Audit Institutions ó English speaking (AFROSAI-E), and the Association for Commonwealth Auditors General. Through its membership with these various international organizations the Office has established close working relationships with other Supreme Audit Institutions in Africa and elsewhere. In April 2009, the Office was privileged to host the Sixth AFROSAI-E Governing Board meeting whose theme was optimizing the use of information technology in auditing

2008 -2012 Strategic Plan

The Office has developed a strategic plan covering the period 2008 to 2012. The Plan is in line with National Development Plans and the Vision 2030. It is the vision of the Office to be a professional Supreme Audit Institution (SAI) that enhances accountability in the management of public resources in Zambia. Accordingly, the mission of the Office is to provide quality audit and related consultancy services to government and other institutions in order to enhance accountability and value for money in the management of public resources for the benefit of society. The goal is to increase the scope and audit coverage and improve the quality of audit services in order to contribute to the enhancement of accountability in the management of public resources. The six (6) objectives in the strategic plan are:

- i. To increase audit coverage and scope by improving audit methodology;
- ii. To develop and manage human resources effectively and efficiently in order to improve the performance of the OAG;
- iii. To improve coordination and collaboration with all stakeholders in order to increase awareness and mutual understanding;
- iv. To mobilize and manage financial resources and other logistics for the efficient and effective operation of the OAG;
- v. To enhance coordination and flow of information for timely decision making; and
- vi. To enhance the monitoring and evaluation mechanism in the office in order to facilitate the development of appropriate intervention and attainment of the objective of the office.

In the development of the Strategic Plan, the office took into account the expectations of all its key stakeholders and the changes in the environment.

Outturn and Appropriation Accounts

7. Article 118(2) of the Constitution states that a financial report in respect of a financial year shall include accounts showing the revenue and other moneys received by the Government in that financial year, the expenditure of the Government in that financial year other than expenditure charged by this Constitution or any other law on the general revenues of the Republic, the payments made in the financial year otherwise than for the purposes of expenditure, a statement of the financial position of the Republic at the end of the financial year and such other information as Parliament may prescribe.

The outturn reflected in Statement A0 of the Financial Report for the year ended 31st December, 2008 is analysed below:

Expenditure as reflected in Statement A1.2		
	K	K
Original	13,761,400,894,438	
Supplementary	1,898,432,304,951	
Total Authorised		15,659,833,199,389
Actual Expenditure		12,348,786,514,717
Net Under Expenditure		3,311,046,684,672
The Net under expenditure of K3,311,046,684,672 is explained as follows:		
Savings	3,561,020,683,338	
less excess expenditure	249,973,998,666	
		3,311,046,684,672
Revenue as Reflected in Statement A1.1		
Actual Revenue	11,880,756,480,835	
Revenue Estimate	13,194,360,436,881	
Deficit in revenue collections	(1,313,603,956,046)	
Actual Revenue	11,880,756,480,835	
Actual Expenditure	12,348,786,514,717	
Gross deficit		(468,030,033,882)
Financing Statement A1.3		
Internal borrowing	-	
External borrowing	-	
Exceptional revenue	544,019,407,933	
		544,019,407,933
Net Surplus		75,989,374,051
Increase/(Decrease) in Assets		
Decrease in cash	(329,420,348,564)	
Decrease in Advances	(199,929,979,478)	
Decrease in Special sinking fund	(21,312,607)	
Increase in Imprest	27,403,376,384	
Increase in Loan revolving fund	39,145,776,902	
Increase in Deposits	837,723,669,593	
		374,901,182,230
Liabilities		
Decrease in deposits	585,299,127,804	
Increase in shortterm borrowing	(830,540,011,811)	
Decrease in Unreconciled balance	(53,670,974,188)	
		(298,911,858,195)
		75,989,324,035
Unexplained difference		50,016
Net Surplus		75,989,374,051

a. Analysis of Surplus/Shortfall in Revenue

An analysis of statement A1.1 of the Financial Report for the year under review revealed that there was a net deficit in the revenue collected against the estimated amount by K1,313,603,956,045 as detailed below:

Head	Description	Approved Estimates	Actual Revenue	Surplus/Deficit
		K	K	K
111	Income Tax (other than Mineral Tax)	4,572,870,462,777	4,607,618,662,665	(34,748,199,888)
112	Customs and Excise	2,508,826,062,897	2,384,560,309,906	124,265,752,991
113	Value added tax	2,210,062,286,759	2,187,870,264,626	22,192,022,133
121	Fines	938,966,930	5,327,488,456	(4,388,521,526)
122	Licences	155,688,724,771	148,544,523,972	7,144,200,799
123	Fees of Court or Office	219,792,540,051	154,797,587,243	64,994,952,808
125	Interest	70,472,991	657,680	69,815,311
129	Other Revenue	41,942,473,397	30,968,773,549	10,973,699,848
141	Bilateral Grants	722,185,750,000	559,794,206,434	162,391,543,566
142	Multilateral Grants	1,367,920,915,500	942,891,521,453	425,029,394,047
171	Bilateral External borrowing	46,000,000,000	-	46,000,000,000
172	Multilateral External Borrowing	536,492,693,557	46,813,484,852	489,679,208,705
181	Domestic Borrowing	811,569,087,251	811,569,000,000	87,251
		<u>13,194,360,436,881</u>	<u>11,880,756,480,836</u>	<u>1,313,603,956,045</u>

The net deficit of K1,313,603,956,045 was attributed to uncollected internal revenue amounting to K190,503,809,727 and unrealised bilateral and multi-lateral grants amounting to K1,123,100,146,318.

b. Unreconciled Balance

There was an unreconciled balance of K53,670,974,188 indicated in the Financial Report for which no explanation was given. It has also been observed that unreconciled balances have been appearing in the Financial Report since 2002.

c. Excess Expenditure

A review of Statement -Cø of the Financial Report for the year under review revealed that expenditure in excess of the provision voted by Parliament of 25 heads of expenditure amounted to K249,973,998,666.

Head	MPSA	Excess Expenditure		
		Total Authorised Provision	Actual Expenditure	Variance
		K	K	K
08/01	Cabinet Office-OOP Headquarters	106,711,915,885	115,315,054,045	(8,603,138,160)
33/04	Ministry of Commerce Trade and Industry-Industry Dept	30,110,812,297	101,703,686,129	(71,592,873,832)
77/03	Ministry of Defence-ZAF	285,049,814,226	285,049,814,228	(2)
80/09	Ministry of Education-Lusaka Province-Basic schools-Lusaka	79,880,199,495	90,861,113,645	(10,980,914,150)
80/12	Ministry of Education-Copperbelt Province-Basic schools	139,481,237,920	158,636,533,028	(19,155,295,108)
80/17	Ministry of Education-Basic Schools Central Province	92,074,950,061	112,040,198,854	(19,965,248,793)
80/21	Basic Schools-Northern Province	125,131,160,280	154,515,397,647	(29,384,237,367)
80/25	Basic Schools-Western Province	93,608,106,112	106,959,692,349	(13,351,586,237)
80/29	Basic schools -Eastern Province	104,002,346,158	125,077,921,043	(21,075,574,885)
80/33	Basic Schools-Luapula Province	79,338,227,747	95,732,036,490	(16,393,808,743)
80/37	Basic schools -North Western Province	70,583,021,192	83,774,003,761	(13,190,982,569)
80/41	Basic schools - Southern Province	140,713,663,613	163,627,143,632	(22,913,480,019)
90/01	Office of the President-Lusaka Province Headquarters	7,640,672,584	7,771,775,001	(131,102,417)
91/01	Office of President-Copperbelt Headquarters	6,517,524,602	7,274,113,320	(756,588,718)
91/08	Roads Department	812,985,054	1,041,001,136	(228,016,082)
/09	Buildings Departments	2,211,784,132	2,457,430,550	(245,646,418)
/17	Lands Department	263,568,950	333,101,708	(69,532,758)
/18	Survey Department	186,973,130	211,272,580	(24,299,450)
/24	Social welfare Department	1,557,297,331	2,189,818,376	(632,521,045)
/37	Road Traffic Commission	311,358,030	459,202,973	(147,844,943)
/40	Community Development Department	1,961,606,319	2,546,101,772	(584,495,453)
/45	Factories Department	230,347,254	448,348,261	(218,001,007)
/47	Sports Department	191,856,820	210,129,143	(18,272,323)
97/01	Office of the President-North Western Province-headquarters	9,564,559,876	9,579,600,721	(15,040,845)
99/02	Constitutional and Statutory Expenditure - Debt Service Internal	879,533,842,658	879,829,340,000	(295,497,342)
	Total			(249,973,998,666)

The excess expenditure of K249,973,998,666 is unconstitutional and will require approval by Parliament as provided for under Article 117 (5) of the Republican Constitution. The unconstitutional expenditure has increased from K192,485,883 in 2007 to K249,973,998,666 in 2008.

d. Unretired Imprest

Imprests are paid under below- the-line accounts and upon retirement the imprests are brought above-the-line accounts charging appropriate expenditure codes. The failure to retire imprest has implications of either under or overstating the expenditure figures reported in the Financial Report.

According to Statement -I of the Financial Report for the financial year ended 31st December 2008, there were unretired imprests amounting to K445,240,734,515 involving

fifty five (55) heads of expenditure. Included in the figure was an amount of K1,357,477,316 which could not be identified with any head of expenditure.

It was also observed that the unretired imprest increased by 7 % from K417,837,358,131 in 2007 to K445,240,734,515 in 2008.

General Revenue

PROGRAMME:	1	Income Tax (Other than Mineral Tax)
	2	Mineral Revenue
	3	Customs and Excise
	4	Value Added Tax
	5	Exceptional Revenue
ACTIVITIES:		Various

Tax Revenue Collections

8. In Paragraph 8 of the Auditor General's report for the financial year ended 31st December 2007, mention was made on the overall positive performance of the Zambia Revenue Authority (ZRA) when they collected K378 billion in excess of the target. A review of the Financial Report for 2008 revealed that an amount of K9,577 billion was collected against a target of K9,683 billion resulting in a deficit of K106 billion. The deficit was mainly as a result of under collections on Company Tax, PAYE, Excise Duty, Import VAT and Other Revenues as shown in the table below:

ZAMBIA REVENUE AUTHORITY 2008 REVENUE REPORT			
Tax Type	GRZ Profile (K Bn)	Net Collections (K Bn)	(Surplus)/Deficit (K Bn)
Company Tax	1,352,729,813,598	1,286,545,134,479	(66,184,679,119)
Advance Income Tax	30,409,834,781	30,409,834,781	-
Self Employed Tax	47,556,619,614	47,556,619,641	27
Back Duty	1,569,159,552	1,569,159,552	-
PAYE	2,531,200,000,000	2,479,018,502,464	(52,181,497,536)
Employed Individuals	6,662,438,541	6,662,438,541	-
WHT	341,459,760,266	368,602,915,641	27,143,155,375
Property Transfer Tax	23,124,966,107	23,124,966,107	-
Medical Levy	12,630,001,147	12,838,267,336	208,266,189
Mineral Royalty Tax	238,157,870,318	364,129,091,459	125,971,221,141
Total Income Tax	4,585,500,463,924	4,620,456,930,001	34,956,466,077
Customs Duty	1,137,269,124,527	1,182,502,010,497	45,232,885,970
Excise Duty	1,196,424,141,683	1,142,562,627,688.00	(53,861,513,995)
Rummage Sale	1,999,395,319	1,999,395,319	-
Fines	6,998,150,431	6,998,150,431	-
Estreated Deposits	245,500,954	245,500,954	-
Warehouse Rent	193,462,966	193,462,966	-
Accounting Fees	750,152,029	750,152,029	-
Licence Fees	1,383,014,878	1,383,014,878	-
Excise Duty Zesco	20,799,679,938	20,799,679,938	-
Fuel Levy	378,591,158,244	383,981,019,138	5,389,860,894
Licence-Motor Vehicles	-	10,380,096,175	10,380,096,175
Other Revenues	142,763,440,172	16,746,219,031	(126,017,221,141)
Total Customs and Excise	2,887,417,221,141	2,768,541,329,044	(118,875,892,097)
Domestic VAT	(430,728,913,149)	(430,728,913,149)	-
Import VAT	2,640,791,199,908	2,618,599,177,775	(22,192,022,133)
Value Added Tax	2,210,062,286,759	2,187,870,264,626	(22,192,022,133)
Total	9,682,979,971,824	9,576,868,523,671	(106,111,448,153)

In his response dated 18th August 2009, the Commissioner General stated that ZRA collected an amount of K5,402 billion against a target of K4,693 billion resulting in a surplus of K709 billion.

In this regard, there were inconsistencies between the figures reported by the Ministry of Finance and National Planning in the financial report and those reported by ZRA.

Irregularities in Revenue Collections

a. Tax Arrears

During the year ended 31st December 2007, there were tax arrears amounting to K3,452 billion from defaulters and outstanding Removals In Transit.

A review of the tax records carried out in August 2009 revealed that the situation had worsened in that arrears had increased by 21% from K3,452 billion in 2007 to K4,179 billion in 2008 as detailed in the table below:

Tax Type	2008 K`bn	2007 K`bn
Corporate Tax	1,315	1,271
PAYE	805	815
Self Employed	83	82
Back Duty	312.6	9
Domestic VAT	1,554	1,009
Customs and Excise	<u>109</u>	<u>266</u>
Total	<u>4,179</u>	<u>3,452</u>

In his response dated 18th August 2009, the Commissioner General stated that strategies such as issue of demand notices and constant follow ups of the defaulters had been put in place to collect the arrears.

A further scrutiny of records revealed the following anomalies:

i. Corporate Tax Arrears

Corporate Tax arrears increased by 8.3% from K1.2 billion in 2007 to K1.3 billion in 2008. In his response dated 18th August 2009, the Commissioner General stated that most of the debt was from parastatal and quasi government institutions that

had liquidity problems and that ZRA had engaged them to ensure that the debt was recovered.

ii. Pay as You Earn Arrears

As of December 2007, an amount of K815 billion was outstanding. The figure reduced by 1% to K805 billion as of December 2008. Out of the K805 billion outstanding, amounts totalling K9.5 billion had been collected as of August 2009 leaving a balance of K795 billion.

It was further observed that six (6) institutions had not been remitting PAYE to the Authority for the past two (2) years as shown below:

Taxpayer	2008 Balance K	2007 Balance K
Securities and Exchange	3,190,353,390	3,190,353,390
Zambia Educational Publishing House	3,377,789,435	3,377,789,435
Zambia National Oil Company	786,541,840	786,541,840
Anti Corruption Commission	195,864,280	195,864,280
Zambia National Tender Board	1,241,297,873	1,241,297,873
Ministry of Commerce and Industry	322,766,712	322,766,712
Total	9,114,613,530	9,114,613,530

Although the six (6) companies had not paid any amount towards the outstanding amounts over the past two (2) years, no penalties and interest had been charged as of December 2009 contrary to the Income Tax Act.

iii. Self Employed Tax Arrears

During the period under review, an amount of K82,573,277,857 was outstanding from Self Employed tax out of which only K64,230,030 had been recovered as of December 2009, leaving a balance of K82,509,047,827.

iv. Domestic VAT

Domestic VAT arrears increased by 54 % from K1,009 billion in 2007 to K1,554 billion in 2008 indicating that the situation had not improved. A further examination of Domestic VAT records revealed the following:

- **Assessments**

A total of K66,356,351,770 was due from Domestic VAT large traders assessments for the period 2005 to 2008. As of August 2008, an amount

totalling K34,803,165,363 had been paid leaving a balance of K31,553,186,407 still outstanding.

▪ **Time to Pay Agreements (TPA)**

The VAT division entered into Time-to-Pay Agreements (TPAs) with eighty eight (88) VAT registered tax payers for periods ranging from two (2) to thirteen (13) months involving amounts totalling K18,314,799,810. However, a review of the records revealed that K12,705,945,090 was paid leaving a balance of K5,608,854,719.

v. **Doubtful Debtors**

▪ **Excise Duty Arrears**

An audit scrutiny of Excise duty arrears revealed that Lusaka Port office had outstanding arrears amounting to K1,158,924,923 as of August 2009. These debts had been outstanding from as far back as March 2006 and seven (7) of the manufacturing companies had since closed down making it doubtful as to whether ZRA would recover the amounts.

▪ **Unexecuted Warrants of Distress**

An officer may be authorised under warrant by the Commissioner General to levy distress upon goods and chattels of Tax defaulters. Such goods or chattels may be sold by public auction if the defaulter fails to pay the amounts due.

It was however noted that Direct Taxes division issued warrants of distress which had not been executed despite failure by Defaulters to pay the amounts due making it doubtful as to whether ZRA would recover the outstanding amounts. The outstanding unexecuted warrants of distress on four (4) tax types amounted to K1,214,921,457 as tabulated in the table below:

Tax Type	Amount K
Back Duty	230,304,814
Company Tax	179,404,509
PAYE	804,665,151
WHT	546,983
Total	1,214,921,457

▪ **Amounts Owed by Missing Tax Payers**

An audit scrutiny of outstanding arrears revealed that arrears totalling K2,770,754,074.42 were owed to the ZRA as at 31st December 2008 by tax payers who could not be traced. It is doubtful as to whether the amounts would be collected. Details are shown below:

Tax Type	Amount owed K
PAYE	78,854,470
Corporate	1,576,001,523
Back Duty	368,487,744
Self employed	747,410,337
Total	2,770,754,074

vi. Income Tax - Mineral Royalty Tax Arrears

An examination of monthly mining returns revealed that out of a total of K253,359,462,522 collectible from mining companies in form of mineral royalty tax only K224,075,897,198 was collected, leaving a balance of K29,283,565,324 uncollected as at December 2009.

vii. Refer to Drawer Cheques

An audit of revenue collections in Treasury department revealed that there were refer to drawer cheques amounting to K1,780,325,392, received during the period under review and as of December 2009, they were still outstanding.

viii. Outstanding Removals in Transit (RIT)

ZRA may allow goods to be moved from the port of entry to a destination within or outside Zambia without the payment of any duties which may be due, provided that such goods are removed under bond or guarantee, sufficient to cover the revenue at stake. Where an in-bond entry of goods remains outstanding beyond the prescribed period of 30 days, the clearing agent/carrier should be called upon to pay the duty due. In the event that the agent/carrier fails to do so, the guarantee shall be executed or the surety called upon to settle the debt.

In Paragraph 8 of the Auditor General's Report for the Financial Year ended 31st December 2007, mention was made of the outstanding Removals in Transit amounting to K45,209,316,879.

A review of the seizure records carried out in August 2009 revealed that, there were outstanding Removals in transit at five (5) port offices with guaranteed amounts totalling K33,426,688,014. These had been outstanding for periods ranging from six (6) months to more than one (1) year and yet no guarantees had been revoked or sureties called upon to settle the outstanding commitments. Details are shown below:

Port office	Amount K
Lusaka	2,459,710,920
Kasumbalesa	16,660,386,596
Ndola	708,650,951
Livingstone	4,605,407,435
Chirundu	8,992,532,112
Total	33,426,688,014

Although the Commissioner General in his response stated that Agents had been engaged to provide acquittals for all outstanding RITs, ZRA had not commenced bond foreclosures with the insurance companies and banks.

ix. Outstanding Motor Vehicles Imported on Customs Import Permit (C.I.P)

C.I.P is issued at the port of entry on temporal importation of motor vehicles to foreigners visiting Zambia. It covers only one entry and one exit. It may be extended within Zambia up to a period not exceeding (12) twelve months from the first date of issue. When the stated period of temporary importation expires, steps must be taken immediately by the originating port to trace the motor vehicle and make suitable arrangements to secure the duty.

A review of the system at Ndola and Chirundu port offices in September 2009, revealed that although three hundred and sixty two (362) foreign vehicles entered the country, the vehicles had not been exited and their whereabouts were unknown. It is apparent that the Government lost revenue as the vehicles may have been disposed off in Zambia.

Below is the table showing the number of vehicles that had not been traced at the two stations:

Port office	No. of Vehicles
Ndola	8
Chirundu	354
Total	362

b. Windfall Tax

In the 2008 budget, the Minister of Finance and National Planning (MoFNP) introduced a Windfall Tax for the mining sector. This measure was intended to apply whenever prices of the metals increased beyond two times the cost of production. The measure was intended to ensure that the Government gains from the sector as a result of the high metal prices on the market. The rates for windfall tax were 25% at US\$2.50 per pound, 50% at US\$3.50 per pound.

Section 46 of the Mines and Minerals (Amendment) Act 2008 introduced a requirement for submission of a Windfall Tax Return for any person liable to Windfall Tax. Windfall Tax applied to any person carrying on mining operations of base or precious metals. The returns were supposed to be submitted on a quarterly basis and contained the following:

- Quantities of the minerals sold;
- Quantities of the concentrates or slimes sold;
- Contracts of sale for minerals, slimes or concentrates; and
- Any other particulars determined by the Commissioner General.

According to the Act, failure to submit a return within fourteen days after the due date shall attract penalties of 1,000 penalty units (K180,000) for an individual and 2,000 penalty units (K360,000) for a company per month. However, there was no evidence that penalties were charged on late submission of returns.

ZRA had provided a schedule indicating that a total amount of K126,071,221,141 was collected against a total collectable amount of K896,205,033,397 under the Windfall Tax leaving a balance of K770,133,812,256 outstanding.

However, there were no returns provided for audit scrutiny. In addition, contrary to Financial Regulation No.130 the Windfall Tax collected had not been remitted to Control 99 as of November 2009.

In his response dated 25th November 2009, the Controlling officer stated that the Windfall tax collected by ZRA was deposited in the MoFNP Mineral Royalty and Windfall tax account at the Bank of Zambia and that the outstanding balance on the

Windfall tax was as a result of disputes raised by some mining companies that did not settle the Windfall tax liability as they considered the new mining fiscal regime to be in conflict with the development agreements that existed with Government, a matter which was still unresolved. He stated that the balance outstanding was on account of the difference between the Mineral Royalty rate of 0.6% at the time of Development Agreement and the prevailing rate of 3% under the new fiscal regime.

In terms of utilisation, the Controlling Officer stated that no amount of Windfall Tax was used in 2008 and as at 31st December 2008, there was an outstanding balance of K307,383,881,916 and that this was so because the Government was still providing modalities on the utilisation of funds.

However, the action by the MoFNP of depositing the Windfall tax amounting to K126,071,221,141 in an account other than Control 99 was not only contrary to Financial Regulation No.130 which requires that all revenue collected should be deposited into Control 99 but also deprived the Government of the required resources for various Government programmes. Further, the amount was not recognised on Statement A1 and therefore understated the revenue reported as having been collected by Government during the Financial year ended 2008.

HEAD:	8	Fines and Fees - Ministry of Energy and Water Development
	5	ERB License Fees
ACTIVITIES:	010	License Fees
	065	Water Board Fees

9. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K9,587,724,562 was made for the collection of Energy Regulation Board (ERB) License Fees and Water Board fees against which K 9,600,748,101 was collected as shown in the table below:

Fees	Budget K	Actual K	Variance K
ERB Licence Fees	7,106,396,684	7,269,535,000	163,138,316
Water Board Fees	2,481,327,878	2,331,231,101	(150,096,777)
Total	9,587,724,562	9,600,766,101	13,041,539

Weaknesses in Accounting for Revenue

An examination of records pertaining to the collection ERB license fees revealed the following:

a. Water Board Fees Arrears

In paragraph 11(C) of the Auditor General's Report for the financial year ended 31st December 2007, mention was made of the uncollected water board fees arrears in amounts totalling K138,735,240,195 by various clients.

In their first report for the Fourth Session of the Tenth National Assembly, the Public Accounts Committee (PAC) recommended that although the cited companies had made attempts to pay water charges, the issues they had raised deserved consideration. They urged the Controlling Officer to look into the concerns of the utility companies and accordingly report progress.

A review of water board fees areas carried out in September 2009 revealed that the situation had not improved. In particular, it was observed that out of K165,718,212,643 owed to the water board in 2008, only K2,098,436,630 was collected, leaving a total amount of K163,619,776,013 outstanding as of 31st December 2008.

It was further observed that some of the amounts owed by various clients had been outstanding for periods of up to five (5) years.

b. Fraudulent Accounting

A scrutiny of personal files and registers revealed that general revenue receipt no. 1239458 dated 25th June, 2008 indicated K5,596,600 on the triplicate copy and K596,600 on the duplicate copy, resulting in an amount of K5,000,000 not being accounted for. No explanation was given for this irregularity.

c. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K61,390,000 involving twenty-four (24) transactions issued to various officers during the period under review had not been retired as of September, 2009.

HEAD:	8	Fees and Fines - Ministry of Mines and Minerals Development
ACTIVITIES:	050	Mining Licenses
	015	Fees and Surface Rental Charges
	099	Other Fees

- 10.** In the Estimates of Revenue and Expenditure for the Financial year ended 31st December 2008, a total authorised provision of K838,275,112 was made in respect of

revenue collection from Mining License Fees, Surface Rental Charges and Other Fees against which K1,545,402,257 was collected resulting in an over collection of K707,127,145.

Accounting Irregularities in Revenue Collections

An examination of revenue records pertaining to revenue collections carried out in August 2009 at the Ministry headquarters, Mines Development Department, Geological Survey Department, Mines Safety Department (Kitwe), Livingstone ,Chipata and Mkushi Mining Bureaux revealed the following:

a. Outstanding Area Charges

In paragraph 12 of the Auditor General's report for the financial year ended 31st December 2007, mention was made of the failure by the Ministry to collect area charges arrears (K10,012,738,998) from Mining license holders

An examination of records revealed that as of August 2009, there were arrears amounting to K6,293,008,954, representing a reduction of 37%.

b. Non Recovery of Loans Given to Small Scale Miners

In Paragraph 12 of the Auditor General's Report for the financial year ended 31st December 2007, mention was made on the non recovery of loans given to small scales miners in amounts totalling K1,870,125,000.

A review of records carried out in July 2009, revealed that only K158,811,665 had been recovered leaving a balance of K1,670,313,335 still outstanding. It was doubtful as to whether the Ministry would be able to fully recover the amounts as the rate of recovery was very low.

c. Delayed Banking

Contrary to Financial Regulations No.121, there were delays of periods ranging from three (3) to seventy-two (72) days in banking revenue amounting to K411,510,393 collected during the period under review.

HEAD:	8	Fees and Fines - Ministry of Home Affairs
ACTIVITY:	18	Immigration

11. In the Estimates of Revenue and Expenditure for the Financial year ended 31st December 2008, a total amount of K151,312,039,159 was to be collected from

Immigration Fees and Charges, out of which a total of K89,820,840,718 was collected resulting in an under collection of K61,491,198,441 representing 41% of the budget.

Irregularities in Accounting for Revenue Collections

An examination of financial and other records maintained at the Immigration Headquarters, Lusaka International Airport, Livingstone, Ndola, Mwami border and Mazabuka carried out in July 2009 revealed the following:

a. Unaccounted for Revenue

Contrary to Financial Regulations No.129, revenue in amounts totalling K282,927,000 collected from five (5) stations during the period under review could not be accounted for in that there was no evidence that the money was banked. See details below:

Station	Amount K
Immigration-HQ	253,155,000
Mwami Border	4,722,000
Ndola Regional office	12,065,000
Ndola International Airport	11,565,000
Livingstone Regional office	1,420,000
Total	282,927,000

Although the matter was brought to the attention of the Controlling Officer, no action has been taken as of December 2009.

b. Missing Accountable Documents

i. Permits

Contrary to Financial Regulation No. 10 (n), there were a total of 528 permits valued at K839,000,000 that were not made available for audit as shown in the table below:

Type of Permit	Number of permits missing	Cost per permit K	Total Cost K
Visitors	193	500,000	96,500,000
Self Employed	27	2,000,000	54,000,000
Entry	39	2,000,000	78,000,000
Temporal	18	2,500,000	45,000,000
Employment	124	2,000,000	248,000,000
Temporal	127	2,500,000	317,500,000
TOTAL	528		839,000,000

Although the matter was brought to the attention of the Controlling Officer, no action has been taken as of December 2009.

ii. Receipt Books and Cashbooks

There were eighteen (18) receipt books and ten (10) cash books for Mwami Station and Twenty four (24) receipt books for Lusaka International Airport used for the period from during the period under review that were not produced for audit .

HEAD: 8 Ministry of Home Affairs
PROGRAMME: 123 Fees and Fines, Ministry of Home Affairs
ACTIVITY: 020 Passports

12. In paragraph 14 of the Auditor General's report for the financial year ended 31st December 2007 mention was made of unaccounted for revenue totalling K23,818,000 and unconfirmed deposits to control 99 amounting to K979,420,999.

During the period under review, Passport and citizenship Office collected revenues totalling K12,126,765,000 against the budgeted figure of K15,281,571,500 resulting in an under-collection totalling K3,154,806,500 representing 26% of the total budget.

Irregularities in Accounting for Revenue Collections

An examination of revenue records at Passport Office headquarters and selected stations carried out in October 2009 revealed that the situation has not improved and in particular the following were observed:

a. Unaccounted for Revenue

- i. There were weaknesses in the issuance of passports at Lusaka and Ndola Offices in that in certain cases 48 paged passports were being accounted for as 32 paged passports. It was observed in this regard that one hundred and thirty five (135) 48 paged passports were accounted for as 32 paged passports resulting in a loss of revenue of K32,600,000.
- ii. Reconciliations of expected collections from passports issued against actual collections were not being done. In this regard, a verification of amounts collectable against actual collections from passports issued from August 2008 to September 2009 revealed that a total amount of K2,123,251,438 was not accounted for as shown in the table below:

Passport Type	Quantity	Amount K	Total K
48 Paged	1,698	520,000	882,960,000
32 Paged	138,786	320,000	44,411,520,000
Total expected collections			45,294,480,000
Less; Actual collections			43,171,228,562
Unaccounted for revenue			2,123,251,438
Note; 48 paged(5,608-3,910 sent to missions abroad) = 1,698 Passports			

- iii. Contrary to Financial Regulation No. 129 (1), revenues collected from provision of express services amounting to K8,120,000 for Lusaka and K8,600,000 for Ndola could not be accounted for in that no cash was found on hand and there was no evidence of banking..

Although the matter was brought to the attention of the Controlling Officer on 11th December 2009, no response had been received as of 30th December 2009.

HEAD: 8 Fees and Fines- Ministry of Home Affairs

ACTIVITY: 23 National Registration, Births and Deaths

- 13. In the Estimates of Revenue and Expenditure for the financial years ended 31 December 2007 and 2008, amounts of K204,430,060 and K841,196,855 were to be collected under the National Registration, Births and Deaths against which collections of K1,938,694,464 and K485,899,200 were made in 2007 and 2008 respectively as shown in the table below:

Year	Provision K	Actual Collections K	Variance K
2007	204,430,060	1,938,694,464	1,734,264,404
2008	841,196,855	485,899,200	- 355,297,655

Accounting Irregularities in Revenue Collections

An examination of revenue records maintained at headquarters and a visit to selected districts carried out in 2009 revealed the following:

Headquarters

a. Weakness in Budgeting

There were weaknesses in budgeting in that whereas the budget provision for 2007 was K204,430,060, the actual collections were K1,938,694,464 resulting in an over collection of K1,734,264,405 which represented 848 percent of the budget. However, there was an under collection of K355,297,655 in 2008 which was 42% of the provision.

Further, while the collections for 2007 were K1,938,694,464, the collections for 2008 were only K484,899,200 resulting in a drop in revenue collections of 75%.

b. Delayed Banking

There were delays in banking revenues for the period ranging from 4 to 17 days involving amounts totalling K10,419,400 collected during the period January to December 2007 despite the proximity to banking facilities contrary to Financial Regulation No. 121 (1).

c. Unaccounted For Revenue

There were Revenue collections in amounts totalling K12,003,500 that were not accounted for in that there were no deposit slips to show proof of banking and the cash was not on hand as shown below.

Station	Amount Unaccounted for (K)	Remark
Chongwe	333,000	No deposit slips or cash on hand found
Kapiri Mposh	10,564,300	Funds misappropriated by revenue collector
Mkushi	1,106,200	No deposit slips or cash on hand found
Total	12,003,500	

HEAD: 8 Fees and Fines ó Judiciary

PROGRAMMES: Various

ACTIVITIES: Various

14. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K4,845,398,533 was made for the collection of fees and fines at the Judiciary against which an amount of K5,131,771,198 was collected.

Records at Judiciary however revealed that a total of K4,924,057,672 was collected resulting in a difference of K207,713,526 between the figure reported in the financial report and the figure indicated on the Revenue Form II submitted to the Ministry of Finance and National Planning. The differences had not been reconciled by the Ministry of Finance and the Judiciary as of 31st December, 2008.

Weaknesses in Accounting for Revenue and Other Irregularities

In paragraph 15 of the Auditor General's Report for the financial year ended 31st December 2007, mention was made of weaknesses in accounting for revenue at Judiciary. In particular, there were delayed banking and misappropriation of funds and failure to collect rental arrears among others.

In their First Report for the Fourth Session of the Tenth National Assembly, the Public Accounts Committee directed the Controlling Officer to among other things report progress on the recoveries of the misappropriated funds.

A review carried out in July 2009 at the Judiciary Headquarters and a visit to selected stations in Northern, Eastern and Copperbelt Provinces revealed that the situation had not improved. In particular, the following were observed:

a. Lack of Cash Safes

Contrary to Financial Regulation No. 155, there were no safes maintained by revenue collectors at various stations visited for the safe custody of Government revenue. In this regard, there was a risk that revenue collected would be kept in unsecured places leading to loss of Government revenue.

b. Unaccounted for Revenue

Financial Regulation No. 129 (1), (2) and (3) require collectors of revenue to bring to account daily the whole amount of their collection. Controlling Officers are required to conduct checks to ensure that this is done. Further, the regulation requires that any officer who without reasonable cause fails to deposit the full amount collected shall be liable to the Government for the full amount.

It was observed that out of amounts totalling K2,236,011,241 collected by the courts in various stations, amounts totalling K1,619,596,529 were banked leaving a balance of K616,414,712 unaccounted for as of December 2009.

Though the Controlling Officer in his response dated 14th August 2009 stated that disciplinary action had been instituted against officers who misappropriated the revenue, at the time of verification in August 2009, there was no evidence that disciplinary action had been taken against the erring officers.

c. Non Remittance of Revenue - Kafue Main Local Court

A review of the bank statements for the Revenue Transit Account revealed that court fines amounting to K10,390,000 collected during the period May to December 2008 and deposited into the ZANACO transit account maintained at the Kafue Branch had not been remitted to Control 99 at the Bank of Zambia as of February 2009.

d. Review of Internal Audit Reports

i. Copperbelt Province

A review of the internal audit report reference number J/71/22/20 dated 30th December 2008 revealed the following:

▪ **Misappropriation of Revenue**

A total amount of K17,576,000 was misappropriated at Kitwe and Ndola Local Courts and Ndola Sheriff's office.

Though in his response dated 14th August 2009, the Controlling Officer stated that disciplinary action had been instituted against officers who misappropriated the revenue, at the time of verification in August 2009, there was no evidence to this effect.

ii. Delayed Banking - Chipata High Court

A review of the internal audit report referenced 71/22/1 dated 28th April 2009 revealed that there was a delay of over four (4) months in banking revenue amounting to K3,900,000 collected between September and October 2008 despite the proximity of the banking facilities contrary to Financial Regulation 129 (1) .

- HEAD:** 8 Fees and Fines ó Ministry of Information and
Broadcast Services
- ACTIVITIES:** 060 Licenses for Private Radio and TV Stations
 076 Information Services
 085 News Services
 099 Other Revenues

15. In the Estimates of Revenue and Expenditure for the Financial year ended 31st December 2008, a provision of K242,054,283 was made against which K167,204,659 was collected as shown in the table below:

Fees	Estimates K	Actual K	Variance K
Licences - Private TV & Radio	-	1,642,646	- 1,642,646
Information Services	133,655,266	162,533,613	- 28,878,347
News Services	-	3,028,400	- 3,028,400
Miscellaneous	108,399,017	-	108,399,017
Totals	242,054,283	167,204,659	74,849,624

Accounting Irregularities in Revenue Collections

An examination of revenue records pertaining to revenue collections carried out in September 2009 at the Ministry headquarters, Kasama, Ndola, Kabwe and Livingstone Zambia News and Information Services (ZANIS) Provincial Offices revealed the following:

a. Delayed Banking

Contrary to Financial Regulation No.121, there were delays of periods ranging from three (3) to two hundred and seven (207) days in banking revenue in amounts totalling K123,837,000 collected during the period under review as detailed in the table below:

Station	Amount K	Range (days)
HQ	110,255,000	12-207
Kasama ZANIS	5,970,000	3-95
Ndola ZANIS	7,612,000	3-55
Total	123,837,000	

b. Unaccounted for Revenue

Contrary to Financial Regulation No. 129, revenue in amounts totalling K9,393,657 collected from three (3) departments during the period under review could not be accounted for in that there was no evidence of banking and no cash was found on hand.

The three (3) departments and the amounts involved are detailed in the table below:

Station	Amount K
Ndola -ZANIS	417,000
Kabwe-ZANIS	1,710,000
Livingstone - ZANIS	7,266,657
Total	9,393,657

c. Failure to Collect Licence Fees

There were weaknesses in the collection of revenue relating to radio licenses for periods ranging from one (1) to seven (7) years in that the Ministry failed to collect amounts totalling K66,000,000 from eight (8) radio stations which were still operating as shown in the table below:

Radio Station	Annual License Fee K	No. of Years Outstanding	Outstanding Amount K
Yatsani	2,000,000	7	14,000,000
Chikaya	2,000,000	6	12,000,000
Liyambayi	2,000,000	2	4,000,000
Luapula	2,000,000	1	2,000,000
Zambezi	2,000,000	2	4,000,000
Evelyn Hone	2,000,000	4	8,000,000
BBC	2,000,000	6	12,000,000
UNZA	2,000,000	5	10,000,000
Total			66,000,000

The amounts were still outstanding as of November 2009.

d. Refer to Drawer Cheques Not Replaced

There were fifteen (15) cheques in amounts totalling K45,310,000 for various services that were Referred to Drawer during the period April 2002 to August 2009 which had not been replaced as of October 2009 as shown in the table below.

No.	Drawer	Date	Chq No.	Amount K
1	Cable Satelite Technology	29/04/02	003165	3,000,000
2	UCZ Synod	01/12/05	000605	300,000
3	TBN	24/4/06	000030	3,000,000
4	Location Challege	10/04/08	000518	2,100,000
5	Japen Zambia Ltd	10/10/05	800528	2,000,000
6	UNICEF Resident Account	26/04/05	343421	370,000
7	TBN	24/08/05	000217	3,000,000
8	TBN	07/11/02	248140	3,000,000
9	Mobitel Zambia Ltd	05/05/08	000016	6,000,000
10	A & B Filamba	02/05/06	0018	3,000,000
11	Hot FM	11/07/06	000188	2,000,000
12	Mobitel Zambia Ltd	06/05/09	797726	6,000,000
13	Zambia Higher Inst. Sport	11/03/09	000227	540,000
14	Savana Media Centre	31/07/09	000451	8,000,000
15	TBN	07/11/08	000025	3,000,000
	Total			45,310,000

e. Missing Receipt Books

Contrary to Financial Regulation No. 10 (n), there were six (6) receipt books with the minimum collectable amount of K9,000,000 and maximum of K10,500,000 that were not produced for audit as shown below:

No.	Serial Number
1	1458751 to 1458800
2	1458901 to 1458950
3	1458951 to 1459000
4	1459001 to 1459050
5	1459051 to 1459100
6	1459101 to 1459150

In this regard, revenue collected on the receipts could not be ascertained.

HEAD: 8 Fees and Fines ó Ministry Of Justice

ACTIVITIES: 083 Administrator Generalø Fees

16. During the financial years ended 31 December 2007 and 2008 provisions of K51,868,952 for 2007 and K66,263,479 for 2008 were made in the Estimates of Revenue and Expenditure as Administratorø Fees. In this regard, amounts totalling K72,646,683 were collected in 2007 and K126,928,583 in 2008. The actual collections were above the budgeted collections by K20,777,731 and K60,665,104 respectively as shown in the table below:

	2007 K	2008 K
Budget	51,868,952	66,263,479
Actual Collection	<u>72,646,683</u>	<u>126,928,583</u>
Variance	<u>20,777,731</u>	<u>60,665,104</u>

As can be noted from the table above, there was an increase in revenue collections of 192% in 2008 over the 2007 collections.

Accounting Irregularities in Revenue Collections

An examination of the financial and other records maintained at the Ministry Headquarters and a visit to selected districts carried out in January 2009 revealed the following:

a. Delays in Remitting Fees to Control 99

During the period under review, there were delays of up to one hundred and eighty three (183) days in remitting revenue totalling K96,876,588 to Control 99. It was not clear why it took so long to remit the funds despite the proximity of the Administrator General's Chambers to banking facilities.

b. Missing Receipt Books

There were two (2) receipt books bearing serial numbers 998151 to 998200 and 998251 to 998300 which were not produced for audit contrary to Financial Regulation No. 10 (n).

HEAD:	8	Fees and Fines of Ministry of Labour and Social Security
ACTIVITIES:	072	Miscellaneous and Registration Receipts
	073	Educational and Occupational Assessment fees
	074	Factory fees (Plant Examination)

17. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K252,738,650 was made for the collection of miscellaneous and registration receipts, educational and occupational assessment fees and factory fees against which amounts totalling K142,109,300 were collected, resulting in an under collection of K110,629,350 as shown in the table below:

Type of Fees	Estimate K	Actual K	Variance K
Educational and Occupational fees	109,096,000	79,970,550	(29,125,450)
Factory fees	143,241,650	61,611,750	(81,629,900)
Miscellaneous and Registration Receipts	401,000	527,000	126,000
			-
Total	252,738,650	142,109,300	(110,629,350)

An examination of revenue records carried out in September 2009 at the Ministry Headquarters revealed the following:

a. Unaccounted for Revenue

Contrary to Financial Regulation No. 129 revenue collections in amounts totalling K25,042,500 made between January 2008 and January 2009 were not accounted for in that there were no deposit slips to show proof of banking and the cash was not on hand.

b. Missing Receipts

Contrary to Financial Regulation No. 10 (n), three (3) receipts with serial numbers 1137160 under factory fees and 1137044 and 1137241 under Educational fees were plucked out from the receipt books and therefore amounts collected could not be ascertained.

c. Delayed Banking

Contrary to Financial Regulation No. 121, there were delays of periods ranging from 3 to 210 days in banking revenue in amounts totalling K61,299,750 collected during the period under review.

HEAD: 8 Fees and Fines - Ministry of Communications and Transport
ACTIVITY: 184 Road Traffic Collections

During the period under review, the Road Transport and Safety Agency (RTSA) collected revenue amounting to K141,721,628,191 against the budget figure of K149,262,072,371 resulting in revenue deficit of K7,540,444,180 compared to K103,248,154,961 collected in 2007 against a budget of K57,858,663,530 as shown in the table below:

	2008 K	2007 K
Budget	149,262,072,371	57,858,663,530
Actual	<u>141,721,628,191</u>	<u>103,248,154,961</u>
Variance	<u>7,540,444,180</u>	<u>- 45,389,491,431</u>

As can be noted from the table above, revenue collections by RTSA increased by 37% from K103,248,154,961 in 2007 to K141,721,628,191 in 2008.

However, despite the increase in 2008, the collections were below the budgeted figure of K149,262,072,371 by K7,540,444,180.

Weaknesses in Accounting for Revenue

An examination of financial and other records maintained at RTSA headquarters and visits to selected sites carried out in February 2009 revealed the following:

a. Limitation of Scope of the ZAMTIS - Headquarters

In paragraph 16 of the Auditor General's report on the accounts for the financial year ended 31st December 2007, mention was made of weaknesses and irregularities in the Zambia Transport and Information System (ZAMTIS).

A review of the ZAMTIS carried out in February 2009 revealed that there were still weaknesses in that the computerized system could still not give a breakdown of types of revenue posted. In this regard, out of the K141,721,628,191 collected, only K65,129,161,552 collected as toll fees could be verified. The balance of K76,592,466,639 comprising road tax, test certificates, driving licences, provisional driving licences, identity certificates and temporary registration could not be broken down.

b. Failure to Collect Toll Fees - Nakonde Office

According to records maintained at RTSA Nakonde office, amounts totalling K185,400,000 (US\$46,350) were collectable as toll fees from foreign vehicles entering the country at the border post during the period from 22nd to 26th October, 2008. It was however observed that out of the total amount collectable, K162,200,000 (US\$40,550) was collected leaving a balance of K23,200,000 (US\$5,800) uncollected as of September 2009.

No explanation was given as to why the balance of K23,200,000 (US\$5,800) was not collected.

HEAD: 8 Fees and Fines - Ministry of Works and Supply
ACTIVITY: Various

- 18.** According to the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, the Ministry budgeted to collect revenue amounting to K3,719,407,974 and K3,963,112,886 respectively from the sale of government vehicles, maintenance of government equipment, sale of personal to holder vehicles

and printing supplies among others. Records at the Ministry showed that amounts totalling K4,863,313,873 and K3,718,956,004 were collected as shown below:

Budget and Actual Collections		
	2008	2007
	K	K
Budget	3,963,112,886	3,719,407,974
Actual	<u>3,718,956,004</u>	<u>4,863,313,873</u>
Variance	<u>244,156,882</u>	<u>1,143,905,899</u>

An examination of the Statements A1 of the Financial Reports for the years under review revealed that contrary to what was reported by the Ministry as the actual collections as stated in the table above, the report showed collections of K2,951,006,417 in 2007 and K4,128,710,500 in 2008 resulting in differences of K767,949,587 and K734,603,373 respectively. There were therefore inconsistencies between the figures reported by the Ministry and those reported in the Financial Report as actual collections.

It was further noted that although the estimates of Revenue and expenditure for the years under review reflected the above budgets, it did not capture other revenues from rent of Government properties such as rent of offices at Government Complex in Lusaka.

Weaknesses and Irregularities in Accounting for Revenue

An audit of accounting records for the revenue collections at the Ministry Headquarters, Government Printing Department, Office Equipment Maintenance Services Department and Ndola provincial office revealed the following:

a. Sale of Personal to Holder Vehicles

In paragraph 22 of the Auditor General's report for the financial year ended 31st December 2006 mention was made of the failure by the Ministry to follow the stipulated conditions regarding the sale of personal to holder motor vehicles. In this regard, it was mentioned that vehicles were released to the prospective owners before recoveries were made in full within the stipulated three (3) months.

In their Report of the Second Session of the Tenth National Assembly, the Public Accounts Committee (PAC) directed that ownership status of all the vehicles that were queried should be verified regardless of whether they were paid for or not.

A verification carried out in October 2009 revealed that the situation had not improved in that outstanding amount on the sale of personal to holder motor vehicles had increased by 1,127 % from K26,419,487 in 2006 to K388,130,028 in 2008 as shown below:

Sales	Amount K	Outstanding (K)	% Increase
2006	26,419,487	26,419,487	
2007	64,048,037	90,467,524	242
2008	<u>297,662,504</u>	388,130,028	1,127
Total	<u>388,130,028</u>		

A further analysis of the records revealed that some of the people owing had since left the Government. Further, it was noted that although some buyers had left government, the motor vehicles were still in their custody.

b. Office Equipment and Maintenance Services

i. Lusaka Office – Headquarters

▪ Use of Revenue Without Authority

Financial Regulation No. 130 (1) requires all revenue to be deposited to the credit of the Treasury Account (Control 99) at the Bank of Zambia.

It was observed however that contrary to the above regulation, revenues in amounts totalling K119,090,000 collected during the period from January 2007 to March 2008 were used by the Ministry without Treasury authority.

Although in his response dated 22nd October 2009 the Controlling Officer stated that the Ministry had applied for Treasury authority for Appropriation In Aid, no such authority had been granted.

ii. Ndola Office

▪ Delayed Banking

There were delays in banking revenue in amounts totalling K10,335,000 for periods ranging from seven (7) to thirty (30) days contrary to Financial Regulation No. 129.

▪ **Missing Receipt Book**

Contrary to Financial Regulation No. 10 (n), a receipt book bearing serial number 0178351-0178400 though recorded at headquarters as having been sent to Ndola, the receipt book was not made available for audit.

HEAD:	8	Fees and Fines - Ministry of Agriculture and Cooperatives
SUB HEADS:	134	Fishing Licenses
	138	Veterinary Fees
	144	Plant Quarantine and Phytosanitary Services
	145	Import and Export Permits

19. In the Estimates of Revenue and Expenditure for the financial year ended 2008, a provision of K3,625,641,761 was made, against which revenue in amounts totalling K3,949,885,852 was collected as shown in the table below:

Activity	Type of Revenue	2008 Estimates (K)	Amount Collected (K)	Variance (K)
122/085	Fishing Licenses	2,206,141,407.00	297,898,210.00	1,908,243,197.00
123/068	Veterinary Fees	365,923,667.00	396,320,802.00	(30,397,135.00)
129/030	Plant Quarantine and Pytosanitary	357,192,020.00	130,000.00	357,062,020.00
122/090	Import and Export Permits	696,384,667.00	3,211,388,564.00	(2,515,003,897.00)
123/010	Import Declaration Fee	-	20,794,527.00	(20,794,527.00)
129/063	Proceeds from sale of fish	-	9,054,749.00	(9,054,749.00)
129/065	Proceeds from sale of Livestock	-	14,299,000.00	(14,299,000.00)
Total		3,625,641,761.00	3,949,885,852.00	(324,244,091.00)

Weaknesses in Accounting for Revenue

In paragraph 15 of the Auditor General's report on the accounts for the financial year ended 31st December 2006, mention was made of weaknesses and irregularities in accounting for revenue such as misappropriations and delays in banking among others.

A review of records carried out in May 2009 at Ministry Headquarters, Chilanga Fisheries headquarters, Zambia Agriculture Research Institute-Headquarters, Ndola, Nakonde, Chipata, Livingstone and Choma revealed that the situation had not improved and bank reconciliations on the transit account had not been done. In particular the following were observed:

a. Unaccounted for Revenue

Contrary to Financial Regulation No. 129, there were Revenue collections in amounts totalling K54,582,870 that were not accounted for in that there were no deposit slips to show proof of banking and the cash was not on hand as shown below:

Station	Unaccounted for (K)
L/Stone -Fisheries	1,470,000
L/Stone-Veterinary	5,573,150
Choma-Veterinary	42,267,720
Chipata	5,272,000
Total	54,582,870

b. Unauthorized Appropriation of Revenue

Contrary to Financial Regulation No. 122, revenue collections in amounts totalling K204,265,796 (Choma Veterinary - K7,067,350 and Zambia Agriculture Research Institute - K197,198,446) were used without authority from Secretary to the Treasury.

Further, a scrutiny of bank statements held at Investrust Bank, Mulungushi branch revealed that contrary to standing arrangements and Financial Regulation No. 130;

- i.** There were bank charges totalling K8,425,000 for the period under review.
- ii.** The bank deducted an amount totalling K11,900,000 on 2nd December 2008 as salaries.

As of December 2009, no satisfactory explanation had been given as to the bank charges and deductions of salaries

Expenditure

HEAD:	02	Office of the Vice President
UNITS:		Various
PROGRAMMES:		Various
ACTIVITIES:		Various

20. A provision of K73, 807,311,835 was made in the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, out of which K61,575,356,841 was released. In addition, K7,840,000,000 was brought forward from 2007 while amounts totalling K1,900,000,000 were received as donations from well wishers to mitigate the effect of floods in the country bringing the total funds available to K71,315,356,841. Out of the total funds available, K71,306,589,453 was spent leaving a balance of K8,767,388.

Accounting and Other Irregularities

An examination of accounting and other related records carried out in January 2009 at the Office of the Vice President and visits to Disaster Management and Mitigation Units (DMMU) revealed the following:

Headquarters

a. Unvouched Expenditure

Contrary to Financial Regulations No. 45 and 52, there were six (6) payments in amounts totalling K717,274,280 that were unvouched in that the payment vouchers were either missing, inadequately supported or unaquitted.

b. Unaccounted for Fuel

Fuel costing K160,000,000 purchased between May and October 2008 was not accounted for in that there were no records to show receipt and disposal details contrary to Public Stores Regulation No. 16.

c. Unretired Accountable Imprest

According to Financial Regulation No. 96 (1), accountable imprest shall be retired immediately the purpose for which it was issued has been fulfilled. In this case, the retirement shall be by way of producing expenditure receipts or surrendering any unspent cash.

It was observed however that contrary to the above regulation, accountable imprest totalling K139,751,911 issued to fifteen (15) officers had not been retired as of October 2009 and no recoveries had been effected on the officers' salaries.

Disaster Management and Mitigation Unit (DMMU)

During the period under review, amounts totalling K 55,446,949,438 were provided to cater for disaster management out of which K47, 461,307,906 was released. The funds were utilized as follows:

Item	Amount K
Tents	8,992,500,000
Relief Maize	5,300,000,000
Motor vehicles	1,049,783,893
Water purifier	430,500,000
Water pumps	1,214,219,635
Operations	29,443,151,568
Total	46,430,155,096

A review of accounting and other records revealed that according to DMMU guide lines, all assets procured for disaster management are supposed to be returned to DMMU stations for safe keeping after which the purpose for which they were issued had been fulfilled.

In order to mitigate the effects of floods in various parts of the country, the DMMU bought 1,850 tents costing K8,992,500,000 which were distributed as shown in the table below:

Province / Destination	Quantity
Southern Province	546
Lusaka Province	100
Central Province	27
Eastern Province	80
Northern Province	30
FRA Sheds (Tents in stock)	1,067
Total No. of Tents	1,850

It was however observed that 252 tents costing K1,224,924,120 issued to Southern Province and 40 tents costing K194,432,400 issued to Lusaka Province were not returned to DMMU.

Provinces

A visit to four (4) provinces in April, 2009 revealed the following:

Southern Province

a. Livingstone Regional Office

The DMMU Regional Coordinator's Office in Livingstone received a total amount of K134,000,000 for operations during the period under review. A scrutiny of expenditure and other related records revealed that:

i. Unretired Accountable Imprest

Contrary to Financial Regulation No. 96 (1) which requires that imprest be retired immediately the purpose for which it was issued has been fulfilled, accountable imprest totalling K44,307,000 issued to three (3) officers in August 2008 to facilitate movement of delegates for the funeral of the late President was not retired as of March 2009.

ii. Un accounted for Fuel

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of fuel costing K32,000,000 procured during the period June to November 2008.

b. Monze District

i. Unaccounted for Relief Maize

Monze District received a total of 3,000 x 50kg bags of relief maize from DMMU through the District Commissioner's (DC) Office. The DC's Office subsequently engaged a Non Governmental Organisation (NGO), LADA, to distribute the maize at a cost of K20,982,000. According to the records at the DC's office, all the 3,000 X 50kg bags of maize were distributed. However, records maintained by LADA showed that only 2,713 x 50kg bags were received from the DC's office and distributed. The variance of 287 x 50 kg bags costing K10,332,000 could not be explained.

ii. Under Weight Bags

The audit revealed that some bags of maize distributed were under weight, weighing about 40.77kg on average instead of the recommended 50kg.

c. Mazabuka District

Although a total of 8,000 x 50kg bags of relief maize were received by the DC and distributed by the Lions Club of Mazabuka, it was noted that both the Lions Club and the DC's office did not maintain a record of beneficiaries making it difficult to determine whether the maize was distributed to the intended beneficiaries.

Lusaka Province

Kafue District

Kafue District received a total of 3,000 x 50kg bags of relief maize from DMMU through the District Commissioner's (DC) Office. The DC's Office subsequently engaged a Non Governmental Organisation (NGO), Riverside Farm Institute, to distribute the maize at a cost of K20,982,000. It was observed, however, that the DC's office did not have acquittals for the distribution of the maize. Records maintained by Riverside Farm Institute only showed the number of beneficiaries and did not show the number of bags distributed.

Copperbelt Province

Mpongwe District

Although a total of 2,000 x 50kg bags of relief maize were received by the DC and distributed by the Baptist Church at a total cost of K24,840,000, there were no records to show how the maize was distributed.

North Western Province

A total of 16,420 bags of relief maize were received by the respective three (3) District Commissioners in three (3) districts as shown below:

District	No. of Bags	Distributing NGO	Cost K
Mufumbwe	1,000	Mufumbwe People of Destiny	11,160,000
Kabompo	5,040	Kabompo farmers Association	56,246,400
Zambezi	10,380	Nazerene Compassionate Ministries	115,840,800
Total			183,247,200

There were however, no records to show how the maize was distributed and therefore it could not be determined whether the maize reached the intended beneficiaries.

Central Province

d. Kabwe District

Kabwe District received a total of 2,000 x 50kg bags of relief maize from DMMU through the District Commissioner's (DC) Office. The DC's Office subsequently engaged a Non Governmental Organisation (NGO), Adra Kaphi, to distribute the maize at a cost of K22, 320,000. It was however noted that, 37 x 50 kg bags meant for Kalonga ward had not been distributed as of March 2009.

e. Mumbwa District

Mumbwa District received a total of 2,000 x 50kg bags of relief maize from DMMU through the District Commissioner's (DC) Office. The DC's Office subsequently engaged Mumbwa District Cooperative Marketing Union, to distribute the maize at a cost of K22, 320,000. It was observed however that the distribution of relief maize in Mumbwa District was poorly done in that no distribution records were available.

