



**Republic of Zambia**

**REPORT**

**of the**

**AUDITOR GENERAL**

**ON THE ACCOUNTS OF THE REPUBLIC**

**FOR THE FINANCIAL YEAR ENDED**

**31<sup>st</sup> DECEMBER 2012**



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## Executive Summary

During the year 2013, the Office carried out one hundred and thirty eight (138) audits on the accounts for the financial year ended 31<sup>st</sup> December 2012. During the audit process, there were various levels at which the Office interacted and communicated with Controlling Officers whose heads of revenue and expenditure were audited. The purpose of this interaction was to provide an opportunity for the Controlling Officers to take corrective action on the findings of the audit.

This Report contains eighty three (82) paragraphs, seventy six (76) paragraphs on audit findings and six (6) on other matters.

Although one hundred and thirty eight (138) audits were carried out, sixty two (62) were cleared leaving seventy six (76) audit paragraphs as contained in this Report. The paragraphs in this Report reflect issues that could not be resolved during the audit process and whose corrective actions were not undertaken as at 31<sup>st</sup> December 2013.

The introduction of this Report highlights the responsibilities of the Minister of Finance, Secretary to the Treasury, Controlling Officers and the Auditor General as regards the management of public resources, reporting, and the accountability process of public funds. It also outlines the audit scope, methodology and limitations of scope.

The major issues that have been highlighted across all the heads of expenditure and revenue collected are as shown in the table below.

| Issue                                    | 2012<br>K       | 2011<br>K      | 2010<br>K       |
|--|-----------------|----------------|-----------------|
| Unaccounted for Revenue                  | 1,860,280,055   | 2,253,941,307  | 1,761,709,547   |
| Unaccounted for Funds                    | 3,624,275,679   | 5,054,209,802  | 3,823,553,675   |
| Misapplication of Funds                  | 38,738,763,261  | 23,685,562,199 | 220,628,818,731 |
| Unretired Imprest                        | 25,558,789,274  | 33,136,711,477 | 77,161,637,221  |
| Unvouched Expenditure                    | 553,142,715,946 | 77,014,932,341 | 74,793,881,735  |
| Unaccounted for Stores                   | 43,063,044,103  | 22,079,935,144 | 43,921,118,882  |
| Irregular Payments                       | 1,438,527,391   | 4,233,314,411  | 10,289,923,002  |
| Non Recovery of Advances and Loans       | 7,195,232,766   | 3,479,476,312  | 10,098,900,307  |
| Failure to Follow Procurement Procedures | 121,438,503,116 | 4,674,317,060  | 2,540,559,305   |
| Undelivered Materials                    | 1,232,210,506   | 2,104,187,120  | 646,210,800     |
| Non Submission of Expenditure Returns    | 107,765,375,773 | 27,083,333,334 | 3,090,848,292   |
| Wasteful Expenditure                     | 1,195,270,249   | 2,609,341,457  | 7,362,829,990   |
| Overpayments                             | 206,913,870     | 6,000,000      | 131,561,606     |
| Misappropriation of Funds                | 463,631,579     | 1,060,362,947  | 1,096,257,658   |

These issues arise as a result of the failure to adhere to regulations and weaknesses in the implementation of internal control systems. The purpose of this Report is to fulfil our mission statement which is to provide assurance that public resources have been used for the purposes intended.

## **Introduction**

1. This Report is submitted to His Excellency the President for tabling in the National Assembly in accordance with the Provisions of Article 121 of the Constitution of the Republic of Zambia.

Each Appropriation Account as reflected in the Financial Report for the Year ended 31<sup>st</sup> December 2012, was certified in accordance with the provisions of the Public Finance Act No. 15 of 2004 and subject to the observations contained in this Report, the moneys expended were applied to the purposes for which they were appropriate and the expenditure conformed to the authority that governed it.

## **Statement of Responsibility**

2. According to the Public Finance Act No.15 of 2004, the Minister responsible for Finance shall, subject to the provision of the Constitution and the Act, have management, supervision, control and direction of all matters relating to the financial, planning and economic management of the Republic. The Minister is the head of the Treasury established under the Act and shall make policy and other decisions of the Treasury except those designated under Section Six (6) 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 the 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 me 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 provision of Article 118 (1) of the Constitution of the Republic of Zambia.

## **Audit Scope and Methodology**

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

Parliament in its oversight responsibility over the application of public resources and execution of programmes by the Executive.

In the course of preparing the Report, each Controlling Officer, where possible, was sent appropriate Draft Annual Report Paragraph (DARP) 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 DARP were amended accordingly.

A risk based approach in prioritising the clients during annual planning and when planning individual audit assignments was adopted and used consistently throughout the year. This was an efficient and effective way of ensuring that the limited audit resources are directed towards the most risky areas of Government operations.

### **Limitation of Scope**

4. Audits are planned so as to obtain all the information and explanations which are considered necessary to enable me express an opinion on the financial statements of Government through the execution of audit programmes designed to obtain such information and explanations. The execution of the audit programmes was limited by factors beyond my control and these included:

- i. **Staff Constraints**

Although the staffing position in the Office has over the years been improving, staffing levels are still not commensurate with the number of Government programmes being undertaken throughout the Country. Other than the Government Ministries, and Provinces, other Spending Agencies, such as Grant Aided Institutions that include councils, constitute a very large number of institutions that should be audited by my office and unless I contract out most of this work, the current staffing levels cannot adequately cope with the volume of work.

- ii. **Financial Constraints**

Over the past years, my Office has been receiving the funding as approved in the estimates of Revenue and Expenditure. However, the challenge has been that the proposed budgets by the Office have often been reduced by the Treasury to levels not commensurate with the Office's operational plans.

It should be noted that most of my work involves travelling to far flung areas where the projects are being undertaken to conduct on the spot verifications without which the Government will continue losing money through shoddy works by contractors. This requires financial and other resources such as motor vehicles, both of which have been inadequate over the last three (3) years. The current fleet of motor vehicles has outlived its life span.

**iii. Challenges Caused by the Integrated Financial Management Information System (IFMIS)**

The implementation of the IFMIS in Ministries had caused considerable challenges in the finalisation of the Financial Report. In a number of cases, transactions were processed outside the system, thus resulting in un-captured expenditures in the Statement Cs. This caused delays as Ministries have had to revert to the old FMS to post the transactions.

**Internal Control**

5. The Public Finance Act No. 15 of 2004 provided for the formation of Audit Committees in all Ministries, Provinces and Spending Agencies (MPSAs). However, though formed in the MPSAs, most of the Audit Committees have not been operational. Therefore, the Audit Committees have not provided the required oversight so as to enhance Corporate Governance in the MPSAs.

Although there have been some improvement in financial management in the MPSAs as a result of measures Government has put in place, weak internal controls were observed in certain operations in the MPSAs. The common internal control weaknesses observed in most MPSAs include; flouting of procurement procedures; failure to account for stores procured; failure to supervise projects for which contractors were paid; failure to collect revenue due to Government; failure to terminate retired, deceased officers from the payroll; poor custody of financial records; non-processing of data in the IFMIS leading to incomplete financial statements; misapplication of funds and non submission of expenditure returns among others.

**6. Statement of Revenue, Financing and Expenditure for the Year ended 31<sup>st</sup> December 2012.**

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 the Constitution or any other law on the general revenues of the

Republic, the payments made in the financial year other 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 B of the Financial Report for the year ended 31<sup>st</sup> December 2012 is analysed below.

| <b>Expenditure</b>                       | <b>K</b>                 | <b>K</b>                        |
|--|--------------------------|---------------------------------|
| Original                                 | 27,698,281,929,834       |                                 |
| Supplementary                            | <u>5,123,503,416,782</u> |                                 |
|  |                          | 32,821,785,346,616              |
| Actual                                   | 26,178,922,449,750       |                                 |
| <b>Uncaptured Expenditure</b>            |                          |                                 |
| (i) Disbursements to Zesco and Formula 1 | 1,695,914,910,000        |                                 |
| (ii) Financial Charges on Euro Bond      | <u>79,940,292,900</u>    | <u>27,954,777,652,650</u>       |
| Under expenditure                        |                          | <u><u>4,867,007,693,967</u></u> |

The Net Under Expenditure of K4,867,007,693,967 is explained as follows:

|                         |                      |                                 |
|-------------------------|----------------------|---------------------------------|
| Savings Made            | 4,876,503,588,043    |                                 |
| Less Excess Expenditure | <u>9,495,894,076</u> |                                 |
|                         |                      | <u><u>4,867,007,693,967</u></u> |

| <b>Revenue</b>   |                           |
|------------------|---------------------------|
| Actual Revenue   | 22,513,466,192,404        |
| Revenue Estimate | <u>22,378,492,799,118</u> |
| <b>Surplus</b>   | <u>134,973,393,286</u>    |

|                      |                           |                     |
|----------------------|---------------------------|---------------------|
| Actual Revenue       | 22,513,466,192,404        |                     |
| Actual Expenditure   | <u>27,954,777,652,650</u> |                     |
| <b>Gross Deficit</b> |                           | (5,441,311,460,246) |

| <b>Financed By</b> |                          |                                 |
|--------------------|--------------------------|---------------------------------|
| Internal Borrowing | 1,531,683,114,320        |                                 |
| External Borrowing | <u>7,175,951,756,700</u> | <u>8,707,634,871,020</u>        |
| Net surplus        |                          | <u><u>3,266,323,410,774</u></u> |

### **Shortfall/Surplus in Revenue**

As reflected in the Statement B of the Financial Report for the year, the actual revenue collected was more than the estimated revenue by K134,973,393,296 as detailed below.

| Description                           | Approved Estimate<br>K    | Actual Revenue<br>K       | Over the Estimate<br>K   | Shortfall<br>K             |
|---------------------------------------|---------------------------|---------------------------|--------------------------|----------------------------|
| Income Tax - (Other than mineral tax) | 11,364,999,830,292        | 11,732,388,509,836        | 367,388,679,544          | -                          |
| Medical Levy                          | 24,231,410,080            | 24,487,279,427            | 255,869,347              | -                          |
| Customs and Excise                    | 3,490,042,537,606         | 3,680,555,710,400         | 190,513,172,794          | -                          |
| Fuel Levy                             | 609,714,854,151           | 613,804,508,639           | 4,089,654,488            | -                          |
| Value Added Tax                       | 4,665,803,233,780         | 4,721,273,708,622         | 55,470,474,842           | -                          |
| Fines                                 | 15,170,342,319            | 19,744,120,468            | 4,573,778,149            | -                          |
| Licences                              | 464,811,946,691           | 297,789,051,570           | -                        | (167,022,895,121)          |
| Commissions                           | 13,932,701,120            | 14,088,818,148            | 156,117,028              | -                          |
| Fees of court or Office               | 232,621,855,482           | 278,780,165,970           | 46,158,310,488           | -                          |
| Interest                              | 3,055,101,790             | 549,400                   | -                        | (3,054,552,390)            |
| Other Revenue                         | 251,699,433,060           | 528,466,002,589           | 276,766,569,529          | -                          |
| Bilateral Grants                      | 514,026,843,000           | -                         | -                        | (514,026,843,000)          |
| Multilateral Grants                   | 445,318,931,012           | -                         | -                        | (445,318,931,012)          |
| General Budget Support                | 205,743,278,735           | 536,346,731,135           | 330,603,452,400          | -                          |
| Sector Budget Support                 | 77,320,500,000            | 65,741,036,200            | -                        | (11,579,463,800)           |
| <b>Total</b>                          | <b>22,378,492,799,118</b> | <b>22,513,466,192,404</b> | <b>1,275,976,078,609</b> | <b>(1,141,002,685,323)</b> |
| <b>Surplus</b>                        |                           |                           | <b>134,973,393,286</b>   |                            |

The surplus of K134,973,393,286 was attributed to the over collection of income tax, customs and excise, other revenue and general budget support.

### Excess Expenditure

A review of Statement 'C' of the Financial Report for the year under review revealed that expenditure in excess of the provision voted by Parliament in respect of three (3) heads of expenditure amounted to K9,495,894,076 as tabulated below.

| Ministry                                   | Total Authorised<br>Provision<br>K | Actual<br>Expenditure<br>K | Excess<br>Expenditure<br>K |
|--|------------------------------------|----------------------------|----------------------------|
| Ministry of Chiefs and Traditional Affairs | 77,130,791,355                     | 77,806,017,300             | 675,225,945                |
| Drug Enforcement Commission                | 41,863,422,400                     | 50,683,890,531             | 8,820,468,131              |
| Zambia Intelligence Service                | 321,444,299,489                    | 321,444,499,489            | 200,000                    |
| <b>Total</b>                               | <b>440,438,513,244</b>             | <b>449,934,407,320</b>     | <b>9,495,894,076</b>       |

This excess expenditure of K9,495,407,320 will require approval by Parliament as provided for in Article 117 (5) of the Constitution.



| Tax Type                                   | GRZ Profile<br>K          | Net Collections<br>K      | Variance<br>K               |
|--|---------------------------|---------------------------|-----------------------------|
| <b>Income Tax (Other than Mineral Tax)</b> |                           |                           |                             |
| Company Tax                                | 4,186,178,866,267         | 4,376,068,141,244         | 189,889,274,977             |
| Individuals (Self-employed)                | 47,270,227,138            | 43,222,475,638            | (4,047,751,500)             |
| Back Duty                                  | 242,760,741               | -                         | (242,760,741)               |
| Pay As You Earn                            | 4,667,948,304,285         | 4,953,306,642,174         | 285,358,337,889             |
| Employed Individuals                       | 33,528,341,626            | 35,013,012,225            | 1,484,670,599               |
| Withholding Tax (Rent, Interest)           | 690,481,241,444           | 699,273,070,901           | 8,791,829,457               |
| Withholding Tax (Dividends)                | 26,127,156,251            | 18,755,849,358            | (7,371,306,893)             |
| Withholding Tax (Lump Sum)                 | 247,816,295               | 404,716,491               | 156,900,196                 |
| Withholding Tax (Contractors)              | 39,523,114,589            | 43,002,092,525            | 3,478,977,936               |
| Property Transfer Tax                      | 75,421,806,700            | 80,093,678,786            | 4,671,872,086               |
| Advance Income Tax                         | 19,660,926,347            | 24,626,930,941            | 4,966,004,594               |
| <b>Sub - Total</b>                         | <b>9,786,630,561,683</b>  | <b>10,273,766,610,283</b> | <b>487,136,048,600</b>      |
| <b>Customs and Excise</b>                  |                           |                           |                             |
| Customs Duty                               | 1,897,581,498,667         | 2,016,483,355,690         | 118,901,857,023             |
| Excise Duty -Soft Drinks                   | 39,379,683,475            | 40,040,479,327            | 660,795,852                 |
| Excise Duty -Cigarettes                    | 125,726,627,932           | 113,843,299,846           | (11,883,328,086)            |
| Excise Duty -Opaque Beer                   | 46,304,256,654            | 44,365,977,229            | (1,938,279,425)             |
| Excise Duty -Clear Beer                    | 306,927,985,678           | 324,420,609,581           | 17,492,623,903              |
| Excise Duty -Hydro-Carbon Oils             | 348,241,913,762           | 314,655,023,776           | (33,586,889,986)            |
| Excise Duty -Spirits                       | 20,601,645,658            | 18,481,198,499            | (2,120,447,159)             |
| Rummage Sales                              | 2,143,630,827             | 2,467,916,876             | 324,286,049                 |
| Fines                                      | 10,550,520,846            | 9,828,424,010             | (722,096,836)               |
| Estreated Deposits                         | -                         | -                         | -                           |
| Warehouse Rent                             | 274,561,237               | 240,302,928               | (34,258,309)                |
| Accounting Fees                            | 615,506,678               | 601,797,347               | (13,709,331)                |
| Licence Fees                               | 2,556,388,280             | 2,042,640,000             | (513,748,280)               |
| Other Revenue                              | 450,605,634               | 387,502,403               | (63,103,231)                |
| Excise Duty -Motor Vehicles                | 288,232,316,863           | 316,907,557,128           | 28,675,240,265              |
| Excise Duty -Electrical Energy             | 52,452,179,442            | 41,085,034,529            | (11,367,144,913)            |
| Excise Duty -Water                         | 6,102,334,107             | 6,431,123,130             | 328,789,023                 |
| Excise Duty -Wine                          | 10,540,049,160            | 12,834,457,252            | 2,294,408,092               |
| Excise Duty -Air time                      | 266,664,196,615           | 281,223,054,407           | 14,558,857,792              |
| Export Duties - Scrap Metal                | -                         | -                         | -                           |
| Excise Duty - Cosmetics                    | 12,681,547,556            | 12,990,171,539            | 308,623,983                 |
| Excise Duty - Carbon                       | 22,539,143,953            | 22,541,271,920            | 2,127,967                   |
| Export Levy - Cotton Seed                  | -                         | 999,155,285               | 999,155,285                 |
| Export Levy - Copper Concentrate           | 4,979,854,944             | 32,390,730,974            | 27,410,876,030              |
| Excise Duty - Plastic bags                 | 2,106,076,442             | -                         | (2,106,076,442)             |
| Sacks and Bags                             | -                         | 3,278,628,792             | 3,278,628,792               |
| Gases                                      | -                         | 1,433,451,311             | 1,433,451,311               |
| <b>Sub - Total</b>                         | <b>3,467,652,524,410</b>  | <b>3,619,973,163,779</b>  | <b>152,320,639,369</b>      |
| <b>Mineral Revenue</b>                     |                           |                           |                             |
| Mineral Royalty                            | 1,578,369,268,609         | 1,458,621,899,552         | (119,747,369,057.00)        |
| <b>Sub - Total</b>                         | <b>1,578,369,268,609</b>  | <b>1,458,621,899,552</b>  | <b>(119,747,369,057.00)</b> |
| <b>Value Added Tax</b>                     |                           |                           |                             |
| Domestic VAT                               | (298,113,028,465)         | (298,967,848,499)         | (854,820,034.00)            |
| Import VAT                                 | 4,963,916,262,245         | 5,020,241,557,121         | 56,325,294,876.00           |
| <b>Sub - Total</b>                         | <b>4,665,803,233,780</b>  | <b>4,721,273,708,622</b>  | <b>55,470,474,842.00</b>    |
| <b>Exceptional Revenue</b>                 |                           |                           |                             |
| Fuel Levy                                  | 609,714,854,151           | 613,804,508,639           | 4,089,654,488.00            |
| Medical Levy                               | 24,231,410,080            | 24,487,279,427            | 255,869,347.00              |
| Motor Vehicle Licence                      | 22,390,013,196            | 60,582,546,620            | 38,192,533,424.00           |
| <b>Sub - Total</b>                         | <b>656,336,277,427</b>    | <b>698,874,334,686</b>    | <b>42,538,057,259.00</b>    |
| <b>Grand Total</b>                         | <b>20,154,791,865,909</b> | <b>20,772,509,716,922</b> | <b>617,717,851,013.00</b>   |

## Accounting and Other Irregularities

An examination of accounting and other records maintained at ZRA headquarters and fourteen (14) stations namely Solwezi, Kasumbalesa, Kitwe, Ndola, Kasama, Nakonde, Mwami, Livingstone, Chirundu, Lusaka, Katima Mulilo, Kazungula, Kenneth Kaunda International Airport and Victoria Falls revealed the following:

### a. Failure to Collect Tax on Assessments

An examination of tax assessment on Turnover Tax (TOT) and Value Added Tax (VAT) revealed that out of the total amount of K4,589,916,495 assessed, amounts totalling

K2,417,975,323 had been collected leaving a balance of K2,171,941,172 outstanding as of December 2013. See table below.

| Station      | Tax type | Amount Assessed<br>K | Amount Paid<br>K     | Outstanding<br>K       |
|--------------|----------|----------------------|----------------------|------------------------|
| Solwezi      | TOT      | 173,763,029          | 147,677,407          | (26,085,622)           |
| Kitwe        | VAT      | 999,839,864          | 821,289,111          | (178,550,753)          |
| Ndola        | TOT      | 1,921,838,795        | 902,085,480          | (1,019,753,315)        |
| Chipata      | TOT      | 486,340,219          | 25,437,709           | (460,902,510)          |
| Livingstone  | TOT      | 1,008,134,587        | 521,485,616          | (486,648,971)          |
| <b>Total</b> |          | <b>4,589,916,495</b> | <b>2,417,975,323</b> | <b>(2,171,941,172)</b> |

In his response dated 26<sup>th</sup> December 2013, the Commissioner General stated that the uncollected taxes had reduced to K2,169,441,171 after the payment of K2,500,000.

However, no details of such a payment (the stations from where these payments were made) were provided for verification as at 31<sup>st</sup> December 2013.

**b. Outstanding Mineral Royalty – Ndola Lime Company**

Mineral royalty taxes that were due from Ndola Lime Company in amounts totalling K2,532,212,446 as at October 2012 had not been paid as of December 2013.

**c. Failure to Honour Time To Pay Agreements (TPAs)**

The Income Tax Act provides for taxpayers to settle the tax due by instalments through a written agreement between the Taxpayer and ZRA, stipulating the dates on which payments are to be made.

Though the agreements had been signed between the Taxpayer and ZRA for the period up to 31<sup>st</sup> August 2012, a review of Time to Pay Agreements revealed that amounts totalling K1,933,962,203 were still outstanding as of October 2013. See table below.

| Station      | Tax Arrears as at<br>December 2012<br>K | Amount Paid<br>as at October 2013<br>K | Outstanding<br>as at October 2013<br>K |
|--------------|---|--|--|
| Kitwe        | 3,179,089,909                           | 1,472,867,428                          | (1,706,222,481)                        |
| Ndola        | 112,829,565                             | 91,741,691                             | (21,087,874)                           |
| Solwezi      | 22,918,788                              | 19,209,807                             | (3,708,981)                            |
| Kasama       | 289,370,746                             | 208,927,889                            | (80,442,857)                           |
| Livingstone  | 486,829,135                             | 364,329,125                            | (122,500,010)                          |
| <b>Total</b> | <b>4,091,038,143</b>                    | <b>2,157,075,940</b>                   | <b>(1,933,962,203)</b>                 |

**d. Customs Services Division**

**i. Uncollected Duties on Transits**

Automated System for Customs Data (ASYCUDA) has a transit module that handles transactions for Removals in Bond (R.I.Bs) and Removals in Transit (R.I.Ts) such as goods moving from one customs control area to another without duty being paid but under surety of a bond issued by banks or insurance companies.

According to the Customs procedures, transit documents are generated at the port of entry and are acquitted at the port of exit as the goods are leaving the country within five (5) days for R.I.Ts and thirty (30) days for R.I.Bs. Therefore, clearance of all transits on the system is done by the destination exit office as indicated on the transit documents, after checking that all goods that entered the country were not consumed within.

An examination of records revealed that nine (9) port offices namely Kasumbalesa, Ndola, Nakonde, Mwami, Livingstone, Chirundu, Katima - Mulilo, Kazungula and Victoria Falls had not collected duties amounting to K90,544,967,744 as of December 2013. See table below.

| S/N          | Port           | Transit Guarantee Amount<br>K |
|--------------|----------------|-------------------------------|
| 1            | Kasumbalesa    | 39,923,085,948                |
| 2            | Ndola          | 21,071,227,651                |
| 3            | Nakonde        | 6,529,832,740                 |
| 4            | Mwami          | 2,902,472,791                 |
| 5            | Livingstone    | 2,240,229,027                 |
| 6            | Chirundu       | 10,920,368,652                |
| 7            | Katima Mulilo  | 287,300,325                   |
| 8            | Kazungula      | 5,041,237,067                 |
| 9            | Victoria Falls | 1,629,213,543                 |
| <b>Total</b> |                | <b>90,544,967,744</b>         |

**ii. Customs Debt**

A review of 2012 Customs Debt stock revealed that amounts totalling K116,446,431,230 were owed as of December 2013 for the period under review. See table below.

| AGE GROUP<br>DAYS | SUM OF TOTALS<br>K     |
|-------------------|------------------------|
| 0-180             | 14,240,853,470         |
| 181-365           | 15,532,123,380         |
| Above 365         | 86,673,454,380         |
| <b>Total</b>      | <b>116,446,431,230</b> |

In addition, there was no movement in customs debt at four (4) stations in respect of outstanding amounts totalling K20,423,042,667. See table below.

| STATION     | 2012<br>DEBT<br>K     | 2011<br>DEBT<br>K     |
|-------------|-----------------------|-----------------------|
| Nakonde     | 10,374,493,710        | 10,374,493,710        |
| Mwami       | 451,130,847           | 451,130,847           |
| Livingstone | 3,564,579,390         | 3,564,579,390         |
| Chirundu    | 6,032,838,720         | 6,032,838,720         |
|             | <b>20,423,042,667</b> | <b>20,423,042,667</b> |

### iii. Expired Temporal Importation Permits and Customs Importation Permits

Temporal Importation Permit (TIPs) are issued for goods that come into the country and are meant to be re-exported back in an unaltered condition. When all the conditions are met, the goods return in the same state. No duties and taxes are payable. The imported goods are supposed to be re-exported by a specific date which is captured on ASYCUDA and when the period expires, a follow up action must be instituted by the port of entry and the necessary taxes collected.

Similarly, Customs Importation Permits (CIPs) are issued to foreign visitors who come with their motor vehicles and intend to go back with them on a specific date. CIPs have a validity period of twelve (12) months. If an extension is not granted the authority is supposed to follow up on those motor vehicles to secure the duties payable.

A review of TIPs and CIPs processed on ASYCUDA revealed that one hundred and seventeen (117) TIPs and seven hundred and seventy three (773) CIPs with amounts totalling K19,443,197,844 and K790,047,156,818 respectively had expired and that the goods concerned had not exited the country. See table below.

| Station        | No. of<br>Expired TIPs | Value<br>K            | No. of<br>Expired CIPs | CIPs<br>US\$ | Value<br>K             |
|----------------|------------------------|-----------------------|------------------------|--------------|------------------------|
| Kasumbalesa    | 0                      | -                     | 67                     | 417,200      | 4,148,283,150          |
| Ndola          | 35                     | 112,420,000           | 0                      |              | -                      |
| Nakonde        | 49                     | 17,107,864,220        | 220                    |              | 485,919,878,070        |
| Mwami          | 0                      | -                     | 22                     |              | 1,748,711,890          |
| Livingstone    | 33                     | 2,222,913,624         | 0                      |              | -                      |
| Kazungula      | 0                      | -                     | 343                    |              | 166,974,358,419        |
| Victoria falls | 0                      | -                     | 121                    |              | 131,255,925,290        |
| <b>Total</b>   | <b>117</b>             | <b>19,443,197,844</b> | <b>773</b>             |              | <b>790,047,156,818</b> |

However, as of December 2013, the ZRA had not made any follow ups to secure the payable duties.

**iv. Missing Goods – Nakonde State Warehouse**

Various goods with Value for Duty Purpose (VDP) in amounts totalling K1,149,049,451 placed on Receipts of Items Held (RIH) from 20<sup>th</sup> February to 24<sup>th</sup> September 2012 were missing from the State Warehouse in Nakonde.

**v. Unaccounted for Duty on Motor Vehicles - Nakonde**

In my Report on the Accounts for the financial year ended 31<sup>st</sup> December 2011, mention was made of ZRA's failure to account for twelve (12) seized motor vehicles with an estimated value for duty purposes of K189,658,964.

A physical verification of the seized motor vehicles as captured on the yard status register carried out in October 2013 for the period under review, revealed that ten (10) motor vehicles with an estimated collectable duty of K122,187,223 could not be traced in the customs yard and the station management did not provide acquittal details for these vehicles.

**vi. Failure to Dispose off Damaged Motor Vehicles - Chirundu**

There were six (6) motor vehicles valued at K77,750,000 damaged in road traffic accidents found in the yard. The vehicles were seized from 2008 to 2011 and despite the same vehicles having been gazetted, they had not been auctioned and were still within the customs yard.

**Programme: 2 Exceptional Revenues - Ministry of Mines, Energy and Water Development**

**Activities: 122010 ERB Licence Fees**  
**122050 Mining Licence**  
**129015 Fees and Surface Rental Charges**  
**123065 Water Board Fees**

8. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K22,457,413,142 was made against which amounts totalling K26,094,573,819 were collected resulting in an over collection of K3,637,160,669 as shown in the table below.

| Revenue Type     | Budgeted Provision<br>K | Actual Collection<br>K | Over Collections<br>K |
|------------------|-------------------------|------------------------|-----------------------|
| Mining licence   | 3,553,269,710           | 4,001,146,939          | 447,877,229           |
| Surface Fees     | 416,856,750             | 553,719,733            | 136,862,983           |
| Other Revenue    | 197,274,120             | 247,685,191            | 50,411,071            |
| Water Board Fees | 3,185,382,750           | 5,216,704,677          | 2,031,321,927         |
| ERB Licence Fees | 15,104,629,820          | 16,075,317,278         | 970,687,458           |
| <b>Total</b>     | <b>22,457,413,150</b>   | <b>26,094,573,819</b>  | <b>3,637,160,669</b>  |

### **Irregularities in Accounting for Revenue**

An examination of accounting and other records maintained at the Ministry Headquarters and selected stations carried out in June 2013 revealed the following:

**a. Unaccounted for Revenue - Water Board Fees**

Contrary to Financial Regulation No. 129, amounts totalling K78,346,187 collected in respect of Water Board Fees were unaccounted for in that the money was not banked and no cash was found on hand.

**b. Outstanding Licence Fees**

It was observed that as at 31<sup>st</sup> December 2012, amounts totalling K3,902,337,214 were owed to the Energy Regulation Board (ERB) by Oil Marketing companies in licence fees. Consequently, K780,467,443 was not remitted to the Treasury being 20% of the outstanding amount.

**c. Delayed Banking**

Contrary to Financial Regulation No.121 (1), there were delays for periods ranging from 5 to 58 days in banking revenue collected from three (3) stations during the period under review. See table below.

| <b>Station</b>    | <b>No. of Days Delayed in Banking</b> | <b>Amount K</b> |
|-------------------|---------------------------------------|-----------------|
| Headquarters      | 5 to 58 days                          | 1,692,819,267   |
| Cadastre office   | 25 to 53 days                         | 631,017,974     |
| Mines safety Dept | 5 to 16 days                          | 377,909,373     |

**Programme: 2 Fees of Court - Ministry of Home Affairs**

**Activity: 123018 Immigration Fees and Charges**

9. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K97,987,840,094 was made against which amounts totalling K175,384,285,859 were collected resulting in an over collection of K77,396,445,765.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and selected provincial offices revealed the following:

**a. Unaccounted for Revenue**

Contrary to Financial Regulation No.129 (1), revenue collections from the sale of visas and work permits in amounts totalling K112,450,000 and US\$3,750 made at various stations as shown in the table below were not accounted for in that the collections could not be traced to the bank statements and there was no cash on hand.

| <b>Station</b> | <b>Unaccounted for Funds</b> |                 |
|----------------|------------------------------|-----------------|
|                | <b>K</b>                     | <b>US \$</b>    |
| Mansa          | 61,800,000                   | -               |
| Mansa          | 20,100,000                   | -               |
| Kaputa         | -                            | 200.00          |
| Chipungu       | 30,550,000                   | 1,400.00        |
| Nchelenge      | -                            | 2,050.00        |
| Chembe         | -                            | 100.00          |
| <b>Total</b>   | <b>112,450,000</b>           | <b>3,750.00</b> |

**b. Delayed Banking**

Contrary to Financial Regulation No.121, there were delays in the banking of revenue collections for periods ranging from two (2) to one hundred sixty nine (169) days. See table below.

| Office       | Amounts     |        | Delay in days |
|--------------|-------------|--------|---------------|
|              | K           | US \$  |               |
| Headquarters | 553,950,000 | -      | 4 to 140      |
| Sakania      | 245,279,000 | 42,000 | 2 to 37       |
| Mansa        | 41,750,000  | -      | 2 to 145      |
| Kaputa       | 37,100,000  | 4,450  | 6 to 169      |
| Chipungu     | 49,250,000  | 8,900  | 16 to 151     |
| Nchelenge    | 25,250,000  | 1,760  | 4 to 159      |
| Kashiba      | 99,150,000  | 17,320 | 4 to 52       |
| Kawambwa     | 1,000,000   | -      | 5 to 106      |
| Chembe       | 17,850,000  | 2,630  | 4 to 148      |

**c. Missing Accountable Documents**

Contrary to Financial Regulation No. 10 (n), General Receipt Books with serial numbers 1317801-1317850 and 1317851-1317900 at Mansa office were not availed for audit.