HEAD: 08 Cabinet Office ó Office of the President - Headquarters
UNITS: Various
PROGRAMMES: Various
ACTIVITIES: Various

21. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K170,322,361,649 was made out of which a total of K111,697,249,099 was released leaving a balance of K58,625,112,550.

Accounting and Other Irregularities

An examination of accounting and other records carried out at Cabinet Office and visits to the provinces in February 2009, revealed the following:

a. Unvouched Expenditure

Contrary to Financial Regulations No. 45 and 52, there were fifty six (56) payments in amounts totalling K1,528,504,408 that were unvouched in that the payment vouchers were either missing, inadequately supported or unaquitted.

b. Unaccounted for Fuel and Lubricants

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of fuel and lubricants costing K520,532,997 purchased during the period under review.

c. Unretired Accountable Imprest

According to Financial Regulation No. 96 (1), accountable imprest shall be retired immediately the purpose for which it was issued has been fulfilled. In this case, the retirement shall be by way of producing expenditure receipts or surrendering of any unspent cash.

It was observed however that contrary to the above regulation, out of K10,940,455,711 issued, K442,773,038 had not been retired by thirty seven (37) officers. As of December 2009, no recoveries had been effected on the officers.

d. Medical and Funeral Expenses for the Late Republican President

In August 2008, the Ministry of Finance and National Planning released a total amount of K10,000,000,000 to cater for medical expenses for the late President. In September 2008 the Ministry further released K10,000,000,000 to cater for funeral expenses. The amount was to be spent as follows:

Details	Amount K
Fuel	450,000,000
Imprest	2,711,570,925
Hire of Cars, Tents, Toilets and Conference	480,392,310
Construction of Burial Site	2,568,360,077
Air Travel	408,677,953
Decorations	573,385,100
Lodging/Food	58,036,900
Printing	467,304,768
Payment to France	1,653,987,025
Payment to London	126,684,619
PS Community Development	10,340,000
PS Lusaka (Hunting of Animals)	36,990,000
PS Foreign Affairs	118,395,000
PS Defence	45,000,000
PS Information	370,080,000
PS Works and Supply	1,826,216,486
Provincial Administration - Various	1,150,000,000
Director General - OP	5,198,150,000
Zambia Army	1,089,684,000
Town Clerk - Lusaka	479,363,600
Total	19,822,618,763

According to existing arrangements, all the spending agencies funded were supposed to account for the funds by way of submitting expenditure returns to the Permanent Secretary at Cabinet Office.

A review of expenditure records revealed the following:

i. Unvouched Expenditure

Contrary to Financial Regulation Nos. 45 and 52, there were seven (7) payments in amounts totalling K343,115,272 that were unvouched in that the payment vouchers were either missing, inadequately supported or unaquitted.

ii. Unaccounted for Fuel

During the period from August to September 2008, amounts totalling K450,000,000 were paid to a filling station for the procurement of fuel to be used during the funeral procession of the late President. However, there were no receipt and disposal details made available for audit.

iii. Unretired Accountable Imprest

Contrary to Financial Regulation No. 96 (1) which requires that imprest be retired immediately the purpose for which it was issued has been fulfilled, accountable imprest totalling K729,158,600 issued to sixteen (16) officers in

August 2008 for procurement of fuel and lubricants and for the delegation to France to bring the remains of the late President had not been retired as of December 2008 as shown in the table below:

Station	Date of Issue	No. of Officers	Amount (K)
Cabinet Office	Aug-08	4	521,734,600
Southern Province	Aug-08	4	86,642,000
Copperbelt	Aug-08	4	105,950,000
Eastern Province	Aug-08	3	9,196,000
Northern	Aug-08	1	5,636,000
Totals		16	729,158,600

iv. Procurement of Materials

A total amount of K1,030,904,720 was paid to Ministry of Works and Supply to procure various goods and services for the funeral of the late President. Out of the total amount released, the Ministry spent K759,852,000 for the procurement of mattresses, carpets, coffee tables and chairs for which no disposal details were available.

v. Unaccounted for Funds

Out of the total of K250,000,000 disbursed to Central and Luapula Provinces, a total amount of K110,000,000 was not accounted for by the respective Provincial Administrations in Central (K10,000,000) and Luapula (K100,000,000) provinces.

vi. Misapplication of Funds - Eastern Province

A total amount of K100,000,000 was received by the Provincial Administration Office to cover for the funeral expenses. It was however observed that a total of K45,196,000 was applied on unrelated activities such as procurement of fuel for Kulamba ceremony and curtains for the Minister's residence among others.

HEAD:	11	Zambia Police Services
DEPARTMENTS:	01	Headquarters
	03	Lilayi Training School
	07	Paramilitary
	08	Airport Division
UNITS:		Various
PROGRAMMES:		Various
ACTIVITIES:		Various

22. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008 provisions totalling K259,901,829,322 were made to cater for various activities under Zambia Police Service Headquarters, Lilayi Training School, Para-Military, and Airport Divisions, out of which amounts totalling K 206,919,185,519 were released, resulting in an under funding of K52,982,643,803 as shown below:

Head	Department	Budget (K)	Funding (K)	Under/ (Over) Funding (K)
11/01	Headquarters	224,758,255,644	169,197,372,962	55,560,882,682
11/03	Lilayi Training Sch	9,204,171,523	9,803,535,431	(599,363,908)
11/07	Para-Military	20,570,356,476	22,262,589,447	(1,692,232,971)
11/08	Airport Division	5,369,045,679	5,655,687,679	(286,642,000)
	TOTAL	259,901,829,322	206,919,185,519	52,982,643,803

Accounting and Other Irregularities

In paragraph 19 of the Auditor General's report on the accounts for the financial year ended 31st December 2007, mention was made of the weaknesses in accounting for personal emoluments, loans and other irregularities such as irregular payments of salaries, non recovery of loans, and unretired imprest among others.

In their First Report for the Fourth Session of the Tenth National Assembly, the Public Accounts Committee (PAC) recommended among others that the controlling Officer should look into ways of streamlining the notification process for deceased cases and make it more efficient to avoid paying salaries to officers that had passed away as well as report progress on the recoveries.

A review of the situation carried out in June 2009 revealed that the situation had not improved. In particular the following were observed:

a. Irregular Payment of Salaries

i. Payment of Salaries to Deceased Officers

According to Circular No B.2 of 2004, payment of salaries should be terminated on the dates of passing away. Contrary to the above circular, six (6) Officers, who died between January and November 2008, were still being paid their monthly salaries as of December 2008. In this regard, amounts totalling K39,193,896 were paid to the six (6) deceased officers and there was no documentary evidence to show whether the funds were recovered from their terminal benefits.

ii. Payment of Salaries to Retired Officers

Contrary to Circular No B.2 of 2004, twenty seven (27) officers, who retired between January and November 2008, were still drawing full salaries as of December, 2008. As a result, amounts totalling K337,294,080 was irregularly paid to the retired officers.

iii. Officers with Deductions More Than the Gross Pay

Contrary to Public Service Management Division Circular No. B.19 of 2007, which states that the net pay, after deductions, should not be less than 40% of the basic salary, eighty three (83) officers had no take home pay as they had more deductions than their earnings on their payslips.

b. Irregular Payments of Housing Allowances

According to the Terms and Conditions of Service for the Public Service No.182, employees accommodated in institutional and Government rented houses are required to contribute to Government at the rate of 10% of their basic pay.

In addition, in May 2008, the Government introduced housing allowances on pay slips of all civil servants including Officers from Zambia Police, who were either accommodated in Government or in rented houses.

Contrary to the above, it was observed that during the period from June 2008 to June 2009, amounts totalling K13,365,425,572 being the 10% recoveries from 8,818 officers in the Police Service occupying institutional or rented houses were owing to Government.

In addition, the same officers drew housing allowance during the same period amounting to K23,179,080,000.

Although in his response dated 7th September 2009, the Controlling Officer stated that the recoveries in respect of K23,179,080,000 were being handled by the office of the Permanent Secretary while the recoveries for the K13,365,425,572 had been effected, no action had been taken as of October 2009.

c. Unvouched Expenditure

i. Missing Payment Vouchers

Contrary to Financial Regulation No.65 fifteen (15) payment vouchers totalling K57,673,768 were not produced for audit.

ii. Unsupported Payment Vouchers

Contrary to Financial Regulation No.52, there were seventeen (17) payment vouchers totalling K405,222,000 which had no supporting documents such as quotations, invoices and local purchase orders.

d. Non Recovery of Monies from Surcharged Officers

Where there is loss to Government, Financial Regulation No. 174 requires the Controlling Officer to submit Accounts Form 92 to the Secretary to the Treasury with a copy to the Auditor General indicating whether, in the Controlling Officer's opinion there is a case for surcharge against the officer or the officers concerned.

Copies of Accounts Form 92 covering the period 2000 to 2009 submitted to the office and examined during the course of the audit revealed that there were twenty seven (27) officers who were surcharged a total sum of K371,938,856 for causing damage to GRZ vehicles but recoveries were not instituted.

Although in her response dated 7th September 2009, the Controlling Officer stated that the recoveries had been effected, the position was the same as of October 2009.

e. Non-Recovery of Loans and Advances

In paragraph 19 of the Auditor General's report for the financial year ended 31st December 2007, mention was made of outstanding loans and advances amounting to K277,084,000.

A review carried out in June 2009 showed that the situation had worsened in that out of a total of K790,050,000 paid out as loans and advances to one hundred and eighty two (182) officers during the period under review, recoveries were effected for only thirty six (36) officers. In this regard, a total amount of K585,350,000 was outstanding as of October 2009 despite the assurance from the Controlling Officer

that recoveries had been effected from all the one hundred and eighty two (182) officers.

f. Imprest

i. Unretired Imprest

Financial Regulation No. 91 requires that no officer shall be issued with subsequent imprest while the earlier one has not been retired. In addition Financial Regulation No. 96 (1) requires that special and accountable imprest should be retired immediately the purpose for which they are issued has been fulfilled.

The audit carried out revealed weaknesses in the manner the department was administering imprest in that contrary to the above regulation, there were subsequent imprests issued to officers with outstanding imprests. Imprests were also not being retired immediately the purpose for which they were issued had been fulfilled.

As a result of the above weaknesses, imprest in amounts totalling K623,896,875 involving seventy (70) transactions issued to sixty two (62) officers during the period under review had not been retired as of October 2009. Out of the fifty five (55) officers, eight (8) officers were issued with subsequent imprest and in all cases, imprest was not retired within forty eight (48) hours.

ii. Non Submission of Retirement Details

Financial Regulation No. 93 requires that a record of the issue and retirement of all imprest be kept in a register of imprest (Accounts form 17).

Although the department stated that imprest in amounts totalling K244,212,500 involving eleven (11) transactions issued to five (5) officers were retired, there were no retirement details produced for audit contrary to Financial Regulation No. 93.

g. Failure to Follow Tender Procedures

Contrary to procurement guidelines, the Zambia Police procured stores items amounting to K241,315,841 during the period under review without obtaining competitive quotations.

h. Non Reconciliation of Accounts

Contrary to Financial Regulation No.138, it was observed that during the period under review, Lilayi Training School and Airport Division did not prepare monthly bank reconciliations. Failure to reconcile accounts may lead to concealment of fraud, errors and other irregularities especially for entities such as the Police Service which collects revenue.

Although in her response dated 7th September, 2009, the Controlling Officer stated that reconciliations had been done and were available for verification, the same were not produced during verification carried out in October 2009.

i. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items costing K105,529,509 procured during the period under review.

j. State Funeral Funds - Non Submission of Expenditure Returns

In August 2008, amounts totalling K2,350,000,000 were disbursed to sixteen (16) divisions for state funeral expenses.

However, as of September 2009, only two (2) divisions had submitted expenditure returns totalling K250,000,000 leaving a balance of K2,100,000,000 with no expenditure returns submitted to Headquarters contrary to Financial Regulation No 8. It was therefore, not possible to ascertain whether the funds were utilized for the intended purposes.

k. Poverty Reduction Programmes (PRP)

i. Undelivered Building Materials

In 2008, the Government provided K800,000,000 for the rehabilitation of Police stations throughout the country, out of which K686,666,667 was released.

A scrutiny of records revealed that building materials worth K107,960,000 procured during the period from April to September 2008 for the rehabilitation works had not been delivered as of October 2009 as detailed below;

Name of station	Amount K
Kamfinsa	6,845,000
Shibuyunji	43,342,500
Westwood	29,840,000
Chililabombwe	<u>27,932,000</u>
Total	<u>107,959,500</u>

ii. Poor Record Keeping – Airport and Para Military Divisions

There was poor record keeping at the Airport Division in that payment vouchers were kept in envelopes and were not sequentially filed. It was further observed that contrary to Financial Regulation No.46, information on payment vouchers at both divisions was incomplete as cheque numbers and dates were not indicated.

I. Procurement of Motor Vehicles

A budget provision of K2,990,000,000 was made in the Estimates of Revenue and Expenditure for 2008 for the procurement of motor vehicles and the whole amount was released.

An examination of records however revealed the following:

i. Over Commitment on Procurement of Motor Vehicles

Although only a budget provision of K2,990,000,000 was made, the Service entered into contractual obligations amounting to K6,765,654,320, resulting in an over commitment by K3,775,654,320.

In her response, the Controlling Officer stated that the over commitment would be taken care of since the department had a three (3) year budget plan framework called MTEF. However, in their minutes of 27th October, 2008, the central tender committee advised that it was a misdirection to commit next year's budget to current procurements.

ii. Excess Expenditure

Although a total amount of K2,990,000,000 was released, the Service made payments in amounts totalling K3,477,902,208, resulting in excess expenditure of K487,902,208.

In explaining the excess expenditure, the Controlling Officer stated that the additional funds were obtained from Appropriation-In-Aid which was brought forward from the previous year.

However, the explanation was not satisfactory as Appropriation - In -Aid is meant for a particular financial year and can therefore not be carried forward to another financial year. All unspent funds are supposed to be surrendered to the Treasury at the end of each financial year.

iii. Contract With Auto Care Limited

The Central Tender Committee at its meetings held on the 27th October, 2008 considered and rejected an application from the Ministry of Home Affairs for the waiver of normal tender to single source Auto-care Limited for the supply and delivery of thirty-one (31) motor vehicles for the Zambia Police Service

The Central Tender Committee observed the following:

- The Ministry did not have the funds for the procurement;
- It was a misdirection to commit the following year's budget to the current year procurement;
- Vehicles requested for purchase had not been tested on the Zambian market and hence had no record of durability.

On the above basis, the Central Tender Committee instead directed the Ministry to request Cabinet Office to direct Ministry of works and Supply to mobilise vehicles from Government departments to be used for security purposes by the Police during elections.

However, the Central Tender Committee at the meeting held on 29th October 2008, rescinded its earlier decision and granted the Ministry a waiver from formal tender to special formal tender to single source Auto Care Limited for the supply and delivery of thirty one (31) motor vehicles for Zambia Police Service.

In this regard, on 31st October, 2008 the Ministry entered into a contract with Auto Care Limited to supply and deliver thirty one (31) motor vehicles at a total cost of K4,287,752,112 (US\$932,750).

It was however, observed that the vehicles were delivered on 29th October, 2008 even before the contract was signed indicating that the department had already committed the Government and were therefore only seeking retrospective authority.

A further scrutiny of the records relating to the contract revealed the following:

- The supplier was paid a total amount of K2,000,000,000, leaving a balance of K2,287,752,112 due to lack of funds. This issue was earlier raised by the Central Tender Committee;
- It was not possible to obtain comparative prices from other suppliers as the vehicles had never been supplied on the Zambian market;
- As of October 2009, the vehicles had not been insured; and
- A physical verification and enquiries made in June 2009 on the vehicles disclosed that fifteen (15) vehicles were non runners and required repairs at a total cost of K146,460,600.

It was also noted that there was no warranty given on the vehicles and that the contract did not provide for penalties in the event of breach.

m. Contracts for Construction of Housing Units

A total amount of K60,000,000,000 was provided for in 2008 for the construction of housing units, out of which K43,000,000,000 was released. In addition, an amount of K9,767,000,000 was brought forward from 2007 bringing the total available funds to K52,767,000,000.

In order to carry out the construction works, the Ministry in 2007 advertised for bids to construct 413 Low, medium and high cost housing units in Ndola, Mongu, Chipata, Livingstone and Kasama. The Central Tender Committee at a meeting held on 20th December, 2007 considered the application and granted authority to award the contracts for Lots 1,2,4,5,6,7 and 8 with a total value of K156,584,128,071, more than the funds available by K103,817,128,071 as shown below:

Lot	Houses / Contract	Actual Built	Location	Contractor	Bid Sum (K)
1	50	95	Chifubu	Hua Jiang Investments ltd.	26,454,239,880
2	24	41	Peter Singogo	Covec- Zambia Ltd	16,520,245,965
4	74		Chipata	Fair-Face Enterprises Ltd.	25,730,158,225
5	81	86	Kansenji	China Jiang International Economic Tech.	20,313,067,945
6	47	58	Masala	China Jiang International. Economic Tech	14,042,286,820
7	50	60	Kasama	Hua Jiang Investments ltd.	27,924,756,156
8	50	68	Livingstone	Covec- Zambia Ltd	25,599,373,088
Total Awarded Bids					156,584,128,078
Total Available funds					52,767,000,000
Shortfall					103,817,128,071

In addition, it was observed that although total funds available were K52,767,000,000, the four (4) Contractors were paid amounts totalling K54,371,308,703. The source of the additional funds of K1,604,308,703 was not explained.

A physical verification of the various projects carried out in October 2009 revealed that construction works were still in progress.

HEAD: 13/03 Ministry of Energy and Water Development-
Department of Water Affairs

UNITS: Various

PROGRAMMES: Various

ACTIVITIES: Various

23. In the Estimates of Revenue and Expenditure for the Financial year ended 31st December 2008, provisions totalling K11,385,333,166 were made to cater for construction of earth dams, maintenance of dams, development of springs, construction of water harvesters, ground water resource development, construction of boreholes, rehabilitation of hydrometrics and the specialised hydro geological equipment against which a total amount of K8,087,194,069 was released resulting in an under funding of K3,298,139,097 as shown in the table below:

Activity	Budget K	Releases K	Variance K
Construction of Earth Dams	4,700,611,202	3,700,611,202	1,000,000,000
Maintenance of Dams	2,100,000,853	1,800,000,853	300,000,000
Development of Springs	484,660,000	334,998,917	149,661,083
Construction of Rain Water Harvesters	600,024,000	434,032,456	165,991,544
Ground Water Resources Development	1,400,000,000	900,000,000	500,000,000
Water Development -Eastern Province	600,000,000	150,000,000	450,000,000
Construction of Boreholes	500,000,000	175,000,000	325,000,000
Rehabilitation of Hydrometric Stations	800,037,111	442,550,641	357,486,470
Specialised Hydro geological Equipment	200,000,000	150,000,000	50,000,000
Total	11,385,333,166	8,087,194,069	3,298,139,097

Weaknesses in Accounting for PRP Funds

An examination of financial and other records maintained at the Ministry Headquarters and a physical inspection of projects carried out in September 2009, revealed the following:

a. Construction of Lunyati Dam in Kaoma District (Western Province)

The Lunyati earth dam was being constructed in the Kalumwange Settlement Scheme north of Kaoma district in the Western Province as part of Government policy of providing economic infrastructure in farming blocks throughout the country.

The Ministry decided that the dam could be constructed by the Department of Water Affairs through the Provincial Water Officer (PWO) at a cost of K1.6 billion and between March and June 2008, a total of K750,000,000 was released for the construction of the dam as detailed below:

Date	EFTA.No.	Payee	Amount K	Details
13.03.2008	5	PWO-Western	100,000,000	Construction of Lunyati Dam
17.06.2008	21	PWO-Western	650,000,000	Construction of Lunyati Dam
Total			750,000,000	

Construction works started in September 2008 and as of December 2008, a total amount of K679,721,000 (K400,000,000 on hire of equipment and K279,721,000 on fuel) had been spent on the project. However, the following were observed;

i. Eroded Spillway

During the rainy season the spillway was eroded resulting in a large gully as shown below. As of September 2009, the gully had not been worked on.



Gullied Spillway at Lunyati Dam

ii. Uncompleted Works

As of September 2009, the dam was still not completed and an auxiliary spillway of 30 metres width constructed on the left bank of the stream had collapsed. See picture below:



Collapsed Spillway of 30 metres Wide

HEAD: 14 Ministry of Mines and Minerals Development
PROGRAMMES: Various
ACTIVITIES: Various

24. In the Estimates of Revenue and Expenditure for the Financial year ended 31st December 2008, provisions totalling K42,193,263,246 were made to cater for the Ministry's activities, against which amounts totalling K27,889,834,010 were released leaving a balance of K14,303,429,236.

Accounting and other Irregularities

An examination of accounting and other records carried out in April 2009, at the Ministry Headquarters and Mines Safety Department in Kitwe revealed the following:

Headquarters

a. Unacquitted Payments

Contrary to Financial Regulation No.45, twenty-four (24) payments in amounts totalling K382,695,000 in respect of allowances paid to various officers during the period under review had no acquittal sheets.

b. Non Submission of Expenditure Returns by Mining Bureaux

The Ministry has five (5) Mining Bureaux in rural mining areas which coordinate mining activities. The Ministry disburses grants as support to the institutions. In turn the bureaux are supposed to account for the funds through submission of expenditure returns to the Ministry.

During the period under review, a total amount of K1,350,000,000 was released to five (5) Mining Bureaux as support for their operations. However, as of September 2009 there were no expenditure returns submitted to the Ministry Headquarters to indicate how the funds were utilized.

c. Unretired Imprest

Contrary to Financial Regulation No.96, imprest in amounts totalling K898,112,840 issued to various officers during the period under review at the Ministry Headquarters (K386,407,500) and Kitwe Mines Safety Department (K511,705,340) had not been retired as of June 2009.

d. Misapplication of Funds

Amounts totalling K142,524,552 were applied on Personal Emoluments related activities from RDCs account at the Ministry headquarters (K23,578,864) and Kitwe Mines Safety Department (K118,945,688). As of December 2009, the monies had not been reimbursed.

e. Weaknesses in Accounting for Fuel

Contrary to Public Stores Regulation No. 16, fuel costing K1,340,779,338 procured during the period under review for headquarters (K1,045,779,338) and Kitwe (K295,000,000) had no supporting documents such as reconciliation statements and fuel registers among others.

In addition, fuel costing K94,895,080 was procured for constitutional office holders and senior management who were also in receipt of fuel allowances. Further, fuel costing K5,500,599 involving eighteen (18) transactions was drawn by vehicles which did not belong to the Mines Safety Department in Kitwe.

f. Unexplained Adjustment on Bank Reconciliation

Contrary to Financial Regulation No. 138(1), the Ministry did not reconcile five (5) of its bank accounts. It was also noted that, although reconciliations were done on the main account, there was an un-explained adjustment of K905,797,984 on the bank reconciliation statement for the month of December 2008.

In his response dated 22nd October 2009, the Controlling Officer stated that the Ministry did not prepare bank reconciliation statements on the five (5) accounts as the accounts were not active. He further stated that the unexplained adjustment of K905,797,984 was due to errors that had appeared on the bank statements and efforts had been made to consult the bank for an explanation and this was currently being awaited.

However, it was not clear why the inactive accounts had not been closed and as of December 2009, there was no evidence that the Ministry had made efforts to clarify the errors with the bank.

g. Weaknesses in Stores Management – Mines Safety Department

Contrary to Public Stores Regulation No. 16, stores items costing K89,752,210 had no receipt and disposal details.

HEAD:	15/02	Ministry of Home Affairs - Prisons and Reformatories
UNIT:	1	Prisons and Reformatories
PROGRAMMES:	2	General Administration
	7	General Operations
ACTIVITIES:		Various

25. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a total authorised provision of K14,385,971,934 was made to cater for General Administration and General Operations, against which a total amount of K13,248,348,106 was released leaving a balance of K1,137,623,828. The amount released represented 92% of the total authorised provision.

Accounting Irregularities

An examination of financial and other records maintained at Prisons Headquarters in Kabwe and in Chipata revealed the following:

a. Headquarters

i. Unvouched Expenditure

Contrary to Financial Regulation Nos. 52 and 65, payments in amounts totalling K795,994,655 involving thirty eight (38) transactions were unvouched in that the payment vouchers were either missing, unsupported or inadequately supported by relevant documents such as quotations, invoices and Local Purchase Orders among others.

ii. Unaccounted for Funds

i. Procurement of Industrial Workshop Equipment

Out of the total authorised provision of K14,385,971,934, a total amount of K362,941,185 was for the procurement of industrial workshop equipment. However, although the financial report showed that a total expenditure of K361,167,120 representing 99.5% of the authorised provision on the activity had been incurred, the department could not produce expenditure records and a physical verification at Prisons headquarters revealed that no equipment had been procured.

ii. Procurement of Security Fittings and Gadgets

Out of the total authorised provision of K14,385,971,934, a total amount of K500,000,000 was provided for the procurement of security fittings and

gadgets. However, although the financial report showed that a total expenditure of K486,255,463 representing 97% of the authorised provision had been incurred, the department did not procure the security gadgets and details of how the funds were spent were not made available.

iii. Management of Imprest

Contrary to Financial Regulation No.93, imprest registers were not maintained. Further, imprests in amounts totalling K2,638,155,431 issued to four hundred and forty four (444) officers during the period under review had not been retired as of November 2009 contrary to Financial Regulation No. 96.

iv. Irregular Payment of Fuel Allowances

A total amount of K242,376,000 was irregularly paid to five (5) officers during the period under review as fuel allowances even though the officers were not entitled to the allowance.

v. Questionable Refunds

Three (3) officers attached to the United Nations Peacekeeping Mission in Sudan were paid refunds totalling K14,158,800 for Air Travel expenses from Sudan to Zambia and back. The refund was questionable as the attachment was fully sponsored by the United Nations.

vi. Questionable Payment of Hotel Bills

Six (6) payments in amounts totalling K262,884,456 were made to various hotels and lodges for accommodation and meals during the African Correctional Services Association (ACSA) Conference held in Livingstone in September 2008.

However, the basis of the payments could not be established as there were no bills and invoices attached to the payment vouchers contrary to Financial Regulation No. 52(1). It was also not known as to how many officers were involved and for what period the payments related to.

vii. Splitting of Payments

Four (4) payments in amounts totalling K90,260,000 were made in September 2008 to Kwavion Ltd for the supply of conference bags, folders and t-shirts to be used during the African Correctional Services Association (ACSA) Conference held in Livingstone.

According to procurement guidelines, the Commissioner of Prisons can approve payments of up to K30,000,000. However, contrary to the guidelines, the Department circumvented tender procedures by splitting the amount in four (4) payments as shown below:

Payee	Date	Cheq No.	Amount K
Kwavion Ltd	23.10.08	9750	15,260,000
Kwavion Ltd	23.10.08	9751	19,500,000
Kwavion Ltd	23.10.08	9752	29,000,000
Kwavion Ltd	23.10.08	9753	26,500,000
Total			90,260,000

viii. Stores and Fuel Without Receipt and Disposal Details

Contrary to Public Stores Regulation No.16, fuel and various stores items costing K207,244,000 purchased during the period under review had no receipt and disposal details.

In addition, there were no receipt and disposal details for sixteen (16) laptops, one (1) photocopier and forty (40) flash disks costing K116,975,970 procured during the period under review.

ix. Irregular Payment of Rentals

During the period under review, the Department irregularly paid a total of K97,519,125 towards house rentals for twenty (20) officers who were also in receipt of housing allowances. As of December 2009, the situation had not been regularised.

b. Eastern Province

An examination of financial, stores and other related records maintained at the Eastern Region Headquarters in Chipata revealed the following:

i. Unsupported Payments

There were twenty two (22) payment vouchers in amounts totalling K31,940,610 made during the period under review which had no supporting documents such as invoices and receipts contrary to Financial Regulation No. 52.

ii. Unretired Imprest

Contrary to Financial Regulation No. 96 (1), imprests in amounts totalling K9,660,000 issued to four (4) officers between January and December 2008 had not been retired as of October 2009.

HEAD: 15/07 Ministry of Home Affairs-Drug Enforcement
Commission Headquarters
UNITS: Various
PROGRAMMES: Various
ACTIVITIES: Various

26. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K19,293,699,489 was made to cater for various activities, against which a total of K20,081,820,467 was released, resulting in over funding of K788,120,978 representing four percent (4%) above the authorised provision.

Accounting and Other Irregularities

An examination of accounting and other related records maintained at DEC headquarters carried out in September 2009 revealed the following:

a. Irregular Payment of Salaries and Allowances

i. Payment of Full Salaries to Suspended Officers

Contrary to the Terms and Conditions of Service for the Public Service, three (3) officers, the Commissioner, the Deputy Commissioner and the Assistant Commissioner who were suspended in August 2007, were still drawing full salaries. Consequently, amounts totalling K159,163,730 had been irregularly paid to the Officers as of January 2009.

ii. Payment of Salary and Other Allowances After Notice of Expiry of Contract of Employment

The former Commissioner was appointed on 10th June 2005 on a three (3) year contract of employment with effect from 12th April 2005 and the contract was to end on 11th April 2008.

However, on 5th August 2007, the former Commissioner was suspended and on 12th January 2009, the Secretary to the Cabinet notified the former

Commissioner that his contract expired on 12th April 2008 and it was not renewed, that he was no longer an employee of Government.

However, a scrutiny of payroll and other pertinent records revealed that the Commission continued to pay the Commissioner a full salary and other allowances after notice of expiry of contract of employment. In this regard, amounts totalling K55,359,305 were irregularly paid between February and June 2009.

b. Irregular Payment of Housing Allowances

In May 2008, the Ministry of Finance and National Planning effected Housing Allowances on pay slips to all civil servants including officers from DEC.

However, a review of records relating to payment of rentals revealed that DEC continued paying for rentals for its staff, while staff continued receiving housing allowances. In this regard, a total amount of K323,898,571 was irregularly paid to fifty seven (57) officers as housing allowance between the period June 2008 to July 2009, while a total amount of K1,059,144,929 was paid as house rentals for the same officers during the same period.

In addition, out of the total amount of K1,059,144,929 paid in respect of house rentals, a total of K794,182,433 involving one hundred and ninety three (193) transactions were paid to various landlords without tenancy/Lease agreements.

It was further observed that there were no valuation reports from the Valuation Department to determine the rentable value of the property to justify the rental amount paid.

c. Unvouched Payments

Payments in amounts totalling K117,779,279 involving nineteen (19) transactions made during the period under review were unvouched in that they lacked supporting documents such as invoices, acquittal sheets and receipts among others, contrary to Financial Regulation No. 45.

d. Unretired Imprest

Contrary to Financial Regulation No.96, imprest in amounts totalling K66,400,167 issued to eleven (11) officers during the period under review had not been retired as of October, 2009.

e. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items costing K68,948,520 procured during the period under review.

f. Double Payments on Acting Commissioner's Housing Rentals

Following the suspension of the Commissioner on 5th August 2007, an Acting Commissioner was appointed on 29th November 2007. A review of records relating to rentals for the Acting Commissioner revealed the following:

i. Rent for Plot No. 2337/MB Lusaka

An amount of K38,500,000 was paid between January and November 2008 by the Commission for the Acting Commissioner's house.

It was also noted that the Zambia Police Service paid rentals amounting to K14,000,000 on 1st April 2008 for the months January to April 2008, resulting in a double payment to the Landlord. As of September 2009, the amount had not been recovered.

It was further observed that despite paying for the other house on plot No. S/D/E/I/D Farm 397, Makeni for a period which also covered December 2008 and January 2009, the Commissioner did not vacate the house thereby incurring bills totalling K4,666,667 and K1,865,644 in rentals and electricity bills respectively. The landlord has since put in a claim amounting to K6,532,311.

ii. Rent for S/D/E/I/D Farm 397, Makeni

On 15 July 2008, the Drug Enforcement Commission entered into a lease agreement with Madison Insurance Company to rent a house for the Acting Commissioner at K16,422,000 (US\$3,500) per month in Makeni area. The lease was for a period of two (2) years commencing 1st August 2008. The Acting Commissioner occupied the house from October 2008. The Commission paid K14,097,000 above the average of K2,325,000 per month which was paid for other commissioners. It was noted that no valuation was done by the Valuation Department for rental purposes.

In addition, the security deposit of K41,055,000 (US\$ 10,500) had not been refunded upon vacating the house by the Acting Commissioner in February 2009.

Records examined further revealed that the landlord was claiming a total amount of K52,500,000 (\$10,500) for the period January to March 2009 since the Commission did not give the required three (3) months notice, for vacating the house.

g. Weaknesses in Transport Management

i. Outstanding Bills in Various Garages

As of August 2009, a total amount of K123,204,427 was outstanding to various garages for repair of motor vehicles as shown below:

REG NO	MAKE	GARAGE	YEAR W	AMOUNT TO BE PAID
GRZ 622BP	Isuzu KB 280	BH Diesel	2005	6,552,278
GRZ 872BR	Nissan	Kulugo Motors		21,000,000
GRZ 358BN	Nissan Urvan Minibus	Idea Motors		20,900,000
GRZ 687BP	Isuzu KB 220	Action Auto		8,546,427
GRZ 824BP	BMW	Lunas		3,400,000
GRZ 631BM	Mercedez Benz	Jamm's Motor Clinic	2003	13,000,000
AAT 2063	Nissan 1 Tonner	Panhit Ltd	2006	
ACG 3076	Toyota Hiace	Panhit Ltd	2006	
ACE 5167	Mitsubishi	Panhit Ltd	2006	
ACE 5169	Mitsubishi	Panhit Ltd	2006	26,819,722
AAT 2816		Gear Box Centre		6,486,000
GRZ 986BS/110BR		Freez-o-matic		16,500,000
Total				123,204,427

The bills had been outstanding from as far back as 2003.

ii. Repair of Motor Vehicles

According to records reviewed, a Nissan Urvan Minibus was taken to Idea Motors in 2003 for suspension repairs at a cost K20,900,000. However, it was not possible to physically verify the vehicle at the time of audit as its whereabouts were unknown.

Another vehicle, a Mercedes Benz car was taken to Jamm's Motor Clinic in 2003 for engine repairs. It was noted that as of September 2009, repairs had not been carried out and the vehicle was still in the garage. Further inquiries revealed that the garage had since wound up and the vehicle had been abandoned and no action had been taken by the commission to retrieve the vehicle. *See picture below:*



*Abandoned Mercedes Benz at a private Garage
with a shattered screen*

It is apparent from the above that if no action is taken to retrieve the vehicle, the vehicle will be susceptible to further damage.

iii. Failure to Process Accident and Loss Reports

According to Financial Regulation No.172(1),(2) and (3), a loss is supposed to be reported immediately it occurs and investigations instituted. Once the investigations are concluded, the controlling officer is supposed to prepare a loss report on accounts form 92, attaching a police report where necessary.

It was observed that contrary to the above regulation, no police and loss reports were prepared when a Toyota Camry GRZ 714 purchased in March 2008 at a cost of K46,000,000 was involved in an accident whilst being driven by the former Acting Commissioner.

A physical inspection of the vehicle carried out in August 2009 revealed that the vehicle was damaged beyond repair as shown below:



A Camry involved in Accident



Engine of the Same Vehicle fitted into another

It was further observed that at the time of the accident, the vehicle was not been insured.

iv. Insurance of Motor Vehicles

It was observed that although the Commission had a total fleet of one hundred and twenty nine (129) motor vehicles out of which forty (40) were non runners, the vehicles had not been insured as of August 2009. It was observed in this regard that due to the failure to insure the motor vehicles, no compensation could be obtained from a third party who was at fault when a motor vehicle Isuzu KB200 GRZ 687BP was involved in a road traffic accident on 18th July 2005. The total repair cost were estimated at K24,650,000.

h. Procurement of Used Motor Vehicles

A total amount of K233,333,333 was released for the procurement of second hand motor vehicles. In this regard, on 29th April 2008, the Commission engaged KDG Auto Links of South Africa to supply and deliver thirty three (33) second hand vehicles at a total cost of K729,395,000 without entering into a formal contract. In the absence of a written agreement, it was not possible to ascertain contractual obligations of the two parties.

It was further noted that a total cost of K729,395,000 was K529,395,000 more than the provision representing an excess of 265% of the provision. Out of the total cost, the supplier was paid a total amount of K715,000,000 leaving a balance of K14,395,000 as of November 2009.

HEAD: 17 Ministry of Foreign Affairs
 /01 Headquarters
 /39 Zambia Mine Action Centre
 /40 Development and International Organisations
 /41 Protocol
 /42 Political Affairs
 /49 Great Lakes Region

UNITS: Various

PROGRAMMES: Various

ACTIVITIES: Various

27. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a total provision of K17,600,171,612 was made to cater for various programmes and activities under the Ministry headquarters against which a total of K15,689,505,182 was released.

Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry headquarters carried out in March 2009 revealed the following:

a. Unauthorized Expenditure on Purchase of Motor Vehicles

An amount of K589,626,694 was provided for the purchase of motor vehicles out of which K509,635,544 was released. However, records examined revealed that the Ministry spent K1,166,974,205 on purchase of twelve (12) motor vehicles resulting in unauthorised expenditure of K577,347,511. As of 31st December 2008, the expenditure had not been normalised.

In a minute MFB/103/8/63 dated 28th July 2009, the Permanent Secretary Budget and Economic Affairs at the Ministry of Finance advised the Permanent Secretary Foreign Affairs that the expenditure will only be normalised through the excess expenditure Appropriation Bill. This was in response from earlier request from the Permanent Secretary Foreign Affairs to normalize the expenditure.

b. Wasteful Expenditure

According to existing government procedures, VIP houses are maintained and refurbished by the Ministry of Works and Supply. In 2008, this was provided for under Programme 8-Procurement Management, Activity 007-VVIP and VIP, Residential furniture, Curtains, Carpets, Linen and Banqueting suite.

It was observed that contrary to the above procedure, the Ministry of Foreign Affairs procured curtains for the Minister's official residence at a total cost of K108,060,990 for which no refund had been obtained from the Ministry of Works and Supply as of October 2009.

A review of Ministerial tender records further revealed that in their Ministerial Tender Committee meeting of 8th February, 2008 (MTC No. 010-08), the committee recommended that the procurement be made from Spinalong Ltd at a cost of K22,305,143.

However, it was noted that after the earlier decision to procure from Spinalong Ltd was made, the Tender Committee under unclear circumstances convened again and negated on their earlier decision. In this respect, the Committee recommended that the procurement be made from Beautiful Living Company Ltd at a cost of K108,060,990, 384% higher than the earlier approved quotation.

HEAD:	17/03	Ministry of Foreign Affairs-Mission Abroad Washington
UNIT:	2	Human Resources and Administration
PROGRAMMES:	1	Personal Emoluments
	2	General Administration
	7	Political and Economic Relations
ACTIVITIES:		Various

28. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K8,233,677,419 and K7,024,511,879 were made to cater for various activities for the Mission. Although the Treasury released amounts totalling K8,639,789,417 in 2007 and K7,226,875,446 in 2008 to the Ministry for the Mission, amounts totalling K8,048,045,011 and K7,417,366,724 respectively were remitted. Consequently, the Mission was under funded by K185,632,408 in 2007 and over funded by K392,854,845 in 2008 by the Ministry. The overfunding was not covered by supplementary provisions.

Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry and the Mission, and a physical inspection carried out in May 2009 revealed the following:

a. Revenue

i. Lack of Segregation of Duties

There was lack of segregation of duties in that the receptionist was also in charge of processing passports and receiving revenue

ii. Travel Documents Not Recorded in Register

Contrary to Financial Regulation No. 103, twenty (20) travel documents ranging from 272681 - 272700 that were received by the Mission in April 2009 had not been recorded in the register. In this regard, there was a risk that unauthorized issuing of travel documents may not be detected resulting in loss of revenue.

iii. Delays in Banking Revenue

Contrary to Financial Regulation No. 121, there were delays in banking of revenue collected during the period from January to December 2008 amounting to K1,149,775,000 (US\$254,400) for periods ranging from two (2) to eighty eight (88) days.

b. Expenditure

i. Non Preparation of Expenditure Returns

Financial Regulation No. 8 requires that Controlling Officers submit returns and reports as may be required by the Secretary to the Treasury, of revenue collected by them or funds expended under the Head for which they are responsible.

However, contrary to the regulation, there were no expenditure returns prepared to show how the funds were utilised.

ii. Irregular Payment of Foreign Service Allowances

Foreign Service Regulation No. 56 states that an officer called to Zambia on duty/ consultation shall not exceed fourteen (14) days. After this period, the officer shall be paid subsistence allowance at local rates and shall not be entitled to Representational, Entertainment and Extra-Accreditation Allowances.

A scrutiny of accounting and other records, however, revealed that the Ambassador was away from station from November 2007 to February 2008 a period of more than fourteen (14) days and was paid subsistence allowance totalling K24,522,705 from the Ministry of Foreign Affairs while she was in Lusaka.

It was observed that contrary to the regulation, the Ambassador was paid Representational, Entertainment and Extra-Accreditation Allowances totalling K63,576,867 (US\$17,033.32) during the same period.

As of October 2009, no recoveries had been effected.

iii. Irregular Payment of Telephone Bills

According to Foreign Service Regulations and Conditions of Service No. 53 (iii) the Heads of Missions shall be paid a monthly Telephone Allowance of US\$ 350 to enable them settle their residential and mobile telephone bills.

It was observed that in addition to the monthly allowance of US\$350 paid to the Ambassador, the Mission settled telephone and cell phone bills totalling K11,819,058.75 (US\$3,089.90). As of August 2009, no recoveries had been made.

iv. Non Maintenance of Salary Advance Register

Government accounting procedures require that a register of advances showing the payee, amount paid and recovery details be maintained by accounting officers.

It was observed that contrary to the above requirement, the Mission paid advances totalling K206,705,020 (US\$53,498) to seventeen (17) officers during the period under review without maintaining an advances register. Consequently, it was difficult to verify whether all the advances paid were being recovered.

v. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K149,159,335.82 (US\$39,815.63) involving forty four (44) transactions issued to twelve (12) officers during the period from January 2007 to December 2008 had not been retired as of August 2009.

Further, no imprest register (Accounts form 17) was maintained by the Mission contrary to Financial Regulation No. 93.

vi. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of assorted stores items costing K284,828,831 (US\$70,482.52) procured during the period under review.

In the absence of stores records, it was not possible to ascertain whether all items procured and paid for were received and used for the intended purposes.

vii. Unaccounted for Fuel

Amounts totalling K103,954,300 (US\$27,289.50) were paid to BP AMOCO for the procurement of fuel for Mission vehicles during the periods under review.

However, there were no disposal details as well as reconciliations availed for audit to show the usage of fuel for each vehicle.

viii. Failure to Follow Tender Procedures

Contrary to procurement guidelines, the Mission purchased goods and services amounting to K167,077,908 (US\$43,185.53) without obtaining three (3) competitive quotations.

ix. Failure to Enter into Contracts

In paragraph 23(b) iii of the Auditor General's Report on the accounts for the financial year ended 31st December 2005, mention was made on the engagement of contractors without signing contracts. A review of the records in May 2009 revealed that the situation had not improved. In particular it was observed that in 2007 and 2008, various contractors were engaged at a total cost of K310,292,775 (US\$80,075.50) to carry out renovation works at the Mission without any form of contracts/agreements and the services were single sourced.

In the absence of written agreements, both parties had no legal basis on which to exercise their rights and obligations in the event of breach.

x. Properties

The Mission has five (5) properties which comprise the Chancery, and four (4) residential houses. A physical inspection of the properties conducted in May 2009 revealed the following:

▪ **2419 Massachusetts Ave - Chancery**

In July 2008, the Mission applied for authority to carry out emergency renovation works on the Chancery. The costs were estimated at K19,600,000. The Ministry granted authority in September 2008, and in this regard, the whole amount was subsequently released. It was however observed that the Mission, without the authority from the Ministry, varied the scope of works resulting in the Mission spending K39,725,000 (US\$11,350) which was K20,125,000 (US\$5,750) over and above the approved expenditure.

In addition, the roof which was part of the works was poorly done in that the gutters were not properly fixed and the basement was in a dilapidated state.

▪ **2300 Wyoming Ave - Official Residence**

A physical inspection at the residence revealed that the house needed maintenance in that most carpets were old and needed replacement, the floor between the kitchen and the laundry room where tiles were recently fixed needed to be worked on, the ceiling board was falling, and the wallpaper in the house needed replacement. It was further observed that the wiring on the heating and cooling system were a source of danger as they were exposed as seen in the pictures below:



Floor between kitchen and Laundry room Heating & cooling system



Torn Wall paper

Damaged Ceiling Board

▪ **5208 Linean Ave**

A physical inspection of the house revealed that although the house was recently renovated, the edges of the roof were coming out as shown in the picture.



Edges of the roof falling

▪ **8355 East Beach Drive**

In November 2007, the Mission engaged ACE Construction Company to carry out renovation works of the residence at a contract price of K97,505,000 (US\$23,750.00). The works involved renovations of the kitchen, bathroom in the master room and hallway, and plumbing works among others.

A site inspection of the residence carried out on 24th May 2009 revealed that renovation of the kitchen was not complete as new cabinets were not fixed and the bathtub paint was peeling off though the contractor had been paid in full. Below are pictures of the bathtub.



Bath tub paint fading

HEAD:	17/07	Ministry of Foreign Affairs, Mission Abroad ó Cairo
UNITS:	2	Human Resources and Administration
PROGRAMMES:	1	Personal Emolument
	2	General Administration
	7	Political and Economic Relations
ACTIVITIES:		Various

29. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K5,040,870,000 and K4,641,508,614 were made. However, the Mission was funded K3,608,590,000 and K5,267,006,760 resulting in under funding of K1,432,280,000 in 2007 and overfunding of K625,498,146 in 2008 which was not supported by supplementary provision.

Accounting and Other Irregularities

An examination of accounting and other records carried out in May 2009 at the Ministry and the Mission revealed the following:

a. Inadequately Supported Expenditure

Contrary to Financial Regulation No.65, there were ten (10) payments in amounts totalling K17,638,290 (US\$6,615.54) made during the period under review which were inadequately supported in that they did not have invoices, receipts and other documents.

b. Unserviceable Public Stores

In Paragraph 31 of the 2006 Auditor General's Report, mention was made of the failure by the Ministry to constitute a Board of Survey (BOS) to board a number of unserviceable items such as chairs and fridges.

In their report for the Second Session of the Tenth National Assembly, the Public Accounts Committee recommended that the Controlling Officer should report progress on the disposal of the items.

In December 2008, a BOS was constituted to board various items at the Mission. In this regard, various items were boarded at a total value of K11,080,000.

However, as of May 2009, the items had not been auctioned although the authority was granted in March 2009. Below are some of the items that were boarded but were not being disposed off.



Boarded items not Disposed off

c. Irregular Rental Payment – Ambassador’s Residence

According to Foreign Service Regulation No. 52, Ambassadors are entitled to rented accommodation at specified rates. In this regard, the Ambassador was entitled to rented accommodation of up to a maximum rate of US\$4,500 per month.

In June 2006, the Mission entered into a lease agreement for the rent of Villa No. 1 Azizia, Cairo Desert Road as Ambassador’s Residence at a monthly rental of US\$4,500. The following were however observed:

- i.** With effect from 1st June 2007, the landlord increased rentals from US\$4,500 to US\$4,950 per month without entering into a revised lease agreement.
- ii.** The mission paid rentals of US\$4,950 per month from June 2007 to August 2008 which resulted into an irregular payment of K26,136,000 (US\$ 6,750) over and above the entitlement.
- iii.** On 2nd January 2008, the Ambassador was recalled from the Foreign Service and subsequently left the Mission on 28th January 2008. However, the Mission continued paying rentals on the vacant house for a period of five (5) months (February to June 2008) resulting in wasteful expenditure of K90,288,000 (US\$24,750).
- iv.** In his response dated 14th October 2009, the Controlling Officer agreed with the observation that the five (5) months rentals after the Ambassador had left the residence was wasteful expenditure. He admitted the mistake and promised not to repeat it with other Missions.

d. Wasteful Expenditure

In Paragraph 31 of 2006 Auditor General’s Report mention was made of the lease agreement the Mission entered into 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 K15,705,000 (US\$4,500).

According to the agreement, the house was to be ready for occupation by 1st September 2005 after renovations.

In this regard, an amount of K31,410,000 (US\$9,000) was paid to the landlord on 16th August 2005 (being one month rental deposit and one month security deposit).

As of 1st September 2005, the house was not ready for occupation. Consequently, the lease Agreement was terminated and the Mission claimed a refund of K31,410,000 (US\$9,000).

In their report of the Second Session of the Tenth National Assembly, the Public Accounts Committee directed that the Controlling Officer should update the committee on what the Attorney General would advise on the matter.

A review of the matter in October 2009 revealed that no progress had been made in obtaining the refund.

HEAD:	17/08	Ministry of Foreign Affairs, Mission Abroad - Nairobi
UNITS:	2	Human Resource and Administration
PROGRAMMES:	1	Personal Emolument
	2	General Administration
	7	Political and Economic Relations
ACTIVITIES:		Various

30. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K3,822,049,607 and K4,027,102,680 were made. In this regard the Mission was funded K2,997,831,294 and K4,457,345,851 respectively resulting in under funding of K824,218,313 in 2007 and over funding of K430,243,171 in 2008 which was not supported by supplementary provision.

Accounting and Other Irregularities

An examination of accounting and other records at the Ministry Headquarters and the Mission carried out in May 2009, revealed the following:

a. Revenue - Delays in Banking

Contrary to Financial Regulation No.21, there were delays of periods ranging from three (03) to thirty six (36) days in banking revenue amounting to K48,954,900 (US\$ 9,930) collected during the period under review.

b. Expenditure

i. Failure to Follow Tender Procedures

Contrary to procurement guidelines, the Mission purchased goods and services costing K47,630,355 without obtaining three competitive quotations.

ii. Unserviceable Public Stores

In December 2008, the Mission sought authority from the Ministry Headquarters to constitute a BOS so as to dispose of various unserviceable stores items. However, as of October 2009, the BOS had not constituted resulting in some items deteriorating. See the pictures below.



Unserviceable Stores

iii. Deputy High Commissioner's Residence-154 Ngongo Road

In April 2007, the Mission engaged Messrs Frankam Builders and General Contractors to carry out works at a contract sum of K239,270,400 (Kshs4,997,000) for a period of twelve (12) weeks.

The works included building of a perimeter wall fence, replacement of the roof tiles, and rehabilitation of water tank and security light system among others. It was however observed that although the works were completed, the roof was leaking and the contractor had not returned to rectify the problem.

It was further observed that the contract did not have adequate terms and conditions such as variation clause, arbitration, legal fees, commencement and

completion period, defect liability period and rights on contract termination thereby exposing the Government to loss of public funds.

HEAD:	17/11	Ministry of Foreign Affairs, Mission Abroad, Moscow
UNIT:	2	Human Resource and Administration
PROGRAMMES:	1	Personal Emoluments
	2	General Administration
	7	Political and Economic Relations
ACTIVITIES:		Various

31. In the Estimates of Revenue and Expenditure for the financial years 2007 and 2008, provisions of K4,611,134,014 in 2007 and K6,516,826,948 in 2008 were made against which amounts totalling K4,961,590,106 in 2007 and K6,465,798,609 in 2008 were released. The amounts released in 2007 exceeded the authorized provision by K350,456,092 and was not supported by supplementary provision.

Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry Headquarters and the Mission carried out in May 2009 revealed the following:

a. Revenue-Delayed Banking

Contrary to Financial Regulation No.121(1), there were delays of between 5 to 10 days in banking revenue totalling \$905.00 (K5,126,825) collected during the period under review.

b. Expenditure

i. Disposal of Motor Vehicles

In March 2007, the Ministry authorized the Mission to dispose of five (5) old utility motor vehicles. The vehicles were to be disposed off in accordance with Public Stores Regulation No.130 and a certificate of disposal submitted to the Ministry showing how the proceeds were to be brought to Government account.

In this regard, three (3) bidders offered to buy the vehicles at the following prices.

Offeree	Amount offered US\$
1st offeree	2,300
2nd offeree	2,080
3rd offeree	1,750

After the evaluation, the highest bidder was offered to buy the vehicles at a price of US\$2,300 (K8,970,000). However, the vehicles were instead sold at US\$2,000 (K7,800,000) and no reasons were given for the change in price. Further the Mission did not issue a certificate of disposal as per instruction.

ii. Irregular Payment of Overtime Allowances

During the period January to December 2008, a total amount of K100,489,603 was irregularly paid to Locally Engaged Staff as overtime allowances. However, there was no evidence to show that the staff had worked overtime.

iii. Irregular Payment of Tuition Fees

The Foreign Service Regulation No. 74 (ii) allows the Mission staff to study the official or local languages in that country and the cost is met from public funds, the study should not exceed six (6) months and is to be undertaken at a recognized institution. In this regard, the Mission spent US\$945.20 (K3,522,594) in 2008 for the Ambassador and First Secretary Political/ Administration to learn Russian. However, contrary to the regulation, the Mission paid the individuals instead of an institution.

iv. Repair of Motor Vehicle

Between August 2008 and January 2009, a total amount of K68,396,099 was spent on repairs of a mission motor vehicle Volkswagen Caravelle registration number 030 D010 77 to rectify an engine leak. Despite the huge amount of money spent on the vehicle, as of May 2009 the problem had not been rectified.

v. Non Payment of Utility Bills

The Mission has no properties as a result the official residence and the chancery are accommodated on the same plot. Consequently, the utility bills for the Chancery and the Residence are combined, in this regard, it was difficult to ascertain the bills for the Chancery and residence. As a result, between 2007 and 2008 a total amount of K68,052,247 was spent on utility bills but the Ambassador could not contribute the twenty percent (20%) and

fifty (50%) towards water and electricity respectively contrary to Foreign Service Regulation No 53 (i).

vi. Payment for Farewell Parties

In the 2007 Auditor General's report mention was made on the hosting of farewell parties without a corresponding budget provision. A review of the situation in May 2009 revealed that the trend had continued in that a total amount of \$4,909.07 (K30,026,591) was spent on hosting farewell parties during the period under review.

HEAD:	17/12	Ministry of Foreign Affairs, Mission Abroad - Addis Ababa
UNITS:	2	Human Resource and Administration
PROGRAMMES:	1	Personal Emoluments
	2	General Administration
	7	Political and Economic Relations
ACTIVITIES:		Various

32. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K4, 135,433,753 and K5,659,081,300 were made. In this regard the mission was funded K4,778,504,933 and K4,710,876,586 respectively resulting in excess expenditure of K643,071,180 in 2007 which was not supported by supplementary provision and underfunding of K948,204,714 in 2008.

Accounting and Other Irregularities

An examination of accounting and other records at the Ministry Headquarters and the Mission carried out in May 2009, revealed the following:

a. Revenue - Delays in Banking

Contrary to Financial Regulation No.121 there were delays of periods ranging from eight (08) to one hundred and fifty two (152) days in banking revenue in amounts totalling K16,650,000 (US\$ 4,500) collected during the period under review.

b. Expenditure

i. Irregular Payment of Acting Allowances

Contrary to Foreign Service Regulation No. 8 (iii), amounts totalling K13,451,629 (US\$ 3,515.08) involving eleven (11) transactions were paid to three (03) officers as acting allowances during the period March 2007 and December 2008 without authority from the Permanent Secretary.

ii. Irregular Payment of Telephone Allowances

In December 2005, the Permanent Secretary Ministry of Foreign Affairs issued a circular which directed that in order to standardize and maintain uniformity, all Head of Missions shall be entitled to talk time worth US\$100 per month and US\$50 for the deputies.

In August 2007, the revised Foreign Service Regulations and Conditions of Service was effected, which required Heads of Missions and the Minister - Counsellor to be paid US\$450 and US\$300 respectively to enable them settle both their residential and mobile phone bills. The revised Foreign Service Regulations and Conditions of Service superseded the earlier circulars.

Contrary to the revised Foreign Service Regulation No.53 (iii), the Mission continued paying the Head of Mission and the Minister- Counselor additional allowances of US\$100 and US\$50 respectively based on the 2005 circular. In this regard, during the period August 2007 to December 2008 amounts totalling K9,224,844 (US\$ 2,500) were irregularly paid.

As of October 2009, the amounts had not been recovered.

iii. Failure to Obtain Competitive Quotations

Contrary to procurement guidelines, the Mission purchased goods and services costing K152,939,433 (ETB406,764.89) without obtaining three competitive quotations.

iv. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of various stores items costing K55,394,911 (US\$ 15,848.64) purchased during the period under review.

v. Weaknesses in Accounting for Fuels

There were no fuel registers and reconciliation statements prepared and, the fuel drawings were not recorded in the log books making it difficult to ascertain the quantities of fuel drawn by each vehicle.

In this regard fuels, costing K160,441,433 (US\$ 40,564.33) purchased between March 2007 and December 2008, could not be verified as having been used for the intended purposes.

vi. Non Refund of Value Added Tax (VAT)

In May 2008, the Ministry of Finance and Economic Development of Ethiopia issued a directive effective 9th April 2008, which required Embassies to apply to the Tax authorities (Revenue Authority) for reimbursement of Value Added Tax (VAT) incurred on purchase of goods and services.

The claims were to be done monthly through that country's Ministry of Foreign Affairs.

A test check of records revealed that though the Mission made procurements in the sum of K175,473,251(US\$47,986.80) during the period April to December 2008 and was entitled to claim VAT refund at fifteen percent(15%) which was K26,320,987 (US\$ 7,198), no claims had been made as of October 2009.

vii. Irregular Repairs to House No.1797 Kebele 13, Woreda 23

In July 1995, a lease agreement was signed between an agency of the Ethiopian Government and the Mission for the lease of house No. 1797 Kebele 13, Woreda 23 at a monthly rent of K7,155,000 (US\$1,589.86).

According to the conditions of the lease agreement, where the lessor prefers to have maintenance work carried out through the lessee, the lessor shall provide the Bill of Quantity and the Cost estimate of the work.

Contrary to the lease agreement the Mission spent a total of K26,967,915 (US\$6,195.09) on repairs to the rented house without approved Bills of Quantities. The cost of repairs had not been refunded as of May 2009.

viii. Wall Fence Construction - Plot 17 Kebele Road

On 19 May 2008, the Mission entered into an agreement with Yalik Construction to construct a wall fence on plot 17 Kebele road at a contract sum of K103,091,838 (US\$27,863.70) to be executed within 120 days.

It was however observed that amounts totalling K139,799,919 (US\$35,673.97) were paid to the contractor, K36,708,081 (US\$7,810.23) above the contract sum of K103,091,838 (US\$27,863.70).

Although the over payment was attributed to price escalation of materials, there was no clause in the contract which provided for such. Further, there were no certificates of completion to support the payments.

HEAD: 17/13 Ministry of Foreign Affairs-Mission Abroad ó
Gabarone

UNIT: 02 Human Resource and Administration

PROGRAMMES: 01 Personal Emoluments
02 General Administration
07 Political and Economic Relations
08 Infrastructure Development

ACTIVITIES: Various

33. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K3,019,071,465 and K5,125,421,610 were made respectively. However, the Mission was funded K3,113,006,092 and K4,180,405,354 resulting in over funding of K93,934,627 in 2007 and under funding of K945,016,256 in 2008 as shown in the table below:

	Budget K	Funding K	Variance K
2007	3,019,071,465	3,113,006,092	-93,934,627
2008	5,125,421,610	4,180,405,354	945,016,256

A scrutiny of the Statement C for the year ended 31st December 2008 revealed that a total amount of K3,186,854,167 was captured as expenditure resulting in a variance of K993,551,187 between the funding and expenditure of the Mission.

Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry Headquarters and the Mission carried out in May 2009 revealed the following:

a. Weaknesses in Reporting Revenue

A comparison of revenue returns at the Ministry headquarters and those maintained at the Mission revealed variances of K173,855,712 (US\$45,439) in 2007 and K8,244,221 (US\$2,094.27) in 2008 as shown in the table below:

	Returns in Gabarone K	Returns at MOFA K	Variance K
2007	215,174,509	389,030,221	173,855,712
2008	214,929,288	206,685,067	- 8,244,221

Although in his response dated 7th October 2009, the Controlling Officer stated that the discrepancies on revenue returns had been acknowledged and that corrective measures had been put in place, it was not clear what caused the variance and how the measures would address the discrepancies.

b. Irregular Payment of Advances

Contrary to the Terms and Conditions of Service for the Public Service No.91 (b), amounts totalling K301,510,971 (P522,512) involving twelve (12) transactions were paid to five (5) Officers during the period under review as subsequent advances before recovering the previous advances.

Although in his response dated 7th October 2009, the Controlling Officer stated that the practice of giving additional advances before previous ones were fully recovered had since been discontinued in line with the financial regulations and the audit recommendations, there was no evidence that the advances in question had been recovered as of October, 2009.

c. Unretired Imprest

Imprest in amounts totalling K15,285,629 (P29,062.50) involving five (5) transactions issued to four (4) officers during the period under review had not been retired as of October 2009 contrary to Financial Regulation No.96.

d. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, stores items costing K27,098,352 (Pula 49,825.59) procured during the period under review had no receipt and disposal details,

e. Failure to Follow Tender Procedures

According to Procurement Guidelines, the Mission was to obtain three (3) competitive quotations when procuring goods and services. In addition the guidelines provided that the threshold authorised for the Mission's procurement was K10,000,000.

Contrary to the guidelines:

- i. The mission purchased goods and services costing K45,056,428 (P77,972) without obtaining competitive quotations posing a risk of obtaining goods and services at uncompetitive prices.
- ii. Five (5) payments in amounts totalling K73,022,803 (P115,387) were made to various suppliers without obtaining authority from the Controlling Officer.

Though in his response, the Controlling Officer stated that he had taken note and would take remedial measures in future, as of November 2009, the Mission had not taken corrective measures.

f. Properties

The Mission has a total number of nine (9) properties. These consist of the Chancery, the High Commissioner's residence and Seven (7) staff houses. The Chancery is subdivided into two (2) plots namely plot 1118 and plot 1119 respectively. The two plots, 1118 and 1119 were leased out to Tolly (Pty) Ltd and Gaborone Hardware at monthly rentals of P 11,313.50 and P8,052 respectively.

A physical inspection of the properties carried out in May 2009 revealed the following:

i. Plot Number 262 Kigali Close

In paragraph 36 (f) of the Auditor General's Report on the Accounts for the year ended 31st December 2006, mention was made of the failure by the Ministry to demolish the old structure and construct a new one.

In their recommendations, the PAC and the BOS advised that the house be demolished and a new one constructed on the plot.

In this regard, a provision K1,536,000,000 was made in the Estimates of Revenue and Expenditure for 2008 out of which K979,371,187 was released to the Mission in April 2008.

An examination of records pertaining to the project and a physical inspection carried out in May 2009 revealed that contrary to the Treasury Minute on the report of the PAC for the Second Session of the Tenth National Assembly which reported that monies had been remitted to the Mission and the works had commenced and were currently in progress, as of May 2009 the old house had not been demolished and no works had commenced and that the tendering process to award the contract for the housing project had not started.

ii. Plot No. 3036 and 3037 Sobhuza Drive

The property is the official residence of the High Commissioner. The property was in good condition and the front part of the residence paved and tarred, the southern side had not been paved making the property look untidy.

iii. Plot No. 118 Morukuru Close

The main house was renovated in May 2009, the outside walls of the house needed painting while the roof of the servants quarter was leaking

iv. Other Properties (Plot number 105/4703 Mongana Close, Plot number 280 Tawana Close, Plot number 2485 Tshekedi Road, and Plot number 4859 Dinatla Close)

The main houses for the above properties had been recently renovated, the servants quarters were in a dilapidated state and needed attention in that the walls had cracks and the roofs were leaking.

HEAD:	17/15	Ministry of Foreign Affairs ó Mission Abroad ó Beijing
UNITS:	02	Human Resource and Administration
PROGRAMMES:	01	Personal Emoluments
	02	General Administration
	07	Political and Economic Relations
ACTIVITIES:		Various

34. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K4,735,411,281 and K4,853,407,835 were made respectively and the Mission was funded as follows:

	Total Provision K	Funding K	Over/Under Funding K	Percentage %
2007	4,735,411,281	5,208,109,872	472,698,591	10
2008	4,853,407,835	3,696,457,296	(1,156,950,539)	24

As can be noted from the table above, the Mission was over funded by 10% (K472,698,591) in 2007 and under funded by 24% (K1,156,950,539) in 2008.

Accounting and Other Irregularities

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

a. Excess Expenditure

A scrutiny of Statement ó revealed an expenditure of K4,401,320,568 against a total released amount of K3,696,457,296 resulting in an excess expenditure of K704,863,272. No explanation was given on how the excess expenditure was financed by the Mission.

b. Unrecovered Advances

According to the Terms and Conditions of Service for the Public Service, advances and loans paid to officers shall be repaid within a reasonable period of time but not exceeding a period of six (6) months.

Records on advance payments at the Mission revealed that a total amount of K152,347,120 (US\$38,638) was paid to five (5) officers on seven (7) occasions during the period April 2007 and June 2008. However, recoveries had not been effected as of May 2009, eleven (11) and twenty five (25) months after payment contrary to the regulation.

c. Unsupported Expenditure

Contrary to Financial Regulation No. 52, payments in amounts totalling K247,721,434 (Rmb 455,512) made between January 2007 to December 2008 were unsupported due to lack of competitive quotations, invoices, cash sale receipts, tender minutes and other details.

d. Payment of Education Allowances

According to Foreign Service Regulation No. 48 (ii), an officer whose child is in college or university and below the age of 21 years shall be eligible to receive 50% of the education allowance.

A scrutiny of accounting records revealed that amounts totalling K218,112,750 (US\$57,375) were paid to four (4) officers during the period January to April 2008 as education allowances. However, it was observed that the payments were not supported by relevant documents such as vital statistics forms, birth certificates and adoption papers. In this regard, it was difficult to verify the authenticity of the payments.

e. Unretired Imprest

Financial Regulation No. 96 (1) requires that special and accountable imprest should be retired immediately the purpose for which they are issued has been fulfilled.

The audit carried out revealed weaknesses in the manner the Mission was administering imprest in that contrary to the above regulation, imprest totalling K208,707,092 (US\$63,449) issued to eleven (11) officers during the period under review had not been retired as of May 2009.

f. Excess Rental Payments

According to Foreign Service Regulations and Condition of Service Schedule No. J, the Third Secretary is entitled to US\$ 2,500 per month as housing entitlement. It was however observed that the Mission was paying US\$ 3,000 per month at Kings Garden for the Third Secretary, US\$500 in excess of her entitlement. In this regard, a total of US\$ 2,000 was irregularly paid during the period January to April 2008 and therefore recoverable.

g. Unaccounted for Stores

There were no receipt and disposal details for furniture, equipment and allocated stores costing K262,522,138 (Rmb 456,339) procured between January 2007 and November 2008 contrary to Public Stores Regulation No. 16.

h. Boarded Furniture

Although a BOS was conducted in 2006 for the disposal of furniture and other stores items at the Mission, it was observed that the items had not been disposed of as of May 2009.

In addition, it was noted that some of the boarded items such as kitchen table, beds in the children's bed rooms, bedside drawers, kitchen display cabinet, a desk and other items had been withdrawn from the store room and were in use in the current Ambassador's residence.

HEAD:	17/18	Ministry of Foreign Affairs, Mission Abroad ó Abuja
UNIT:	2	Human Resource and Administration
PROGRAMMES:	1	Personal Emoluments
	2	General Administration
	7	Political and Economic Relations
ACTIVITIES:		Various

35. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K2,474,664,715 in 2007 and K4,616,700,986 in 2008 were made. The Ministry of Finance and National Planning released K3,322,753,647 in 2007 and K4,430,961,702 in 2008 resulting in an over funding of K848,088,932 in 2007 which was not supported by supplementary provision and under funding of K185,739,284 in 2008.

Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry Headquarters and the Mission, carried out in May 2009 revealed the following:

a. Revenue

During the period January 2007 to March 2009, a total amount of K90,174,570 was collected as revenue from Visa, Travel Document of Identity (TDI) and passport fees. It was however observed as follows:

i. Under Collection of Visa Fees

In January 2008, the Immigration Department revised visa fees from US\$30 and US\$50 for single and multiple entry visas to US\$80 and US\$160 respectively. The increase in fees was with effect from 26th January 2008.

However, the Mission continued issuing visas at the old rate. In this regard, during the period from January to December 2008, the Mission collected a total of K54, 947,200 (US\$9,812) at the old rates instead of K90, 160,000 (US\$16,100) resulting into an under collection of revenue by K35, 212,800 (US\$6,288).

Inquiries revealed that the Mission was not aware that the rates had been revised.

ii. Use of Collections Without Treasury Authority

During the period from January 2007 to December 2008, a total amount of K49,373,333 (US\$8,816.67) was collected as administrative fees. The revenue was used on administrative expenses without authority from the Secretary to the Treasury.

iii. Variances in Reported Revenue Collections

A comparison of revenue returns at the Ministry headquarters and those maintained at the Mission revealed variances of K3,134,125 in 2007 and K4,149,045 in 2008 as shown in the table below:

Year	Returns in Abuja K	Returns at MOFA K	Variance K
2007	18,239,860	15,105,735	3,134,125
2008	34,688,010	30,538,965	4,149,045
Total	52,927,870	45,644,700	7,283,170

b. Expenditure

i. Unaccounted for Fuel

During the years 2007 and 2008, fuel costing K145,533,096 (N4,626,900) was purchased for three (3) generators owned by the Mission to service the Chancery, the High Commissioner's and Deputy High Commissioner's residences. However, contrary to Stores Regulation No. 16, there were no receipt and disposal details in respect of the fuel.

It was further noted that contrary to public procurement guidelines, the company that supplied diesel was not subjected to tender procedures in that there were no competitive quotations obtained.

ii. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, stores items costing K31,799,706 (N984,000) purchased during the period January 2007 to December 2008 had no receipt and disposal details.

iii. Irregular Payments of Mobile Phone Bills

According to Foreign Service Regulations of 2007, the Head of Mission shall be paid a monthly telephone allowance of US\$450. However, contrary to the regulation, the mobile and telephone bills for the High Commissioner amounting to K1,847,901 (N57,400) were paid by the Mission in addition to his entitlement. As of May 2009, no recoveries had been made.

In his response MFA/71/22/16C dated 8th October 2009, the Controlling Officer stated that the irregular payment on mobile phones amounting to K1,847,901 paid by the Mission had been taken note of and will be recovered from the former High Commissioner's benefits when compiling his casualty forms.

iv. Non Maintenance of Plant and Equipment Register

Contrary to Public Stores Regulation No. 16, the Mission did not maintain an assets register. In this regard, assets such as computers, air conditioning units, generators, pumps and transformer had no record to show the year of purchase, cost, serial numbers and the location.

v. Irregular Disposal of Unserviceable Public Stores

In December 2006, the Board of Survey (BOS) recommended for the disposal of unserviceable public stores and equipment. The BOS recommended that unserviceable stores be disposed of and a disposal certificate be issued and submitted to Ministry of Finance and National Planning (MoFNP). A review of records at the Mission revealed that contrary to the recommendation by the BOS, stores items such as carpets, beds, air conditioners among others were disposed of by destruction and no disposal certificates were issued.

vi. Unretired Imprest

Contrary to Financial Regulation No. 96 (1) which requires imprest to be retired within forty eight (48) hours after the purposes for which it was issued had been fulfilled, imprests in amounts totalling K18,801,325 issued to three (3) officers between June 2007 and December 2008 had not been retired as of October 2009.

vii. Purchases Without Competitive Quotations

According to procurement guidelines, all Government Ministries, Provinces and Spending Agencies are supposed to obtain three (3) quotations before procuring goods and services.

It was observed that contrary to the above procedures, the Mission procured stores items worth N5,439,457 (K217,190,388) during the period under review without obtaining competitive quotations.

viii. Locally Engaged Staff

In 2003, the Mission relocated to Abuja from Lagos. When the Mission relocated, one of the Locally Engaged Staff was requested to remain behind to take care of the items for the Mission. It was later decided in 2006 by the Mission that she remains in Lagos and work as a Liaison Officer. It was observed that there was no documentary evidence to show that authority was obtained from the Ministry Headquarters for the officer to remain in Lagos. The officer was paid K3,827,778 (N130,000) per month. Further, it was noted that the amount being paid to the officer was above the normal rate of K971,667 (N33,000) by K2,813,000 (N97,000).

In his response dated 8th October 2009, the Controlling Officer stated that proposals were made to open a Consular Office in Lagos because most activities were still taking place in Lagos.

However, the Controlling Officer did not provide evidence that authority was obtained to open a Consular office in Lagos. Therefore the amount paid to the officer in salaries was irregular.

ix. Mission Properties

The Mission has two (2) properties, comprising a Chancery (Plot 351 Mission Road, Garki) and the High Commissioners' Residence (Plot No. 957 Pope John Paul II Road, off Ghana Street). A review of records for the two (2) properties revealed that title deeds had not been issued to the Mission by the

Nigerian Government. The reason given was that the Mission had not paid land rates totalling K61,600,000 (US\$11,000).

HEAD: 17/23 Ministry Of Foreign Affairs ó Mission Abroad ó
New Delhi

UNITS: 02 Human Resource and Administration

PROGRAMMES: 01 Personal Emoluments
02 General Administration
03 Political and Economic Relations

ACTIVITIES: Various

36. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K3,842,061,065 and K4,333,205,558 were made respectively and the Mission was funded as follows:

	Total Provision K	Funding K	Over/(Under) Funding K	Percentage %
2007	3,842,061,065	4,260,311,218	418,250,153	11
2008	4,333,205,558	4,662,824,425	329,618,867	8

As can be noted from the table above, out of the total provisions, the Mission was over funded by 11% (K418,250,153) in 2007 and over funded by 8% (K329,618,867) in 2008. There was however no explanation given for the over funding to the Mission.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters and a visit to the Mission carried out in May 2009 revealed the following:

a. Child Allowance

Foreign Service Conditions and Regulations (FSR & CS) No. 45 (i) states that Child Allowances shall be paid to an officer to enable him/her meet incidental expenses in respect of a child under legal custody of the officer at a Foreign Mission/Station. Contrary to the regulation, a total of K26,873,177 (US\$4,987.50) was paid to the High Commissioner in respect of his three (3) adopted children who were not at the station.

Inquiries at the Embassy revealed that the adopted children were actually his grandchildren who were with their parents (the ambassador's children) in Lusaka.

b. Education Allowances

Foreign Service Regulations and Conditions of Service No. 47 (i) provides for the payment of education allowance directly to the officer to assist him/her meet the cost of education of his/her children at a Foreign Mission/Station. In this regard, amounts totalling K114,520,312 (US\$29,999) were paid to two (2) officers.

It was observed that the officers who were in receipt of education allowances were also beneficiaries to school fees paid for their children on their behalf by the Mission in amounts totalling K26,220,177 (US\$ 4,608.06 and Rs.68,325).

c. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items costing K31,757,684 (Rs.450,226) purchased during the period under review.

d. Rental of Chancery Building

On 20th June 2006, the Mission entered into an agreement for the lease of number 86, Pashmi Marg, Vasant Vihar, New Delhi, the Chancery building for the period of three (3) years from 20th June 2006 to 19th June 2009.

It was observed that in 2008, the Mission paid a sum of K382,697,339 (US\$ 106,897.07), for fixtures and fittings in the ground floor of the Chancery building of which only three (3) of nine rooms (9) were being used for the storage of old files, old spares and air-conditioners.

e. Maintenance of Properties

In 1975, the Zambian Government purchased the property located at 7 Panchsheel Marg which serves as the Residence. A review of records and a physical inspection of the residence in May 2009 revealed that despite the advice from the Ministry of Works and Supply that the house was not habitable and therefore must be vacated, the High Commissioner was still occupying the dilapidated house and the mission had spent a total of K9,165,550 (Rs.104,450) in routine maintenance.

It was observed that the exterior front wall had a visible horizontal crack at the first floor walls which was also visible from inside and the window on the first floor was blocked with planks;

The dining room ceiling had collapsed exposing reinforcement beams and bars as shown in the picture below:



Cracked and falling concrete roof



Plaster peeling off

The plastering on the Guest bedroom wall was peeling off and the floor in the main corridor from the front door was damaged as shown in the pictures below;



Plaster falling off from bed room wall.



Damaged floor at the Residence.

The pictures below show the dilapidated state of the servants quarter.



Dilapidated servants Quarter at the Residence (l) and Damaged bathroom door (r)

HEAD: 17/25 Ministry of Foreign Affairs 6 Mission Abroad 6 Tokyo
UNITS: 02 Human Resources and Administration
PROGRAMMES: 01 Personal Emoluments
 02 General Administration
 07 Political and Economic Relations
ACTIVITIES: Various

37. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K3,773,406,994 and K4,511,595,884 were made and the Mission was funded K5,407,664,852 and K6,011,982,342 respectively as follows:

	Total Provision K	Funding K	Over/Under Funding K
2007	3,773,406,994	5,407,664,852	1,634,257,858
2008	5,711,595,884	6,011,981,342	300,385,458

As can be seen from the table above, there was over funding of K1,634,257,858 in 2007 and K300,385,458 in 2008. There was however no explanation given for the over funding to the Mission.

Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry Headquarters and the Mission carried out in May 2009 revealed the following:

a. Weakness in the Payment of Rentals

Clause 52 of the Foreign Service Regulations and Conditions of Service states that in case of rented accommodation, rentals shall be paid directly to the landlords. In addition, the lease agreements for all the officers at the Mission stated that payments of rentals should be made through bank transfers.

Contrary to the above, payment of rentals amounting to K432,112,074.55 (JP¥12,446,055) for staff houses made between January 2007 and December 2008 were made through cash withdrawals by the Mission Accountant.

In his response dated 10th September 2009, the Controlling Officer stated that the payments were made as such because the banks in Tokyo did not accept written instructions to transfer funds from one bank account to another but prefer the use of either credit card or cash and that the only option was to use the Accountant to cash the cheques and then deposit in the landlords' accounts.

Despite the Controlling Officer's response, it was observed that payments on other transactions such as insurance, printing costs, stationery, and purchase of equipment amongst others were made by cheque.

b. Wasteful Expenditure

In 2008, the Japanese International Cooperation Agency (JICA) invited a delegation of Zambian Businessmen for a Trade Exposition in Tokyo. The Mission in Tokyo was requested by the Ministry of Commerce, Trade and Industry to arrange for accommodation for the delegation, upon arrival the delegates decided to change the accommodation arrangements from Yokohama Heiwa Plaza Hotel to other hotels in Tokyo. The hotel had reserved the accommodation and as a result the hotel charged the Mission for loss of business through the cancellation. In this regard a sum of K8,861,925.53 (¥160,000) was paid by the Tokyo Mission to Yokohama Heiwa Plaza Hotel as cancellation charges. In this regard the expenditure of K8,861,925.53 (¥160,000) incurred was wasteful.

c. Poor Property Maintenance – Residence

The residence which is located at 44-17, 44-30, and 44-33, Kohinata 3-Chome Bunkyo-ku, Tokyo 44-17-3 was purchased in April 1988.

A review of records and a physical inspection of the property revealed the following:

- i. The boiler and water tanks mounted on the roof top had corroded and required either replacement or modification of the water supply system. Further, a review of documents from the Local Authority on the same property revealed that the centralized hot water tank used was dangerous as it could explode at any time. The tank was still in use despite the warning because that was the only source of hot water for the house. Below are the pictures of the rusty pipes and water tank:



Rusty Boiler tank



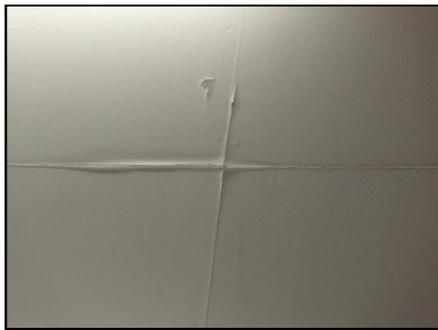
Rusty pipes

- ii. There were cracks in four (4) locations on the first floor of the house and at the entrance, as can be seen from the pictures below:



Cracks in the wall inside and outside the house

- iii. The wall at the door leading to the roof top had water seeping into the house as indicated below.



Ceiling board requiring attention.

Wall affected by seeping water

- iv. The water tank in the basement was flooding due to a defective control system, posing a risk of electrocution through contact with water as the main electricity switch gear was placed near the water tank. See pictures below;



Old water reticulation system

Electricity control panel in basement

- v. The rear of the house has an incomplete brick wall making it vulnerable to unauthorized entry.



Rear part of the residence with break in the wall fence

- vi. Within the premises of the residence are other two structures, the Katami House (a small structure designed for prayers according to the Japanese culture) and servant's quarter.

The Katami House currently being used as a store room had a leaking roof and broken windows. The servant's quarter (which is different from the Katami House) had broken louvered glass pane at servants quarters, see pictures below:



Katami House



Broken glass pane at servant quarter.

HEAD:	17/28	Ministry of Foreign Affairs, Mission Abroad 6 Luanda
UNIT:	2	Human Resource and Administration
PROGRAMMES:	1	Personal Emoluments
	2	General Administration
	7	Political and Economic Relations
ACTIVITIES:		Various

38. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K4,608,102,537 in 2007 and K5,214,640,128 in 2008 were made. In this regard, amounts totalling K5,699,969,073 in 2007 and K6,414,586,366 in 2008 were released resulting in K1,091,866,536 in 2007 and

K1,200,946,238 in 2008 over and above the authorised provisions which were not supported by supplementary provision.

Irregularities in Accounting for Funds

An examination of financial and other records maintained at the Ministry and the Mission carried out in May 2009 revealed the following:

a. Unaccounted for Revenue

During the period January 2007 to December 2008 a total amount of US\$28,040 (K140,200,000) was collected as revenue out of which US\$27,540 (K137,700,000) was deposited leaving a balance of US\$500 (K2,500,000) unaccounted for.

b. Unaccounted for Cash

During the period from January 2007 and December 2008, the Mission Accountant withdrew cash totalling US\$13,173 (K53,147,285) for the purchase of various goods and services and payment of allowances. However, the funds were not accounted for in that although the transactions were recorded in the cash book, they were not supported by cash sale receipts and acquittal sheets.

c. Failure to Update Asset Register

The Mission did not maintain an updated asset register. In this regard, various furniture items and air conditioners were not recorded in the register. In addition, the assets had no GRZ identification numbers making it not possible to identify the assets.

d. Irregular Payment of Salary Advances

According to Terms and Conditions of Service for the Public Service No. 91, an application for salary advance will be considered on its merit by the responsible officer of the Ministry, Institution or Province concerned but the amount advanced shall be limited to a maximum of the officer's monthly gross salary and shall be repaid within a reasonable period of time but not exceeding six (6) months.

Contrary to the above regulation, amounts totalling K40,089,400 (US\$9,360) were paid to eight (8) locally engaged staff above their gross salaries between March and August 2008.

HEAD: 17/33 Ministry of Foreign Affairs ó Mission Abroad ó Pretoria
UNIT: 02 Human Resource and Administration
PROGRAMMES: 01 Personal Emoluments
 02 General Administration
 07 Political and Economic Relations
ACTIVITIES: Various

39. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K6,374,992,266 and K6,300,942,106 were made respectively. However, the Mission was funded K5,858,606,486 and K6,183,096,501 resulting in under funding of K516,385,780 in 2007 and K117,845,605 in 2008 as shown in the table below:

	Budget K	Funding K	Variance K
2007	6,374,992,266	5,858,606,486	516,385,780
2008	6,300,942,106	6,183,096,501	117,845,605

A scrutiny of the Statement C for the year ended 31st December 2008 revealed that a total amount of K6,264,639,362 was captured as expenditure resulting in a variance of K81,542,861 between the funding and expenditure of the Mission. As of October 2009, no explanation had been given for the variance.

Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry Headquarters and the Mission carried out in May 2009 revealed the following:

Revenue

a. Travel Documents Identities (TDIs) without Supporting Transfer Documents

A comparison of the list of TDIs issued to the Mission by Passports Department headquarters against the Mission's register of TDIs received during the period under review revealed that TDIs with an approximate value of K31,148,000 were appearing in the mission's register but not on the list of TDIs issued by the Passports Department as detailed below:

Serial Number	Number of Forms	Unit Price K	Total K
227501-227600	100	52,000	5,200,000
251702-251800	99	52,000	5,148,000
255201-255400	200	52,000	10,400,000
265001-265100	100	52,000	5,200,000
272701-272800	100	52,000	5,200,000
			31,148,000

The mission may have obtained the accountable documents without following the laid down procedures which may result in loss of audit trail of the documents and possible loss of public funds.

b. Non-Maintenance of Register of Accountable Documents

Contrary to Financial Regulation No. 103, the Mission did not maintain a register of accountable documents during the period under review. As such the following General Receipt books were not recorded:

Serial Number	Number of Books
0918701 – 0919700	20
1188901 -1191400	50

c. Weakness in Accounting for Revenue

A scrutiny of the cash book, bank statements and returns for the period January 2008 to April 2009 revealed the following:

- i. Contrary to Financial Regulation No. 145, the Mission's revenue cash book was not up to date as it was only entered up to October 2008.
- ii. There was a deposit into the Account in the sum of K334,341,000 (ZAR609,000) and payments from the account totalling K902,448,522 (ZAR1,824,776.73) for which the details and the authority from the Permanent Secretary were not available.
- iii. An amount of K16,905,405 (ZAR34,750) was paid from the Revenue Account to an officer in June 2008 to facilitate repatriation of Zambians caught up in the Xenophobic attacks in South Africa. It was however observed that there was no authority obtained from the Secretary to the Treasury.

d. Weakness in Reporting Revenue

Whereas the Mission's revenue collections for the year ended 31st December, 2008 were K739,186,510 (ZAR1,592,436) (US\$193,163), the revenue returns compiled by the Ministry Headquarters showed an amount of K550,774,738 (US\$133,507) for the same period, resulting in a discrepancy of K188,411,772 (US\$59,656) which had not been explained as at October 2009.

e. Weaknesses in Maintenance of Advances Register

Contrary to Financial Regulations No 10(n) no advances ledgers were produced at the time of audit in May, 2009. In this regard, although copies of the updated advances ledgers were produced in October 2009 through the Controlling Officer's response, the payment vouchers for Foreign Service Allowances through which recoveries were made were not provided for verification. Consequently, it was not possible to verify the recovery of amounts totalling K574,196,107(R1,102,909) involving fifty nine (59) transactions paid to twenty six (26) Officers as advances during the period under review.

f. Unretired Imprest

Contrary to Financial Regulation No.96, imprest in amounts totalling K114,595,268 (R229,333) issued to seven (7) officers during the period under review had not been retired as of May 2009. Further it was noted that Mission did not maintain an imprest register.

g. Inadequately Supported Payments

Contrary to Financial Regulation No. 52, two (2) payments in amounts totalling K13,952,445 (R 26,364) made during the period under review were inadequately supported in that there were no invoices, receipts and Local Purchase Orders among others. It was therefore not clear whether the amounts were utilized for the intended purpose.

h. Unaccounted for Stores

Contrary to Public Stores Regulation No.16 the Mission did not maintain stores records such as Stores Ledger and bin cards to account for stores procured. In this regard, there were no receipt and disposal details in respect of stores items costing K188,292,294 (R355, 461) procured during the period under review.

i. Unauthorised Expenditure

Contrary to the provisions of the Foreign Service Regulation and Condition of Service, there were payments in amounts totalling K31,782,238 (R64,919) in respect of extra responsibility and acting allowances, long service bonus and fuel for which no authority was obtained from the Permanent Secretary.

j. Locally Engaged Staff

Contrary to Foreign Service Regulations and Conditions of Service for 2007, the Mission engaged twenty one (21) local staff against an approved establishment of seventeen (17) resulting in an excess of four (4) staff.

k. Motor Vehicles - Lack of Loss Report

A Mission motor vehicle, Nissan Primastar 184 D073 D was involved in an accident when the driver hit into the gate of the Chancery building which resulted in the right passenger window and the right rear indicator lenses being damaged.

However, as of October 2009, the Mission had not provided the accident and loss reports and had not claimed insurance.

HEAD:	17/35	Ministry of Foreign Affairs-Mission Abroad-Ottawa
UNIT:	2	Human Resources and Administration
PROGRAMMES:	1	Personal Emoluments
	2	General Administration
	7	Political and Economic Relations
	8	Infrastructure Development
ACTIVITIES:		Various

40. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K 3,239,020,013 and K 6,747,496,911 were made to cater for various activities for the Mission. In this regard , the Mission was funded K4,995,903,600 and K5, 598,894,619 respectively.

Weaknesses in Accounting for Personal Emoluments and Other Irregularities

An examination of financial and other records maintained at the Ministry and the Mission, and a physical inspection carried out in May 2009 revealed the following:

a. Delayed Banking

Financial Regulation No. 121 requires that all revenues collected be banked promptly. Contrary to the regulation there were delays of periods ranging from three (3) to thirty eight (38) days in banking revenue amounting to K104,148,000 (US\$23,144) collected during the period from February 2008 to December 2008.

b. Leave Taken Without Filling in Application Leave Forms

A review of the High Commissioner's personal file and correspondence between the Embassy and Ministry Headquarters revealed that the High Commissioner had been proceeding on leave without filling in the relevant forms as tabulated below, contrary to Foreign Service Regulations No. 84 (i)

	DETAILS (Date Leave taken)	No. of Days
1	21.07.2007 -30.07.2007	10
2	30.11.2007 - 13.12.2007	14
3	29.04.2008 -11.05.2008	14
4	29.12.2008- 09.01.2009	12
	Total	50

Although in his response dated 3rd November 2009, the Controlling Officer stated that the High Commissioner was authorised to travel outside the station, there was no evidence that leave forms were completed.

Failure to fill in leave forms will lead to overstatement of outstanding leave days accrued to the officer.

c. Outstanding Amounts on Medical Expenses

The Foreign Service Regulation No. 102 provides that Government shall contribute sixty (60) percent of medical insurance cover or medical bills for all officers. It was observed that medical insurance bills totalling K 152,035,974 (C\$31,512) had been paid by the Mission in full to the insurance company for all Officers. However, a total of K31,341,257 (C\$6,496) had not been recovered from the officers as of August 2009.

d. Unaccounted for Stores

Contrary to the Public Stores Regulation No. 16, there were no receipt and disposal details for various stores items costing K113,175,402.07 (US\$30,980.85) procured during the period under review.

e. Fuel Purchases without Reconciliations

Amounts totalling K67,377,865 (C\$19,546.17) were paid to Petro-Canada during the period under review, for the supply of fuel to the Mission. However, there were no fuel reconciliations availed for audit to show how much fuel had been used as of May 2009.

f. Works Carried out without Formal Contracts

During the period under review, the Mission engaged three (3) contractors at a total cost of K128,999,175 to carryout various renovation works at the Official Residence, 9 Mission Grove Inn as shown below:

Contractor	Amount K	Scope of Works
C. Kleen Company	19,004,288	Renovate small deck
A&A Home Renovations	91,686,000	Removing and installation of new roof (shingles)
Capital Foundations Ltd	<u>18,308,887</u>	Excavation of four window wells, undermining paired window wells
	<u>128,999,175</u>	

Although the works were completed, it was observed that the contractors were engaged without entering into formal contracts.

HEAD: 26 Ministry of Information and Broadcasting Services
DEPARTMENTS: 01 Headquarters
 02 Zambia News and Information Services
 03 Press and Planning
UNITS: Various
PROGRAMMES: Various
ACTIVITIES: Various

41. In paragraph 24 of the Auditor General's report on the accounts for the financial year ended 31st December 2007, mention was made of irregularities in accounting such as unretired imprest, lack of stores receipt and disposal details, missing stores among others.

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K35,078,331,298 was made to cater for various activities under Ministry Headquarters, the Department of Zambia News and

Information Services, and the Press and Planning Unit, against which a total of K26,428,914,114 was released resulting in under funding of K8,649,417,184 as shown in the table below:

Department	Budget K	Released Amount K	Variance K
Headquarters	6,993,295,434	5,880,397,375	1,112,898,059
ZANIS	14,724,064,174	11,265,450,496	3,458,613,678
Press and Planning	13,360,971,690	9,283,066,244	4,077,905,446
Totals	35,078,331,298	26,428,914,115	8,649,417,183

Accounting and other Irregularities

An examination of financial and other records maintained at the Ministry Headquarters and a physical verification of the various units carried out in March 2009 revealed that some observations made in Paragraph 24 of the Auditor General's report stated above had not been addressed. In particular the following were observed:

a. Inadequately Supported Payments

Contrary to Financial Regulation No.52, there were fifteen (15) payment vouchers in amounts totalling K119,238,079 which were inadequately supported in that they lacked invoices, receipts, and other documents.

b. Unrecovered Loans and Advances

Contrary to the Terms and Conditions of Service for the Public Service which requires recoveries to be effected a month after payment, amounts totalling K16,700,000 involving three (3) transactions were paid to two (2) officers as loans and a salary advance during the period under review. As of October 2009, recoveries had not yet been effected twenty two (22) and sixteen (16) months after they were paid.

c. Imprest

i. Unretired Imprest

Financial Regulation No. 91 requires that no officer shall be issued with subsequent imprest while the earlier one had not been retired. In addition Financial Regulation No. 96 (1) requires that special and accountable imprest should be retired immediately the purpose for which they are issued has been fulfilled.

The audit carried out revealed serious weaknesses in the manner the Ministry was administering imprest in that contrary to the above provisions, there were subsequent imprests issued to officers with outstanding imprests. Imprests were also not being retired immediately the purpose for which they were issued had been fulfilled.

As a result of the above weaknesses, imprest in amounts totalling K310,801,550 involving thirty (30) transactions issued to eighteen (18) officers during the period under review had not been retired as of October 2009. Out of the eighteen (18) officers, eight (8) officers were issued with subsequent imprest and in all the cases, imprest was not retired within forty eight (48) hours.

ii. Non Submission of Retirement Details

Financial Regulation No.93 requires that a record of the issue and retirement of all imprest be kept in a register of imprest (Accounts form 17).

Although in his response dated 25th April 2009, the Controlling Officer stated that the retirement details were available, a verification carried out in October 2009 revealed that imprest in amounts totalling K61,450,000 involving six (6) transactions issued to four (4) officers had no retirement details contrary to the financial regulation.

d. Unaccounted for Funds

In April 2008, amounts totalling K9,770,000 were paid to two (2) officers for payment of lunch and sitting allowances to officers. However, there was no evidence that the amounts had been paid to the beneficiaries in that there were no acquittal sheets provided for audit.

e. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items costing K36,250,700 procured during the period under review.

f. Travel Abroad Without Authority

During the period under review, the Ministry spent amounts totalling K46,811,256 on air fares and allowances for officers' trips abroad. However, Authority to Travel Abroad were not made available for audit scrutiny.

g. Payments not Pre Audited

There were sixty four (64) payment vouchers in amounts totalling K3,814,915,830 for the period from January to December 2008 that were not pre audited contrary to Financial Regulation No 20 (2)(a) and (b).

h. Wasteful Expenditure

It was observed that the Ministry paid out amounts totalling K112,360,000 as imprest to six (6) officers to carry out various assignments during the period under review, for which reports should have been submitted.

However, as of October 2009, no reports had been submitted making it impossible to ascertain whether tours and assignments were undertaken rendering the expenditure wasteful.

i. Independent Broadcasting Authority (IBA)

A budget provision of K2,000,000,000 was made in the Estimates of Revenue and Expenditure for 2007 under Press Unit, Programme 10 Media Law Reform, Activity O1 Appointment of the Independent Broadcasting Authority against which the whole amount of K2,000,000,000 was released. The funds were for setting up an Independent Broadcasting Authority. It was observed during the audit that:

i. Unused Equipment and Motor Vehicles

Amounts totalling K427,148,200 were paid to various suppliers in December 2007, for the supply and delivery of various equipment, furniture and motor vehicles.

However, a physical inspection carried out in June 2009 revealed that the equipment and motor vehicles were still kept unused at the Ministry Headquarters as they were awaiting Parliament's approval of the Independent Broadcasting Authority Bill. It was not clear why funds were released as Parliament had not yet approved the bill.

ii. Misapplication of Funds

Amounts totalling K497,372,129 were misapplied on activities such as payment of subsistence allowances for tours to provincial offices, purchase of stationery and supply and delivery of wireless communications equipment among others. It was noted that all the above activities were not related to the Independent Broadcasting Authority (IBA).

HEAD:	29	Ministry Of Local Government And Housing
DEPARTMENTS:	01	Human Resource and Administration
	03	Chalimbana Local Government Training School
	04	Physical Planning and Housing
	05	Local Government Administration
	06	Infrastructure and Support Services
	07	Government Valuation
	08	House of Chiefs
PROGRAMMES:		Various
ACTIVITIES:		Various

42. In the Estimates of Revenue and Expenditure for the Financial year ended 31st December 2008, a total provision of K217,670,098,576 was made out of which a total amount of K155,382,382,315 was released representing 71% of the provision leaving a balance of K62,287,716,261.

Accounting and other Irregularities

An examination of accounting and other records at the Ministry Headquarters and a visit to selected Districts revealed the following:

Headquarters

a. Unvouched Expenditure

Contrary to Financial Regulation No. 45, there were sixty eight (68) payments totalling K1,799,796,963 which were unvouched in that the payment vouchers were either missing or inadequately supported.

b. Unretired Imprest

Financial Regulation No. 91 requires that no officer shall be issued with subsequent imprest while the earlier one has not been retired. In addition Financial Regulation No. 96 (1) requires that special and accountable imprest should be retired immediately the purpose for which they are issued has been fulfilled.

The audit carried out revealed weaknesses in the manner the Ministry was administering imprest in that contrary to the above provisions, there were subsequent imprests issued to officers with outstanding imprests. Imprests were also not being retired immediately the purpose for which they were issued had been fulfilled.

As a result of the above weaknesses, imprest in amounts totalling K505,865,311 involving fifty one (51) transactions issued to twenty six (26) officers during the period under review had not been retired as of October 2009. Out of the twenty six (26) officers, twelve (12) officers were issued with subsequent imprest and in all the cases, imprest was not retired within forty eight (48) hours.

c. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of various stores items costing K758, 023,348 purchased during the period under review.

d. Payments made Without Competitive Quotations

Contrary to procurement guidelines payments in amount totalling K131,510,491 were made during the year under review for purchase of air tickets without obtaining three (3) competitive quotations.

e. Misapplication of Funds

Contrary to the Appropriation Act of 2008 amounts totalling K1,553,928,015 meant for grants to Local Authorities were misapplied at the Ministry Headquarters on unrelated activities such as payment of members' subscription fees to ACCA and CIMA, and printing of Christmas cards among others.

In his response dated 29th September 2009, the Controlling Officer stated that most payments were related to general grant and House of Chiefs activities.

However, it was noted that House of Chiefs had their own budget line and therefore the propriety of making payment from the general grant was questionable.

f. New Fire Stations

A provision of K325,000,000 was made in the 2008 budget for the establishment of fire stations in districts and the whole amount was released. Records examined at the Ministry revealed that a total amount of K494,202,001 was disbursed to nineteen (19) districts as shown below:

District	Amount K
Lundazi	12,500,000
Luangwa	16,800,000
Mansa	50,000,000
Mbala	15,000,000
Mpika	15,000,000
Kasama	15,000,000
Chongwe	51,529,001
Solwezi	30,000,000
Kalulushi	16,000,000
Petauke	49,000,000
Chililabombwe	15,200,000
Chingola	15,200,000
Kazungula	16,000,000
Mpulungu	16,000,000
Mazabuka	15,529,000
Kapiri Mposhi	20,000,000
Kafue	20,000,000
Total	494,202,001

An examination of accounting records revealed that the Ministry released K169,202,001 above the approved provision. The source of the extra funds was not explained.

It was further observed that although a total amount of K494,202,001 was released to the districts, no expenditure returns were submitted to headquarters to show how the funds were utilised. There were also no progress reports submitted on the works by the respective districts. In addition no criteria were given for the selection of the districts.

g. Rehabilitation of Market - Lundazi

In January 2008, the Council received an amount of K80,000,000 from Ministry of Local Government and Housing for improvement of markets. However, as of September 2009, twenty one (21) months after receiving the funds, no works had been undertaken and the market was in a deplorable state.

h. Rehabilitation of Market – Chipata

In January 2008, the Council received an amount of K90,000,000 from Ministry of Local Government and Housing for the rehabilitation of markets in Kasenengwa and Chipangali. As of April 2009 a total amount of K74,131,710 had been spent leaving a balance of K15,868,290. An examination of records pertaining to the rehabilitation of markets in Chipata and a physical inspection carried out in August 2009, revealed the following:

i. Kasenengwa Constituency

The market to be rehabilitated in Kasenengwa Constituency was at Mutenguleni and although funds for rehabilitation of the market were received in January 2008, purchase of building materials only started in January 2009 while the actual construction works only started in April 2009. As of August 2009 the works had not been completed.

ii. Chipangali Constituency

The market to be rehabilitated in Chipangali Constituency was at Mugubudu and although funds for rehabilitation of the market were received in January 2008, purchase of building materials only started in June 2009 while the actual construction works only started in July 2009. As of August 2009, only the foundation box had been done.

HEAD:	29/ 05	Ministry of Local Government and Housing ó Local Government Administration
UNIT	4	Local Government Finance and Audit Unit
PROGRAMME	3	Support to Institutions
ACTIVITY	4	Recurrent Grants ó Local Authorities

43. In the Estimates of Revenue and Expenditure for the financial year 31st December 2008, an amount of K50,000,000,000 was provided and released to cater for recurrent grants to Local Authorities.

Irregularities in the Procurement of 100 Hearses

An examination of financial and other records maintained at the Ministry and Beijing Automobile Works Company Limited in China carried out in November 2009 revealed the following:

i. Misapplication of Funds

Contrary to the Appropriation Act of 2008, out of the total amount of K50,000,000,000 provided for Recurrent Grants to Local Authorities, the Ministry misapplied a total of K14,920,000,000 on the procurement of one hundred (100) hearses.

ii. Purchase of Hearses

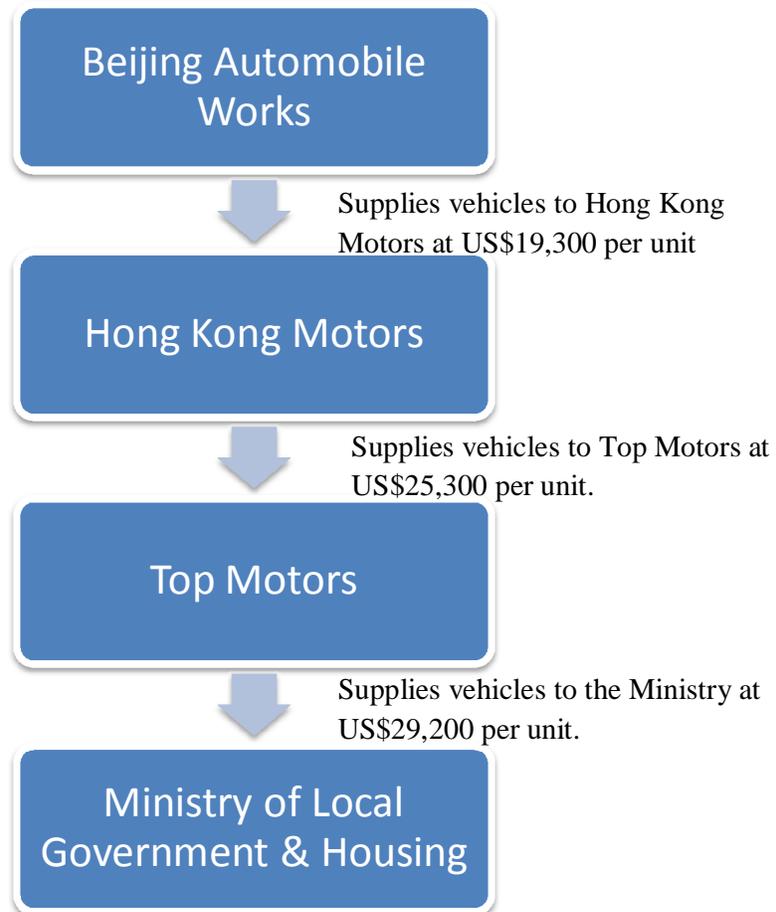
In July 2008, the Ministry requested the Zambia National Tender Board (ZNTB) to float tenders for the purchase of one hundred (100) hearses. In this regard, bids were

received from CFAO, Toyota Zambia, Southern Cross and Top Motors. The Ministry evaluated the bids and recommended to ZNTB that Top motors Limited be awarded the contract. However, upon receipt of the recommendation, ZNTB raised the following concerns:

- i. That the vehicles had not been tested in Zambia and that it would not be prudent to invest public funds into procuring one hundred (100) vehicles of a make that had not been tested and hence had no record of durability.
- ii. The manufacture of the vehicles had not supplied vehicles to Zambia before.
- iii. The evaluation committee had considered bidders who had offered superior specifications non-responsive.
- iv. ZNTB also questioned the non involvement of the Ministry of Works and Supply. In this regard, ZNTB recommended the need to involve the Ministry of Works and Supply who also raised concerns on the type of vehicles and availability of spare parts and after sales service.

After the Ministry addressed the concerns raised, on 18th December 2008, ZNTB granted the Ministry authority to purchase one hundred (100) Hearses from Top Motors at a unit cost of K148,920,000 (US\$29,200) bringing the total contract price to K14,892,000,000 (USD2, 920,000) with a delivery period of six to eight weeks. In this regard, on 24th December 2008, the Ministry entered into a contract with Top Motors. The terms of the contract included among other things forty percent advance payment which was to be made within thirty days of signing the contract, thirty percent on shipment upon submission of documents specified in the contract such as invoices, packing list and bill of lading among others and thirty percent to be paid within thirty (30) days of submission of claim supported by Goods Received Notes (GRN).

In turn, Top Motors entered into a contract with Hong Kong Great Wall International Investment Development Limited for the supply of hundred (100) hearses at a unit price of K129,030,000 (US\$ 25,300) who in turn sourced the vehicles from Beijing Automobile Works Company Limited at a unit price of K 98,430,000 (US\$ 19,300).
See flow chart below.



Records examined however revealed the following:

i. Differences in Contract Price and Invoice Amount

The Ministry paid Top Motors a total amount of K14,892,000,000 (USD2, 920,000) for one hundred (100) Hearses at a unit K148,920,000 (US\$ 29,200) in December 2008 and January 2009. However, it was observed that the invoices sent by the Manufacturer, Beijing Automobile Works Co. Ltd to the Ministry showed that the Cost, Insurance and Freight (CIF) price per unit to Lusaka was US\$ 9,300 resulting in a difference of K101,490,000 (US\$19,900) per unit between the contract price and the invoice amount. In this regard, the Ministry paid a total of K10,149,000,000 (US\$1,990,000) above the CIF price on the invoice.

ii. Non adherence to Contract Terms of Payments

Contrary to the terms and conditions of the contract the Ministry made the final payment of K8,935,200,000 on 7th January 2009 before submission of documents specified in the contract and acceptance of goods by the Ministry.

It was further observed that the full payment of K14,892,000.000 to Top Motors was made within nine (9) days contrary to terms of the contract.

It was further noted that there was no documentary evidence to confirm that pre-shipment inspection was carried out by the purchaser prior to the shipment of the motor vehicles was done. In addition, the pre-shipment certificate issued by a member accredited by the International Standards Organisation as specified in the contract was not done. In this regard, it was difficult to establish whether the hearses supplied were in conformity with the specifications.

HEAD:	29/05	Ministry of Local Government and Housing ó Local Government Administration
UNIT:	4	Local Government Finance and Audit Unit Lundazi and Chama District Councils
PROGRAMME:	3	Support to Institutions
ACTIVITIES:	02	Grants in Lieu of Rates
	03	Retrenchments in Local Authorities
	04	Recurrent Grants Local Authorities
	05	Capital Grants ó Local Authorities

Accounting Irregularities

44. In the Estimates of Revenue and Expenditure for the year ended 31st December 2008, the Ministry of Local Government and Housing had a total provision of K105,000,000,000 under Support to Institutions as indicated below:

	ACTIVITY	AMOUNT K
1	Grants in Lieu of Rates	20,000,000,000
2	Retrenchments in local Authorities	25,000,000,000
3	Recurrent Grants in Local Authorities	50,000,000,000
4	Capital Grants ó Local Authorities	<u>10,000,000,000</u>
	TOTAL	<u>105,000,000,000</u>

In this regard, during the year ended 31st December 2008, Lundazi and Chama District Councils received grants in amounts totalling K292,500,000 and K295,000,000 respectively for three (3) programmes as shown below:

	Description	Amount K	
		Chama	Lundazi
1	General Grant	200,000,000	200,000,000
2	Rehabilitation of markets	50,000,000	80,000,000
3	Maintenance of Fire Brigade	45,000,000	12,500,000
4	Terminal Benefits	45,842,296	-
	Total	340,842,296	292,500,000

An examination of financial and other related records maintained at Lundazi and Chama District Councils carried out in September 2009 revealed the following:

a. Chama

i. Unaccounted for Funds

Cash withdrawals made during the period February 2008 to May 2009 in amounts totalling K12,398,200 involving three (3) transactions could not be accounted for as there were no expenditure details.

ii. Purchases Made Without Obtaining Competitive Quotations

Contrary to procurement guidelines, various building materials and hire of transport costing K166,714,501 were procured without obtaining three (3) quotations.

iii. Over Payment of Audit Fees

According to a minute from Director of Local Government and Housing to all Town Clerks and Council Secretaries referenced MLGH/101/23/74 and dated 13th November 2008, District Councils were supposed to pay K8,460,000 for audit expenses to auditors appointed by the Minister for the audits of books of account for the financial year ended 31st December 2007. It was however observed that on 25th February 2009, Chama District Council paid an amount of K14,020,000 to the auditors who carried out the audit of their books of account, resulting into an over payment of K5,560,000 which could not be explained.

iv. Terminal Benefits for Retirees and Deceased's Estates

In 2008, the Council received an amount of K45,842,296 from the Ministry for payment of outstanding terminal benefits to retirees and the deceased and the whole amount was spent. However, the Council did not maintain ledgers or schedules of computations to indicate what was owed to the officers as bases for payments made.

HEAD: 29/08 Ministry of Local Governments and Housing ó
House of Chiefs Department
UNIT: 2 House of Chiefs
PROGAMME: 7 House of Chiefs
ACTIVITY: 05 Procurement of Motor Vehicles

45. In paragraph 27 (c) (ii) of the Auditor General's Report for the financial year ended 2007, mention was made on the weakness in the procurement of 160 motor vehicles for chiefs and failure by the Ministry to provide relevant records to justify the expenditure.

Irregularities in Procurement of Motor Vehicles

A follow up made in November 2009 at the embassy in Tokyo on the procurement of motor vehicles made in 2007 revealed the following:

a. Order of 150 Motor Vehicles – 2007

- i. Although the Ministry paid an amount of USD 1,453,200 from November 2007 to June 2008, there was no contract between Government and the supplier.
- ii. It was observed during the verification tour to Japan that the supplier was of questionable reputation in that during the period 2003 to 2008, he closed and re-registered his company thirteen (13) times. In this regard, it was not clear how the Government entered into an arrangement with such a supplier.
- iii. At the time of audit, the only person who had contact with the supplier was the First Secretary, Economics and Trade at the Zambian Embassy. It was also noted that most of the correspondences from the supplier were addressed to the same officer.

- iv. Although the auction sheet from the supplier showed that the Ministry was to pay a total of K3,036,004,245 (USD 700,347), an examination of invoices revealed that the Ministry paid a total amount of K 3,380,346,300 (USD 779,780) to Japanese Vehicles Supplies Limited for the supply of one hundred and fifty (150) motor vehicles resulting in an overpayment of K344,342,055 (USD 79,433). As of November 2009, no recoveries had been made.

- v. According to a company profile provided by the supplier it was observed that the charge per vehicle was USD3,000. A scrutiny of other records revealed that insurance of USD100 should have been charged per vehicle bringing the total of freight and insurance to USD3,100 per vehicle. In this regard, a total sum of USD465,000 should have been charged as freight and insurance for shipping 150 vehicles. However, it was observed that a total amount of USD570,000 was paid (USD3,800 per vehicle) resulting in an over payment of USD105,000. Out of one hundred and fifty (150) motor vehicles procured, seven (7) motor vehicles were non runners and no replacement had been made as of November 2009.

Although as of December 2008, the vehicles had been distributed to Chiefs on loan, no recoveries had been effected as of November 2009.

b. Order of 150 Motor Vehicles – 2008

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K 1,300,000,000 was made and released to cater for the purchase of forty six (46) motor vehicles for chiefs. The whole amount was remitted to the Zambian Mission in Japan. The vehicles were to be shipped from Japan via the port of Dar-es-salaam to Lusaka. In order to quicken the transportation of the vehicles the Ministry engaged an agent, Bokelo Cargo, at a contract price of K252,360,000. The conditions of the agreement were among others to transport the vehicles using a courier from Dar-es-salaam to Lusaka via Nakonde Border.

It was observed that:

- i. The agent was paid K333,023,552 between May and August 2008 instead of the agreed amount of K252,360,000 as per minute ref. MLGH/10/4/2 dated 1st May 2009 resulting in an overpayment of K80,663,552.