**Programme: 8 Fees and Fines – Judiciary**

**Activities: 084 Court and Other Fees**

**085 Library Services**

**086 Fines of Court**

10. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K4,741,883,640 was made against which amounts totalling K7,201,834,910 were collected resulting in an over collection of K2,459,951,270 as shown in the table below.

| Revenue Type     | Budget Provision K   | Actual Collection K  | Over/(Under) Collection K'000 |
|------------------|----------------------|----------------------|-------------------------------|
| Fines of Court   | 1,207,535,050        | 1,800,717,920        | 593,182,870                   |
| Court Fees       | 3,470,285,640        | 5,245,031,130        | 1,774,745,490                 |
| Library Services | 64,062,950           | 156,085,860          | 92,022,910                    |
| <b>Total</b>     | <b>4,741,883,640</b> | <b>7,201,834,910</b> | <b>2,459,951,270</b>          |

## Irregularities in Accounting for Revenue

An examination of accounting and other records maintained at the Judiciary Headquarters and a visit to selected courts carried out in June 2013 revealed the following:

### a. Unaccounted for Revenue

Contrary to Financial Regulation No. 129, amounts totalling K279,459,587 collected during the period under review by various courts as shown in the table below, were unaccounted for in that the money was not banked and no cash was found on hand.

| STATION                               | AMOUNT<br>K        |
|---------------------------------------|--------------------|
| <b>HEADQUARTERS</b>                   |                    |
| Boma Local Court 6                    | 9,647,010          |
| Boma Local Court 5                    | 1,602,000          |
| <b>PROVINCIAL OFFICES</b>             |                    |
| Mumbwa Subordinate- Court Fines       | 1,366,000          |
| Mumbwa Subordinate- Court Fees        | 1,071,000          |
| Nakonde- Subordinate                  | 1,070,000          |
| Kasama Subordinate                    | 22,800,000         |
| Choma Urban Court - Fees              | 1,974,380          |
| Choma Urban Court - Fines             | 420,200            |
| Solwezi- Kyawama Local Court          | 321,780            |
| Mazabuka Subordinate Court            | 177,677,750        |
| Petauke Boma Local Court- Court Fees  | 4,551,400          |
| Petauke Boma Local Court- Court Fines | 989,100            |
| Kalindawalo Local Court               | 1,031,740          |
| Chipata High Court                    | 131,500            |
| Chipata Subordinate- Sheriffs Fees    | 121,820            |
| Clients Account                       | 44,309,007         |
| Mumbwa Subordinate- Sherriff Fees     | 100,000            |
| Mapanza Local Court - court fees      | 2,841,240          |
| Mapanza Local Court - court fines     | 385,100            |
| Macha Local Court- Court Fees         | 925,000            |
| Chelston Local Court                  | 3,034,560          |
| Mazabuka Local Court- Court Fees      | 3,089,000          |
| <b>Total</b>                          | <b>279,459,587</b> |

### b. Delayed Banking

Contrary to Financial Regulation No.121 (1), there were delays of periods ranging from 3 to 240 days in the banking of revenue by Headquarters and various other courts as shown in the table below.

| STATION                           | NO. OF DAYS | AMOUNT K   |
|-----------------------------------|-------------|------------|
| <b>HEADQUARTERS</b>               |             |            |
| High Court -Fines                 | 5-24        | 39,800,000 |
| Resident Magistrate               | 10-150      | 23,137,250 |
| Lusaka Boma Court II              | 5-30        | 1,850,000  |
| Chelston Local Court              | 5-22        | 23,375,500 |
| Sheriffs Court                    | 7-19        | 22,695,012 |
| Lusaka Boma Court IV- Court Fees  | 5-56        | 24,799,370 |
| Lusaka Boma Court IV- Court Fines | 6-55        | 2,160,100  |
| Lusaka Boma Court I - Court Fees  | 5-240       | 36,159,000 |
| Lusaka Boma Court I - Court Fines | 11-90       | 3,470,000  |
| Lusaka Boma Court VI- Court Fees  | 7-42        | 4,942,200  |
| Lusaka Boma Court VI- Court Fines | 8-22        | 250,000    |
| Small Claims                      | 7-18        | 24,280,000 |
| <b>PROVINCES</b>                  |             |            |
| Livingstone Court 1- Court Fees   | 5-20        | 8,739,000  |
| Livingstone Court 2- Court Fees   | 5-23        | 13,910,000 |
| Livingstone Court 2- Court Fines  | 5-30        | 5,595,000  |
| <i>Choma Magistrate</i>           |             |            |
| Court Fees                        | 5-12        | 1,417,000  |
| Sheriff Fees                      | 5-12        | 2,461,500  |
| <b>Mazabuka Subordinate</b>       |             |            |
| Court Fines                       | 5-29        | 3,723,750  |
| Sheriff Fees                      | 5-27        | 4,000,000  |
| Mazabuka Local Court              | 3-150       | 1,029,000  |
| <b>Mumbwa Subordinate Court</b>   |             |            |
| Court Fees                        | 10-45       | 3,214,000  |
| Court Fines                       | 11-219      | 12,295,000 |
| Sheriff Fees                      | 11-100      | 3,083,750  |

**c. Missing Receipt Books**

Contrary to Financial Regulation No.10 (n), three (3) general receipt books (Accounts Form 40) were not presented for audit. See table below.

| STATION                | RECEIPT RANGE |         |
|------------------------|---------------|---------|
| Chipata Local Court II | 3912701       | 3912750 |
| Lusaka Boma Court VI   | 3719051       | 3719100 |
|                        | 3725251       | 3725300 |

**Programme: 8 Fees and Fines - Ministry of Information, Broadcasting and Tourism**

**Activities: 122060 Licences for Private Radio and TV Stations**  
**123076 Information Services**

11. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K100,937,000 was made against which amounts totalling K248,415,320 were collected resulting in an over collection of K147,478,320. See table below.

| <b>Revenue Type</b>                  | <b>Approved Estimate</b> | <b>Actual Collection</b> | <b>(Under) / Over Collection</b> |
|--------------------------------------|--------------------------|--------------------------|----------------------------------|
|                                      | <b>K</b>                 | <b>K</b>                 | <b>K</b>                         |
| Licenses Fees (Private Radio and TV) | -                        | 107,260,000              | 107,260,000                      |
| Information Services                 | 100,937,000              | 141,155,320              | 40,218,320                       |
| <b>Total</b>                         | <b>100,937,000</b>       | <b>248,415,320</b>       | <b>147,478,320</b>               |

There was no provision for the collection of licence fees from private radio and television station despite the actual collection of K107,260,000 during the period under review.

#### **Accounting and Other Irregularities**

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

**a. Failure to Collect Outstanding Licence Fees**

As of December 2013, the Ministry was owed amounts totalling K152,000,000 from unpaid television and radio annual licence fees by twenty one (21) radio and TV stations as shown in the table below.

| <b>Institution</b>                               | <b>Amount Owing<br/>K</b> |
|--|---------------------------|
| Radio Icengelo                                   | 2,000,000                 |
| Radio FCC  | 2,000,000                 |
| Radio Zambezi                                    | 8,000,000                 |
| Sky FM   | 12,000,000                |
| Radio Chikaya                                    | 24,000,000                |
| Radio Mano                                       | 16,000,000                |
| Muvi TV  | 14,000,000                |
| Radio Liseli                                     | 18,000,000                |
| Radio Maranatha                                  | 9,000,000                 |
| Copperbelt Broadcasting System                   | 3,000,000                 |
| PASME Radio                                      | 6,000,000                 |
| Yar FM   | 4,000,000                 |
| Salvation Army radio                             | 2,000,000                 |
| Isoka radio                                      | 6,000,000                 |
| Central Broadcasting Company TV                  | 10,000,000                |
| Kasempa Radio                                    | 2,000,000                 |
| Itezhi- tezhi                                    | 2,000,000                 |
| Lumba Radio Station                              | 4,000,000                 |
| Independent Faith Baptist Mission Central Africa | 6,000,000                 |
| Mkushi Community radio                           | 2,000,000                 |
| <b>Total</b>                                     | <b>152,000,000</b>        |

The amounts had been outstanding from as far back as 2001.

**b. Delayed Banking**

Contrary to Financial Regulation No. 121, there were delays of periods ranging from two (2) to one hundred and twenty eight (128) days in banking revenue collected at various stations as detailed in the table below.

| <b>Station</b> | <b>Amount<br/>K</b> | <b>Amount<br/>US\$</b> | <b>Range<br/>(days)</b> |
|----------------|---------------------|------------------------|-------------------------|
| Zanis HQ       | 18,663,000          | 650                    | 2 to 17                 |
| Chipata        | 4,340,000           |                        | 2 to 59                 |
| Ndola          | 12,263,000          |                        | 2 to 54                 |
| Kitwe          | 4,555,000           |                        | 2 to 128                |
| Kabwe          | 13,070,000          |                        | 2 to 114                |

**c. Missing General Receipt Book**

Contrary to Financial Regulation No. 10 (n), one General Receipt Book number 1458851 – 1458900 at ZANIS Choma was not availed for audit.

**Programme: 2 Fees of Court - Ministry of Information Broadcasting and Tourism**

**Activities: 122020 Hotel Licence Fees**  
**122030 Casino Licence Fees**  
**123031 Tourism Enterprise**  
**124015 Tourism Levy**  
**125015 TDCF Loan Repayments**

12. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K18,500,000,000 was made against which amounts totalling K12,110,360,973 were collected resulting in an under collection of K6,389,639,027. See table below.

| Description                       | Budget Provision      | Actual Collections    | Over/ Under Collection |
|-----------------------------------|-----------------------|-----------------------|------------------------|
|                                   | K                     | K                     | K                      |
| Hotel License Fees                | 600,000,000           | 12,084,670,063        | 11,484,670,063         |
| Casino license Fees               | 700,000,000           | -                     | (700,000,000)          |
| Other Licences                    | -                     | 1,900,000             | 1,900,000              |
| National Parks and Trophy Hunting | -                     | 23,790,910            | 23,790,910             |
| Tourism Enterprise Licence Fees   | 700,000,000           | -                     | (700,000,000)          |
| Tourism Levy                      | 15,000,000,000        | -                     | (15,000,000,000)       |
| TDCF Loan Repayments              | 1,500,000,000         | -                     | (1,500,000,000)        |
|                                   | <b>18,500,000,000</b> | <b>12,110,360,973</b> | <b>(6,389,639,027)</b> |

### Irregularities in Accounting for Revenue

An examination of revenue records at the Ministry Headquarters and regional offices carried out in September 2013 revealed the following:

#### a. Unaccounted for Revenue

Contrary to Financial Regulation No. 129, collections in amounts totalling K996,907,300 made at Headquarters and Livingstone Regional Office as shown in the table below from hotel and tourism enterprise licence fees could not be accounted for in that there was no evidence of banking and no cash was found on hand.

| Station      | Amount K           |
|--------------|--------------------|
| Headquarters | 651,546,200        |
| Livingstone  | 345,361,100        |
| <b>Total</b> | <b>996,907,300</b> |

In addition, amounts totalling K302,013,760 collected during the period from January to October 2013 at Headquarters and Livingstone were also not accounted for as there was neither evidence of any banking nor cash on hand as of December 2013.

**b. Failure to Collect Revenue**

The Tourism and Hospitality Act of 2007, requires all hotels, lodges and guest houses to make an upfront payment for operational licences. However, five hundred and sixty seven (567) lodges and guest houses had accrued licence fees arrears amounting to K137,619,000 as of December 2013. See table below.

| Station      | No. of Enterprises | Arreas K           |
|--------------|--------------------|--------------------|
| Headquarters | 256                | 60,825,600         |
| Kasama       | 111                | 29,273,400         |
| Ndola        | 200                | 47,520,000         |
| <b>Total</b> | <b>567</b>         | <b>137,619,000</b> |

**c. Failure to Carry Out Inspections of Tourism Enterprises and Casinos**

According to the provisions of the Tourism and Hospitality Act of 2007 Sections 74 to 77, tourism enterprises inspectors are supposed to carry out timely and regular inspections and prepare reports thereof on tourism enterprises in order to ascertain compliance with the law on the part of owners of the enterprises.

Contrary to this requirement, there was no evidence that such inspections had been carried out in that no inspection reports had been provided for audit as of December 2013.

In addition, casinos are expected to prepare and submit audited statements of accounts showing gross casino winnings for each day and the fees payable in respect of the winnings upon which fees to Government are to be determined. However, no audited accounts were submitted to the Ministry.

**d. Missing General Receipt Books and Tourism Enterprise Licences**

Contrary to Financial Regulation No.10 (n), there were thirteen (13) booklets of tourism enterprise licences that were not presented for audit by headquarters.

In addition, a review of an internal audit report dated 25<sup>th</sup> July 2013 revealed that out of the ten (10) books collected by Kasama Regional Office from Headquarters, only six (6) were accounted for.

**e. Printing of Tourism Enterprise Licences Without Authority**

Contrary to Financial Regulation No.100, the Department procured forty (40) booklets of fifty (50) pages each for annual tourism enterprises licensing and six (6) booklets of initial authorisation licensing of fifty (50) pages each without authority from the Secretary to the Treasury.

**Programme: 8 Fees - Ministry of Lands**

**Activities: Various**

13. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K48,599,749,390 was made against which amounts totalling K55,327,980,613 were collected resulting in an over collection of K6,728,231,223 as shown in the table below.

| <b>Revenue Type</b>                 | <b>Budgeted Provision<br/>K</b> | <b>Actual Collection<br/>K</b> | <b>(Under)/Over<br/>Collection<br/>K</b> |
|-------------------------------------|---------------------------------|--------------------------------|--|
| Ground Rent                         | 20,330,184,962                  | 23,047,439,013                 | 2,717,254,051                            |
| Document Fees and Registration Fees | 8,682,720,426                   | 10,564,526,739                 | 1,881,806,313                            |
| Survey Fees                         | 4,521,341,872                   | 6,911,956,472                  | 2,390,614,600                            |
| Rent of Government Premises         | 233,845,000                     | 14,500,000                     | (219,345,000)                            |
| Consent Fees                        | 405,269,960                     | 852,383,740                    | 447,113,780                              |
| Interest on late payments           | 3,055,101,790                   | 549,400                        | (3,054,552,390)                          |
| Consideration Fee                   | 5,368,495,880                   | 8,164,091,130                  | 2,795,595,250                            |
| Preparation Fees                    | 321,236,300                     | 364,775,480                    | 43,539,180                               |
| Forestry Revenue                    | 5,681,553,200                   | 5,407,758,639                  | (273,794,561)                            |
| <b>Total</b>                        | <b>48,599,749,390</b>           | <b>55,327,980,613</b>          | <b>6,728,231,223</b>                     |

**Irregularities in Accounting for Revenue**

An examination of accounting and other records maintained at the Ministry Headquarters, Livingstone, Ndola, Kabwe, Mongu, Solwezi, Mansa, Kasama and Chipata offices carried out in August 2013 revealed the following:

**a. Unauthorised Appropriation of Revenue**

During the period under review, the Ministry was authorised to spend K4,113,561,790 as Appropriation In Aid. However, the Ministry spent K10,845,166,640 resulting in an unauthorised appropriation of revenue in amounts totalling K6,731,604,850.

**b. Unaccounted for Revenue**

Contrary to Finance Regulation No.129, amounts totalling K48,102,512 collected at three (3) stations could be accounted for in that there was no evidence of banking no cash found on hand. See table below.

| STATION              | UNACCOUNTED FOR FUNDS K |
|----------------------|-------------------------|
| Chipata - Survey     | 3,150,000               |
| Mongu - Lands Office | 15,552,012              |
| Kaoma Forestry       | 29,400,500              |
| <b>Total</b>         | <b>48,102,512</b>       |

**c. Failure to Collect Arrears on Rent of Government Premises**

A scrutiny of records relating to rentals at Kwacha House (Lusaka) and Southdown Airport (Kalulushi) revealed that amounts totalling K419,470,410 had been outstanding during the period from 31<sup>st</sup> March 2007 to 31<sup>st</sup> December 2012.

**d. Unpresented Receipt Books**

Contrary to Financial Regulation No.10 (n), two (2) general receipt books (Accounts Form 40) with serial numbers 3618951 - 3619000 for Mongu Lands Office and 3504451 - 3504500 for Kitwe District Forestry Office were not presented for audit.

In addition, Receipt No. 1453200 was plucked out of the receipt book without leaving a copy at Kitwe District Forestry Office.

**e. Delayed Banking**

Contrary to Financial Regulation No.121 (1), there were delays of periods ranging from 2 to 39 days as shown in the table below in banking revenue collected during the period under review.

| STATION                           | AMOUNT K    | NO OF DAYS |
|-----------------------------------|-------------|------------|
| Mongu- Forestry                   | 41,193,000  | 2-14       |
| Kabwe Lands Regional Office       | 163,345,104 | 2-6        |
| Kabwe Lands Survey Office         | 41,960,000  | 2-25       |
| Kitwe Forestry Office             | 73,054,600  | 3-39       |
| Luanshya District Forestry Office | 14,671,300  | 5-26       |
| Ndola Lands Regional Office       | 390,374,250 | 2-6        |

|                    |            |   |
|--------------------|------------|---|
| <b>Programme:</b>  | <b>2</b>   | <b>Licences – Ministry of Agriculture</b>           |
| <b>Activities:</b> | <b>085</b> | <b>Fish Licences</b>                                |
|                    | <b>090</b> | <b>Import and Export Permits</b>                    |
|                    | <b>068</b> | <b>Other Fees</b>                                   |
|                    | <b>097</b> | <b>Inspection Fees</b>                              |
|                    | <b>030</b> | <b>Plant Quarantines and Phytosanitary Services</b> |

14. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K5,100,891,090 was made for the collection of revenue against which amounts totalling K4,177,666,540 were collected resulting in an under collection of K923,224,550 as shown in the table below.

| <b>Revenue Type</b>                       | <b>Provision<br/>K</b> | <b>Actual<br/>Collection<br/>K</b> | <b>Over/(Under)<br/>Collection<br/>K</b> |
|---|------------------------|------------------------------------|--|
| Fish Licences                             | 1,387,035,780          | 1,037,033,790                      | (350,001,990)                            |
| Import and Export Permits                 | 1,471,908,880          |                                    | (1,471,908,880)                          |
| Other Fees                                | 0                      | 666,110,000                        | 666,110,000                              |
| Inspection Fees                           | 1,471,908,880          | 1,395,326,000                      | (76,582,880)                             |
| Plant Quarantine & Phytosanitary Services | 770,037,550            | 1,079,196,750                      | 309,159,200                              |
| <b>Total</b>                              | <b>5,100,891,090</b>   | <b>4,177,666,540</b>               | <b>(923,224,550)</b>                     |

### **Accounting for Revenue and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and a visit to selected districts carried out in May 2013 revealed the following:

#### **a. Delayed Banking**

Contrary to Financial Regulation No.121 (1), there were delays in the banking of revenue collected during the period under review for periods ranging from 5 to 360 days as shown in the table below.

| <b>STATION</b>            | <b>AMOUNT<br/>K</b> | <b>NO OF DAYS<br/>DELAYED</b> |
|---------------------------|---------------------|-------------------------------|
| <b>Headquarters</b>       |                     |                               |
| Veterinary Services       | 8,900,000           | 200-360                       |
| <b>Provincial Offices</b> |                     |                               |
| Chipata- ZARI             | 15,422,000          | 5-68                          |

**b. Unaccounted for Revenue**

Contrary to Financial Regulation No.129, collections in amounts totalling K320,461,719 made from six (6) stations were not accounted for in that the funds were neither banked nor on hand. See table below.

| <b>STATION</b>                      | <b>UNACCOUNTED FOR<br/>K</b> |
|-------------------------------------|------------------------------|
| Chilanga Fisheries                  | 295,508,215                  |
| Seed certification and Control Unit | 240,104                      |
| Nakonde Import & Export             | 1,880,000                    |
| Kapiri Mposhi - Phytosanitary       | 4,424,500                    |
| Livingstone - veterinary            | 16,426,500                   |
| Petauke Veterinary                  | 1,982,400                    |
| <b>TOTAL</b>                        | <b>320,461,719</b>           |

**c. Chipata Veterinary - Missing Receipt Book Pages**

Contrary to Financial Regulation No.114 (2) which states that the original receipt shall be kept in the receipt book and the duplicate shall be included with other duplicate receipts which shall accompany the revenue cashbook, three (3) unused receipt books with receipt ranges 0244251 - 0244300, 0244401 - 0244450 and 0244351 – 0244400, had seven (7) original receipts missing.

## EXPENDITURE

**HEAD: 04 Ministry of Gender and Child Development**

**UNITS: Various**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

15. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K29,123,039,847 was made to cater for various activities at the Ministry against which amounts totalling K17,764,151,917 were released (including K4,245,088 brought forward from the previous year) resulting in an under funding of K11,358,887,930.

### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters and visits to selected districts carried out in July 2013 revealed the following:

#### a. Inadequately Supported Payments

Contrary to the Financial Regulation No. 52, seven (7) payment vouchers in amounts totalling K73,460,000 were not adequately supported with either invoices, receipts or other relevant documentation. See table below.

| Programme Name              | No. of Payments | Amount K          |
|-----------------------------|-----------------|-------------------|
| General Administration      | 1               | 2,000,000         |
| Events                      | 1               | 10,380,000        |
| Dismantling of Arrears      | 1               | 3,200,000         |
| Economic Empowerment        | 1               | 2,000,000         |
| Promotion of Gender balance | 1               | 1,590,000         |
| Child Protection            | 2               | 54,290,000        |
| <b>Total</b>                | <b>7</b>        | <b>73,460,000</b> |

#### b. Irregular Payment of Allowances

During the period under review, the Ministry paid amounts totalling K70,500,000 to officers as staff welfare allowance. However, the payments were irregular in that the staff was not entitled to the allowance. As of November 2013, the money irregularly paid had not been recovered.

**c. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K895,096,666 (general stores - K662,812,346 and fuel – K232,284,320) procured during the period under review had no receipt and disposal details.

**d. Economic Empowerment of Women**

**i. Failure to Collect Day Old Chicks**

Although, the Ministry in November 2012 paid an amount of K99,000,000 to Hybrid Poultry Farm (Z) Ltd for the supply of 22,000 day old chicks to be collected by women's clubs, as of December 2013, only 2,800 chicks costing K12,600,000 had been collected leaving a balance of 19,200 chicks costing K86,400,000 uncollected.

**ii. Misapplication of Funds**

Amounts totalling K292,272,650 were applied on purchase of air tickets and payment of allowances activities not related to economic empowerment of women.

**e. Child Protection – Misapplication of Funds**

During the period under review, the Ministry received amounts totalling K3,833,913,635 for child protection. However, amounts totalling K1,379,184,838 were spent on unrelated activities such as motor vehicle repairs and intercompany relay among others.

**HEAD: 11 Zambia Police - Ministry of Home Affairs**

**UNITS: Various**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

- 16.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K956,579,197,215 was made to cater for various activities under Zambia Police Service Headquarters and Divisions against which amounts totalling K693,759,655,083 were released, resulting in an underfunding of K262,819,542,132.

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Zambia Police Headquarters and selected stations carried out from January to March 2013 revealed the following:

### **a. Zambia Police Headquarters**

#### **i. Misapplication of Funds**

Financial Regulation No. 31 requires that where excess expenditure on one item can be met from savings on another item within the programme or another programme not being a programme for Personal Emoluments, authority shall be sought from the Secretary to the Treasury to meet such expenditures.

Contrary to this Regulation, amounts totalling K1,350,008,986 appropriated for the procurement of boats, marine kits and tents were applied on unrelated activities such as the payment of imprests, transit allowances, fuel allowance, food rations and purchases of motor vehicles.

Although in the response dated 6<sup>th</sup> August 2013, the Controlling Officer stated that, authority had been obtained from the Ministry of Finance and that records were available for verification, the records were not availed for audit.

#### **ii. Unaccounted for Stores**

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of various stores items costing K205,011,034 procured during the period under review.

#### **iii. Irregular Drawing of Fuel**

Three (3) officers who were paid fuel allowances amounting to K93,593,240 also drew 1,527 litres of fuel costing K10,389,200 from the pool fuel account contrary to their conditions of service.

#### **iv. Unretired Imprest**

Contrary to Financial Regulation No 96, imprest in amounts totalling K166,532,781 issued to thirty two (32) officers during the period under review had not been retired as of December 2013.

| Location     | No of Officers | Amount K           |
|--------------|----------------|--------------------|
| Headquarters | 7              | 138,992,781        |
| Kasama       | 14             | 8,070,000          |
| Solwezi      | 11             | 19,470,000         |
| <b>Total</b> | <b>32</b>      | <b>166,532,781</b> |

Although in her response dated 6<sup>th</sup> August 2013, the Controlling Officer stated that the imprest had been retired and records were available for verification, no records were produced for verification.

**v. Non Recovery of Loans and Advances**

Contrary to Financial Regulation No.51, recoveries for loans and advances in amounts totalling K300,375,000 paid to forty eight (48) officers had not been effected as of December 2013.

**vi. Procurement of Housing Units**

There were weaknesses in the procurement of housing units as detailed below:

- **House No. 2310 – New Township - Kasama**

In November 2012, the Government of the Republic of Zambia through the Ministry of Home Affairs - Zambia Police signed a purchase agreement with the seller of the house on Stand Number 2310, Nawaitwika Road located in New Town residential area of Kasama in Northern Province at a cost of K270,000,000 and the whole amount was paid on 21<sup>st</sup> December 2012. The following observations were noted:

- There was no Structural Assessment Report to ascertain the condition and status of the house prior to buying availed for audit verification.
- There was no valuation report produced for audit to determine the market price of the house.
- No Certificate of Title was availed for audit.
- The Ministry of Justice had advised that the seller should be paid 20% of the total price upon signing the contract and the balance of 80% upon exchanging of the original consent, property Transfer Tax Receipt,

Certificate of Title and dully executed assignment. However, the seller was paid the whole amount of K270,000,000 on 21<sup>st</sup> December 2012, contrary to the agreed terms and legal advice.



*Side view of house*



*Front view of house*

Although in her response dated 6<sup>th</sup> August 2013, the Controlling Officer stated that the structural assessment and valuation reports were available for verification and that certificate of title was being processed, no evidence was availed for verification.

- **House No. 4559 – Mukulumpe Township - Kasama**

In October 2012, the Ministry of Home Affairs through the Zambia Police signed an agreement with the seller of the house on Stand Number 4559 located in Mukulumpe Residential Area of Kasama in Northern Province at a cost of K420,000,000 and the whole amount was paid on 24<sup>th</sup> December 2012. The following observations were made:

- There was no Structural Assessment Report to ascertain the condition and status of the house prior to buying availed for audit verification,
- There was no valuation report to determine the market price of the house,
- Certificate of Title was not availed for audit,
- According to Clause 8 of the contract, an amount of K220,000,000 was required to be paid upon receipt of the certified handover certificate note from the vendor, and the balance of K200,000,000 was to be paid upon handover of the house. However, the vendor was paid in full before the house was handed over, contrary to the contract terms.

Although in her response dated 6<sup>th</sup> August 2013, the Controlling Officer stated that the Structural Assessment and Valuation Reports were available for verification and that the certificate of title was being processed, no evidence was availed for verification.

**vii. Installation of a Boom Barrier and Access Control System**

In 2011, the Zambia Police signed a contract with DCS Holdings Ltd for the supply and installation of a boom barrier and access control system at the Zambia Police Headquarters at a contract price of K453,223,600 and the whole amount was paid.

The scope of works involved the supply and installation of a 3 m electronic boom barrier, controller, 14 twin terminals, 28 card readers, 14 magnetic locks, 14 automatic door closers, 14 emergency break glass, 14 “3 Amp” switch power supply, 1 PC for access control and the construction of serving window/intercom system at guard house among others.

A physical inspection carried out in November 2013, revealed that the contractor had only fixed a 3m electronic boom barrier and the serving window/intercom system at the guard house. The following weaknesses were noted:

- Duration clause was not included in the contract,
- Defect liability period and after sale service were not included in the contract, and
- The project had delayed with no explanations provided to justify the delay.

**viii. Rehabilitation of Kalomo Police Station and Cells**

In 2012, the Zambia Police Service signed a contract with Alchemy Turn Key Solutions to rehabilitate Kalomo Police Station and Cells at a contract price of K300,557,340 with a duration of eighteen (18) weeks. The works started on 15<sup>th</sup> November 2012 and should have been completed on 30<sup>th</sup> March 2013. A scrutiny of accounting records revealed that the contractor had been paid a total of K236,400,000 representing 79% of the contract price.

The scope of works involved the construction of a new police cell, painting, drainage, water reticulation, renovating all offices including the old cell among others.

A physical inspection of the project revealed that the following works were still outstanding:

- Rehabilitation of staff offices and old detainee cells.
- Toilets, reception and corridors.
- New cells were done up to window level.

**HEAD: 15 Ministry of Home Affairs**

**UNITS: Various**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

17. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K204,568,656,629 was made to cater for various activities against which amounts totalling K151,906,818,217 were released resulting in an underfunding of K52,661,838,412. See table below.

| Department               | Budget Provision<br>K  | Supplementary<br>K    | Total Budget<br>K      | Total Funding<br>K     | Variance<br>K           |
|--------------------------|------------------------|-----------------------|------------------------|------------------------|-------------------------|
| Ministry Headquarters    | 90,297,180,455         | 31,911,354,790        | 122,208,535,245        | 92,908,395,402         | (29,300,139,843)        |
| Immigration              | 31,965,544,291         | 1,944,725,500         | 33,910,269,791         | 21,436,577,464         | (12,473,692,327)        |
| Archives                 | 2,936,307,899          | 300,000,000           | 3,236,307,899          | 2,991,453,335          | (244,854,564)           |
| National Registration    | 32,383,335,048         | 1,000,000,000         | 33,383,335,048         | 24,578,176,892         | (8,805,158,156)         |
| Passport and Citizenship | 8,565,802,149          | -                     | 8,565,802,149          | 7,076,447,176          | (1,489,354,973)         |
| Research and Information | 3,264,406,497          | -                     | 3,264,406,497          | 2,915,767,948          | (348,638,549)           |
| <b>Total</b>             | <b>169,412,576,339</b> | <b>35,156,080,290</b> | <b>204,568,656,629</b> | <b>151,906,818,217</b> | <b>(52,661,838,412)</b> |

### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters, Passports and Citizenship, Immigration and National Registration Departments carried out from April to June 2013 revealed the following:

**a. Irregular Payment of Rural Hardship Allowance – Solwezi Regional Immigration Office**

A review of the payroll and staff register revealed that an officer recruited and posted to Kipushi Border Post could not take up the position at the Station due to lack of accommodation and was operating from Solwezi Regional Office.

Although the officer was operating from the Regional Office, he was irregularly paid rural hardship allowances in amounts totalling K9,224,200 from January 2012 to August 2013.

**b. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65, there were eleven (11) payment vouchers in amounts totalling K256,550,492 made during the period under review that were not availed for audit.

**c. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K79,611,000 procured during the period under review had no receipt and disposal details.

**d. Non Recovery of Loans and Advances**

Contrary to the Terms and Conditions of Service for the Public Service, recoveries in respect of loans and salary advances in amounts totalling K574,500,000 paid to thirty five (35) officers during the period under review had not been effected as of December 2013. See table below.

| Department            | Employee Count | Amount<br>K        |
|-----------------------|----------------|--------------------|
| Ministry Headquarters | 5              | 69,500,000         |
| Immigration           | 3              | 15,000,000         |
| National Archives     | 1              | 10,000,000         |
| National Registration | 15             | 225,000,000        |
| HARID                 | 1              | 25,000,000         |
| Registra of Societies | 1              | 30,000,000         |
| Zambia Police         | 4              | 80,000,000         |
| Prisons               | 5              | 120,000,000        |
| <b>Total</b>          | <b>35</b>      | <b>574,500,000</b> |

**e. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K42,620,120 issued to six (6) officers had not been retired as of December 2013.

**f. Payment of Rentals in Excess of Entitlements**

Contrary to the approved schedule of entitlements, the Immigration Department paid amounts totalling K450,425,643 in respect of rentals for thirty two (32) officers instead of K244,400,000 resulting in excess payment of K206,025,643. As of November 2013, the excess payment had not been recovered from the officers.

**g. Rehabilitation of Staff Houses - Kariba Border Post**

On 6<sup>th</sup> November 2012, the Ministry engaged Met - Weld Fabrication Ltd for the rehabilitation of staff houses at a contract sum of K269,525,600 with a completion period of twelve (12) weeks.

The following observations were made:

- i. Although the contractor commenced works, no site possession certificate was issued to determine the actual date works commenced.
- ii. Although Clause 7 (e) of the contract stipulates that 5% of the contract amount shall be retained for a period of six (6) months after date of last certificate of the works covering the defect liability period, the contractor was paid the full contract amount before completion of all works.
- iii. Although the contractor had been paid in full, works valued at K61,780,000 were still outstanding. See table below.

| Description                              | Value of works<br>K |
|--|---------------------|
| House No. 7 completely not done          | 51,770,000          |
| Apply final coat PVA paint to all houses | 10,010,000          |
| <b>Total</b>                             | <b>61,780,000</b>   |

**HEAD:** 17 Ministry of Foreign Affairs

**UNITS:** 01 Human Resource & Administration

06 Procurement & Supplies

11 Infrastructure Development

13 Planning & Information

14 Accounts & Supplies

**PROGRAMMES:** Various

**ACTIVITIES:** Various

18. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K103,226,483,955 was made to cater for various programmes under the Ministry Headquarters, Zambia Mine Action Centre, Development and International Organization, Protocol, Political Affairs and the Great Lakes Region against which a total amount of K96,942,536,793 was released resulting in an underfunding of K6,283,947,162 as tabulated below.

| Head  | Head              | Approved Estimates<br>K | Suppl Estimates<br>K  | Total Authorised<br>K  | Releases<br>K         | Variance<br>K        |
|-------|-------------------|-------------------------|-----------------------|------------------------|-----------------------|----------------------|
| 17/01 | Hq                | 10,695,547,731          | 82,143,030,715        | 92,838,578,446         | 88,390,990,002        | 4,447,588,444        |
| 17/39 | ZIMAC             | 1,129,345,740           | -                     | 1,129,345,740          | 1,000,042,124         | 129,303,616          |
| 17/40 | DC & IO           | 3,009,544,547           | -                     | 3,009,544,547          | 2,504,890,596         | 504,653,951          |
| 17/41 | Protocol          | 2,202,361,582           | -                     | 2,202,361,582          | 1,561,005,434         | 641,356,148          |
| 17/42 | Political Affairs | 2,999,540,230           | -                     | 2,999,540,230          | 2,482,055,353         | 517,484,877          |
| 17/49 | Great Lakes       | 1,047,113,410           | -                     | 1,047,113,410          | 1,003,553,284         | 43,560,126           |
|       | <b>Total</b>      | <b>21,083,453,240</b>   | <b>82,143,030,715</b> | <b>103,226,483,955</b> | <b>96,942,536,793</b> | <b>6,283,947,162</b> |

### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters carried out in March 2013 revealed the following:

#### a. Personal Emoluments

##### i. Returning Diplomats Not Yet Deployed

During the period January to October 2012, one hundred and sixty (160) diplomats were recalled. The recalled diplomats comprised ninety five (95) civil servants and sixty five

(65) others who were on contracts. Out of the ninety five (95) civil servants, eighty four (84) were re-deployed to various Government departments where vacancies existed leaving a balance of nineteen (19) not deployed. As of April 2013, the officers not deployed were still awaiting re-deployment and had drawn salaries in amounts totalling K848,007,555 from the time of recall.

**ii. Salary Arrears for Newly Appointed Diplomats**

Foreign Service Regulations and Conditions of Service (2007) stipulate that an officer posted into the diplomatic service shall be placed on the payroll and be entitled to the local salary at a salary scale equivalent to the position held in the foreign mission.

However, one hundred and sixty five (165) out of the one hundred and ninety seven (197) officers appointed to the Diplomatic Foreign Service during the period 2011 and 2012, had been placed on the payroll while the remaining thirty two (32) officers had not been placed on the payroll as of March 2013 due to lack of vacancies in the Civil Service. Consequently, a total amount of K453,661,670 had accumulated in salary arrears for the officers who were awaiting placement on the payroll. In addition, there was no budget provision to cover such costs in the 2013 Budget.

**b. Non Recovery of Loans and Advances**

Contrary to the Terms and Conditions of Service for the Public Service, recoveries for loans in amounts totalling K547,000,000 issued to forty nine (49) officers and advances in amounts totalling K268,188,924 issued to twenty nine (29) officers had not been effected as of December 2013.

**c. Unretired Imprest**

Contrary to Financial Regulation No. 96 (1), imprest in amounts totalling K48,668,300 issued to fourteen (14) officers had not been retired as of December 2013.

**d. Irregular Drawings of Fuel**

Contrary to the Terms and Conditions of Service which require that public officers in the ranks of Ministers be assigned with one (1) personal to holder vehicle and one (1) utility vehicle as well as 900 litres for Ministers and 800 litres for Deputy Ministers of fuel per month to cover for local travels undertaken within a radius of 30 km, the Minister and the

Deputy Ministers who were paid fuel allowances amounting to K71,621,800 and K62,554,333 respectively during the period under review, also drew a total of 915 litres and 225 litres of fuel costing K7,126,260 and K1,706,800 from the pool fuel account in their personal to holder vehicles.

In addition, the Minister had two (2) utility vehicles instead of one (1) allocated to him contrary to his terms and conditions of service. In this regard, 520 litres of fuel costing K4,307,570 was irregularly drawn for the extra vehicle.

**e. Management of Contracts**

On 11<sup>th</sup> October 2012, the Ministry of Foreign Affairs through the Zambia Institute of Diplomacy and International Studies (ZIDIS) engaged Fair Face Enterprises Limited to convert the carport into two (2) lecture rooms and two (2) office blocks. The contractor was only required to provide labour while ZIDIS was required to procure building materials. According to the correspondence availed, the estimated cost of materials was K32,000,000 while that of labour was K22,000,000.

A scrutiny of accounting and other related records at ZIDIS revealed the following:

- i. As of October 2013, twelve (12) months after signing the contract, works had not been completed.
- ii. No progress reports on the works were availed for audit.
- iii. Although the contractor had been paid a total amount of K16,000,000 which was 73% of the total labour costs, the building was not complete. As of October, 2013, works such as fixing of doors, glass panes, window sills, ceiling boards, floor, tiling, electrical, plastering of the back of the building had not been done. See pictures below.