- ii. Although the agent was paid to deliver 46 motor vehicles, he only delivered thirty three (33). The remaining thirteen (13) motor vehicles were marooned in Dar-es-laam during the period from May 2009 to October 2009 attracting storage charges of K114,240,000 (US\$23,800)

which have since been paid by the Government. In addition, four (4) out of the thirty three (33) motor vehicles delivered were damaged enroute to Lusaka and no compensation has been claimed by the Government.

In order to prevent further accumulation of storage charges from the vehicles that were marooned in Dar-es- salaam, the Ministry in October 2009 engaged thirteen (13) drivers who transported the vehicles up to Lusaka. In this regard, a total amount of K102,167,520 was spent on the exercise in addition to storage charges.

- iii. Out of the thirty three (33) motor vehicles delivered to Lusaka, twenty seven (27) were received by the Ministry, while the balance of 6 were diverted by the agent but were later retrieved by the police. However as of October 2009, the case had not been disposed off and the vehicles were still parked at the Police Headquarters, in Lusaka.
- iv. Although the agreement was for the Agent to deliver the vehicles using a courier, the vehicles were driven from Dar-es-Salaam to Lusaka. Consequently, the engines for two (2) vehicles developed major faults and two (2) other vehicles were involved in road traffic accidents. As of November 2009, the vehicles had not been replaced. See pictures below:



Vehicles with knocked engine parked at Lusaka City Council Yard



*Vehicle involved in road in road traffic accident
parked at Lusaka City Council Yard*

HEAD:	31	Ministry of Justice
UNITS:		Various
PROGRAMMES:		Various
ACTIVITIES:		Various

46. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K375,636,736,743 was made to cater for the Ministry's activities against which a total amount of K101,463,177,160 was released represented 27% of the total provision.

Accounting and Other Irregularities

An examination of financial and other records carried out in September 2009 at the Ministry headquarters for the period under review revealed the following:

a. Missing Payment Vouchers

Contrary to Financial Regulation No. 65 (1), eight (8) payment vouchers in amounts totalling K59,989,750 were missing in that as of October 2009, they were not produced for audit.

b. Undelivered paints

An amount of K26, 605,000 was paid to a local supplier for the supply and delivery of 70 X 20 litres of PVA assorted paint to the office of the Administrator General. As of October 2009, fourteen (14) months after the payment, the paints had not been delivered.

c. Unretired Imprest

Contrary to Financial Regulation No.96 (1), imprest in amount totalling K161,720,290 issued to thirty one (31) officers during the period under review had not been retired as of October 2009.

d. Road Traffic Accident

In 2008, a motor vehicle Mitsubishi L200, registration number GRZ 554BN, was involved in a road traffic accident. However, it was observed that although the vehicle was insured, no claims were made as of March 2009 and neither Police nor loss reports were produced for audit.

HEAD: 37/01 Ministry of Finance and National Planning ó
Human Resource and Administration

UNIT: 2 Accounts

PROGRAMME: 7 Accounting

ACTIVITY: 06 Compensations and Awards

47. Compensation is paid to individuals and institutions that have a claim against Government. In such cases, the Attorney General as legal advisor of government represents the Government in the courts of law. If judgement is passed against the Government, a copy of the judgement is forwarded to the Ministry of Finance and National Planning with a recommendation for payment. On the other hand, if the judgement is passed in favour of Government, it is the responsibility of the Attorney to recover the money. Once the payment is made, the cheque is forwarded to the Attorney General's chambers for onward transmission to the lawyers representing the claimants. Therefore, every year the Government provides for the budget of compensation and awards under the Ministry of Finance and National Planning (MoFNP).

In the Estimate of Revenue and Expenditure for the Financial Year 2008, a provision of K100,000,000,000 was made to cater for compensations and awards against which K66,559,898,848 was released resulting in an under funding of K33,440,101,152 representing 33 % of the provision.

Budget Provision

An analysis of the budget provisions for financial years 2006 to 2009 revealed an increase of 188% as shown below:

Year	Opening Balance (Claims) K	Provision K
2006	87,492,903,406	60,000,000,000
2007	95,954,704,299	80,000,000,000
2008	158,015,210,239	100,000,000,000
2009	316,101,835,046	173,062,342,707

The increase in budget provision has been partly due to non settlement of claims by Government and an increase in compensation claims over the period.

In paragraph 51 of the Auditor General's report for the financial year ended 31st December 2006, 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.

A review of accounting and other records maintained at the Ministry of Finance and National Planning Headquarters carried out in May 2009, revealed that the situation had not improved and in particular the following were observed.

a. Arrears

A review of the movement in the Compensation and Awards debt stock in the year 2008 revealed that the balance brought forward in January 2008 was K158,015,210,239. A further liability of K224,646,523,655 was created as a result of new compensation cases being received and interest on outstanding cases during the year bringing the total debt to K382,661,733,894. Out of the total debt, K66,559,898,848 was paid out leaving claims amounting to K316,101,835,046 outstanding as at 31st December, 2008 as analyzed in the table below:

	Amount K
Balance as of 1 st January 2008	158,015,210,239
Compensation Cases received and Interest on outstanding cases	<u>224,646,523,655</u>
Total Debt for the year	382,661,733,894
Less: Payment during the year	<u>66,559,898,848</u>
Outstanding Claims as at 31st December 2008	<u>316,101,835,046</u>

The outstanding amount of K316,101,835,046 at the year-end comprised K160,98,509,163 (50.7%) as the principal amount and K155, 903,325,883 (49.3%) as accumulated interest.

b. Overstatement of Closing Balances

In his minute number MOJ/2007/012 dated 14th September 2007, the Attorney General advised the then Secretary to the Treasury not to effect any payment in respect of claims relating to ZCF, CUSA and Grain Marketing Board of Zimbabwe on account of alleged fictitious judgment debts. The Secretary to the Treasury in turn instructed the Permanent Secretary (FMA) in his minute no. MFAL/102/18/8 dated 24th September 2007 to suspend all payment in respect of the three (3) organizations.

Contrary to the above, the following were observed:

i. Grain Marketing Board of Zimbabwe (GMB)

The Zambian Government had owed Grain Marketing Board of Zimbabwe (GMB) an amount of US\$6,567,052.64 following importation of maize from that country in 1998.

On 20th December 2002 a consent judgement at the Lusaka High Court was passed in favour of Grain Marketing Board of Zimbabwe for an amount of US\$6,567,052.64 to be paid with interest thereon at LIBOR plus 1.5% from the date of the writ to the date of payment.

It was also ruled that each party would bear their own costs.

Whilst this debt was being serviced under the Investment and Debt Management Department (IDM) under the MoFNP, between June 1998 and December 2006, a total of US\$5,017,052.64 was paid to Grain Marketing Board of Zimbabwe leaving a balance of US\$1,550,000 (K5,952,000,000).

In 2007, the full amount of US\$6,567,052.64 was transferred from Investment and Debt Management to Human Resource Department to be paid under Compensation and Awards. The amount of US\$5,017,052.64 earlier paid was not taken into account. In this regard, there is a risk of double payment.

ii. Payments Made to CUSA (Z) Ltd.

The Government owed CUSA (Z) Ltd a total amount of K11,073,344,421. The debt arose as a result of an admission by the Government for losses incurred by CUSA during the debt relief pronouncement by Government for the years 1991/2, 1993/4 and 1994/5 in respect of non and drought stricken areas. The quantum of losses for non drought stricken areas was negotiated between Government and CUSA and some quantum agreed upon.

During the period from June to August 2008, the Government paid a total amount of K5,000,000,000 to CUSA (Z) leaving a balance of K6,073,344,421. It was however observed that records at the Ministry of Justice still show K11,073,344,421 as owing to CUSA (Z) posing a risk of double payment.

The payment of K5,000,000,000 was made in defiance of the Attorney General's advice of 14th September 2007 and the subsequent advice by the Secretary to the Treasury on 24th September 2007.

iii. Payment to Zambia Cooperative Federation (ZCF) Finance Services

The Government owed ZCF a total amount of K30,700,000,000. The debt arose out of seasonal credits to small scale farmers provided by ZCF (in liquidation) using funds borrowed from Governments and its own resources.

These were to be recovered at the end of every marketing season. However, in 1995, the Government announced the debt relief to small scale farmers and instructed all lending institutions to stop recoveries while Government was still working on the modalities of the debt relief.

In June 2008, the Government paid a total amount of K1,000,000,000 to ZCF Finance Services leaving a balance of K29,700,000,000.

The payment of K1,000,000,000 was made in defiance of the Attorney General advise of 14th September 2007 and the subsequent advise by the Secretary to the Treasury on 24th September 2007

iv. Appex Industrial Distributors

On 1st January 2008 Messrs Appex Industrial Distributors had a total outstanding balance brought forward from 2007 of K2,208,165,484. The amount was fully paid during the year 2008. However, at the close of accounts on 31st December 2008, the same opening balance of K2,208,165,484 was carried forward to 2009 and later transferred to Ministry of Justice. There is a risk of double payment.

HEAD:	37/09 Ministry of Finance and National Planning ó Central Statistical Office (CSO)
UNITS:	Various
PROGRAMMES:	Various
ACTIVITIES:	Various

48. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K19,013,495,701 was made to cater for Recurrent Departmental Charges (RDCs) and Capital Expenditure against which K11,133,165,974 was released.

Accounting Irregularities

An examination of accounting and other records maintained at CSO Headquarters and selected regional offices carried out in September 2009 revealed the following:

a. Recurrent Departmental charges -Misapplication of Funds

Contrary to the Appropriation Act of 2008, there were payments in amounts totalling K254,595,901 that were applied on activities not related to the purpose for which the funds were appropriated as shown in the table below:

Programme	Amount K	Intended purpose	Applied on	Consequence
Office renovations	49,098,301	Office renovations	Motor vehicle repairs	Office renovations not done
Field Mapping	205,497,600	Office renovations	Economic Census allowances	Field Mapping not done
Total	254,595,901			

Therefore, the programmes and activities for which the funds were approved were not done.

b. Capital Expenditure – Delays in the Completion of the CSO Building

In paragraph 52 of the Auditor General's Report for the financial year ended 31st December 2006, mention was made of the delays in the completion of the new CSO office block. In particular, it was mentioned that the initial contract sum of K14,743,125,080 escalated to K23,082,341,389 as a result of thirteen (13) months delay in completing the project.

An audit carried out in October 2009 revealed that during the financial year ended 31st December 2008, a total provision of K2,000,000,000 was made in the Estimates of Revenue and Expenditure against which a total amount of K913,690,159 was released for the construction of the building. The amount released represents 46% of the total provision. Out of the total amount released, amounts totalling K934,438,711 were paid to Zulu Barrow Ltd and Yuang Jiang investment for the structural engineering and supervision and construction works respectively as shown below:

Payee	Amount Paid K	Description
Zulu Barrow	110,881,533	Structural Engineering, Design and supervision
Yuang Jiang Investments	823,557,178	Construction Works
Total	934,438,711	

Records at CSO and a physical inspection of the building revealed that the construction works had still not been completed as of October 2009 in that external works, exterior gamma zenith finish, ceiling works, partitioning works, floor tiling and windows/door frames installation among others had not been done. In this regard,

the completion period had been extended by a period of eighty five (85) months from June 2003 to June 2010. Due to the extension in the completion period, the contract sum had been revised from the initial contract sum of K14,743,125,080 to a sum of K35,969,849,089 resulting in an increase in cost by 144%.

HEAD: 44 Ministry of Labour and Social Security
PROGRAMMES: Various
ACTIVITIES: Various

49. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K16,375,818,658 and K19,735,244,588 were made against which K14,041,046,754 and K14,856,480,751 were released in 2007 and 2008 representing 91% and 75% of the provisions respectively to cater for activities of the Ministry.

Accounting and Other Irregularities

An examination of financial and other related records maintained at the Ministry carried out in July 2009, revealed the following;

a. Unvouched Expenditure

Contrary to Financial Regulation No.45, payments in amounts totalling K450,817,539 involving forty nine (49) transactions made during the period under review were unvouched in that the payment vouchers were either missing or not supported by relevant documents such receipts, invoices and Local Purchase Orders (LPO) among others.

b. Misapplication of Funds

Contrary to the provisions of the Appropriation Act of 2008, sixty four (64) payments in amounts totalling K83,955,793 were paid to staff as salaries and advances from the Recurrent Departmental Charges account instead of Salaries account. As of July 2009, the funds had not been reimbursed.

c. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K131,911,880 issued to various officers had not been retired as of May 2009.

d. Unaccounted for Fuel

Fuel costing K329,719,150 purchased during the period under review involving thirteen (13) transactions had no receipt and disposal details, making it not possible to ascertain whether the fuel was utilised for the intended purpose.

e. Failure to Submit Expenditure Returns

During the year under review, amounts totalling K3,453,184,411 were released and spent on the Inspection of Factories, Labour Market Information Systems/Labour Force Survey, Child Labour Control Management, Occupational Health Safety and Promotion Programme as shown in the table below:

Activity	Amount Released K	Amount Supported by Expenditure Returns K	Amount not Supported by Expenditure Returns K
Inspection of Factories	815,473,651	-	815,473,651
Labour Market Information System/ Labour Force Survey	942,000,000	-	942,000,000
Occupational Health Safety	822,020,281	697,730,928	124,289,353
Employment Promotion Programme	873,690,479	473,990,479	399,700,000
Total	3,453,184,411	1,171,721,407	2,281,463,004

As can be seen from the table above, out of the total amount of K3,453,184,411 released and spent, only an amount of K1,171,721,407 was supported by expenditure returns leaving a balance of K2,281,463,004 not supported.

In addition, out of the total amount released for Employment Promotion Programme, K294,569,893 was spent on activities not related to the programme and no authority was obtained from Ministry of Finance and National Planning to vary the funds.

Further, no reports in respect of activities undertaken were made available for verification.

HEAD:	45	Ministry of Community and Social Development Services
DEPARTMENTS:		Various
PROGRAMMES:		Various
ACTIVITIES:		Various

50. In the Estimates of Revenue and Expenditure for the financial year ended 31 December 2008, a total provision of K80,460,921,796 was made against which a total amount of K62,457,688,369 was released to cater for various activities. The amount released represented 77% of the total authorized provision.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters carried out in June 2009 revealed the following:

Headquarters

a. Unvouched Expenditure

Contrary to Financial Regulation Nos.52 and 65, payments in amounts totalling K1,524,944,809 involving eleven (11) transactions were unvouched in that the payment vouchers were either missing, unsupported or inadequately supported by relevant documents such as quotations, invoices and LPOs among others.

b. Unretired Imprest

Contrary to Financial Regulation No.96, imprest totalling K713,802,431 issued to sixty two (62) officers during the period under review had not been retired as of September 2009

c. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K48,548,000 procured during the period under review

d. Expenditure not Supported by Returns

During the year under review a total amount of K12,356,113,890 was released to various institutions against a total provision of K11,926,804,662 as follows:

Institution	Provision K	Releases K
National Vocational Rehab. Centre Ndola	2,324,225,388	2,324,225,388
Kitwe Community College- Kitwe	1,046,395,595	1,046,395,595
Monze Community College- Monze	700,000,000	700,000,000
Zambia Agency for Persons with Dis.-Lusaka	5,000,000,000	5,000,000,000
Folk Culture and Cultural Infrastructur	1,850,000,000	1,751,442,313
National Arts Council	1,006,183,679	1,534,050,594
Total	11,926,804,662	12,356,113,890

However, as of June 2009 no expenditure returns had been submitted to the Ministry headquarters to account for the funds.

e. Street Children

In paragraph 30 (d) of the Auditor General's report for the financial year ended 31st December 2007, mention was made of the weaknesses in the administration of the Street Children Funds.

In their First Report for the Fourth Session of the Tenth National Assembly, the Public Accounts Committee urged the Controlling Officer to temporarily suspend the disbursement of funds until guidelines were in place.

However, the following were observed:

i. Misapplied Funds to Pay Utility Bills

Contrary to the Appropriation Act of 2008, amounts totalling K37,963,291 were applied on unrelated activities such as payment of utility bills at the Ministry headquarters. As of 31st December 2008, the funds had not been reimbursed.

ii. Questionable Payment of Imprest

A total sum of K936,022,750 was paid to various officers as imprest from street children account, however, no documents such as authority from Controlling Officer and details of activities undertaken were made available.

Districts

A review of records maintained at Headquarters, Kazungula, Kalomo, Chipata, Kabwe, Kapiri Mposhi, Ndola, Petauke, Lundazi, Nyimba and Katete revealed that the situation had not improved in particular the following were observed:

a. Street Children Fund

i. Unaccounted for Stores

- Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of fuel costing K56,700,000 procured during the period under review.
- Contrary to Public Stores Regulations No.16, there were no receipt and disposal details in respect of various stores items costing K338,344,000 procured during the period under review.

ii. Unvouched Expenditure

Payments in amounts totalling K94,310,000 involving nineteen (19) transactions were unvouched in that the payment vouchers were either missing or unsupported by relevant documents such as quotations, acquittal sheets, invoices and Local Purchase Orders.

iii. Failure to Produce Quarterly and Monthly Reports

According to Street children guidelines, District Social welfare has the responsibility of generating monthly, quarterly and annual reports for submission to Headquarters. Contrary to the guidelines, Chipata District Social Welfare office did not prepare the required reports.

b. Public Welfare Assistance Scheme (PWAS)

A total of K3,106,496,606 was disbursed to various Districts during the period under review.

Records examined revealed the following:

i. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of various stores items costing K69,661,000 procured during the period under review.

ii. Unvouched Expenditure

Payments in amounts totalling K40,928,500 involving fifty (50) transactions were unvouched in that the payment vouchers were either missing or unsupported by relevant documents such as quotations, acquittal sheets, invoices and Local Purchase Orders.

iii. Unaccounted for Fuel

Contrary to Public Stores No. 16, there were no receipt and disposal details in respect of fuel costing K11,200,000 procured during the period under review.

iv. Unretired Imprest

Contrary to Financial Regulation No.96, imprest totalling K21,052,707 issued to nine (9) officers during the period under review had not been retired as of September 2009.

HEAD: 46/12 - Ministry of Health ó Eastern Province
UNITS: 03 Chadiza District
 05 Katete District
 07 Lundazi District
 10 Petauke District
 14 Provincial Health
PROGRAMMES: Various
ACTIVITIES: Various

51. During the year ended 31st December 2008, a provision of K45,273,239,611 was made in the Estimates of Revenue and Expenditure to cater for Recurrent Departmental Charges (RDCs) and Personal Emoluments at the Provincial Health Office (PHO), against which a total amount of K43,172,728,281 was released resulting in an under funding of K2,100,511,330 as shown below:

	PROVISION K	RELEASES K	(UNDER)/ OVER FUNDING K
RDCs	12,073,134,976	9,686,040,126	-2,387,094,850
Personal Emoluments	33,200,104,635	33,486,688,155	286,583,520
	45,273,239,611	43,172,728,281	-2,100,511,330

In addition, there was an amount of K30,279,473,324 provided for four (4) District Health Offices against which an amount of K19,259,071,901 was released as shown in the table below:

	District	Provision K	Funding K	Variance K
1	Lundazi	9,074,807,732	5,563,767,140	3,511,040,592
2	Chadiza	2,294,431,406	2,401,995,583	-107,564,177
3	Petauke	12,530,963,244	5,797,250,782	6,733,712,462
4	Katete	6,379,270,942	5,496,058,396	883,212,546
		30,279,473,324	19,259,071,901	11,020,401,423

Accounting Irregularities

An examination of financial and other related records maintained at the Provincial Health Office and a visit to four (4) districts revealed the following:

Provincial Health Office (PHO)

a. Imprest

Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K137,335,000 involving two (2) transactions issued to one officer in February 2008 had not been retired as of August 2009.

b. Unsupported Payments

There were ten (10) payment vouchers in amounts totalling K235,044,715 made during the period under review which had no supporting documents such as receipts, leave forms, retirement letters on personal files for the officers contrary to Financial Regulation No. 45.

c. Extension of a Maternity Ward at Kapata Urban Clinic

In 2008, the Provincial Health Office received a total amount of K1,733,705,238 from Ministry of Finance and National Planning for rehabilitation and extension of health facilities in Eastern Province, out of which an amount of K180,089,280 was allocated to the extension of a maternity ward at Kapata Urban Clinic. In this regard, the Provincial Tender Committee awarded a contract for the extension of a maternity ward at Kapata Urban Clinic to Kalemba Contractors at a contract price of K180,089,280. The works were to be carried out within a period of sixteen (16) weeks commencing on 19th August 2008.

A scrutiny of records pertaining to the project and a physical inspection of the site carried out in October 2009 revealed that although construction of the maternity ward had been completed in December 2008, the ward was not operational as of October 2009. The delay in opening the ward was attributed to lack of funds to carry out the

plumbing, carpentry and electrical works valued at K28,548,122, which were not included in the contract.

Chadiza District Health Office

a. Irregular Payments of Allowances

During the period under review, a total amount of K189,750,000 involving twenty one (21) transactions was drawn for payment to officers who were not on payroll as upkeep allowances. However, there was no Treasury Authority from Ministry of Finance and National Planning to support payment of such allowances as they were not provided for in the Estimates of Revenue and Expenditure for the years ended 31st December 2007 and 2008.

b. Payments of House Rentals

Contrary to Circular number PSMD B9 of 2002 and Ministry of Health Circular minute number 8 of 2004, which abolished payment of house rentals by Government, in March and April 2007 amounts totalling K37,477,234 were paid to various landlords as house rentals for officers' accommodation.

Katete District Health Office

a. Missing Payment Vouchers

Contrary to Financial Regulation 65(1), there were four (4) payment vouchers in amounts totalling K79,544,650 which were missing in that they were not produced for audit. It was therefore not clear as to whether the funds were used for the intended purpose.

b. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K63,461,380 involving eight (8) transactions issued to seven (7) officers during the year under review had not been retired as of August 2009.

c. Purchases Made Without Obtaining Competitive Quotations

Contrary to procurement guidelines, various goods and services costing K57,622,500 were procured without obtaining three (3) competitive quotations.

Lundazi District Health Office

a. Unsupported Payments

There were eighteen (18) payment vouchers in amounts totalling K71,040,800 made during the period under review which had no supporting documents such as invoices, receipts or acquittal sheets contrary to Financial Regulation No. 45.

b. Use of Cash Received Before Banking

Contrary to Financial Regulation No. 121 (1), cash in amounts totalling K20,100,000 involving three transactions received in January 2008 from three (3) officers as salary advance recoveries was used before banking.

c. Questionable Payment for Accommodation at Zambia Centre for Accountancy Studies (ZCAS)

On 28th November 2008 an amount of K5,440,000 was paid to the accountant, for accommodation at ZCAS for January 2009 intake. It was however observed that the officer had not gone to school and as of October 2009, the funds had not been reimbursed.

d. Investment Account

According to Financial Regulation No. 146, moneys standing to the credit of the Republic in the Treasury Account or with any other bank account and which are not immediately required for any other purposes shall be determined and invested as directed by the Secretary to the Treasury. However, it was observed that on 25th July 2008, the Lundazi District Health Office invested an amount of K350,000,000 meant for infrastructure in a 30 day Notice account without authority from the Secretary to the Treasury. As at the time of audit, 16th October 2009, the account was still active and had a balance of K270,433,389. As of the same date, interest amounting to K8,432,809 had been earned.

e. Purchases Made Without Obtaining Competitive Quotations

Contrary to procurement guidelines, various goods and services costing K90,460,780 were purchased without obtaining three (3) quotations.

f. Construction of a health post at Umi Hills in Chief Mwase's area

In 2008, Lundazi District Health Office received an amount of K350,000,000 from Ministry of Health Headquarters for the construction of a health post at Umi Hills in Chief Mwase's area. In this regard, the Provincial Tender Committee awarded the

contract for the construction of the health post at Umi Hills to Sungani Zizwa Contractors at a contract price of K333,650,520. The contract was for a period of five (5) months starting from 5th January 2009 to 2nd June 2009 and as of October 2009, the contractor had been paid a total amount of K220,187,080 leaving a balance of K129,212,920 unutilised.

The works included construction of a health post, one (1) staff house and three (3) VIP latrines.

A physical inspection of the site carried out in October 2009 revealed that whereas the expected completion date of the project was 2nd June 2009, the project had still not been completed as of October 2009. The remaining works included:

- i. Health post - Flooring, carpentry and joinery, glass panes and painting.
- ii. Staff house - Flooring, carpentry and joinery, glass panes, dish drains and painting.
- iii. VIP latrines - Casting of concrete slabs, erection of superstructures, roofing, plastering and painting.

Petauke District Health Office

a. Unretired Imprest

Contrary to Financial Regulation No. 96 (1), imprests in amounts totalling K12,107,040 involving four (4) transactions issued to four (4) officers during the year under review had not been retired as of August 2009.

b. Payments to Contractual Personnel

In the Estimates of Revenue and Expenditure for the year ended 31st December 2009, a provision of K47,627,538 was made to cater for the remuneration of contractual personnel. However, the actual expenditure during the same period was K228,683,125 resulting into an over expenditure of K181,055,585 which was not supported by a Supplementary Provision.

HEAD:	46/15	Ministry of Health ó North Western Province
UNITS:	2	Kabompo District Health Management Team
	13	North Western Provincial Health Office
PROGRAMMES:	8	Health Services Delivery
	9	District Health Systems Management
	10	Infrastructure Development
ACTIVITIES:		Various

52. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a total provision of K55,437,472,620 was made to cater for various activities in the Province and K44,802,915,463 was spent. Out of the total amount spent, K10,866,560,315 was spent on Infrastructure Development, District Health Systems Management and Health Services Delivery.

Accounting and Other Irregularities

An examination of financial and other records maintained at the Provincial Health Office pertaining to Infrastructure Development, District Health Systems Management and Health Services Delivery and the physical inspection of projects carried out in February 2009 revealed the following:

a. Kabompo District Health Management Team

A total amount of K1,856,033,441 was released to Kabompo District Health Management Team (DHMT).

Records at the DHMT revealed the following:

i. Unvouched Expenditure

There were two hundred and one (201) payment vouchers in amounts totalling K290,925,097 made between January and December 2008 that were unvouched in that they were either missing or lacked supporting documents such as invoices, receipts or acquittal sheets among others.

ii. Unretired Imprest

Financial Regulation No. 96 (1) requires that special and accountable imprest should be retired immediately the purpose for which they are issued has been fulfilled.

Contrary to the regulation, imprest in amounts totalling K756,392,296 involving one hundred and sixty two (162) transactions issued to fifty one (51) officers during the period January to December 2008 had not been retired as

of October 2009. The unretired imprest represented 41% of the total funds released to the District.

iii. Stores Items Without Receipts and Disposal Details

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K48,484,075 purchased between January and December 2008.

b. Infrastructure Development

The Ministry of Health released a total amount of K9,116,668,251 to the Provincial Health Office to cater for various activities under the Infrastructure Development Programme.

A scrutiny of relevant records relating to the projects in selected districts revealed the following:

i. Rehabilitation of Solwezi Nursing School Matron's House

In September 2008, a total amount of K70,000,000 was released for the rehabilitation of the Matron's house at Solwezi Nursing School.

A review of records carried out in August 2009, pertaining to the project revealed that an amount of K11,890,000 had been spent on the rehabilitation of the kitchen chimney leaving a balance of K58,109,500 for the matron's house. In this regard in September 2009, one year later, the Provincial Health Office signed a contract with Hossain Enterprises Limited at a contract price of K87,478,300. However, the contract did not specify the period, commencement and completion dates.

As of November 2009, an amount of K28,404,000 had been paid to the contractor. A physical inspection of the project carried in November 2009, revealed that construction of the house was at slab level.

ii. Construction of District Hospitals

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a total provision of K6,700,000,000 was made under Infrastructure Development for the construction of hospitals in Lumwana and Mufumbwe against which an amount of K6,437,693,512 was released.

A scrutiny of records relating to the construction of the hospitals revealed the following:

▪ **Construction of Lumwana District Hospital**

In July 2008, the Ministry of Health signed a contract with Jizan Construction Company for the construction of the hospital at a contract sum of K11,894,605,316. Construction works commenced on 11th September 2008 and were to be completed on 6th July 2009. The scope of the works included among others, construction of the maternity ward, male, female and children wards, administration block, X-ray, theatre and laboratory blocks. As of November 2009, the contractor had been paid a total amount of K2,372,921,000.

A physical inspection of the project carried out on 5th October 2009, revealed that the hospital had not been completed three (3) months after the completion date in that the mortuary was at slab level, three (3) low cost houses were at foundation level while construction works had not commenced on three (3) bedroom medium houses and the incinerator. In addition, the maternity, male, female and children wards, administration block, X-ray, theatre and laboratory blocks were at roof level.

▪ **Construction of Mufumbwe District Hospital**

In July 2008, the Ministry of Health signed a contract with Asesco (Z) Ltd for the construction of the hospital at a contract sum of K4,569,253,090. Construction works commenced in September 2008, and were to be completed in October 2009.

The scope of works included among others construction of administration block, Out-Patient Department, Radiology Department and the Operating Theatre. As of November 2009, the contractor had been paid a total amount of K2,490,428,517 .

A physical inspection of the project carried out in September 2009, revealed that the hospital had not been completed in that administration block, Out-Patient Department, Radiology Department and the Operating Theatre were at roof level while the laundry and kitchen were at lintel level.

iii. Construction of Health Posts

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a total provision of K387,904,864 was made under Infrastructure Development for the construction of health posts.

A scrutiny of records relating to the construction of the health posts revealed the following:

▪ **Construction of a Staff House at Ndungo Health Post**

In August, 2008 the Ministry signed a contract with Halimwene Contractors for the construction of a staff house at Ndungo Health Post in Kabompo at a contract price of K135,099,000. However, the contract did not specify the contract period.

In this regard, between December 2008 and August 2009, the contractor was paid amounts totalling K128,344,050 for certified works and K6,754,950, being 5% of the contract price, was retained to cover the defect liability period.

Although the BOQ specified the materials to be used for spider trusses and door frames, a physical inspection of the staff house carried out in September 2009, revealed that the contractor did not use the spider trusses as contained in the BOQ and the door frames were made out of ordinary drum material.

▪ **Construction of Muyembe Health Post**

In 2008 the Provincial Administration signed a contract with Frachin Investment Ltd for the construction of a health post, a staff house, two (2) VIP toilets and an incinerator at Muyembe in Zambezi west bank at a contract price of K310,501,544. However, the contract did not specify the contract period.

In this regard, the contractor was paid amounts totalling K160,000,000 in November 2008 and K134,979,466 in February 2009 bringing the total amount paid to K294,979,466.

A physical inspection of the project carried out in September 2009, revealed structural and other defects in that the contractor did not use the spider trusses as contained in the BOQ, the wall separating the maternity and the general waiting verandas was not built, Concrete sitting pews in the veranda and the spoon drain had not been constructed while for the house, there were defects which included cracks on the floors and walls as shown in the pictures below:



No trusses in the roofing.



Cracking floors

▪ **Construction of Jimbe Staff House**

In 2008, the Provincial Administration signed a contract with Uloso Enterprises Ltd for the construction of a staff house and a VIP latrine at Jimbe Health Post in Mwinilunga at a contract price of K147,531,000 with commencement date of 30th September 2008 and the works were expected to be completed on 31st December, 2008.

In this regard, as of November 2009, the contractor had been paid amounts totalling K78,000,000 leaving a balance of K69,531,000.

A physical inspection of the staff house carried out on the 3rd October, 2009 revealed structural and other defects in that the contractor did not use the spider trusses as contained in the BOQ and the floor in the sitting room and bedrooms had cracks.

HEAD: 46/16 Ministry of Health, Northern Province-Provincial
Health Office
UNIT: 18 Northern Provincial Health Office
PROGRAMME: 9 Health Systems Management - PRP
ACTIVITIES: Various

53. In the Estimates of Revenue and Expenditure for the financial year 2008, a provision of K3,298,112,528 was made in respect of Recurrent Departmental Charges against which K3,044,103,143 was released leaving a balance of K254,009,385.

Accounting Irregularities – Administration of the RDC Account

An examination of financial and other records maintained at the Provincial Medical Office carried out in July 2009 revealed the following:

a. Unaccounted for Cash

During the year under review a total amount of K63, 718,684 was received from various sources such as cash retirements and sale of drug licences. However, a scrutiny of the bank statements revealed that only a total amount of K52,361,715 was deposited in the RDC account and the balance of K11,356,969 was not accounted for. Further, the cash could not be verified as having been deposited in that the deposit slips were not produced for audit.

b. Missing Payment Vouchers

Contrary to Financial Regulation No. 65(1), thirty two (32) payment vouchers in amounts totalling K122,548,321 were not produced for audit.

c. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprest amounting to K107,806,080 involving forty seven(47) transactions issued to thirty seven (37) Officers had not been retired as of June 2009. Further, contrary to Financial Regulation No.91 (1 and 2) imprest amounting to K78,170,860 were issued to twenty one (21) officers who had not retired previous ones.

HEAD:	51	Ministry of Communications and Transport
DEPARTMENTS:	01	Headquarters
	02	Civil Aviation Department
	03	Meteorological Department
	04	Maritime and Inland Waterways Department
UNIT:		Various
PROGRAMMES:	01	Personal Emolument
	02	General Administration
	03	Support to Institutions
	08	Airports Rehabilitation
ACTIVITIES:		Various

54. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a total provision of K110,516,850,609 was made against of which a total amount of K63,059,431,882 was released leaving a balance of K47,457,418,727.

Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry headquarters and visits to Kasama and Mansa in March 2009 revealed the following:-

a. Unvouched Expenditure

Contrary to Financial Regulation No. 45 and 52, there were eighty one (81) payments in amounts totalling K514,246,582 that were unvouched in that the payment vouchers were either missing, inadequately supported or unaquitted.

b. Irregular Payments

In paragraph 36 of the Auditor General's report for the financial year ended 31st December 2005, mention was made of the K607,606,931 which was misappropriated by various officers at the Ministry.

In their report for the First Session of the Tenth National Assembly, the Public Accounts Committee instructed the Controlling Officer to report progress on the matter. A review of the situation for the financial year 2008 revealed the following;

i. Unapproved Payments

Financial Regulation No. 48 (1) requires that a Controlling Officer, Warrant Holder or any other authorized Officer, should sign the original payment voucher before payments are effected. Contrary to the regulation, there were still serious weaknesses in the accounting procedures within the Ministry. In this regard, forty seven (47) payments made during the period under review in amounts totalling K348,228,936 were not approved.

ii. Fraudulent Payments

During the period April to May 2008, amounts totalling K30,000,000 involving three (3) transactions were misappropriated in that they were inserting a one (1) in front of the amounts on the payment vouchers as illustrated in the table below:

Date	Cheque No.	Payee	LPO Amount (K)	Payment Voucher Amount (K)	Variance
4/4/2008	010132	Bresmum Enterprises	7,800,000	17,800,000	(10,000,000)
5/29/2008	010530	Zues Business Solution	9,450,000	19,450,000	(10,000,000)
4/4/2008	010130	Xaina Enterprises	5,000,000	15,000,000	(10,000,000)
		Total	22,732,200	52,732,200	(30,000,000)

As of November 2009, one (1) officer had been suspended and a Classified Daily Employee dismissed. However, no recoveries had been made from the officers involved and the matter had not been reported to the Police.

c. Irregular Payment of Salary Arrears and Terminal Benefits

According to the existing arrangements, payment of salaries, advances and loans to leaders are met by the Ministry of Finance and National Planning through the leaders' payroll. Contrary to this arrangement, a total amount of K87,626,589 was paid to two former Permanent Secretaries as terminal benefits and salary arrears from the RDC account.

In addition, amounts totalling K47,276,776 were paid to two (2) Officers as salary arrears and recruitment and retention allowance from the RDC account during the same period. As of February 2009, the RDC account had not been reimbursed.

d. Unretired Imprest

Financial Regulation No. 91 requires that no officer shall be issued with subsequent imprest while the earlier one has not been retired. In addition, Financial Regulation No. 96 (1) requires that special and accountable imprest should be retired immediately the purpose for which they are issued has been fulfilled.

Contrary to the regulation, subsequent imprests were issued to officers with outstanding imprests, registers were not being updated and below the line accounts were not being reconciled.

As a result of the above weaknesses, imprest in amounts totalling K594,268,930 issued during the period under review to forty one (41) officers had not been retired as of October 2009. Out of the forty one (41) officers, eighteen (18) officers were issued with subsequent imprest.

e. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16 there were no receipt and disposal details in respect of various stores items costing K286,046,250 purchased during the period under review.

In addition, fuel costing K137,000,000 involving ten (10) transactions purchased from various filling stations were not reconciled with invoices and statements from suppliers due to non maintenance of registers. In this regard, it was not possible to ascertain how the fuel was accounted for.

f. Non Recovery of Salary Advances and Loans

i. Salary Advances

Contrary to Terms and Conditions of Service for the Public Service, salary advances in amounts totalling K227,546,666 were paid to one hundred and sixty one (161) officers during the period January to December 2008. However, as of February 2009, recoveries had not been effected.

ii. Household and Car Loans

Amounts totalling K971,500,000 involving eighty five (85) transactions were paid to eighty five (85) officers as household and Car loans during the period January to December 2008. However, as of February 2009 recoveries had not been effected.

g. Rehabilitation of Kasama Airport

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K20,000,000,000 was made for rehabilitation of Kasama Airport, against of which K6,117,866,222 was released to the Ministry. However, only K1,810,108,019 was disbursed to the Provincial Administration for the Project and the balance of K4,326,588,667 was diverted to activities as detailed below:

i. Mofed Tanzania Limited

In September 2008, treasury authority was granted by Ministry of Finance and National Planning to Ministry of Communications and Transport to pay Mofed Tanzania Ltd an amount of K333, 333,334 from the funds for the rehabilitation of Kasama airport. The project funds were to be reimbursed when funds for Mofed Tanzania Ltd were released.

As of February 2009 the amount had not been reimbursed despite the budget allocations for Mofed being released in full.

ii. Purchase of Motor Vehicles

In 2008, an amount of K1,291,500,669 was used to procure eight (8) motor vehicles without obtaining treasury authority from Ministry of Finance and National Planning.

The money was used to procure three (3) vehicles from CFAO Zambia Ltd at a total cost of K596,141,669 and five (5) from Top Motors Ltd at cost of

K695,359,000. The three (3) vehicles procured from CFAO Zambia Ltd were delivered in 2008 while the five (5) vehicles procured from Top Motors Ltd had not been delivered as of July 2009.

An inquiry with the Transport section revealed that the three vehicles delivered were allocated to the Minister, Deputy Minister and the Permanent Secretary.

iii. Mansa Airport

An amount of K2,500, 000,000 was diverted to rehabilitate Mansa airport. Although treasury authority was granted by Ministry of Finance and National Planning, this project was not budgeted for in 2008. A review of payments at the Provincial Administration in Mansa relating to rehabilitation of Mansa Airport revealed that:

▪ Unutilized Funds

Out of K2,500,000,000 disbursed, only K166,388,600 was spent leaving a balance of K2,333,611,800 unspent as the rehabilitation of the airport had not commenced as of February 2009.

▪ Misapplication of Funds

Out of an amount of K166,388,600, a total of K32,256,000 was spent on activities related to the project such as map drawing and travel expenses while a balance of K134,132,600 was paid as imprests to various officers on activities not related to the project. As of July 2009 a total amount of K115,873,400 had been reimbursed leaving a balance of K19,159,200.

h. Construction of Terminal Building at Kasama Airport

In October 2007, Pamaco Ltd was awarded a contract to construct Kasama Airport Terminal building at a contract Price of K1,094,917,950. The works were to be executed within two hundred and three (203) days and to be completed by 12th May 2008. However, in June 2008, due to the variations made to the initial design of the project, the contractor requested for an extension of performance period by thirteen (13) weeks to 5th September 2008 which resulted into the contract price to escalate to K2,054,037,851.

During the period under review, the Contractor claimed amounts totalling K2,322,037,851 and an amount of K2,054,037,851 was paid to the Contractor leaving a balance of K268,000,000. However, as of July 2009, the construction of the terminal building had not been completed and the contractor had abandoned the site.

In his response dated 17th April 2009, the Controlling Officer stated that the delay in the completion of the project had been due to non payment of the outstanding balance of K268,000,000.

i. Extension and Renovation of the Post Office in Solwezi

A total provision of K2,150,000,000 was made in the Estimates of Revenue and Expenditure for 2007 (K1,150,000,000) and 2008 (K1,000,000,000) for the construction and upgrading of postal outlets and postal offices in Lukashya, Mfuwe, Vubwi, Shangombi and Solwezi.

Out of the total provisions, amounts of K230,000,000 and K346,666,666 were released in 2007 and 2008 to the Zambia Postal Services and the Provincial Administration respectively for the renovation and extension of Solwezi Post Office. The balances of K920,000,000 and K653,333,333 in 2007 and 2008 meant for construction of other post offices had not been released and therefore no construction works were undertaken.

Records examined at the Provincial Administration in Solwezi revealed that the amount of K346,666,666 was deposited in the General Deposit Account and had not been utilised as of July 2009.

j. Rehabilitation of Old and New Wings at the Ministry Headquarters

In December 2008, the Ministry engaged Japen Zambia Limited to rehabilitate the office buildings at the Ministry headquarters at a contract price of K328,201,000. The works were supposed to be done in six (6) weeks.

As of July 2009, the contractor had been paid a total amount of K240,000,000 leaving a balance of K88,200,000. An inquiry made and a physical inspection carried out at the Ministry headquarters in July 2009 revealed that the works were poorly done in that there were cracks on some walls and parts of the ceiling board were leaking. See pictures below:



Part of concrete ceiling showing leakages



Cracks on the wall showing leakages

Although management stated in their response of 17th April 2009 that the works were completed in April 2008, there was no evidence that the works were supervised by the Buildings Department and no completion certificate was issued.

HEAD:	64/02	Ministry of Works and Supply-Buildings Dept
UNIT	2	Architectural
PROGRAMMES:	9	Sports Infrastructure Development
	11	Public Infrastructure Development
	12	Public Buildings Infrastructure Management - State House Renovations
	13	Public Buildings Infrastructure Development - Katima Mulilo Bridge Border Infrastructure
ACTIVITIES:		Various

55. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007 and 31st December 2008 provisions totalling K61,581,130,538 were made for the execution of the following projects out of which K31,379,810,538 was released leaving a balance of K30,201,320,000 as shown in the table below:

Project	2007			2008			Total		
	Budget K	Released K	Variance K	Budget K	Released K	Variance K	Budget	Released	Variance
Rehabilitation of Independence Stadium	-	-	-	28,000,000,000	15,000,000,000	13,000,000,000	K	K	K
Upgrading of Konkola Stadium	-	-	-	2,000,000,000	2,000,000,000	-	28,000,000,000	15,000,000,000	13,000,000,000
Nakonde Border facilities	-	-	-	18,365,000,000	4,550,000,000	13,815,000,000	2,000,000,000	2,000,000,000	-
Kabelenga Presidential Guest house	-	-	-	721,810,538	721,810,538	-	18,365,000,000	4,550,000,000	13,815,000,000
Katima mulilo Border Infrastructure	-	-	-	6,433,000,000	6,433,000,000	-	721,810,538	721,810,538	-
Kazingula, Chongwe & Chembe office blocks	-	-	-	3,971,320,000	2,175,000,000	1,796,320,000	6,433,000,000	6,433,000,000	-
Kitwe Presidential Lodge	1,000,000,000	-	1,000,000,000	1,090,000,000	500,000,000	590,000,000	3,971,320,000	2,175,000,000	1,796,320,000
Total	1,000,000,000	-	1,000,000,000	60,581,130,538	31,379,810,538	29,201,320,000	2,090,000,000	500,000,000	1,590,000,000
							61,581,130,538	31,379,810,538	30,201,320,000

Accounting and Other Irregularities in the Execution of the Projects

An examination of accounting and other records maintained at the Ministry Headquarters and site inspections carried in June 2009 revealed the following:

a. Rehabilitation of Independence Stadium

Out of a total amount of K15,000,000,000 received, only an amount of K2,927,701,781 was spent on redesigning the stadium while the balance of K12,072,298,219 was misapplied on the completion of Chirundu Border facilities. As of June 2009, works on the rehabilitation of the stadium had stalled.

b. Renovation of Kabelenga Presidential Guest House

Kabelenga Presidential Guest house, which was formerly under Zambia Consolidated Copper mines (ZCCM) was transferred to Government in 1990. Since its transfer, no renovations had been done. Consequently, the infrastructure had become dilapidated. In this regard, Government engaged Dramoll Investments Limited to renovate the guest house at a contract price of K1,250,407,643 for a duration of sixteen (16) weeks commencing 25th September 2008 to 25th January 2009. The contract price was above the estimated budget provision of K721,810,538 by K528,597,105.

A scrutiny of project documents at the Ministry Headquarters revealed the following:

i. Over Commitment

Although the Ministry committed the Government to a further capital outlay of K528,597,105, there was no indication of where the extra funds would be sourced from as no supplementary provision was obtained.

In his response dated 4th June 2009, the Controlling Officer stated that the Ministry did not apply for supplementary funding for the short fall as the project was supposed to be completed the following year, which is 2009. The deficit was included in the 2009 budget allocation. K503,000,000 was provided for the project in the 2009 budget.

It was noted however that the contract period was actually ending in January 2009 before the approval of the 2009 budget. Therefore, the rationale of committing government before the budget was approved is questionable.

ii. Unaccounted for Funds

A scrutiny of the funding details and the 2008 financial report revealed that out of a total amount of K721,810,538 budgeted for and released for the project, an amount of K440,828,830 was incurred leaving a balance of K280,981,170. Records examined further revealed that the balance of K280,981,170 was not utilized on the project

despite two (2) interim payment certificates in amounts totalling K748,604,966 being issued in favour of the contractor. Instead, the contractor was paid K383,133,650 in March 2009 from the 2009 allocation.

A site visit carried out in March 2009 revealed that work had slowed down because the Ministry had not paid fully for the completion certificates issued.

In response the Controlling Officer confirmed that the full claim could not be honoured as by the time the certificates reached Accounts Section the money on this account had already been used on other activities within the same programme. However neither details of such activities nor variations approval were produced for audit verifications.

c. Kitwe Presidential Lodge and Construction of Fence

In May, 1999, Zambia National Tender Board authorized the Ministry of Works and Supply to single source Apollo Enterprises to rehabilitate the Guest House and consequently the Ministry entered into an agreement with Apollo Enterprises Limited at a cost of K380,000,000.

The contract was for a period of 13 months commencing 1st June, 1999 to 30th June 2000. However before the works could commence, the Ministry of Works and Supply sought further authority from Zambia National Tender Board to grant Apollo authority to purchase furnishings at a cost of K221,410,000 in addition to the earlier contract for the works.

In September 2000, a revised contract was signed between Ministry of Works and Supply and Apollo Enterprises at a contract sum of K2,165,283,156 for full rehabilitation works which included among others:

- Removal of existing wall panelling
- Removal and replacement of all Electrical fittings
- Removal and replacement of all ceiling panels
- Removal and replacement of all floor and finishes
- Removal and replacement of all bathroom and toilet fittings
- Improvement of water supply to the house and workers' compound
- Uproot rusty water pipes and replacing them
- Rehabilitation of the Gazebo (the hut).

Records revealed that the contractor completed the works in 2002 and was paid in full.

However, during the period from 2002 to 2007, the guest house was not used and some parts of it such as the copper roof, copper lion heads at the edges of the roof and the visitors' ladies toilet had been vandalised.

In order to restore the guest house to the required standard, the Government provided a total amount of K2,090,000,000 in the Estimates of Revenue and Expenditure for 2007(K1,000,000,000) and 2008 (K1,090,000,000) for renovation works and construction of a palisade fence. Records examined revealed that no releases were made in 2007 while an amount of K500,000,000 was released in 2008 for the construction of the palisade fence.

A site visit made in March 2009 revealed that the fence had not been erected and that the guest house was still not being utilized.

HEAD: 64/01 Ministry of Works and Supply ó Human Resources and
Administration Department

PROGRAMME: 02 General Administrations

ACTIVITIES: Various

56. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions totalling K8,031,521,571 were made to cater for general administration against which amounts totalling K5,253,062,892 were released as shown below:

Year	Provision K	Released K	Variance
2007	3,759,394,000	2,986,710,536	772,683,464
2008	4,272,127,571	2,266,352,356	2,005,775,215
Total	8,031,521,571	5,253,062,892	2,778,458,679

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters carried out in March 2009 revealed the following:

a. Missing Payment Vouchers

Contrary to Financial Regulation No.45, there were payments in amounts totalling K457,063,500 involving thirteen (13) transactions in 2007 and K23,188,765 involving (4) transactions in 2008 which were not vouched in that the payment vouchers were either missing or lacked supporting documents such as receipts, Local Purchase Order (LPO) and quotations among others.

b. Weakness in the Management of Fuel

Contrary to Public Stores Regulation No. 35(3), there were no receipt and disposal details in respect of fuel costing K1,387,500,000 involving thirty (30) transactions procured during the period under review.

c. Unaccounted for Stores

Contrary to Public Stores Regulations No. 16, items costing K70,880,000 involving six (6) transactions procured during the period under review could not be accounted for in that they lacked receipt and disposal details.

d. Unretired Imprest

Imprest totalling K2,482,537,025 involving one hundred and thirty seven (137) transactions paid to various officers in 2007 and K437,334,560 involving thirty five (35) transactions in 2008 was not retired as of March 2009.

HEAD: 65/01 Ministry of Science, Technology and Vocational Training
UNITS: Various
PROGRAMMES: Various
ACTIVITIES: Various

57. In the Estimates of Revenue and Expenditure for 2008, a total provision of K135,901,294,811 was made for the activities of the ministry against which K87,994,426,606 was released representing 65% of the provision leaving a balance of K47,906,868,205. The ministry spent a sum of K81,611,590,809 out of the total amount released as shown below.

Station	Amount K
Headquarters	77,619,511,344
Support to Institutions	10,374,915,262
Total	87,994,426,606

Accounting and other Irregularities – RDCs

An examination of financial and other records maintained at the Ministry carried out in June 2009 revealed the following:

a. Headquarters

i. Stores Without Receipt and Disposal Details

Contrary to Public Stores Regulations No.16, there were no receipt and disposal details in respect of fuel and stores items costing K1,097,301,549 procured during the period under review.

ii. Uncollected Motor Vehicles

Five motor vehicles taken to various garages during the period 2002 to 2008, remained uncollected as of June 2009. A physical verification carried out revealed that out of the five motor vehicles, a Landrover Discovery GRZ 538 BK taken to Pilatus Engineering had been cannibalized, Landrover Freelander GRZ 455 BN taken to Ideal Auto Tech garage in March 2005 had not been repaired despite a payment of K51,814,048 made in May and December 2005.

Further, a Landrover Discovery GRZ 939BK taken for repairs in 2006 at Chilu Holdings for which spares costing K5,268,500 were bought by the Ministry had not been repaired while two motor vehicles Toyota Venture GRZ 940 BR and Mitsubishi Pajero GRZ 300 BK taken to Shain Motors were found parked at a private residence in Kabulonga.



GRZ 940 BR Venture and GRZ 300 BK Pajero Parked at Private Residence



Cannibalized vehicle at Pilatus Engineering



*GRZ 445 BN Freelander parked at
Ideal Auto Tech*



Unrepaired Land Rover Discovery at Chilu Holdings

b. Support to Institutions

According to existing guidelines, training institutions receiving money through the Ministry are required to submit expenditure returns to the Ministry Headquarters to account for the funds disbursed.

It was observed however that, no expenditure returns were submitted by the respective institutions to account for the K 10,374,915,262 disbursed during the financial year ended 31st December 2008.

HEAD: 68 Ministry of Tourism, Environment and Natural Resources
UNITS: Various
PROGRAMMES: Various
ACTIVITIES: Various

58. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K173,696,728,631 and K123,227,689,351 were made. Amounts of K108,773,901,742 and K68,087,459,530 were released in 2007 and in 2008 representing 63% and 55% respectively to cater for the activities of the Ministry.

Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry Headquarters carried out in March 2009, and visits to the Copperbelt and Luapula provinces revealed the following:

a. Unvouched Expenditure

There were one hundred and thirty nine (139) payments totalling K2,190,829,225 that were unvouched in that they were either missing, unacquitted or inadequately supported.

b. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprests in amounts totalling K1,248,121,774 issued to one hundred and twenty seven (127) officers between January 2007 and December 2008 had not been retired as of October 2009.

c. Unaccounted for Stores

Contrary to stores regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K247,264,441 purchased during the period under review.

d. Unaccounted for Fuel

There were no receipt and disposal details for fuel costing K593,179,974 purchased during the period under review.

e. Service of Motor Vehicles

In May 2006, a motor vehicle registration No. GRZ 934 BP was taken to Yeti Motors for servicing and repairs at a total cost of K23,477,440. Consequently, the vehicle was repaired and ready for collection on 29th May 2006. However, payment had not been made as of July 2009 and the vehicle remained uncollected thirty five (35) months later.

f. Industrial Plantation Forestry Programme

In 2008, the Ministry received a total of K3,080,662,817 for the establishment of 710 hectares of regional and local supply plantation in the country by the end of the year and the Ministry disbursed a total of K1,213,000,000 to all provinces as shown in the table below:

Province	Amount K
Luapula	114,000,000
Copper belt	164,000,000
Northern	243,000,000
Central	112,000,000
Eastern	195,000,000
Southern	83,000,000
Western	59,000,000
Northwestern	139,000,000
Lusaka	34,000,000
Research	70,000,000
Total	1,213,000,000

The difference of K1,867,662,817 was used for the purchase of four (4) tractors and four (4) motor vehicles among others for the project.

A visit and site inspection of plantation areas in two (2) provinces revealed the following:

i. Copperbelt Province

A total of K164,000,000 was disbursed to the Provincial Administration and was deposited into the General Deposit Account (GDA) in order to facilitate the Forestry Expansion Programme at Chichele and Dola Hill Plantations. In this regard, the Forestry Department was supposed to plant ninety (90) hectares of trees by the end of 2008. It was noted however, that:

- As of July 2009, out of the K164,000,000, an amount of K85,000,000 was disbursed to Forestry Department leaving a balance of K79,000,000. Consequently, out of the ninety (90) hectares earmarked for planting, only Forty and a half (40.5) hectares were planted.
- A site visit revealed that although Forty and a half (40.5) hectares were planted, the growth was poor and the area was overgrown with grass.

ii. Luapula Province

A total of K114,000,000 was disbursed to the Provincial Administration and was deposited into the General Deposit Account (GDA) in order to facilitate for the Forestry Expansion Programme in Mansa. In this regard, the Forestry Department was supposed to plant ninety (90) hectares of trees by the end of 2008. Although the Department managed to plant eighty six (86) hectares of trees, it was observed that:

- A total amount of K34,482,730 was spent by the Provincial Administration between May and June 2008 on activities not related to the Forestry Expansion Programme. As of July 2009, the reimbursement had not been made.
- Contrary to Financial Regulation no 96 (1), imprest in amounts totalling K39,864,700 issued to five (5) officers between June and December 2008 had not been retired as of July 2009.
- A site visit revealed that the area was overgrown with grass and consequently the growth of the trees was poor.

iii. Non Submission of Expenditure Returns and Progress Reports

A verification at the Ministry Headquarters carried out in September 2009 revealed that although the Ministry disbursed a total of K1,213,000,000 to the nine (9)

Provinces to facilitate the expansion of forests, no expenditure and progress reports were submitted by the Provinces.

g. Forestry Development Credit Facility

The FDCF is a countrywide revolving fund that was started by Government in 2004. It was intended for local rural/ poor communities who wanted to obtain credit for projects such as bee keeping, saw milling, carpentry and joinery. The Ministry of Tourism, Environment and Natural Resources (MTENR) was to administer the loans through the Forestry Department. The FDCF loans or facility, comprised: micro, small and medium scales, with maximum repayment periods of 12, 24 and 36 months with grace periods of 4, 6 and 12 months, respectively.

The Forestry Development Credit Facility was administered through the National Management Committee (NMC) whose secretariat was at Forestry Department Headquarters in Lusaka. The NMC comprised of people from a cross section of stakeholders that included both government key institutions and the private sector. The NMC was responsible for among other things, the selection of loanees

During the Financial years 2004, 2005, 2006 and 2007 amounts totalling K17,350,000,000 were provided for in the Estimates of Revenue and Expenditure for the Forestry Development Credit Facility (FDCF) in the nine (9) provinces of Zambia out which K6,013,603,829 was released leaving a balance of K11,336,396,171 as shown below:

Year	Provision K	Releases K	Variance K
2004	3,000,000,000	1,958,431,140	1,041,568,860
2005	4,000,000,000	2,675,137,394	1,324,862,606
2006	7,350,000,000	1,380,035,295	5,969,964,705
2007	3,000,000,000	-	3,000,000,000
2008	-	-	-
	<u>17,350,000,000</u>	<u>6,013,603,829</u>	<u>11,336,396,171</u>

The amounts were to be disbursed to provincial administration offices for onward lending to individuals and communities interested in forestry related projects.

There were weaknesses in internal controls involving the administration of the Forestry Development Credit Facility in that:

- i. There was no effective participation of the Provincial and District Forestry officers in the programme as they were not involved in the selection of participants, provision of technical knowledge or monitoring of the projects;

- ii. Provincial Forestry Offices did not maintain registers in which details of loanees should have been entered while loanees could make repayments either to Provincial Offices or the Ministry Headquarters in Lusaka. As a result, the Provincial Offices could not state with certainty the balances of the loans; and
- iii. According to the conditions of the loans, loanees were supposed to maintain project accounts and in an event of relocating the business, the loanees were supposed to inform the Forestry Department.

As a result of the above weaknesses, the following were observed:

Eastern Province

i. Poor Repayment of the Loans

Between 2005 and 2007, the NMC approved ten (10) applications from Eastern Province to whom amounts totalling K524, 381,250 were disbursed. The funds were to be repaid within 12 months with interest at the rate of 5% per annum for amounts below K50,000,000 and within 24 months at 10% for amounts between K50, 000,000 and K150,000,000.

It was however observed that as at 31st March 2009 only amounts totalling K37,300,000 out of a total amount of K557,777,313 (consisting of principle of K524,381,250 and accumulated interest of K33,396,063) were paid back by the loanees representing 6.69% of the loaned out funds leaving a balance of K520,477,313. It was further observed that there were delays ranging from twenty (20) to thirty four (34) months in repayment of the loans after the expiry of the repayment periods

ii. Status of the Projects

A visit to the ten (10) project sites made in April 2009 revealed that projects for five (5) loanees who received loans totalling K219,276,250 and whose outstanding balances totalled K197,315,063 were still operational while projects for the other five (5) loanees who received loans in amounts totalling K305,105,000 and whose outstanding balances totalled K323,162,250 had ceased operations. The cessation of operations of some projects and non-repayment of loans impacted negatively on the growth of the Forestry Development Credit Facility.

Northern Province

Out of the total amount K13,350,000,000 released for the FDCF for the whole country, the Ministry of Tourism, Environment and Natural Resources only disbursed a total amount of

K281,840,000 to Northern Province over a period of three (3) years. The disbursed amount represents 2% of the released amount.

It was noted that out of the eighty two (82) applicants in the Province, only seven (7) were successful and benefitted from the facility in three districts under the micro scale category as tabulated below:

District	No. Of Loanees	Period	Value of Loans K
Kasama	3	2005/6	119,540,000
Mpika	3	2005/6	119,800,000
Kaputa	1	2005	42,500,000
Total	7		281,840,000

i. Failure to enforce collaterals

Beneficiaries had failed to service their loans in accordance with the agreed and stipulated repayment periods. In this regard, it was observed that as of February 2009, out of the total amount K 295,932,000 (comprising K 281,840,000 principal and 5% interest of K14,092,000), only a total amount of K11,000,000 had been repaid by two (2) beneficiaries, leaving a balance of K284,932,000 outstanding.

It was further noted that no effort had been made to recover the loans and the Ministry had not enforced the collaterals attached to the loans as of December 2009.

ii. Weaknesses in the Management of Projects

Contrary to the above conditions, the loanees did not maintain project accounts and failed to make monthly loan repayments. In addition, some loanees relocated without communicating to the department.

In particular, the following were observed:

Kasama District

i. Mulwachito Timber and General Dealers

The registered business premises was a house in Chibote area along Kasama - Mpika road and had obtained a loan of K30, 000, 000 in March of 2006, for sawmilling and processing of timber. The loan of K31, 00,000 (inclusive of 5% interest) was to be repaid within a period of one (1) year.

Inquiries and inspection of records and projects in February 2009, revealed that:

- the business ceased operating following the death of the two (2) directors in 2006 and 2007. At the time of their deaths, the loanees had not made any repayment towards the outstanding loan of K31,500,000;
- though, the loan was insured with the Zambia State Insurance Corporation (ZSIC) in the event of death or permanent disability of the loanees, as of February 2009, the Ministry had not made a claim within the stipulated period of ninety (90) days and therefore, the period of claim had lapsed;
- There was no collateral offered by the loanees against the loan obtained.

ii. Lualaba Savings and Credit Union Cooperative Society

The cooperative initially operated from Kasama and obtained a loan of K39,540,000 in February 2005 for bee-keeping development and selling of honey. The loan of K41,517,000 (inclusive of 5% interest) was to be repaid within a period of one (1) year.

As of February 2009, no repayments had been made towards the loan and the loanee could not be traced.

iii. Chrisment Enterprises

The business operates on plot number MLK 079714 along Kasama- Mungwi road and obtained a loan of K50,000,000 in January 2005, for carpentry and joinery. The loan of K52,500,000 (inclusive of 5% interest) was to be repaid within a period of one (1) year.

As of February 2009, no repayments had been made and the business was still operating.

Mpika District

i. Katongo Kapaya

The loanee obtained K49,800,000 in March 2006. The purpose of the loan was for bee-keeping development. However, inquiries made at the District Forestry Office in Mpika in February 2009 revealed that:

- the beneficiary had never operated in Mpika and there was no sign that the project had taken off and his whereabouts were not known; and
- an inspection of records from the Ministry headquarters indicated that the

loanee had not made efforts to repay the loan of K52,290,000, inclusive of 5% simple interest.

ii. Mwakala Marketing

The business was located on plot number 8548, Island Farm in Mpika district and obtained a loan of K50,000,000 in 2005, for saw milling and timber processing. The loan of K52,500,000 (inclusive of 5% interest) was to be repaid within a period of one (1) year.

Inquiries made and inspection of records and the project carried out in February 2009, revealed that the loanee, had since relocated to unknown premises.

Further, it was revealed that the business only operated for one month and, as of February 2009, his whereabouts were not known and the loan of K52,500,000 had not been repaid.

iii. O. G. Kampamba

The business operates from Mumamba Farm area in Mpika District and obtained a loan of K20, 000, 000 in January 2005, for bee keeping development. The loan of K21, 000,000 (inclusive of 5% interest) was to be repaid within a period of one (1) year.

Inquiries made and inspections of the records and project location in February 2009 revealed that the loanee had only repaid a total amount of K6, 000, 000 towards the loan leaving a balance of K15, 000,000.

Kaputa District

i. Musowil Enterprises

The organization premises is situated in Kaputa District and obtained a loan of K42,500,000 in February for carpentry and sale of timber. The loan of K44,625,000 (inclusive of 5% interest) was to be repaid within a period of one (1) year.

Inquiries made and inspection of records in February 2009 revealed that, the loanee had only repaid a total amount of K5,000,000 leaving a balance of K39,625,000.

Central Province

a. Failure to Recover Outstanding Loans

Out of the total amount of K1,369,351,250 paid to the loan applicants only K157,445,000 had been recovered as of January, 2009, leaving an amount of K1,211,906,250 outstanding. It was also observed that no claim had been made from the insurer against the unrecovered loans and no legal action had been preferred against the defaulters.

b. Non-Existent Projects

Although a total amount of K553,680,000 was indicated as having been paid to beneficiaries in Kabwe, Serenje and Kapiri Mposhi Districts, the projects for which the payments were made were nonexistent. See table below:

District	Date	Payee	Project	Amount K	Project Status
Kabwe	17.03.06	Farlousense Trading	Nursery	50,000,000	Non existent
	30.01.05	Jennifer. M Malawo	Mushroom	50,000,000	Non existent
	04.01.07	Patricia Kaoma	Carpentry	50,000,000	Non existent
	23.01.07	Musumi Suppliers	Carpentry	50,000,000	Non existent
	29.03.06	Ngosa Sawana Enterprise	Carpentry	50,000,000	Non existent
	30.01.05	Pamela Sichimwi	Carpentry	25,000,000	Non existent
	30.01.05	Chililialila Women Group	Bee Keeping	50,000,000	Non existent
	29.03.06	Beatrice Tembeya	Saw Milling	50,000,000	Non existent
	29.03.06	Paul Macwani and Mwanza Edward	Bee Keeping	49,280,000	Non existent
Serenje	07.01.05	Chilekwa R S	Carpentry	30,000,000	Non existent
Kapiri mposhi	04.01.07	E. N Siakacoma	Nursery	50,000,000	Non existent
	17.03.06	Burley Farms Ltd	Saw Milling	49,400,000	Non existent
		Total		553,680,000	

There were five (5) beneficiaries of the FDCF loans in Mumbwa district that were paid a total amount of K254,987,250 as tabulated below:

S/No.	Loan Beneficiary	Loan issue date	Chq No.	Type of loan	Project	Loan with Interest
1	Martha Muzondiwa	29.03.06	150	Micro Scale	Saw milling	52,500,000
2	Munati Agro forestry	29.03.06	151	Micro Scale	Bee keeping	52,500,000
3	Oscar Musole Inambao	29.03.06	145	Micro Scale	Saw milling	52,500,000
4	Tusante Investments	24.02.05	216	Micro Scale	Pit Sawing	52,500,000
5	Lumuno B Women Club	05.01.07	225	Micro Scale	Beekeeping	44,987,250
	Total					254,987,250

However, enquiries made with the Mumbwa District Forestry Office revealed that the office was not aware of the loanees and the projects for which the loans were obtained.

A physical verification of the Loanees conducted in collaboration with the District Forestry Office revealed that, apart from the Lumuno B Women Club, which received K44,987,250, all other loanees were not residents of Mumbwa consequently, the four (4) loan beneficiaries could not be located and the amount of K210,000,000 paid to them is unlikely to be recovered.

c. Chibombo District

The district had four (4) beneficiaries involving K210,000,000 of the FDCF loans as shown below:

S/No.	Loan Beneficiary	Loan issue date	Type of Loan	Project	Loan + interest K
1	PETSAC Enterprises	17.03.06	Micro	Carpentry	52,500,000
2	Cliff Hosea Sihalwe	04.01.07	Micro	Bee keeping	52,500,000
3	Tisawemwa Farm Project	30.01.05	Micro	Woodlot Production	52,500,000
4	Chibombo District YMCA Local Association	29.03.05	Micro	Carpentry	52,500,000
	Total				210,000,000

However, efforts made to verify the projects failed as all the loanees could not be traced except for Chibombo District YMCA Local Association who had also not utilised the loan on the intended projects for which was obtained .

HEAD: 68/02 Ministry of Tourism, Environment and Natural Resources - Forestry Department

UNIT: 2 Forestry Extension

PROGRAMME: 09 Forestry Extension and Management (PRP)

ACTIVITY: 03 Forestry Development Credit Facility

59. In the Estimates of Revenue and Expenditure for the financial years ending 31st December 2005, 2006 and 2007, the Ministry of Tourism and Environment and Natural Resources (MTENR) budgeted for a total amount of K13,050,000,000 to cater for the Forestry Development Credit Facility (FDCF) under the Forestry Extension and Management Programme as follows:

Year	Budget K
2004	3,000,000,000
2005	4,000,000,000
2006	3,050,000,000
2007	3,000,000,000
Total	<u>13,050,000,000</u>

The amounts were to be disbursed to provinces through the Provincial Administration for onward lending to communities and individuals for forestry- related projects.

During the years 2004 to 2007, the Provincial Administration in North Western Province received a total amount of K649,439,500 under the facility for disbursement to interested individuals under signed agreements.

In this regard, in January 2005, the Department entered into a Credit Assurance Scheme with the Zambia State Insurance Corporation Limited to cover the loans at a premium of K56,882,857.88.

Irregularities in Accounting for Forestry Development Credit Funds

An examination of financial and other records maintained at the Provincial Forestry Office and the Forestry Department, Headquarters and a physical inspection of projects in selected districts carried out in December 2008 revealed the following:

a. Unaccounted for Security Deposit Deductions

Amounts totalling K64,429,250 were deducted from fifteen (15) loan beneficiaries in the Province as security deposit required by section 2.7 of the MTENR Forestry Department FDCF General Guidelines and Modalities.

However, out of the amount deducted, only a total amount of K56,882,858 was remitted to the Zambia State Insurance Corporation Limited leaving a balance of K7,546,392 unaccounted for.

b. Failure to Repay Loans

Although a total amount of K649,439,500 were disbursed to the Province and paid to fifteen (15) loanees between 30th January, 2005 and 27th December, 2006 and were to be repaid between 9th July, 2006 and September, 2008 inquiries from loanees and an examination of accounting and related documents maintained at the Provincial Forestry Office in Lusaka revealed that as at 19th August, 2009, only a total amount of K151,350,000 had been repaid

leaving a balance of K537, 661, 475 outstanding and no legal action had been taken against defaulters.

It was observed in this regard, that the period of default ranged from 12 months to three (3) years as shown in the table below:

Name of Loanee	Unpaid loan	Repayment Date	Grace Period	Due Date	No. of Days Defaulted
Defaulted					
Watula Lesa Gen. Dealers	49,948,225	06-May	30	06-Jul	1,157
Abraham Kapaya Kalituta	42,500,000	06-May	30	06-Jul	1,157
G & B Matafwali Timber	18,500,000	08-May	30	08-Jul	427
Weselewa Enterprises	52,500,000	06-Jun	30	06-Aug	1,126
Kakoma Multi purpose	52,500,000	06-Jun	30	06-Aug	1,126
Unity Bee Keeping	37,938,250	06-May	30	06-Jul	1,157
Lucky Sangu Kawamba	12,000,000	06-May	30	06-Jul	1,157
Romba Invest (Z)(Ltd)	110,000,000	08-Sep	60	08-Dec	273
Abraham Sichalwe Nharzy	52,500,000	07-Jul	30	07-Sep	730
North west Consult	25,000,000	07-Jul	30	07-Sep	730
Alermartha Enterprises	17,250,000	08-May	30	08-Jul	427
Patson Kosamu	40,000,000	08-May	30	08-Jul	427
Muselepete Women's club	29,400,000	08-May	30	08-Jul	427
Total	540,036,475				

It was observed that out the K540,036,475 outstanding loans, the insurance cover for amounts totalling K537,661,475 (99.6%) had expired between July 2006 and September 2008. It is therefore unlikely that the amount will be recovered in the absence of security.

c. Misapplication of FDCF – Muselepete Women's Club

In May 2008, the Muselepete Women's Club was given a loan of K29,400,000 for the implementation of a tree nursery project. However, contrary to the requirement of the loan agreement which stated that loans disbursed will be used strictly for the intended purpose, the Muselepete Women's Club misapplied an amount of K11,500,000 on payment of soft loans to its members as shown in the table below;

Name of club member	Soft loan Received K	Loan repaid K	Outstanding Amount K
Joice Chainda	1,000,000	200,000	800,000
Bona Nkinka	1,000,000	-	1,000,000
Estina Mwembya	1,000,000	-	1,000,000
Rose Simangolwa	1,000,000	-	1,000,000
Elindi Kipayeni	1,000,000	-	1,000,000
Chumbu Kabumba	1,000,000	-	1,000,000
Mercy Kalungu	1,000,000	-	1,000,000
Everisto Kabamba	1,000,000	-	1,000,000
Peter Mayaya	1,000,000	-	1,000,000
Queen Katanya	1,000,000	-	1,000,000
William Makechi (Councilor)	1,500,000	400,000	1,100,000
Total	11,500,000	600,000	10,900,000

As of July 2009, only an amount of K600,000 had been recovered leaving a balance of K10,900,000.

Further, a total amount of K10,942,000 was misapplied on the procurement of the pigs and erection of a wall fence consequently the tree nursery project was not undertaken.

d. Non maintenance of Books of Accounts

Contrary to clause 9.01 of the loan debenture agreement signed between the MTENR and its loanees which stated that the borrower should keep books of accounts and records in accordance with sound accounting practices and ensure that the same should be open for inspection by or on behalf of the lender, it was observed that, six (6) loanees did not prepare Books of Accounts for their loans as shown in the table below:

Name of Loanee	Unpaid loan K	Repayment Date
Watula Lesa Gen. Dealers	49,747,500	No books of accounts maintained
Abraham Kapaya Kalituta	52,500,000	No books of accounts maintained
Unity Bee Keeping	39,338,250	No books of accounts maintained
Lucky Sangu Kawamba	15,750,000	No books of accounts maintained
Romba Invest (Z)(Ltd)	110,000,000	No books of accounts maintained
Muselepete Women's club	29,400,000	No books of accounts maintained
Total	296,735,750	

HEAD:	76/02	Ministry of Sport, Youth and Child Development ó Sports Department
UNIT:	1	Human Resources and Administration
PROGRAMMES:	10	2011 All Africa Games
ACTIVITIES:		Various

60. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a total amount of K34,312,000,000 was provided for to cater for the 2011 All African Games out of which a total of K33,034,476,388 was released leaving a balance of K1,277,525,612.

In addition, the Ministry received other funds totalling K145,472,000 as donations from various well wishers as sponsorship towards the launch of the Local Organizing Committee, Commite -∅Organisation des Jeux Africaius (COJA).

2011 All African Games

The all Africa Games are continental games which are held every four years on a rotational basis among its members. These Games are held under the auspices of the Supreme Council for Sport in Africa (SCSA) which is a specialized agency for implementation of sports, coordination and development in Africa.

During the 2005, Supreme Council for Sports in Africa General Assembly held in Algeria, Zambia offered to host the 2011 games, a request which was granted by the General Assembly. On 20th June 2007 the Zambian Government approved to host the 2011 games.

In this regard, the Ministry put in place a Local Organizing Committee known as COJA whose mandate was to spearhead the preparations for the Games.

The objectives of the COJA among others were to:

- i. Create awareness and promote the hosting of the All Africa Games in order to ensure maximum participation by all stakeholders;
- ii. Ensure the availability of adequate accommodation, transport, sports facilities and equipment, accreditation, health and other facilities for delegates and officials participating in the Africa Games;
- iii. Harness the power of sports in order to promote harmony among nations in Africa; and
- iv. Celebrate the diversity of sports talent on the African continent in order to promote sports development.

Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry Headquarters carried out in March 2009 revealed the following:

a. Irregular Engagement of Staff

Contrary to laid down Government procedures on employment in the Public Service, eight (8) members of staff were irregularly engaged during the period from January to April 2008 in that they were employed before Cabinet approved the project salary scales and structure. In addition the jobs were not advertised.

The salary scales and structure and Terms and Conditions of Service were only approved in July 2008 seven months from the commencement of the project. In this regard, the amount of K493,161,253 paid to eleven (11) officers from January to June 2008 was irregular and therefore recoverable.

In her response dated 2nd October 2009, the Controlling Officer stated that the former employees were handpicked because of the urgency of establishing COJA - Zambia before the scheduled meeting in Congo. This was where Zambia was expected to convince the Supreme Council for Sports in Africa that the efforts in establishing COJA - Zambia had commenced.

b. Outstanding bills

i. Suppliers

According to records obtained from the Ministry Headquarters, during the period the COJA Secretariat was operational, it incurred debts totalling K654,287,247 in respect of goods and services supplied/delivered. As of February 2009, only K247,935,501 had been paid to the suppliers representing 38 % of the total amount incurred. Since COJA has since been dissolved, it is not clear as to how the total outstanding bill of K406,351,746 will be settled in that no provision has been made in the Estimates of Revenue and Expenditure for 2010 making the outstanding bill susceptible to interest and penalties.

ii. Contractual Obligations

The Ministry contracted various contractors to construct sporting infrastructures at NIPA, Evelyn Hone College, University of Zambia and NRDC in readiness for the 2011 all African Games at a total contract sum of K108,845,713,305 out of which K25,074,734,651 had been paid leaving a balance of K83,770,978,654 outstanding:

▪ **Construction Works – University of Zambia**

Four (4) contractors were engaged by the Ministry to construct palisade fence, brick fencing, two (2) student hostels and six (6) houses and the construction of external and associated works at a total contract sum of K45,970,690,334. Out of the total contract sum, a total of K14,120,370,245 had been paid to the four contractors as of November 2009 leaving a balance of K31,850,320,089 as shown below:

Contractor	Works	Contract Price (K)	Amount Paid (K)	Balance (K)
Simu Construction Limited	Construction of Palisade Fence	2,394,306,004	1,510,811,090	883,494,914
Yangst Jian	Brick Fencing	5,406,610,476	1,155,627,000	4,250,983,476
Kegon Services Ltd	Construction of External Associated Works	14,622,033,810	4,389,610,143	10,232,423,667
Mecury Lines Ltd	Construction of two student hostels and six houses	23,547,740,044	7,064,322,012	16,483,418,032

A physical inspection of the projects carried out in September 2009 at the University revealed that only the palisade fence had been completed while all the other projects had not been completed. In this regard, it was noted that the hostels and houses were at different levels of completion as shown in the picture below:



Uncompleted Hostels



Uncompleted Staff Houses

▪ **Construction Works – NIPA, NRDC and Evelyn Hone**

In February 2008, the Ministry engaged Messrs Wahkon Enterprises Limited to construct a student's hostel at each of the three colleges at a total contract sum of K31,158,884,271. Out of the total contract sum, a total of K 1,454,364,406 had been paid to the contractor as of November 2009 leaving a balance of K29,704,519,865.

A physical inspection of the projects carried out in September 2009 at the three colleges revealed the following:

- At NIPA and Evelyn Hone colleges, the contractor had only dug the footings for the pillars.
- At NRDC the contractor had only erected the pillars

As of November 2009, the contractor had moved out of site. The picture below shows the uncompleted hostels.



Undeveloped site at NIPA



Uncompleted Hostel at NRDC

HEAD: 77/01 Ministry of Defence - Headquarters
UNITS: Various
PROGRAMMES: Various
ACTIVITIES: Various

61. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K 183,542,892,699 was made against which a total amount of K174,761,652,482 was released, resulting in an under funding of K8,781,240,217.

Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry headquarters carried out in April 2009 revealed the following:

a. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items costing K449,085,200 purchased during the period under review.

b. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K587,521,500 involving fifty six (56) transactions issued to twenty six (26) officers during the period under review had not been retired as of August 2009.

c. Misuse of Imprest

During the period from March to November 2008, the former Minister was paid accountable imprest in amounts totalling K82,275,000.

An examination of retirement details and a confirmation with the respective lodges revealed that nine (9) receipts in respect of accommodation and meals purportedly issued by Chabanga and Kanjala Lodges in Ndola and Luangwa Lodge in Chipata during the period February 2008 to November 2008 were actually not issued by the said lodges. In this regard, the amount K49,000,000 were fraudulently retired by the former Minister as detailed below

No.	Payee	Cheque No.	Invoice No.	Date	Amount (K)
1	Chabanga Lodge	008671	1830	03/03/08	5,000,000
2	Chabanga Lodge	008787	1841	20/03/08	4,000,000
3	Chabanga Lodge	009028	1829	28/02/08	8,000,000
4	Chabanga Lodge		6358	09/06/08	5,000,000
5	Chabanga Lodge		1812	05/11/08	5,000,000
6	Chabanga Lodge		1817	20/11/08	5,000,000
10	Kanjala Hill Trust		4469	02/06/08	4,000,000
11	Kanjala Hill Trust	009726	4468	12/09/08	3,000,000
14	Luangwa Lodge	009283	2846	18/06/08	10,000,000
					<u>49,000,000</u>

d. Non Recovery of Loans and Advances.

Contrary to Terms and Conditions of service, recoveries on loans (K357,864,454) and salary advances (K73,475,000) paid to thirty seven (37) officers during the period under review had not been effected as of August 2009.

e. Failure to Maintain Creditors' Ledgers

Although the Ministry spent K65,300,000,000 on foodstuffs during the year under review, records examined at the Ministry headquarters showed that suppliers were owed K31,935,273,961 as of March 2009. It was however noted that the Ministry did not maintain creditor's ledgers making it not possible to authenticate the amounts owed to suppliers.

f. Irregular Payment of Advance

According to existing arrangements, payments of salaries, advances and loans to leaders are met by Ministry of Finance and National Planning through the leaders' payroll for control purposes. Contrary to the above, in August 2007, the former Minister was paid an advance of K33,247,224 against his fuel allowance. The advance was to be recovered in six (6) monthly instalments starting September 2007 up to February 2008. In November 2007, after only two (2) deductions, the Minister was paid another advance of K50,000,000 bringing the total outstanding amount to K72,164,816.

As of September 2009, twenty one (21) months after the second advance was paid, only a total amount of K59,567,361 had been recovered, leaving a balance of K12,957,455.

g. According to conditions of service for Cabinet Ministers, Ministers are entitled to a monthly fuel allowance equivalent to 800 litres. Under no circumstances other than when they are going out of station should a Minister draw fuel. It was however observed that during the period from February to July 2008, the Cabinet Minister's vehicle drew 1,744 litres of fuel costing K11,422,589 despite the Minister having been paid monthly fuel allowances totalling K35,360,000. In this regard, the amount of K11,422,589 is recoverable.

HEAD:	77/03	Ministry of Defence-Zambia Air Force
UNITS:	1	Human Resources and Administration Unit
	2	Operations
	4	Supply Services Unit
PROGRAMMES:	2	General Administration
	7	Procurement
	7	Air Defence
ACTIVITIES:		Various

62. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008, a provision of K34,479,484,043 was made to cater for various activities against which a total amount of K34,834,636,472 was released resulting in an excess funding of K355,152,429 representing 1% of the total provision.

Weaknesses in Accounting and Failure to Follow Tender Procedures

An examination of financial and other records maintained at the ZAF Headquarters and a physical verification of the various units carried out in July 2009 revealed the following:

a. Unsupported payments

Contrary to Financial Regulation number 52, there were ten (10) payment vouchers amounting to K169,323,240 made during the period under review which had no supporting documents such as quotations, invoices and local purchase orders making it difficult to ascertain the validity of such transactions.

b. Weakness in the Procurement Procedures

The Supply Services Department of the Zambia Air Force is responsible for the procurement of stores and formulation of policy on procurement in accordance with Public Procurement procedures. All goods procured are supposed to be entered in the Stores Inwards Book (SIB) and stored at the Central Equipment Depot (CED). The user departments are issued with the goods upon requisition. All issues are recorded in the Stores Outwards Book (SOB).

However, there were weaknesses in the procurement, receipt and disposal details of stores in that contrary to the above procedures, stores were purchased by the Technical and Operations Department without the knowledge of the Supply Services Department. In addition, there were no receipt and disposal details for stores purchased.

In this regard, it was observed that stores costing K734,800,550 were procured without passing through the Supply Service Department while stores costing K525,028,010 had no receipt and disposal details.

c. Renovation of Kansenshi and Itawa Guest Houses

In July 2008, the Zambia Air Force (ZAF) signed an agreement with Zenga Building Contractors for the renovation of Kansenshi and Itawa guest houses at total contract sum of K308,400,000. The contract period was six (6) weeks.

An examination of records at ZAF Headquarters and a physical inspection of the two guest houses carried out in October 2009, revealed that there were irregularities in the manner the ZAF was paying the contractor engaged to carryout renovation works at the two guest houses. It was noted in this regard that payments were made to the contractor without stage completion certificates. The works were also not inspected by the ZAF Technical Department leading to poor workmanship and failure to complete the works.

The following other irregularities were observed:

i. Kansenshi Guest House

Out of the total contract price of K308,400,000 the Kansenshi guest house was to be rehabilitated at a total cost of K96,650,000 and the full amount had been paid to the contractor as of September 2009. According to the Bill of Quantities (BOQ) the works to be undertaken at the guest house included the construction of wall fence with electrical wiring, installation of the gate, construction of a drive way, extension of the servant's quarters, replacements of doors, mortice locks and broken windows.

It was observed however, that as of September 2009 works costing K33,350,000 which included construction of a drive way, electrical fence and extension of the servants quarters had not been done and the contractor had since abandoned the works.

ii. Itawa Guest House

Out of the total contract price of K308,400,000 the Itawa guest house was to be rehabilitated at a total cost of K211,750,000 and the contractor had been paid K201,750,000 leaving a balance of K10,000,000 as of September 2009. According to the Bill of Quantities (BOQ) the works to be undertaken at the guest house included the construction of a drive way, replacement of doors and mortise locks, supply and installation of electrical fence in selected areas, supply and installation of 100 litre geyser and replacement of ceiling boards in the servant's quarter among others.

It was observed however, that as of September 2009 works costing K54,350,000 which included construction of a drive way, ceiling boards for the servant quarters and electrical fence in certain sections had not been done and the contractor had since abandoned the works.

In his response dated 8th September 2009, the Controlling Officer stated that the contract with Zenga Construction Company had since been terminated and the contractor was on the run.

As a result of Zenga abandoning the works, in September 2009 ZAF had engaged another contractor at a contract amount of K95,009,596 to complete the works.

d. Imprest

i. Unretired Imprest

Financial Regulation No. 96 (1) requires that special and accountable imprest should be retired immediately the purpose for which they are issued has been fulfilled.

The audit carried out revealed weaknesses in the manner ZAF was administering imprest in that contrary to the above provisions, imprest amounting to K434,858,957, issued to one twenty one (121) officers remained unretired for periods ranging from one (1) month to twenty two (22) months. As of October 2009 the imprest had not been retired. There was a risk that the trips were not undertaken as the imprests could have been retired through completion of Accounts Form 44 A.

ii. Cash Payments for Procurement of Capital Items

Financial Regulation No.86 (c) states that accountable imprest is imprest that is issued to facilitate the purchase of goods and services whose value cannot be ascertained at the time.

A scrutiny of payment vouchers revealed weaknesses in payment procedures in that cheques were in most cases prepared in individual officers names for procurement of capital items contrary to the above regulation. In this regard, a total amount of K151,351,500 was paid to seventeen (17) officers for the procurements of items such as fridges and laptops. The officers were being paid amounts ranging from K1,325,000 to K18,772,000 when cheques could have been paid directly to suppliers. There is a risk of inflating prices and loss of cash.

iii. Unverified Drugs and Food Stuffs Bought Using Imprest.

Maina Soko Military Hospital is funded monthly by ZAF headquarters in the form of imprest to procure emergency drugs and other food supplements. A scrutiny of stores and retirement details revealed that drugs and food supplements costing K29,002,792 could not be verified as received as invoices and receipts used for retirement did not describe the names of drugs or food supplements bought. The only detail of drugs given was the general description of medicines. The drugs were also not recorded in the stores ledgers.

HEAD:	77/04	Ministry of Defence-Zambia National Service (ZNS)
UNITS:	1	Administration
	2	Production
	2	Logistics
PROGRAMMES:	2	General Administration
	8	Production
	7	Logistics
ACTIVITIES:		Various

63. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K142,724,147,081 was made to cater for various activities against which K157,446,051,622 was released resulting in an excess funding of K14,721,904,541.

Accounting and Other Irregularities

A review of accounting and other records and a physical verification of various units carried out in September 2009 revealed the following:

a. Inadequately Supported Payments

Contrary to Financial Regulation No 52, there were 291 payment vouchers in amounts totalling K3,085,468,731 which were inadequately supported in that they had no invoices, receipts and other relevant documents.

b. Stores

There were weaknesses in the management of stores in that:

- i. Stores items purchased during the period under review costing K1,576,369,588 had no receipt and disposal details contrary to Public Stores Regulation No. 16.
- ii. An amount of K40,000,000 was paid to Business Links in December 2008 for the supply of five hundred and forty one (541) diaries. However, as of September 2009, only two hundred and twenty six (226) diaries costing K16,350,000 had been supplied leaving a balance of 315 costing K23,650,000.
- iii. Although a total amount of K303,758,052 was paid during the period from January to December 2008 for the purchase of spares and repair of motor vehicles, there was no evidence that the spares were delivered and utilised contrary to Public Stores Regulation No. 16.
- iv. Fuel costing K2,408,755,180 was purchased from various filling stations during the period from January to December 2008. However, a scrutiny of the fuel register revealed that the ledgers did not indicate local purchase order

numbers, cheque numbers and amounts for reference, thereby making it not possible to verify how the fuel was utilised.

c. Unretired Imprest

Financial Regulation No.96 (1) requires that special and accountable imprest should be retired immediately the purpose for which they were issued had been fulfilled.

Contrary to the above regulation, imprest in amounts totalling K472,694,130 issued to one hundred and two (102) officers during the period under review had not been retired as of September 2009.

d. Unacquitted Housing and Combat Allowances

Contrary to Financial Regulation No. 45, amounts totalling K121,085,000 paid to various officers during the period under review as housing and combat allowances had not been acquitted as of October 2009.

e. Insurance of Motor Vehicles

Three (3) motor vehicles (ZNS 592B, ZNS 546B and ZNS 545B) which were comprehensively covered under Zambia State Insurance Cooperation were damaged beyond economic repair during the period under review.

A scrutiny of records and inquiries with management revealed that ZNS had outstanding premiums of K14,570,250,000 for the period from 1st September 2008 to 31st August 2009. As a result, ZISC could not indemnify the ZNS motor vehicle insurance policies.

f. Land Development Branch - Outstanding Debtors

ZNS receives income from Land Development Services, a department whose core function is to provide services such as dam construction, land clearing, road construction and rehabilitation, borehole drilling, farm ploughing and haulage.

The arrangements are that the Land Development Branch is supposed to prepare accounts to show comprehensive income for periods under review and statements of financial position at the end of each financial period.

An analysis of statement of financial position and other pertinent records pertaining to debtors revealed that ZNS had outstanding debtors in amounts totalling K4,534,894,376 owed to it by twenty nine (29) debtors as shown in the table below:

S/No.	Name of Client	Period	Amount Owing K
1	Benpris Trust	2005	80,000
2	Zambezi River Authority	2006	5,940,000
3	Mipachima Farm	2007	5,435,000
4	Mr M E Mposha	2007	9,714,000
5	Zambeef Project	2008	3,951,000
6	ME Meenge Enterprises	2003	8,739,600
7	Mongu Hardware	2005	18,129,700
8	Buyazonke Suppliers	2006	5,900,000
9	Makono Contractor	2007	4,559,500
10	Esab Contractor and Liteno ltd	2004	2,816,000
11	Kariba Minerals ltd		213,361,192
12	B M Contractors		10,000,000
13	C and C World Trade		12,298,000
14	Steve Roads Contractors		3,200,000
15	Mamala Enterprise and Mines	2003	2,957,600
16	Pronvincial Adminstration	2002	51,600,000
17	Mukulumpe Estates	2002	206,549,000
18	Minestone	2005	16,962,000
19	Katonte Farm -	2007	39,500,000
20	Mrs S Nkonde		14,388,400
21	Phinfra Contractors		6,228,000
22	Reneele Constructors		24,157,950
23	Min. Of Local Govtand Housing	2003	3,135,000,000
24	Min. Works and Supply	2003	380,600,434
25	Nestcare ltd	2005	144,044,000
26	Parmalat Z LTD	2005	22,713,000
27	P.H.I	2002	177,000,000
28	Davies and London	2004	7,680,000
29	Chry ska Trading ltd	2005	1,390,000
	Total		4,534,894,376

As can be seen from the table above, some of the debts had remained outstanding since 2002.

g. Tractors

According to the Land Development Branch (LDB) final accounts, there were supposed to be forty eight (48) tractors available. However, a physical verifications revealed that only eight (8) tractors were serviceable and sixteen (16) were obsolete. The balance of twenty four (24) tractors could not be traced.

h. Failure to recover Debt from Cooperative Credit Scheme Limited

In November 2008, Airport farms-ZNS accepted to supply 195.38 metric tonnes of wheat to Cooperative Credit Scheme Limited at US\$509 per tonne, bringing the total cost to K444,633,886 (US\$99,448.42).

According to the terms of payment, Cooperative Credit Scheme Limited was to settle the debt fourteen (14) days after the date of the final delivery which was on 08 December 2008. However, as of October 2009, the debt had not been settled.

HEAD: 80 Ministry of Education
DEPARTMENTS: Various
UNITS: Various
PROGRAMMES: Various
ACTIVITIES: Various

64. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a total provision of K2,196,626,481,303 was made to cater for various activities against which a total of K2,169,117,126,199 was released. However, the financial report for 2008 showed a total expenditure of K2,289,059,152,616 resulting in excess expenditure of K92,432,671,583. The excess expenditure was 4% of the total authorized provision.

Accounting and Other Irregularities

An examination of financial and other related records maintained at the Ministry Headquarters for the period under review carried out in February 2009 revealed the following:

a. Unvouched Expenditure.

Contrary to Financial Regulation No.52 and 65, payments in amounts totalling K2,199,066,327 involving ninety six (96) transactions were unvouched in that the payment vouchers were either missing, unsupported or inadequately supported by relevant documents such as quotations, invoices and Local Purchase Orders among others.

b. Unretired Imprest

Contrary to Financial Regulation No.96, imprest totalling K3,410,419,423 issued to one hundred and sixty (160) officers during the period 2007 to 2008 had not been retired as of April 2009

c. Unaccounted for Stores Items

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of various stores items costing K1,093,148,951 purchased in 2008.

d. Weaknesses in Transport Management.

i. Unreconciled fuel transactions

A review of transport records at the Ministry Headquarters revealed that a total amount of K993,585,106 was deposited with various fuel filling stations between February and December 2008. It was however, observed that contrary to stores regulations, fuel registers were not maintained and no reconciliations were done. In this regard, it was not possible to ascertain whether the fuel was used on the intended purposes.

ii. Repair of Motor Vehicles

A total amount of K55,311,280 was paid to Eric motors (K13,636,380) in September 2008 and Veep Motors (K41,674,900) in March 2008 for the repair of GRZ 448 BR based at Curriculum Development Center and GRZ 241 BR based at the Ministry headquarters respectively. Records examined revealed that the vehicles were involved in road traffic accidents. However, there was no loss report prepared in respect of GRZ 448 BR. Further, although a loss report was prepared for GRZ 241 BR with the driver surcharged, no recoveries had been effected as of February 2009.

e. Payments of Loans and Salary Advances

Amounts totalling K15,131,359 were paid to three (3) officers during the period under review as salary advances from the RDCs account. However, as of December 2008, the RDCs account had not been reimbursed and the advances had not been recovered from the officers.

f. Procurement of Trucks

In June 2008, the Ministry entered into a contract with Southern Cross for the procurement of two trucks, at a contract sum of K1,053,905,000 and the supplier was paid a total amount of K1,234,063,100 in December 2008 resulting in an overpayment of K180,158,100. Further, the amount of K1,234,063,100 was diverted from the procurement of education materials without treasury authority.

In her response dated 13th October 2009, the Controlling Officer stated that the Ministry had since written to the supplier to refund the amount overpaid. However, as of December 2009, the amount had not been refunded.

g. Non Delivery of Drugs

A total amount of K700,380,504 was paid to two (2) companies namely, Parma Plus and Cairo Chemist in December 2007 for the procurement of drugs under SHN for the distribution to various schools in the country.

However, as of December 2009, the drugs had not been supplied.

h. Mismanagement in the Procurement of Food Supplements

In February 2008, the Ministry awarded a contract to WidgeTrade Ltd of South Africa to supply 2,493,844 sachets of food supplements to various basic schools under the Government of Zambia School Feeding Programme at a contract sum of K5,027,748,000 (p902,000). The contract was for a duration of eight (8) weeks from the date of signing the contract on 28th February 2008. The terms of payment were that 30% advance payment was to be made within thirty (30) days of signing the contract and upon submission of claim and bank guarantee and 70% upon shipment of the goods. As of February 2009, the supplier had been paid amounts totalling K2,947,070,845 (Euro409,938.85) as follows:

No	Date	Details	Amount	
			K	€
1	20-01-2009	Transfer	2,328,405,506	318,973.33
2	20-02-2009	Transfer	618,565,536	90,965.52
	Total		2,946,971,042	409,938.85

A scrutiny of expenditure and other relevant documents revealed the following:

- i. Contrary to the terms of the contract, the supplier was paid a total amount of K2,946,971,042 (p409,938.85) in January and February 2009 eleven (11) to twelve (12) months after signing the contract. The amount paid was in respect of 2,022,637 sachets which had been delivered as of December 2009. The balance of 473,207 sachets costing K2,637,655,187 (p108,165) had not been delivered and the supplier had not been paid.
- ii. It was further noted that although the appropriation was for the financial year ended 31st December 2008, the payments were made in the following financial year. There was no evidence that authority was obtained from the treasury to carry over the funds to the following year.

i. Bursaries

Out of the total budget for the Ministry, an amount of K46,939,713,215 was for bursaries for students as shown below.

Institution	Funding K
UNZA	28,120,024,327
CBU	11,566,251,050
Abroad	7,253,437,838
Total	46,939,713,215

It was however observed that:

i. Students Abroad- Non Submission of Expenditure Returns

A scrutiny of records at the Ministry Headquarters and Bursaries Committee revealed that out of the total funding of K7,253,437,838 received in respect of students abroad, only K1,747,829,165 had expenditure returns while a total amount of K5,505,608,673 was not supported by returns from Missions abroad.

ii. Poor record keeping

The existing arrangement is that funds in respect of project and meal allowances for local students are remitted to Finance Bank Zambia where students are paid the allowances by acquitting on the allowances sheets prepared by the Bursaries Committee. In this regard, a total amount of K28,435,565,890 was disbursed to Finance Bank in 2008 for payment of allowances to the students at the University of Zambia.

However, it was noted that out of the total amount disbursed, a total amount of K2,858,491,240 was not supported by acquittal sheets.

HEAD: 80/01 Ministry of Education - Headquarters
PROGRAMMES Various
ACTIVITIES Various

65. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008 a total provision of K219,032,000,000 was made to cater for activities under the Sector Plan/National Implementation Framework (NIF) against which amounts totalling K262,642,646,047 (US\$74,024,912) were released. In addition, a total amount of K258,060,144,730 was brought forward from 2007 bringing the total funds available to K520,702,790,777 as shown in the table below:

Source	Type of Modality	Pledges and Other Income		Releases	
		USD	ZMK	USD	ZMK
NIF					
Netherlands	Pool	24,800,000	99,200,000,000	29,695,199	111,000,000,000
Denmark	Pool	6,500,000	26,000,000,000	6,000,000	19,560,000,000
	Pool	3,200,000	12,800,000,000	-	-
Ireland	Pool	20,258,000	81,032,000,000	22,061,200	74,566,856,000
GRZ	Counterpart	-	-	16,099,596	56,910,938,000
Interest Earned				150,230	525,652,047
Other Income				18,687	79,200,000
Sub-total		54,758,000	219,032,000,000	74,024,912	262,642,646,047
SECTOR					
Balances b/f					
GRZ	Counterpart			58,192,438	228,264,776,865
Netherlands	Pool	-	-	5,363,673	18,243,509,908
Norway	Pool	-	-	1,208,725	4,834,901,840
EU DANIDA	Pool	-	-	1,304,996	4,789,334,247
GRZ				146,116	554,713,000
Interest Earned				239,084	869,083,698
USAID	Pool			47,500	181,450,000
Other Income		-	-	74,892	322,375,172
Sub-total		-	-	66,577,424	258,060,144,730
Grand Totals		54,758,000	219,032,000,000	140,602,336	520,702,790,777

The number of Cooperating Partners contributing directly to the sector reduced from seven (7) in 2007 to five (5) in 2008. Two (2) cooperating partners, Finland and the European Union opted to contribute directly to the general budget support. In addition USAID contributed K181,450,000 (US\$47,500) during the year.

Disbursement of Funds

Out of the K520,702,790,777 available, amounts totalling K 273,626,573,656 were utilized at the Ministry headquarters on activities such as payments to contractors, procurement of school requisites and monitoring among others while K 247,076,217,121 was disbursed to Provinces, districts and other beneficiary institutions as shown in the table below:

2008 Disbursements						
Province	2nd Quarter K	3rd Quarter K	4th Quarter K	Construction K	Book procurement K	Total K
Luapula	1,771,637,800	1,771,637,800	1,771,637,800	15,434,243,449	2,600,118,800	23,349,275,649
N. Western	1,791,952,286	1,791,952,286	1,791,952,286	12,637,606,099	2,181,007,700	20,194,470,657
Northern	2,855,153,818	2,855,153,818	2,855,153,818	28,433,556,321	3,958,052,400	40,957,070,175
Central	1,842,189,497	1,842,189,497	1,842,189,497	16,511,771,718	4,652,866,200	26,691,206,409
Copperbelt	3,017,062,746	3,017,062,746	3,017,062,746	14,768,038,172	6,719,846,800	30,539,073,210
Lusaka	1,590,250,207	1,590,250,207	1,590,250,207	7,203,483,906	5,820,122,400	17,794,356,927
Eastern	2,837,407,450	2,837,407,450	2,837,407,450	19,430,288,487	3,513,893,400	31,456,404,237
Western	1,700,392,593	1,700,392,593	1,700,392,593	13,618,409,617	1,419,223,400	20,138,810,796
Southern	2,936,239,965	2,936,239,965	2,936,239,965	22,625,927,766	4,520,901,400	35,955,549,061
Total	20,342,286,362	20,342,286,362	20,342,286,362	150,663,325,535	35,386,032,500	247,076,217,121

Weaknesses in Accounting for Sector/National Implementation Framework Funds

A review of accounting and other related records maintained at the Ministry headquarters, provincial and District Education Board Secretary (DEBS) offices revealed weaknesses in internal control systems in that accounts were not reconciled, there were instances of unretired imprests and irregular payments as well as inadequate monitoring and administration of contracts, among others.

In particular, the following were observed:

a. Computerization of Accounting System

In paragraph 61(b) of the Auditor General's Report on the accounts for the financial year ended 31st December 2006, mention was made of the computerization of the Sector Plan accounting system. The computerization was designed to capture accounting data and information on the programmes at headquarters, provinces and districts for the processing and production of management reports as well as to facilitate timely consolidation of accounts.

In this regard it was reported that the Ministry spent a total amount of K525,446,933 on the acquisition of the package, training and roll-out to provinces. In addition, in September 2006, a total amount of K225,641,190 was paid to ZAMTEL for the Networking of the Provincial Education Offices.

In their report for the Second Session of the Tenth National Assembly, the Public Accounts Committee urged the Controlling Officer to report progress on the second phase of networking Headquarters with the remaining provinces. They further urged her to provide an update on the Sun System and preparation of the consolidated accounts for 2005, 2006 and 2007.

A review of the situation in 2009 revealed that despite the acquisition of the package, capturing of data, processing and production of management reports had not improved as was noted in the delay in the preparation of 2008 final accounts by four (4) months.

b. Unretired Imprest

A scrutiny of the Sector Plan Financial Statements for the year ended 31st December, 2008 revealed that contrary to Financial Regulation No. 96, imprest in amounts totalling K4,194,711,424 obtained during the year under review had not been retired as of October 2009, as shown in the table below.

Account	Amount K
Sector Pool	3,194,255,067
NIF	738,086,176
ADF	<u>262,370,181</u>
Total	<u>4,194,711,424</u>

It was further noted that some imprest remained outstanding from as far back as 2004 and as of October 2009, no action had been taken to normalize the situation.

Out of the K4,194,711,424 unretired imprests, amounts totalling K629,023,240 were in respect of the visited nineteen (19) stations which included schools, District Education Board Secretaries and Provincial Education Offices revealed that there were imprests in amounts totalling K639,023,240 issued to one hundred and twenty three (123) officers that had not been retired as of October 2009 as shown in the table below:

District	Station	Details		Remarks
		No. of Officers	Amount K	
Mpungu	DEBS	5	14,119,000	Imprest in amounts totalling K14,119,000 issued to five (5) officers between september & November 2008 had not been retired as of October 2009
Kasama	DEBS	1	20,846,920	In the management letter of 2007, mention was made of the failure by a building officer to retire an imprest of K10,946,920 issued to him for the procurement of materials for the DEBS office. The imprest had not been retired as of December 2009 two (2) years after the imprest was issued contrary to Financial Regulation No. 96 (1). A review of the situation in June 2009 revealed that contrary to Financial Regulation No. 91, the same building officer was issued with another imprest amounting to K9,900,000 for the purchase of building materials even when he had failed to retire the imprest issued to him in 2007 bringing the total unretired imprest issued to the officer to K20,846,920.
Nakonde	DEBS	18	115,881,360	Imprest in amounts totalling K115,881,360 issued to eighteen (18) officers during the period under review remained unretired as of October 2009.
	Mwenzu	12	30,549,500	Contrary to Financial Regulation No. 96, imprest in amounts totalling K30,549,500 issued to twelve (12) officers had not been retired as of June 2009.
Chinsali	DEBS	4	15,715,000	Contrary to financial Regulation No. 96, imprest amounting to K15,715,000 issued to four (4) officers had not been retired as of October 2009.
Kaputa	DEBS	2	12,412,200	Contrary to Financial Regulation No 96, imprest in amounts totalling K12,412,200 issued to two (2) officers had not been retired as of October 2009.
Isoka	DEBS	19	59,465,000	Contrary to Financial Regulation No 96, imprest in amounts totalling K59,465,000 issued to nineteen (19) officers had not been retired as of October 2009.
Luwingu	DEBS	4	39,358,000	A scrutiny of records revealed that contrary to Financial Regulation No 96, imprest amounting to K39, 358,000 issued to four (4) officers had not been retired as of October 2009.
Mansa	DEBS	5	59,095,000	Contrary to Financial Regulations No. 96 (1), imprest in amounts totalling K59,095,000 issued to five (5) officers during the period January to July 2008 had not been retired as at the time of audit
	Mabumba High School	5	15,540,000	Contrary to Financial Regulation No. 96, imprest issued to five (5) officers in amounts totalling K15,540,000 had not been retired as of October 2009
Nchelenge	DEBS	2	6,514,800	Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K6,514,800 issued to two (2) officers had not been retired as of October 2009.
Chipata	PEO	11	35,576,752	Contrary to Financial Regulation No. 96 (1), imprest in amounts totalling K35,576,752 issued to eleven (11) officers had not been retired as of October 2009. Further, no action had been taken against the officers.
	DEBS	4	33,665,590	Contrary to Financial Regulation No. 96 imprests in amounts totalling K 33,665,590 issued to four (4) officers between September and December 2008 had not been retired and no action had been taken as of October 2009.
Lukulu	DEBS	8	21,472,338	Contrary to Financial Regulation No. 96 (1) imprest in amounts totalling K21,472,338 issued to eight (8) officers had not been retired as of October 2009 and no recoveries had been made from the officers.
Livingstone	PEO	9	135,126,000	Contrary to Financial Regulation No. 96 (1) imprest in amounts totalling K135,126,000 issued to nine (9) officers between February and November 2008 were not retired as of October 2009. As of October 2009, no recoveries had been made from the officers
	DEBS	4	14,294,500	Contrary to Financial Regulation No. 96 (1), imprest in amounts totalling K14,294,500 issued to four (4) officers was unretired as of October 2009
	Linda High School	6	16,219,000	Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K16,219,000 issued to six (6) officers had not been retired as of October 2009
Kitwe	DEBS	3	6,820,000	Contrary to Financial Regulation No 96 (1) imprest in amounts totalling K6,820,000 issued to three (3) officers had not been retired as of October 2009.
Solwezi	PEO	2	7,199,200	Contrary to Financial Regulation No. 96 (1), imprests in amounts totalling K7,199,200 issued to two (2) officers had not been retired as of July, 2009
	DEBS	1	10,000,000	Imprest issued to facilitate payment to MK Transport for the repair of a motor vehicle.
		125	669,870,160	

c. Misapplication of Funds

Contrary to the Appropriation Act of 2008, amounts totalling K3,027,447,056 were applied on activities not related to the purpose for which the funds were appropriated for by Parliament as shown in the table below:

Province	District	Station	Amount Misapplied K	Funds Appropriated for?	Funds Misapplied on
Northern	Kasama	Kasama College of Education	190,000,000	Procurement of teaching & learning materials	Paying lecturers and student allowances
	Nakonde	DEBS	9,455,325	NIF activities	Payment of allowance and imprest
		DEBS	158,098,800	Procurement of text books	Administrative expenses
	Chilubi	DEBS	106,877,200	Construction of DEBS Office Block	Monitoring and Administration
	Kaputa	DEBS	109,000,000	Sector activities	Recurrent Departmental Charges
	Mporokoso	DEBS	26,348,075	Sector activities	Personal emoluments
Luapula	Nchelenge	DEBS	320,000,000	Construction of additional classrooms at existing schools	Construction of staff houses at 4 schools
		DEBS	33,504,799	Sector activities	Sports activities & Settling in allowances
	Mansa	DEBS	38,932,138	School grants	Sports programmes
Eastern	Chipata	DEBS	290,971,758	Sector activities	Payment of repatriation allowances, utility bills and sports trips
Central	Mkushi	DEBS	73,125,000	Sector activities	Payment of allowances for officers on first appointment and funeral grants
	Kabwe	Nkrumah College of Education	1,132,639,791	Infrastructure development	It was observed that on 31 st December 2008, the college, without authority from the Permanent Secretary transferred K1,132,639,791, meant for infrastructure development, from the Sector account to the RDC account.
	Kapiri - Mposhi	DEBS	126,402,199	Sector activities	Funds transferred to GRZ account
Western	Kaoma	DEBS	117,742,272	Sector activities	Finance the operations of the District office
Southern	Livingstone	PEO	254,871,470	Sector activities	Payment of allowances, imprest and purchase of fuel
		DEBS	39,478,229	Sector activities	JETS and Sports programmes
Total			3,027,447,056		

As of October 2009, the funds had not been reimbursed.

d. Unaccounted for Funds

A total amount of K278,188,737 meant for the procurement of books and other activities could not be accounted for by the DEBS in Chinsali and Nakonde as shown in the table below:

Province	District	Station	Unaccounted for Funds K	Remark
Northern	Nakonde	DEBS	158,098,800	Funds meant for the procurement of text books. Books were not procured and there was no cash on bank or on hand
	Chinsali	DEBS	52,039,823	Out of K1,550,630,766 meant for the procurement of books, a sum of K1,036,346,500 was spent leaving a balance of K514,284,266. A verification of the bank statement revealed that the NIF account had a credit balance of K462,244,442 resulting in a shortfall of K52,039,823 which could not be accounted for .
		DEBS	68,050,114	The DEBS office received a total of K555,061,654 for disbursement to various basic and community schools. A scrutiny of financial records revealed that out of the K555,061,654 received for school grants, the DEBS office disbursed a total of K487,011,540 to basic schools (K423,739,130) and utilised K63,271,984 on community schools leaving a balance of K68,050,114 which had not been accounted for as of June 2009.
Total			278,188,737	

As of September 2009, no action had been taken.

e. Misappropriation of Funds - Chavuma

Amounts totalling K2,000,000 meant for the teachers training needs assessment exercise for the district were misappropriated. It was also observed that although the officer that misappropriated the funds had been charged, no recoveries of funds had been made as of October 2009.

f. Loss of Public Funds – Mongu DEBS

Between July and October 2008, the Mongu District Education Board processed four (4) separate payments totalling K25,910,114 for various activities, which were honoured by the bank (ZANACO Mongu) within the same period.

However, a review of bank statements and reconciliations for the account revealed that on 22nd and 26th December 2008, the same payments bearing the same cheque numbers and amounts were again honoured by the bank resulting in double payments as shown below;

First Debit Date	Chq. No.	Amount K	Second Debit Date	Chq No.	Amount K
10-Jul-08	2663	8,975,615	26-Dec-08	2663	8,975,615
15-Jul-08	2669	7,521,000	26-Dec-08	2669	7,521,000
18-Sep-08	1842	4,500,000	22-Dec-08	1842	4,500,000
13-Oct-08	1859	4,913,500	22-Dec-08	1859	4,913,500
Total		25,910,115			25,910,115

As of October 2009, the bank had not refunded the money.

g. Unvouched Expenditure

Contrary to Financial Regulations Nos. 45, 52 and 65, payments in amounts totalling K1,805,622,167 involving one hundred and ten (110) transactions were unvouched in that payment vouchers were either missing, unsupported or inadequately supported by relevant documents such as invoices and receipts among others as shown in the table below:

Station	Details						Total	
	Missing Payment Vouchers		Unsupported Payment Vouchers		Inadequately Supported		No.	Amount K
	No.	Amount K	No.	Amount K	No.	Amount K		
DEBS	5	355,000	-	-	13	46,765,000	18	47,120,000
Mabumba High School	-	-	2	6,500,000	-	-	2	6,500,000
HQ	-	-	56	1,372,708,604	-	-	56	1,372,708,604
DEBS	-	-	-	103,424,000	-	-	-	103,424,000
DEBS	8	199,594,337	-	-	-	-	8	199,594,337
DEBS	-	-	-	-	15	39,371,226	15	39,371,226
Linda High School	-	-	10	20,904,000	-	-	10	20,904,000
DEBS	-	-	1	16,000,000	-	-	1	16,000,000
	13	199,949,337	69	1,519,536,604	28	86,136,226	110	1,805,622,167

h. Irregular Payment of Allowances – DEBS Mansa

According to the Civil Service Conditions of Service, subsistence allowance is payable to an officer who is undertaking duties outside his or her normal working station for not less than twenty four (24) hours.

It was however observed that between January and December 2008, subsistence allowances amounting to K97,762,500 were paid to officers who claimed to have worked away from their normal station when in fact the officers worked within their station.