*Window frames, doors, air vents and window panes not fitted*



*Back View of the building not plastered*

**HEAD:** 17/03 Ministry of Foreign Affairs – Mission Abroad –  
Washington

**UNITS:** 02 Human Resources and Administration

**PROGRAMMES:** 3000 Personal Emoluments

3001 General Administration

3056 Political and Economic Relations

**ACTIVITIES:** Various

19. In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2011 and 2012, total provisions of K14,645,987,723 and K12,838,625,797 respectively were made to cater for various activities at the Mission against which amounts totalling K9,856,202,652 and K13,322,733,270 were released.

#### **Weaknesses in the Management of Mission Properties**

The Mission has five (5) properties as detailed below:

- 2300 Wyoming Avenue - Ambassador's Official Residence.
- 2419 Massachusetts Avenue – Chancery.
- 1915 Spruce Drive - Minister Counsellor's Residence.
- 8355 East Beach Drive - Counsellor's Residence.
- 5208 Linnean Avenue - First Secretary Account's Residence.

A physical inspection of selected properties in June 2013, revealed the following:

**a. 2300 Wyoming Avenue - Ambassador's Official Residence**

The Ambassador's official Residence was in a deplorable state in that:

- There were leakages between the stair case and the kitchen walls.
- The roof and ceramic tiles in the kitchen needed replacement as they had come out.
- The guest room was in a deplorable state as the ceiling board had fallen off due to leakages.

- The carpets in the guest room were stained and worn out.
- There were boarded items in the basement that had not been disposed of since they were boarded in 2007.

Consequently, the house remained unoccupied. In this regard, during the period July 2010 and May 2013, the Mission had paid rentals in amounts totalling K1,327,971,600 (US\$261,600) which could have been avoided had the house been repaired.



*Damaged ceiling in main kitchen*



*Boarded items in the basement*

**b. 2419 Massachusetts Avenue - Chancery**

The Chancery is a historic building whose interior requires routine maintenance, rehabilitation and immediate repair works in some offices. The Chancery was generally in good condition except for the following major problems which required immediate attention:

- The roof of the building was damaged and the water passes through the staircase.
- The ceiling in the Accountant's office was damaged.
- The ceiling boards in the rest room on the first floor and the visa offices were damaged due to water leakages. See the picture below.



*Damaged & leaking roof on the first floor*

**c. 5208 Linnean Avenue - First Secretary Account's Residence**

The Accountant's residence was generally in a poor condition and required routine and immediate rehabilitation. Most of the rooms including the master bedroom and the basement were not in good state as:

- The plumbing system had become old and non-functional in most of the rooms.
- The shower in the master bedroom was out of use and the sink to the master bedroom was blocked.
- Ceiling board in the main toilet was damaged due to leakages.
- The heating and cooling system in the house was old and ineffective.
- There were leakages in the basement due to leakages from the master bedroom on top.
- The toilet walls and the floor in the basement were damaged due to leakages.

**HEAD: 17/04 Ministry of Foreign Affairs –Mission Abroad-New York**

**UNITS: 02 Human Resources and Administration**

**PROGRAMMES:**

- 3000 Personal Emoluments**
- 3001 General Administration**
- 3012 Infrastructure Development**
- 3056 Political and Economic Relations**

**ACTIVITIES: Various**

- 20.** In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2011 and 2012, provisions of K13,422,893,746 and K12,381,017,076 respectively were made to cater for various activities at the Mission against which amounts totalling K13,128,091,042 and K12,463,671,679 were released as tabulated below.

| Year         | Budget<br>K           | Supplementary<br>K | Total Authorised<br>K | Total released<br>K   | Variance<br>K |
|--------------|-----------------------|--------------------|-----------------------|-----------------------|---------------|
| 2011         | 12,715,349,649        | 707,544,097        | 13,422,893,746        | 13,128,091,049        | (294,802,697) |
| 2012         | 12,381,017,076        | -                  | 12,381,017,076        | 12,463,671,679        | 82,654,603    |
| <b>Total</b> | <b>25,096,366,725</b> | <b>707,544,097</b> | <b>25,803,910,822</b> | <b>25,591,762,728</b> |               |

### Accounting and Other Irregularities

A review of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in June 2013 revealed the following:

#### a. Non Submission of Revenue Returns

Monthly revenue returns for the month of May 2012 had not been forwarded to the Ministry of Foreign Affairs for onward submission to Ministry of Finance resulting in revenue totalling K9,392,400 (US\$1,800) not being reported in the financial report for the financial year ended 31<sup>st</sup> December 2012.

#### b. Unrecovered Loans and Advances

Contrary to the Terms and Conditions for the Public Service, recoveries in respect of loans and salary advances in amounts totalling K295,009,000 (US\$57,000) paid out to six (6) officers during the period September 2011 to May 2012 had not been effected as of December 2013.

#### c. Property Management

The Mission owns two properties namely; the Residence located at 201 Wyndclif Scarsdale and the Chancery, located at 237 East of 52<sup>nd</sup> Street. A physical inspection as well as inventory count conducted at the two properties in June 2013 revealed the following:

##### i. 201 Wyndcliff Road - Residence

The residence was not in good state in that the walls of the residence had cracks, while the ceiling boards and the pipes in the basement required attention. The dilapidated residence had remained unoccupied since January 2012. See picture below.



*Fallen ceiling in the Sitting room*

In this regard, the Ministry granted the Mission authority for the Permanent Representative to secure rented accommodation for an initial period of one (1) year during which the residence was expected to be rehabilitated. Accordingly, the Mission entered into a lease agreement for the rent of a property which is on 625 Floyd Street, Eanglewood Cliffs, New Jersey, 07632 at a monthly rental of K30,864,540 (US\$6,020) with a security deposit of K92,593,620 (US\$18,060). The lease agreement was for a period of one year from 2<sup>nd</sup> February 2012 to 31<sup>st</sup> January 2013.

In this regard, during the period from February 2012 to April 2013, the Mission paid a total amount of K591,008,706 (US\$114,172.41) in respect of rentals for the Permanent Representative.

As of June 2013, the Residence had not been rehabilitated and the Permanent Representative was still staying in a rented property.

**ii. 237 East 52<sup>nd</sup> Street - Chancery**

The Chancery was generally in good condition except for the following;

- Leakages in the roof leading to visible patches of water on the ceiling board of the conference room.
- The wall at the back of the Chancery had cracks that needed attention.

**iii. Inventory – At the Chancery**

An inventory carried out in June 2013 at the Chancery revealed the following:

- Furniture and office equipment were not labelled with unique identification marks.
- Furniture and office equipment that were boarded in 2007 were not separated from the items that were in use and as result boarded items such sofas, side tables and printers were still being used.
- Inventory register was not regularly updated. Consequently, office equipment such as printers, side tables and chairs that were bought in 2013 were not recorded in the register.

**HEAD: 17/07 Ministry of Foreign Affairs – Missions Abroad – Cairo**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

21. In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2011 and 2012, a total provision of K12,745,925,109 (K6,544,800,095 in 2011 and K6,201,125,013 in 2012) was made to cater for various activities at the Mission against which a total amount of K12,595,977,012 (K6,021,042,779 in 2011 and K6,574,934,233 in 2012) was released and a total of K11,749,168,338 (K5,651,348,312 in 2011 and K6,097,820,026 in 2012) spent as shown in the table below.

| <b>Period</b> | <b>Authorised Provision</b> | <b>Amounts released by Ministry of Finance as per Statement C</b> | <b>Actual Expenditure</b> | <b>Variances</b>   |
|---------------|-----------------------------|---|---------------------------|--------------------|
|               | <b>K</b>                    | <b>K</b>  | <b>K</b>                  | <b>K</b>           |
| 2011          | 6,544,800,095               | 6,021,042,779   | 5,651,348,312             | 369,694,467        |
| 2012          | 6,201,125,014               | 6,574,934,233   | 6,097,820,026             | 477,114,206        |
| <b>Totals</b> | <b>12,745,925,109</b>       | <b>12,595,977,012</b>   | <b>11,749,168,338</b>     | <b>846,808,673</b> |

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry of Foreign Affairs Headquarters and the Mission carried out in May, 2013 revealed the following:-

#### **a. Irregular Payment of Education Allowances**

Contrary to Foreign Service Regulation No. 48, an officer at the Mission was Irregularly paid Education Allowance in amounts totalling K52,583,925 (US\$10,208.33) for the period from April 2009 to August 2010 for a child who was at nursery school and not eligible for the allowance.

There was no evidence of recovery of the funds from the officer as of October 2013 despite the matter having been brought to the attention of the management at the Mission by the Accounting Officer.

#### **b. Irregular Use of Security Deposit**

Security deposit amounting to US\$3,000 paid to one landlord for a house that was vacated by a diplomat was utilised for repairs valued at US\$1,500 for damages to the house and

rent for half a month of US\$1,500. However, as of October 2013, the officer had not been surcharged the US\$1,500 spent on the repairs.

**c. Locally Engaged Staff (LES)**

During the period under review, the Mission had an approved establishment of thirteen (13) LES.

The LES were entitled to a basic salary as provided for in the Terms and Conditions of Service last revised in 2007 with a minor revision of LE500 salary increment done in 2010 covering the period up to May 2013.

A review of records pertaining to the LES revealed the following:

**i. Lack of Signed Contract for Locally Engaged Staff (LES)**

The LES did not have employment contracts. The situation put the Mission at risk in that in the event of a labour dispute, the Mission may find it difficult to sufficiently defend its position which may result in loss of government money.

**ii. Outstanding Litigation Regarding Terminal Benefits For A Retired LES**

There was an outstanding dispute involving an amount of US\$14,727 in respect of terminal benefits for a retired LES who had since taken the matter to court. In February 2013, the Ministry of Foreign Affairs referred the matter to the Ministry of Justice for legal advice. As of October 2013, the matter had not been resolved.

**d. Unaccounted for Fuel**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of fuel costing K26,229,947 procured during the period under review.

**HEAD: 17/08 Ministry of Foreign Affairs – Mission Abroad – Nairobi**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

22. In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2011 and 2012, provisions of K6,535,084,848 and K5,750,714,498 were made respectively for various activities for the Mission against which amounts of K5,957,672,955 and K5,383,364,339 were released resulting in underfunding of K577,411,893 and K367,350159.

For the year 2012, the Mission had funds brought forward from 2011 in amounts totalling K2,325,127,265 (US\$452,359.39) bringing the total available funds in 2012 to K7,708,491,603 against which amounts totalling K5,628,462,755 were reported as spent resulting in an under expenditure of K2,080,028,848.

#### **Accounting and Other Irregularities**

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

##### **a. Bank Accounts**

The Mission had four (4) bank accounts maintained with Standard Chartered Bank of Kenya. All remittances for Personal Emoluments (PEs) and Recurrent Departmental Charges (RDCs) were made into the Dollar Account. Transfers were made from the Dollar Account into the Local currency Account to facilitate local payments of recurrent nature other than Foreign Service Allowances which were paid from the Dollar Account.

As at 31<sup>st</sup> December, 2011 and 2012 the Mission had the following bank balances:

| <b>Name of Account</b>   | <b>2011<br/>Balance<br/>US\$</b> | <b>2012<br/>Balance<br/>US\$</b> |
|--------------------------|----------------------------------|----------------------------------|
| Main Dollar Account      | 365,274.90                       | 308,906.42                       |
| Local Shilling Account   | 87,084.49                        | -                                |
| Revenue Dollar Account   | -                                | 6,527.64                         |
| Revolving Dollar Account | 113,058.95                       | 36,403.90                        |

However the following were observed:

- i. The Mission did not surrender the balances to the Ministry of Finance as required by Financial Regulation No.36 and there was no authority from the Secretary to the Treasury for the retention of the funds.
- ii. Due to poor record keeping, the reconciled closing bank balances on the Local Shilling Account for 2012 and the Revenue Account for 2011 could not be determined.

**b. Expenditure**

**i. Foreign Service Allowances (FSA)**

• **Overpayment of Foreign Service Allowances**

Contrary to the Foreign Service Regulations, three (3) officers were paid Foreign Service Allowances in excess of their monthly entitlements by amounts totalling K8,850,328 (US\$1,718.15) in January and February 2013. As of October 2013, no recoveries had been made.

• **Overpayment of Education Allowances**

Contrary to the Foreign Service Regulation No. 47, three (3) officers were paid education allowance in excess of their entitlements by amounts totalling K50,973,800 (US\$9,895.75). As of October 2013, no recoveries had been made.

**ii. Locally Engaged Staff (LES)**

During the period under review, the Mission had an approved establishment of thirteen (13) Locally Engaged Staff (LES). The LES were entitled to a basic salary and other allowances as provided for in the Terms and Conditions of Service of 2008 covering the period 2008 to May, 2012 and a revision effective July 2012 up to May 2013.

A scrutiny of the Terms and Conditions of Service and payroll records relating to the Locally Engaged Staff revealed the following:

- **Lack of Signed Contract for Locally Engaged Staff (LES)**

The LES did not sign employment contracts. The situation put the Mission at risk in that in the event of a labour dispute, the Mission may find it difficult to sufficiently defend its position which may result in loss of government money.

- **Irregular Payment of LES Allowances**

In January, 2012, the Mission submitted to the Ministry Headquarters for the Permanent Secretary's approval, proposed increments in salaries and wages and conditions of service for the Mission's LES as the last review was only done in 2008. On 25<sup>th</sup> June 2012, the Ministry approved the proposal.

A review of the Permanent Secretary's approval to the proposed increments revealed that only the increment in salary and wages was sanctioned while the increment in allowances was deferred for consideration in 2013 due budget constraints.

An examination of the accounting and other related records pertaining to the payment of the salaries and wages revealed the following irregularities:

- **Unauthorised Increments in Allowances**

During the period June to December 2012, the Mission increased the allowances for the LES without authority from the Ministry. In this regard, amounts totalling K59,628,202 (Ksh957,114) were paid to various officers over and above their entitlements.

- **Extra Responsibility Allowance**

Whereas the Terms and Conditions of Services provides that Extra Responsibility Allowance was payable to a worker who acts in a higher position for a period of more than thirty (30) days, some LES were continually paid this allowance monthly as if it were an integral part of their monthly pay when they were in fact not acting in any higher position. In this regard, amounts totalling K11,227,519 (Ksh180,217) in 2012 and

K13,430,946 (Ksh215,585) in 2013 were irregularly paid as responsibility allowances.

**iii. Unretired Imprest**

Contrary to Financial Regulation No. 96 (1), imprest in amounts totalling K99,046,549 issued to eleven (11) officers during the period under review had not been retired as of October 2013.

It was further noted that out of the total outstanding imprests, a total amount of K38,590,455 was in respect of subsequent imprests paid to four officers who still had unretired imprests contrary to Financial Regulation No. 91.

**c. Mission Properties**

The Mission owned three (3) properties:

- 209/5450 Nyerere Road - The Chancery.
- 94 Riverside Drive – High Commissioner’s Residence.
- 154 Ngong Road – Deputy High Commissioner’s Residence.

An examination of property records and a physical inspection of the properties carried out in May 2013 revealed the following:

**i. The Chancery - 209/5450 Nyerere Road**

The Chancery though in a fairly good condition needs rehabilitation in that:

- The electrical installations require upgrading.
- Finishes, especially carpeted areas need to be refurbished.
- Roof-deck entertainment area needs to be re-screeded to make it waterproof.
- The garage has to be modernised.
- The car park has to be re-laid with precast concrete block pavings.
- Interior design of the main areas such as the conference room to be undertaken and other.
- General repairs.

**ii. Official Residence – 94 Riverside Drive – High Commissioner’s Residence**

The Official residence is an old building acquired in 1965 and is situated at 94 Riverside Drive. As of May 2013, the Official Residence was unoccupied as the High Commission moved from the residence in August 2012 to a rented house where monthly rental payments of K25,755,350 (US\$5,000) were being made and as of May 2013, a total amount of K231,798,600 (US\$45,000) had been spent in rentals.

It was also noted that at the time the High Commissioner shifted to the rented house, a total amount of K4,687,500 (Ksh75,000) was paid for packing and removal services.

A physical inspection revealed that the building had faulty electrical wiring and damage to the building as a result of leakages. See pictures below.



*Damaged floor due to leakages*



*Damaged ceiling due to leakages*

**d. Failure to Follow Procurement Procedures**

- Contrary to the Zambia Public Procurement Act of 2008, the Mission engaged two companies for the provision of security services and transport services that were paid a total amount of K183,733,718 without obtaining competitive quotations. It was also observed that although the two companies provided running services, the Mission did not have running contracts with the companies. Details are shown below.

| <b>Company</b>              | <b>Period</b> | <b>Services Provided</b> | <b>Amount Paid<br/>2011 to 2013<br/>K</b> |
|-----------------------------|---------------|--------------------------|---|
| Lavingston Security Limited | 2011 - 2013   | Security Services        | 142,331,016                               |
| Kenatco Taxi Limited        | 2011 - 2013   | Taxi Hire Services       | 41,402,702                                |
| <b>TOTAL</b>                |               |                          | <b>183,733,718</b>                        |

- A consortium of companies was engaged by the Mission in July 2012 to undertake an assessment of the rehabilitation works to the three properties, the Chancery, the Residence and the property on Ngong Road. A total amount of Ksh5,907,536.78 (US\$71,175.14) was billed by the consortium for the assessment.

A review of records however revealed the following:

- There was no assessment done by the Ministry of Works and Supply on the works that needed to be done and in this regard, the Ministry was not consulted to determine whether they could not undertake the assessment.
- Procurement procedures were not followed when engaging the consortium of companies.
- No contract had been signed with the consortium as of May 2013.
- Although the consortium had finished carrying out the assessment, they had not been paid as of May 2013 and it was not clear as to where the Mission will source the funds as the only amount available for infrastructure development in 2013 was US\$20,708.36.

**HEAD: 17/11 Ministry of Foreign Affairs – Mission Abroad – Moscow**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

- 23.** In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2011 and 2012, total provisions of K10,212,779,116 and K9,320,644,432 respectively were made for various activities against which amounts totalling K11,441,795,819 in 2011 and K9,938,319,189 in 2012 were released. See table below.

| Period        | Provision<br>K        | Amounts released<br>by Ministry of<br>Finance as per<br>statement C<br>K | Actual<br>Expenditure<br>K | Variances<br>K       |
|---------------|-----------------------|--|----------------------------|----------------------|
| 2011          | 10,212,779,116        | 11,441,795,819   | 7,950,225,650              | 3,491,570,169        |
| 2012          | 9,320,644,432         | 9,938,319,189  | 9,190,205,942              | 747,113,247          |
| <b>Totals</b> | <b>19,565,623,598</b> | <b>21,380,115,008</b>  | <b>17,140,431,592</b>      | <b>4,238,683,416</b> |

The Mission spent K7,950,225,650 in 2011 and K9,190,205,942 in 2012.

### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry of Foreign Affairs Headquarters and the Mission carried out in June, 2013 revealed the following:

#### a. Revenue

##### i. Under Reporting of Revenue

Although actual revenue collected by the Mission in 2012 was K52,841,280 (US\$10,300), the Reported Annual Revenue Collections as per Headquarters returns submitted to the Ministry of Finance was K38,362,310 (US\$7,388.36) resulting in a variance of K14,478,970 (US\$2,911.64).

Consequently, the Statement “B” prepared by the Ministry of Finance reporting total revenue collections by the Government for the financial year ended 31<sup>st</sup> December 2012 was understated by K14,478,970. See table below.

| Year 2012 | Actual Annual<br>Revenue<br>Collected | Reported<br>Annual<br>Revenue<br>Collection as<br>per Mission<br>records | Reported<br>Annual<br>Revenue<br>Collections as<br>per HQs<br>Returns | Under/Over<br>Reported<br>Revenue by the<br>Mission<br>(B-C) | Under<br>Reported<br>Revenue by the<br>Ministry<br>Headquarters<br>(B-D) |
|-----------|---------------------------------------|--|---|--|--|
| A         | B                                     | C  | D   | E  | F  |
| US\$      | 10,300.00                             | 8,130.00   | 7,388.36  | 2,170.00   | 2,911.64   |
| ZMK       | 52,841,280                            | 41,514,435   | 38,362,310  | 11,326,845   | 14,478,970   |

##### ii. Missing Receipt Books

Contrary to Financial Regulation No 10 (n), a General Receipt Book (Accounts Form 40) with receipt serial number ranging from 0032301 to 0032350 and a Visa Fees Receipt Booklet with receipt number ranging 60001 to 60100 were missing at the time of audit in June 2013.

The Visa Fees Receipt Booklet had a collectable revenue value of US\$5,000 and was used to collect revenue during the period from 15<sup>th</sup> March 2011 to 10<sup>th</sup> January, 2012

while the revenue value of the General Receipt Book could not be ascertained and had only five out of its fifty receipts appearing in the cash book.

**iii. Irregular Use of Revenue**

Contrary to Financial Regulation No. 121, an amount of K31,815,553 (US\$6,614.46) was irregularly drawn from the revenue account without obtaining authority from Secretary to the Treasury. As of December 2013, the amount had not been reimbursed.

**b. Expenditure**

**i. Unaccounted for Cash Withdrawals**

The Russian banking system does not use cheques, consequently bank forms which are signed by the signatories to the account are used to move funds in form of bank transfers or cash withdrawals from the account. The accountant prepares a request that is approved by the Ambassador for the withdrawal of cash from the bank. Once the request has been approved, it is signed by the signatories to the account and given to the accounts clerk who proceeds to withdraw cash. The cash is then handed over to the accountant to effect payments. It was however observed that there were weaknesses in the control and usage of cash in that:

- The accountant did not acknowledge receipt of the cash by way of signing for it once the cash was handed over to him by the accounts clerk.
- Although the Mission did maintain a cash register / field cash book where all the cash drawn and the expenditure details should have been entered, this was not properly maintained as it was not regularly updated and reconciled.
- The Mission did not have expenditure records to show how the cash drawn was used and the form used to draw cash did not elaborate the purpose of the drawing other than the wording “office needs”.
- In some cases, cash was withdrawn without the approval of the Ambassador. It was also observed after examination of the various forms that were used for

withdrawing cash during the period 2011 to September 2012 that amounts totalling US\$352,961.15 were not accounted for as detailed below:

- i. In 2012, a total amount of K1,529,698,778 (US\$318,024.69) involving seventy five (75) transactions was withdrawn from the Dollar Account and handed over to the then accountant. However, the funds were not accounted for in that no details of how the funds were used were made available for audit.
- ii. A total of K168,044,375 (US\$34,936.46) involving five (05) transactions was irregularly drawn from the account as the drawings were not approved by the Ambassador. In addition, it was observed that the signatories to the bank account were the payees that drew the money from the bank. No expenditure details were made available for audit and in this regards, the funds were not accounted for.

**ii. Irregular Payment of Foreign Service Allowances**

The following were observed:

- **Over Payment of Extra - Accreditation Allowance to the Ambassador**

During the year 2011, the Ambassador was paid extra – accreditation allowance of US\$800 in August and US\$1,000 in December when the maximum he could be paid for the eleven (11) countries of extra accreditation under the Mission was US\$550. It was noted that since he had only presented credentials to two countries, he was actually only entitled to US\$100. This resulted in an overpayment of US\$1,700 which had not been recovered as of December 2013.

- **Overpayment of Education Allowances**

Contrary to the Foreign Service Regulation Nos. 44 and 45 (i and ii), an officer was paid Education Allowance in excess of his entitlements by amounts totalling K30,819,520 (US\$5,624) during the period May 2012 to February, 2013 as one of the dependants was not approved to accompany him at government expense and there was no adoption order to render her an adopted

child as required by the existing regulations. As of December 2013, no recoveries had been made.

- **Payment of Medical Expenses without the Permanent Secretary's Authority**

During the year 2011, the Mission settled medical bills amounting to US\$49,391.80 on behalf of the Ambassador. According to Foreign Service Regulation and Condition of Service No. 102, the Ambassador was required to contribute 40 percent of the bill which amounted to US\$19,736.32. As of December 2013, there was no evidence that the amount of US\$19,736.32 had been recovered from the Ambassador.

**iii. Lack of Formal Contracts for Locally Engaged Staff**

Although the Mission had fifteen (15) Locally Engaged Staff (LES), it was observed that the Mission had not entered in any formal contract of employment with the LES.

The situation posed a risk to the Mission in the event of a labour dispute.

It was further observed that contrary to the provisions of Financial Regulations No.74 that requires payment of wages and salaries to be made directly to the credit of an officer's account, the Locally Engaged Staff were paid salaries in cash amounting to K456,822,319 in 2011 and K294,998,178 in 2012.

**iv. Unretired Imprest**

Contrary to Financial Regulation No. 96 (1), imprest in amounts totalling K184,428,866 (US\$38,213.31) issued to sixteen (16) officers during the period under review had not been retired as of December 2013.

**v. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K47,080,874 (general stores - K12,610,390 and fuel - K34,470,484) procured during the period under review.

**c. General Observations**

**i. Failure to Submit Expenditure Returns to Headquarters**

According to Financial Regulation No.8, Missions Abroad are required to submit monthly expenditure and revenue returns to the Ministry Headquarters. Such returns include original payment vouchers, cash books and bank reconciliation statements among others.

However, during the period 2011 to 2012, the Mission did not submit expenditure returns for the periods indicated in the table below.

|      |                            |
|------|----------------------------|
| 2011 | January to April 2011      |
|      | November and December 2011 |
| 2012 | January to December 2012   |

There was no evidence that the Ministry had made follow ups with the Mission for the submission of the returns thus making it doubtful as to whether the Ministry monitored the financial performance of the Mission.

**ii. Weaknesses in the Management of Students' Allowances**

During the period 2011 to 2012, the Ministry of Education, Bursaries Committee remitted a total amount of K13,696,584,050 (US\$2,710,400) for top up allowances to students in various universities in Russia. The funds were remitted to the Main US Dollar account and drawn by the Mission Accountant who in turn paid it to the First Secretary - Education who was responsible for paying students. As of June 2013, there were four hundred and eighty eight (488) students in different Universities in Russia.

However, the management of the student allowances had the following weaknesses:

- The First Secretary - Education who was responsible for the payment of students top up allowances often carried huge amounts of cash. This is not only a risk to public funds but also to the person carrying the money.

It was further noted that although the officers preferred to carry huge amounts of cash, it was possible for students to open bank accounts and the funds remitted through the Banks. This was evident in the fact that some students were getting their allowances through the banks.

- There were instances where students signed for allowances for the other students without letters of authority. In this regard, it was not clear as to whether the funds reached the intended beneficiaries.

**d. Mission Properties**

The Mission does not own any properties in Moscow. The Chancery and the Residence are housed in properties rented from the Russian Government.

As of June 2013, the rental payments for the second quarter April to June 2013 for the Chancery and the Residence were as follows:

| Property             |                 | Rubles       | ZMK         | US\$      | Rentals/<br>Month<br>(US\$) |
|----------------------|-----------------|--------------|-------------|-----------|-----------------------------|
| Prospect Mira #52/1  | Chancery        | 1,345,348.50 | 245,850,490 | 45,527.87 | 15,175.96                   |
| Prospect Mira#52/2   | Residence       | 1,315,770.00 | 240,445,280 | 44,526.90 | 14,842.30                   |
| Prospect Mira # 52/6 | Chancery/Annex  | 132,540.00   | 24,220,510  | 4,485.28  | 1,495.09                    |
| Prospect Mira #52/7  | Chancery /Annex | 109,035.00   | 19,925,180  | 3,689.85  | 1,229.95                    |
| <b>MONTHLY TOTAL</b> |                 |              |             |           | <b>32,743.29</b>            |

It can be noted from the above that the Mission incurs a total cost of K179,433,229 (US\$32,743.29) on rentals of the Chancery and the Residence per Month. Although in the past the Mission had made recommendations to the Ministry to purchase its own property that could be used as a Chancery, this had not been done as of December 2013.

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

**PROGRAMMES: Various**

**ACTIVITIES: Various**

24. In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2011 and 2012, a total provision of K19,447,995,812 (K9,623,261,025 in 2011 and K9,824,734,787 in 2012) was made for various activities for the Mission against which a total amount of K15,208,170,724 (K6,092,968,258 in 2011 and K9,115,202,466 in 2012) was released and K17,002,004,295 (K8,215,946,233 for 2011 and K8,786,058,062 in 2012) spent as shown in the table below.

| Period        | Budget Provision      | Amounts Released<br>by Ministry of<br>Finance as per<br>Statement C | Actual<br>Expenditure | Variances              |
|---------------|-----------------------|---|-----------------------|------------------------|
|               | K                     | K   | K                     | K                      |
| 2011          | 9,623,261,025         | 6,092,968,258   | 8,215,946,233         | (2,122,977,975)        |
| 2012          | 9,824,734,787         | 9,115,202,466   | 8,786,058,062         | 329,144,404            |
| <b>Totals</b> | <b>19,447,995,812</b> | <b>15,208,170,724</b>   | <b>17,002,004,295</b> | <b>(1,793,833,571)</b> |

### Accounting and Other Irregularities

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

#### a. Bank Accounts

The Mission maintained six (6) bank accounts. However, contrary to Financial Regulation No.138, bank reconciliations were not prepared on a monthly basis. Where they were prepared, they were not done to the required standards.

#### b. Revenue

##### i. Revenue Projections and Actual Collections

Although the Mission collected amounts of K110,820,225 (US\$23,050); K127,075,745 (US\$24,715) and K49,053,180 (US\$9,250) in 2011, 2012 and up to April 2013 respectively from Passport Fees, Travel Documents Identity (TDIs) Fees, and Visa Fees, no revenue projections were made for inclusion in the Estimates of Revenue and Expenditure for the Financial Years 2011 and 2012. The failure to make revenue projections makes it impossible for the Ministry to provide the Ministry of Finance with accurate revenue figures during the budgeting process. See table below.

| Year                    | Revenue Projections |      | Amounts Collected |           | Variances     |
|-------------------------|---------------------|------|-------------------|-----------|---------------|
|                         | K                   | US\$ | K                 | US\$      | K             |
| 2011                    | Nil                 | Nil  | 110,820,225       | 23,050.00 | (110,820,225) |
| 2012                    | Nil                 | Nil  | 127,075,745       | 24,715.00 | (127,075,745) |
| 2013 (Up to April 2013) |                     |      | 49,053,180        | 9,250.00  | (49,053,180)  |

**ii. Management of Visa Fees Booklets**

During the Financial Year ended 31<sup>st</sup> December 2012, the Immigration Department abolished the collection of revenue through the use of the old Visa Fees Receipts and instead introduced Visa Labels Receipts.

Contrary to Financial Regulation No. 107 that requires obsolete receipts to be destroyed and a certificate issued out for their destruction, the Mission was still in possession of five (5) obsolete Visa Fees Receipt booklets with a total revenue value of US\$12,500 and of which two (2) were missing as of December 2013. See details below.

| <b>Serial No.</b> | <b>Receipt No. Range</b> | <b>Missing Visa Fees Receipt Books</b> |
|-------------------|--------------------------|--|
| 1                 | 608501 to 608600         |  |
| 2                 | 608601 to 608700         |  |
| 3                 | 608701 to 608800         | Missing at the time of audit           |
| 4                 | 608801 to 608900         |  |
| 5                 | 608901 to 609000         | Missing at the time of audit           |

**iii. Unaccounted for Visa Fee Collections**

Visa fee collections made during the period 17<sup>th</sup> to 19<sup>th</sup> August 2011 in amounts totalling K962,000 (US\$200) could not be accounted for in that the money was neither banked nor on hand at the time of audit in May 2013. See details below.

| <b>Date Received</b> | <b>Receipt No.</b> | <b>Amount US\$</b> | <b>Ex. Rate K</b> | <b>Amount K</b> |
|----------------------|--------------------|--------------------|-------------------|-----------------|
| 17.08.11             | `0382787           | 50                 | 4,810             | 240,500         |
| 19.08.11             | `0382788           | 50                 | 4,810             | 240,500         |
| 19.08.11             | `0382789           | 50                 | 4,810             | 240,500         |
| 19.08.11             | `0382790           | 50                 | 4,810             | 240,500         |
|                      | <b>Total</b>       | <b>200</b>         |                   | <b>962,000</b>  |

**iv. Failure to Maintain a Prescribed General Revenue Cashbook (Accounts Form 47B)**

The Mission was in possession of seven (7) prescribed General Revenue Cashbooks that were received from the Ministry of Finance and National Planning before the financial year ended 31<sup>st</sup> December 2012. As at the time of audit, only one out of the seven cash books had been used while the remaining six (6) cashbooks were unused.

However, instead of using the cash books from the Strong Room, the Mission was using a hard cover book as a cash book contrary to Financial Regulation No. 128.

**c. Expenditure**

**i. Mission Diplomatic Establishment**

The Mission has an establishment of fourteen (14) members of staff including the position of Counsellor (Economics). However, as of May 2013, there were five (5) vacant positions including that of the Counsellor (Economics) at the time when the strategic plan of the Ministry of Foreign Affairs had emphasized economic affairs in its missions abroad. The position had remained vacant effective September 2012.

**ii. Foreign Service Allowances (FSA)**

**• Payment of Rentals in Excess of Entitlement**

According to the Foreign Service Regulations, the Ambassador in Addis Ababa was entitled to a maximum of K27,755,000 (US\$5,000) monthly housing allowance.

However, in January 2012, the former Ambassador moved out of the official residence on House No. 152 Off Mekanissa RD Woreda 23 Kebele 10 Nifas Silk Lafto which is owned by the Zambian Government on account that it was in a poor state and therefore not habitable. In this regard, the Ambassador moved into a US\$7,000 per month rented house and as of May 2013, the Government had paid a total amount of K660,744,000 (US\$126,000) in rentals. The payment of US\$126,000 as rentals was in excess of the Ambassador's entitlement by K188,784,000 (US\$36,000).

It was also observed that during the period the residence had been vacant, the Mission paid a total of K15,875,210 (US\$3,027) in electricity and water bills.

A review of records revealed that the Controlling Officer at the Ministry of Foreign Affairs had authorised the Ambassador to move into the rented house but for a period of one (1) year only during which time the residence should have been

repaired and the Ambassador was to move back to the residence. However, as of December 2013, the residence had not been repaired.

- **Irregular Payment of Child and Education Allowances**

In February 2012, an amount of K3,992,025 (US\$775) was paid to the Ambassador as child and education allowances for a fostered child. The payment was made prior to the Permanent Secretary's authority which was effective March 2012. As of December 2013, the amount had not been recovered from the Ambassador.

- **Lack of Control on Use of Official Telephones**

During the period under review, private telephone calls over and above the set limits in amounts totalling K20,545,897 (US\$3,988.72) had been made. However as of December 2013, no recoveries had been made from the concerned officers.

- **Unaccounted for Fuel**

During the period from January 2011 to December 2012, fuel costing K178,535,051 procured by the Mission had no receipt and disposal details and there were no ledgers maintained.

- **Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K113,222,830 procured during the period under review.

- **Failure to Maintain a Fixed Asset Register**

Contrary to Public Stores Regulation No.90, the Mission did not maintain a fixed assets register and no inventory records were maintained in the respective offices. Further, a verification of fixed assets at the Mission carried out in June 2013 revealed that thirty five (35) items recorded as unserviceable and fifteen (15) obsolete stores were not presented for audit.