As of October 2009 no action had been taken against the erring officers.

i. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of fuels and various stores items costing K746,102,841 purchased during the period under review as shown in the table below:

Assorted Items K	Total K	Remarks					
138,876,255	138,876,255	No disposal details at Hq					
30,300,000	30,300,000	No receipt and disposal details					
15,950,000	15,950,000	No receipt and disposal details					
36,750,000	36,750,000	No receipt and disposal details					
32,113,500	32,113,500	No receipt and disposal details					
17,990,155	17,990,155	No receipt and disposal details					
43,433,250	43,433,250	Twenty-six (26) transactions amounting to K 43,433,250 for the procurement of mealie meal, maize samp, chickens, rice and cabbage could not be verified as the items were only recorded in kilograms without stating the number of bags of mealie meal, maize samp and rice or the number of chickens and cabbages procured.					
5,456,000	5,456,000	Books procured not accounted for due to lack of receipt and disposals details					
-	18,668,000	No receipt and disposal details					
-	84,809,500	Building Materials not accounted due to lack of records					
-	48,640,000	Fuel purchased was not entered in the register and reconciled while the stores items had no receipt and disposal details					
-	103,934,000	Building Materials not accounted for due to lack of records					
6,520,000	6,520,000	An audiometer costing K6,520,000 ordered from Klan Enterprises on 20th November 2008 had not been delivered to the institute as of October 2009.					
-	19,479,500	Building materials costing K19,479,500 ordered and paid for in November 2008, had not been delivered as of October 2009					
-	14,892,000	A scrutiny of records revealed that 204x50kg bags of cement costing K14,892,000 ordered and paid for had not been delivered as of October 2009.					
55,225,000	90,964,740	No receipt and disposal details					
7,872,041	7,872,041	No receipt and disposal details					
15,726,000	15,726,000	No receipt and disposal details					
13,727,900	13,727,900	No receipt and disposal details					
419,940,101	746,102,841						

j. Failure to Follow Tender Procedures

During the period under review, the Ministry awarded contracts in amounts totalling K1,126,402,894 to four (4) suppliers for activities such as the procurement of text books and building materials among others without following procurement guidelines as shown in the table below:

Province	District	Station	Details	Remarks
			Amount K	
Northern	Kaputa	DEBS	647,341,000	Between June and December 2008, the DEBS office procured text books costing K647,341,000 from a Lusaka based supplier, Trans Africa Booksellers and Distributors Limited. It was however observed that contrary to tender procedures, the supplier was single-sourced in that the tender was not subjected to competitive tendering process.
Eastern	Chipata	DEBS	22,990,000	Contrary to procurement guidelines, various building materials costing K22,990,000 were purchased without obtaining three (3) quotations
Central	Kabwe	DEBS	50,400,000	the contractor was single sourced, contrary to tender procedures.
Western	Kaoma	DEBS	54,653,719	Contrary to tender procedures procurements amounting to K54,653,719 were made without following tender procedures.
Southern	Livingstone	David Livingstone College of Education	351,018,175	The college received K 350,000,000 in August 2008 for procurement of teaching and learning materials. In this regard, between October 2008 and January 2009, a total amount of K351,018,175 was spent on the procurement of materials. It was however observed that out of the expenditure of K351,018,175, amounts totaling K 258,012,500 relating to nine (9) transactions were spent without following tender procedures, as they were above the principal's threshold.
Total			1,126,402,894	

k. Construction of High Schools

During the period under review the Ministry engaged Messrs Hua Jiang Investment Ltd to construct five high schools in Northern, North-Western and Western provinces at a total contract sum of K122,194,713,000. The scope of the works included among others construction of staff houses, ablution blocks and dormitories. As of September 2009, the contractor had been paid a total amount of K48,619,148,829. A physical verification of the projects revealed that works had not been completed as shown in the table below:

Province	Station	Date of Signing Contract	Contract Period (Weeks)	Contract Price K	Amount Paid To Contractor K	% of Contract Price	SCOPE OF CONSTRUCTION WORKS											Remarks
							Admin B	CRB	DORM	SH	AH	Kit	DH	AB	Lib	RC	Lab	
Northern	Mpulungu Boarding High School	-- May 2008	130	28,042,240,000	13,178,472,529	47	%	%	%	%	%	%	%	%	%	%	%	20 staff houses at roof level, Ablution blocks at window level while construction of dormitories, dining hall and kitchen had not started. It was observed that the contractor did not take materials for testing.
	Muyombe High School	27-Sep-07	72	7,269,821,000	5,849,954,950	80	%	%	%	%	%	%	%	%	%	%	%	The project was over run by 14 weeks. It was observed that all structures under construction had outstanding works which included metal works, plastering, glazing plumbing, provision of floor screed and construction of spoon drains among others.
	Chihubi Boarding High School	24-Jun-08	120	34,015,992,000	11,236,882,650	33	%	%	%	%	%	%	%	%	%	%	%	12 staff houses were slab level while 8 were at ring beam level. The rest of the structures were at either at slab or foundation levels.
North western	Chavuma Boarding High School	1-Apr-08	120	27,165,709,000	11,810,636,900	43	%	%	%	%	%	%	%	%	%	%	%	Girls dormitories & blution blocks were at slab level, 4 staff houses were at gable level while 4 were at ring beam level. Work on kitchen, dining hall, laboratory, classroom blocks, boys' dormitories and ablution blocks had not started.
Western	Nakaanya Girls Technical High School	1-May-08	120	25,700,951,000	6,543,201,800	25	%	%	%	%	%	%	%	%	%	%	%	17 staff houses were at slab level while 3 were at window level. The rest of the structure were at foundation box level.
Total				122,194,713,000	48,619,148,829													
Key:	X = Works not completed, c = Works completed, CRB = Classroom Blocks, Dorm = Dormitory, SH = Staff Houses, AH = Assembly Hall Lab = Laboratory, BH = Borehole, Kit = Kitchen, DH = Dining Hall, AB = Ablution Block, Lib = Library, RC = Resource Centre																	

It was further noted that in the case of Mpulungu and Nakaanya High Schools, payments were made without supporting completion stage certificate and no Bills of Quantities were produced for audit scrutiny.

I. Construction of Basic Schools

During the period under review the Ministry planned to construct (4) Basic schools in southern and eastern provinces. In this regard, the Ministry engaged Messrs Hua Jiang Investments Ltd to construct Namwala Basic School while Messrs Gabman Electrical Ltd was engaged to construct Chikowa, Umi and Kapekesa Basic schools. The scope of the works included among others the construction of staff houses, laboratories and classroom blocks. As of September 2009, the contractor had been paid a total amount of K5,655,367,493.

A physical inspection of the projects revealed that works had not been completed and were at various stages as indicated in the table below:

Province	Station	Date of Signing Contract	Contract Period (Weeks)	Contract Price K	Amount Paid To Contractor K	% of Contract Price Paid	D/VIP (16)	S/VIP (10)	CRB (4)	SH (10)	Kit (10)	Lab (2)	BH (2)	Remarks
Southern	Namwala Basic School	3-Mar-08	120	8,296,960,000	2,489,088,000	30	X	X	X	X	X	X	X	Most of the structures were at final completion stage
Eastern	Chikowa Basic School	7-Jan-08	42	2,667,303,199	654,934,421	25	X	X	X	X	X	X	X	As of June 2009, only the foundation box for the classroom block had been constructed
	Umi Basic & Kapekesa School	7-Jan-08	42	5,652,411,845	2,511,345,072	44	X	X	X	X	X	X	X	The classroom blocks had been roofed, 10 staff houses were at various stages of completion ranging from slab to roof level.
				16,616,675,044	5,655,367,493									
Key:														
X = Works not completed, c = Works completed, D/VIP = Double Ventilation Improved Pit latrines, S/VIP = Single Ventilation Improved Pit latrines														
CRB = Classroom Block, SH = Staff House, Kit = Kitchen, Lab = Laboratory, BH = Borehole														

The following were observed:

- i. Although Messrs Hua Jiang Investment Ltd was supposed to be paid an advance K829,696,000 being the 10% of the contract sum in respect of the construction of Namwala Basic School. The contractor was paid an amount K2,489,088,000 as advance payment which was 30% of the contract sum.
- ii. On 8th August 2008, the Ministry of Education engaged Datong Construction Limited to construct a day high school at Mandevu Green Site at a contract

price of K14,965,687,000 with a completion period of one hundred (100) weeks. The contract provided for 10% advance payment.

In this regard, on 29th December 2008, an amount of K1,496,568,790 was paid to the contractor to enable him mobilize equipment, other logistics and move to site. However, as of October 2009, the contractor had not taken possession of the site.

Enquiries made revealed that the site could not accommodate all infrastructure meant for the high school and that the Mandevu Constituency Development Committee surrendered the construction of the school to the Provincial Education Office (PEO) Lusaka for relocation. It was further revealed that the construction of the school had since been relocated to Luangwa DEBS.

It is discernable from the above that the Infrastructure Unit did not carry out a feasibility study of the site before engaging the contractor.

m. Construction of Classroom Blocks – Existing Schools and Green Sites

According to the National Infrastructure Action plan for 2008, the Ministry planned to construct 233 basic schools at new sites and 799 additional classroom blocks at existing schools throughout the country as shown in the table below:

Province	New Basic Schools	Additional Classrooms
Lusaka	5	37
Copperbelt	38	37
Central	16	61
Luapula	28	90
Northern	42	174
Southern	29	118
North-Western	21	83
Eastern	26	121
Western	28	78
Total	233	799

The scope of the works included among other things the construction of 1x 3 classroom blocks, laboratories and staff houses. It was however observed that the scope of works did not include the construction of toilets. A physical verification of selected projects

revealed that works had not been completed as shown in the table below:

Northern Province								
District	Station	Date of Signing Contract	Contract Period (Weeks)	Contract Price K	Amount Paid To Contractor K	% of Contract Price Paid	SCOPE OF CONSTRUCTION/REHABILITATION WORKS	Remarks
Mbala	Mulefu Basic School	27-Aug-08		25,200,000	15,624,000	62	Construction of a 1*3 Classroom Block	2008. However, there was no furniture for both the offices and classrooms and the pupils were sitting on the floor, there were no latrines and staff houses as a result one classroom was being used by the head teacher as his residence.
	Kailla basic School	27-May-08		25,200,000	10,080,000	40	Construction of a 1*3 Classroom Block	A physical inspection of the site revealed that the school had no office and classroom furniture as a result the pupils were sitting on the floor. Furthermore, the school had no latrine accommodation and staff houses.
Mpungu	DEBS	20-Nov-07	11	59,470,000	57,546,396	97	Construction of an office block	plumbing works such as construction of the septic tank, provision of water pipes to the building among others.
	Lupongwe Basic School			25,200,000	24,538,400	97	Construction of a 1*3 Classroom Block	Although the building was completed and in use, it was observed that the building had no toilet facilities.
	Mupata Basic School			25,200,000	12,852,000	51	Construction of a 1*3 Classroom Block	A physical inspection carried out in June 2009, revealed that painting and glazing valued at K3,024,000 had not been done.
Nakonde	DEBS - Katozi Green Site			25,200,000	16,884,000	67	Construction of a 1*3 Classroom Block	A physical inspection of the project carried out in October 2009, revealed that the building was in use although flooring of the veranda had not been done and the contractor was not on site.
	DEBS - Madwa Green site			25,200,000	16,884,000	67	Construction of a 1*3 Classroom Block	A physical inspection of the project carried out in October 2009, revealed that the building was almost complete with outstanding works being painting flooring of the veranda, construction of apron and fitting of grill gates. It was also noted that the contractor was not on site and there were no materials.
	DEBS - Wulongu Green site			25,200,000	16,884,906	67	Construction of a 1*3 Classroom Block	A physical inspection carried out in October 2009 revealed that the building was almost complete with outstanding works being painting, fitting of grill gates and store room shelves and glazing of one (1) window. It was also noted that the contractor was not on site.
Chalubi	DEBS	28-Nov-08		69,861,698	42,525,000	61	Construction of an office block	A physical inspection of the office conducted in June, 2009 revealed that the building had not been completed in that works such as provision of sewerage system, plumbing works, painting, beam filling, plastering, fitting of panel doors, construction of spoon drains, glazing and fitting of a grill gate had not been
	DEBS - Bulilo Middle Basic Green site	1-May-08		25,200,000	10,000,000	40	Construction of a 1*3 Classroom Block	A physical inspection conducted in October 2009 revealed that, although construction works started in May 2008, sixteen (16) months later, the structure was at gable level and the contractor was not on site
	DEBS - Chipelembe Green site	1-Sep-08		25,200,000	5,000,000	20	Construction of a 1*3 Classroom Block	A physical inspection of the project in June 2009 revealed that the building had reached gable level and outstanding works included roofing, beam filling, plastering and glazing and flooring of the building among others.
	Shirimali Basic School	1-Sep-08		25,200,000	10,000,000	40	Construction of a 1*2 Classroom Block	A physical inspection of the project conducted in October 2009 revealed that outstanding works included plastering of external walls, painting, construction of concrete paving, spoon drainage, steps and beam filling among others.
	Kanshishe Basic School	1-Sep-08		25,200,000		-	Construction of a 1*2 Classroom Block	A physical inspection of the building in October 2009 revealed that outstanding works included fitting of window frames and panel doors
Chinsali	DEBS	5-Dec-08		80,000,000	28,000,000	35	Construction of an office block	A physical inspection of the project carried out in October 2009, revealed that outstanding works included the construction of pavements, aprons and drainage, glazing and painting among others.
Kaputa	Chimbamanga - Green Site			25,200,000	25,200,000	100	Construction of a 1*3 Classroom Block	Although the contractor was paid in full, an amount K14,920,000 was not supported by stage completion certificates. A physical inspection in May 2009 revealed that works outstanding included construction of pavements, aprons, drainage-valued, glazing, painting flooring of one of the classrooms and fitting of doors.
	Kasaba Bay Basic School	Oct-08		25,200,000	25,200,000	100	Construction of a 1*3 Classroom Block	A physical inspection carried out in May 2009, revealed that works outstanding included spoon drainage, concrete pavings, floor screed, external plastering rear, glazing, painting and fitting of panel doors window frames.
Isaka	Chilumba Basic School			25,200,000	5,292,000	21	Construction of a 1*3 Classroom Block	As of October 2009, the building was in its final completion stage with the plastering and glazing outstanding level and consequently, the PMC and the community mobilized local bricklayers who continued with the construction.
Luwingu	DEBS - Chipushi Basic School			25,200,000	6,302,000	25	Construction of a 1*3 Classroom Block	At the time of the visit, the following works were outstanding:- - Floor screed of the building; - Fitting of window frames, door frames, panel doors and glazing; - Beam filling from lintel level and ring beam.
	DEBS - Mutchitu Wambobo Basic School	there was no written contract		25,200,000	25,200,000	100	Construction of a 1*3 Classroom Block	As of May 2009, the contractor had been paid the full contract amount of K25,200,000, although the construction of 1x3 CRB had not been fully completed. It was observed that the payments were not supported by stage completion certificates contrary to the infrastructure operational guidelines. The rationale of paying the contractor before works are completed is questionable and is contrary to Sector infrastructure
Mporokoso	DEBS - Luli Basic School			25,200,000	5,292,000	21	Construction of a 1*3 Classroom Block	stage with the following works outstanding: - Plastering and floor screed - Painting and glazing - fixing of doors, locks and making and fixing of shelves. - Construction of spoon drain and apron
	DEBS - Kawiksha Basic School	16-Aug-08		25,200,000	13,608,000	54	Construction of a 1*3 Classroom Block	A physical inspection in October, 2009 revealed that although the project has been completed and in use, cracks in one of the classroom floors had manifested.
	Shmwambwa Basic School			18,000,000		-	Construction of a 1*2 Classroom Block	following outstanding works: - Painting and glazing - apron on the rear has not been done - rough casting has not been completed

Luapula Province								
District	Station	Date of Signing Contract	Contract Period (Weeks)	Contract Price K	Amount Paid To Contractor	% of Contract Price Paid	SCOPE OF CONSTRUCTION/ REHABILITATION WORKS	Remarks
	DEBS - Sendapu Basic School			25,200,000	19,734,000	78	Construction of a 1*3 Classroom Block	A physical inspection of the projects carried out in October 2009 revealed that construction of the 1x3 classroom block was in its final stage of completion with the following works outstanding:- - Construction of spoon drain - Glazing - Fitting of grill gates - Spider trusses not painted It was further observed that cheaper corrugated roofing sheets were used instead of the recommended IT4 iron sheets.
	DEBS - Ndoba Basic School			20,000,000	7,200,000	36	Construction of a 1*2 Classroom Block	A physical inspection of the project in October 2009 revealed that construction of the 1x2 classroom block was in the final stage of completion with the following outstanding works; painting, fitting of window and door frames. It was further observed that cheaper corrugated roofing sheets were fitted instead of the recommended IT4 iron sheets.
	DEBS - Luchinka Basic School			20,000,000		-	Construction of a 1*2 Classroom Block	Expenditure details were not produced for audit due to the fact that the Head Teacher who kept the records had retired and left without handing over the records. A physical inspection of the projects carried out in October 2009 revealed that construction of the 1x2 classroom block was in its final stage of completion with the following works outstanding:- - Fitting of window and door frames - Painting - Fitting of grill gates It was further observed that cheaper corrugated roofing sheets were used instead of the recommended IT4 iron sheets.
Nchelenge	DEBS - Mweru Basic School	6-Jun-08		36,000,000		-	Construction of a 1*2 Classroom Block	A physical inspection of the project in October 2009 revealed that glazing, plastering, fixing of doors, construction of spoon drain and flooring had not yet been done. It was observed that the workmanship was poor in that spider trusses were protruding and the contractor had used cheaper corrugated iron sheets instead of the recommended IT4 iron sheets.
	DEBS - Mweru Basic School			20,000,000	4,200,000	21	Construction of Staff House	A physical verification of the project carried out in October, 2009 revealed that the construction of the house was in final completion stage with the following works outstanding:- - Flooring of the sitting room and veranda - Fitting of three (3) doors - Construction of spoon drain and painting - Plastering - Construction of the external kitchen
	DEBS - Mutono Basic School	9-Nov-08	the contract did not specify the commencement and completion dates	20,000,000	4,200,000	21	Construction of Staff House	A physical verification of the project carried out in October, 2009 revealed that the building was at ring beam level with the following works outstanding:- - Fitting of window and door frames - flooring - Construction of Spoon drains and plastering - Construction of the external kitchen It was noted that due to poor workmanship, the contract was terminated
	DEBS - Mutono Basic School	6-Jun-08		25,200,000		-	Construction of a 1*3 Classroom Block	Construction of the 1x3 class room block was in its final stage of completion with the following works outstanding:- - Fitting of doors and grill gates - Construction of floor screed and spoon drain - Glazing, plastering and painting It was further observed that cheaper corrugated roofing sheets were used instead of the recommended IT4 iron sheets.
	DEBS - Munsu Basic School	6-Jun-08		25,200,000		-	Construction of a 1*3 Classroom Block	The classroom block is in its final stage of completion with the following works outstanding:- - Fitting of door and window frames - Beam filling - Plastering, flooring and glazing - Construction of spoon drain It was further observed that cheaper corrugated roofing sheets were used instead of the recommended IT4 iron sheets.
	DEBS - Munsu Basic School	16-May-08	the contract did not specify the commencement and completion dates	20,000,000	4,200,000	21	Construction of Staff House	A physical verification of the project carried out in October, 2009 revealed that the building was in its final completion stage with the following works outstanding:- - beam filling - fitting of two (2) external door frames - fitting of window frames - construction of spoon drains, plastering, flooring and fitting of air vents - construction of external kitchen
	Chiblikika Basic School	9-Jun-08		25,200,000	13,608,000	54	Construction of a 1*3 Classroom Block	A physical inspection of the project in October 2009 revealed that the class room block was in its final stage of completion with the following works outstanding:- - Flooring, glazing and plastering - fitting of doors and grill gates - construction of spoon drains

	Mulanga Basic School	9-Jun-08		18,000,000	7,120,000	40	Construction of a 1*2 Classroom Block	A physical inspection of the project in October 2009 revealed that construction of the class room block was in its final stage of completion with the following works remaining: - flooring and plastering - fitting of window and door frames for one (1) classroom - construction of spoon drains It was further observed that cheaper corrugated roofing sheets were used instead of the recommended IT4 iron sheets.
	Toka Toka Basic School	9-Jun-08		25,200,000	13,608,000	54	Construction of a 1*3 Classroom Block	A physical inspection of the project in October 2009 revealed that construction of the class room block was in its final stage of completion with the following works outstanding: - plastering and fixing of air vents - fitting of window and door frames - flooring and construction of spoon drain
Mwense	DEBS - Munwa Basic School	27-May-08				#DIV/0!	Construction of a 1*3 Classroom Block	A physical inspection of the project in October 2009, revealed that construction of the 1x3 class room block was in its final stage of completion with the following works outstanding: - Glazing, flooring and plastering - Fitting of door and window frames - Construction of spoon drain. It was however observed that cheaper corrugated roofing sheets were used instead of the recommended IT4 iron sheets.
	DEBS - Sunshine Basic School	22-May-08		25,200,000	9,420,000	37	Construction of a 1*3 Classroom Block	A physical inspection of the projects in October 2009 revealed that construction of the 1x3 class room block was in its final stage of completion with the following works outstanding: - Plastering and flooring - Fitting of grill gates, window and door frames - Construction of the spoon drains It was further observed that cheaper corrugated iron sheets were used instead of the recommended IT4 iron sheets.
	DEBS - Mulunda Basic School	3-Jun-08	9	9,200,000		-	Construction of a 1*3 Classroom Block	A physical inspection of the projects in October 2009 revealed that construction of the 1x3 class room block was in its final stage of completion with the following works outstanding: - beam filling, plastering, glazing, and flooring - fitting of door and window frames - construction of spoon drains It was further observed that cheaper corrugated iron sheets were used instead the recommended IT4 iron sheets.
	DEBS - Mukabi Basic School	23-Jun-08		10,100,000		-	Construction of Staff House	A physical inspection of the projects October 2009 revealed that construction of the staff house was in its final stage of completion with the following works outstanding: - Plastering, painting, flooring and glazing - Fitting of doors, - Construction of spoon drains - Construction external kitchen It was further observed that the floor had developed cracks in all the
Milege	DEBS - Changwe-Lungo Basic School	30-Aug-08		18,080,000	9,094,800	50	Construction of a 1*2 Classroom Block	A physical inspection of the project revealed that the classroom block was at gable level level and the contractor was not on site.
	DEBS - Changwe-Lungo Basic School	30-Aug-08		18,080,000	4,897,200	27	Construction of Staff House	A physical inspection of the project revealed that t the staff house was at slab level and the contractor was not on site.
	DEBS - Mumbo-Tuta Basic School	1-Jul-08		20,000,000		-	Construction of a 1*3 Classroom Block	A physical inspection of the projects in October 2009 revealed that the classroom block was at gable level and the contractor was not on site.
	DEBS - Mumbo-Tuta Basic School	1-Jul-08		20,000,000		-	Construction of Staff House	A physical inspection of the projects in October 2009 revealed that the house were at gable level and the contractor was not on site.
	DEBS - Lunga Basic School	16-May-08		13,608,000	5,292,000	39	Construction of a 1*3 Classroom Block	the classroom block was in the final completion stage with the following works outstanding: - Plastering, flooring and glazing - Fitting of window and doors frames - Construction of Spoon drain - Beam filling
	DEBS - Lunga Basic School	16-May-08		20,000,000	8,000,000	40	Construction of Staff House	The house had reached gable level and works on the outside kitchen had not started and due to poor quality of the bricks used, the walls of the house were being eroded by the rains.

Eastern Province								
District	Station	Date of Signing Contract	Contract Period (Weeks)	Contract Price K	Amount Paid To Contractor K	% of Contract Price Paid	SCOPE OF CONSTRUCTION/ REHABILITATION WORKS	Remarks
Chipata	DEBS-Hope Campus Basic School	15-May-08		25,000,000	17,000,000	68	Construction of a 1*3 Classroom Block	A scrutiny of records and physical inspection of the project in May 2009 revealed that on 29th July, 2008, the site was changed citing proximity to a military cantonment and consequently, a new site was identified within the same compound. At the time of relocating to the new site, a total amount of K17,000,000 had been spent and the construction works had reached slab level resulting in wasteful expenditure.
Chama	Chibungwe Basic School	17-Jun-08		45,200,000	29,400,000	65	Construction of a 1*3 Classroom Block & staff house	A physical inspection of the projects conducted in October 2009 revealed that although the classroom block was complete, the staff house had reached gable level.
Mambwe	Matula High School	30-Dec-08		80,000,000		-	Construction of a 1*4 Classroom Block	A physical inspection of the projects conducted in October 2009 revealed that construction of structure was at foundation box level and the contractor was not on site.

Lusaka Province								
District	Station	Date of Signing Contract	Contract Period (Weeks)	Contract Price K	Amount Paid To Contractor K	% of Contract Price Paid	SCOPE OF CONSTRUCTION/ REHABILITATION WORKS	Remarks
Chongwe	Bundabunda Basic School	6-Jun-08		50,000,000	15,288,000	31	Construction of a 1*3 Classroom Block, a staff house & two VIP toilets	A physical inspection of the project revealed that construction works were at various stages, however, due to poor workmanship the roof of the classroom block was blown off and as of October 2009 the roof had not been replaced.
	Mkango Basic School	6-Jun-08		60,800,000	19,200,000	32	construction of a 1x4 classroom block, a staff house with an outside kitchen and two double VIP to toilets	A physical inspection of the project in October 2009 revealed that construction works were at various stages as follows: - The construction works on two classrooms had reached gable level while the other two classrooms were at foundation box level. - The house had been roofed, door and window frames fitted. However, plastering, flooring, glazing and painting were still in progress and the kitchen was at foundation box level. - The pit latrine at the classroom block had been dug while construction of the VIP latrine at the staff house had not started.
	Kenneth David Kaunda Basic School	4-Jul-08		25,000,000	20,916,000	84	Construction of a 1*3 Classroom Block	A physical inspection of the project carried out in October 2009 revealed that work on the floor screed was poorly done and the contractor, despite being written to, had not returned on site to rectify the defects.
Lusaka	Woodlands 'A' Basic School			25,000,000	20,000,000	80	Construction of a 1*2 laboratory Block	The contractor was paid a total amount of K20,000,000 which was not supported by stage completion certificates. A physical inspection of the project revealed that although the 1x2 laboratory block had been completed, the floor was badly done in that cracks had manifested, spiler trusses were wrongly laid and the overall finishing was poor.
	Chibolya Basic School	10-Nov-08		25,930,000	16,876,000	65	Construction of a 1*3 Classroom Block	Although the building was in its completion stage with glazing and construction of the spoon drain remaining, it was observed that there was poor workmanship in that cracks had manifested on the floor.

Central Province								
District	Station	Date of Signing Contract	Contract Period (Weeks)	Contract Price K	Amount Paid To Contractor K	% of Contract Price Paid	SCOPE OF CONSTRUCTION/ REHABILITATION WORKS	Remarks
Mkushi	DEBS-Kasansama Basic School	3-Jul-08		25,200,000	5,292,000	21	Construction of a 1*3 Classroom Block	A physical inspection of the project in May 2009 revealed that the 1x3 classroom block had reached final completion stage and with remaining works valued at K8,316,000 as detailed below: - Glazing and painting panes (K3,024,000) - Plastering Flooring and Construction of spoon drain (K4,032,000) - Fitting of doors (K1,260,000). It was further observed that as of May 2009, the contractor was not on site.
	Nyenje Basic School			25,200,000	5,292,000	21	Construction of a 1*3 Classroom Block	A physical inspection of the project in October 2009 revealed that the 1x3 classroom block had reached final completion stage and outstanding works included glazing, painting, plastering and construction of the spoon drain.

Central Province								
District	Station	Date of Signing Contract	Contract Period (Weeks)	Contract Price K	Amount Paid To Contractor K	% of Contract Price Paid	SCOPE OF CONSTRUCTION/ REHABILITATION WORKS	Remarks
Gwembe	DEBS-Hankobe Basic School	2-Sep-08		25,200,000	16,884,000	67	Construction of a 1*3 Classroom Block	A physical inspection of the project in October 2009 revealed that construction of the classroom block had been completed; the remaining works included painting, glazing and fixing of window handles. It was however noted that a crack had manifested across the entire breadth of the classroom block.
	Chipepo Basic School	12-Dec-08		19,908,000	20,188,000	101	Construction of a 1*3 Classroom Block	On 21st July 2008, the PMC awarded a labour-only contract to Zyamco Enterprises at a contract price of K 25,200,000. However, the contractor abandoned the site and consequently, in October 2008, the PMC terminated the contract. At the time of the termination of the contract, the project was at slab level and the contractor had been paid K 5,292,000. In this regard, on 12th December 2008, the PMC engaged another contractor, EKAS Contractors Limited, to complete construction of the classroom block at a contract price of K19,908,000. A physical inspection of the project in June 2009, revealed that the works had reached final completion stages the remaining works included; painting, glazing and fitting of doors, however, the Permanent Secretary stated that the project had stalled.
Itezhi-Tezhi	Kalombe Middle Basic School	29-Aug-08		18,000,000	17,490,000	97	Construction of a 1*2 Classroom Block	A physical inspection of the project in June 2009 revealed that the construction of the classroom block had been completed although cracks had manifested on the floor of one of the classrooms.
Namwala	DEBS-Maseele Basic School	30-Jul-08		25,200,000		-	Construction of a 1*3 Classroom Block	A physical inspection of the project in June 2009 revealed that although the project was to be completed by November 2008, construction of the classroom block had only reached slab level.
	DEBS-Mbeza Loongo Basic School	7-Aug-08		25,200,000		-	Construction of a 1*3 Classroom Block	A physical inspection of the project in October 2009 revealed that the project which was to be completed by October 2008, was at slab level.
	DEBS-Nkalikile Basic School	1-Jul-08		25,200,000	5,292,000	21	Construction of a 1*3 Classroom Block	A physical inspection of the project carried out in October 2009 revealed that the classroom block had been roofed and remaining works included plastering, flooring and metal work.
	Kabulamwanda Basic School	30-Apr-08	12	10,392,000	9,816,000	94	Completing a 1*3 Classroom Block	A physical inspection of the project carried in May 2009 revealed that the project had stalled due to lack of materials and the contractor had left the site and outstanding works included among others, glazing and painting, flooring, plumbing works, etc. It was also observed that, although ZESCO Limited was paid an amount of K40,446,764 in September 2008, for the supply of a transformer and electrification of the school, as of June 2009 the transformer had not been supplied.

Copperbelt Province								
District	Station	Date of Signing Contract	Contract Period (Weeks)	Contract Price K	Amount Paid To Contractor K	% of Contract Price Paid	SCOPE OF CONSTRUCTION/ REHABILITATION WORKS	Remarks
Masaiti	DEBS-Kampolomombo Basic School	24-Jul-08		25,000,000	5,292,000	21	Construction of a 1*3 Classroom Block	A physical inspection of the project carried out in October 2009 revealed that the building was in its final completion stage with outstanding works such as painting, glazing and fitting of doors.
	DEBS-Kalulu Basic School	29-Sep-08		25,000,000	5,292,000	21	Construction of a 1*3 Classroom Block	A physical inspection of the project carried out in October 2009 revealed that the building was in its final completion stage with outstanding works such as painting and glazing.
	DEBS-Munyemesha Basic School	29-Sep-08		25,000,000	5,292,000	21	Construction of a 1*3 Classroom Block	A physical inspection of the project carried out in October 2009 revealed that the building was in its final completion stage with outstanding works such as painting, and construction of spoon drain.
Ndola	DEBS-Muhsili Bonano Basic School	27-May-08		25,000,000	14,516,000	58	Construction of a 1*3 Classroom Block	A physical inspection of the project carried out in October 2009 revealed that the building was in its final completion stage with outstanding works which included fitting of doors and construction of the spoon drain.
	DEBS-Muhsili Kansengu Basic School	27-May-08		28,224,000		-	Construction of a 1*3 Classroom Block	The contractor abandoned the project on 4th February 2009 after being paid a total amount of K 11,468,000, when the building had reached gable level. Consequently, another contractor was engaged to complete the works at a contract price of K 7,984,000. A physical inspection of the project carried out in October 2009 revealed that the building was complete with construction of the spoon drain outstanding.
	DEBS-New Chipulukusu Basic School	24-May-08		25,000,000	16,180,000	65	Construction of a 1*3 Classroom Block	A physical inspection of the project carried out in October 2009 revealed that the building had been completed with the construction of spoon drain outstanding.

North Western Province								
District	Station	Date of Signing Contract	Contract Period	Contract Price	Amount Paid	% of Contract	SCOPE OF CONSTRUCTION	Remarks
Kasempa	DEBS	The DEBS engaged skilled labourers to carry out the works at a cost of K 15,920,000.		15,920,000	15,920,000	100	Construction of a 1*3 Classroom Block	A physical inspection of the project carried out in October 2009 revealed that the structure had reached final completion stage with the following outstanding works metal works, construction of the spoon drain, plastering, flooring and fitting window and door frames.
	Kateete Basic School	The DEBS engaged skilled labourers to carry out the works		12,620,000	12,620,000	100	Construction of a 1*3 Classroom Block	A physical inspection of the project carried out in October 2009 revealed that the structure had reached final completion stage with the following works outstanding: internal plastering, flooring, fitting of doors, shelves, construction of spoon drain and glazing.
Chavuma	DEBS-Mutwe-Wakhai Basic School	The DEBS engaged skilled labourers to carry out the works			18,879,000		Construction of a 1*3 Classroom Block	A physical inspection of the project carried out in October 2009 revealed that the building was in its final completion stage with outstanding works being glazing, plastering and construction of the spoon drain.
	Kamisamba Basic School	The DEBS engaged skilled labourers to carry out the works on 19th May 2008			16,060,000		Construction of a 1*3 Classroom Block	A physical inspection of the project carried out in October 2009 revealed that the building was in its final completion stage with the following works outstanding: glazing, carpentry, plastering and construction of the spoon drain.

n. Construction of Boundary Walls

i. New Chilenje Basic School

The Ministry of Education engaged Dynamic Investment Limited to construct a boundary wall at New Chilenje Basic School at a contract price of K420,990,371. A scrutiny of the records and physical inspection of the project carried out in June 2009 revealed that as of June 2009 the contractor had been paid a total of K183,665,925 leaving a balance of K237,324,445.

A visit to the site in June 2009 revealed that instead of constructing a wall fence around the perimeter of the school and along the beacons placed by the council, the contractor constructed panels which joined the classroom blocks making them part of the fence.

ii. New Northmead Basic School

The Ministry engaged Zamcarrier Limited to construct a boundary wall at New Northmead basic school at a contract price of K334,024,300 with a completion period of twelve (12) weeks. However, the contract was not produced for audit.

A scrutiny of the records carried out in June 2009 revealed that as of June 2009, the contractor had been paid a total amount of K129,632,107 leaving a balance of K204,392,193.

However, a physical inspection of the project revealed that:

- The contractor abandoned the site in September 2008;
- Although twelve (12) courses were to be constructed, only seven (7) courses were constructed on fourteen (14) panels, while nine (9) courses were constructed on twelve (12) panels; and
- The gate panels had not been constructed.

o. Delay in Completion of Portal Frame Classroom Blocks

In paragraph 40 (d) of the Report of the Auditor General on the Accounts for the financial year ended 31st December 2005, mention was made of the Ministry of Education having embarked on a programme of constructing portal frames in ninety-seven (97) selected schools on the Copperbelt, Central, Luapula and Northern Provinces in 2005. Further,

mention was made that seven (7) contractors were engaged by the Ministry to erect the Portal frames in four (4) provinces at a total contract price of K48,907,774,876.

In addition, in 2007/2008, the Ministry disbursed K4,850,000,000 to the DEBS offices in the four (4) provinces by releasing K50,000,000 for each of the ninety-seven (97) sites to meet the cost of constructing walls on the frames.

It was however, observed that although the Ministry embarked on the programme of constructing the structures, the original estimated cost of constructing one frame ranged between K492,603,500 and K598,407,816, depending on the location. Therefore, the total amount of K53,757,774,876 made available since the programme started was still insufficient.

p. Contracts for the Supply and Delivery of Education Materials

In 2007 and 2008, the Ministry engaged three (3) suppliers for the supply and delivery of free education materials to schools throughout the country at a total contract sum of K16,931,283,905. The delivery periods for the books ranged between 10 and 14 weeks. See table below:

Supplier	Province	Contract Sum		Amount Paid		Delivery Status
		(K)	US\$	(K)	US \$	
Web Int.	Southern & Western	2,236,103,790	590,000		177,000	Outstanding
Melcome	Copper-belt	1,589,995,383	442,893		442,893	Completed
Nkhwazi Office Supplies	Central	2,371,722,144		711,516,743		Outstanding
Total		16,931,283,905	1,032,894	711,516,743	619,893	

A scrutiny of records revealed that as of April 2009, total amounts of US\$619,893.06 and K711,516,743 had been paid to the three (3) suppliers. However, two (2) suppliers had not delivered as of April 2009 and no action had been taken by the Ministry.

q. Contracts for the Supply and Delivery of Laboratory Equipment

In 2007, the Ministry awarded six (6) supply contracts to three (3) companies for the supply and delivery of laboratory equipment to Lumezi, Nyimba and Kafumbwe High Schools at a total cost of US\$549,124.09 as shown in the table below:

Supplier	Contract No.	Contract Sum US\$	High School
Shiv Dial Sud & Sons	MOE/SP/014/07	57,700.07	Kafumbwe
Shiv Dial Sud & Sons	MOE/SP/011/07	127,869.75	Kafumbwe
Octo Trading	MOE/SP/012/07	124,788.00	Lumwezi
WEB International	MOE/SP/015/07	55,172.43	Lumezi
KBH Ind. Ltd	MOE/SP/013/SP	124,371.00	Nyimba Boarding
KBH Ind. Ltd	MOE/SP/016/07	59,222.84	Nyimba Boarding
Total		549,124.09	

Contrary to Clause 11 (i) and (ii) of the special conditions of the contract, which stated that the suppliers were to be paid 10% of the contract sums as advance payment, and 80% on shipment of the goods, the suppliers were paid the contract sums in full before delivery.

As of October 2009, two (2) suppliers namely; Shiv Dial Sud & Sons and WEB International had not delivered materials costing US\$185,569.82 and US\$55,172.43 respectively. It was further noted that no legal action had been instituted against the suppliers for failure to deliver within the contract period.

r. Contracts for the Supply and Delivery of School Desks

In May 2007, Yusuf Hardware Ltd of Lusaka was awarded a contract to supply, deliver and assemble five hundred (500) single seater school desks to the Ministry for selected high schools in Northern Province at a contract sum of K270,610,140. A physical inspection of the desks carried out in May 2009 at four (4) schools revealed the following:

i. Mungwi Technical High School

The school received 25 single seater desks costing K13,530,507 on 18th December 2007. It was however observed that the desks supplied were not suitable for high school pupils as they were too small. It was further observed that 12 out of 25 tables supplied and valued at K6,494,643 could not be assembled as they were of wrong specifications.

ii. Kalabwe High School

A visit to Kalabwe High School in Mporokoso in May 2009 revealed that the school received 35 single seater desks. It was however observed that the desks supplied were not suitable for high school pupils as there were too small.

It was therefore evident that pre-inspections were not carried out by the Ministry prior to the delivery of desks to the schools.

s. Contract for Supply and Delivery of Motor Boats

On 14th December 2007 the Ministry engaged KBH Industrial Limited to supply and deliver seven (7) boats (3 cargo and 4 speed boats) at a contract sum of US\$ 774,900 for selected districts. According to the terms of the contract, the supplier was to be paid a 10% advance of the contract price. It was however observed that contrary to the terms of the contract, the supplier was paid the full contract sum of US\$774,900 before delivery of the boats.

Although the supplier delivered all the boats, it was observed that some accessories such as life jackets, ignition keys for one (1) engine, fire extinguishers and fuel tank key for the Kalabo motor boat were missing. As of October 2009, no action had been taken against the supplier.

HEAD:	80/19	Ministry of Education- Teacher Education- Central Province
UNIT:	2	Nkrumah Teachers College
PROGRAMME:		Various
ACTIVITIES:		Various

66. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008, a provision of K4,855,769,466 was made to cater for various activities at Nkrumah Teacher Training College against which amounts totalling K3,679,824,483 were released leaving a balance of K1,175,944,983. The released amount is 76% of the total authorised provision.

Irregularities in the Management of Grants and Distance Learning Education Funds

An examination of financial and other records maintained at the college revealed that there were weaknesses in internal controls at the college in that cashbooks and stores

records were not maintained and bank reconciliations were not done. As a result, the following were observed:

a. Grants

i. Lack of Bank Reconciliation

The college had nine (9) bank accounts maintained at two (2) commercial banks as shown below.

Bank	Account No.	Purpose
Zanaco	046022-178	Main
Zanaco	046021-6475	Boarding
Zanaco	046021-6489	User
Zanaco	046021-7106	Distance
Indo- Zambia	113808004	Distance
Zanaco	046022-3246	Sector
Zanaco	046021- 5899	Revolving
Zanaco	165900014	Muffic Dolar
Zanaco	165900006	Muffic Dolar

It was observed that contrary to Financial Regulation No. 145 (3) and 138 of 2006, no monthly Bank Reconciliations were done for all the bank accounts from 2006 to 2008.

ii. Misapplication of Funds

Foodstuffs valued at K183,712,100 were procured between January to October 2007 from General Administration instead of Boarding Funds without authority from the Secretary to the Treasury, contrary to the Appropriation Act of 2007.

iii. Missing Payment Vouchers

Contrary to Financial Regulation No. 65 (1), seven (7) payment vouchers in amounts totalling K11,145,300 were missing.

iv. Unretired Imprest

Contrary to Financial Regulation No 96 (1), imprest amounting to K135,546,082 issued to twenty two (22) officers between January 2006 and August, 2008 remained unretired as at 31st December 2008.

v. Lack of Receipt and Disposal Details

Contrary to Public Store Regulation No. 16, there were no receipt and disposal details in respect of stores and fuel costing K22,818,100 purchased during the period under review.

b. Distance Learning Education Funds

In 1997, Nkrumah Teacher Training College introduced a Diploma course under the Distance Education Learning Programme. The programme was being run by Nkrumah Academic Staff Association (NASA). The programme was designed to generate funds to supplement lecturers' salaries.

The programme is run by a Board comprising seven (7) elected members from the Academic Staff and hold office for a period of one year six months. Of the levied Fees, 80% is retained by the Association to pay lecturers' allowances, while the 20% is paid to college administration.

A review of records relating to the project revealed the following:

i. Under banking of Revenue

During the period from 2006 to 2008, a total amount of K11,369,575,100 was collected as fees from students out of which a total of K11,240,849,610 was banked while the balance of K128,725,490 was used before being banked contrary to Financial Regulation No.129 (1).

ii. Missing Receipt Books

There were twenty-seven (27) Receipt Books which were issued from Provincial Education Office to the College between August 2005 and December 2008, which were not produced for audit contrary to Financial Regulation No. 10 (n).

iii. Unauthorized Payments Allowances

The College Staff were paid a total amount of K3,666,317,000 in allowances such as transport, printing and responsibility allowances without authority from the College Board.

iv. Double Payment of Transport Allowances

A total amount of K278,460,000 was paid in December 2008 to fifty nine (59) Lecturers as transport allowance for monitoring purposes during the period 10th to 24th December 2008. It was observed, however, that a similar amount was paid to the same lecturers in December 2008 for the same purpose without explanation.

v. Un-Acquitted Payments

Contrary to Financial Regulation No. 45, allowances amounting to K50, 825,000 paid in August and September 2009 in the names of two (2) officers were not acquitted.

vi. Lack of Bank Reconciliation

Contrary to Financial Regulation No 145(3) and 138, the bank account was not reconciled for the three (3) years under review.

vii. Unvouched Expenditure

Contrary to Financial Regulation No. 45, 52 and 65, a total amount of K87,758,500 involving twenty one (21) payment vouchers were unvouched in that they were either missing or not adequately supported with relevant documents such as purchase orders, competitive quotations and receipts.

viii. Unretired Imprest

Contrary to Financial Regulation No. 96 (1), imprest amounting to K 232,255,000 issued to five (5) officers during the period under review had not been retired as of September 2009.

ix. Failure to Recover Loans

Contrary to Financial Regulation No. 98, loans in amounts totalling K8,800,000 paid to four (4) officers between May and August 2006 had not been recovered as of February 2009.

x. Award of supply contracts to unregistered individuals

According to existing procedures, the college is supposed to have a list of registered suppliers of goods and services. However, it was observed that contrary to the procedure, during the period under review the college engaged eighteen (18) unregistered individuals to supply foodstuffs costing K120,137,500.

HEAD:	85/01	Ministry of Lands ó Human Resources and Administration
PROGRAMME	15	Disbursement of Land Development Fund (PRP)
	02	General Administration
ACTIVITIES:	001-004	Activities under Land Development
	09	Renovation of Government Buildings

67. In paragraph 64 of the Auditor General's Report for the financial year 2006, mention was made of irregularities in the administration of the Land Development Fund (LDF). In particular, there were instances of misappropriation of funds, wasteful expenditure, misapplication of funds and unretired imprest among others.

In their report for the Second Session of the Tenth National Assembly, the Public Accounts Committee (PAC) among other things directed that the Controlling Officer should provide progress reports on the utilisation of funds.

A review carried out in June 2009 revealed that during the period from January to December 2008 there was a total amount of K8,954,870,366 available in the fund account to undertake the activities in various districts.

A follow up made to five (5) districts namely Solwezi, Livingstone, Sesheke, Kabwe and Ndola revealed the following:

a. Failure to Utilise Funds

In December 2007, an amount of K100,000,000 was disbursed to the Kabwe Municipal Council. A check at the Council Offices however, revealed that the money had been lying

idle in the Council's LDF account as at the date of the audit in March 2009 and that dormant and ledger fee charges amounting to K650,000 were levied on the funds thereby reducing the balance.

Budget and Actual Revenue Collections

b. Misuse of Land Development Funds- Sesheke District Council

Verifications of previous years fund disbursements revealed that Contrary to LDF guidelines, out of the amounts totalling K126,400,000 disbursed in 2007, K18,980,000 was applied on activities which were not related to the purpose for which the fund was established such as payment of allowances for a workshop in purchasing and supply.

c. Recurrent Expenditure

In the Estimates of Revenue and Expenditure for 2008, a total amount of K19,085,188,562 was made to cater for various activities at the Ministry Headquarters and K13,877,654,690 was spent.

An examination of accounting and other records maintained at the Ministry of Lands Headquarters and selected Regional offices carried out in July 2009 revealed the following:

i. Delay in the Installation of the Access Control Facility

On 10th December 2008 the Ministry entered into an agreement with Stallion Security Solutions Limited for the supply, installation and commissioning of security access control facility at a contract sum of K300,002,968. The contract completion period was agreed at a total of three (3) weeks for installation and commissioning.

As part of the conditions given by the supplier, the work could only start after a down payment of 60% of all capital items and as such, on 19th December 2008 an amount of K180,001,780 was paid.

It was however, observed that contrary to the contract completion period of three (3) weeks, as of July 2009, the works had not yet been completed and the system was not yet functional.

ii. Unretired Imprest

Imprest in amounts totalling K298, 331,263 paid for various programmes remained unretired as of July 2009. This is contrary to Financial Regulation number 96.

Details are in the table below:

Programme	Station	Amount K	Schedule
RDC	Headquarters	156,927,500	3
PRP	Head quarters	63,350,000	4
Lands Tribunal	Headquarters	<u>78,053,763</u>	5
Total		<u>298,331,263</u>	

iii. Unacquitted Imprest

Imprests amounting to K58,710,000 in respect of Recurrent Departmental Charges (RDC) and Poverty Reduction Programme (PRP) issued during the year under review were unacquitted. Details are in the table below:

Programme	Station	Amount K	Schedule
RDC	Headquarters	17,925,000	6
RDC	L/Stone	40,785,000	7
Total		<u>58,710,000</u>	

Livingstone Regional Office

i. Appropriation In Aid

During the year 2008, the Regional office collected revenue totalling K2,127,840,924 and the Appropriation In Aid (AIA) of K823,591,631 was realised. An examination of the records pertaining to the disbursement of the AIA however, revealed the following weaknesses:

ii. Irregular Wage Rates

Survey Department paid out amounts totalling K266,710,000 on allowances for casual workers for various jobs. It was however, observed that the pay rates used were too high, in that each worker was entitled to an allowance of K100,000 per day contrary to the existing pay rates in government .

HEAD:	89/06	Ministry of Agriculture and Cooperatives - Department of Veterinary Livestock Development.
UNIT:	02	Veterinary Services.
PROGRAMMES:	8	Animal Disease Control - (PRP)
ACTIVITIES:	01	Vaccination of Livestock Diseases

68. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K8,303,996,944 was made to cater for Animal Disease Control out of which a total amount of K6,534,534,457 was for the vaccination of livestock against disease. According to records examined at the Ministry, the whole amount of K6,534,534,457 was released.

Accounting and other Irregularities

An examination of financial, stores and other records in respect of vaccination against livestock diseases maintained by the Ministry revealed the following:

a. Accrued Interest on Delayed Payments

In paragraph 65(a) of the Auditor General's Report on the accounts for the financial year ended 31st December 2006, mention was made on the delays by the Ministry to settle outstanding bills on time, which resulted in the Company supplying vaccines on credit and charged monthly interest of one (1%) on the outstanding amounts. In this regard, as at 31 December 2006 the interest had accumulated to K2,218,962,013 (US\$ 575,434.84).

In their Report to the Second Session of the Tenth National Assembly, the Public Accounts Committee (PAC) observed that the Ministry acted in a manner that did not protect the interest of Government despite the urgency of the matter. The PAC directed the Controlling Officer not to enter into unwritten contract that placed public resources at risk.

A review of the situation in 2009 disclosed that despite PACø's recommendation as stated above, the Ministry continued to make similar arrangements without entering into a formal contract with the supplier. In this regard, it was observed that the Ministry procured 4,731 vials of vaccines worth K3,673,120,220 (US\$1,019,726.80) on credit from Livestock Services Cooperative for the Foot and Mouth Disease (FMD) and as of August 2009, interest amounting to K446,228,251 (US\$86,144.45) had accrued.

Although the interest had been paid as of October 2009, it was not clear why the Ministry continued to procure vaccines on credit despite the Government providing the funds. The interest paid in this regard was nugatory expenditure.

b. Distribution of Vaccines to Affected areas (Districts)

A follow up of the distribution of vaccines in the affected arrears of the Southern and Central Provinces revealed that the 4,731 vials were distributed as follows:

Distribution of Vaccines to Affected Areas		
No.	District/Institute	No. of Vials
1	Mazabuka	632
2	Monze	752
3	Mumbwa	400
4	Mongu	167
5	Choma	236
6	Namwala	1024
7	Itezhi-tezhi	200
8	Kasama	300
9	Kafue	20
10	Central Veterinary	1000
		4731

Physical inspections carried out in Itezhi-tezhi, Mumbwa, Mazabuka, Monze, Choma, Namwala, and at the Central Veterinary Research Institute (CVRI) in September 2009 revealed the following irregularities:

c. Failure to Adhere to WOAH Standards

According to World Organization of Animal Health (WOAH) Standards on the eradication of Foot and Mouth Disease, the vaccination of animals in affected areas is supposed to be done twice annually (every six months) for three (3) years.

It was however observed that the Ministry did not adhere to the set standards in that during the period under review, the Ministry only carried out one (1) vaccination exercise as opposed to the required standard of two (2) posing a risk of the country not attaining the disease free status.

Though in his response dated 20th October 2009, the Controlling Officer cited lack of funding as the main reason for not adhering to the standards, it was observed that the activity was fully funded by the treasury in that the whole budgeted amount of K6,534,534,457 was released.

d. Lack of Receipt and Disposal Details

Contrary to Public Stores Regulations No. 16, there were no receipt and disposal details for 3492 Vials of FMD vaccines costing K2,762,677,866 distributed to the districts from Ministry headquarters as tabulated below:

District /Institute	Quantity of FMD vaccines received
Choma	236
Namwala	1,024
CVRI	1,000
Mazabuka	632
Mumbwa	400
Itezhi-tezhi	200
Total	3,492

It was further observed that the District offices visited in Southern and Central Provinces could not produce verifiable signed documents with details of beneficiary cattle owners generated by veterinary staff during vaccination exercises to confirm vaccinations.

HEAD: 89/07 Ministry of Agriculture and cooperatives ó Agriculture
Training Institute
UNIT: 11 Natural Resources Development College (NRDC)
PROGRAMME: Various
ACTIVITY: various

69. In the Estimates of Revenue and Expenditure for the financial year 31st December 2008, a total provision of K3,062,178,620 was made against which an amount of K2,516,111,533 was released leaving a balance of K546,067,087.

The funds were for the rehabilitation works at the institute. The works to be undertaken included water reticulation, roof maintenance and painting ceiling boards among others.

Accounting Irregularities

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

a. Unvouched Expenditure

Contrary to Financial Regulation No.45(2) and 65(1), payments in amounts totalling K1,246,655,050 involving four hundred and thirty five (435) transactions were unvouched in that the payment vouchers were either missing, unacquitted, unsupported or inadequately supported by relevant documents such as quotations, invoices, acquittal sheets and LPOs among others.

b. Unretired imprest

Contrary to Financial Regulation No.96(1), imprest issued to various officers in amounts totalling K493,716,640 during the period under review remained unretired as of November 2009.

c. Misapplication of funds

Out of the K2,000,000,000 released for rehabilitation works, amounts totalling K600,108,480 were applied on activities not related to rehabilitation such as fuel, electricity, allowances, house rentals and other unrelated expenses contrary to the Appropriations Act of 2008. The misapplication of funds resulted into the College not

finishing the rehabilitation works in that the roof at the administration block, toilets in the hostels and ceiling boards in the classrooms were not done.

d. Stores Without Receipt and Disposal Details

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K562,908,911 purchased during the period under review.

e. Housing allowance

It was observed that during the period under review, the college paid a total amount of K168,840,000 as housing allowances to fifty five (55) officers who were also occupying institutional houses.

In addition, the College spent a total of K88,900,000 on rentals for five (5) members of staff who were also receiving housing allowances.

f. Missing receipts

Contrary to Financial Regulation No. 10 (n), Seven (7) receipt books as detailed in the table below were missing:

No.	Account	Serial number
1	Revolving	18001 - 18050
2		18401 - 18450
3		17801 - 17850
4		16201 - 16250
5	Distance	12851-12900
6	Learning	18651-18700
7		12901-12950

g. Questionable Payments

During the period under review, a total amount of K395,805,000 was paid to various officers from the distance learning account (K59,790,000) and student fees account (K336,015,000) as allowances. However, there were no supporting schedules to indicate the period the allowances were relating to and names of the beneficiaries.

HEAD: 89/09 Ministry of Agriculture and Cooperatives-
Agribusiness and Marketing Department
UNIT: 4 Agriculture Finance and Credit Management
PROGRAMMES: 8 Fertilizer Support Programme (FSP) - (PRP)
ACTIVITIES: Various

70. The Government through the Ministry of Agriculture and Cooperatives has been implementing the Fertilizer Support Programme (FSP) in order to improve access by small scale-holder farmers to inputs, and to stimulate the participation and competitiveness of the private sector in the supply and timely distribution of agricultural inputs. In this regard, the Ministry of Agriculture and Cooperatives supported and facilitated the implementation of the Fertilizer Support Programme (FSP) to 1,045,000 small scale but viable farmers to access inputs of 21,600 metric tonnes of seed and 418,000 metric tonnes of fertilizer for the periods from 2002/2003 to 2008/2009 farming seasons from inception as shown in the table below:

Distribution of Fertilizer and Maize Seed					
No.	Farming Season	No of Farmers	Fertilizer (Tons)	Seed (Tons)	GRZ Subsidy
1	2002/2003	120,000	48,000	2,400	50%
2	2003/2004	150,000	60,000	3,000	50%
3	2004/2005	115,000	46,000	3,000	50%
4	2005/2006	125,000	50,000	2,500	50%
5	2006/2007	210,000	84,000	4,200	60%
6	2007/2008	125,000	50,000	2,500	60%
7	2008/2009	200,000	80,000	4,000	75%
	Total	1,045,000	418,000	21,600	

The objectives of the programme are to:

- i. Improve access of vulnerable smallholder farmers to agricultural inputs;
- ii. Increase private sector participation in the supply of agricultural inputs to small holder farmers thereby reducing Government involvement;
- iii. Ensure timely, effective and adequate supply of agricultural inputs in the country;
- iv. Ensure competitiveness and transparency in the distribution of inputs, thereby breaking monopolies;

- v. Serve as a risk-sharing mechanism for smallholder farmers to cover part of the costs for improving agricultural productivity; and
- vi. Expand markets for the private sector input supplier/dealers and increase their involvement in the distribution of agricultural inputs in rural areas.

In the 2008/2009 farming season the Government subsidy on agricultural inputs remained at 75%, whilst the farmers paid 25% of the commercial price. Each farmer received a standard input pack for the cultivation of one (1) hectare of maize. The input pack comprises four (4) basal and four (4) top dressing of fertilizer and two (2) bags of seeds. The Government subsidized the cost of inputs up to satellite depots or dropping points identified by the beneficiaries.