- **Inventory not Inscribed with GRZ Identification Marks**

Contrary to Public Stores Regulation No.154 which requires that all furniture belonging to the Government must be clearly marked with GRZ Identification Marks, it was observed that assorted ICT Equipment costing K56,166,248 as well as office furniture whose cost could not be determined had no GRZ Identification Marks.

- **Wasteful Expenditure on Rentals – House No 1797 Woreda Kepele**

The Embassy rents House Number 1797 Woreda Kepele from the Ethiopian Government. The House was occupied by the Minister Counselor who vacated it in October 2012 on account that it needed repairs. During the period the house has been vacant, the Mission paid a total amount of K45,419,287 (rentals - K40,657,357, electricity - K3,919,410 and guard services - K842,520).

As of June 2013, the house was still unoccupied rendering the expenditure wasteful.

- **Outstanding Advances**

Contrary to the Terms and Conditions of Service for the Public Service, advances amounting to K82,850,486 (US\$16,084.35) paid to five (5) recalled officers during the period under review were still outstanding as of December 2013. See Table Below.

| <b>Title</b>                              | <b>Amount<br/>US\$ \$</b> |
|---|---------------------------|
| Ambassador                                | 1,333.35                  |
| Counsellor - Political and Administration | 4,251.00                  |
| First Secretary - Legal                   | 3,499.99                  |
| Second Secretary - Accounts               | 4,666.68                  |
| Second Secretary - Personal Secretary     | 2,333.33                  |
| <b>Total</b>                              | <b>16,084.35</b>          |

- **Third Party Payments – Unrecovered Amounts**

In 2011, the Mission made Third Party Payments amounting to K77,158,744 (US\$16,571.71) to Sheraton Addis and Hilton Hotels in respect of the former President and his delegation when they were proceeding to Nigeria for a Heads of

State Summit that was held from the 28<sup>th</sup> to 31<sup>st</sup> of January 2011. The payment was for food and drinks and was to be refunded to the Mission by the imprest holder on the presidential entourage upon his arrival in Addis Ababa.

However, as of December 2013, the funds had not been refunded to the Mission by the Imprest Holder.

- **Unretired Imprest**

Contrary to Financial Regulation No. 96 (1), imprest in amounts totalling K126,759,043 issued to twenty two (22) officers during the period under review had not been retired as of December 2013. The amount was owed by officers who had since been recalled from the Mission.

In addition, the Mission did not maintain an imprest register contrary to Financial Regulation No.93.

**d. Other Observations**

**i. Lack of Formal Contracts for Locally Engaged Staff**

The Mission has an establishment of eighteen (18) locally engaged staff with a total wage bill of K28,174,179 (Birr 102,429.25) (US\$6,420.02) per month.

An examination of personal files for locally engaged staff revealed that they did not sign employment contracts upon engagement. The situation put the Mission at risk in that, in the event of a labour dispute, the Mission may find it difficult to sufficiently defend its position which may result in loss of government money.

**ii. Failure to Credit Locally Engaged Staff Salaries into Personal Accounts**

Contrary to Financial Regulation No. 74, which requires payment of salaries and wages to be made directly to the credit of an officer's account at any bank, all Locally Engaged Staff were paid salaries in amounts totalling K168,890,594 in 2011 and K238,566,946 in 2012 through cashed cheques and the salaries were not supported by pay slips.

**iii. Work Plans and Returns**

A review of the Mission's annual work plans carried out in June 2013 revealed that although the annual work plans were prepared by the Mission, progress reports to help

monitor the Mission's performance against set targets were not being prepared making it difficult to ascertain whether the Mission achieved the set targets. There was also no evidence that the Ministry Headquarters monitored the performance of the Mission as there was no evidence of feed back to the Mission on what actions needed to be taken in order to meet targets.

As the Embassy plans were feeding into the Ministry's strategic plan, failure to monitor the performance of the Mission to ensure attainment of set targets and giving direction, where possible, may have an effect on the attainment of the Ministry's strategic objectives.

**e. Mission Properties**

The Mission has three (3) properties:

- No. 152 Off Mekanissa RD Woreda 23 Kebele 10 Nifas Silk Lafto – Official Residence
- Old Airport RD Woreda 23 Kebele 12 Nifas Silk Kifle Ketema – Chancery
- 2,000 m<sup>2</sup> plot at Bole Sub City Worda 17 Kebele 23.

An examination of property records and a physical inspection of the properties carried out in June 2013 revealed the following:

**i. The Chancery**

The Chancery is an old building purchased in 1965 at a cost of US\$34,400. The building was in a bad condition and needed attention. See pictures below.



*Part of the carport with falling roof*



*Falling roof of carport at the*



*Carport at the Chancery with falling roof*

Although in July 2011, the Ministry of Works and Supply recommended that a complete reconstruction of the roof be done as a lasting solution to leakages, as of December 2013, no works had been done.

**ii. Annex Building**

The annex building had cracks and also needed attention. See pictures below.



*Crack in the Defence Attaché's Office*



*Crack in the bathroom wall*

Although in July 2011, the Ministry of Works and Supply recommended that the annex building be demolished and a new one constructed as rehabilitation would be costly, as of December 2013, this had not been done.

**iii. The Residence**

The official residence was purchased in 1971 at a cost of US\$13,428.71. The building was in a poor state and needed urgent attention. See pictures below.



*Leaking roof*



*Paint peeling off*



*Damaged Ceiling*

A scrutiny of records at the Mission revealed that the two properties were not insured. It was also observed that the two properties had not been valued to establish their current market value.

**iv. Failure to Develop a Plot**

In June 2006, the Mission was allocated 2,000 m<sup>2</sup> of land situated at Bole Sub City Worda 17 Kebele 23 for which a title deed was issued. The plot was to be developed

within eighteen (18) months effective June 2006.

However, as of December 2013, seven (7) years after the allocation of the plot, no development had taken place and the Mission risks losing the plot. See picture below.



*Front View of the undeveloped plot*



*Inside view of the undeveloped plot*

**HEAD :** 17/15 Ministry of Foreign Affairs – Missions Abroad - Beijing

**UNITS:** Various

**PROGRAMMES:** Various

**ACTIVITIES:** Various

25. In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2011 and 2012, provisions of K13,309,388,983 in 2011 and K12,110,316,042 in 2012 were made to cater for various activities at the Mission against which amounts totalling K11,235,150,546 in 2011 and K13,930,869,151 in 2012 were released resulting in an under funding of K2,074,238,437 in 2011 and an over funding of K1,820,553,109 in 2012.

| Financial Year Ended | Budget Provision K | Releases K     | Expenditure K  |
|----------------------|--------------------|----------------|----------------|
| 2011                 | 13,309,388,983     | 11,235,150,546 | 10,286,496,662 |
| 2012                 | 12,110,316,042     | 13,930,869,151 | 13,573,639,088 |

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in June 2013 revealed the following:

#### **a. Over Payment of Extra - Accreditation Allowance**

According to Foreign Service Regulation and Conditions of Service No. 42 (i), extra accreditation allowance shall be paid to enable an officer perform diplomatic functions in

respect of those countries or International Organisations to which his/her Mission is additionally accredited.

In this regard, eight (8) countries namely; Afghanistan, Cambodia, Laos, Mongolia, North Korea, Pakistan, Thailand and Vietnam were accredited to China. However, when the Malaysian Mission was opened, some countries namely; Cambodia, Laos, Thailand and Vietnam moved to Malaysia leaving four (4) countries accredited to China.

However, it was observed that the Mission at Beijing was paying accreditation allowances for six (6) countries which included two (2) countries namely Laos and Cambodia that were accredited to Malaysia. As a result, the Mission over paid accreditation allowances in amounts totalling K77,138,229 (US\$15,408.33).

Included in the amount of K77,138,229 (US\$15,408.33), was K14,198,500 (US\$2,836) being payment of accreditation allowance for countries in which the letters of credence were not presented by the Head of the Mission contrary to Foreign Services Regulations and Conditions of Service No.42 (ii).

**b. Over Payment of Allowances**

A scrutiny of payment of cost of living allowances revealed that although entitlements of each category of Diplomat was clearly indicated in the Foreign Service Regulations and Conditions of Service, the Minister Counsellor, was overpaid amounts totalling K13,937,500 (US\$2,787.50) in that he received cost of living, entertainment, spouse, telephone and extra-accreditation allowances at higher rates than those stipulated in the Foreign Service Regulations. No authority for him to be paid at higher rates was availed for audit.

**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 K204,603,773 (¥273,754.50) procured during the period under review.

| <b>Item</b>  | <b>Amount<br/>K</b> | <b>Amount<br/>¥</b> |
|--------------|---------------------|---------------------|
| Stores       | 56,413,773          | 73,754.50           |
| Fuel         | 148,190,000         | 200,000.00          |
| <b>Total</b> | <b>204,603,773</b>  | <b>273,754.50</b>   |

**d. Payment of Full Per Diem on a Sponsored Programme**

On 19<sup>th</sup> September 2011, the Counselor (Economics) was authorised to travel to Shanghai and Hangzhou to participate in the 2011 Touch Road China - Africa Investment Forum from 26<sup>th</sup> - 28<sup>th</sup> September, 2011 and the forum was fully sponsored.

However, it was observed that the Counselor (Economics) was paid full per diem for three (3) nights amounting to K5,234,100 (US\$1,095) instead of being paid at a half rate resulting in an overpayment of K2,617,050 (US\$547.50). As of December 2013, no recoveries had been made.

**HEAD: 17/18 Ministry of Foreign Affairs – Mission Abroad – Abuja**

**UNITS: Various**

**PROGRAMME: Various**

**ACTIVITIES: Various**

26. In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2011 and 2012, provisions of K8,226,411,883 in 2011 and K8,354,169,020 in 2012 were made to cater for various activities at the Mission against which amounts totalling K7,628,526,496 in 2011 and K8,604,843,018 in 2012 were released resulting in an under funding of K597,885,387 in 2011 and an over funding of K250,673,998 in 2012

| <b>YEAR</b> | <b>PROVISION<br/>K</b> | <b>RELEASES<br/>K</b> | <b>OVER/(UNDER)<br/>FUNDING</b> |
|-------------|------------------------|-----------------------|---------------------------------|
| 2011        | 8,226,411,883          | 7,628,526,496         | (597,885,387)                   |
| 2012        | 8,354,169,020          | 8,604,843,018         | 250,673,998                     |

**Accounting and other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters and the Mission carried out in June 2013 revealed the following:

**a. Unaccounted for Revenue**

During the financial year ended 31<sup>st</sup> December 2012, amounts totalling K281,036,210 (US\$74,704) were collected from the issuance of Travelling Document Identity, Passports and Visas out of which amounts totalling K278,214,960 (US\$73,954) were banked. The

balance of K2,821,250 (US\$750) was unaccounted for in that there was no evidence that the money was banked and no cash was found on hand contrary to Financial Regulation No.129.

**b. Purchase of Representational Car**

An inspection of assets held by the Mission revealed that a Representational car CMD 149 Mercedes Benz S Class 550 was purchased from Abuja (Capital) Motors Ltd at a cost of K451,733,333 (₦14,000,000) in September 2010.

The following were however, observed:

- Although the vehicle was purchased in September 2010, authority was only obtained in November 2010.
- The vehicle was bought from a non franchise holder of the Mercedes Benz, Abuja (Capital) Motors Ltd Company.
- On the day of receipt of the vehicle, the driver detected and reported faults and after five (5) months, the dash board indicated faults in the suspension and within a year the vehicle developed leakages in the gear box and could not be put on the road. The vehicle was finally parked towards the end of 2012 and as at the time of audit in June 2013, the vehicle was still parked.
- No warrant claims were made regarding faults discovered despite the vehicle having a two (2) year warranty. Consequently, an amount of K74,397,600 (₦2,066,600) was spent on repair costs at various garages during the period under review.

**c. Outstanding Advance**

During the period under review, amounts totalling K193,612,748 (US\$38,699.33) were paid as advances to three diplomatic staff out of which K133,004,755 (US\$26,585.00) was recovered leaving a balance of K60,607,993 (US\$12,114.33) as shown in the table below.

| Date of Payment | Name                     | Amount Obtained<br>US\$ | Amount Recovered<br>US\$ | Amount Outstanding at the time of recall<br>US\$ | Month of Depature |
|-----------------|--------------------------|-------------------------|--------------------------|--|-------------------|
| 8/9/2009        | Deputy High Commissioner | 15,699.33               | 13,085.00                | 2,614.33   | March 2010        |
| 21/06/2011      | High Commissioner        | 12,000.00               | 8,000.00                 | 4,000.00   | Dec-11            |
| 30/1/2013       | Deputy High Commissioner | 11,000.00               | 5,500.00                 | 5,500.00   | May-13            |
| <b>Total</b>    |                          | <b>38,699.33</b>        | <b>26,585.00</b>         | <b>12,114.33</b>                                 |                   |

As of December 2013, the outstanding balances had not been recovered.

**d. Unretired Imprest**

Contrary to Financial Regulation No. 96 (1), imprest in amounts totalling K118,267,900 (₦3,672,990) issued to three (3) officers during the period from January to August 2011 to cater for car hire and hospital bills had not been retired as of December 2013.

**e. Unsupported Payments**

Contrary to Financial Regulation No. 52, one hundred and seventy nine (179) payments in amounts totalling K697,848,280 (₦20,075,519) made during the period under review had no supporting documents such as receipts, acquittal sheets and invoices among others.

**f. Wasteful Expenditure - Rental Payments**

Clause 115 (iii) of the Foreign Service Regulations and Conditions of Service states that “when negotiating lease agreements, the Head of Mission shall ensure the insertion of a Diplomatic Clause which enables the lease agreement to be terminated at short notice”.

Contrary to the Regulation, the Mission entered into two year lease agreements without inserting the Diplomatic clause. Consequently, when two (2) diplomats were recalled in August 2012, the Mission could not terminate the lease agreements at short notice.

In this regard, rentals in amounts totalling K291,434,746 (US\$59,843) were paid for two (2) properties that were not occupied following the recall of the diplomats.

**g. Failure to Contribute Towards Utility Bills - Lighting and Heating**

According to Foreign Service Regulation No. 53 (ii), Government shall pay eighty (80%) of electricity and water bills for heads of missions. It was observed that the Mission purchased diesel costing K40,004,036 (₦1,230,650) for use in the generator at the residence.

Contrary to the Regulation, the High Commissioner did not refund K8,000,807 (₦246,130) being 20% of the cost of diesel procured for use at the residence.

#### **h. Properties**

The Mission has two (2) properties, the Chancery located at Plot Number 351 Mission Road Central District and the Residence at 4, Onega Street – Maitama, Abuja. However, as of November 2013, the two (2) properties had no title deeds.

A physical inspection of the properties revealed the following:

##### **i. The Residence**

There were leakages in two bedrooms and the passage located on the first floor resulting in peeling off ceiling board. See picture below.



*Peeling off ceiling board in one of the bedrooms*

##### **ii. Chancery**

The Chancery building included two residential flats which were not occupied as they were in a deplorable state and had no fire escape in the event of an emergency.

**HEAD: 17/23 Ministry of Foreign Affairs – Missions Abroad - New Delhi**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

27. In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2011 and 2012, provisions of K8,153,377,844 in 2011 and K7,134,712,386 in 2012 were made to cater

for various activities at the Mission against which amounts totalling K9,166,100,328 in 2011 and K10,851,335,848 in 2012 were released.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in June 2013 revealed the following:

#### **a. Irregular Payment of Extra - Accreditation Allowance**

Contrary to Foreign Service Regulation and Conditions of Service No. 42 (ii) which requires that extra-accreditation allowance be paid to the Head of Mission upon presentation of Letter of Credence, a total amount of K29,728,412 (US\$5,878.91) was paid to two (2) High Commissioners during the period under review without evidence of presentation of Letters of Credence.

#### **b. Travelling Out of Station Without Authority**

According to Foreign Service Regulation and Conditions of Service No. 24, the Head of Mission/Station shall not leave the Station without permission from the Permanent Secretary.

Contrary to the regulation, the Head of Mission undertook three (3) trips out of the station without authority from the Permanent Secretary. Consequently, amounts totalling K36,219,400 (US\$6,970) were spent in respect of allowances.

#### **c. Failure to Recover Loans and Advances**

During the period under review, loans and advances of salary in amounts totalling K125,793,355 (US\$24,501) were paid to three (3) officers. However, as of December 2013, the amounts had not been recovered and the officers have since been recalled.

#### **d. Properties**

##### **i. Relocation of Chancery**

In March 2012, the Mission entered into an agreement for the lease of property situated on stand No. 57 Panschill Park to be used as a Chancery at an amount of K59,400,000 (US\$ 11,000) per month. The lease was for a period of three (3) years starting 15<sup>th</sup> June 2012 to 14<sup>th</sup> June 2015.

As of December, 2012, amounts totalling K686,388,610 (US\$134,054.05) had been paid to the land lord.

The following observations were made:

- **Lack of Security Features**

Although the Mission had taken occupancy of the property in June 2012, as of June 2013 the Chancery had not been fitted with security features such as double locking system at the main entrance and thus posing a risk of unauthorised entry. Only the High Commissioner's office and accounts were fitted with access control systems.

- **Renovations**

According to Clause 4 of the lease agreement, the Mission was only allowed to carry out minor works such as installing fixtures, switches, lights and air conditioners with a view of removing the fitted items upon the expiry of the lease agreement. However, contrary to the terms of the agreement, the Mission engaged various contractors to carry out structural modifications such as fixing of the wooden tiles at the reception, creating toilet and offices for the Assistant Accountant, First Secretary (Economics and Trade) and Second Secretary (Immigration) among others to the premises without authority from the Landlord. In this regard, amounts totalling K158,274,245 (US\$30,818.65) were paid to the contractors.

**ii. Lack of Lease Agreements**

Contrary to Foreign Service Regulations and Condition of Service No. 114, 115(ii) and 116, the Mission paid amounts totalling K4,428,404,612 (US\$871,495.29) in respect of accommodation rented for diplomatic staff without lease agreements with various landlords.

**HEAD:** 17/28 Ministry Of Foreign Affairs – Mission Abroad - Luanda

**UNITS:** Various

**PROGRAMME:** Various

**ACTIVITIES:** Various

28. In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2011 and 2012, provisions of K10,234,868,758 in 2011 and K9,348,615,300 in 2012 were made to cater for various activities at the Mission against which amounts totalling K9,184,732,608 in 2011 and K9,354,026,606 in 2012 were released resulting in an under funding of K1,050,136,150 in 2011 and an over funding of K5,411,306 in 2012 as shown in the table below.

| <b>YEAR</b> | <b>PROVISION<br/>K</b> | <b>RELEASES<br/>K</b> | <b>OVER/(UNDER)<br/>FUNDING</b> |
|-------------|------------------------|-----------------------|---------------------------------|
| 2011        | 10,234,868,758         | 9,184,732,608         | (1,050,136,150)                 |
| 2012        | 9,348,615,300          | 9,354,026,606         | 5,411,306                       |

In addition, amounts totalling K845,053,200 (US\$159,444) were released in July 2012 by the Ministry headquarters for the procurement of transportation services in respect of five (5) recalled officers.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in June 2013 revealed the following:

##### **a. Non Recovery of Advance**

In January 2012, the Counsellor – Political was paid an advance of K61,800,000 (US\$12,000). However, at the time of his recall in January 2013, the Mission had only recovered K10,300,000 (US\$2,000) leaving a balance of K51,500,000 (US\$10,000). As of December 2013, the balance had not been recovered.

##### **b. Unsupported Payments**

Contrary to Financial Regulation No. 52, three (3) payments in amounts totalling K207,655,338 (US\$41,413) made during the period under review had no supporting documents such as receipts, acquittal sheets and invoices among others.

**c. Irregular Payment of Medical Bills**

According to Foreign Service Regulation No. 102, an officer shall contribute towards medical expenses for himself/ herself and members of his/ her family at the rate of 40% of medical insurance cover or medical bills of which the Government shall contribute 60%.

Contrary to the Regulation, the full medical bills in amounts totalling K46,316,028 (\$8,843) were paid by the Mission on behalf of two (2) officers as shown in the table below.

| <b>Title</b>                     | <b>Amount<br/>K</b> | <b>Amount<br/>US\$</b> |
|----------------------------------|---------------------|------------------------|
| Counsellor – Political           | 22,896,164          | 4,371                  |
| First Secretary - Administration | 23,419,864          | 4,472                  |
| <b>Total</b>                     | <b>46,316,028</b>   | <b>8,843</b>           |

As of November 2013, amounts totalling K18,526,411 (40 percent contribution from the officers) had not been recovered.

**HEAD: 17/33 Ministry Of Foreign Affairs – Mission Abroad – Pretoria**

**PROGRAMME: Various**

**ACTIVITIES: Various**

29. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K7,987,712,300 was made to cater for various activities at the Mission against which amounts totalling K6,492,360,539 were released resulting in underfunding of K1,495,351,761.

**Accounting and Other Irregularities**

An examination of the accounting and other records maintained at the Ministry headquarters and the Mission carried out in June 2013 revealed the following:

**a. Missing Receipt Books**

Contrary to Financial Regulation No.10 (n), ten (10) general receipt books (Accounts Form 40) were not presented for audit as shown in the table below.

| No. | Range           |
|-----|-----------------|
| 1   | 4120001-4120050 |
| 2   | 4120051-4120100 |
| 3   | 4120101-4120150 |
| 4   | 4120151-4120200 |
| 5   | 4120201-4120250 |
| 6   | 4120251-4120300 |
| 7   | 4120301-4120350 |
| 8   | 4120351-4120400 |
| 9   | 4120401-4120450 |
| 10  | 4120451-4120500 |

**b. Outstanding Advances**

In February 2012, the First Secretary - Tourism was paid an advance of K24,819,292 (ZAR40,000). However, at the time of recall in June 2012, the Mission had recovered K18,600,000 (ZAR30,000) leaving a balance of K6,200,000 (ZAR10,000).

As of December 2013, the outstanding balance had not been recovered.

**c. Unsupported Payments**

Contrary to Financial Regulation No. 52, thirty (30) payments in amounts totalling K331,923,807 (ZAR112,320) made during the period under review had no supporting documents such as receipts, acquittal sheets, quotations among others.

**HEAD: 17/47 Ministry Of Foreign Affairs – Mission Abroad - Accra**

**UNITS: Various**

**PROGRAMME: Various**

**ACTIVITIES: Various**

- 30.** In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2011 and 2012, provisions of K8,359,957,982 in 2011 and K7,687,875,570 in 2012 were made to cater for various activities at the Mission against which amounts totalling K7,521,402,357 in 2011 and K9,415,673,802 in 2012 were released resulting in under funding of K838,555,625 in 2011 and an over funding of K1,727,798,298 in 2012.

In addition, amounts totalling K1,862,905,824 (US\$367,547) were released during the period under review by the Ministry to procure transportation services in respect of seven (7) recalled officers and one (1) officer who was transferred to the Mission in Abuja.

## Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry and the Mission carried out in June 2013 revealed the following:

### a. Failure to Fill Vacant Positions

The Mission has an establishment of nine (9) members of staff. However, as of November 2013, there were three (3) vacant positions including that of the First secretary (Economy and Trade) at the time when the strategic plan of the Ministry of Foreign Affairs had emphasized economic affairs in its missions abroad. The position had remained vacant from October 2012.

### b. Outstanding Advances

During the period under review, amounts totalling K173,740,000 (US\$34,000) were paid as advances to three (3) diplomatic staff out of which K81,760,000 (US\$ 16,000) was recovered leaving a balance of K91,971,000 (US\$18,000) and recoveries had discontinued as the officers had been recalled. See table below.

| Date of Payment | Name                | Amount obtained<br>US\$ | Amount recovered<br>US\$ | Amount outstanding at the time of recall<br>US\$ | Month of Departure |
|-----------------|---------------------|-------------------------|--------------------------|--|--------------------|
| 3/4/2012        | Amb Cecil Holmes    | 12,000                  | 8,000                    | 4,000  | Aug-12             |
| 22/05/2012      | Mr Clement Siame    | 10,000                  | 7,000                    | 3,000  | Sep-12             |
| 12/10/2012      | Apst. Peter Akupela | 12,000                  | 1,000                    | 11,000   | Feb-13             |
| <b>Total</b>    |                     | <b>34,000</b>           | <b>16,000</b>            | <b>18,000</b>                                    |                    |

### c. Unsupported Payments

Contrary to Financial Regulation No. 52, twelve (12) payments in amounts totalling K150,262,373 (GHc22,312) were not supported with documents such as receipts, acquittal sheets and invoices among others.

**HEAD: 20 Loans and Investments – Ministry of Local Government and Housing**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

31. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K340,290,872,958 was made against which K227,676,473,349 was released resulting in an under funding of K112,614,399,609 as shown in the table below.

| <b>Programme</b>                         | <b>Budget Provision<br/>K</b> | <b>Releases<br/>K</b>  | <b>Over / (Under)<br/>Funding<br/>K</b> |
|--|-------------------------------|------------------------|---|
| Physical Planning and Housing Department | 11,113,600,000                | 10,999,999,248         | 113,600,752                             |
| Infrastructure and Support Services      | 304,473,201,801               | 194,412,136,039        | 110,061,065,762                         |
| Decentralisation Secretariat             | 24,704,071,157                | 22,264,338,062         | 2,439,733,095                           |
| <b>TOTAL</b>                             | <b>340,290,872,958</b>        | <b>227,676,473,349</b> | <b>112,614,399,609</b>                  |

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and visits to selected local authorities and commercial water utilities carried out in September 2013 revealed the following:

**a. Irregular Payment of Travel Expenses for a Fully Sponsored Trip**

On 17<sup>th</sup> May 2012, the Ministry paid amounts totalling K122,981,000 to two (2) officers as subsistence allowance (K90,972,000) and purchase of air tickets (K32,009,000) for ten (10) officers who travelled to South Africa for the Annual African Utility Week Conference.

However, the payments were irregular in that the Annual African Utility Week Conference was fully sponsored by the World Bank. Further, the rationale to issue imprest for the purchase of air tickets was questionable.

**b. Procurement of Goods and Services**

**i. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K1,724,806,649 (general stores - K1,435,809,800 and fuel - K288,996,849) procured during the period under review could not be accounted for in that there were no receipt and disposal details.

**ii. Non Functional Network System**

In August 2012, the Ministry procured computer equipment and accessories for the server room at a total cost of K268,466,486 with the aim of improving operations of the wide area network connecting the Ministry to the councils and Provincial Local Government Offices. Although the full amount was paid, the system was non functional as of December 2013.

**c. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K5,897,366,662 issued to forty one (41) officers during the period under review had not been retired as of December 2013. See table below.

| Unit   | No. Of Officers | Amount K             |
|--|-----------------|----------------------|
| Decentralisation Secretariat                         | 18              | 4,252,320,859        |
| Water Sector Performance Improvement Project (WSPIP) | 2               | 595,700,000          |
| Infrastructure and Support services                  | 5               | 137,998,303          |
| Housing Development                                  | 6               | 192,882,000          |
| Feeder Roads   | 6               | 284,250,000          |
| Markets and Bus Stations                             | 4               | 434,215,500          |
| <b>TOTAL</b>   | <b>41</b>       | <b>5,897,366,662</b> |

**d. Unsupported Payments**

Contrary to Financial Regulation No. 52, payment vouchers in amounts totalling K13,487,729,594 made during the period under review were inadequately supported with relevant documents such as receipts and quotations among others. See table below.

| Unit   | No of Payment Vouchers | Amount K              |
|--|------------------------|-----------------------|
| Decentralisation Secretariat   | 79                     | 3,756,694,525         |
| Infrastructure and Support services  | 65                     | 3,943,525,000         |
| National Urban and Peri urban water supply and sanitation programme (NUPUWSSP) | 34                     | 2,325,780,428         |
| Zambia National water supply and sanitation programme (ZNRWSSP)                | 48                     | 3,177,046,530         |
| Housing Development Account  | 5                      | 48,472,254            |
| Markets and Bus Stations   | 7                      | 236,210,857           |
| <b>TOTAL</b>   | <b>238</b>             | <b>13,487,729,594</b> |

**e. Missing Payment Vouchers**

Contrary to Financial Regulation No.65, seventy eight (78) payment vouchers in amounts totalling K3,886,223,316 made during the period under review were not availed for audit. See table below.

| Unit   | No of PVs | Amount K             |
|--|-----------|----------------------|
| Decentralisation Secretariat   | 44        | 2,552,929,912        |
| Markets and Bus stations   | 5         | 233,075,320          |
| National Urban and Peri urban water supply and sanitation programme (NUPUWSSP) | 29        | 1,100,218,084        |
| <b>TOTAL</b>   | <b>78</b> | <b>3,886,223,316</b> |

**f. Questionable Payments - Stock Take Verifications**

During the period under review, the Ministry paid amounts totalling K510,150,000 to forty one (41) officers as allowances for conducting monthly stock take exercises from January to November 2012.

A scrutiny of supporting documents revealed that officers were getting allowances on a daily basis from the 1<sup>st</sup> Day to the last day of the month and weekends inclusive. In addition, other officers were being paid for more than the days in a calendar month such as thirty five (35) to forty (40) days. This resulted in some officers claiming allowances of up to one hundred and twenty (120) days in a month.

Further, there were no stock take verification reports availed for audit making it not possible to ascertain whether the activity was undertaken.

**g. Unauthorised Payments**

Contrary to Financial Regulation No.48 (1) which requires all payment vouchers to be signed by authorised officers, forty seven (47) payment vouchers in amounts totalling K2,542,627,681 were not authorised by the Controlling Officer. See table below.

| Account Name                        | No of PVs | Amount K             |
|-------------------------------------|-----------|----------------------|
| Decentralisation Secretariat        | 23        | 847,852,680          |
| Infrastructure and Support services | 24        | 1,694,775,000        |
| <b>TOTAL</b>                        | <b>47</b> | <b>2,542,627,680</b> |

**h. Misapplication of Funds - Infrastructure and Support Services**

Contrary to the Appropriation Act of 2011, an amount of K52,305,880 meant for Urban Water and Sanitation Programme was in October 2012 applied on the payment of terminal benefits, an activity not related to the Water and Sanitation Programme.

**i. Decentralisation Secretariat**

A provision of K24,704,071,157 was made in the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012 for implementation of activities such as monitoring and evaluation, legal institutional reforms, sector devolution, and policy planning against which amounts totalling K22,264,338,062 were released.

Out of the released amount, amounts totalling K18,311,329,849 were spent leaving a balance of K3,953,058,213 unspent.

The following were observed:

**i. Questionable Payment of Consultancy Fees to ASCO Ltd**

On 5<sup>th</sup> June and 14<sup>th</sup> August 2012, the Ministry paid amounts totalling K1,185,352,000 to Asco Ltd for the provision of consultancy services. The scope of works included:

- Collection of baseline information in various provinces.
- Preparation of Urban Sector Analyses.
- A preparation of a Status Quo Report.
- Preparation of an evaluation report on the existing capacity in Councils.
- Development of Spatial framework.

However, the contract between the Ministry and Asco Ltd and the consultant's report on the assignment were not availed for audit.

**ii. Wasteful Expenditure**

In May 2012, the Ministry paid amounts totalling K66,500,000 to a consultant to facilitate the process of developing and finalising the Sector Devolution Plans of sector Ministries for a period of forty (40) days.

However, as of December 2013, the Sector Devolution Plan had not been done rendering the expenditure wasteful.

**iii. Disbursements to the District Councils**

The Government in line with the Sixth National Development Plan (SNDP) had a target to build one hundred and fifty thousand (150,000) low cost housing units during the period from 2010 to 2015 as a way of empowering local authorities to generate revenue and improve the living standards of people with decent and affordable accommodation.

An amount of K18,176,627,180 was released to various councils for construction of houses, urban markets and street lighting as tabulated below.

| <b>Project Works</b>                    | <b>Amount<br/>K</b>   |
|---|-----------------------|
| Construction of Houses                  | 5,800,000,000         |
| Urban and Feeder Roads- Street Lighting | 11,376,627,180        |
| Urban Markets                           | 1,000,000,000         |
| <b>TOTAL</b>                            | <b>18,176,627,180</b> |

A visit to some selected district councils revealed the following:

- **Lunga District Council - Failure to Implement Planned Activities**

In November 2012, the Ministry funded Lunga District Council amounts totalling K2,310,000,000 for the construction of ten (10) houses (K1,200,000,000), a market (K210,000,000) and water and sanitation (K900,000,000).

However, as of November 2013, none of the activities funded had been implemented.

Further, it was not possible to verify whether the funds were still in the Council’s account as the bank statements were not availed for audit.

- **Chadiza District Council - Failure to Provide Accounting Records**

On 3<sup>rd</sup> December 2012, the Ministry funded Chadiza District Council K200,000,000 for the street lighting project.

However, the Council failed to provide records such as payment vouchers, bank statements and progress reports. Therefore, it was not possible to verify whether the funds had been utilised or were still available.

A physical inspection conducted at the proposed sites revealed that the works had not commenced as of December 2013.

**iv. Disbursement to Commercial Utilities (CUs)**

The Ministry of Local Government and Housing disbursed a total amount of K93,980,108,600 to ten (10) CUs for implementation of selected projects in water supply and sanitation services provisions as shown in the table below.

| No.                | Name of Water Utility Company    | Amount Disbursed K    |
|--------------------|----------------------------------|-----------------------|
| 1                  | Nkana Water and Sewerage         | 12,000,000,000        |
| 2                  | Chambeshi Water and Sewerage     | 32,855,412,836        |
| 3                  | Lukanga Water and Sewerage       | 8,143,731,682         |
| 4                  | Southern Water and Sewerage      | 800,000,000           |
| 5                  | Mulonga Water and Sewerage       | 8,705,551,825         |
| 6                  | North Western Water and Sewerage | 8,000,000,000         |
| 7                  | Lusaka Water and Sewerage        | 6,415,662,257         |
| 8                  | Western Water and Sewerage       | 6,000,000,000         |
| 9                  | Eastern Water and Sewerage       | 4,000,000,000         |
| 10                 | Luapula Water and Sewerage       | 7,059,750,000         |
| <b>Grand Total</b> |                                  | <b>93,980,108,600</b> |

A visit to four (4) selected utility companies revealed the following:

- **Luapula Water and Sewerage Company**
  - **Failure to Implement Planned Activities**

The Luapula Water and Sewerage Company was funded K5,550,000,000 for the implementation of water infrastructure in Nchelenge, Chiengi and Mununga (K2,000,000,000), water schemes in Kashiba and Lukwesa (K2,600,000,000) and the procurement of water meters and accessories (K950,000,000). However, as of December 2013, despite the availability of funds, the activities had not been implemented.

- **Inadequately Supported Payment Vouchers**

Contrary to Financial Regulation No. 52, fifty six (56) payment vouchers in amounts totalling K629,577,759 were not adequately supported in that they lacked documents such as receipts, quotations, contracts for work done and budgets.

- **Lack of Receipt and Disposal Records**

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of water meters, computers, electrical materials and motorbikes costing K1,815,944,924 procured during the period under review.

- **North Western Water and Sewerage Company**

In August 2012, the Ministry disbursed K8,000,000,000 to North Western Water and Sewerage Company under the National Urban Water and Supply and Sanitation (NUSWSP) – Emergency Water Supply and Sanitation out of which amounts totalling K4,643,383,001 were spent leaving a balance of K3,356,616,999.

The following were observed:

- **Irregular Variation of a Contract**

In June 2012, the North Western Water and Sewerage Company (NWWSC) engaged Mango Tree Construction Limited to erect an elevated Braithwaite Tank in Kabompo District at a contract price of K1,423,552,000. In July 2012, NWWSC sought authority from the Zambia Public Procurement Authority (ZPPA) to vary the contract and have Mango Tree Construction Limited to disassemble the tank and reassemble it in Chavuma District at an additional cost of K565,500,000 bringing the contract price to K1,989,052,000.

The ZPPA advised NWWSC to submit the revised contract documents to the Office of the Attorney – General for legal opinion before signing the contract.

However, contrary to the advice from ZPPA the NWWSC signed the new contract with Mango Tree Construction Limited before the legal opinion from the Office of the Attorney General was granted.

- **Unsupported Payment Vouchers**

Contrary to Financial Regulation No. 52, twenty five (25) payment vouchers in amounts totalling K2,895,064,458 made during the period under review were not supported in that they lacked receipts, contracts and quotations among others.

- **Chambeshi Water and Sewerage Company**

The Ministry released K32,855,412,836 to the Chambeshi Water and Sewerage Company under the National Urban Water Supply and Sanitation (NUSWWP) – Emergency Water Supply and Sanitation Projects.

The following were observed:

- **Inadequately Supported Payment Vouchers**

Contrary to Financial Regulation No. 52, forty one (41) payment vouchers in amounts totalling K2,278,552,268 made during the period under review were not supported in that they lacked receipts, quotations, delivery notes, progress reports among others.

- **Single Sourcing in the Procurement of a 500 Cubic Meter Per Hour Pump**

On 3<sup>rd</sup> August 2012, the Chambeshi Water and Sewerage Company (CWSC) applied to the ZPPA to seek authority to single source the supply and installation of new pumps and for construction of floating intake for Lukupa in Kasama.

In a letter dated 14<sup>th</sup> August 2012, the ZPPA advised the CWSC that their request to single source the supply and installation of new pumps and for the construction of a floating intake was rejected. In a letter dated 27<sup>th</sup>

August 2012, the CWSC appealed the matter but this was also rejected by the ZPPA in a letter dated 31<sup>st</sup> August 2012.

However, it was observed that before the ZPPA responded, the CWSC had on 7<sup>th</sup> August 2012 proceeded with the purchase of one (1) pump costing K1,107,000,000. In this regard, the payment was irregular as tender procedures were not followed.

○ **Delayed Improvement of Water Supply System in Nakonde District.**

In August 2012, the CWSC engaged Shaftex Limited to implement the water supply project in Nakonde District with an expected completion period of fifty two (52) weeks from start date at a contract price of K31,177,097,777. As of December 2013, the contractor had been paid amounts totalling K18,631,317,025.

The scope of works included the following:

- Construction of an intake pump house, supplying and installing water booster pumps, supply and installation of water pipes from the raising mains
- Construction of concrete ground tank to be used as a sump at the intake,
- Supply and install a sectional steel tank,
- Construct all associated civil works, and supply and install all associated electrical/ mechanical works that will constitute the entire new water intake
- Conveyance and distribution system.

However, a review of the internal audit report dated 22<sup>nd</sup> August 2013, revealed that progress on the works by Shaftex Limited had been very slow since its commencement in August 2012 as the following were highlighted:

- The contractor did not have enough machinery and equipment on site,
  - Concrete pillars for the Katozi Elevated Tank had already developed cracks despite the tank not being mounted on the pillars,
  - Poor quality of plumbing materials have been fitted in the houses,
  - Rehabilitation works on the existing clear well tank were poorly done and the surface has already developed cracks, and
  - No works have been done on the filters.
- **Unaccounted for Stores - Nkana Water and Sewerage Company**

Contrary to Public Stores Regulation No.16, various stores items costing K81,196,202 procured during the period under review were not accounted for in that they lacked receipt and disposal details.

**HEAD: 21 / 01 Loans and Investments, Ministry of Finance**

**Programmes: Various**

**Activities: Various**

- 32.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K7,430,325,495,572 was made to cater for various activities under Head 21, Loans and Investments, against which amounts totalling K3,888,906,468,558 were released resulting in an underfunding of K3,541,419,027,014.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters and a visit to provincial offices carried out in September 2013 revealed the following:

##### **a. Non Provision of Acknowledgements of Receipts by Foreign Institutions**

The Ministry made payments in amounts totalling K15,957,959,979 to various foreign institutions for the purpose of clearing outstanding debts. However, supporting documents such as reports of payments due from the Debt Data Unit, notice of bills of outstanding

balances and acknowledgements from the lending institutions were not availed for audit. In this regard, it was not possible to ascertain whether the amounts were received by the intended beneficiaries.

**b. Inadequately Supported Payments – Projects and Institutions**

During the period under review, the Ministry disbursed amounts totalling K114,598,122,580 to various projects and institutions for operations, recapitalisation, settling of litigation costs, settling of outstanding terminal benefits, rehabilitation projects and modernisation as shown in the table below.

| Project/Institution                        | Amount Disbursed<br>K  | Purpose  |
|--|------------------------|--|
| Zambia Institute of Policy and Research    | 4,000,000,000          | Operations   |
| Cancer Diseases Hospital Phase II          | 7,000,000,000          | Operations   |
| Millennium Challenge Account               | 3,440,000,000          | Operations   |
| Zambia Revenue Authority                   | 120,000,000,000.00     | Mordenisation Project  |
| National Authorising Office                | 3,700,000,000          | Operations   |
| National Housing Authority                 | 5,000,000,000          | Payment of Presidential Housing Initiative (PHI) liabilities   |
| Sovereign Credit Rating                    | 10,000,000,000         | Payments towards Zambia's annual credit rating fees, rating of Zambia's USD 750,000,000 Sovereign Bond, allowances, stationary and Conference facilities |
| Zambia Consensus Project                   | 5,000,000,000          | Payments of allowances and for the supply of goods and services with regards to the development of the Geographical Information System (GIS)             |
| Kapiri Glass                               | 3,135,000,000          | Liquidation and Winding up Costs   |
| Mansa Batteries                            | 1,727,000,000          | Liquidation and Winding up Costs   |
| LINTCO                                     | 837,000,000            | Payments towards refreshments and allowances for LINTCO meetings, allowances to officers manning the Administrator General's offices and imprest         |
| Tanzania Zambia Railway Authority (TAZARA) | 45,500,000,000         | Recapitalisation and payments of outstanding terminal benefits   |
| Development Bank of Zambia                 | 5,000,000,000          | Recapitalisation   |
| Zambia Educational Publishing House (ZEPH) | 15,204,000,000         | Procurement of Book production machines  |
| Copperbelt Environment Project             | 5,055,122,580          | Operations   |
| <b>Total</b>                               | <b>114,598,122,580</b> |  |

However, contrary to Financial Regulation No. 52, payments in amounts totalling K2,715,622,817 made during the period under review were not supported by receipts, good received notes, acquittal sheets, assets distribution lists and other relevant documents.

| Project/Institution                      | Amount<br>K          |
|--|----------------------|
| Millennium Challenge Account             | 535,087,207          |
| Zambia Institute for Policy and Research | 24,325,000           |
| Administrator General -Mansa Batteries   | 25,660,901           |
| Sovereign Credit Rating                  | 27,500,000           |
| Zambia Revenue Authority                 | 2,103,049,709        |
| <b>Total</b>                             | <b>2,715,622,817</b> |

**c. Questionable Payment of Allowances - Cancer Diseases Hospital Phase II**

A total of K176,720,000 was paid to various officers as project implementation unit allowances. However, the payments for allowances were not supported by appointment letters for the committee members and neither progress reports nor minutes of meetings were availed for audit, thus rendering the payments for allowances questionable.

**d. Misapplication of Funds - National Housing Authority (NHA)**

On 1<sup>st</sup> October 2012, the Ministry released a total amount of K5,000,000,000 to the National Housing Authority for the payment of the liabilities that were transferred to the National Housing Authority (NHA) from the Presidential Housing Initiative (PHI).

A review of expenditure details revealed that out of the total amount released, amounts totalling K3,678,311,204 were applied on activities not related to the clearing of liabilities.

**e. Irregular Payment of Commission - Administrator General and Official Receiver**

During the year under review, the Ministry of Finance released K6,277,250,000 to the Office of the Administrator General and Official Receiver for liquidating and winding up of Kapiri Glass Factory Limited (K4,550,250,000) and Mansa Batteries Limited (K1,727,000,000). An amount of K313,867,500 was deducted as 5% commission by the Administrator General out of which K270,397,500 was paid to thirty eight (38) officers while the balance of K43,470,000 was not accounted for.

In Paragraph 14 of my Report on the Accounts of Parastatal Bodies for the financial year ended 2011, mention was made of the irregular payment of liquidation fees to the Administrator General and his staff in amounts totalling K1,670,608,700.

In their Report for the Second Session of the Eleventh National Assembly, the Public Accounts Committee directed the Controlling Officer to recover the amounts without delay and to ensure that the practice of creating allowances which are not backed by the law be stopped.

**f. Failure to Produce Monitoring and Evaluation Reports - State Owned Enterprises**

The Investment and Debt Management (IDM) Department is responsible for monitoring the operations and performance of the State Owned Enterprises (SOEs), collect and account for

all dividends from SOEs including those under liquidation, receivership and management. It has a duty to ensure that the interest of the Government and shareholders is protected in accordance with the provisions of the Minister of Finance (Incorporation) Act, Cap 349 of the Laws of Zambia.

The Investment and Debt Management (IDM) Department is required to co-ordinate and monitor the management of investments and the preparation of performance contracts and investment agreements.

Although amounts totalling K1,049,203,999,999 were disbursed to various parastatals during the period under review for recapitalisation, no monitoring and evaluation reports were produced by the IDM to show the performance of the companies.

**HEAD: 26 Ministry of Information, Broadcasting and Tourism**

**UNITS: Various**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

33. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total authorised provision of K183,656,284,619 was made to cater for various activities against which amounts totalling K93,501,813,103 were released. In addition, amounts totalling K1,691,842,496 were brought forward from the previous year, bringing the total available funds to K95,193,655,598 out of which K88,296,119,381 was spent resulting in a variance of K6,897,536,218 as shown in the table below.

| Year         | Total Authorised (A)<br>K | Total Released (B)<br>K | Funds Brought Forward (C)<br>K | Total Funds Available (D)<br>K | Total Expenditure (E)<br>K | Variance ((D) - (E))<br>K |
|--------------|---------------------------|-------------------------|--------------------------------|--------------------------------|----------------------------|---------------------------|
| RDCs         | 174,157,723,046           | 84,190,908,013          | 1,691,842,496                  | 85,882,750,509                 | 81,659,954,739             | 4,222,795,770             |
| PEs          | 9,498,561,573             | 9,310,905,090           |                                | 9,310,905,090                  | 6,636,164,642              | 2,674,740,448             |
| <b>Total</b> | <b>183,656,284,619</b>    | <b>93,501,813,103</b>   | <b>1,691,842,496</b>           | <b>95,193,655,598</b>          | <b>88,296,119,381</b>      | <b>6,897,536,218</b>      |

### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry headquarters and a physical inspection of selected projects carried out in June 2013 revealed the following:

**a. Unvouched Expenditure**

Contrary to Financial Regulations Nos. 45, 52 and 65, eight one (81) payments with amounts totalling K1,144,564,100 made during the period under review were unvouched in that the payment vouchers were either missing or inadequately supported by invoices, receipts and other documents. See table below.

| Details                  | No of Transactions | Total Amount<br>K    |
|--------------------------|--------------------|----------------------|
| Missing Payment Vouchers | 3                  | 29,329,800           |
| Inadequately supported   | 78                 | 1,115,234,300        |
| <b>Total</b>             | <b>81</b>          | <b>1,144,564,100</b> |

**b. Unretired Imprest**

Contrary to Financial Regulations No.96 (1), imprest in amounts totalling K653,384,979 issued to fifty nine (59) officers during the period under review had not been retired as of December 2013.

**c. Unauthorised Workshops and Seminars**

Cabinet Office Circular No. 7 of 2006 requires Controlling Officers to seek authority from the Secretary to the Cabinet prior to holding seminars, workshops and conferences outside government facilities.

It was observed however that during the period from 28<sup>th</sup> February to 1<sup>st</sup> June 2012, amounts totalling K106,499,660 involving six (6) transactions were paid to hotels and lodges for holding meetings and workshops without obtaining authority from the Secretary to Cabinet.

**d. Failure to Recover Loans**

Contrary to Terms and Conditions of Service for the Public Service, recoveries for loans in amounts totalling K64,500,000 paid out to eleven (11) officers during the period under review had not been effected as of December 2013.

**e. Unaccounted For Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K1,519,634,919 involving fifty eight (58) transactions, comprising general stores (K1,333,034,344) and fuel

(K186,600,575) procured during the period under review had no receipt and disposal details.

**f. Failure to Follow Procurement Procedures**

According to the Zambia Public Procurement Authority Circular No. 1 of 2011, a Permanent Secretary can authorise procurements of up to K50,000,000. All procurements above K50,000,000 are to be authorised by the Ministerial Procurement Committee.

Contrary to the circular, the Permanent Secretary authorised the procurements of men's suits from BBC One Collection at a cost of K82,890,000 and computers, printers and peripherals from DK Computer Suppliers Limited at a cost of K162,880,000 without authority from the Ministerial Procurement Committee.

**g. Failure to Install Procured Equipment - Chipata and Kasama**

In Paragraph 35 (j) of my Report for the financial year ended 31<sup>st</sup> December 2009, mention was made of the procurement of printing presses at the Zambia News Information Services (ZANIS) offices at a total cost of K6,345,332,854 (US\$1,361,200) in Chipata (K2,937,477,778), (US\$625,000) and Kasama (K3,407,855,076), (US\$736,200).

Although the supplier had been paid in full and the equipment for both stations had been delivered as of August 2010, the equipment had not been installed as the buildings to house the equipment had not been completed.

A review of the situation in June, 2013 revealed the following:

**i. Construction of Printing Press Building - Chipata**

On 3<sup>rd</sup> November 2009, the Ministry awarded a contract to Palaba Investments for the construction of a building to house the printing press at a contract sum of K654,139,060 which was later revised to K818,827,475 due to some variation of works. The contract was for a period of ten (10) weeks from 3<sup>rd</sup> November, 2009 to 31<sup>st</sup> December 2009. As at 31<sup>st</sup> December 2012, the Contractor had been paid the whole amount.

A physical inspection of the printing press equipment and the building and a review of documents carried out in June 2013 revealed that the building was certified complete

on 9<sup>th</sup> July 2012, thirty (30) months after expected date of completion, although it was not operational as the printing press equipment had not been assembled.

As of June 2013, the warranty of the equipment had expired and its delay in installation could lead to obsolescence resulting in loss of public funds.

**ii. Construction of Printing Press - Kasama**

On 14<sup>th</sup> September 2012, the Ministry through the Provincial Administration, Northern Province engaged Jonko Contractors and General Suppliers to construct a building to house the Printing Press at a contract sum of K910,274,910. The contract was for a period of twenty two (22) weeks from 28<sup>th</sup> September 2012 to 5<sup>th</sup> March 2013.

As of June 2013, the contractor had been paid an amount of K294,181,655 leaving a balance of K616,093,255.

The following were observed:

- **Failure to Follow Tender Procedures**

Although the Contractor was engaged and the contract availed for audit, there was no evidence of compliance with procurement procedures showing how the contractor was engaged contrary to Procurement Guidelines.

- **Delayed Completion of the Project**

A physical inspection of the Printing Press building and equipment and interviews carried out with the Provincial Buildings Engineer revealed that most works were executed except casting of the concrete on which the Printing Press was supposed to be installed.

The delay was attributed to the non arrival of the technical team to provide advice on how the concrete was supposed to be cast. However, it was not possible to verify the equipment as access was not granted to the storage facilities.

**h. Hosting of the 20<sup>th</sup> Session of the United Nations World Tourism Organisation (UNWTO) General Assembly**

The Government was to host the 20<sup>th</sup> Session of the UNWTO General Assembly which was scheduled to take place from 24<sup>th</sup> to 29<sup>th</sup> August, 2013. In this regard, a total provision of K59,700,450,000 was made out of which K25,530,000,000 was released to cater for various activities to facilitate the hosting of the General Assembly.

As of 31<sup>st</sup> December 2012, amounts totalling K9,462,910,428 had been spent and disbursed to various institutions leaving a balance of K16,067,089,572.

The following were observed:

- **Lack of Expenditure Returns**

Although amounts totalling K488,394,115 were disbursed to the Copperbelt Museum in December 2012 for the facilitation of the UNWTO General Assembly, no expenditure returns had been availed for audit as of December 2013.

- **Failure to Produce Reports**

Amounts totalling K3,476,465,116 were spent on travel and accommodation for the UNWTO Secretariat's activities comprising; imprest (K2,115,878,168) to forty nine (49) officers to attend meetings abroad, hotels for hosting of meetings and travel agencies for the procurement of air tickets (K1,360,586,948). However, a review of expenditure details and retirements revealed that the expenditure was not adequately supported with reports. As a result, it was not possible to ascertain whether the officers attended the meetings and carried out the activities for which payments were made.

**HEAD: 29 Ministry of Local Government and Housing**

**UNITS: Various**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

- 34.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K464,923,684,273 was made to cater for various activities against which amounts totalling K444,036,229,721 were released. Out of the released funds, a total amount of K351,760,933,309 was spent and the balance of K92,275,296,412 was carried forward to the following year.

#### **Accounting and other Irregularities**

An examination of the accounting and other records maintained at the Ministry headquarters and visits to selected Districts, carried out in April 2013 revealed the following:

**a. Failure to Recover Loans and Advances**

Contrary to the Terms and Conditions of Service for the Public Service, recoveries of loans and advances in amounts totalling K663,757,649 paid to thirty one (31) officers had not been effected as of November 2013. In addition, the Ministry did not maintain a register of loans and advances.

**b. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65, seventeen (17) payment vouchers in amounts totalling K364,696,894 were not availed for audit as of December 2013.

**c. Unacquitted Allowances**

Contrary to Financial Regulation No. 45, nine (9) payments in amounts totalling K192,327,000 made to six (6) officers for allowances and retirees benefits had not been acquitted as of December 2013. As a result, it could not be ascertained whether the funds were received by the intended beneficiaries.

**d. Irregular Use of Imprest**

A total amount of K755,634,000 was paid as meal and sitting allowances to various officers for activities such as preparing responses to audit reports, working on confirmations, preparing cabinet memorandums, transporting damaged items to town and stock verification among others.

However, the payments were irregular in that the activities were executed during the normal working hours and did not attract the payment of sitting allowances.

**e. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K902,441,720 issued to twenty nine (29) officers had not been retired as of April 2013.

**f. Irregular Use of Imprest to Procure Goods and Services**

Financial Regulation No. 86 (c), states that, “accountable imprest is imprest that is issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time”. However, it was observed that the Ministry issued imprest in amounts totalling K122,565,000 to thirteen (13) officers to procure goods and services whose values were obtainable on the market contrary to Financial Regulation. In addition, the goods purported to have been bought were not recorded in the stores records. As a result, it was not possible to ascertain whether the goods were received and used for the intended purpose.

Further, the procurements were not subjected to procurement procedures in that no competitive quotations were obtained.

**g. Unsupported Payments**

Contrary to Financial Regulation No.52, fifty nine (59) payments in amounts totalling K648,220,503 made during the year under review, had no supporting documents such as receipts, invoices and local purchase orders.

**h. Unaccounted For Stores and Fixed Assets**

Contrary to Public Stores Regulation No. 16, various stores items costing K479,855,917 (others stores items – K343,255,917 and fuel – K136,600,000) procured during the period under review had no receipt and disposal details.

**i. Failure to Follow Procurement Procedures**

During the year under review, amounts totalling K373,882,602 were paid to seven (07) contractors to carry out different rehabilitation and construction works such as installation of water tank, removing and fitting of burglar bars, fitting of doors and tiles at the Ministry headquarters and Kwacha House.

However, there was no evidence that procurement procedures were followed as tender minutes and evaluation reports were not availed for audit. In this regard, it was not possible to ascertain how the contractors were selected.

**j. Failure to Follow Procurement Procedures**

**i. Procurement of Motor Vehicles**

The Ministry procured eight (8) motor vehicles at a total cost of K2,236,606,186 as shown in the table below.

| Activity              | Make      | No. of Vehicles | Total Expenditure K  |
|-----------------------|-----------|-----------------|----------------------|
| TOYOTA Zambia Limited | 4 X4 Vans | 4               | 934,226,836          |
| CFAO Zambia           | Navara    | 2               | 635,250,000          |
| Southern Cross        | Pajero    | 1               | 392,200,000          |
| TOYOTA Zambia Limited | Minibus   | 1               | 274,929,350          |
| <b>Total</b>          |           | <b>8</b>        | <b>2,236,606,186</b> |

However, contrary to procurement procedures, no documentary evidence such as tender committee minutes, procurement evaluation reports and authority from ZPPA were availed for audit to show that procurement procedures were adhered to.

**ii. Procurement of Clearing Services**

During the period under review, amounts totalling K404,035,616 were paid to the East African Gateway Logistics (Z) Limited to facilitate the clearing of twenty six (26) fire tenders donated by Promotion of Japanese Diplomacy (SPJD).

However, contrary to the ZPPA Act, the supplier was single sourced without obtaining a no objection from the ZPPA.

**k. Variation of Funds Without Authority**

During the period under review, the Ministry received amounts totalling K330,497,463 for Monitoring of Local Service Delivery. On 20<sup>th</sup> December 2012, a total amount of K851,914,754 was paid to two (2) suppliers for the purchase of three (3) motor vehicles for the Department of Local Government Administration. See table below.

| Payee                 | Description                | Amount<br>K        |
|-----------------------|----------------------------|--------------------|
| Southern Cross Motors | (01 No.) 4x4 Station Wagon | 399,600,000        |
| Toyota Zambia Ltd     | (02 No.) 4x4 Double Cabs   | 452,314,754        |
| <b>Total</b>          |                            | <b>851,914,754</b> |

The expenditure of K851,914,754 resulted in excess expenditure of K521,914,754. However, although the Ministry varied funds from the Grants Account for the purchase of motor vehicles, there was no authority from Secretary to the Treasury.

**HEAD: 31 Ministry of Justice**

**UNITS: Various**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

35. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K409,934,247,234 was made to cater for various activities at the Ministry against which amounts totalling K366,459,128,748 were released.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry carried out in September 2013 revealed the following:

**a. Non-Recovery of Loans and Advances**

Contrary to the Terms and Conditions of Service for the Public Service, recoveries in respect of loans and advances in amounts totalling K234,000,000 paid to twelve (12) officers during the period under review had not been effected as of December 2013.

**b. Overpayment of Commutation Allowance**

Contrary to the Provisions of the Terms and Conditions of the Public Service which provides that commutation of leave days be calculated based on basic salary, fifteen (15) officers who were supposed to be paid K197,511,168 were instead paid K236,643,161 based on the gross pay resulting in an overpayment of K39,131,993.

**c. Non Remittance of Tax**

Contrary to the Income Tax Act, a total amount of K37,158,339 deducted from various officers in respect of commutation of leave, salary arrears and terminal leave benefits paid during the period under review had not been remitted to the Zambia Revenue Authority (ZRA) as of December 2013.

**d. Unvouched Expenditure**

Contrary to Financial Regulation No. 65, payments in amounts totalling K12,282,966,902 made during the period under review were unvouched in that the payment vouchers were either missing or were inadequately supported by relevant documents such as receipts, invoices and Local Purchase Orders.

**e. Unretired Imprest**

Contrary to Financial Regulation No.96, imprest in amounts totalling K252,257,090 issued to twenty eight (28) officers during the period under review had not been retired as of December 2013.

**f. Questionable Payment of Meal Allowances**

A total amount of K1,295,000,000 involving twenty three (23) transactions was paid as meal allowance to twenty three (23) officers who had undertaken various programmes and activities such as capturing payments in IFMIS, updating the asset register, working on 4<sup>th</sup> quarter, 2012 outstanding bills, and clean up of records and reconciliation among others.

However, an analytical review of records carried out at the Ministry revealed that the twenty three (23) officers claimed meal allowances for days ranging from 375 to 1,838 at the approved rate of K50,000 per day. The number of days claimed by each officer were more than the three hundred and sixty five (365) days available in a year. Based on the number of days in a year, the maximum amount that could have been claimed by the officers was K419,750,000. Therefore, the payment of the extra K875,250,000 was irregular.

However, even with the assumption that the K419,750,000 was correctly paid, it would be incomprehensible to imagine that the officers were claiming allowances everyday of the year.

In addition, among the twenty three (23) officers who were paid the meal allowances were seven (7) officers who were on leave during the period they were paid the meal allowances.

Although in his response dated 5<sup>th</sup> November 2013, the Controlling Officer stated that Management had put in place measures to ensure that supervision is improved and that officers are correctly paid, no recoveries of the overpaid amounts had been effected as of December 2013.

**g. Unaccounted for Stores**

Contrary to Public Store Regulations No. 16, there were no receipt and disposal details in respect of various stores items costing K964,455,640 (general stores - K710,301,303 and fuel – K254,154,337) procured during the period under review.

**h. Misapplication of Funds - Gender Mainstreaming**

During the period under review, the Ministry received amounts totalling K180,600,010 for gender mainstreaming activities. A review of the Minister's brief showed that the funds were meant for HIV/AIDS activities. However, out of the total amount released, amounts totalling K119,211,365 were applied on unrelated activities such as payment of sitting allowances, conference facilities, meal allowances and procurement of furniture among others.

**i. Compensation and Awards**

During the period under review, the Ministry received amounts totalling K211,448,042,312 for Compensation and Awards. In addition, an amount of K7,722,001,920 was brought forward from 2011 bringing the total funds available to K219,170,044,232. However, the following were observed:

**i. Inadequate Funding**

In my Report on the Accounts for the financial year ended 31<sup>st</sup> December 2011, mention was made of the fact that there was inadequate funding for Compensation and Awards which had accumulated to K552,230,117,786.

In their Report for the Second Session of the Eleventh National Assembly, the Public Accounts Committee recommended that there should be adequate funding to avert a drain on public resources on account of accumulation of interest on claims.

A review of the situation for the 2012 accounts revealed that the funding had not improved as the budget remained at almost the same level of K215,685,671,156 from K215,136,000,000 (an increase of only K549,671,156) against a total accumulated amount of K273,329,018,609 as of 31<sup>st</sup> December, 2012.

**ii. Judgments Entered in Default**

During the period under review, there were twenty six (26) cases whose judgments were entered in default due to failure by Government departments to provide necessary information to the Attorney General's Chambers to effectively defend the cases.

**iii. Inadequately Supported Payments**

During the period under review, payments in amounts totalling K77,105,181,697 were made to various law firms without supporting documents such as legal bills, High Court judgement, consent orders, contrary to Financial Regulations No. 52 and the Legal Practitioners' Act (Laws, Volume 8 Cap 30). In addition, no creditors aging list was availed for audit.

In the absence of a comprehensive creditors aging list, it was not possible to ascertain whether the payments made to the various claimants were done on first come first paid basis.

A review of outstanding bills as at 30<sup>th</sup> November 2012, revealed that thirteen (13) firms were owed amounts totalling K273,329,018,609 for various cases. An examination of payments revealed that a law firm was paid K200,000,000 on 30<sup>th</sup> May 2012 when in fact it was not on the list of outstanding bills.

In this regard, the rationale of paying the firm that was not on the list of outstanding bills was questionable.

**iv. Failure to Maintain Expenditure Ledgers for Voluntary Separatees Association (VSA)**

There were no expenditure ledgers maintained by the Ministry in order to monitor the payments made to each law firm representing the Voluntary Separatees, how much had been paid to each one of them and how much was outstanding as of November 2013. It was therefore difficult to verify payments in amounts totalling K142,813,008,987 made during the year under review to the five (5) law firms representing the Voluntary Separatees Association members.

**v. Unreconciled Payments to Voluntary Separatees Association (VSA)**

In 2009, a judgment was made to pay a total of K472,843,648,093 for Voluntary Separatees. An examination of records maintained at the Ministry revealed that a total of K443,878,922,999 was paid to the VSA members from June 2009 to August, 2013 leaving a balance of K28,964,725,094. A scrutiny of records revealed that the outstanding balance with interest was K78,922,616,420 which had not been agreed with the Voluntary Separatees Association Members as of December 2013.

In the absence of a reconciliation statement, it was not possible to ascertain the exact amount owed to the VSA members.

|                    |           |  |
|--------------------|-----------|--|
| <b>HEAD:</b>       | <b>44</b> | <b>Ministry of Labour, Youth and Sport</b> |
| <b>UNITS:</b>      |           | <b>Various</b>                             |
| <b>PROGRAMMES:</b> |           | <b>Various</b>                             |
| <b>ACTIVITIES:</b> |           | <b>Various</b>                             |

- 36.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December, 2012, a total provision of K196,476,909,377 was made to cater for various activities at the Ministry, against which amounts totalling K164,529,414,602 were released resulting in an under funding of K31,947,494,775.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters and a visit to selected provinces carried out in July 2013 revealed the following:

##### **a. Unvouched Expenditure**

Contrary to Financial Regulation Nos. 52 and 65, there were one hundred and eighty five (185) payments in amounts totalling K5,764,550,972 made during the period under review that were unvouched in that the payment vouchers were either missing or had no supporting documents such as receipts and invoices among others.

##### **b. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K2,680,244,998 (general stores - K2,292,454,111 and fuel – K387,790,887) procured during the period under review were not accounted for in that there were no receipt and disposal details.

##### **c. Unretired Imprest**

Contrary to Financial Regulation No.96, imprest in amounts totalling K1,982,208,707 issued to one hundred and thirteen (113) officers during the period under review had not been retired as of December, 2013.

**d. Non Recovery of Loans and Advances**

Contrary to Terms and Conditions of Service for the Public Service, recoveries in respect of loans and advances in amounts totalling K140,000,000 paid to six (6) officers during the period under review had not been effected as of December 2013.

**e. Youth Development Fund (YDF)**

During the period under review, the Ministry received amounts totalling K11,771,220,838 to cater for the Youth Development Fund (YDF) activities. As of December 2012, amounts totalling K9,217,351,735 were paid to two hundred and seventy seven (277) Youth Associations as loans and grants (K7,351,388,735 grants to two hundred and seventeen (217) and K1,865,963,000 to fifty five (55) as loans) while the balance of K2,553,869,103 was utilised on administration costs.

However, the following were observed:

**i. Irregular Disbursement of Loans**

On 17<sup>th</sup> December, 2012, the Ministry paid a loan of K49,969,830 to NORICH Enterprises, a company owned by Mr Godfrey Nshimbami (beneficiary). However, a review of the application details and the payments revealed that the names of the applicants and the beneficiary were different rendering the payment questionable. Inquiries with the purported applicants revealed that the application was made without their knowledge by the beneficiary who confirmed that the money was cleared in his account and that he had used it to meet personal bills.

As of December 2013, only K3,120,000 had been recovered from the beneficiary.

**ii. Issue of Loans Without Loan Agreements**

According to the YDF Operational Guidelines No. 6.0 and 6.1(xiii), applicants of approved projects were required to sign binding loan agreements with the Ministry. However, contrary to the provision, loans in amounts totalling K1,274,269,000 were paid to forty one (41) Youth Associations during the period under review without loan agreements.

**iii. Issue of More Than one Loan to the Same Youth Project**

Contrary to the YDF Operational Guideline number 6.1(xiii), which states that the YDF shall be a one off funding, the Ministry paid K32,000,000 to Jerbeka in 2012 Beef Processing, a Youth Association that had been paid K15,000,000 in 2011.

**f. Infrastructure Development**

During the period under review, the Ministry received amounts totalling K58,479,335,679 for the rehabilitation and construction works at National Sports Development Centre (NASDEC), expansion of sports infrastructure at Olympic Youth Development Centre (OYDC), rehabilitation and upgrading of Olympic Swimming Pool, rehabilitations of Nkoloma Stadium and Hostels and facilities at the University of Zambia (UNZA). In this regard, the Ministry engaged twelve (12) contractors to carryout various works and as of December 2013, the contractors had been paid amounts totalling K62,778,332,075.

The following were observed:

- **Failure to Follow Procurement Procedures**

Although the Ministry entered into contracts in amounts totalling K113,288,342,054 there was no authority from the Zambia Public Procurement Authority availed for audit. In this regard, it was not possible to ascertain the basis on which the contracts were awarded.

- **Rehabilitation and Construction at National Sports Development Centre (NASDEC)**

On 28<sup>th</sup> June, 2012, the Ministry engaged Hua Chang Infrastructure for the construction of two (2) change rooms, one (1) tennis court, and fourteen (14) demountable steel terraces and rehabilitation of one (1) basketball court, three (3) tennis courts, one (1) volley ball court, three (3) netball courts and associated external works at NASDEC at a contract sum of K7,762,807,754. The contract was for a period of twenty eight (28) weeks with a defect liability period of twelve (12) months. As of December 2013, the contractor had been paid amounts totalling K3,088,891,646 leaving a balance of K4,673,916,108.

A physical inspection of the project carried out in December 2013, revealed that the constructed Tennis Court and the rehabilitated one (1) basketball court, three (3) tennis courts, one (1) volleyball court and three (3) netball courts had developed deep cracks on the floors as shown in the pictures below.



*Cracks on the courts' floors*

Although there was a defect liability period of twelve (12) months up to 31<sup>st</sup> December 2013, the defects had not been attended to.

- **Rehabilitation of the Six (6) International Hostel Blocks - Unza**

On 25<sup>th</sup> October, 2012, the Ministry of Youth and Sport awarded a contract to Messrs Mercury Lines Limited for the rehabilitation of the six (6) International hostel blocks at the University of Zambia at a contract sum of K6,167,551,220. The contract was for a period of five (5) weeks with a defect liability period of twelve (12) months. As of December 2013, the contractor had been paid amounts totalling K5,304,711,379 leaving a balance of K862,839,841.

- **Omitted Works**

A physical inspection carried out in September 2013 revealed that, although the completion certification was issued, works valued at K164,087,000 had not been done.

- **Defective Works**

Electrical works valued at K17,300,000 were poorly done as the cables had started melting in most of the rooms. See Picture Below.



*Melting Cables*

Although there was a defect liability period of twelve (12) months up to 31<sup>st</sup> December 2013, the defects had not been attended to.