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K492,077,470,000 was made to cater for the Fertiliser Support Programme against which a total amount of K469,237,825,111 was released resulting in an under funding of K22,762,174,889 representing 4.6 % of the budgeted amount.

Weaknesses in Accounting - Fertilizer Support Programme

An examination of the financial and other records maintained at the Ministry and a visit to selected Provinces in August 2009 revealed the following:

Headquarters

a. Overpayment - Omnia Small Scale Limited.

In August 2008, the Ministry engaged Messrs Omnia Small Scale Limited to supply 35,003 metric tonnes of fertilizer packed in 50kg bags at a total contract price of K20,930,474,970 (US\$45,431,897.05). The fertiliser was to be distributed to small scale farmer groups in Zone 2 namely Southern and Western Provinces and Zone 4 Lusaka Province. The Company supplied the 35,003 metric tonnes of fertilizer contracted for to the designated points. It was observed that as of August 2009, the supplier had been paid amounts totalling K199,597,444,018 (US\$45,618,974.94) resulting in an overpayment of K861,867,839 (US\$187,077.89) as shown below:

Supply of Fertilizer					
Date	Payee	Cheque No.	ZMK	Rate	USD
13/08/2008	Omnia	78814	52,811,696,000	3,500	15,089,056.00
28/08/2008	Omnia	78824	26,816,079,946	3,520	7,618,204.53
15/12/2008	Omnia	78845	37,962,000,000	5,130	7,400,000.00
2/1/2009	Omnia	78856	19,789,870,000	5,000	3,957,974.00
13/02/2009	Omnia	78873	61,217,798,072	5,390	11,357,661.98
16/06/2009	Omnia	78979	1,000,000,000	5,100	196,078.43
Payments to date			199,597,444,018		45,618,974.94
Contract price					45,431,897.05
Overpayment					(187,077.89)

As of October 2009, no explanation was given for the over payment and the money had not been recovered.

b. Supply and Distribution of Inputs to Districts

Between October 2008 and February 2009, the Ministry distributed 80,000 metric tonnes of fertilizer costing K440,883,298,500 and 4,000 metric tonnes of seed costing K8,273,872,000 to the 200,000 small holder farmers in the provinces as shown in the table below:

Input distribution to Provinces			
No.	Province	Fertilizer (Metric Tonnes)	Seed (Metric Tonnes)
1	Central	13,718.4	685.9
2	Copperbelt	10,016.0	500.8
3	Eastern	14,784.0	739.2
4	Luapula	3,824.0	191.2
5	Lusaka	5,760.0	288.0
6	Northern	11,337.6	566.9
7	North western	4,064.0	203.2
8	Southern	14,486.4	724.3
9	Western	2,009.6	100.5
		80,000.0	4,000.0

Physical inspections carried out in Mazabuka, Monze, and Namwala districts in September 2009 revealed the following:

i. Mazabuka District

The programme targeted 219 Cooperative Societies which had 7,400 members. In this regard, 29,600 x 50kg of Basal Fertilizer costing K1,480,000,000, 29,600 x 50kg of Top dressing Fertilizer costing K1,480,000,000 and 14,798 x 10kg assorted seeds costing K378,842,600 were distributed and K3,340,448,650 realised from the sale of the inputs. A scrutiny of records maintained at the District Agriculture Coordinator's Office (DACO's) revealed the following:

▪ **Loss of 30 Packs of Inputs**

In 2008, Vinos Vehicles Logistics was engaged to transport 240 x 50kg bags of fertilizer to Handamana Cooperative Society at a contract price of K79,689,610. However, enquires made with the DACO's office revealed that out of the 240 bags, 210 bags had been delivered while the balance of 30 bags costing K13,578,000 could not be accounted for. Although the matter had been reported to the police, no loss report had been prepared as of August 2009.

▪ **Unaccounted for Funds**

Although a total amount of K3,352,442,600 was receivable from the sale of inputs, a reconciliation of funds received and expected income revealed a discrepancy of K11,993,950 as shown in the table below.

Inputs	Packs	Qty	Price K	Value K
Basal dressing	29,600	8	50,000	1,480,000,000
Top dressing	29,600	8	50,000	1,480,000,000
Subtotal				2,960,000,000
Seed	MRI 624	3701	30,700	113,620,700
	SC 513	3699	26,300	97,283,700
	DK 8033	3697	21,800	80,594,600
	Pan 413	3701	23,600	87,343,600
Subtotal				378,842,600
Carry over stock		272	50,000	13,600,000
Total revenue				3,352,442,600
As per B/Statement				3,340,448,650
Unaccounted for funds for inputs				11,993,950

As of October 2009, no explanations were given of unaccounted for funds of K11,993,950.

▪ **Lack of Acquittal Sheets for Inputs Issued**

According to existing guidelines, all inputs distributed were supposed to be signed for by the beneficiaries.

However, contrary to the guidelines, 623 input packs costing K256,352,200 distributed to nineteen (19) cooperative societies were not signed for by the beneficiaries to confirm receipt.

▪ **Inputs Collected Without Proof of Being Paid for.**

According to the system used to account for inputs in the district, the District Agricultural Coordinating Officer (DACO) issues an Authority To Collect (ATC) inputs after farmers have produced a certified Bank deposit slip and an application letter equivalent to the inputs requested by the farmer instructing the input warehouse manager to issue quantities of inputs to the farmer is done.

However, contrary to the above procedure, 110 packs of inputs valued at K49,784,200 were issued without supporting bank deposit slips as detailed below:

Inputs collected without being paid for				
ATC No.	Payee	Date	Amount K	No of Packs
003723	Hampande	11.12.2008	27,156,000	60
003578	Maano	24.11.2008	9,050,200	20
003589	Nanzele	25.11.2008	13,578,000	30
			49,784,200	110

As of August 2009, there was no explanation given for the issuance of inputs without deposit slips as required.

ii. **Monze District**

The programme targeted 346 Cooperative Societies which had 6,840 members. In this regard, 27,360 x 50kg of basal fertilizer costing K1,368,000,000, 27,360 x 50kg of Top dressing Fertilizer costing K1,368,000,000 and 15,131 x 10kg assorted seeds costing K418,528,400 were distributed and K3,398,001,100 realised

from the sale of the inputs. A scrutiny of records maintained at the DACOø office revealed that there were weaknesses in the manner in which inputs were distributed in Monze District in that:

▪ **Irregular Issuance of fertilizer**

According to the FSP guidelines for 2008/2009 agricultural season, all assistance to small-scale farmers was to be provided through agricultural cooperatives or other registered farmerø organizations.

However, contrary to the above procedure, two (2) officers at DACOø office issued ATCs to 133 Civil Servants to allow them buy 133 packs of inputs valued at K74,563,800 before registering with any agricultural cooperative and paying membership fees.

▪ **Failure to Issue Inputs Paid for**

Although 478 farmers in the District had paid a total amount of K191,600,000 for various inputs at the DACOø office, they had not received their inputs as of August 2009.

▪ **Unpaid for Inputs**

Two (2) Cooperative societies were issued with inputs costing K15,711,600 for which no payment had been made as of August 2009 as shown below:

Payee	Date	Packs	GRN	Amount K
Ntambo Women Coop	04.12.2008	21	13217	9,483,000
Kaloba Cooperatives	04.12.2008	14	13234	<u>6,228,600</u>
				<u>15,711,600</u>

iii. **Namwala District**

The programme targeted 74 Cooperative Societies which had 368 members. In this regard, 1,472 x 50kg of basal fertilizer costing K73,600,000, 1,472 x 50kg of Top

dressing Fertilizer costing K73,600,000 and 736 x 10kg assorted seeds costing K18,093,200 were distributed and K165,416,500 realised from the sale of the inputs. A scrutiny of records maintained at the DACO's office and physical verification revealed the following:

- **Unaccounted for Urea fertilizer.**

Out of a total of 1,474 x 50kg bags of Urea fertiliser issued to DACO, 552 x 50Kg bags costing K27,600,000 could not be accounted for.

- **Unaccounted for Seed**

Out of a total of 218 x 10kg bags of seed issued to DACO, 99 x 10kg bags costing K2,344,500 could not be accounted for.

- **Excess Allocation of MRI 534 Seed**

According to the records obtained from Omnia Headquarters, Omnia distributed 260 x 10Kg bags of MRI 534 seed to Namwala. However, records examined in Namwala revealed that 211 x 10kg bags of MRI 534 had been delivered leaving a balance of 49x10kg bags of MRI 534 seed costing K1,156,400 unaccounted for.

HEAD:	89/18 Ministry of Agriculture and Co-operatives ó Central Province, Provincial Agriculture Coordinating Office
UNITS:	Various
PROGRAMMES	Various
ACTIVITIES	Various

71. In the Estimates of Revenue and Expenditure for the year 2008, a provision of K8,807,664,489 was made to carter for various activities against which a total amount of K10,470,048,056 was released resulting in excess funding of K1,662,383,567 which was not supported by a supplementary provision .

Irregularities in the management of Personal Emoluments - General Administration Funds

An examination of financial and other records maintained at the Provincial Agriculture Coordinating Office carried out in July 2009 revealed the following:

a. Unvouched Expenditure

Contrary to Financial Regulations No. 45, 52 and 65, there were two hundred and six (206) payments in amounts totalling K868,675,329 that were unvouched in that the payment vouchers were either missing, inadequately supported or unaquitted.

b. Unremitted tax

Contrary to the Income Tax Act Cap 323, Pay As You Earn (PAYE) deducted in the year 2008 amounting to K87,396,374 was not remitted to ZRA.

c. Unaccounted for Funds

Out of a total amount of K141, 540,000 released by the Ministry to cater for Housing Allowances a total amount of K 116,830,000 was paid out leaving a balance of K24,710,000 unaccounted for as of July 2009.

d. Unretired Imprest

Contrary to Financial Regulation No.96 (1), imprest in amounts totalling K60,023,600 issued to nine (9) officers during the period under review had not been retired as of July 2009.

e. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of fuel and stores items costing K82,703,500 procured during the period under review.

HEAD: 89/26 Ministry of Agriculture and Cooperatives ó
Eastern Province ó Provincial Agriculture Coordinating
Office

UNIT: /27 District Agriculture Coordinating Office
01 Chipata District
02 Chadiza District
03 Petauke District
05 Nyimba District
06 Katete District
07 Mambwe District
08 Chama District

PROGRAMMES: Various
ACTIVITIES: Various

72. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K11,781,291,428 was made to cater for Recurrent Departmental Charges (RDCs) and Personal Emoluments at the Provincial Agriculture Coordinating Office (PACO), against which a total amount of K14,212,033,647 was released resulting in an over funding of K2,430,742,219 as shown in the table below, which was not supported by a Supplementary Provision.

	Provision K	Releases K	Variance K
RDCs	1,522,666,714	1,360,046,240	162,620,474
Personal Emoluments	10,258,624,714	12,851,987,407	-2,593,362,693
	11,781,291,428	14,212,033,647	-2,430,742,219

In addition, there was an amount of K2,708,595,936 provided for the seven (7) District Agriculture Coordinating Offices out of which an amount of K1,316,907,206 was released as shown in the table below.

	District	Provision K	Funding K	Variance K
1	Chipata	385,080,960	222,736,226	162,344,734
2	Chadiza	387,636,279	181,478,248	206,158,031
3	Chama	416,208,630	207,643,275	208,565,355
4	Katete	378,811,094	237,994,809	140,816,285
5	Petauke	426,073,993	187,330,611	238,743,382
6	Nyimba	367,836,784	181,491,395	186,345,389
7	Mambwe	346,948,196	173,014,166	173,934,030
		2,708,595,936	1,391,688,730	1,316,907,206

Accounting Irregularities

An examination of financial and other related records maintained at the Provincial Agriculture Coordinating Office and a visit to seven (7) districts revealed the following:

Provincial Agriculture Coordinating Office (PACO)

a. Differences Between Amounts Funded and Received

Whereas the funding slips from Ministry of Finance and National Planning (MoFNP) indicated that the PACO in the months of April and July 2008 was funded a total amount of K269,698,226, the bank statements for the same months at PACO indicated that only amounts totalling K186,517,834 were received from MoFNP resulting into a difference of K83,180,392.

In his response dated 16th October 2009, the PACO stated that the funding difference in amounts totalling K83,180,392 arose from the deductions done at source by Ministry of Agriculture and Cooperatives (MACO) Headquarters and that an understanding had been reached with MACO headquarters that they will inform PACO in writing of any deduction at source and explain the purpose of the money. However, the purpose for which the funds were utilised was not provided as of October 2009.

b. Delays in Utilising Funds

In February 2008, the PACO received an amount of K1,908,828,697 from MoFNP, which funds were only utilised in April 2009 to clear outstanding bills. Management

explained that the delay to utilise the funds was as a result of consultations that had to be made because the funding was not accompanied by a funding slip or details of what they were to be utilised on. However, the utilisation of the funds in 2009 was not supported by a request and /or authority for supplementary funding, contrary to Financial Regulation No.30 (c).

c. Imprest

Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K48,027,739 involving thirteen (13) transactions issued to various officers during the period under review had not been retired as of August 2009.

Included in the figure of K48,027,739 was an amount of K14,311,424 in respect of subsequent imprest that were issued to two (2) officers who already had imprest outstanding in their names contrary to Financial Regulation No. 91.

d. Failure to Remit Rent Deductions

Contrary to Financial Regulation No.75, a total amount of K123,029,063 deducted from various officers occupying institutional houses as rent for the period January to December 2008 had not been remitted to Ministry of Finance and National Planning but were instead used to pay salary advances to officers on first appointment. As of October 2009, the funds had not been reimbursed.

e. Unaccounted for Fuel

Contrary to Public Stores Regulation No. 16, there were no disposal details in respect of fuel and lubricants costing K4,037,780 purchased during the period under review in that it was not recorded in the fuel registers and motor vehicle log books.

f. Construction of Mcheleka Irrigation Scheme

In September 2008, the PACO received an amount of K190,000,000 for the construction of the Mcheleka irrigation scheme. The construction works were to be done by the institution and the scope of works included:

- i. Excavations for canal construction and pipe network installation;
- ii. Excavating the drainage ditch;

- iii. Construction and lining of conveyance and distribution of three (3) canals including stilling boxes and turn out structures;
- iv. Installation of pipes and valves;
- v. Fencing of the scheme; and
- vi. Training in scheme operations, maintenance and management.

A scrutiny of accounting and other related documents pertaining to the scheme and a physical inspection carried out in October 2009, revealed that although all the funds had been utilised on the scheme, the works had not been completed and the scheme was not operational. The outstanding works included:

- vii. Construction of two (2) canals;
- viii. Fencing of the scheme;
- ix. Construction of ten (10) division boxes; and
- x. Training in scheme operations, maintenance and management.

Chipata District Agriculture Coordinating Office

a. Unretired Imprest

Imprests in amounts totalling K22,000,000 involving seven (7) transactions issued to four (4) officers during the period under review had not been retired as of August 2009 contrary to Financial Regulation No. 96 (1).

b. Missing Payment Vouchers

Eight (8) Payment vouchers in amounts totalling K13,850,000 relating to the period February to September 2008 were not availed for audit scrutiny.

c. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K5,225,000 purchased during the period under review.

d. Unsupported Payments

There were four (4) payment vouchers in amounts totalling K4,400,000 made during the period under review, which had no supporting documents such as invoices or receipts contrary to Financial Regulation No. 45.

Chadiza District Agriculture Coordinating Office

a. Unretired Imprest

Imprests in amounts totalling K21,117,050 involving fifteen (15) transactions issued to ten (10) officers during the period under review had not been retired as of August 2009 contrary to Financial Regulation No. 96 (1).

b. Purchases Made Without Obtaining Competitive Quotations

Contrary to procurement guidelines, various goods and services costing K5,620,000 were procured without obtaining three (3) competitive quotations.

Petauke District Agriculture Coordinating Office

a. Unaccounted for Fuel

Fuel costing K22,327,900 involving five (5) transactions purchased between February and September 2008 had not been entered in the fuel register and reconciled with invoices and statements from the supplier. In this regard, it was not possible to ascertain how the fuel was accounted for.

b. Purchases Made Without Obtaining Competitive Quotations

Contrary to procurement guidelines, various goods and services costing K14,596,000 were procured without obtaining three (3) competitive quotations.

c. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K9,409,000 purchased during the period under review.

d. Construction of Nkhanya Dam

In September 2008, the DACO received an amount of K490,000,000 from Rural Investment Fund (RIF) for the construction of Nkhanya Dam. The works included among others earth works, concrete, masonry and pipe works.

The earth works were contracted to Zambia National Service (ZNS) at a contract price of K152,706,400. The contract was with effect from 29th April 2009 for a duration of six (6) weeks and the amount of K152,706,400 was paid to ZNS through a bank transfer on 14th April 2009. The other works of concrete, masonry and laying of pipes were to be done by the Technical Service Branch of the DACO through the Irrigation Engineering Section.

A scrutiny of accounting and other related documents pertaining to the project and a physical inspection carried out in September 2009 revealed the following:

i. Incomplete Works

As of September 2009, a total amount of K402,348,400 had been utilised leaving a balance of K87,651,600. However, the project had not been completed and inquiries revealed that although equipment for ZNS was still on site, the project stalled in July 2009 and no explanation was given as to why the project had stalled. The outstanding works included:

- Completion of earth dam embankment;
- Cutting and construction of spill way sills; and
- Masonry lining of the spillway channel.



Incomplete Nkhanya Dam

ii. Unaccounted for Cement

Out of 300 bags of cement purchased from Shachitali Contractors at a total cost K20, 400,000, 240 bags costing K16,320,000 could not be accounted for in that there were no disposal details contrary to Public Stores No 16.

iii. Unaccounted for Fuel

There were no receipt and disposal details in respect of fuel costing K26,200,000 purchased from Climax Car Centre.

Nyimba District Agriculture Coordinating Office

a. Motor Bike Spare Parts without Disposal Details

Contrary to Public Stores Regulation No. 16, there were no disposal details in respect of various motor bike spare parts costing K8,480,000 purchased during the period under review.

b. Weaknesses in the Administration of the Fertiliser Support Programme (FSP)

A scrutiny of records pertaining to the administration of the FSP revealed the following:

- i.** Three (3) cooperatives which should have paid K31,682,000 for the 70 packs that they received only paid K16,993,600 resulting into an underpayment of K14,688,400, which as of August 2009, was still outstanding. It was not clear as to how the cooperatives were given more packs than what they paid for and why the amount was still outstanding.
- ii.** Sixteen (16) packs costing K7,241,600 were allocated and issued to Mtausi cooperative which was not registered and had disbanded before the commencement of the 2008/2009 farming season. The packs were issued to Mtausi cooperative through an individual.

Mambwe District Agriculture Coordinating Office

a. Imprests

Contrary to Financial Regulation No. 96 (1), imprests in amounts totalling K43,210,000 issued to ten (10) officers during the period under review had not been retired as of August 2009.

b. Fuel

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of fuel costing K25,162,550 purchased during the period under review.

Chama District Agriculture Coordinating Office

a. Fertiliser Support Programme

A review of records at DACO pertaining to the administration of the fertilizer support programme in the district for the 2008/2009 farming season revealed that 400 x 50kg bags of basal dressing that were carried forward from the previous farming season (2007/2008) had been tampered with by warehouse staff and were under weight. This was discovered by a team of officers from DACO who carried out an inspection of the warehouse in December 2008. The bags were later repackaged and resulted into a loss of 60 x 50kg bags costing K3,000,000. Although the matter had been reported to the National Coordinator of the fertilizer support programme in December 2008, as of August 2009, the lost fertilizer had not been recovered and no action had been taken.

HEAD:	90	Office of the President ó Lusaka Province
DEPARTMENT:	01	Human Resource and Administration Headquarters
PROGRAMME:	02	General Administration - RDC
ACTIVITY:		Various

73. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a total provision of K4,940,431,834 was made against which an amount of K4,784,662,352 was released for various activities leaving a balance of K155,769,482.

Weaknesses in Accounting and Other Irregularities.

a. Unvouched Expenditure

Contrary to Financial Regulation No.45(2) and 65(1), payments in amounts totalling K1,026,909,755 involving four hundred and sixty four (464) transactions were unvouched in that the payment vouchers were either missing, unsupported or inadequately supported by relevant documents such as quotations, invoices, acquittal sheets and LPOs among others.

b. Unretired Imprest

Contrary to Financial Regulation No.96 (1), imprest in amounts totalling K726,290,729 issued to one hundred and twenty eight (128) officers during the period under review had not been retired as of July 2009.

c. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, stores items costing K473,273,538 involving one hundred and seventy two (172) transactions purchased between January and December 2008, had no receipt and disposal details as of July 2009.

d. Unaccounted for Fuel

Contrary to Public Stores Regulation No.16, fuel costing K439,976,988 procured during the period under review had not receipt and disposal details.

HEAD: 90/01 Office of the President-Lusaka Province-
Headquarters

UNIT: 2 Human Resource and Administration

PROGRAMME: 9 Education Improvement (PRP)

ACTIVITIES: 5 Constructing Laboratories
8 Rehabilitating of High Schools
10 Provision of Lighting and Boreholes to School
Infrastructure

74. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a total provision of K864,083,000 was made to cater for Educational Improvement and the whole amount was released as shown in the table below:

Activity	Description	Amount Budgeted K	Amount Released K	Total Expenditure K	Balance K
5	Construction of Laboratories	364,083,000	364,083,000	319,613,566	44,469,434
8	Rehabilitation of High School	300,000,000	300,000,000	487,900,163	- 187,900,163
10	Provision of lighting and boreholes to school infrastructure	200,000,000	200,000,000	9,880,000	190,120,000
	TOTAL	864,083,000	864,083,000	817,393,729	46,689,271

Weakness in accounting for PRP Funds

An examination of financial and other records maintained at the Provincial administration and physical inspections of the projects revealed the following:

a. Conversion/Rehabilitation of a 1 x 3 Classroom Block into a Laboratory Block at Chelstone High School

In December 2007, Lusaka Provincial Administration entered into a Labour only contract with Techplan contractors for the rehabilitation/conversion of a 1x3 classroom block into a laboratory at a contract price of K37,396,050 with a completion period of three (3) weeks.

Records examined revealed that as of October 2008, the contractor had been paid a total amount of K48,193,803 against a contract price of K37,396,050 resulting into an overpayment of K10,797,753. As of December 2009, no refund had been obtained.

A site visit made in December 2009, revealed that the works had not been completed, fourteen (14) months after the completion date in that the connection of taps and water to the labs sinks, fixing of sinks in the 3rd Laboratory, fixing of lab sinks and florescent tubes in the preparation room and putting of window clamps (holders) in the preparation room had not been done.

b. Construction of a 1x3 Laboratory Block at Chilenje High School – Lusaka

In December 2007, Lusaka Provincial Administration entered into a Labour only contract with Norwood Enterprises for the Construction of a 1x3 laboratory at a contract price of K124,620,650 with a completion period of three (3) weeks.

Records examined revealed that as of June 2008, the contractor had been paid a total amount of K68,673,116 against a contract price of K124,620,650 leaving a balance of K55,947,534.

A site visit made in December 2009, revealed that the works had not been completed, fourteen (14) months after the completion date in that fixing of window panes, connection of water to the lab, final painting and putting up of ceiling boards had not been done. See picture below:



Laboratory block at Chilenje High School

c. Rehabilitation/Conversion of a 1x3 Classroom Block into a Laboratory Block at Olympia High School – Lusaka

In December 2007, Lusaka Provincial Administration entered into a Labour only contract with B and B Construction limited for the rehabilitation/conversion of a 1x3 classroom block into a laboratory at a contract price of K46,094,794 with a completion period of five (5) weeks.

Records examined revealed that as of December 2009, the contractor had been paid a total amount of K3,486,000 against a contract price of K46,094,794 leaving a balance of K42,608,794.

A site visit made in December 2009, revealed that the works had not been completed and the contractor abandoned the project in February 2008 despite materials worth K167,352,040 having been procured for the project.

d. Repair of Boreholes at Munali Boys and Girls High Schools - Lusaka

In November 2008, the Provincial Administration paid an amount of K9,880,000 to Lamasat International for the repair of boreholes at Munali Boys and Girls High Schools. However, a site visit made in December 2009 to the respective schools revealed that the boreholes had not been repaired and no refund had been obtained.

HEAD:	91	Office of the President ó Copperbelt Province
PROGRAMME:	2	Recurrent Departmental Charges (RDCs)
ACTIVITIES:		Various

75. In the Estimates of Revenue and Expenditure for the years 1st January to 31st December 2007 and 2008, provisions of K7,083,611,452 and K7,785,521,313 were made to cater for Recurrent Departmental Charges against which amounts of K6,545,833,650 and K5,992,007,009 were released respectively.

Accounting and Other Irregularities

An examination of expenditure records maintained by the Provincial Administration for the years 2007 and 2008 carried out in December 2008 revealed the following:

a. Failure to Maintain Accounting Records

Contrary to Financial Regulation Nos. 40 and 145, the accounting unit did not maintain books of account such as cashbooks, register of accountable documents, loans and advances register, commitment control register and register of imprest.

In addition, contrary to financial regulation Nos. 137 (2) and 138 (1), there were no bank reconciliations carried out for the period under review.

b. Missing Payment Vouchers

Contrary to Financial Regulation No.65 (1), four hundred and one (401) payment vouchers in amounts totalling K1,928,289,598 were not produced for audit. It was therefore not possible to establish the purpose for which the payments were made.

c. Unsupported and Inadequately Supported Payments

Contrary to Financial Regulation Nos. 45 and 52, there were one hundred and thirty-six (136) payments in amounts totalling K830,251,869 that were either unsupported or inadequately supported in that the payment vouchers were not supported by relevant documents such as receipts, competitive quotations, purchase orders, invoices and goods received notes among others.

d. Failure to Account for Stores

Contrary to Stores Regulation No. 16, there were no receipt and disposal details for stores items costing K518,064, 553 purchased during the years 2007 and 2008.

e. Questionable Issuance of Imprest

Contrary to Financial Regulation No. 96(1), imprest amounting to K3,340,194,961 issued to various officers in 2007 (K3,081,494,961) and 2008 (K258,700,000) involving four hundred and thirty four (434) transactions had not been retired as of December 2008. In particular, the following were observed:

- i. Imprest in amounts totalling K825,488,823 were issued to twelve (12) officers to enable them fund offices of the District Commissioners/Administrators in the Province.
- ii. Imprest in amounts totalling K350,000,000 were issued to five (5) officers to meet the cost of the Acting President's visit to the Copperbelt in October 2008.
- iii. Contrary to Financial Regulation No. 93, various officers were issued with subsequent imprest amounting to K2,629,878,411 prior to retiring the previous imprest.

f. Irregular Payment of Allowances

Amounts totalling K161,000,000 were paid as subsistence allowances, (K160,400,000) and lunch allowances, (K600,000) to twenty nine (29) officers for performing their normal day to day duties such as writing up cashbooks, ledgers, answering audit queries among others. However, although the allowances were irregularly paid, it was observed that the cashbooks, ledgers and other books had not been written or updated.

g. Other Irregular Payments

Contrary to Government accounting practices:

- i. Amounts totalling K226,716,847 paid to officers as allowances between February and July 2008 were not authorised by the Permanent Secretary.

- ii. In January 2007, the cashier was paid an amount of K50,000,000 to enable him transfer the money from Control 91 to the General Deposit Account. However, the money was misappropriated by the cashier.
- iii. Amounts totalling K26,000,000 were paid to an accountant in the salaries section between December 2007 and June 2008, to enable him service bank charges in the salaries account. In addition, between January and May 2008, a total amount of K28,050,000 was paid to the same officer to enable him refund the salaries account. It was however, not possible to verify whether the money was credited to the account as the relevant bank statements were not produced for audit.
- iv. During the period February to July 2008, amounts totalling K136,275,000 were paid to accounting staff and students on attachment in respect of wages, loans, advances and accountable imprest among others without the approval of the Permanent Secretary. However, there was no evidence to show that the students on attachment were engaged with express authority of the Public Service Management Division and therefore the payments to the students were questionable.
- v. Seven (7) payments amounting to K33,725,036 were made to various officers as refunds of personal money purported to have been used to fund Government activities. However, the Provincial Administration did not provide details of the services/ goods rendered/provided.

HEAD: 91/41 Office of the President ó Copperbelt Province ó Youth
Development Department

PROGRAMME: 7 Youth Skills Development

ACTIVITIES: 01 Construction of Youth Skills Centre

76. In the Estimates of Revenue and Expenditure for the years 2007 and 2008, provisions of K195,082,500 and K100,000,000 were made to cater for the Construction of Youth Skills Training Centre in Masaiti. In this regard, the Ministry of Finance and National Planning released a total amount of K345,000,000 as shown in the table below:

Year	Activity	Provision K	Released K
2007	01 - Construction of Youth Skills Training Center	195,082,500	195,000,000
2008	01 - Construction of Youth Skills Training Center	100,000,000	150,000,000
Total		295,082,500	345,000,000

A scrutiny of the accounting records maintained at the Provincial Administration revealed the following:

Unretired Imprest

Imprest amounting to K107,068,514 were issued to five (5) accounting staff and the Administrative Officer to enable them buy building materials for Mpongwe Youth Centre and Masaiti Youth Training centre (K94,813,514), and pay wages to casual workers (K12,255,000) at the same centres.

However, contrary to Financial Regulation No. 96(1), as of July 2009, the imprest had not been retired and building materials not purchased. Further, there was no evidence that the wages had been paid as there were no casual workers employed at the sites.

A physical inspection of the project carried out in July 2009 revealed that no works were carried out on the construction of the Youth Skills Training Centre in Masaiti and that the foundation box completed in March 2007, had been overgrown with grass.

HEAD: 91/52 Office of the President - Copperbelt Province - District Administration
UNIT: 1 Human Resources and Administration
PROGRAMME: 7 Provincial Infrastructure Development
ACTIVITIES: Various

77. In the Estimates of Revenue and Expenditure for the financial years ending 31st December 2007 and 2008, provisions of K1,601,875,000 and K2,090,150,000 were made to cater for construction and improvement of infrastructure under the Provincial Infrastructure Development Programme.

In this regard, the Ministry of Finance and National Planning released a total amount of K3,010,671,350 (K1,581,296,350 in 2007 and K1,429,375,000 in 2008) as detailed below:

Activity		2007		2008	
		Budgeted K	Released K	Budgeted K	Released K
001	Construction of Rubbish Bays in Kalulushi District	9,375,000	9,375,000	-	-
002	Rehabilitation of Water and Sewer System in Messengers Compound-Masaiti	150,000,000	117,500,000	-	-
003	Rehabilitation of Boreholes and Water Reticulation system-Kasumbalesa	100,000,000	100,000,000	-	-
004	Rehabilitation of a Government House-Chililabombwe	30,000,000	30,000,000	45,000,000	25,000,000
005	Rehabilitation of Water Reticulation -Mukambo Border Post	15,000,000	15,000,000	-	-
006	Construction of Police Station -Lufwanyama	200,000,000	150,000,000	600,000,000	400,000,000
007	Construction of Dams for Water Reservoir-Masaiti	40,000,000	40,000,000	-	-
008	Infrastructure Development -Masaiti, Mpongwe and Lufwanyama	1,000,000,000	920,000,000	1,000,000,000	1,000,000,000
009	Rehabilitation of Ablution Blocks -Bulangililo	20,000,000		-	-
010	Construction of a Community School-Kasununu,Luanshya	37,500,000		12,500,000	
Total		1,601,875,000	1,381,875,000	1,657,500,000	1,425,000,000

Accounting and other Irregularities

An examination of financial and other records carried out in March 2008 and physical inspections of the projects carried out in July and December 2008 revealed weaknesses in accounting for the funds released for the projects, inadequate implementation of the projects and poor record keeping. In particular the following were observed:

a. Construction of Rubbish Bays at Lubuto, Ngweshi, Luapula, Kalenga and Dongwe- Kalulushi District

An amount of K9,375,000 was released in 2007 for the construction of rubbish bays at Lubuto, Ngweshi, Luapula, Kalenga and Dongwe residential areas in Kalulushi District.

However, contrary to government accounting and procurement procedures, accountable imprest of K16, 500,000, which was K7,125,000 in excess of the provision, was paid to an accounting officer, for the purchase of building materials for the project.

As of December 2008, works on the project had not commenced and there was no evidence to show that the building materials had been purchased. Further, the imprest had not been retired by the concerned officers and no action had been taken to recover the money.

b. Rehabilitation of Water and Sewer System in Messengers' Compound- Masaiti District

Out of the provision of K150,000,000 in 2007, a total amount of K117,500,000 was released for the project. A scrutiny of accounting records revealed that expenditure totalling K140,630,000, which was K23,130,000 in excess of the amount released was incurred. However, no records were produced to support the expenditure and in particular the following were observed:

i. Irregular Issue of Imprest

Between March and September 2007, nine (9) members of staff at the Provincial Administration were paid imprest amounting to K128,055,000 to enable them purchase building materials (K78,845,000), pay wages (K25,310,000) and carry out monitoring activities (K23,900,000). However, there was no proof to show that the officers purchased the materials, paid casual workers and carried out monitoring activities as the rehabilitation works had not commenced as of December 2007. In this regard, accounting officers misappropriated the money by paying themselves imprest which was not accounted for.

ii. Engagement of a Contractor

Although there was no provision made for the project in 2008, it was observed that in February 2008, the Provincial Administration engaged Messrs Kendies Enterprises to undertake the works at a contract sum of K242, 634,879 for

duration of six weeks commencing 25th February 2008. The works involved among others, supply of building materials and provision of labour.

It was observed that although the contractor took possession of the site on 19th February, 2008, he moved on site in March 2008.

An examination of records relating to the contract revealed the following:

iii. Overpayment to Contractor

Although the contract sum was K242,634,879, records scrutinised revealed that the contractor was paid K321,817,026, which was K79,182,147, in excess of contract sum.

iv. Delayed Completion of the Project

Although the project was to be completed and handed over on 8th April 2008, as provided for in the contract, it was only handed over on 30th September 2008, a delay of twenty five weeks. However, the Provincial Administration did not claim damages for breach of contract.

c. Rehabilitation of Boreholes and Water Reticulation Systems at Kasumbalesa Border Posts - Chililabombwe District

Out of the provision of K100,000,000 released, amounts totalling K91,485,000 were paid as imprest to six (6) accounting staff to enable them procure building materials (K74,850,000) and for monitoring of the project (K16,635,000). However, as of August 2008, building materials had not been purchased and contrary to Financial Regulation No.96 the imprest had not been retired.

A physical inspection of the project site in August 2008 revealed that the works had not commenced and no materials were found on site.

d. Rehabilitation of a Government House - Chililabombwe District

Out of the K55,000,000 released for the project, amounts totalling K22,417,500 were paid as accountable imprest to four (4) officers for the purchase of building materials (K15,690,000), payment of wages (K3,307,500) and monitoring of the project (K3,420,000).

However, as of December 2008, the rehabilitation works had not been completed and contrary to Financial Regulation No. 96, the imprest had not been retired.

e. Rehabilitation of Water Reticulation System, Mokambo Border Post - Mufulira District.

Although records indicated that K15,000,000 had been spent, a physical inspection of the project site revealed that no works had been done.

f. Construction of a Police Station at Lufwanyama Boma

In paragraph 69 of the Auditor General's Report on the accounts for the financial year ended 31st December 2006, mention was made of the failure by the Provincial Administration to construct a Police Station in Lufwanyama. This was despite the release of a total amount of K240, 000,000 budgeted under the project for the years 2005 and 2006.

In response to the Public Accounts Committee (PAC) inquiry, the Controlling Officer attributed the delay in the commencement of construction works to, among others:

- i. The planning and tendering processes which had not been completed as the documents were sent to the Ministry of Works and Supply for approval and preparation of the engineer's cost estimates,
- ii. Approval of the Zambia National Tender Board (ZNTB) which was obtained in March 2008 because the project cost had exceeded the K 2,000,000,000 provincial tender board threshold.
- iii. The provision of K120,000,000 which had been released in 2005 but was returned to the treasury at the end of the year.

In their Report for the Second Session of the Tenth National Assembly, PAC directed the Controlling Officer to submit evidence to the Auditor General that the K120,000,000 released in 2005 had been returned to the treasury.

However, as of December 2008, the Controlling Officer had not provided the evidence to the Auditor General and in his Treasury Minute on the Report of the PAC, the Secretary to the Treasury reported that the Controlling Officer had not provided progress on the matter.

A follow up audit carried out in December 2008 revealed that amounts totalling K149,640,000 were issued as imprest to eight (8) accounting officers between January and December 2007 for the purchase of building materials (K111,015,000), payment of survey fees and wages (K33,495,000) and to meet the cost of monitoring (K5,130,000).

A physical inspection of the project site carried out in March 2008 revealed that the works had not commenced. In this regard, the imprest issued to the officers for the procurement of building materials and the cost of monitoring activity had not been accounted for.

Subsequently, in September 2008, the Provincial Administration engaged Messrs Feng Wei Contractors Limited to construct the Police Station at a contract price of K2,459,122,699. The contract period was however not stipulated and as of November 2008, the contractor had been paid an amount of K125,000,000 for certified works.

A physical inspection of the project site carried out in December 2008, revealed that site clearing, digging of the foundation, footing concrete in the foundation and partial construction of the foundation box had been done.



Left: Location for Lufwanyama police Station as of March 2008
Right: Construction of the police Station in progress in December 2008

g. Infrastructure Development - Masaiti, Mpongwe and Lufwanyama Districts

i. Construction of 4 High Cost Houses- Lufwanyama

In October 2007, a labour-only contract was awarded to Techmed Stores Limited for the construction of four (4) high cost houses, from slab level, in Lufwanyama at a contract price of K256,889,625. The contract was to run for a period of thirteen (13) weeks effective from 5 February and ending on 3 April 2008. However, as at 3 April 2008, the structures had only reached window level;

certified works were valued at K77,066,888 and the contractor had been paid K73,213,543.

During the period under review, a total amount of K738,254,260 was paid to various suppliers for the supply of building materials. However, as of December 2008, materials costing K170,348,079 had not been delivered.

ii. Construction of a Local Court Building in Mpongwe

In 2007, a Luanshya based company, Messrs Luanshya Wood Processing Company Limited, was engaged to construct the local court building; however, the terms of the contract such as contract price, period among others, could not be ascertained because the contract was not produced for audit.

In this regard, records verified revealed that as of March 2008, amounts totalling K37,021,360 had been spent on foundation excavation, concrete footing, foundation box construction and back filling.

A physical inspection of the project site carried out in March 2008, revealed that there was no activity on site. Enquiries made with the contractor revealed that work had stalled due to lack of building materials.

A further scrutiny of records revealed that three (3) officers at the provincial administration were issued with imprest amounting to K32,235,000 for the purchase of building materials (K17,385,000) and payment of wages (K14,850,000). However, as of December 2008, the project had stalled due to lack of building materials and contrary to Financial Regulation No.96, the imprest had not been retired. (See picture below)



Stalled Construction Works - Mpongwe Local Court

h. Construction of a Community School at Kasununu - Luanshya

In paragraph 69 of the Auditor General's report on the audit of the accounts for the financial year ended 31st December 2006, mention was made of the failure by the provincial administration to account for an amount of K12,500,000 which was released by the Ministry of Finance and National Planning for the construction of a community school in Luanshya.

In their report to the Second Session of the Tenth National Assembly, the PAC directed the Controlling Officer to expedite construction of the school and to report progress to the Auditor General. However, as of December 2008, the Controlling Officer had not submitted the progress report to the Auditor General. This was also confirmed by the Secretary to the Treasury in his Treasury Minute on the Report of the Public Accounts Committee.

A follow-up audit in 2008 revealed that during the year 2007 and 2008, amounts of K37,500,000 and K12,500,000 were budgeted for and the provisions were released in full. However, the funds were utilised by Provincial Administration on activities not related to the project such as imprest, long service bonuses among others.

Physical inspections of the project site carried out in April and December 2008 revealed that no further works had been carried out on the foundation trenches dug by the community in 2006. Consequently, due to lack of progress on the project, the community, using their own initiative, had built a 1x2 classroom block, next to Kasununu Community School construction site, (See pictures below)



Kasununu Community School Foundation Dug by the Community in 2006



*Kasununu Community School Classroom Block
Built by the Community in 2007*

HEAD: 93 Office of the President, Northern Province

UNITS: Various

PROGRAMMES: Various

ACTIVITIES: Various

78. A provision of K13,870,407,717 was made in the Estimates of Revenue and Expenditure in 2008, for Recurrent Departmental Charges (RDCs) and K9,103,335,455 was released leaving a balance of K4,767,072,262 representing an under funding of 34%.

Accounting and Other Irregularities

An examination of accounting and other records pertaining to Recurrent Departmental Charges (RDCs) revealed the following:

a. Irregular Payment

Cabinet Circular No. 21 of 1993 and No. 3 of 2002, states that payment of fuel allowances is restricted to Officers that are entitled to personal to holder vehicles and are at the level of Permanent Secretary and above. Other Officers below the rank of Permanent Secretary can only access duty vehicles to facilitate the performance of their duties.

Contrary to the provisions of the circular, a total of K34,027,160 was irregularly paid to the Acting Deputy Permanent Secretary as fuel allowance during the year under review. As of November 2009, the amount had not been recovered.

b. Unretired Imprest

Financial Regulation No. 91 requires that no officer shall be issued with subsequent imprest while the earlier one has not been retired. In addition Financial Regulation No. 96 (1) requires that special and accountable imprest should be retired immediately the purpose for which they are issued has been fulfilled.

The audit carried out revealed serious weaknesses in the manner the Provincial Administration Office was administering imprest in that contrary to the above provisions, there were subsequent imprests issued to officers with outstanding imprests. Imprests were also not being retired immediately the purpose for which they were issued had been fulfilled.

As a result of the above weaknesses, imprest in amounts totalling K516,916,232 involving hundred and seventy(170) transactions issued to one hundred and nineteen (119) officers during the period under review had not been retired as of October 2009. Out of the one hundred and nineteen (119) officers, twenty five (25) officers were issued with subsequent imprest amounting to K1,158,367,367.

c. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items such as motor vehicle spares and stationery costing K400,360,130 procured during the period under review rendering the reported expenditure of K400,360,130 questionable.

d. Irregularities in the Purchase and Disposal of Fuel

According to existing arrangements, PACU pays various filling stations in advance for fuel for various departments in the province. Drawings are done upon presentation of the fuel coupons to the filling stations.

It was observed however that there were weaknesses in the management of fuel purchases and disposal in that in some cases there were no records to indicate quantities of fuels paid for and drawn by the various vehicles. Reconciliations of drawings against the quantities paid for were also not done while in some cases fuel coupons did not indicate vehicle registration numbers.

As a result of the above weaknesses, there were no records for fuels costing K1,084,492,924 procured during the period. In addition, fuel costing K344, 892,454 was drawn without authorization while fuel costing K45,031,393 was drawn between April and October 2008 without indicating the vehicle numbers on the coupons.

e. Irregularities in Procurements of Motor Vehicles

According to the Minister's Briefs supporting the provision, the Provincial Administration was to procure three (3) utility motor vehicles and a truck. In this regard, a total provision of K850,000,000 was made in the Estimates of Revenue and Expenditure for the year 2008 for the procurement of the four (4) motor vehicles and the whole amount was released. In addition, K4,909,803 was brought forward from 2007 bringing the total amount available to K854,909,803.

A scrutiny of records revealed that instead of the Provincial Administration procuring three (3) utility vehicles and a truck, they opted for two (2) luxury VIP vehicles and one (1) utility vehicle at a total cost of K854, 607,623 as shown in the table below:

Table of Procured Motor vehicles					
No.	Payee	Cheq No.	Date	Amount K	Details
1	Toyota Zambia Ltd	0001	17/03/08	374,296,642	Toyota Landcruiser 2008 SVX 6A/T(A1) - VIP utility for Provincial Minister -
2	Toyota Zambia Ltd	0002	17/03/08	295,527,250	Toyota Landcruiser 2008 SGX M/T(A1) - VIP utility for Permanent Secretary
3	Toyota Zambia Ltd	0010	07/08/008	184,783,731	Toyota land cruiser hard top for Physical Planning Unit
	TOTAL			854,607,623	

It was further observed that tender procedures were not followed in that the office single sourced the supply of the three (3) vehicles from Toyota Zambia Limited.

Following the irregular procurement, the Ministry of Works and Supply directed the Permanent Secretary Northern Province to surrender the two (2) luxury vehicles to the Ministry for reallocation as both the Provincial Minister and the Permanent Secretary were not entitled to such type of vehicles.

f. Failure to Insure Motor Vehicles

According to existing arrangements, all motor vehicles on the roads are supposed to be insured. A scrutiny of records however revealed that twelve (12) vehicles at the

provincial Administration valued at K1,423,215,372 had not been insured as of June 2009 contrary to Road Traffic Act of 2000.

It was further observed that, out of the twelve uninsured vehicles, one vehicle, a Toyota Land Cruiser GRZ 158CB bought in March 2008 at K168, 215,372 was involved in a road traffic accident on 7th June 2008, and was damaged beyond repair. As of June 2009, no loss report had been processed and it is unlikely that the full value of the motor vehicle would be recovered.

HEAD: 93/01 Office of the President, Northern Province
Headquarters
PROGRAMME: General Deposit Account
ACTIVITIES: Various

79. The General Deposit Account is used to keep funds received by Provincial Accounting Control Units (PACUs) on behalf of various departments under their charge from parent ministries and departments. The funds are disbursed to the PACU to enable the departments carry out specific activities on behalf of the ministries and spending agencies. Such funds are accompanied by specific instructions on their use and programme and activity codes to be charged. Once spent, PACU is required to submit expenditure returns including progress reports to these Ministries and Spending Agencies. In addition, PACU is supposed to issue receipts and maintain ledgers to record movements of the funds.

For the Financial year 2008, a total amount K4,893,875,076 was deposited into the General Deposit Account at the province and in addition an amount of K281,168,905 was brought forward from 2007 bringing the total to K5,175,043,981. The funds were for various activities such as Presidential visits, rehabilitation of Kasama Stadium, construction of airport terminal, traditional ceremony, Chiefs Affairs, Labour Day and Youth celebrations among others which were to be undertaken in the province during the year under review.

Accounting and Other Irregularities in the Management of General Deposit Account;

An examination of accounting and other records relating to the account revealed the following:

a. Weaknesses in Internal Controls

There were lapses in internal controls in that there were irregular transfers of funds from the account to other accounts such as RDCs and salaries among others. There were also no documents showing the projects being undertaken and progress reports on such projects. Expenditure returns were also not submitted to the line Ministries as required by the accounting guidelines.

In particular, the following were observed:

i. Funds not Received

Amounts totalling K4,128,971,826 deposited into the account from various sources were not receipted by the Provincial Administration. Out of the K4,128,971,826, amounts totalling K714,551,757 had no supporting documents outlining the purposes of the funds.

ii. Missing Payment Vouchers

Contrary to Financial Regulation No. 65(1), five (5) payment vouchers in amounts totalling K104,385,000 were not produced for audit.

iii. Unretired Imprest

Financial Regulation No. 96 (1) requires that special and accountable imprest should be retired immediately the purpose for which they are issued has been fulfilled.

Contrary to the above regulation, out of the total imprest of K465,421,885 issued to various officers during the period under review, imprest in amounts totalling K73,466,540 involving twenty five (25) transactions issued to twenty one (21) officers had not been retired as of July 2009.

iv. Unaccounted for Fuel

Contrary to Public Stores Regulation No.16, there were no disposal details in respect of fuel costing K246,652,047 procured during the period under review.

b. Sale of Obsolete Government Assets

During the period under review, a total amount of K460,667,450 was realised from the sale of bid forms (K17,550,000) and boarded property (K443,117,450).

It was however, observed that:

i. Non Remittance of Funds to the Treasury

Contrary to Financial Regulation No.130 (1) which requires that all revenue shall be deposited to the credit of the Treasury Account (Control 99) at the Bank of Zambia, funds realised from the sale of boarded Government assets totalling K443,117,450 had not been remitted to the Treasury as of March 2009 and had been deposited into the General Deposit Account.

ii. Unaccounted for Revenue

Contrary to the provisions of Financial Regulation No.129, out of the total amount of K460,667,450 realized from the sale of Government boarded assets and bid forms, K456,166,250 was deposited in the General Deposit Account leaving a balance of K4,501,200 unaccounted for.

iii. Irregular payments

Contrary to Ministry of Finance guidelines, administrative costs in respect of BOS meetings and logistics were to be met from funds raised from the sale of tender documents. In this regard, a total amount of K17,550,000 being the proceeds from the sale of tender documents were supposed to be utilised on survey committee meetings and other logistics. However, records scrutinised revealed that a total amount of K47,630,420 was spent on sitting and other allowances exceeding the realised amount of K17,550,000 by K30,080,420.

iv. Use of Revenue without Authority

In November 2008, Provincial Administration transferred an amount of K79,668,800 (US\$19,720) to the Zambian Embassy in Japan to facilitate the procurement of two (2) second hand motor vehicles using the sale proceeds. However, there was no authority from the Secretary to the Treasury to either retain or utilise the funds upon collection.

HEAD: 93/01 Office of the President, Northern Province
PROGRAMMES: Various
ACTIVITIES: Various

80. In the Estimates of Revenue and Expenditure for 2008, a total provision of K4,896,915,312 was made for Poverty Reduction Programmes (PRP) in the province, out of which K2,186,895,547 was released leaving a balance of K2,710,019,765. The amount released represents 45 % of the total provision. The PRPs to be undertaken in the Province included among others construction of health posts, construction and rehabilitation of dams, drilling of dams and rehabilitation of Government buildings.

Management of Poverty Reduction Programme (PRP)

An examination of records maintained at the Provincial Administration Office and physical inspections of various Poverty Reduction Programmes carried out in June 2009 revealed the following:

a. Weaknesses in the Management of the PRP Account

i. Irregular Borrowing of Funds

In paragraphs 72 and 53 of the Auditor General's reports on the accounts for the financial years ended 31st December 2006 and 2007 respectively, mention was made on the borrowings from the PRP account to the RDC account to finance the administrative operations at the Provincial Administration Office. In their respective reports, the Public Accounts Committee (PAC) recommended that the practice of borrowing funds from the account must be discontinued.

However, contrary to PRP guidelines and PAC recommendations, a review of the situation in 2009 revealed that the borrowings continued in 2008. In this regard, it was observed that during 2008, a total amount of K1,024,438,528 was irregularly borrowed from the PRP Account to the Recurrent Departmental Charges accounts, General Deposit and Loan Revolving account.

As of July 2009, only an amount of K885,676,500 had been reimbursed to the account leaving a balance of K138,762,028 outstanding. It is not clear as to how the remaining balance would be cleared in view of the fact that it was not budgeted for in the current financial year.

ii. Unretired Imprests

Financial Regulation No. 96 (1) requires that special and accountable imprest should be retired immediately the purpose for which they are issued has been fulfilled.

The audit carried out revealed serious weaknesses in the manner the Provincial Administration Office was administering imprest in that contrary to the above provisions imprest amounting to K113,895,952, issued to one hundred and twenty eight (128) officers remained unretired as of October 2009.

iii. Execution of PRP Projects - Rehabilitation of Outward Bound Lake School

The Outward Bound School in Zambia was founded in 1962 and was a member of the Outward Bound international which was an international association body responsible for setting standards for such institutions. In 1964, the school was turned into the Country's Outward Bound Lake School and was to train and equip Zambians with survival and leadership skills. It is run by the Ministry of Youth Sport and Child Development and has a board of directors chaired by the District Commissioner with other board members coming from other Government departments and security wings.

In 2001, the school was deregistered from the Outward Bound International after an inspection by the association members due to failure to meet minimum standards as required by the outward bound charter. The association pointed out that deregistration from the association was due to factors such as poor infrastructure, lack of training equipment, poor water sanitation and reticulation, among others.

In order to bring the School to the required standard, the Government in 2008 provided K150,000,000 under the PRP for the rehabilitation of the school. In this regard, the funds were released to the Provincial Administration for the rehabilitation works.

It was however observed that on 31st March 2008, the Provincial Administration, through the office of the District Commissioner, Mbala issued a tender inquiry to registered suppliers in Mbala and Mpulungu districts for the supply of assorted building materials for the rehabilitation of the Lake Outward Bound School.

In June 2008, the Provincial Tender Committee awarded Siwul General Dealers of Mpulungu, a contract to supply and deliver building materials to the school at a contract price of K89,797,000, with a delivery period of fourteen (14) days from the date of signing the contract on 25th June, 2008.

It was however observed that materials were supplied in November 2008, more than four (4) months after the scheduled period of delivery and the works had not commenced as of June 2009. In addition, the building materials were poorly kept and there was a risk that they may be damaged.

HEAD: 93/09 Office of the President-Northern Province-Buildings
Department

UNIT: 1 Buildings

PROGRAMME: 7 Construction and Rehabilitation of Government
Buildings

ACTIVITIES: 02 Construction of Provincial Minister's House
04 Security Fencing of VIP Houses

81. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 and 2008, provisions of K650,000,000 and K250,000,000 were made respectively to cater for the construction of the Provincial Minister's house and security fencing at VIP houses under the Buildings Department. Out of the total provisions, a total amount of K700,000,000 was released as shown in the table below:

	Provision K		Release K		Variance K	Percentage (%)
	2007	2008	2007	2008		
Const. Ministers house	650,000,000	50,000,000	450,000,000	50,000,000	200,000,000	71
Security fencing VIP	-	200,000,000	-	200,000,000	-	100
Total	650,000,000	250,000,000	450,000,000	250,000,000	200,000,000	

As can be noted from the table above, the construction of the Minister's house was underfunded by 29% over the two years under review while the full amount was released for security fencing of VIP houses.

Construction of Provincial Minister's House and Fencing of VIP House

An examination of financial and other records pertaining to the construction works maintained at the Provincial Administration and a physical inspection of the works carried out in March 2009 revealed the following:

a. Contract for the Construction of the Minister's House

On 8th November 2007, the Provincial Administration awarded a contract to Ruthern Engineering and Construction Limited of Lusaka to construct a four (4) bed-roomed house for the Provincial Minister at a contract price of K699,799,814. The construction works were to be undertaken within a contract period of one hundred and two (102) days although the contract did not specify the commencement date and the site possession certificate was not produced for audit.

In May 2009, there was a variation to the original contract price by K174,949,954 bringing the total contract price to K874,749,768. As of June 2009 amounts totalling K722,925,683 had been paid to the contractor.

A scrutiny of the Bill of Quantities (BOQ) revealed that key components to the project such as drainage pipes, gully traps and manhole, septic tank, soak away and three brick dish/spoon drain, mains water supply (water reticulation) among others were omitted from the project. An assessment made by the Provincial Buildings Engineer showed that the cost of the omitted works was K886,023,163, 127% more than the original contract sum of K699,799,814.

In addition, it was noted that the piece of land where the house was being constructed had not been surveyed despite the fact that it was a dumping site. This led to the escalation in the cost in that extra works which were initially not on the BOQ had to be taken into account.

b. Project Status

A physical inspection of the house in June 2009 revealed that the house had not been completed, in that it had only reached roof level, more than 562 days after signing of the contract in November 2007. The pictures of the house are shown below:



Rear and Front View of the House

c. Failure to Construct Security Fences at VIP Residences

According to the Minister's Briefs supporting the 2008 budget, the provision of K200,000,000 made in the Estimates of Revenue and Expenditure was meant for the construction of security fences at the existing VIP residences.

It was observed however that, instead of constructing the security fences at the Minister's and Permanent Secretary's residences, a total amount of K200,000,000 was diverted to the construction of a security fence at the Minister's house currently under construction.

A review of records pertaining to the construction of a security fence at the Minister's house revealed that in September 2008, the Provincial Administration awarded a contract to J.K.C Trading of Kasama to construct a security fence at the house at a contract price of K404,403,044. The works were to be undertaken within ninety (90) days. As of March 2009, the contractor had been paid a total of K140,057,279. It was noted that the contract sum of K404,403,044 was more than the approved provision and released sum of K200,000,000 by K204,403,044 representing 102% above the provision.

A site inspection carried out in June 2009 revealed that construction works had not been completed more than nine (9) months after the signing of the contract on 29th September 2008.

HEAD:	94/01	Office of the President of Western Province Headquarters
UNIT:	1	Provincial Administration Unit
PROGRAMME:	8	Improvement to Health Services
ACTIVITIES:	01	Construction of Health Posts Rehabilitation of Health Facilities

- 82.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, provisions of K290, 000,000 and K245, 000,000 were made to cater for the construction of health posts and rehabilitation of health facilities, respectively. However,

the provisions were not released by the Treasury, instead supplementary provisions of K397,410,563 and K200,149,653, respectively being balances of funds brought forward from the previous year were approved bringing the total provisions to K687,410,563 and K445,149,653 respectively.