**HEAD:** 46 **Ministry of Health**  
**UNITS:** **Various**  
**PROGRAMMES:** **Various**  
**ACTIVITIES:** **Various**

37. In the Estimates of Revenue and Expenditure for the financial years 2011 and 2012, total provisions of K1,036,551,412,184 and K1,387,127,532,093 were made respectively to cater for various activities such as Personal Emoluments, General Administration, Drugs and Infrastructure Development at the Provincial and District Medical Offices, against which amounts of K905,593,456,464 and K1,503,615,731,394 were released. This resulted in underfunding of K130,957,955,720 and overfunding of K116,488,199,301 in 2011 and 2012 respectively as shown in the table below.

| Province      | Budget Provision         |                          | Amount Released        |                          | Over (Under) funding     |                        |
|---------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
|               | 2011<br>K                | 2012<br>K                | 2011<br>K              | 2012<br>K                | 2011<br>K                | 2012<br>K              |
| Central       | 93,796,235,740           | 113,556,739,054          | 81,531,735,677         | 111,744,143,729          | (12,264,500,063)         | (1,812,595,325)        |
| Copperbelt    | 166,876,663,878          | 194,602,300,876          | 153,387,081,741        | 281,158,888,428          | (13,489,582,137)         | 86,556,587,552         |
| Eastern       | 112,802,516,497          | 138,595,003,197          | 92,011,005,506         | 133,724,215,333          | (20,791,510,991)         | (4,870,787,864)        |
| Luapula       | 79,817,927,903           | 98,326,326,542           | 68,868,220,683         | 93,239,091,949           | (10,949,707,220)         | (5,087,234,593)        |
| Lusaka        | 122,558,904,193          | 299,871,559,342          | 114,016,026,060        | 329,847,993,686          | (8,542,878,133)          | 29,976,434,344         |
| North Western | 83,559,134,311           | 99,408,736,256           | 68,872,885,062         | 97,552,782,066           | (14,686,249,249)         | (1,855,954,190)        |
| Northern      | 112,393,624,714          | 134,783,336,860          | 93,206,848,841         | 135,920,916,707          | (19,186,775,873)         | 1,137,579,847          |
| Southern      | 178,563,297,767          | 206,559,790,099          | 163,246,793,144        | 215,176,859,645          | (15,316,504,623)         | 8,617,069,546          |
| Western       | 86,183,107,181           | 101,423,739,867          | 70,452,859,750         | 105,250,839,851          | (15,730,247,431)         | 3,827,099,984          |
| <b>Total</b>  | <b>1,036,551,412,184</b> | <b>1,387,127,532,093</b> | <b>905,593,456,464</b> | <b>1,503,615,731,394</b> | <b>(130,957,955,720)</b> | <b>116,488,199,301</b> |

## Accounting and Other Irregularities

An examination of accounting and other records maintained at the Provincial and District Medical Offices and physical inspections of selected projects carried out in selected districts in June 2013 revealed the following:

### a. Grants (Recurrent Departmental Charges – RDCs)

#### i. Missing Payment Vouchers

Contrary to Financial Regulation No. 65, three hundred and twenty three (323) payment vouchers in amounts totalling K1,240,612,324 processed during the period under review were not availed for audit. See table below.

| Province        | Station                  | No. of Transactions | Amount 2011 K      | Amount 2012 K        | Total K              |
|-----------------|--------------------------|---------------------|--------------------|----------------------|----------------------|
| SOUTHERN        | Southern PMO             | 1                   | -                  | 3,199,268            | 3,199,268            |
|                 | Kazungula DMO            | 4                   | -                  | 43,200,000           | 43,200,000           |
|                 | Sinazongwe DMO           | 10                  | -                  | 29,061,030           | 29,061,030           |
| NORTH - WESTERN | Solwezi DMO              | 10                  | -                  | 20,603,440           | 20,603,440           |
|                 | Kabompo DMO              | 3                   | 10,000,000         | -                    | 10,000,000           |
|                 | Mwinilunga DMO           | 20                  | 17,250,000         | 92,691,393           | 109,941,393          |
|                 | Ikelenge DMO             | 9                   | -                  | 17,474,000           | 17,474,000           |
|                 | Mufumbwe DMO             | 11                  | -                  | 70,846,900           | 70,846,900           |
|                 | Kalene Nursing School    | 4                   | -                  | 5,000,000            | 5,000,000            |
|                 | Solwezi Nursing School   | 8                   | -                  | 21,185,500           | 21,185,500           |
|                 | Mwinilunga Dist. Hosp    | 54                  | 99,023,500         | -                    | 99,023,500           |
|                 | Mukinge Hospital         | 14                  | -                  | 44,539,943           | 44,539,943           |
|                 | Solwezi General Hospital | 20                  | -                  | 91,451,360           | 91,451,360           |
|                 | WESTERN                  | Mongu DMO           | 4                  | 2,440,000            | 2,705,000            |
| Kaoma DMO       |                          | 1                   | 4,451,400          | -                    | 4,451,400            |
| Kalabo DMO      |                          | 1                   | -                  | 5,000,000            | 5,000,000            |
| Lukulu DMO      |                          | 4                   | -                  | 6,322,000            | 6,322,000            |
| NORTHERN        | Northern PMO             | 6                   | -                  | 64,522,568           | 64,522,568           |
|                 | Kasama DMO               | 5                   | -                  | 14,502,440           | 14,502,440           |
|                 | Luwingu DMO              | 10                  | -                  | 49,198,750           | 49,198,750           |
| LUAPULA         | Mansa PMO                | 1                   | -                  | 6,500,000            | 6,500,000            |
|                 | Samfya DMO               | 4                   | -                  | 20,300,290           | 20,300,290           |
| COPPERBELT      | Ndola DMO                | 40                  | 3,993,500          | 308,681,044          | 312,674,544          |
|                 | Luanshya DMO             | 6                   | -                  | 26,200,000           | 26,200,000           |
|                 | Arthur Davies Hosp.      | 16                  | 58,280,938         | -                    | 58,280,938           |
|                 | Roan Antelope Hosp.      | 40                  | 40,592,460         | 37,208,500           | 77,800,960           |
|                 | Kalulushi DMO            | 8                   | -                  | 8,388,000            | 8,388,000            |
| MUCHINGA        | Chama DMO                | 7                   | -                  | 11,880,600           | 11,880,600           |
|                 | Nakonde DMO              | 2                   | -                  | 3,918,500            | 3,918,500            |
| <b>Total</b>    |                          | <b>323</b>          | <b>236,031,798</b> | <b>1,004,580,526</b> | <b>1,240,612,324</b> |

#### ii. Unsupported Payments and Transfers of Funds

Contrary to Financial Regulation Nos. 45, and 52(1), one thousand two hundred and seventy one (1,271) payment vouchers in amounts totalling K5,738,272,259 processed during the period under review were not supported with relevant documents such as

quotations, cash sale receipts, LPOs, memos and minutes outlining the purpose for the transfer of funds as detailed in the table below.

| Province      | Station                   | No. of Transactions | Amount 2011<br>K     | Amount 2012<br>K     | Total<br>K           |
|---------------|---------------------------|---------------------|----------------------|----------------------|----------------------|
| LUSAKA        | Lusaka PMO                | 5                   | 20,714,845           | 100,790,000          | 121,504,845          |
|               | Lusaka DMO                | 43                  | 410,337,157          | 474,173,300          | 884,510,457          |
|               | Chongwe DMO               | 5                   | 3,106,758            | 8,701,750            | 11,808,508           |
| NORTH WESTERN | Solwezi PMO               | 61                  | -                    | 762,011,774          | 762,011,774          |
|               | Solwezi DMO               | 67                  | 4,400,000            | 151,181,789          | 155,581,789          |
|               | Kasempa DMO               | 30                  | 157,710,000          | -                    | 157,710,000          |
|               | Kabompo DMO               | 6                   | 16,547,000           | -                    | 16,547,000           |
|               | Mwinilunga DMO            | 7                   | 84,838,752           | 18,496,665           | 103,335,417          |
|               | Zambezi DMO               | 16                  | 21,560,500           | 34,592,500           | 56,153,000           |
|               | Zambezi District Hospital | 12                  | 14,842,000           | -                    | 14,842,000           |
|               | Ikelenge DMO              | 4                   | -                    | 20,003,083           | 20,003,083           |
|               | Kalene Nursing School     | 2                   | -                    | 19,635,000           | 19,635,000           |
|               | Solwezi Nursing School    | 9                   | -                    | 34,288,050           | 34,288,050           |
|               | Solwezi General Hospital  | 30                  | -                    | 95,272,500           | 95,272,500           |
|               | Mufumbwe DMO              | 27                  | -                    | 137,031,465          | 137,031,465          |
|               | Mukinge Hospital          | 18                  | -                    | 68,720,210           | 68,720,210           |
|               | Mukinge Nursing School    | 30                  | -                    | 102,353,451          | 102,353,451          |
|               | Chavuma DMO               | 11                  | -                    | 36,498,250           | 36,498,250           |
|               | Mwinilunga Dist Hosp      | 87                  | 90,885,400           | -                    | 90,885,400           |
| WESTERN       | Western PMO               | 10                  | -                    | 164,248,720          | 164,248,720          |
|               | Mongu DMO                 | 23                  | 99,260,000           | 30,740,000           | 130,000,000          |
|               | Kalabo DMO                | 17                  | -                    | 90,371,102           | 90,371,102           |
|               | Lukulu DMO                | 19                  | -                    | 38,344,683           | 38,344,683           |
| SOUTHERN      | Mazabuka DHO              | 2                   | -                    | 4,577,647            | 4,577,647            |
|               | Sinazongwe DMO            | 2                   | -                    | 21,281,200           | 21,281,200           |
|               | Kalomo DMO                | 6                   | -                    | 29,364,000           | 29,364,000           |
| EASTERN       | Chadiza DMO               | 1                   | -                    | 7,300,000            | 7,300,000            |
| NORTHERN      | Luwingu DMO               | 8                   | -                    | 60,660,000           | 60,660,000           |
| LUAPULA       | Luapula PMO               | 22                  | -                    | 82,630,204           | 82,630,204           |
|               | Mansa DMO                 | 5                   | -                    | 29,068,188           | 29,068,188           |
|               | Kawambwa DMO              | 2                   | -                    | 1,310,000            | 1,310,000            |
|               | Milenge DMO               | 2                   | -                    | 15,730,000           | 15,730,000           |
|               | Chiengi DMO               | 8                   | -                    | 16,988,500           | 16,988,500           |
|               | Samfya DMO                | 17                  | 26,696,722           | -                    | 26,696,722           |
|               | Mansa General Hospital    | 5                   | -                    | 6,220,000            | 6,220,000            |
|               | Mansa School of Nursing   | 8                   | -                    | 38,826,000           | 38,826,000           |
| MUCHINGA      | Chama DMO                 | 92                  | -                    | 325,760,386          | 325,760,386          |
|               | Isoka DMO                 | 1                   | -                    | 920,000              | 920,000              |
| COPPERBELT    | Luanshya DMO              | 3                   | -                    | 14,226,500           | 14,226,500           |
|               | Mufulira DMO              | 3                   | -                    | 11,117,234           | 11,117,234           |
|               | Ndola DMO                 | 147                 | 255,040,504          | 147,212,657          | 402,253,161          |
|               | Arthur Davies Hosp.       | 9                   | 69,893,252           | -                    | 69,893,252           |
|               | Lufwanyama DMO            | 143                 | 0                    | 598,901,055          | 598,901,055          |
|               | Kalulushi DMO             | 18                  | 0                    | 27,105,777           | 27,105,777           |
|               | Roan Antelope Hosp.       | 202                 | 142,681,096          | 361,659,792          | 504,340,888          |
| CENTRAL       | Roan Midwifery School     | 7                   | 76,797,000           | -                    | 76,797,000           |
|               | Kabwe PMO                 | 19                  | 1,647,840            | 53,000,000           | 54,647,840           |
| <b>TOTAL</b>  |                           | <b>1271</b>         | <b>1,496,958,827</b> | <b>4,241,313,432</b> | <b>5,738,272,259</b> |

### iii. Unaccounted for Funds

During the period under review, cash drawings in amounts totalling K2,090,427,830 involving forty nine (49) transactions were made by Kalabo and Lukulu DMOs for office operations and other activities as there were no banking facilities in the districts. However, as of December 2013, amounts totalling K683,015,440 were not accounted for as no expenditure details were not availed for audit and the cash was not found on hand. See table below.

| No. | District      | Cash Drawn<br>K      | Cash Accounted for<br>K | Unaccounted for Cash<br>K |
|-----|---------------|----------------------|-------------------------|---------------------------|
| 1   | Kalabo DMO    | 1,984,273,010        | 1,373,903,890           | 610,369,120               |
| 2   | Lukulu DMO    | 106,154,820          | 33,508,500              | 72,646,320                |
|     | <b>Totals</b> | <b>2,090,427,830</b> | <b>1,407,412,390</b>    | <b>683,015,440</b>        |

**iv. Unapproved Payments**

Contrary to Financial Regulation No. 48, payments in amounts totalling K226,634,723 involving forty three (43) transactions, were not signed by authorised warrant holders. Details are as tabulated below.

| Province      | Station        | No. of Transactions | Amount 2011<br>K | Amount 2012<br>K   | Total<br>K         |
|---------------|----------------|---------------------|------------------|--------------------|--------------------|
| NORTH-WESTERN | Mwinilunga DMO | 2                   | -                | 2,331,650          | 2,331,650          |
|               | Solwezi DMO    | 15                  | -                | 76,469,657         | 76,469,657         |
|               | Kasempa DMO    | 3                   | -                | 11,173,000         | 11,173,000         |
|               | Zambezi DMO    | 3                   | 7,180,000        | -                  | 7,180,000          |
| WESTERN       | Mongu DMO      | 5                   | -                | 4,950,000          | 4,950,000          |
|               | Senanga DMO    | 1                   | -                | 6,913,600          | 6,913,600          |
| SOUTHERN      | Sinazongwe DMO | 1                   | -                | 6,479,130          | 6,479,130          |
| LUSAKA        | Lusaka DMO     | 8                   | -                | 94,637,686         | 94,637,686         |
|               | Chongwe DMO    | 1                   | -                | 1,700,000          | 1,700,000          |
|               | Kafue DMO      | 3                   | -                | 13,500,000         | 13,500,000         |
| MUCHINGA      | Nakonde DMO    | 1                   | -                | 1,300,000          | 1,300,000          |
|               | <b>Totals</b>  | <b>43</b>           | <b>7,180,000</b> | <b>219,454,723</b> | <b>226,634,723</b> |

**v. Unaccounted for Funds**

Contrary to Financial Regulation No. 45 (3), allowances in amounts totalling K116,382,000 involving twenty five (25) transactions were not acquitted as of December 2012. As of December 2013, there was no evidence of the funds being receipted and banked or was there cash found on hand. See table below.

| Province        | Station                  | No. of Transactions | Amount 2011<br>K  | Amount 2012<br>K  | Total<br>K         |
|-----------------|--------------------------|---------------------|-------------------|-------------------|--------------------|
| NORTH - WESTERN | Mwinilunga DMO           | 3                   | 12,085,000        | -                 | 12,085,000         |
|                 | Mwinilunga District Hosp | 1                   | 1,740,000         | -                 | 1,740,000          |
|                 | Zambezi DMO              | 7                   | 14,257,000        | -                 | 14,257,000         |
|                 | Solwezi Nursing School   | 4                   | -                 | 8,454,000         | -                  |
| MUCHINGA        | Chama DMO                | 1                   | -                 | 900,000           | 900,000            |
| COPPERBELT      | Ndola DMO                | 9                   | -                 | 87,400,000        | 87,400,000         |
|                 | <b>TOTAL</b>             | <b>25</b>           | <b>28,082,000</b> | <b>96,754,000</b> | <b>116,382,000</b> |

**vi. Misapplication of Funds**

Contrary to the Appropriation Act of 2011, amounts totalling K726,012,647 involving one hundred and eighty one (181) transactions were applied on activities such as

payment of imprest, personal emoluments, holding workshops among others, which were not related to the health service delivery programme. See table below.

| Province   | Station             | No. of Transactions | Amount 2011 K      | Amount 2012 K      | Total K            |
|------------|---------------------|---------------------|--------------------|--------------------|--------------------|
| LUAPULA    | Samfya DMO          | 6                   | -                  | 29,758,500         | 29,758,500         |
|            | Mwense DMO          | 19                  | 120,467,200        | -                  | 120,467,200        |
|            | Milenge DMO         | 7                   | -                  | 35,000,000         | 35,000,000         |
|            | Mansa Sch of        | 1                   | 45,000,000         | -                  | 45,000,000         |
|            | Chiengi DMO         | 1                   | -                  | 2,000,000          | 2,000,000          |
| WESTERN    | Senanga DMO         | 5                   | -                  | 331,612,180        | 331,612,180        |
| COPPERBELT | Ndola DMO           | 70                  | 60,286,739         | -                  | 60,286,739         |
|            | Arthur Davies Hosp. | 72                  | 101,888,028        | -                  | 101,888,028        |
|            | <b>Total</b>        | <b>181</b>          | <b>327,641,967</b> | <b>398,370,680</b> | <b>726,012,647</b> |

**vii. Failure to Remit Tax**

Contrary to the Income Tax Act (CAP 323), amounts totalling K322,917,884 deducted from officers' dues as Pay As You Earn (PAYE) during the period under review, had not been remitted to the Zambia Revenue Authority (ZRA) as of December 2013. See table below.

| Province        | Station                | No. of Transactions | Amount 2011 K     | Amount 2012 K      | Total K            |
|-----------------|------------------------|---------------------|-------------------|--------------------|--------------------|
| LUAPULA         | Chiengi DMO            | 13                  | -                 | 1,630,973          | 1,630,973          |
|                 | Mansa DMO              | 21                  | -                 | 4,919,685          | 4,919,685          |
| NORTH - WESTERN | North - Western PMO    | 39                  | -                 | 202,103,419        | 202,103,419        |
|                 | Solwezi DMO            | 16                  | -                 | 15,749,298         | 15,749,298         |
|                 | Mukinge Nursing School | 11                  | -                 | 3,340,000          | 3,340,000          |
|                 | Mwinilunga DMO         | 22                  | 21,089,491        | -                  | 21,089,491         |
| MUCHINGA        | Nakonde DMO            | 15                  | 19,955,276        | -                  | 19,955,276         |
| LUSAKA          | Lusaka PMO             | 11                  | -                 | 46,533,622         | 46,533,622         |
| SOUTHERN        | Monze DMO              | 2                   | -                 | 7,596,120          | 7,596,120          |
|                 | <b>Total</b>           | <b>150</b>          | <b>41,044,767</b> | <b>281,873,117</b> | <b>322,917,884</b> |

**viii. Failure to Follow Procurement Procedures**

Contrary to Public Procurement Guidelines, payments in amounts totalling K535,108,940 in respect of goods and services procured during the period under review, involving one hundred and forty two (142) transactions were processed without following procurement procedures in that the payments were not supported with competitive quotations. See table below.

| Province   | Station               | No. of Transactions | Amount 2011 K      | Amount 2012 K     | Total K            |
|------------|-----------------------|---------------------|--------------------|-------------------|--------------------|
| WESTERN    | Shangombo DMO         | 6                   | 33,200,000         | -                 | 33,200,000         |
|            | Mongu DMO             | 5                   | 18,794,000         | -                 | 18,794,000         |
| SOUTHERN   | Choma Gen Hospital    | 2                   | 2,980,000          | -                 | 2,980,000          |
|            | Itezhi-Tezhi DMO      | 1                   | 920,000            | -                 | 920,000            |
|            | Namwala DMO           | 10                  | 30,575,000         | -                 | 30,575,000         |
| EASTERN    | Katete DMO            | 7                   | 83,510,000         | -                 | 83,510,000         |
|            | Mwami Sch. of Nursing | 7                   | 30,378,000         | -                 | 30,378,000         |
| MUCHINGA   | Nakonde DMO           | 1                   | 16,130,000         | -                 | 16,130,000         |
| NORTHERN   | Luwingu DMO           | 26                  | -                  | 62,542,000        | 62,542,000         |
| COPPERBELT | Ndola DMO             | 2                   | 32,934,000         | -                 | 32,934,000         |
|            | Arthur Davies Hosp.   | 73                  | 207,571,440        | -                 | 207,571,440        |
| LUAPULA    | Mansa Sch. of Nursing | 2                   | 15,574,500         | -                 | 15,574,500         |
|            | <b>Totals</b>         | <b>142</b>          | <b>472,566,940</b> | <b>62,542,000</b> | <b>535,108,940</b> |

**ix. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprests in amounts totalling K4,416,812,630 issued during the period under review to five hundred and fifty nine (559) officers had not been retired as of December 2013.

**x. Subsequent Issuance of Imprest**

Contrary to Financial Regulation No. 91(1) and (2), imprest in amounts totalling K219,123,322 were issued to twenty eight (28) officers who had not retired previous imprest. See table below.

| Province        | Station                  | No. of Officers | Amount 2012 K      |
|-----------------|--------------------------|-----------------|--------------------|
| SOUTHERN        | Kazungula DMO            | 1               | 29,710,000         |
|                 | Kalomo DMO               | 4               | 20,640,000         |
|                 | Sinazongwe DMO           | 3               | 2,735,000          |
| NORTH - WESTERN | Solwezi General Hospital | 20              | 166,038,322        |
|                 | <b>Total</b>             | <b>28</b>       | <b>219,123,322</b> |

**xi. Failure to Produce Activity Reports**

During the period under review, imprest in amounts totalling K156,493,618 was paid to fifteen (15) officers to carry out various activities. However, there were no activity reports produced to confirm whether the activities were undertaken or not. See table below.

| Province        | Station        | Transaction No | No. of Officers | Amount 2012 K      |
|-----------------|----------------|----------------|-----------------|--------------------|
| North - Western | Ikelenge DMO   | 2              | 2               | 2,325,000          |
|                 | Mwinilunga DMO | 2              | 2               | 9,355,000          |
| Southern        | Southern PMO   | 16             | 11              | 144,813,618        |
|                 | <b>Totals</b>  | <b>20</b>      | <b>15</b>       | <b>156,493,618</b> |

**xii. Questionable Retirement of Imprest**

Imprest in amounts totalling K545,106,532 was issued to fifty six (56) officers for various activities which included payment of allowances.

However, a scrutiny of retirement details revealed that supporting documents such as claim forms, attendance sheets, receipts and official retirement forms were missing. It was also observed that some retirements were not approved by warranty holders and details on the retirement forms differed from the details on the payment vouchers. As a result, it was not possible to ascertain the validity of the retirements in question. See table below.

| Province     | Station               | No. of Officers | Amount 2011 K     | Amount 2012 K      | Total K            |
|--------------|-----------------------|-----------------|-------------------|--------------------|--------------------|
| WESTERN      | Mongu DMO             | 7               | 15,550,000        | 9,510,000          | 25,060,000         |
|              | Kaoma DMO             | 1               | 4,505,000         | -                  | 4,505,000          |
|              | Senanga DMO           | 13              | -                 | 13,774,900         | 13,774,900         |
| EASTERN      | Chipata General Hosp. | 3               | 76,432,500        | -                  | 76,432,500         |
| NORTHERN     | Northern PMO          | 10              | -                 | 12,700,000         | 12,700,000         |
|              | Luwingu DMO           | 13              | -                 | 176,379,002        | 176,379,002        |
| LUSAKA       | Lusaka PMO            | 7               | -                 | 211,240,130        | 211,240,130        |
|              | Chongwe DMO           | 2               | -                 | 25,015,000         | 25,015,000         |
| <b>Total</b> |                       | <b>56</b>       | <b>96,487,500</b> | <b>448,619,032</b> | <b>545,106,532</b> |

**xiii. Unaccounted For Drugs and Medical Supplies**

Contrary to Public Stores Regulation No. 16, various drugs and medical supplies costing K4,786,772,561 as shown in the table below could not be accounted for in that there were no receipt and disposal details availed for audit.

| Province        | Station                  | No. of Transactions | Amount 2011 K     | Amount 2012 K        | Total K              |
|-----------------|--------------------------|---------------------|-------------------|----------------------|----------------------|
| WESTERN         | Western PMO              | 15                  | -                 | 134,029,011          | 134,029,011          |
|                 | Senanga DMO              | 6                   | 46,052,000        | -                    | 46,052,000           |
|                 | Mongu DMO                | 87                  | -                 | 16,185,749           | 16,185,749           |
|                 | Kalabo DMO               | 551                 | -                 | 29,492,209           | 29,492,209           |
|                 | Lukulu DMO               | 4                   | -                 | 14,426,750           | 14,426,750           |
|                 | Sesheke DMO              | 1                   | -                 | 2,320,000            | 2,320,000            |
| MUCHINGA        | Chama DMO                | 96                  | -                 | 23,760,680           | 23,760,680           |
|                 | Isoka DMO                | 37                  | -                 | 8,321,785            | 8,321,785            |
|                 | Nakonde DMO              | 2                   | 4,190,000         | -                    | 4,190,000            |
| NORTHERN        | Kaputa DMO               | 8                   | -                 | 93,571,357           | 93,571,357           |
|                 | Luwingu DMO              | 505                 | -                 | 486,781,783          | 486,781,783          |
|                 | Mbala Gen. Hosp.         | 3                   | 8,625,000         | -                    | 8,625,000            |
| CENTRAL         | Central PMO              | 2                   | -                 | 31,818,480           | 31,818,480           |
|                 | Chibombo DMO             | 7                   | -                 | 36,908,000           | 36,908,000           |
|                 | Mumbwa DMO               | 29                  | -                 | 124,014,874          | 124,014,874          |
|                 | Kabwe Mine Hosp          | 21                  | -                 | 105,253,449          | 105,253,449          |
| NORTH - WESTERN | Solwezi General Hospital | 24                  | -                 | 139,601,000          | 139,601,000          |
|                 | Mukinge Hospital         | 29                  | -                 | 279,054,500          | 279,054,500          |
|                 | Solwezi DMO              | 28                  | 8,929,000         | 98,782,000           | 107,711,000          |
| EASTERN         | Lundazi DMO              | 36                  | -                 | 43,715,537           | 43,715,537           |
|                 | Nyimba DMO               | 1                   | -                 | 252,000              | 252,000              |
|                 | St Francis Hospital      | 5                   | -                 | 19,682,480           | 19,682,480           |
| LUAPULA         | Mansa Gen Hospital       | 9                   | -                 | 75,670,000           | 75,670,000           |
|                 | Chienge DMO              | 11                  | -                 | 21,955,790           | 21,955,790           |
|                 | Nchelenge DMO            | 11                  | -                 | 54,552,000           | 54,552,000           |
|                 | Samfya DMO               | 5                   | -                 | 7,944,830            | 7,944,830            |
|                 | Mansa DMO                | 9                   | -                 | 868,947,000          | 868,947,000          |
| SOUTHERN        | Kazungula DMO            | 4                   | -                 | 5,595,759            | 5,595,759            |
|                 | Siavonga DMO             | 60                  | -                 | 129,624,086          | 129,624,086          |
| LUSAKA          | Lusaka DMO               | 157                 | -                 | 357,301,628          | 357,301,628          |
|                 | Chongwe DMO              | 270                 | -                 | 253,712,401          | 253,712,401          |
|                 | Kafue DMO                | 361                 | -                 | 1,013,602,397        | 1,013,602,397        |
|                 | Luangwa DMO              | 172                 | -                 | 145,324,230          | 145,324,230          |
| COPPERBELT      | Roan Antelope Hosp.      | 17                  | -                 | 35,221,157           | 35,221,157           |
|                 | Lufwanyama DMO           | 144                 | -                 | 61,553,640           | 61,553,640           |
| <b>Total</b>    |                          | <b>2727</b>         | <b>67,796,000</b> | <b>4,718,976,561</b> | <b>4,786,772,561</b> |

#### xiv. Expired Drugs

A scrutiny of stock records and drug labels maintained at various stations revealed that drugs costing K104,630,096 had expired and no action had been taken by management to dispose them off. See table below.

| Province | Station                | Types of Drugs/ Medical Supplies | Amount 2011 K     | Amount 2012 K     | Total K            | Remarks                 |
|----------|------------------------|----------------------------------|-------------------|-------------------|--------------------|-------------------------|
| NORTHERN | Kasama DMO             | Various drugs                    | -                 | 23,930,208        | 23,930,208         | The drugs were in stock |
|          | Kasama Gen. Hosp.      | Various drugs                    | 9,421,922         | -                 | 9,421,922          | The drugs were in stock |
|          | Kaputa DMO             | Various drugs                    | -                 | 24,857,101        | 24,857,101         | The drugs were in stock |
|          | Mbala General Hospital | Various drugs                    | -                 | 22,977,298        | 22,977,298         | The drugs were in stock |
| EASTERN  | Lundazi Dist Hospital  | Various Drugs                    | 13,600,997        | -                 | 13,600,997         | The drugs were in stock |
| WESTERN  | Mongu DMO (Kaande RHC) | Various Drugs                    | -                 | 3,286,754         | 3,286,754          | The drugs were in stock |
| MUCHINGA | Chama DMO              | Various Drugs                    | -                 | 6,555,816         | 6,555,816          | The drugs were in stock |
|          | <b>Total</b>           |                                  | <b>23,022,919</b> | <b>81,607,177</b> | <b>104,630,096</b> |                         |

#### xv. Undelivered Drugs

During the period under review, drugs and medical supplies costing K722,379,156 involving seven hundred and eighty one (781) transactions procured by Medical Stores had not been delivered to the various District Medical Offices as of December 2013. See table below.

| Province | Station      | No of Transactions | Amount 2012 K      |
|----------|--------------|--------------------|--------------------|
| CENTRAL  | Serenje DMO  | 5                  | 5,897,370          |
|          | Mumbwa DMO   | 189                | 407,826,647        |
| LUSAKA   | Lusaka DMO   | 79                 | 14,376,951         |
|          | Chongwe DMO  | 125                | 16,286,986         |
|          | Kafue DMO    | 364                | 8,609,056          |
| SOUTHERN | Siavonga DMO | 19                 | 269,382,146        |
|          | <b>Total</b> | <b>781</b>         | <b>722,379,156</b> |

#### xvi. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, various stores items costing K8,242,057,651 (general stores - K5,737,513,564 and fuel - K2,504,544,087) procured during the period under review had no receipt and disposal details.

#### xvii. Other Irregularities

The following other observations were made in respect of fuel:

- **Questionable Drawings of Fuel**

Fuel costing K104,224,427 involving two hundred and twenty three (223) transactions was drawn without indicating the vehicle registration numbers and the purpose for which the fuel was drawn rendering the drawings questionable.

| Province | Station            | No. of Transactions | Fuel 2011 K      | Fuel 2012 K       | Total K            |
|----------|--------------------|---------------------|------------------|-------------------|--------------------|
| WESTERN  | Western PMO        | 17                  | -                | 4,955,691         | 4,955,691          |
|          | Senanga DMO        | 10                  | -                | 7,225,530         | 7,225,530          |
|          | Sesheke DMO        | 34                  | -                | 16,919,603        | 16,919,603         |
|          | Mongu DMO          | 15                  | 5,688,148        | -                 | 5,688,148          |
| LUAPULA  | Mansa Gen Hopsital | 64                  | -                | 33,245,008        | 33,245,008         |
|          | Luapula PMO        | 83                  | -                | 36,190,447        | 36,190,447         |
|          | <b>Total</b>       | <b>223</b>          | <b>5,688,148</b> | <b>98,536,279</b> | <b>104,224,427</b> |

- **Irregular Drawings of Fuel**

Fuel costing K46,099,956 involving one hundred and thirty (130) transactions was drawn into motor vehicles which were not on the fleet of vehicles under the three (3) DMOs. See table below.

| Province | Station      | No. of Transactions | Amount 2011 K     |
|----------|--------------|---------------------|-------------------|
| WESTERN  | Mongu DMO    | 90                  | 34,391,856        |
|          | Senanga DMO  | 6                   | 2,263,330         |
|          | Kaoma DMO    | 34                  | 9,444,770         |
|          | <b>Total</b> | <b>130</b>          | <b>46,099,956</b> |

In addition, no fuel coupons authorising the drawings were availed for audit.

- **Fuel Drawn Without Authority**

Fuel and lubricants costing K38,237,719 was drawn from service stations by various vehicles without authority from responsible officers. See table below.

| Province     | Station        | Amount 2011 K    | Amount 2012 K     | Total Amount K    |
|--------------|----------------|------------------|-------------------|-------------------|
| WESTERN      | Mongu DMO      | 7,868,030        | -                 | 7,868,030         |
|              | Kaoma DMO      | 928,881          | -                 | 928,881           |
| COPPERBELT   | Lufwanyama DMO | -                | 29,440,808        | 29,440,808        |
| <b>Total</b> |                | <b>8,796,911</b> | <b>29,440,808</b> | <b>38,237,719</b> |

**xviii. Unaccounted for Motorcycles - Nakonde DMO**

A review of the asset records revealed that, during the period under review, the district had twenty six (26) motorcycles and three (3) motor vehicles. However, a physical verification carried out in June 2013 revealed that out of the twenty six (26) motorcycles, seven (7) costing K80,000,000 were missing. The motorcycles were also not insured and as of December 2013, there was no Police Report.

**xix. Revolving Fund Accounts**

- **Failure to Recover Loans, Tuition and Salary Advances**

Contrary to Terms and Conditions of Service for the Public Service, recoveries for loans and salary advances in amounts totalling K379,106,877 paid to one hundred and eleven (111) officers during the period under review had not been effected as of December 2013. See table below.

|                      | Station              | No. of Officers | Amount 2011 K      | Amount 2012 K      | Total K            |
|----------------------|----------------------|-----------------|--------------------|--------------------|--------------------|
| <b>NORTH WESTERN</b> | Solwezi PMO          | 15              | 70,000,000         | 15,000,000         | 85,000,000         |
|                      | Solwezi DMO          | 7               | 5,700,000          | 1,500,000          | 7,200,000          |
|                      | Mufumbwe DMO         | 1               | -                  | 2,000,000          | 2,000,000          |
|                      | Mwinilunga DMO       | 4               | -                  | 9,000,000          | 9,000,000          |
|                      | Kabompo DMO          | 3               | 4,000,000          | -                  | 4,000,000          |
|                      | Mwinilunga Dist Hosp | 2               | 1,800,000          | -                  | 1,800,000          |
|                      | Kasempa DMO          | 4               | 3,100,000          | -                  | 3,100,000          |
| <b>SOUTHERN</b>      | Choma Gen. Hospital  | 9               | 5,677,277          | -                  | 5,677,277          |
|                      | Itezhi-Tezhi DMO     | 7               | 8,129,600          | -                  | 8,129,600          |
| <b>COPPERBELT</b>    | Copperbelt PMO       | 21              | -                  | 175,200,000        | 175,200,000        |
|                      | Ndola DMO            | 31              | -                  | 45,000,000         | 45,000,000         |
|                      | Masaiti DMO          | 3               | -                  | 3,000,000          | 3,000,000          |
| <b>NORTHERN</b>      | Northern PMO         | 4               | 30,000,000         | -                  | 30,000,000         |
|                      | <b>Total</b>         | <b>111</b>      | <b>128,406,877</b> | <b>250,700,000</b> | <b>379,106,877</b> |

- **Irregular Payments**

A total of K74,522,568 was irregularly paid from Revolving Account maintained by Northern Provincial Medical Office on seven (7) pre-signed cheques to six (6) people who were not employees of the Provincial Medical Office. In addition, there were no payment vouchers raised to support the payments.

**b. Failure To Deliver Projects on Time**

A scrutiny of records relating to the execution of contracts for infrastructure development revealed that the Ministry was failing to deliver projects on time. The case of the construction of a standard laboratory at the Medical Office in Itezhi-Tezhi for example illustrates the Ministry's failure to deliver projects on time. The project was commissioned in December 2005 and should have been completed in April 2006. However, the project had not been completed as of December 2013, ninety two (92) months after the initial completion date. The table below provides details of other projects that have been delayed.

| District                      | Project  | Contractor                                    | Contract Period   | Contract Sum K | Amount Paid to Contractor K | Scope of Works   | Delay From Initial Date of Completion (Months) |
|-------------------------------|--|---|---|----------------|-----------------------------|--|--|
| <b>Southern Province</b>      |  |   |   |                |                             |  |  |
| Choma                         | Choma General Hospital   | Associated electrical sales                   | 5 <sup>th</sup> Nov 2009 to 27 <sup>th</sup> Jan 2011                         | 7,879,016,600  | 6,109,241,006               | Construction of Admin, OPD and X-Ray blocks, 3 wards, Kitchen, laundry   | 35   |
| Monze Mission Hospital        | Semi-detached staff House  | Mwanza Contractors                            | 19 January 2009 to 19 June 2009 (20 Weeks)                                    | 398,499,340    | 431,667,839                 | Construction of a semi-detached staff house  | 54   |
| Kalomo                        | Construction of 01 Administration Block, OPD Block, Maternity Ward, X-Ray and laboratory           | Conquest Limited                              | 21 December, 2012 to 30 September, 2013 (36 Weeks)                            | 11,013,792,086 | 1,570,173,810               | Construction of Administration Block, OPD, Maternity Ward, and X-Ray block and Laboratory  | 3  |
| Livingstone                   | Construction of a Semi-Detached Staff House in Dambwa North  | Lontinos General Dealers                      | April 2011 – July 2011 (12 weeks)   | 77,952,000     | 162,255,000                 | Construction of Semi-detached staff house to completion  | 29   |
| Kazungula                     | Construction of three (3) staff houses at Kazungula Border   | Up-Up Superatte (Labour only)                 | December 2011 to June 2012 (28 weeks)   | 153,923,441    | 133,814,089                 | Construction of three (3) staff houses   | 18   |
| Itzhi-Tezhi Medical Office    | Standard Laboratory  | Nambala Contractors and Hardware Supplies     | 2 Dec 2005 to 2 Apr 2006  | 120,000,000    | 220,000,000                 | Construction of a standard laboratory  | 92   |
| Kasenga Rural Health Centre   | Construction of an Annex Maternity   | Eyemark Marketing and Construction Limited Co | 18 May 2011 to 25 Jul 2011  | 151,241,604    | 122,211,370                 | Construction of sub structure, roofing, carpentry, glazing, plumbing, solar installation, drainage, painting and decoration  | 29   |
| <b>Northern Province</b>      |  |   |   |                |                             |  |  |
| Mpulungu                      | Construction of Mpulungu District Hospital – Phase II  | Earthrow Investment Ltd                       | 9 <sup>th</sup> December, 2010 to November, 2011 (56 weeks)                   | 6,257,400,797  | 5,509,310,471               | Construction of Administration block, female ward, OPD/Laboratory, children's ward, Mortuary, Incinerator and external works from foundation up to finishing and hand over.        | 25   |
| <b>Muchinga Province</b>      |  |   |   |                |                             |  |  |
| Nakonde                       | Construction of Nakonde District Hospital Phase – 2  | ZaminLLiny Investments Ltd                    | 22 <sup>nd</sup> November, 2011 to October, 2012 (52 weeks)                   | 5,695,921,208  | 3,187,890,844               | Construction of administration block, OPD and Laboratory, Male Ward, Mortuary Block, Incinerator, 4No. Medium Cost Houses from Substructure to Super structure and External works. | 14   |
| <b>Luapula Province</b>       |  |   |   |                |                             |  |  |
| Chienge                       | District Hospital Phase - 3  | Hua Jiang Investments                         | 55 Weeks from Jan, 2012 to Jan, 2013  | 7,276,786,070  | 6,841,392,969               | Construction of female, male and children wards and construction of six (6) low cost and four (4) medium three bedroom houses  | 11   |
| Mansa                         | Construction of Hostel Block   | Nelkan Industries Construction Ltd            | 28 weeks from Sept, 2009  | 3,408,060,164  | 3,260,764,353               | Construction of sixteen (16) flats, sinking of borehole, erection of water tank and other plumbing works.  | 44   |
| Mwense                        | Construction of a District Hospital Phase I  | Mwasika Building Contractors                  | October 2010 to September 2011 (52 week)                                      | 4,135,607,872  | 3,030,971,070               | Construction of the Maternity, X-ray and Service block   | 27   |
| <b>Lusaka Province</b>        |  |   |   |                |                             |  |  |
| Kafue                         | Construction of the Maternity Ward at Kanyama 1 <sup>st</sup> Level Hospital and Chelstone clinics | Vyanne Enterprises                            | 9 <sup>th</sup> March 2012 to 9 <sup>th</sup> August 2012                     | 2,299,546,283  | 1,340,393,480               | Construction of Maternity Ward   | 16   |
| <b>Western Province</b>       |  |   |   |                |                             |  |  |
| Mongu                         | District Hospital Phase I  | Earthrow Investments                          | Sept 2010 -Aug 2011   | 4,553,415,506  | 3,659,514,369               | Maternity, Service, X-ray and Theatre blocks   | 28   |
| Kaoma                         | Rehabilitation of District Hospital  | Pronet Construction Limited                   | 17 Oct – 1 Dec 2011   | 324,400,551    | 267,299,687                 | Rehabilitation of District Hospital  | 24   |
|                               | Kaoma District Hospital  | Lyansa Investments                            | 20 <sup>th</sup> February 2013 to 9 <sup>th</sup> July, 2013                  | 305,533,000    | 228,487,680                 | Alteration of Service and Kitchen Block  | 6  |
| Senanga                       | Construction of Nurses' Training School  | China Jiangxi Corporation (Z) Ltd             | 5 <sup>th</sup> April, 2012 to 11 <sup>th</sup> October, 2012                 | 4,091,998,331  | 4,074,096,566               | Administration Block, Classroom Block, Hostels, Kitchen and Dining   | 14   |
| Kalabo                        | Construction of Sewer Ponds  | PILKAS  | 22 <sup>nd</sup> March, 2013 to 31 <sup>st</sup> October, 2013                | 851,112,500    | 359,955,000                 | Main Treatment Pond, Secondary Pond, Discharge Pond  | 2  |
| <b>North Western Province</b> |  |   |   |                |                             |  |  |
| Chavuma                       | Construction of Chavuma District Hospital  | China Jiangxi corporation                     | 9 <sup>th</sup> September 2010 to 23 <sup>rd</sup> November 2011              | 4,715,998,905  | 4,962,555,562               | Construction of District Hospitals phase 1 and 2   | 25   |
| <b>Central Province</b>       |  |   |   |                |                             |  |  |
| Serenje                       | Construction of District Hospital Phase II   | Zaminliny Investment                          | From 19 <sup>th</sup> October 2011 to 18 <sup>th</sup> October 2012 (52weeks) | 6,996,588,720  | 6,145,856,080               | Construction of Outpatient department (OPD), four (4) medium housing units and service block   | 14   |
| Mkushi                        | Construction of District Hospital Phase II   | Zafeck Investments Limited                    | 22 <sup>nd</sup> October, 2012 to 30 <sup>th</sup> July, 2013 (40 weeks)      | 7,830,526,438  | 938,917,850                 | Construction of OPD, Administration block, male ward, 4 staff houses, mortuary and incinerator.  | 5  |

Further, there were forty one (41) projects to construct health posts and associated infrastructure such as VIP toilets, staff houses and incinerators using labour only contracts which had commenced in 2009, 2010, 2011 and 2012 on which the Ministry spent amounts totalling K1,880,089,988 that had not been completed as of December 2013. Details are in the table below.

| District                 | Project                                    | Year Project Commenced | Amount Received/ allocated K | Amount spent K | Scope of Works  |
|--------------------------|--|------------------------|------------------------------|----------------|---|
| <b>Southern Province</b> |  |                        |                              |                |   |
| Choma                    | Kabanga Health Post                        | 2011                   | 60,000,000                   | 26,052,000     | Construction of a Health Post and a Staff House             |
| Namwala                  | Ngabo Health Post                          | 2011                   | 30,000,000                   | 86,220,000     | Construction of a Health Post and a Staff House             |
| <b>Muchinga Province</b> |  |                        |                              |                |   |
| Mpika                    | Katibunga                                  | 2011                   | 30,000,000                   | 2,950,000      | 1 health Post, 1 staff house, 3 VIP toilets and incinerator |
|                          | Sichitambule                               | 2011                   | 30,000,000                   | 4,750,000      | 1 health post, staff house and 2 VIP toilets                |
|                          | Katyetye                                   | 2011                   | 30,000,000                   | 4,750,000      | 1 health post, staff house and 2 VIP toilets, incinerator   |
|                          | Wiya                                       | 2011                   | 30,000,000                   | 18,645,000     | 1 health post, staff house and 3 VIP toilets                |
| Nakonde                  | Ilola                                      | 2011                   | 30,000,000                   | 10,237,500     | 1 health post, staff house and 2 VIP toilets                |
| Chama                    | Kapiligizya                                | 2011                   | 30,000,000                   | 2,330,445      | 1 health Post, 1 staff house, 4 VIP toilets                 |
|                          | Chitukula                                  | 2011                   | 30,000,000                   | 5,519,475      | 1 health Post, 1 staff house, 4 VIP toilets                 |
| Chinsali                 | Mukwikile                                  | 2011                   | 30,000,000                   | 15,000,000     | 1 health post and 1 staff house                             |
|                          | Mutitima                                   | 2011                   | 30,000,000                   | 12,900,000     | 1 health post and 1 staff house                             |
| <b>Northern Province</b> |  |                        |                              |                |   |
| Mporokoso                | Chalabesa                                  | 2011                   | 28,000,000                   | 11,200,000     | 1 health Post, 1 staff house, 2 VIP toilets, incinerator    |
|                          | Bweupe                                     | 2011                   | 28,000,000                   | 5,600,000      | 1 health post, staff house and 2 VIP toilets, incinerator   |
|                          | Mpalapata health post                      | 2011                   | 28,000,000                   | 11,200,000     | 1 health Post, 1 staff house, 2 VIP toilets, incinerator    |
| Mbala                    | Chomba                                     | 2011                   | 30,000,000                   | 17,296,380     | 1 health Post, 1 staff house, 3 VIP toilets and incinerator |
|                          | Mulefu                                     | 2011                   | 30,000,000                   | 27,720,000     | 1 health Post, 1 staff house, 3 VIP toilets and incinerator |
|                          | Mwenda                                     | 2011                   | 30,000,000                   | 20,065,000     | 1 health Post, 1 staff house, 3 VIP toilets and incinerator |
|                          | Walela                                     | 2011                   | 149,414,750                  | 72,578,500     | 1 health Post, 1 staff house, 4 VIP toilets                 |
| <b>Eastern Province</b>  |  |                        |                              |                |   |
| Chipata                  | Mwasauka                                   | 2011                   | 76,928,750                   | 68,119,000     | 1 health Post, 1 staff house, 4 VIP toilets                 |
|                          | Chanyumbu                                  | 2011                   | 75,174,750                   | 33,054,100     | 1 health Post, 1 staff house, 4 VIP toilets                 |
| Lundazi                  | Chanyalubwe                                | 2011                   | 46,000,000                   | 46,000,000     | 1 health Post, 1 staff house, 4 VIP toilets                 |
| <b>Luapula Province</b>  |  |                        |                              |                |   |
| Mansa                    | Mansa General Hospital- Water Reticulation | 2012                   | 150,350,000                  | 96,891,831     | Erecting stand and mounting three (3) plastic water tank    |
| Kawambwa                 | Munkanta                                   | 2011                   | 30,000,000                   | 29,874,330     | 1 health Post, 1 staff house and 2 VIP toilets              |
|                          | Lufubu Health Post                         | 2012                   | 90,000,000                   | 31,905,000     | Construction of one (1) staff house                         |
| Mwense                   | Kabila                                     | 2011                   | 30,000,000                   | 20,411,000     | 1 health Post, 1 staff house and 2 VIP toilets              |
|                          | Kakomba                                    | 2011                   | 30,000,000                   | 26,515,000     | 1 health Post, 1 staff house and 2 VIP toilets              |
| Nchelenge                | Tokatoka                                   | 2011                   | 30,000,000                   | 24,580,000     | 1 health Post, 1 staff house and 2 VIP toilets              |

| District                      | Project   | Year Project Commenced | Amount Received/ allocated K | Amount spent K       | Scope of Works  |
|-------------------------------|---|------------------------|------------------------------|----------------------|---|
| <b>Lusaka Province</b>        |   |                        |                              |                      |   |
| Lusaka                        | Matero Constituency.                                  | 2011                   | 350,000,000                  | 81,654,000           | Construction of two (2) Health Posts, two (2) staff houses and two (2) Pit Latrines     |
|                               | Chilimba  | 2011                   | 30,000,000                   | 20,000,000           | Construction of a Health post, a staff house, and 3 VIP toilets                         |
| Luangwa                       | Kaunga  | 2011                   | 30,000,000                   | 19,350,000           | Construction of a Health post, a staff house, and 2 VIP toilets                         |
| <b>North Western Province</b> |   |                        |                              |                      |   |
| Solwezi                       | Kang'wena   | 2011                   | 30,000,000                   | 15,366,950           | Health Post, 1 Staff house , 2 VIP toilets  |
| <b>Copperbelt Province</b>    |   |                        |                              |                      |   |
| Kalulushi                     | Chibuluma Urban Clinic.                               | 2009                   | 188,963,147                  | 188,963,148          | Construction of two (2) staff houses  |
|                               | Minsenga Rural Health Post                            | 2011                   | 75,000,000                   | 75,000,000           | Construction of one (1) staff house and three(3) VIP toilets                            |
| Mufulira                      | Construction of Kalindini Health Post and staff house | 2011                   | 75,000,000                   | 93,348,300           | Construction of Health Post and staff house   |
| Lufwanyama                    | Construction of Rural Health Post at Kansanta         | 2011                   | 75,000,000                   | 38,218,700           | Construction of one (1)Health Post , three (3) VIP toilet and 1 x 3 bedroom staff house |
|                               | Construction of Lufwanyama DMO Block                  | 2011                   | 358,900,000                  | 294,978,950          | Super structure, metal work, roofing and plumbing among others                          |
| Masaiti                       | Construction of Miputu Health Post and staff house    | 2011                   | 75,000,000                   | 75,086,000           | Construction of Health Post and staff house   |
| Luanshya                      | Construction of Kapupulu Health Post and staff house  | 2011                   | 75,000,000                   | 75,000,000           | Construction of Health Post and staff house   |
| <b>Central Province</b>       |   |                        |                              |                      |   |
| Serenje                       | Construction of Musamani Health Post                  | 2011                   | 60,000,000                   | 43,272,000           | Construction of one health post, staff house and four VIP toilets                       |
| Chibombo                      | Construction of Kaputi Health Post                    | 2011                   | 30,000,000                   | 34,995,000           | Construction of one health post, staff house and four VIP toilets                       |
| Mumbwa                        | Construction of Namakolongo Health Post               | 2011                   | 30,000,000                   | 42,838,000           | Construction of one health post, staff house and four VIP toilets                       |
|                               | Mwachisompola Health Demo Zone                        | 2012                   | 494,068,871                  | 219,784,540          | Construction of theatre block.  |
|                               | Construction of Nalusanga Health Post                 | 2011                   | 60,000,000                   | 60,047,000           | Construction of one health post, staff house and four VIP toilets                       |
| <b>Total</b>                  |   |                        |                              | <b>1,880,089,988</b> |   |

### c. Other Observations

#### i. Wasteful Expenditure - Construction of Sewer Ponds - Kalabo District Hospital

On 8<sup>th</sup> April, 2004, the Provincial Administration entered into a contract with Pozzolona Engineers and Builders to construct sewer lines and treatment ponds at Kalabo District Hospital at a sum of K499,630,150 with a completion period of twenty (20) weeks from 26<sup>th</sup> October 2004 to 24<sup>th</sup> May 2005.

The scope of works involved constructing stabilization, soak away ponds and sewer lines connecting to the hospital's sewerage system to enable treatment and disposal of waste.

During the period from October 2004 to November 2008, a total amount of K379,203,042 was claimed by the contractor for the works done. However, only a total of K241,214,755 was paid by the Provincial Administration leaving a balance of K137,988,288. Inquiries revealed that the contractor was paid K241,214,755 instead of K379,203,042 due to poor workmanship and the contract was terminated on 10<sup>th</sup> October 2012.

A review of records carried out in June 2013 revealed that the balance of K137,988,288 was paid by the Provincial Medical Office on 30<sup>th</sup> June 2012.

A physical inspection carried out in June 2013 revealed that the works had not been completed and further confirmed that the treatment ponds had been poorly done in that the concrete walls had cracks and no sewer lines connections were done from the hospital's sewer system to the ponds. See picture below.



*Abandoned sewer ponds at Kalabo district*

A visit to the site in June 2013 revealed that the site had been abandoned. On 7<sup>th</sup> March 2013, a new contract was awarded to Pilkas Limited for the same works at a different site at a contract price of K851,112,500 rendering the expenditure of K379,203,042 wasteful.

## **ii. Construction of Milenge District Hospital – Phase 1: Stalled Project**

On 8<sup>th</sup> September 2010, the Ministry awarded a contract for the construction of Milenge District Hospital – Phase 1, to Mwasika Building Contractors Limited of Lusaka at a contract sum of K4,211,208,320 with a completion period of forty eight (48) weeks ending September, 2011. In this regard, in June 2011, an amount of K2,575,647,904 was allocated for the project.

The scope of works included construction of a maternity ward, x-ray, theatre and service blocks and other auxiliary external works. As of June 2013, a total amount of K1,136,232,471 had been paid to the contractor leaving a balance of K3,074,975,849.

As of June 2013, the works had stalled and the Contractor had abandoned the site. Inquiries with management revealed that the contractor abandoned the site in December 2011. At the time of abandonment, the maternity block was at ring beam level, the service block at slab level, the theatre block at foundation level while the rest of the works had not commenced. See pictures below.



*Service block at window level*



*Theatre block at Foundation Box level*

### **iii. Delayed Opening of Samfya District Hospital**

On 24<sup>th</sup> March 2010, the Ministry awarded a contract for the construction of Samfya District Hospital – Phase 3 to Mango Tree Construction Company Limited at a contract sum of K6,619,567,068. In this regard, the project and works were to be completed within a period of fifty two (52) weeks. The scope of works included construction of (6 medium cost and 4 high cost staff houses), construction of one (1) women’s and one (1) children’s wards and sinking and equipping of two (2) boreholes.

As of November 2013, a total amount of K6,633,616,291 had been paid to the contractor resulting in an excess payment of K14,049,223.

Although the project had been completed, interviews with management and a physical inspection carried out in November 2013 revealed the following:

- **Dry Boreholes**

The two (2) boreholes that were sunk at the hospital were dry.

- **Defects**

Some structures had developed cracks on the walls and floors while black floor tiles that were fitted in the theatre were painted over with white paint.

As of December 2013, the hospital had not been opened.

**iv. Delay to Implement Projects – Northern PMO**

A total provision of K2,203,887,952 was made in the 2012 Estimates of Revenue and Expenditure for the rehabilitation and extension of eleven (11) health facilities (K917,394,750) and rehabilitation of training institutions (K1,286,493,202) out of which K1,748,769,575 was released during the period January to August, 2012. It was however observed that the projects had not been implemented as of December 2013.

**v. Wasteful Expenditure - Chitukuko Health Post (Matero Constituency) Lusaka DMO**

In 2011, the Ministry in collaboration with the Matero Constituency Development Committee embarked on a project of constructing a health post, staff house and ablution block at Chitukuko in Matero Constituency. According to the terms, the Ministry of Health was to contribute 75%, whilst Lusaka City Council under CDF was to contribute 25% of the total project cost.

In this regard, the Ministry of Works and Supply (Buildings Department) was engaged in April 2011 to construct structures under force accounting.

As of June 2013, a total of K136,969,850 had been spent on building materials (K103,553,600) and labour (K33,416,250).

A physical inspection of the project carried out in June 2013, revealed that the health post, staff house and ablution block had only reached window level. However, the structures were demolished on 23<sup>rd</sup> October 2013 following a High Court judgment in favour of an individual who claimed to have been leased the premises by the Lusaka City Council. The total expenditure of K136,969,850 was therefore wasteful.

|                    |           |                           |
|--------------------|-----------|---------------------------|
| <b>HEAD:</b>       | <b>46</b> | <b>Ministry of Health</b> |
| <b>UNITS:</b>      |           | <b>Various</b>            |
| <b>PROGRAMMES:</b> |           | <b>Various</b>            |
| <b>ACTIVITIES:</b> |           | <b>Various</b>            |

38. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012 a total provision of K2,955,375,032,661 was made to cater for various activities under the Ministry against which amounts totalling K1,163,972,805,873 were released. In addition, K4,181,713,825 was brought forward from 2011 bringing the total available funds to K1,168,154,519,698.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and visits to selected districts carried out in July 2013 revealed the following:

#### **a. Failure to Reconcile and Close Dormant Bank Accounts**

Contrary to Financial Regulation No. 138 (1) which requires that bank reconciliations for Government accounts at the Bank of Zambia and Commercial Banks should be submitted to the Office of the Accountant General by the 15<sup>th</sup> day of the following month, the Ministry did not prepare bank reconciliations for ten (10) dormant accounts. No request had been made to the Secretary to the Treasury recommending for their closure as of November 2013.

Although in his response dated 8<sup>th</sup> November 2013, the Controlling Officer stated that all the dormant bank accounts had been closed, no evidence was availed for audit.

Among the dormant accounts were three (3) drug accounts which were opened without authority from the Secretary to the Treasury contrary to the Financial Regulations No. 135 (1).

#### **b. Operation of the Larviciding Kwacha Account**

The Ministry (the Purchaser) signed a contract on 11<sup>th</sup> February 2010 with Libiofam S.A of Cuba (the suppliers) for the Malaria Control Project comprising biolarvicides application and programme management for twelve (12) months beginning from the arrival of the consultants. The Cuban Specialists arrived in the Country on 24<sup>th</sup> August 2010. This meant that the Project was to end on 24<sup>th</sup> August 2011, twelve (12) months later.

The total amount of money that was required for the execution of the contract was US\$2,000,500 and the funds were provided by the Zambian Government. The funds were administered as follows:

1. US\$1,147,500 for the goods
2. US\$250,000 for the technical services
3. US\$603,000 for financial services

The contract provided for the opening of a bank account where the funds were to be deposited, especially for the purposes of the Contract and managed by both parties. In this regard, the Ministry of Health maintained three (3) bank accounts with ECO Bank for the Project, a kwacha account and two United States Dollar Accounts.

However, although the project came to an end on 24<sup>th</sup> August 2011, the Ministry continued to operate the Larviciding Account. In this regard, amounts totalling K5,544,395,497 were irregularly transferred from the Account to the revolving fund account on 8<sup>th</sup> January 2013 without authority from the Secretary to the Treasury.

Although the Controlling Officer stated in his response dated 8<sup>th</sup> November 2013 that the Larviciding Account was still open in order to facilitate payments for tickets for the Cuban Doctors who were running the project, it was observed that the Cuban Doctors left in April 2012 while the account remained open as of April 2013, twelve months after the Cuban Doctors had left the Country.

**c. Irregular Transfer of Funds**

Contrary to Financial Regulation No.139 (1), which states that, “where Bank of Zambia facilities are available, no transfer of public moneys shall be made between accounts at the same bank or in different banks without the written approval of the Secretary to the Treasury”, the Ministry made a bank transfer of K937,976,191 in February, 2012 from the new Mirror Account to the Old Mirror Account without authority from the Secretary to the Treasury.

**d. Unvouched Expenditure**

Contrary to Financial Regulation No. 52, there were six (6) payments in amounts totalling K196,816,261 that were unvouched in that they lacked supporting documents such as invoices and receipts among others.

**e. Unaccounted for Stores and Misappropriation of Fuel**

Contrary to Public Stores Regulation No. 16, various stores items costing K1,013,282,789 (general stores – K549,651,210 and fuel – K463,631,579) procured during the period under review could not be accounted for in that there were no receipt and disposal details. It was also observed that the unaccounted for fuel of K463,631,579 was misappropriated by officers within the Ministry.

**f. Misapplication of Funds**

During the period under review, the Ministry received amounts totalling K6,582,315,020 for the insurance of mobile hospital units and motor vehicles.

However, amounts totalling K1,265,176,548 were utilised on the procurement of four (4) Station Wagon 4x4 Motor Vehicles. It was further observed that there was no budget provision for the procurement of the motor vehicles and no authority was obtained from the Secretary to the Treasury for the variation of the funds.

Consequently, the Ministry failed to settle the outstanding insurance debt which had accumulated to K8,880,330,543 as of August 2013.

**g. Misapplication of Funds - Dismantling of Arrears**

During the period under review, the Ministry received K32,841,396,715 for dismantling of arrears such as settling of water and sewage bills in various health institutions, debts owed to contractors and payments of salary and other staff arrears for health workers.

However, out of the total amounts released, a total amount of K3,325,164,801 was applied on unrelated activities such as payment of constitutional allowances, trade fair exhibition, transit allowances, audit preparations, purchase of labour day attires and preparation of 2012 funding profiles among others.

**h. Irregular Payment of On Call Allowances to Doctors studying abroad**

During the period under review, the Ministry paid amounts totalling K94,769,171 to six (6) doctors studying in various universities outside the Country. The payments were irregular in that On Call Allowance is not applicable to doctors studying outside the Country. As of December 2013, the amount had not been recovered.

**i. Human Resource Management - Retention of Health Workers**

The retention scheme, which is a government and donor driven programme, was introduced to attract Medical personnel to remain and save in rural areas of the country. The scheme was also extended to all tutors at medical learning institutions.

The objective of the scheme was to attract and retain healthcare workers in rural and remote areas of Zambia and to ensure that GRZ health training facilities increase the production of health workers.

During the period under review, the Ministry received K27,429,515,117 for the administration of the scheme.

However the following were observed:

**i. Misapplication of Funds**

Amounts totalling K3,203,111,500 were applied on unrelated activities such as payment for internal audit activities, IFMIS data extraction and advertising, licences, imprest for unrelated workshops, on call allowances and fuel allowances among others.

**ii. Unsupported Payments**

Contrary to Financial Regulation No. 45, payments in amounts totalling K410,828,757 in respect of salary arrears made to thirty (30) officers had no supporting documents such as contracts and letters of claim for the arrears from the officers among others.

**j. Delays in the Delivery of Medical Equipment**

During the period under review, the Ministry entered into two (2) contracts with HighTech Healthcare to supply and deliver various medical equipment at a total contract price of US\$1,648,777.98. As of December 2013, the contractor had been paid US\$1,399,831.68 as shown in the table below.

| Contractor          | Date of Contract | Contract Sum<br>US\$ | Delivery period<br>(Weeks) | Amount Paid as at November 2013<br>US\$ | Cost of Equipment Delivered<br>US\$ |
|---------------------|------------------|----------------------|----------------------------|---|-------------------------------------|
| HighTech Healthcare | 08.12.10         | 901,384.84           | Not specified              | 727,177.61                              | 40,557.24                           |
| HighTech Healthcare | 12.04.12         | 747,393.14           | 8                          | 672,654.07                              | -                                   |
| Total               |                  | 1,648,777.98         |                            | 1,399,831.68                            | 40,557.24                           |

However, only equipment costing US\$40,557.24 had been delivered as of December 2013.

**k. Procurement of Medical Supplies**

During the period under review, the Ministry received amounts totalling K279,893,049,991 for the procurement of medical supplies under the medical supplies and procurement management programme.

However, the following were observed:

**i. Unreconciled Payments to Unimed International Limited**

On 25<sup>th</sup> August 2010, the Ministry engaged Unimed International Limited for the supply and delivery of drugs and medical supplies.

The terms of payment were that the total price of confirmed order values would be made through advance payment against the supplier's guarantee.

During the period under review, the Ministry of Health made payments in amounts totalling K128,077,841,829 to Unimed International. However, no details of supplies against the payments made were provided and no ledger was maintained to show the total supplies received against the orders made. In this regard, it was not possible to ascertain whether the drugs were received for the payments made and whether the quantities of supplies that were paid for in 2012 were within the provisions of the contract.

In addition, payment documents, authorities and supply details were not availed for audit in amounts totalling K18,224,003,825 (US\$4,288,000.90) paid through the Larviciding Account, bringing the total payments not reconciled in respect of drugs supplies to K146,301,845,654.

Although in his response dated 8<sup>th</sup> November 2013, the Controlling Officer stated that the ledgers showing the total supplies were available for verification, a verification carried out in December 2013 revealed that there were no ledgers.

**ii. Questionable Payment**

A total amount of K277,419,165 was paid to Shangai Liberty through a bank transfer using Ecobank during the period under review without the Controlling Officer's authority.

In his response dated 22<sup>nd</sup> August 2013, the Controlling Officer stated that this arose due to oversight on the part of the Ministry.

**iii. Unsupported Payments to Prime Time Freight Services for Clearance Costs**

The Ministry engaged Prime Time Freight and Customs Brokers for the period from 1<sup>st</sup> February 2011 to 1<sup>st</sup> February 2014, for the clearing of consignments for the Ministry of Health at the maximum rate of Value for Duty Purposes (VDP) of 0.62%.

However, contrary to Provisions of Part Section 29.1 of the Contract, the Ministry made payments in amounts totalling K3,643,147,796 to Prime Time Freight services for Customs Clearing Services without describing the goods cleared and attaching documents reflecting the basis for the Value for Duty Purpose (VDP) on which the computations of the service agency fees were based.

**l. Irregular Payment of Housing Allowance**

Contrary to Cabinet Circular No. B12 of 2010 and contrary to the Terms and Conditions of Service for the Public Service that entitles officers who are not accommodated in institutional houses to receive housing allowances, two (2) officers occupying houses at Chainama and University Teaching Hospitals respectively, were paid housing allowances amounting to K37,812,283 during the period under review.

As of August 2013, no recoveries had been made from the officers.

**m. Failure to Recover Loans**

Contrary to the Terms and Conditions of Service for the Public Service, recoveries of loans and advances in amounts totalling K772,200,000 paid in 2011 and 2012 had not been effected as of December 2013.

|                     |  |
|---------------------|--|
| <b>HEAD: 51</b>     | <b>Ministry of Transport, Works, Supply and Communications</b> |
| <b>DEPARTMENTS:</b> | <b>Various</b>   |
| <b>UNITS:</b>       | <b>Various</b>   |
| <b>PROGRAMMES:</b>  | <b>Various</b>   |
| <b>ACTIVITIES:</b>  | <b>Various</b>   |

**39.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K670,550,941,319 was made to cater for various activities at the Ministry against which

K611,953,308,086 was released out of which K490,454,918,265 had been spent leaving a balance of K121,498,389,821.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters and visits to selected provinces in April 2013 revealed the following:

#### **a. Misapplication of Funds**

On 30<sup>th</sup> December, 2011, the Ministry sought authority from the Secretary to the Treasury to carry forward a total amount of K21,303,682,620 to the 2012 financial year. Included in the total amount brought forward was an amount of K14,557,488,690 unspent in 2011 for infrastructure.

Contrary to the authority from the Secretary to the Treasury which required the funds to be utilised on infrastructure development, a total amount of K7,000,000,000 was applied on the purchase of motor vehicles for which no authority to vary funds was obtained.

#### **b. Failure to Implement Street Lighting Project and Misapplication of Funds**

In December 2008, the Ministry engaged Behrens Electrical Ltd for the street lighting project at Chirundu Border Post at a contract sum of K1,191,011,044 for a period of twelve (12) working weeks from 26<sup>th</sup> December 2008. In this regard, during the period from 2009 to 2012, the Ministry of Finance released amounts totalling K2,553,600,000 for the project as shown in the table below.

| <b>Year</b>  | <b>Amount Released<br/>K</b> |
|--------------|------------------------------|
| 2009         | 23,600,000                   |
| 2010         | 530,000,000                  |
| 2011         | 1,000,000,000                |
| 2012         | 1,000,000,000                |
| <b>Total</b> | <b>2,553,600,000</b>         |

However, as of December 2013, the works had not commenced and the funds had been applied on unrelated activities such as payment of imprest, purchase of stationery and allowances among others.

#### **c. Resurfacing of Parking Pavement - Chirundu Border Post**

During the period under review, the Ministry received amounts totalling K2,000,000,000 for the repair of road works and parking areas at Chirundu Freight Terminal. In addition, K1,000,000,000 was brought forward from 2011 bringing the total funds available to K3,000,000,000.

The works were first authorised in 2010 in which the Ministry engaged Messrs Jizan Construction Company Limited on 3<sup>rd</sup> December 2010, at a contract sum of K1,452,389,600 with a completion period of thirteen (13) weeks. The contract price was revised to K1,855,394,480 as a result of escalations in material prices caused by delays in paying the contractor. The scope of works included repairing and resurfacing of selected roads at the Border Post. The contract was supervised by the Ministry of Works, Supply and Communications.

The following were observed:

- Despite the availability of the funds, only a total amount of K290,477,900 was paid as of December 2012 leaving a balance of K1,564,916,580.
- The delays in paying the contractor led to the upward adjustment in the contract price by K403,004,880 (revised contract sum of K1,855,394,480 less original contract sum of K1,452,389,600) which could have been avoided.

**d. Construction of Border Infrastructure at Katima Mulilo**

**i. Poor Workmanship**

In October 2006, the Ministry engaged Yangst Enterprises Ltd to construct the border facility at Katima Mulilo Border Post at a contract sum of K15,898,883,580 for the period of fifty three (53) weeks from 27<sup>th</sup> October 2006 to 17<sup>th</sup> March 2008.

The scope of works included the construction of the border post main building, guard houses and various other external works. The Ministry appointed Messers Nkole Bwalya and Associates as a Supervising Agent on behalf of Government.

However, as of March 2008, the works had not been completed. Consequently, in April 2009, the completion period was extended to April 2013 and the contract price was revised to K29,425,641,794. As of December, the contractor had been paid K28,201,343,078.

A physical inspection of the site carried out in April 2013 revealed that most of the civil works had been completed except for the access road and the contractor had partially handed over the infrastructure to the Zambia Revenue Authority who were using the facility.

The following defects were observed on the construction works:

- Cracks had developed on the concrete pavings,

- There were spaces in the concrete joints,
- Some portions of the concrete slabs were collapsing,
- The pavings along the walkways were dislodging.

**ii. Non-Functional Boreholes**

It was further observed that in the contract document, an amount of K82,494,000 was earmarked for drilling and equipping two boreholes to service the fourteen (14) houses constructed for members of staff from the Zambia Revenue Authority, Immigration Department and the Office of the President.

A site visit carried out in April 2013 revealed that the two (2) boreholes were not functioning.

**e. Infrastructure Management - Civil Aviation Department**

**i. Rehabilitation of Kasama Airport – Non Implementation of the Project**

During the period under review, K2,800,000,000 was released for the rehabilitation of the runway at Kasama Airport. In addition, K2,800,000,000 was brought forward from 2011 bringing the total funds available to K5,600,000,000.

A site visit carried out in October 2013 revealed that despite the availability of funds no works had commenced

**ii. Rehabilitation of Mansa Airport – Incomplete Works**

During the period under review, K2,200,000,000 was released for the rehabilitation of Mansa Airport. The works to be done at Mansa Airport included completion of the terminal building. It was observed that out of the total amount released, an amount of K407,837,052 was used for the construction of the control tower leaving a balance of K1,792,162,948 that had not been utilised as of December 2013.

A site visit carried out on 23<sup>rd</sup> April 2013 revealed that while the tower works were completed, the terminal building had not been completed.

**iii. Failure to Follow Procurement Procedures in the Engagement of a Consultant**

In November 2012, the Ministry paid K2,458,024,000 to Ng'andu UWP Consulting Limited Zambia for the supervision of the extension of Solwezi Airport runway which was being undertaken by Kansanshi Mine.