Irregularities in Contract Management

An examination of financial and other related records maintained at the Provincial Administration and a physical inspection of the projects carried out in March, 2009 revealed the following:

a. Unsupported Payments

Contrary to Financial Regulation No.45(2), there were two (2) payments, vouchers in amounts totalling K90,175,900 which were not supported by relevant receipts, as shown below;

Payee	Chq. No.	Date	Amount(K)	Details
Normad Contractors	003882	13.02.08	37,335,000	First payment
Normad Contractors	004166	05.06.08	52,840,900	Second payment
Total			90,175,900	

b. Construction of a Staff House and VIP Latrine - Mulauli Rural Health Center

On 5th November, 2007 the Provincial Administration engaged a local contractor, Normad Contractors to construct a staff house and VIP latrine at Mulauli RHC in Sesheke at a contract price of K94,922,000. The contract was for a period of three (3) months commencing on 17 January, 2008. As of March, 2009, the contractor had been paid a total amount of K90, 175,900, leaving a balance of K4, 746,100 as retention.

A physical inspection of the project at the site in March, 2009 revealed that although the construction works were completed and the project handed over to Sesheke District Health Office on 19th April 2008 the roof was leaking and cracks had developed on the exterior walls. The air vents were not uniform and provision of a step at the kitchen door had not been constructed.

c. Rehabilitation and Extension of Kaywala RHC – Sesheke

On 15th September, 2008, a contract was signed between the Provincial Administration and a local contractor, Nasange Hardware and Contractors, to rehabilitate the Kaywala Rural Health Centres in Sesheke District at a contract price of K113, 910,000. The works

involved rehabilitation and extension of the health post centre to create the waiting room and screening room, supply and installation of two solar systems, rehabilitation of the Ward block and extension to create a delivery room, rehabilitation of the staff house and construction of 4 VIP toilets. The contract was for a period of three (3) months commencing on 28th September, 2008. As of March 2009, the contractor had been paid K60,420,570 in December, 2008 representing 53% of the total contract price.

HEAD: 94/42 Office of the PresidentóWestern Province -Resettlement
Department
UNIT: 1 Resettlement Unit
PROGRAMME: 7 Infrastructure Development
ACTIVITY: 4 Completion of Construction of a Clinic

83. In the Estimates of Revenue and Expenditure for the financial year ended 31stDecember, 2008 a provision of K241,310,000 was made and released to cater for the construction of a clinic at Kalumwange Resettlement Scheme.

Irregularities in Project Management – Kalumwange Clinic

A review of the accounting and other records maintained at the Provincial Administration for the year under review carried out in March 2009 revealed the following:

a. Irregular Engagement of a Transporter

The Department engaged a local transporter, Baosim General Dealers to transport building materials such as sand, stones, and cement to the construction site at Kalumwange Resettlement Scheme and was subsequently, paid amounts totalling K185,200,000. However, contrary to tender procedures, it was observed that the transporter was single sourced by the Provincial Administration in that competitive quotations from other potential transporters were not obtained.

b. Questionable Payments

- i. In January 2008, the Principal Land Resettlement Officer was issued with imprest of K71,200,000 to facilitate payment of wages to casual workers (K30,200,000), purchase of stones and sand (K20,000,000) and payment of hire charges to the transporter of stones and sand to the construction site, for 30 days at K700,000 per day (K21,000,000).

A scrutiny of the retirement details revealed the following:

- The amount of K20,000,000 spent on the purchase of stones and sand was inadequately retired in that it was not supported by a cash sale receipt.
 - Amounts of K22,770,000 and K7,440,000 were misapplied on subsistence allowances and wages to four (04) workers and 31 casual workers respectively, involved in the demarcation of plots and clearing of access roads in Kalumwange Resettlement Scheme instead of the construction of the clinic.
- ii. An amount of K33,780,000 was paid to the Principal Land Resettlement Officer to facilitate the payment of casual workers involved in the construction of works at Kalumwange Resettlement Scheme and payment for transportation of building materials.

Retirement details showed that an amount of K11,400,000 was spent on wages, K2,500,000 on outstanding meal allowances, K1,456,000 on fuel, K3,460,000 on subsistence and lunch allowances and K15,000,000 on transportation of unspecified quantities of building materials.

It was noted that:

- The Provincial Land Resettlement Officer who applied for the imprest, approved both the commitment requisition form and the payment voucher.
- A total amount of K8,400,000 was paid to twenty eight (28) casual workers at a rate of K10,000 per day rather than the agreed rate of K8,000 resulting in an overpayment of K1,680,000. It was also noted that the wage sheet did not reflect the period the workers were being paid for.
- Out of the total amount of K3,460,000 on subsistence and lunch allowances, an amount of K1,500,000 was irregularly paid to the technical supervisor engaged by the contractor.
- Although the transporter was paid K15,000,000 in March 2008 for transporting building materials, the building materials transported were not specified.

- iii. In March 2008, an amount of K18,640,000 was paid to thirty two (32) casual workers for the days worked between 4th February and 14th March, 2008. However, it was observed that thirty (30) of the workers were paid wages in amounts totalling K10,160,000 for the same period resulting in a double payment.
- iv. On 21st August, 2008, imprest of K18,480,000 was issued on cheque number 004060 to Besh Chinene to facilitate payment of wages to 24 workers calculated at daily rates for the period of 25 days between 17th March and 16th April, 2008.

A review of the acquittal sheets revealed that twenty four (24) casual workers were overpaid by amounts totalling K10,280,000 as shown in the table below:

Category	No.	Daily Rate	No. Of Days	Correct Amount Due K	Actual Payment K	Over Payment K
Supervisor	1	60,000	25	1,500,000	6,000,000	4,500,000
Snr Bricklayers	1	20,000	25	500,000	1,000,000	500,000
Bricklayers	9	16,000	25	3,600,000	6,960,000	3,360,000
Helpers	13	8,000	25	2,600,000	4,520,000	1,920,000
	24			8,200,000	18,480,000	10,280,000

c. Undelivered Building Materials

110 X 50kg bags of cement costing K8,800,000 procured from Caetami Enterprises Limited during the period under review had not been delivered of November 2009.

d. Project Management

In paragraph 56 of the Auditor General's Report on the accounts for the financial year ended 31st December 2007, mention was made of the failure to prepare bill of quantities for the project and the non involvement of the Provincial Buildings Engineer.

A review of the situation carried out in November 2009 revealed that the situation had not improved in that there was no bill of quantities prepared and the construction works were not supervised by the Provincial Buildings Engineer. In the absence of the bill of quantities and stage completion certificates, the basis of the expenditure of K252,915,000 incurred on the project was questionable.

A physical inspection of the site on 3rd March, 2009 revealed that the administration block at the scheme centre was completed and already in use, the LC II clinic block, male, female and maternity ward blocks were roofed, internal and external walls painted with undercoat while doors were yet to be fixed, two staff houses were roofed but had not been plastered but two staff houses were still at foundation level.

HEAD: 94/42 Office of the President ó Western Province
Resettlement Department

UNIT: 1 Resettlement

PROGRAMME: 7 Infrastructure Development

ACTIVITIES: 1 Demarcation of 600 Plots
3 Access Roads Clearing

84. In the Estimates of Revenue and Expenditure for the financial year ended 31st December, 2008, provisions of K330,000,000 and K160,000,000 were made to cater for demarcation of 600 plots and access roads clearing respectively and the amounts were released in full. In addition, there were approved supplementary provisions of K23,683,656, being funds brought forward from the previous year, bringing the total funds available for the activities to K513,683,656 as shown in the table below.

Activity	Provisions K	Releases K	Supplementary K	Total Funds Available K
Demarcation of 600 Plots	330,000,000	330,000,000	2,657,656	332,657,656
Access Road Clearing	160,000,000	160,000,000	21,026,000	181,026,000
Total	490,000,000	490,000,000	23,683,656	513,683,656

Irregularities in Accounting for PRP Funds

In Paragraph 56 of the Auditor General's report on the accounts for the financial year ended 31 December, 2007, mention was made of the irregularities in accounting for the PRP funds under the Infrastructure Development Programme.

A review of accounting and other records maintained at the Provincial Administration for the year under review revealed that the situation had not improved and in this regard, the following were observed:

a. Questionable Number of Plots Budgeted for Demarcation

Since 2004, the Government had been providing and releasing funds for the demarcation of six hundred (600) plots in resettlement schemes in the province as detailed below:

Year	Provision K	Supplementary K	Total Provision K	Amount Released K
2004	250,000,000	0	250,000,000	200,474,609
2005	100,000,000	0	100,000,000	108,333,333
2006	100,000,000	112,041,990	212,041,990	212,041,990
2007	200,000,000	11,284,096	211,284,096	211,284,096
2008	330,000,000	2,657,656	332,657,656	332,657,656
Total	980,000,000	125,983,742	1,105,983,742	1,064,791,684

It was noted, however, over the period, that the Provincial Administration did not prepare work plans, progress and status reports on the demarcation exercise. In this regard, it was not possible to determine the number of plots to be demarcated and how many plots were actually demarcated.

Further, a physical verification at Kalumwange Resettlement in March 2009 revealed that the exercise had not been completed despite the activity having been fully funded over the five (5) year period.

b. Irregular Payment of Imprests

In April, 2008, amounts totalling K14,900,000 were paid to the scheme manager (K9,200,000) and the Chief Technical Officer (K5,700,000), as imprest to facilitate plot demarcation at Dongwe Resettlement scheme for twenty (20) nights, from 24th April to 15th May 2008.

On 5th May 2008 the officers were issued other imprests of K4,035,000 in the name of the Chief Technical Officer to facilitate inspection of plots at Kalumwange Resettlement Scheme covering the period, 6th to 9th May 2008. However, it was observed that the period for the imprests issued was within the period for which the earlier imprest was

paid. The imprest was shared by the officers (K2,355,000) and the Scheme Manager, (K855,000). There was no satisfactory explanation given for the issuance of the subsequent imprest to officers who had already been paid for the period in question.

c. Questionable Retirement of Imprests

- i.** In June 2008, a total of K17,850,000 was issued as imprest to the scheme advisor for boundary clearing at Kalumwange Resettlement Scheme for ten (10) days out of which a total of K11,000,000 was to be paid to three (3) officers and a driver. It was noted, however, that although the payment voucher indicated that the scheme advisor was to pay the driver an amount of K2,750,000, no such payment was made to the driver and the money was misappropriated.

Further, although the officer purchased 559.91 litres of diesel costing K4,000,000 on cash sale receipt No.62884 dated 6th June 2008, details of the usage of the fuel were not produced for audit.

- ii.** In June 2008, an amount of K12,040,000 was issued to the Chief Technical Officer to facilitate surveying of the extension area for the new resettlement scheme in Shambalamina for ten (10) nights. Included in the amount was K8,450,000 for subsistence allowance for three (3) officers, K 640,000 for wages for ten (10) casual workers for eight days (8) at a daily rate of K8,000; K450,000 for allowances for three (3) Indunas for three (3) days at the rate of K50,000 per day and K1,000,000 as contingency.

It was observed, however, that a total amount of K2,040,000 which was indicated as payable to the casual workers, was actually signed for by the Chief Technical Officer and there was no evidence that the casual workers were paid.

- iii.** In April 2008, the Scheme Manager was paid K23,350,000 to facilitate plot demarcation in Dongwe resettlement scheme.

The retirement records for the imprest indicated that the plot demarcation exercise was undertaken from 24th April to 14th May 2008 for twenty (20) nights and that a total amount of K26,100,000 was due to three officers and a driver.

However, enquiries made revealed that the plot demarcation in Dongwe was carried out from 22nd July to 18th August, 2008 for which an imprest of K51,245,000 was issued on cheque number 004015 dated 21st July, 2008 to the scheme manager. The retirement details of K26,100,000 were therefore questionable.

According to the retirement details made available for audit, an amount of K50,745,000 was spent on subsistence allowance for 6 officers and a driver and (K500,000) on motor vehicle repairs and spare parts.

Further enquiries revealed that two (2) officers purported to have been part of the team and paid subsistence allowances totalling K15,390,000 were not part of the team and no payments were made to them. It was also noted that although accounts form No. 2 and form 44A reflected that the officers were paid subsistence allowances for 27 nights, they were in fact paid for 25 nights.

It was observed that, among the retirement details, was a cash sale receipt number 2402 dated 2nd August, 2008 for K270,000 for vehicle repairs, however, there were no details of the repairs carried out on the vehicle. An inquiry with the driver revealed that no repair works were carried out on vehicle GRZ 232 BX which was used during the exercise, except for welding of the carrier. There was another cash sale receipt number 187 dated 22nd July, 2008 for welding of the carrier (K130,000) and purchase of two spare tubes (K100,000). Inquiries made with the owner of the workshop where the vehicle was purportedly taken for welding, revealed that the cash sale receipt uttered was not issued by his workshop.

- iv. On 21st July, 2008, the Chief Technical Officer was issued with imprest of K51,245,000 on cheque number 004016 dated 21st July, 2008 to facilitate road access clearing in Kalumwange Resettlement Scheme for 21 nights as follows:

	No. of staff	No. of Nights	Rate K	Total K
Officers	6	21	285,000	35,910,000
Driver	1	21	275,000	5,775,000
Casual workers	30	21	12,000	7,560,000
Contingency				2,000,000
				51,245,000

According to the records relating to the transactions, the exercise took place between 21st September and 30th October, 2008 for 30 nights. It was however, observed that the retirement details in respect of wages totalling K12,960,000 which were purported to have been paid to casual workers were questionable in that the wage sheet attached (Accounts form 2) was for casual workers engaged at the Dongwe Resettlement Scheme and not Kalumwange Resettlement Scheme. Further, the wage sheet did not reflect the period in which the work was carried out and the wages were acquitted by the officer.

- v. On 1st September, 2008, the Principal Land Resettlement Officer, was paid imprest of K53,385,000 through the cashier on cheque number 004064 to facilitate demarcation of plots in Kalumwange Resettlement Scheme for 21 nights as shown below:

	No. of Staff	No. of Nights	Rate K	Amount K
Officers	6	21	285,000	35,910,000
Driver	1	21	275,000	5,775,000
Casual Workers	30	21	12,000	7,560,000
Accountant				1,140,000
Contingency				3,000,000
				53,385,000

Retirement details indicated that the demarcation of plots was carried out in Dongwe Resettlement Scheme instead of Kalumwange Resettlement Scheme from 19th August to 18th September, 2008 for 29 nights and that a total amount of K53,387,516 was spent; K43,375,000 on allowances for six (06) officers and a driver, K7,360,000 on wages for 32 casual workers and K2,652,516 on fuel.

It was however, observed that the wage sheet for the total amount of K7,360,000 did not reflect the work carried out, the period work was carried out and the daily rate paid to the casual workers. It was, therefore, difficult to ascertain the basis on which expenditure was incurred. It was also not clear why the officer bought fuel costing K2,652,516 when the department made an advance payment for fuel of K80,490,000 in July 2008 to cater for project inspections and other activities. Further enquiries made revealed that officers did not actually undertake the trip and they were not paid the allowances by the Principal Land Resettlement Officer.

- vi. The Accounts Assistant was issued with imprests totalling K38,420,000 on cheque numbers 004084 (K29,650,000) and 004093 (K8,770,000) dated 18th September 2008 and 19th September, 2008 respectively, to enable him pay allowances to six (06) officers and a driver who were engaged on access road clearing in Shambalamina Resettlement Scheme for 14 nights.

The retirement details indicated that the access road clearing was undertaken from 11th to 28th October, 2008 for seventeen (17) nights and that an amount of K33,575,000 was spent on allowances. However, enquiries made with the officers involved on the activity revealed that they were in Shambalamina from 26th September to 8th October, 2008 and that they were paid subsistence allowances for only ten (10) nights amounting to K19,750,000 as shown below:

	No. of Staff	No. of Nights	Rate K	Amount K
Officers	5	10	285,000	14,250,000
Driver	1	10	275,000	2,750,000
Game Scout	1	10	275,000	2,750,000
				19,750,000

Therefore, the balance of K18,670,000 was not accounted for by the Accounts Assistant.

d. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K104,630,000 issued to six (06) officers during the period from June to December, 2008 had not been retired as of March 2009.

Although in his response dated 26th October 2009, the Controlling Officer stated that imprest in amounts totalling K100,790,000 had been retired, a verification of the retirements carried out in November 2009, revealed that the retirements were questionable in that some periods indicated were overlapping.

e. Weaknesses in Accounting for Fuel

An advance payment for fuel of K80,490,000 was made in July 2008 to Mongu BP Service Station for PRP activities under the department.

A review of records and system in place revealed that there were weaknesses in control over the use of fuel in that the fuel registers were not maintained, reconciliations of the fuel account were not done and fuel requisition books and tax invoices were missing. In addition, log books for vehicles were not produced for audit scrutiny.

In particular, the following were observed:

i. Use of Government Fuel in Personal Vehicles Without Authority

Drawings of 937.5 litres of fuel and lubricants costing K8,113,058 were used in private motor vehicles without authority.

In addition, Fuel and lubricants costing K3,405,801 were drawn between 15th August, 2008 and 9th March, 2009 without indicating the vehicle registration numbers.

ii. Unaccounted for Fuel Drawings

Contrary to Public Stores Regulation No. 16, fuel costing K34,229,370 drawn in bulk between 20th July, 2008 and 11th March, 2009 had no disposal details.

iii. Fraudulent Drawing of Fuel

There were nineteen (19) coupons on which vehicles drew both petrol and diesel costing K41,417,987.

iv. Fuel Purported to have been Drawn by the VIP Speed Boat

Fuel costing K4,839,502 (424.27 litres petrol and 340 litres of diesel) was purportedly drawn by VIP speed boat for the Provincial Administration between 10th January and 9th March, 2009. According to the existing arrangement, the speed boat is used to transport VIPs with express permission of the Permanent Secretary and only one (01) Coxswain is authorised to power and fuel the boat. However, it was observed that there was no written authority from the Permanent Secretary for the Resettlement Department to use the boat. Further, inquiries with the Coxswain revealed that the boat had never been used by the Resettlement Department. Therefore, fuel costing K4,839,502 was not accounted for.

v. Questionable Fuel Drawings

A total of 3,638.93 litres of diesel costing K29,371,377 were drawn by three (03) vehicles between 24th August and 31st December, 2008 from Mongu and Kaoma BP Service Stations on PRP and RDC fuel accounts. It was however observed that the fuel was drawn in bulk by the same vehicles twice or thrice a day for three (03) consecutive days. Further, it was noted that the requests for fuelling were being made by different officers and there were no details to show how the fuel was used. In this regard, the drawing of fuel by the same vehicles twice or thrice for three consecutive days was questionable. As at 31st December 2008 the department had overdrawn the fuel account by K17,658,449.

HEAD:	95	Office of the President ó Eastern Province
UNIT:	01	Headquarters
PROGRAMME:	1	Personal Emoluments
ACTIVITIES:	01	Salaries Division I
	02	Salaries Division II
	03	Salaries Division III
	04	Wages
	05	Other Emoluments

85. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K10,056,279,346 was made to cater for personal emoluments at the Provincial Administration against which a total amount of K12,268,474,282 was released, resulting in excess funding of K2,212,195,036 which was not supported by a Supplementary Provision.

Accounting Irregularities

An examination of financial and other related records maintained at the Provincial Administration carried out in June 2009 revealed the following:

a. Payment of Salaries to Non Officers

Contrary to Circular No. B.2 of 2004, three (3) officers who left employment at Provincial Administration and joined Roads Development Agency in January 2007 following the restructuring of the Roads Department, were still drawing full salaries as of October 2008.

In this regard, amounts totalling K149,071,560 were irregularly paid during the period under review. The amount of K149,071,560 irregularly paid is therefore recoverable.

b. Unsupported Payments

Contrary to Financial Regulation No. 45 there were sixty five (65) payments in amounts totalling K815,140,635 made during the year under review which had no supporting documents such as receipts or acquittal sheets.

c. Over Payment of Pension Contributions

In May 2008, the Permanent Secretary FMA at Ministry of Finance and National Planning (MoFNP), through his minute referenced MF/53/11/3 directed all Ministries, Provinces and Spending Agencies (MPSAs) that payments of pension contributions had

been centralised and were to be made by MoFNP. The effective date for the directive was 1st February 2008. MoFNP was deducting appropriate amounts of pension contributions from monthly funding for personal emoluments prior to releasing the funds.

It was however observed that contrary to the directive, during the period from February to April 2008, the Provincial Administration remitted a total amount of K120,115,787 to NAPSA and Pensions Board as pension contributions for its employees, which resulted into a double payment. The Ministry of Finance and National Planning was notified in December 2008 and as of June 2009, only an amount of K36,787,267 had been refunded leaving a balance of K83,328,520 still outstanding. No explanation was given as to why the balance of K83,328,520 had not been refunded.

HEAD:	95	Office of the President ó Eastern Province
UNITS:		Various
PROGRAMMES:		General Deposit Account
ACTIVITIES:		Various

86. The Provincial Administration maintains a General Deposit Account meant for third party funds. Third party funds include amounts that various departments under Provincial Administration receive from their respective Ministries for specific purposes or projects.

During the Financial year ended 31st December 2008, the Provincial Administration received amounts totalling K2,063,614,347 on behalf of various departments for activities such as presidential visits, construction of an airstrip, land development and sale of tender documents on behalf of Zambia National Tender Board (ZNTB).

Accounting and Other Irregularities

An examination of financial and other related records maintained at the Provincial Administration revealed the following:

a. Wasteful Expenditure - Construction of Nyangwe Airstrip

In December 2007, the Provincial Administration received an amount of K345,000,000 from the Ministry of Communications and Transport for the construction of an airstrip at Nyangwe in Mwase Nthembwe area of Lundazi District. In this regard, on 25th January 2008, the Provincial Administration entered into a contract with New Techø Contractors and General Dealers to carry out the works at a contract price of K291,325,387 with a completion period of two (2) months starting on 9th February 2008. The scope of works involved clearing of vegetation and grabbing.

It was however revealed that the contractor was initially shown a wrong site and amounts totalling K207,806,387 were spent on works done at the wrong site. Therefore, the expenditure of K207,806,387 was wasteful.

After the discovery of the anomaly, the contractor was relocated to the correct site and the contract amended accordingly and the contract price reviewed from K207,806,387 to K344,693,887. The works were completed in May 2008 and as of March 2009, the contractor had been paid a total amount of K325,290,630 leaving a balance of K19,403,257.

A physical inspection of the airstrip in March 2009 revealed that the airstrip was not being maintained as it was over grown with vegetation.

HEAD:	95/01	Office of the President ó Eastern Province- Headquarters
UNIT:	1	Provincial Administration
PROGRAMME:	11	Improvement to Health Services
ACTIVITY:	001	Rehabilitation of 30 Staff Houses and Water Reticulation in the Hospital Compound at Chipata General Hospital

87. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K380,000,000 was made to cater for the rehabilitation of thirty (30) staff houses and water reticulation system in the Hospital compound at Chipata General Hospital. In this regard, the Ministry of Finance and National Planning released a total amount of K50,000,000 leaving a balance of K330,000,000.

Rehabilitation of Staff Houses in Chipata General Hospital Compound

An examination of financial and other records pertaining to the rehabilitation of staff houses in Chipata General Hospital Compound carried out in March 2009 revealed that on 15th August 2008, the Provincial Administration entered into a contract with Halmas Contractors to rehabilitate 30 houses at Chipata General Hospital at a contract price of K260,000,000. According to the contract, the scope of works included structural repairs, carpentry and joinery, brick, painting and decorating works. The contract was for 10 weeks ending 30th November 2008.

However, the Bills of Quantities (BOQ) which should have indicated the fine details of specific works to be done on each of the 30 houses were not availed for audit. According to the completion Certificate, as of December 2008, the contractor had executed works

valued at K195,000,000 and only K47,000,000 had been paid leaving a balance of K148,000,000 outstanding.

A site inspection carried out in March 2009 revealed that most of the houses had not been rehabilitated and the contractor had abandoned the site.

It is discernible that since the project budget was K380,000,000 against which a contract of K260,000,000 was signed but only K50,000,000 was released that the construction of staff houses at Chipata General Hospital could not be effectively done.

HEAD: 95/37 Office of the President ó Eastern Province ó Road
Traffic Commission

UNIT: 1 Road Traffic

PROGRAMMES: 7 Construction of Offices, Houses, Borehole Drilling/
Equipment

ACTIVITIES 001 Construction of One staff House at Chanida
003 Construction of Offices at Mwami Border

88. In the Estimates of Revenue and Expenditure for the Financial year ended 31st December 2008, a provision of K330,881,895 was made to cater for the Construction of two (2) office blocks at Chanida and Mwami Border Posts under the Road Traffic Commission against which a total amount of K167,846,773 was released leaving a balance of K163,035,122 as shown below:

Activity	Provision K	Releases K	Variance K
Construction of an Office Block at Chanida border	170,531,895	127,759,273	42,772,622
Construction of an Office Block at Mwami border	<u>160,350,000</u>	<u>40,087,500</u>	<u>120,262,500</u>
Total	<u>330,881,895</u>	<u>167,846,773</u>	<u>163,035,122</u>

Accounting and other Irregularities

An examination of financial and other related records maintained at the Provincial Administration revealed the following:

b. Construction of a staff House at Chanida Border

On 19th August 2008 the Provincial Administration signed a contract with Bomago Contractors to construct an office block at Chanida border at a contract price of K150,000,000. The duration of the contract was 16 weeks starting from the date of signing the contract to 5th December 2008. As of 31st December 2008, the contractor had been paid a total amount of K88,810,500 leaving a balance of K61,189,500.

A site inspection carried out in July 2009 revealed that the works had not been completed and the contractor was not on site.

Although in her response dated 10th June 2009, the Controlling Officer stated that the works could not continue because of inadequate funding from the Ministry of Finance and National Planning (MoFNP), it was not clear as to why only K88,810,500 was spent on the project when the released amount from the MoFNP was K127,759,273.

c. Construction of an Office Block at Mwami Border

On 19th August 2008, the Provincial Administration signed a contract with Juema General Dealers to construct an office block at the Border Post at a contract price of K150,000,000. The duration of the contract was 16 weeks starting from the date of signing the contract to 5th December 2008. As of 31st December 2008, the contractor had completed works valued at K40,000,000 and the whole amount had been paid.

A site inspection of the project revealed that as of March 2009, the works had not been completed and the contractor was not on site.

In her response dated 10th June 2009, the Controlling Officer stated that the works could not continue because of inadequate funding from the Ministry of Finance and National Planning.

HEAD:	96/19	Office of the President ó Luapula Province Water Affairs Department
UNIT:	1	Human Resources and Administration
PROGRAMME:	8	Maintenance of Water Canals
ACTIVITY:	3	Dredging of Canals

- 89.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K203,815,912 was made and released for canal clearing.

Weaknesses in Accounting for Canal Funds

A scrutiny of records relating to the project revealed weaknesses in the utilization of funds and in particular, the following irregularities were observed;

a. Unreturned and Non-utilisation of Dredging Equipment

In Paragraph 35(c) of the Auditor-General's Report for 2003, mention was made on the relocation of a dredging machine for Bangweulu and Mweru swamps from Nchelenge to Ndola and the use of the machine by private businessmen at no fee.

A review of the situation in April 2009 revealed that the dredger had not been returned to Nchelenge.

b. Unretired Imprests

Contrary to Financial Regulations No. 96, imprests amounting to K39,326,000 issued to two (2) officers during the period from February to December 2008 had not been retired as of November 2009.

c. Missing payment Vouchers

Contrary to Financial Regulations No. 45, two (2) payment vouchers involving amounts totalling K8,270,000 were missing while wages sheets in amounts totalling K78,750,000 were not approved by a responsible officer contrary to Financial Regulation No. 52.

d. Unaccounted for Stores

Stores items costing K6,745,000 procured during the period under review had no receipt and disposal details contrary to Stores Regulation No.16.

e. Misuse of Fuel

Fuel costing K10,568,420 meant for outboard engines were not utilised for the intended purpose in that the fuel was instead used on motor vehicles.

HEAD: 96/19 Office of the President ó Luapula Province Water
Affairs Department
UNIT: 1 Human Resources and Administration
PROGRAMME: 9 Ground Water Development
ACTIVITY: 3 Construction of Boreholes

90. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K343,300,000 was made and released for the construction of boreholes and the whole amount was spent.

Weaknesses in Accounting for Borehole Construction Funds

An examination of financial and other records maintained at the Provincial Administration carried out in March 2009 revealed the following:

a. Installation of Borehole Equipment

During the period under review, the Department of Water Affairs was to sink twenty five (25) boreholes in five (5) districts in the province as shown below:

District	No. of Boreholes Planned	Boreholes Sunk	Variance
Mansa	3	2	1
Kawambwa	13	10	3
Milenge	3	3	-
Chiengi	3	2	1
Mwense	3	-	3
Total	25	17	8

However, the department only managed to sink seventeen (17) boreholes out of the planned number of twenty five (25).

b. Unretired imprest

Contrary to Financial Regulation No. 96 (1), imprest in amounts totalling K128,413,666 issued to sixty one (61) officers during the period from May to December 2008 had not

been retired as of March, 2009. The unretired imprest constituted 37% of the total funds released.

c. Unaccounted for Materials, Fuel and Spare Parts

Contrary to Public Stores Regulation No.16, materials, fuel and spare parts costing K93,166,400 purchased for borehole construction, hand pump installation and rehabilitation works had no receipt and disposal details.

d. Undelivered Equipment

In July 2008, the Department paid K20,940,000 to Nesco Enterprises for the supply of hydrological survey equipment. However, as of March 2009, the equipment had not been supplied and no refund had been obtained from the supplier.

HEAD: 97 Office of the President-North-Western Province
General Deposit Account

- 91.** The General Deposit Account is used to keep funds received by Provincial Accounting Control Units (PACUs) on behalf of various departments under their charge from parent ministries and departments. The funds are disbursed to the PACU to enable the departments carry out specific activities on behalf of the ministries and spending agencies. Such funds are accompanied by specific instructions on their use and programme and activity codes to be charged. Once spent, PACU is required to submit expenditure returns including progress reports to these Ministries and Spending Agencies. In addition, PACU is supposed to issue receipts and maintain ledgers to record movements of the funds.

Failure to Complete Projects and Other Irregularities

An examination of accounting and other records pertaining to the General Deposit Account carried out at the Provincial Accounting Unit in Solwezi revealed the following:

a. Construction of the Mwinilunga Youth Skills Training Centre

In 2007 and 2008, the Ministry of Sports, Youth and Child Development disbursed a total amount of K300,000,000 (K50,000,000 in 2007 and K250,000,000 in 2008) for the construction of the Youth Skills Training Centre in Senior Chief Kanongesha's area in Mwinilunga. As of December 2008, amounts totalling K240,720,680 had been spent.

i. Undelivered Building Materials

The PACU paid a total amount K27,624,000 to Down Town General Dealers for the supply of building materials. A verification made at Kanongesha Youth Training Centre revealed that although 280 bags of cement costing K21,000,000 were paid for, only 200 pockets costing K15,000,000 had been delivered as of August 2009 leaving a balance of 80 pockets costing K6,000,000.

ii. Progress on Construction Works

A site visit made in August 2009 revealed that the project was not complete in that works such as plumbing and flooring had not been done.

b. Rehabilitation of the Zambia Army Warrant Officers' and Sergeants' Mess

In 2007, the Ministry of Defense disbursed an amount of K97, 016, 148 to the Provincial Administration for the rehabilitation of the Warrant Officers' and Sergeants' Mess and ablution block out of which a total amount of K93, 153,900 was spent leaving a balance of K3, 862,248.

The following were observed:

i. Lack of stores records

Contrary to Public Stores Regulation No.16, receipt and disposal details of building materials costing K74,344,900 purchased between 19th October,2007 and 15th March,2008 could not be verified due to lack of stores records;

ii. Progress on Construction Works

A site inspection of the project carried out in August 2009 revealed that the works had not been completed and the works had been abandoned.

HEAD:	98	Office of the President ó Southern Province
UNIT:		Various
PROGRAMME:	1	Personal Emoluments
ACTIVITIES:	1	Salaries Division I
	2	Salaries Division II
	3	Salaries Division III
	4	Wages
	5	Other Emoluments

92. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a total provision of K11,920,146,527 was made to cater for Personal Emoluments against which K15,542,592,718 was released resulting in over funding of K3,622,446,191.

Accounting Irregularities

An examination of financial and other records maintained at the Provincial Administration, Livingstone for the financial year ended 31st December 2008 revealed the following:

a. Non Remittance of Tax

Contrary to the Income Tax Act chapter 323 of the laws of Zambia, Pay As You Earn (PAYE) in amounts totalling K1,115,528,184, comprising deductions from payments of monthly salaries (K861,230,306), long service bonus (K105,697,084), salary arrears (K21,297,168) and commutation of leave days (K127,303,625), had not been remitted to the Zambia Revenue Authority (ZRA) as of October 2009.

b. Misapplication of Funds

Contrary to the Appropriations Act of 2008, amounts totalling K755,224,893 were applied on activities not related to Personal Emoluments (PEs) as detailed below;

Activity	Amount K
Imprest	361,568,180
Statutory Allowances	46,747,100
Sitting Allowances	44,847,000
Administrative Expenses	171,033,613
Tuition Fees	53,929,000
Salary Advances	27,100,000
Loans	50,000,000
Total	755,224,893

As a result of the above misapplications, long service bonuses and leave terminal benefits in amounts totalling K668,063,564 due to seventy nine (79) officers had not been paid as of October 2009.

A further analysis of payment records revealed the following:

i. Irregular Payments of Commutation of Leave Days

Contrary to Cabinet Office Circular No.5 of 2002, amounts totalling K220,047,931 were irregularly paid to fifty-one (51) officers for commutation of leave days in that they had not accumulated leave days to their maximum entitlement (230, 205 and 160 days for Divisions I, II and III respectively).

ii. Unauthorised Sitting Allowances

Contrary to Cabinet Office Circular No. 07 of 2006 amounts totalling K44,847,000 were paid to officers as sitting allowances for interviewing messengers, attending budgeting meetings, tender committee meetings among others. As of March, 2009 no authority from Cabinet Office was availed for audit scrutiny.

iii. Unretired Imprest

Contrary to Financial Regulation No. 96(1) imprests in amounts totalling K114,793,016 issued to thirteen (13) officers had not been retired as of October 2009.

iv. Unvouched Expenditure

Contrary to Financial Regulation No.45 (2) and 65 (1), payments in amounts totalling K534,859,780 involving one hundred and fifty five (155) transactions were unvouched in that the payment vouchers were either missing, unsupported or inadequately supported by relevant documents such as quotations, invoices, acquittal sheets, LPOs among others.

HEAD: 98/01 Office of the President ó Southern Province ó
Headquarters
PROGRAMME: 11 School Requisites
ACTIVITY: 01 Procurement of School Requisites

93. In the Estimates of Revenue and Expenditure for the year ended 31st December 2008, a provision of K543,000,000 was made to cater for procurement of school requisites such as desks, chalk and pencils.

Irregularities in the Procurement of School Requisites

An examination of financial and other records maintained at the Provincial Administration, Livingstone revealed the following:

a. Misapplication of Funds

Out of a total amount of K543,000,000 released, amounts totalling K394,499,380 were spent on the procurement of school requisites leaving a balance of K148,500,620. Records at the Provincial Administration Office showed that the balance was utilized on activities not related to the programme such as imprest and administrative expenses. In this regard, school requisites such as pencils and exercise books were not procured as the funds had not been reimbursed as of April 2009.

b. Uncollected School Requisites

An amount of K299,999,380 was paid to a local supplier in March 2008 for the supply of 353,982 x A5 80 paged exercise books and 773,694 x HB pencils. It was however observed that as of February 2009, 325,504 HB pencils costing K42,071,392 had not been collected from the supplier's premises, twelve (12) months after the payment was made.

HEAD: 98/01 Office of the President ó Southern Province ó
Headquarters
UNIT: 01 Provincial Administration
PROGRAMME: 20 Livestock Restocking
ACTIVITY: 001 Cattle Restocking

94. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2008, a provision of K900,000,000 was made to cater for cattle restocking in the province out of which K450,000,000 was released leaving a balance of K450,000,000. The amount released represented 50% of the authorized provision.

Accounting Irregularities

In paragraphs eighty seven (87) of the Auditor General's Annual Report for the financial year ended 31st December 2006, mention was made of irregularities in the procurement of cattle. In particular mention was made of the misapplication of K221,655,273 by the Provincial Administration on activities not related to cattle restocking exercise such as rehabilitation of the Provincial Minister and District Commissioners' houses.

In their report for the second Session of the Tenth National Assembly, the Public Accounts Committee warned the Controlling Officer against misapplying funds and urged him to report progress on the reimbursement.

A review of the records carried out at Provincial Administration in February 2009, revealed that the situation had not improved and in particular the following were observed:

Misapplication of Funds

Amounts totalling K441,482,945 were applied on activities not related to the cattle restocking exercise such as VIP visits and construction of second level hospital in Kalomo. As a result, no cattle were procured and no monitoring activities for cattle restocking exercise were conducted by the department of Veterinary which is the implementing department. As of April 2009, the money had not been reimbursed.

Recommendations of the Public Accounts Committee Which Have Either Not Been Implemented or Have Been Partly Implemented

95. In previous Audit Reports (prior to 2006), mention was made of the recommendations of the Public Accounts Committee (PAC), which have either not been implemented or have been partly implemented. In an effort to clear the outstanding issues, the PAC appointed a Committee of Officers from the Ministry of Finance and National Planning (MoFNP), National Assembly and Office of the Auditor-General to deal exclusively with the outstanding matters on a continuous basis.

In this regard, in July 2009, the Officers met to review status of the outstanding issues. It was observed from their report that there had been little or no follow up action. In order to resolve the outstanding issues on time, there is need for the Controlling Officers to respond promptly to the observations raised in the Auditor General's Reports and to implement the recommendations of the PAC.

The appendix to this report therefore summarises the status of the unresolved issues as at 31st December, 2009 for which necessary remedial action is required. This forms part of the report of the Auditor General for the financial year ended 31st December 2008.

**AUDIT HOUSE
HAILE SELASSIE AVENUE
LUSAKA
31ST DECEMBER, 2009**

**ANNA .O. CHIFUNGULA FCCA, FZICA
AUDITOR GENERAL
REPUBLIC OF ZAMBIA**

Appendix

**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIRST
SESSION OF THE EIGHTH NATIONAL ASSEMBLY**

*Report of the Auditor General on the Accounts for the financial year ended
1994*

Para 30 (40) Management Programme ó Fertiliser Purchase - on the current position on the matter.

Para 54 (64) Irregularities in the Purchase and Distribution of Mattresses- As to whether the amount of K30,488,497.00 has since been recovered.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE FOR THE FIRST SESSION OF THE EIGHTH NATIONAL
ASSEMBLY**

*Report of the Auditor General on the Accounts for the Financial year ended 31st
December 1995*

Para 17 (25) Accounting Irregularities ó Lilongwe- As regards the current position on the Kabula Hill House.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE FOR THE SECOND SESSION OF THE EIGHTH
NATIONAL ASSEMBLY**

*Report of the Auditor General on the Accounts for the Financial year ended 31st
December 1996*

Para 31 (36) Commodity Grant - As to whether the investigations by the Task Force have since been concluded.

Para 32 (37) 1996 Investment and Debt Management Unit - As to whether investigations into the matter have been concluded by the Task Force.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
FOR THE THIRD SESSION OF THE EIGHTH NATIONAL ASSEMBLY.**

Report of the Auditor General on the Accounts for the Financial ended 31st December 1997

Para 62 (56) Debtors - As regards the outcome from the investigations by the Task Force on Corruption.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
FOR THE FIRST SESSION OF THE NINTH NATIONAL ASSEMBLY**

*Report of the Auditor General on the Accounts for the Financial year ended 31st
December,2000*

Para 53 (64) Accounting Irregularities-Progress made on the matters in (i) and (ii).

Para 74 (86) Rehabilitations of National Assembly Motel Phase 2 - As regards the latest position on the matter.

Para 78 (88) Repairs of the Nalusanga Gate to Kaoma Strip - As regards the advice from the Ministry of Justice on the matter regarding liquidation of the performance bond.

Para 102 (114) Rehabilitation of Chienge - Kaputa Road -
As regards the outcome of the court case.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE FOR THE THIRD SESSION OF THE NINTH NATIONAL
ASSEMBLY**

*Report of the Auditor General on the Accounts for the financial year ended 31st
December,2001*

Para 22 (24) Repairs to GRZ 556 BK - On the latest position on the matter.

Para 24 (26) The Trust Restrictions Act - On the latest position on the matter.

Para 30 (32) Non-Deduction and Remittance of Withholding Tax - As regards progress made on the matter.

Para 31 (33) Non Recovery of Salary Advances - On the progress made.

- Para 35 (37) Passages Account - as regards the latest position on the issues in a, c, e, f, g
- Para 40 (45) District Education Office ó Chipata - As regards progress made on the matters raised.
- Para 44 (47) District Education Officer ó Lundazi - As regards progress made on the remaining works of ten (10) VIP latrines.
- Para 46 (50) District Education Office ó Chama - As to whether the amount of K107,201,550.00 has since been recovered.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
FOR THE THIRD SESSION OF THE NINTH NATIONAL ASSEMBLY**

*Report of the Auditor General on the Accounts for the financial year ended 31st
December, 2002*

- Para 19 (23) Accounts- Progress made on the issues raised.
- Para 28 (32) Review of Internal Audit Report - As regards the latest position on the matter.
- Para 29 (33) Construction of a Boundary Wall Fence at the Former Speaker's Lodge - As regards the outcome of the court case involving the Former Clerk of the National Assembly
- Para 37 (41) Accounting Irregularities - As regards the current position on the matter.
- Para 39 (43) Properties - As to whether the house at plot 262 Kgali close has been demolished and a new one constructed.
- Para 43 (47) Accounting Irregularities - As to whether the amount has since been reimbursed.
- Para 51 (55) Construction and Rehabilitation of Markets - on progress made on the matter.
- Para 52 (56) Rehabilitation and Improvements of Lusaka Roads-Progress made on the matter

- Para 56 (62) Misapplication of Funds and Other Irregularities - Progress made on the matters raised.
- Para 61 (65) Funds of the Institute - Latest position on the matters raised.
- Para 85 (94) District Education Office-Lundazi - As to whether the matters raised in the paragraph have been addressed.
- Para 86 (96) District Education Office ó Chadiza- As to whether the matters raised in the paragraph have been addressed.
- Para 110 (120) District Education Office ó Kasempa - As to whether the works have since been completed.
- Para 112 (122) District Education Office Kabompo - As regards progress on the remaining works.
- Para 115 (125) District Education Office Solwezi - As to whether the works that stalled at Kinale and Mandondo Basic Schools have since been completed.
- Para 128 (138) District Education Office ó Mazabuka - As to whether the works on the remaining house have been completed.
- Para 130 (142) Guarantees - As regards the latest position on the matter.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
FOR THE FOURTH SESSION OF THE NINTH NATIONAL ASSEMBLY.**

***Report of the Auditor General on the Accounts of the Republic for the financial year
ended 31st December, 2003***

- Para 11 (16) ZRA Revenue Collection - on the progress made on the matters raised (d) ó (h).
- Para 12 (17) Misappropriation of Revenue Collections and other Accounting Irregularities -current position on the matters raised.
- Para 18 (23) Expenditure - As regards measures put in place to address the concerns raised.

- Para 20 (25) Weaknesses in Accounting for Mission funds - As to whether the renovation works have been completed and verified.
- Para 21 (26) Accounting Irregularities - As to whether the Zambian Government has since purchased the building to be used as a Chancery.
- Para 25 (30) Revenue on the Sale of Government Pool Houses ó Whether the matter has been disposed of by the Court and progress on items e, f
- Para 27 (32) Accounting Irregularities - As regards progress made on the matters raised.
- Para 28 (38) Delays in Completion Chipata/Mchinji Railway line - As to whether the irregularities highlighted have since been addressed (a) ó (c).
- Para 30 (35) Maintenance and Rehabilitation of Canals and channels - Progress made on the matters raised (b) and (c).
- Para 31 (36) Delays in Completion of the Zambia Information System ó As to whether the matters raised have been addressed.
- Para 34 (39) Security ó Progress made on the matter.
- Para 37 (42) Accounting Irregularities- As regards progress made on the matters raised.
- Para 40 (45) Headquarters
- (a) Un retired Imprest - As regards progress on the matter.
- (b) Poor Maintenance of Imprest Registers ó As regards progress on the matters (d), (f), (h).
- Para 41 (46) Kasama District Education Office ó Progress made to address the issues raised (c), (ii).
- Para 42 (47) District Education Office ó Mpika ó As regards the latest position on the matter raised.
- Para 44 (49) District Education Office ó Chinsali - As regards progress made in resolving the issues raised.

- Para 45 (50) District Education Office ó Luwingu ó As regards latest position on the matter raised.
- Para 48 (53) District Education Office ó Luangwa - As regards the latest position made in addressing the matter raised in (a) and (b).
- Para 49 (54) Construction of the District Board Secretary's Office ó Luangwa ó As regards progress made on the unaccounted for amount of K49,157,000.00.
- Para 50 (55) District Education Office ó Kafue ó As regards progress made on the matters raised.
- Para 53 (58) District Education Office ó Mkushi ó As to whether the remaining works have been completed.
- Para 55 (60) District Education Office ó Chibombo ó As regards the latest position on the items in (a) and (b).
- Para 56 (61) District Education Office ó Mongu ó As to whether the retirement documents in respect of K44,689,200.00 have been traced.
- Para 58 (63) District Education Office ó Senanga ó Progress made on the matter.
- Para 59 (64) District Education Office ó Sesheke ó As to whether the reconciliation between the Ministry of Education and Zambia Publishing House concerning the 1,925 books have been done.
- Para 61 (66) District Education Board ó Chama - As to whether the reconciliation on the remaining 6,070 books have been done between Ministry of Education and ZEPH.
- Para 62 (67) District Education Board ó Mambwe - On the latest position on the matters raised.
- Para 64 (69) District Education Office ó Kalulushi- As to whether the construction works have been completed.
- Para 70 (75) District Education Office ó Mansa - As regards the latest position on the matters raised in (a) ó (c).
- Para 71 (76) District Education Office ó Samfya ó As regards the current position on the construction works.

- Para 73 (78) Basic Schools ó The current position on the matters in (a) ó (e).
- Para 74 (79) Provincial Education Office ó North Western Province ó As regards the current position on (c) (i) ó (v).
- Para 75 (80) Unretired Imprest K64,709,400.00 ó Progress on the matter.
- Para 76 (81) Unauthorised Loans ó As regards the current position on the matter.
- Para 78 (83) Misapplication of Funds and other Accounting Irregularities-As regards the current position on the matters raised.
- Para 79 (84) Failure to Collect Hire Fees and other Accounting Irregularities ó As regards the current position on the matter raised.
- Para 80 (85) Accounting Irregularities ó The current position on the matters raised (a), (b), (d), (e).
- Para 81 (86) Weaknesses in the management of Debt Stock ó As regards progress made on the matters raised in (1) ó (ii).

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
FOR THE FIFTH SESSION OF THE NINTH NATIONAL ASSEMBLY.**

***Report of the Auditor General on the Accounts for the Financial year ended 31st
December 2004***

- Para 15 (13) Revenue Collections - ZRA - As regards progress made in resolving the matters raised in (d) ó (f).
- Para 16 (14) Revenue Collections ó Lusaka Port Office ó As regards progress in the matters raised (a) i, ii, (d), (e) i, ii.
- Para 17 (15) Other Ports and Stations ó whether the matters raised in (iv) and (vi) have been resolved.
- Para 19 (17) Weaknesses and Irregularities in Accounting for Revenue ó On the latest position on the matters raised.

Para 19 (20)	Local Bank Accounts - Regarding the recovery of funds from the Union Bank.
Para 24 (22)	Regarding the outcome of the court case and other matters raised in (a), (b), (c), and (d).
Para 20 (18)	Provincial and District Offices ó Latest position on the matter raised.
Para 21 (19)	Weaknesses and Irregularities in Accounting of Revenue-As regards progress made on the matters raised.
Para 22 (20)	Weaknesses and Irregularities in Accounting for Revenue ó whether the issues raised have since been addressed.
Para 23 (21)	On the outcome of the verification exercise (a) ó (c).
Para 25 (23)	Weaknesses in Internal Controls and Poor Record Keeping - Regarding progress on the matter raised
Para 26 (24)	Weaknesses in Procurement of Goods and Service and other Irregularities ó Progress on the matter raised.
Para 30 (28)	Accounting and Other Irregularities ó progress made in resolving the matters raised in (a), (b), (c) and (d).
Para 32 (30)	Unsupported Expenditure ó On progress made in resolving the matters raised.
Para 33 (31)	Non-adherence to Tender Procedures ó The current position on the matters raised.
Para 34 (32)	Wasteful Expenditure-As regards the latest position on the court case.
Para 35 (33)	Sector Plan Implementation óAs regards the current position on the unretired imprest.
Para 41 (39)	Outstanding Loans (K184,253,333.00) ó Regarding the latest position on the matter.
Para 43 (41)	Consideration on Issues Arising from the Inspection Tour of Missions Abroad ó As regards progress to address the issues raised.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
FOR THE FIRST SESSION OF THE TENTH NATIONAL ASSEMBLY**

***Report of the Auditor General on Administration of selected contracts in the Ministry of
Works and Supply***

- Para 7 (6) Construction of Border Facilities - Katima-Mulilo-As to whether the recovery of K1.3 billion from the previous contractor had been effected.
- Para 12 (7) Construction of Passenger Control Building -As regards progress on the matter in respect of cost escalations.
- Para 14 (7) Construction of Sewerage Disposer System Sewerage Disposal System-As regards the latest on the matter.
- Para 19 (13) Choma-Chitongo-Namwala Road -As regards latest positions on the matter.
- Para 20 (14) Mongu-Kalabo Road ó As regards the project status.
- Para 21 (15 ó 16) Outstanding Bills Road Contractors ó As regards progress on the matter.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE FOR THE FIRST SESSION OF THE TENTH NATIONAL
ASSEMBLY**

***Report of the Auditor General on the Accounts for the Financial Year ended
31st December 2005***

- Para 9 (9) Revenue Collections ó ZRA -As regards progress in matters raised
- Para 13 (13) Weaknesses and Irregularities in Accounting for Revenue ó As regards action taken to address the issues in question
- Para 14 (14) Weaknesses and Irregularities in Accounting for Revenue ó Progress made in resolving the outstanding matters raised

- Para 15 (15) Irregularities in Accounting for Rental Collections ó Progress made on the matter raised
- Para 17 (17) Weaknesses in Accounting for Revenue ó Progress made on the matters raised
- Para 18 (18) Weaknesses and Irregularities in Accounting for Revenue- As to whether all the issues raised have been resolved.
- Para 19 (19) Weaknesses in Control Over Revenue Collection-On the latest position regarding the matters raised.
- Para 20 (20) Irregularities in Accounting for Weigh Bridge Charges - Kafulafuta ó As to whether the amount of K446,187,000.00 has since been reimbursed.
- Para 22 (22) Weaknesses in the Administration of Personal Emoluments and other Irregularities- As to whether the Controlling Officer was reported progress in matters raised in (a) and (j).
- Para 23 (23) Irregularities in Procurement of Goods and Services and in the use of Revenue ó Progress made on the matters raised
- Para 24 (24) Accounting and other Irregularities ó Regarding progress made on the matters raised.
- Para 25 (25) Accounting and other Irregularities ó Progress made on the matters raised.
- Para 26 (26) Accounting and other Irregularities ó As to whether recoveries have been effected in respect of education allowance
- Para 28 (28) Weaknesses in Accounting for Special Imprest and other Irregularities - Regarding the latest position on the matters raised
- Para 29 (29) Zambia Social Investment Fund ó As to whether the project has finally been completed.
- Para 33 (33) Accounting and other Irregularities-Regarding the current position on the matters raised.
- Para 34 (34) Accounting and Other Irregularities-As to whether the matters raised have been addressed.

- Para 36 (36) Accounting and Other Irregularities - As regards progress on the cases reported to Zambia Police and other matters.
- Para 37 (37) Government Communication Flight-As regards progress made on the matters raised.
- Para 38 (38) Delays in the Completion of the Zambia Transport Information System (ZAMTIS) Project ó As regards progress on the matter
- Para 40 (40) Weaknesses in Accounting for Sector Plan Support Funds -As regards progress on the construction works and the current position on (b) ó (d).
- Para 44 (44) Weaknesses in Control Over Bank Accounts - As regards the latest position on the matters raised.
- Para 45 (45) Rehabilitation of Feeder Roads ó As regards the latest position on the matters raised.
- Para 46 (46) Failure to Implement Poverty Reduction and other Irregularities ó on the progress made in order to address the matters raised in (a) and (b).
- Para 47 (47) Wasteful Expenditure and other Irregularities ó As regards the current position on the matters raised.
- Para 51 (51) Misappropriation of Personal Emoluments and other Irregularities ó Regarding the current position on the matters raised (a) ó (c).
- Para 52 (52) Accounting and other Irregularities ó As to whether verification has since been done (b) ó (f)
- Para 54 (54) Irregularities in the procurement of cattle-Progress made on the matters raised.
- Para 41 (45) Provincial Office - Grants to the Provinces ó on the outcome of Police investigations in (b) and (c) and the latest position on the other matters

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE FOR THE SECOND SESSION OF THE TENTH
NATIONAL ASSEMBLY**

*Report of the Auditor General on the Accounts for the Financial Year ended 31st
December, 2006*

- Para 23 (21) Weaknesses and Irregularities in the Management of Lands Management Information System (LIMS) and Accounting for Revenue ó Progress made in addressing the matters raised.
- Para 24 (22) Weaknesses in Accounting for Revenue ó As regards efforts made to trace the documents in respect of the vehicles under query and other progress on the queries raised.
- Para 49 (47) Irregularities in Accounting for Grants ó Progress made on the matters raised (a) ó (d).
- Para 50 (48) Irregularities in Accounting for Constituency Development Funds ó As regards progress made on the issues raised.
- Para 51 (49) Irregularities in Accounting for Chiefs Subsidies and Retainersø Wages ó On progress made on the matters raised.
- Para 53 (51) Delays in Paying Compensations and Awards ó progress made on the matter
- Para 54 (52) Accounting and other Irregularities ó As regards progress made in constructing the new office
- Para 55 (53) Accounting and other irregularities ó on the latest position on the matter raised (a) ó (g).
- Para 65 (63) Accounting and Other Irregularities ó As regards the latest on the matters raised (a) ó (h).
- Para 66 (64) Weaknesses in Accounting for Fund and other Irregularities ó whether the matters raised in (a) ó (h) have since been addressed.
- Para 56 (54) Accounting Irregularities ó On progress made in resolving the issues raised.
- Para 57 (55) Irregular Transfer of Funds ó Progress made to resolve the matters raised.

Para 58 (56)	Accounting and other Irregularities-Mansa Lodge ó Progress made to resolve the issues raised.
Para 62 (60)	Accounting in Irregularities ó Government Funded Programmes and Activities ó As regards the current position on the matters raised in (a) ó (g).
Para 63 (61)	Weaknesses in Accounting for Sector Plan Implementation Funds ó On the progress made to address the issues raised.
Para 64 (62)	Accounting and Other Irregularities ó On the measures taken to address the issues raised.
Para 76 (74)	Irregularities in Accounting for Personal Emoluments ó As to whether the matters raised have since been addressed (a) ó (d).
Para 78 (76)	Accounting Weaknesses ó PRP Funds ó Progress made to resolve the matters raised.
Para 79 (77)	Road Rehabilitation Irregularities in Contract Management ó Progress made on the matters
Para 80 (78)	Accounting Irregularities ó On the current position of Police Investigation
Para 81 (75)	Misapplication of Funds ó As regards the latest position on the matter
Para 89 (87)	Irregularities in the Procurement of Cattle ó Progress made on items (a) and (b)
Para 90 (88)	Rehabilitation and Construction of Dams-As regards progress made on the issues raised in (a) and (b)
Para 72 (70)	Irregularities in the Management of Personal and Other Emoluments ó As regards progress made on the matters raised (b) and (c).
Para 73 (71)	Construction of Health Posts/Rehabilitation of Health Facilities ó Progress made on the matter
Para 74 (72)	Accounting Regularities ó Latest progress on the matters raised (a) ó (b).

- Para 75 (74) Weaknesses in Administration of Funds ó As regards measures put in place to resolve the issues raised (a) and (b).
- Para 84 (82) Accounting Irregularities ó As regards progress made on the matters raised.
- Para 85 (83) Weaknesses in Accounting for Funds ó As regards progress made on the matters raised.
- Para 86 (84) Weaknesses in Accounting for Funds ó As regards progress made to address the matters raised.
- Para 87 (85) Weaknesses in Accounting for Recurrent Departmental Charges ó As regards progress made to resolve the outstanding matters.
- Para 82 (80) Irregularities in Accounting for Poverty Reduction Programme Funds ó On the latest position on the matter
- Para 83 (81) Accounting and other Irregularities ó Regarding the current position on the matter
- Para 88 (86) Accounting Irregularities ó Regarding the current position on the matters (b) ó (c)