However, procurement procedures were not followed in that the consultant was single sourced without obtaining a no objection from ZPPA.

**iv. Abandoned Works - Nyangwe Airstrip**

In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K800,000,000 was made to cater for the construction of Nyangwe Airstrip in Lundazi and an amount of K750,000,000 was released leaving a balance of K50,000,000.

The construction of the airstrip started in 2004 and was meant to service referrals from Nyangwe Rural Health Centre to other bigger hospitals. The Ministry engaged New-Techs Contractors and General Dealers of Chipata in January, 2008, to carry out the works at a contract sum of K291,325,385 for a period of 12 working weeks. The Road Development Agency (RDA) was appointed as the supervisor for the works on behalf of the Ministry.

The scope of works included vegetation clearing, removal of grubbing from the site, levelling and filling of depressions on the runway, providing, laying, watering and compaction of gravel on the runway, and construction of side strip markers. As of 31<sup>st</sup> December 2012, the contractor had been paid an amount of K200,082,600 leaving a balance of K549,917,400 based on a revised contract price of K759,072,216.

Although the Treasury released K750,000,000, the Ministry only paid the Contractor an amount of K200,082,600 on 12<sup>th</sup> December 2012, and as of April 2013, the site was abandoned by the Contractor on account of non-payment by the Ministry. It was not clear as to why the Ministry failed to pay the contractor when funds amounting to K549,917,400 remained un-utilised as of 31<sup>st</sup> December 2012.

It was further observed during a physical inspection of the site carried out in April 2013, that vegetation had overgrown on the runway and the runway was being used as grazing land by the local community.

It was also observed that the access road to the airstrip from the Rural Health Centre was not included in the scope of works. As a result, access to the airstrip might pose significant challenges when transporting patients to the airstrip.

**f. Irregular Sale of Motor Vehicles Contrary to Lease Agreement**

In 2011, the Government initiated the process of procuring Personal-to-holder vehicles for Judges, Deputy Ministers, Permanent Secretaries and District Commissioners through a Lease Financing Facility with Stanbic Bank (Z) Limited. In this regard, the Ministry acquired 170 motor vehicles costing K49,859,045,684 as shown in the table below.

| Tenderer        | Item Description       | Qty        | Unit Price<br>K | Amount<br>K           |
|-----------------|------------------------|------------|-----------------|-----------------------|
| Toyota ( Z) Ltd | Toyota Prado TXL       | 40         | 380,016,218     | 15,200,648,720        |
|                 | Toyota Land Cruiser VX | 2          | 602,986,332     | 1,205,972,664         |
|                 | Toyota Land Cruiser GX | 10         | 473,920,928     | 4,739,209,280         |
| Southern Cross  | Mitsubishi Pajero      | 18         | 315,000,000     | 5,670,000,000         |
| Pilatus         | Land Rover 110         | 86         | 231,087,500     | 19,873,525,000        |
|                 | Land Rover Discovery   | 6          | 334,948,320     | 2,009,689,920         |
| CFAO            | Nissan Hard body       | 8          | 145,000,000     | 1,160,000,000         |
| <b>Total</b>    |                        | <b>170</b> |                 | <b>49,859,045,584</b> |

According to the terms and conditions of the agreement, the vehicles would remain the property of the lessor (Stanbic Bank) and neither the lessee (Ministry of Works and Supply), nor any person on behalf of the lessee, would during or after the agreement acquire ownership of the vehicles or acquire the right to extend the lease for a secondary period by reason of mere possession of the goods or in terms of the agreement.

It was however observed that the Ministry sold seventeen (17) of the vehicles costing K1,955,016,218 which were still under lease to former Permanent Secretaries and other top Government officials contrary to the terms and conditions of the agreement.

**g. Questionable Pricing of Motor Vehicles**

According to Cabinet Office Circular No. 6 of 2001, all officers allocated personal-to-holder vehicles would continue to be permitted to buy their respective vehicles on retirement or death or after the life span of the vehicles which is five (5) years. To arrive at the sale price, the vehicle shall be depreciated at 20% per annum and the sale price shall be 25% of the residual amount after depreciation.

However, the Toyota Prado which was offered to the former Permanent Secretary (Works and Supply) whose cost price was K380,016,218 was assessed at K245,339,358 as residual value and offered at K61,334,840. The correct residual value should have been K304,012,974 after taking into account the 20% depreciation and the offer price should have been K76,003,244 being 25% of the residual value. In this regard the vehicle was undervalued by K14,668,404.

**h. Interest Erroneously Charged by The Bank**

The Ministry of Works and Supply opened the lease facility account in April 2011 with Stanbic Bank into which all funds to service the lease were to be deposited with a condition that interest charges would accrue on a daily basis until all arrears were settled on any payments not made on the due date which was 12<sup>th</sup> of each month. After the initial amount of K14,177,177,477 was released to the Ministry of Works and Supply and paid to the Bank, in May 2012, the Ministry of Finance stopped releasing the funds to the Ministry of Works and Supply and instead the funds were paid directly to the Bank. It was noted that the Ministry of Finance did not advise the Ministry of Works and Supply about the changes in the mode of servicing the lease. Consequently, the Bank started charging as if the lease was not being repaid on the due dates and as of 3<sup>rd</sup> August 2012, the charges had accumulated to K112,427,372 which were subsequently paid by the Ministry of Finance. As of October 2012, the Ministry had not recovered from the bank the interest erroneously charged on the Account.

**i. Failure to Account for Furniture Procured for VIP and VVIP Houses**

During the year 2012, amounts totalling K5,701,427,096 were spent on the procurement of various pieces of furniture for VIP and VVIP houses. However, the Ministry did not maintain a master inventory register making it not possible to verify whether all the furniture paid was delivered.

**j. Non - Recovery of Loans**

Contrary to the Terms and Conditions of Service for the Public Service, recoveries for household and car loans in amounts totalling K1,194,000,000 paid to various officers had not been effected as of December 2013.

**k. Unsupported Payments**

Contrary to Financial Regulations No. 52, twelve (12) payments in amounts totalling K182,541,273 made during the period under review had no supporting documents such as invoices, Local purchase orders (LPOs), cash sale receipts and acquittal sheets among others.

**l. Unaccounted for Stores Items**

Contrary to Public Stores Regulations No. 16, there were no receipt and disposal details in respect of various stores items costing K382,361,606 (general stores - K162,430,000 and fuel - K219,931,606) procured during the period under review.

**HEAD: 77/02 Ministry of Defence – Zambia Army**

**UNIT: Various**

**PROGRAMME: Various**

**ACTIVITY: Various**

40. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K788,358,396,083 was made to cater for various activities under the Zambia Army against which amounts totalling K855,724,713,699 were released resulting in an over funding of K67,366,317,616 which was not supported by a supplementary provision.

**Accounting and Other Irregularities**

A review of accounting and other records maintained at the Zambia Army Headquarters and a visit to selected units carried out in July 2013 revealed the following:

**a. Procurement Management**

During the period under review, the Army received K31,312,291,868 to cater for the procurement of goods and services. However, the following were observed:

**i. Irregular Payment of Hotel Bills for Recalled Defence Attaché**

According to Foreign Service Regulations and Conditions of Service No. 54 (ii) on return to Zambia, an officer may be accommodated in a hotel, hostel or guest house for not more than

ten (10) days and the cost of accommodation and meals shall be borne by Government, thereafter, the officer shall be required to vacate such accommodation.

Contrary to the Regulation, in June and July 2012, the Zambia Army paid amounts totalling K102,828,280 to Intercontinental Hotel for the accommodation and meals accumulated for a period of twenty eight (28) days from 12<sup>th</sup> March 2012 to 7<sup>th</sup> April 2012 instead of K27,503,100 for ten (10) days on behalf of the recalled Defence Attaché. The bills accumulated are tabulated below.

| Invoice No.  | Period               | Days      | Amount<br>K        |
|--------------|----------------------|-----------|--------------------|
| 88729/32238  | 12/03/12 to 21/03/12 | 10        | 27,503,100         |
| 887300/32239 | 22/03/12 to 06/04/12 | 18        | 75,325,180         |
|              | <b>Total</b>         | <b>28</b> | <b>102,828,280</b> |

As of December 2013, the excess amount of K75,325,180 paid to the hotel had not been recovered from the recalled Defence Attaché.

## ii. Procurement of Motor Vehicles

During the period from December 2011 to June 2012, the Ministry of Defence – Headquarters entered into two (2) contracts with Inter Trade Supply Limited for the supply and delivery of one hundred and twenty three (123) second hand motor vehicles comprising Toyota Crowns and Mark II at a total contract sum of US\$1,813,400 (K9,167,000,000) as shown in the table below.

| S/No. | Specifications                | Qty        | Contract Sum<br>US\$ | Contract Sum<br>K    |
|-------|-------------------------------|------------|----------------------|----------------------|
| 1     | Toyota Crowns                 | 16         | 287,200              | 1,436,000,000        |
| 2     | Toyota Crowns & Mark II GX110 | 107        | 1,526,200            | 7,631,000,000        |
|       |                               | <b>123</b> | <b>1,813,400</b>     | <b>9,067,000,000</b> |

Among other requirements, the terms and conditions of the contracts required pre-inspection of all motor vehicles at the seller's premises by both parties prior to delivery. In this regard, both parties were required to sign a certificate of inspection.

In addition, the Ministry was required to pay 50% of the contract amount upon signing of the contract and the balance within thirty (30) days after delivery. As of December 2012, the supplier had been paid a total amount of K2,899,540,000 as tabulated below.

| No. | Date       | Reference<br>No. | Amount<br>K          |
|-----|------------|------------------|----------------------|
| 1   | 19/06/2012 | EFT A0024609     | 1,309,770,000        |
| 2   | 10/12/2012 | EFT A0041867     | 1,309,770,000        |
| 3   | 11/4/2012  | 38035            | 280,000,000          |
|     |            | <b>Total</b>     | <b>2,899,540,000</b> |

The following were however observed:

- **Irregular Advance Payment**

Contrary to the Zambia Public Procurement Authority Act which provides for an advance payment of 25% of the contract sum, the contract provided for 50% advance payment.

- **Lack of Contract Guarantee**

A scrutiny of the contract document revealed that it did not provide for the performance guarantee to cover for the amount of advance paid to the contractor. In this regard, the Government will have difficulties to recover the advance payment in the event of default by the contractor.

- **Faulty Motor Vehicles**

Two (2) motor vehicles which were received on 14<sup>th</sup> March 2012 had developed mechanical problems in May 2012, barely one month after delivery and had not been returned to the supplier. As of August 2013, the motor vehicles were still parked at the motor transport section of the Zambia Army.

- **Non Compliance to Technical Specifications**

According to the terms of the contract, the supplier was required to supply motor vehicles with mileage of less than 50,000 km.

However, a review of records and physical inspection of the vehicles carried out in July 2013 revealed that most of the vehicles supplied had mileage in excess of 50,000 km.

In addition, contrary to the contract clause 1.0 (Definitions) which stated that ‘motor vehicles’ shall mean purchase of fifty eight (58) second hand Toyota Crowns and forty nine (49) second hand Toyota GX110 model 2005/2008, out of the seventy seven (77) vehicles supplied, seventy five (75) were of models ranging from 2000 to 2004 and only two (2) vehicles were of 2008 and 2010 models.

**iii. Excess Expenditure on the Procurement of Air Conditioners/ Lack of Disposal Details**

During the period under review, the Zambia Army spent amounts totalling K683,369,160 for the procurement of air conditioners. However, the authorised provision for the activity was K73,500,000 thus resulting in excess expenditure of K609,869,160. In addition, although the air conditioners were received, it was not possible to verify whether they were installed due to poor record keeping.

**iv. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K460,325,560 procured during the period under review.

**b. Rehabilitation of Buildings – Unaccounted for Materials**

During the period under review, the Army spent amounts totalling K439,424,750 to procure building materials for the rehabilitation of the officer's mess and single quarters at Apollo in Chipata.

However, due to lack of disposal details, it was not possible to verify whether all the building materials procured were utilised on the project.

**c. Unsupported Payments**

Contrary to Financial Regulations Nos.45 (2) and 52(1), four (4) payments in amounts totalling K52,785,000 made for the procurement of building materials for various renovations carried out at the Station Commander's residence and Gondar Secondary School were not supported by relevant documents such as receipts and invoices.

**d. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K126,286,010 issued to nineteen (19) officers during the period under review had not been retired as of December 2013.

**HEAD:** 77/03 Ministry of Defence – Zambia Air Force (ZAF)

**UNITS:** Various

**PROGRAMMES:** Various

**ACTIVITIES:** Various

41. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K570,859,965,484 was made to cater for various activities and the whole amount was released.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Zambia Air force Headquarters and selected units carried out in April 2013, revealed the following.

##### **a. Non - Recovery of Salary Advances**

Contrary to the Terms and Conditions of Service for the Public Service, recoveries in respect of salary advances amounting to K117,652,792 paid to twenty six (26) officers during the period under review had not been effected as of December 2013. See table below.

| S/No. | Unit         | No. of officers | No. of Transactions | Amount K           |
|-------|--------------|-----------------|---------------------|--------------------|
| 1     | Headquarters | 9               | 12                  | 78,000,000         |
| 2     | Livingstone  | 9               | 9                   | 22,952,792         |
| 3     | Mumbwa       | 4               | 4                   | 9,000,000          |
| 4     | Kabwe        | 4               | 4                   | 7,700,000          |
|       | <b>Total</b> | <b>26</b>       | <b>29</b>           | <b>117,652,792</b> |

##### **b. Weaknesses in Payment of House Rentals**

The Ministry has a policy on housing for the Air Force personnel which prescribes the rates and type of accommodation that officers are entitled to. The rates of entitlements are based on the rank of the officers. The policy also stipulates the maximum housing rentals payable for each category of employees. In addition, government guidelines require that all rented houses are assessed by government valuation department to determine reasonableness of the rentals.

In this regard, during the period under review, amounts totalling K817,777,907 were released to cater for payment of house rentals for ZAF personnel.

However the following were observed:

**i. Rental Payments not Supported by Valuation Reports**

Rental payments in amounts totalling K1,054,292,942 were made to various landlords in respect of house rentals for staff based in Livingstone and Kabwe. However, the payments were not supported by valuation reports. This made it not possible to ascertain how the monthly rentals were determined. See table below.

| S/No. | Unit            | Amount<br>K          |
|-------|-----------------|----------------------|
| 1     | ZAF Livingstone | 744,131,823          |
| 2     | ZAF Kabwe       | 310,161,119          |
|       | <b>Total</b>    | <b>1,054,292,942</b> |

**ii. Unpaid Rentals**

During the period from August 2005 to December 2012, house rentals payable to various landlords in amounts totalling K11,271,354,926 in respect of occupied and vacated houses had remained unpaid as of December 2013.

**c. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K70,428,000 issued to eight (8) officers during the period under review had not been retired as of December 2013.

**d. Wasteful Expenditure – Unutilised Equipment**

In October 2012, the Zambia Air Force procured four (4) portable evaporating cooling units at a cost of K133,052,199. The units were to be installed in the Zambia Air Force Livingstone newly built banquet hall.

A physical inspection carried out in April 2013 revealed that although all the four (4) cooling units were delivered, they were not installed in the banquet hall but were instead kept in the hangars and were not being utilised rendering the expenditure wasteful.

In his response dated 27<sup>th</sup> September 2013, the Controlling Officer stated that the units were tested but due to high temperatures in Livingstone, the cooling units were not effective as expected and therefore could not be used.

**e. Undelivered Equipment**

During the period under review, the Air Force engaged Stalway Investments for the supply of equipment for wheel alignment and balancing of trucks and buses at a cost of K282,311,000. In December 2012, the Air Force made an advance payment of K100,000,000 to the supplier leaving a balance of K182,311,000. The payment was 35% of the contract price instead of the 25% stipulated in the ZPPA Act and the supplier did not provide a Bank Guarantee.

As of November 2013, the equipment had not yet been received.

Although it was explained that the Legal Directorate under ZAF had commenced legal procedures regarding the subject matter, no explanation was given as to why the supplier was paid an advance of 35% of the contract sum without a bank guarantee.

**f. Weaknesses in the Management of the Contracts on the Construction of a Hospital**

During the period under review, ZAF engaged Datong Construction Ltd to construct a hospital at the Zambia Air Force Headquarters. To execute these works Datong Construction Ltd was awarded three (3) contracts in amounts totalling K1,452,442,960 as shown in the table below.

| Contract        | Date         | Scope of Works  | Contract sum<br>K    |
|-----------------|--------------|---|----------------------|
| 1 <sup>st</sup> | 23/06/12     | Excavations, block works and wall finishes            | 482,462,560          |
| 2 <sup>nd</sup> | Unknown      | Construction of Hospital slab                         | 483,441,600          |
| 3 <sup>rd</sup> | 25/01/13     | Construction of sub and superstructure Registry Block | 486,538,800          |
|                 | <b>Total</b> |   | <b>1,452,442,960</b> |

As of November 2013, the contractor had been paid a total amount of K1,225,904,160 on all the three (3) contracts. See table below.

|                          | Contract sum<br>K    | Amount Paid<br>K     | Variance<br>K        |
|--------------------------|----------------------|----------------------|----------------------|
| 1 <sup>st</sup> Contract | 482,462,560          | 482,462,560          | -                    |
| 2 <sup>nd</sup> Contract | 483,441,600          | 483,441,600          | -                    |
| 3 <sup>rd</sup> Contract | 486,538,800          | 260,000,000          | (226,538,800)        |
| <b>Total</b>             | <b>1,452,442,960</b> | <b>1,225,904,160</b> | <b>(226,538,800)</b> |

However, the following were observed:

### **1<sup>st</sup> Contract**

- **Lack of Certificate of Site Possession**

Contrary to Conditions of Contract Clause No. 21.0, which stipulated that the site possession date shall be two (2) days after contract signing; there was no certificate of site possession provided for audit scrutiny as evidence of when the contractor took possession of the site.

- **Lack of Advance Bond**

Contrary to Conditions of Contract Clause No. 51.0, which stipulated that the advance payment will be limited to 20% and will be paid to the contractor no later than fourteen (14) days from start date, subject to provision of an advance bond, there was no advance bond provided for audit.

### **3<sup>rd</sup> Contract**

- **Date of Site Possession not Disclosed on the Certificate**

Contrary to General Conditions of Contract Clause No. 10 which stipulated that the date of possession shall be within fourteen (14) days after the receipt of the letter of acceptance, the certificate of site possession provided did not indicate the date when the contractor took possession of the site.

- **Payment of Advance Prior to obtaining Authority and Signing of Contract**

The contractor was paid a total amount of K260,000,000 in October 2012 prior to the authority being granted by the Procurement Committee and signing of the contracts which were in December 2012 and January 2013 respectively.

A physical inspection carried out in April 2013 revealed that work was in progress as evidenced by the picture below.



*Front view of Hospital*

|                    |              |  |
|--------------------|--------------|--|
| <b>HEAD:</b>       | <b>77/04</b> | <b>Ministry of Defence – Zambia National Service (ZNS)</b> |
| <b>UNITS:</b>      |              | <b>Various</b>   |
| <b>PROGRAMME:</b>  |              | <b>Various</b>   |
| <b>ACTIVITIES:</b> |              | <b>Various</b>   |

42. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K313,915,403,626 was made to cater for various programmes under the Zambia National Service Headquarters, against which amounts totalling K342,215,284,154 were released resulting in an overfunding of K28,299,880,528. The overfunding was due to the upward adjustment of personal emoluments.

### **Accounting and Other Irregularities**

A review of accounting and other records maintained at the Zambia National Service carried out in September 2013 revealed the following:

#### **a. Acquisition and Land Use**

The Zambia National Service owns real estate comprising land and housing units among others, in all the ten (10) provinces of Zambia. The following were observed in relation to acquisition and use of land:

##### **i. Non - Availability of Comprehensive Data on Land Acquisition**

During the course of the audit, it was noted that the Zambia National Service did not have consolidated data on land acquired and owned over the past years. In this regard, it was difficult to determine the date of acquisition, the value and the nature of use of such land. In addition, there was no land use plan in place and consequently neither utilisation of existing land resources nor the justification of acquiring additional land could be established.

##### **ii. Lack of Action for Prevention of Encroachment**

A physical inspection of selected pieces of land located in Lusaka province revealed that some land owned by the Zambia National Service was not properly demarcated or fenced off. As a result, it was difficult to determine the boundaries of the plots, or whether or not the land had been encroached on.

**iii. Acquired Housing Units Not on Title**

The ZNS acquired fifty seven (57) houses over the past years as shown in the table below. However, despite the fact that the houses were paid for in full, title to the properties had not passed to the ZNS.

| S/No. | Province     | Number of Units |
|-------|--------------|-----------------|
| 1     | Lusaka       | 35              |
| 2     | Eastern      | 2               |
| 3     | Southern     | 4               |
| 4     | Central      | 16              |
|       | <b>Total</b> | <b>57</b>       |

**b. Purchase of Houses – Land Development Branch**

The Ministry was given authority to single source and purchase fourteen (14) two bed roomed houses from Kalebalika Real Estates at a cost of K150,000,000 each, hence bringing the total contract sum to K2,100,000,000. The houses were meant for officers under Land Development Branch who were based at Chikumbi. The contract was signed on 8<sup>th</sup> June 2012 between the two parties.

However, there was no structural assessment report produced to show that there was technical assessment prior to the purchase of the houses.

**c. Failure to Collect Amounts Owed for Services Rendered**

As of December 2013, the Zambia National Service was owed K7,215,565,091 by twenty seven (27) debtors for services provided. Some of the debts had been outstanding since 2002 and there had been no improvement in the collection of the debt.

**HEAD: 80 Ministry of Education, Science, Vocational Training and Early Education**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

43. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K4,850,866,692,394 was made to cater for various activities against which amounts totalling K4,453,827,239,520 were released .

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters and physical inspections carried out in selected districts in August 2013 revealed the following:

### **a. Unvouched Expenditure**

Contrary to Financial Regulations No.52 and 65, there were eleven (11) payments in amounts totalling K399,665,524 that were unvouched in that the payment vouchers were either missing or inadequately supported with receipts.

### **b. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K689,250,211 issued to forty six (46) officers during the period under review had not been retired as of December 2013.

### **c. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, stores items costing K325,808,700 (general stores items - K187,808,700 and fuel - K138,000,000) procured during the period under review were unaccounted for in that there were no receipt and disposal details availed for audit.

### **d. Bursaries Abroad - Poor Record Keeping**

A review of student files revealed that ninety four (94) files had inadequate documentation such as copies of education certificates, curriculum vitae and letters of application among others.

Further, payments in amounts totalling K26,500,000 (US\$5,300) made in respect of bursaries for five (5) students could not be authenticated as there was no record of the students at the Ministry.

In the absence of records for the students, it was not clear on what basis the Ministry was making the payments.

### **e. Misapplication of Funds - Mansa District Education Board (DEB) Office**

On 15<sup>th</sup> November 2012, the Ministry disbursed an amount of K49,000,000 to the DEB Office as bursaries for various orphans and vulnerable children (OVC). However, the amount was applied on the payment of repatriation for retired teachers, an activity not related to OVC.

### **f. Infrastructure Development**

During the period under review, the Ministry received amounts totalling K605,030,907,676 for

infrastructure development. As at 31<sup>st</sup> December 2012, amounts totalling K524,082,359,224 had been spent leaving the balance of K80,948,548,452. However, the following were observed:

**i. Delays in the Construction of High Schools**

There were delays in the construction of high schools in Eastern, Copperbelt, Luapula and Muchinga Provinces in that the contractors engaged had not completed the works by the stipulated times and in some cases they had abandoned the sites.

**ii. Construction of Milenge Trades Training Institutes**

During the year under review, the Ministry received amounts totalling K52,807,220,675 for the construction of Trades Training Institutes in selected provinces.

The Ministry invited bids through open tendering from eligible bidders for the proposed construction of a Trades Training Institute at Milenge in Luapula Province. Bids for the project were received from nineteen (19) companies out of which only eight (8) companies were responsive.

According to the Minutes of the Evaluation Committee, the considerations were the tender price, arithmetic checks of the bill of quantities, contract period, pricing of preliminary and general items and pricing of the bill of quantities and consistency of the rate. The responsive bids were received as detailed in the table below.

| Contractor               | Read - Out Bid Price<br>K | Computational Error<br>K | Corrected Bid Price<br>K | Period |
|--------------------------|---------------------------|--------------------------|--------------------------|--------|
| Mwasika Buildings        | 18,139,188,540            | 133,589,660              | 18,272,778,200           | 80     |
| Nelkan Industrial        | 18,334,580,402            | (45,024,875)             | 18,289,555,524           | 64     |
| Mango Tree               | 16,934,253,040            | 142,987,400              | 17,085,359,860           | 72     |
| New Era                  | 16,311,430,039            | 1,605,982,402            | 17,917,412,441           | 72     |
| China Jiangsu            | 15,589,747,297            | (108,528,266)            | 15,481,219,031           | 60     |
| Hua Jiang                | 13,597,340,712            | 620,723,772              | 14,200,064,484           | 100    |
| Build Trust              | 17,758,253,598            | (2,382,197,248)          | 15,376,056,351           | 104    |
| Hua Chang Infrastructure | 16,362,486,395            | -                        | 16,362,486,395           | 90     |

Build Trust Construction Limited was selected at the corrected tender sum of K15,376,056,351. Consequently, in February 2011, the Ministry engaged Build Trust Construction Limited to build a Trades Training Institute at Milenge in Luapula Province at the contract sum of K15,376,056,351 with a duration of one hundred and four (104) weeks commencing 18<sup>th</sup> April 2011. The contractor was paid an advance of K3,075,211,270 on 12<sup>th</sup> May 2011.

The scope of works included the construction of two (2) classroom blocks, two (2) hostel block, Workshop, administration block, library, two (2) ablution blocks, high cost house, six (2) medium cost houses, power substation and the supply and installation of a power generator set.

The following irregularities were noted in the award of the contract:

- Whilst Build Trust Construction Limited had the highest contract period of one hundred and four (104) weeks amongst the firms evaluated therefore not competitive as compared to other contractors with short contract periods ranging from sixty (60) to a hundred (100) weeks.
- The evaluators lowered the value of the contract by adjusting the final figure by K2,272,256,380 instead of the discount given by the contractor of K141,242,064 this adjustment made the contract more competitive. See table below.

| Details      | Original<br>K         | Adjusted<br>K         | Correct Adjustment<br>K |
|--------------|-----------------------|-----------------------|-------------------------|
|              | 15,450,081,372        | 15,450,081,372        | 15,450,081,372          |
| Error        | -                     | 77,396,000            | 77,396,000              |
| <b>Total</b> | <b>15,450,081,372</b> | <b>15,527,477,372</b> | <b>15,527,477,372</b>   |
| Discount     | -141,242,064          | 2,272,256,380         | -141,242,064            |
| <b>Total</b> | <b>15,308,839,308</b> | <b>13,255,220,992</b> | <b>15,386,235,308</b>   |
| VAT          | 2,449,414,489         | 2,120,835,359         | 2,461,797,649           |
| <b>Total</b> | <b>17,758,253,798</b> | <b>15,376,056,351</b> | <b>17,848,302,958</b>   |

- Even after the adjustments, Build Trust Construction Limited was not the lowest as there was another bidder (Hua Jiang) with a corrected bid price of K14,200,064,484 and lower delivery period of one hundred (100) weeks.

Inquiries with PACRA revealed that at the time of being awarded this contract, Build Trust Construction Limited did not exist as it was only registered on 1<sup>st</sup> February 2012 as a company. In this regard, it was not clear under what circumstances the advance payment of K3,075,211,270 was made on 12<sup>th</sup> May 2011 to the Company nine (9) months before it was registered.

In addition, inquiries with the National Council for Construction revealed that the Company was only registered under Category “R” which is for general roads and earthworks and not the construction of buildings.

In his response dated 11<sup>th</sup> November 2013, the Controlling Officer stated that the adjustment was based on Section 4 (c) of the Citizen Economic Empowerment

(preferential procurement) Regulations 2011, which gave preferential treatment to locally based companies.

However, it was not clear why the same treatment was not applied to the other locally owned companies that had bid for the works and as to why the CEEC requirement being quoted was not part of the criteria in the bid document.

- The contract was terminated on 13<sup>th</sup> December 2012. A visit to the project in September 2013 revealed that only minor works had been done as can be seen in the pictures below.



*Classroom Block (Foundation Trench)*



*Medium Cost House – Super Structure Level*

As of November 2013 the advance payment had not been recovered.

### **iii. Isoka Trades Training Institute**

In April 2011, the Ministry engaged Shanghai Construction to construct a trades training institute in Isoka at a contract sum of K15,356,453,000 with a duration of seventy eight (78) weeks from 20<sup>th</sup> April, 2011 to 4<sup>th</sup> October, 2012. As of November 2013, the contractor had been paid amounts totalling K12,343,980,576

The scope of works included the construction of two classrooms, two hostels, two ablutions, one workshop and one administration block, one library, two high cost houses, six medium cost houses, substation and associated external works as well as the installation of a generator set.

A physical inspection of the project carried out in September, 2013, revealed that all the units were at completion stage with the following works outstanding; painting, wiring, plumbing, installation of electrical fittings, fixing ceiling boards, installation of geysers among others. In addition, the high cost staff house had not been constructed, purchase and installation of a generator set, construction of an electrical substation and associated external works had not been done.

**g. Unaccounted for Desks**

Contrary to Public Stores Regulation No. 16, eleven thousand five hundred and twenty (11,520) double seater desks costing K3,723,400,000 procured and delivered to Kitwe and Kalulushi districts could not be accounted for in that disposal details were not availed for audit. See table below.

| District  | No of Desks | Unit Price K | Total Amount K |
|-----------|-------------|--------------|----------------|
| Kitwe     | 9,250       | 324,000      | 2,997,000,000  |
| Kalulushi | 2,270       | 320,000      | 726,400,000    |
| Total     | 11,520      |              | 3,723,400,000  |

**h. Failure to Assemble and Deliver Desks**

A total number of five thousand and thirty (5,030) double seater desks were delivered to Mansa District Education Office. As of September 2013, two thousand eight hundred and twenty (2,820) desks had been distributed leaving a balance of two thousand two hundred and ten (2,210) not assembled and delivered to the respective schools. See pictures below.



**HEAD: 80 Ministry of Education, Science, Vocational Training and Early Education**

**UNITS: Various**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

44. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K96,498,159,135 was made to cater for general administration, for seventy three (73) institutions in Provinces and Districts out of which amounts totalling K81,351,986,018 were released resulting in an underfunding of K4,763,271,460.

In addition, amounts totalling K120,996,825,492 were received in respect of other personal emoluments, orphans and vulnerable children (OVCs), tuition and boarding fees, outstanding bills and infrastructure development.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters, provinces and districts carried out in June 2013 revealed the following:

#### **a. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65, one hundred and sixty two (162) payment vouchers in amounts totalling K462,980,139 made during the period under review were not availed for audit.

See table below.

| Station                      | No. of     | Amount             |
|------------------------------|------------|--------------------|
|                              | Vouchers   | K                  |
| Chadiza DEBS                 | 49         | 126,416,140        |
| Mongu College of Education   | 1          | 1,462,500          |
| Kaoma DEBS                   | 8          | 37,186,222         |
| Mongu PEO - REV              | 4          | 11,484,600         |
| Livingstone DEBS             | 7          | 8,530,000          |
| Samfya DEBS                  | 3          | 6,470,360          |
| Solwezi College of Education | 6          | 13,981,301         |
| Kasempa Boys                 | 5          | 16,702,000         |
| Mwinilunga High School       | 14         | 12,411,000         |
| Chililabobmwe DEBS           | 23         | 72,662,000         |
| Masaiti DEBS                 | 8          | 28,565,000         |
| Mushili High School          | 13         | 27,000,000         |
| Roan Antelope                | 3          | 1,420,000          |
| Lusaka PEO                   | 3          | 11,603,845         |
| Lusaka DEBS                  | 6          | 25,725,428         |
| Siavonga DEBS                | 7          | 59,389,743         |
| Chitulika High School        | 2          | 1,970,000          |
| <b>Total:</b>                | <b>162</b> | <b>462,980,139</b> |

#### **b. Unsupported Payments**

Contrary to Financial Regulations Nos. 45 and 52, payments in amounts totalling K3,283,774,379 made in various districts during the period under review were not supported with relevant documents such as quotations, cash sales receipts and LPOs among others.

#### **c. Officers on Studies without Leave**

During the year under review, the District Education Offices paid amounts totalling K288,463,605 to officers as tuition fees at Copperbelt University, University of Zambia,

ZABTUC and NIPA. However, there was no evidence to show that the officers were on approved study leave and bonded. See the table below.

| Station                       | Amount<br>K        |
|-------------------------------|--------------------|
| Chadiza DEBS                  | 8,169,000          |
| Chipata College of Education  | 28,804,790         |
| Lundazi Boarding              | 23,129,440         |
| Shangombo DEBS                | 20,421,875         |
| Sesheke DEBS                  | 6,280,000          |
| Mbala DEBS                    | 2,560,000          |
| Kasama DEBS                   | 10,242,000         |
| Mungwi DEBS                   | 24,119,000         |
| Kasama Girls Sec              | 7,789,000          |
| Mungwi Tech Sec               | 11,041,500         |
| Mpulungu Sec                  | 23,907,000         |
| Mbala Sec                     | 6,000,000          |
| Ndola Debs                    | 12,935,500         |
| Mufulira Debs                 | 12,740,000         |
| Chingola Debs                 | 23,500,000         |
| Mpongwe High School           | 22,680,000         |
| Kalulushi High School         | 5,000,000          |
| Chambeshi High School         | 6,280,000          |
| Mufulira High school          | 20,978,500         |
| Mufulira College of Education | 11,886,000         |
| <b>Total</b>                  | <b>288,463,605</b> |

**d. Unacquitted Funds**

Contrary to Financial Regulation No. 45, payments in amounts totalling K38,947,000 in respect of allowances involving twenty three (23) transactions as shown in the table below had not been acquitted by the various beneficiaries as of November 2013.

| Station                      | No. of<br>Transactions | Amount<br>K       |
|------------------------------|------------------------|-------------------|
| Kaputa DEBS                  | 1                      | 5,352,000         |
| Solwezi College of Education | 3                      | 12,705,000        |
| Mwinilunga High School       | 16                     | 16,995,000        |
| Mwinilunga DEBS              | 3                      | 3,895,000         |
| <b>Total</b>                 | <b>23</b>              | <b>38,947,000</b> |

**e. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K1,617,977,157 issued to three hundred and sixty six (366) officers during the period under review had not been retired as of December, 2013.

Further, included in the unretired imprest was subsequent imprest amounting to K582,937,359 issued to thirty four (34) officers who had not retired the previous imprest, contrary to Financial Regulation No. 91 (1) and (2).

**f. Failure to Provide Monitoring Reports**

During the period under review, imprest in amounts totalling K55,795,044 was issued to nine (9) officers to enable them undertake various activities such as monitoring and supervision. Although the imprest was retired, there were no reports made available for audit.

In the absence of the reports, it could not be verified if the activity had been undertaken.

**g. Failure to Inscribe Government Assets**

Contrary to Public Stores Regulation No. 154, which states that all furniture and equipments belonging to the government must be clearly marked with distinguishing letters of ‘GRZ’ in an inconspicuous part of the asset to identify it as a government property, various assets costing K628,711,520 procured during the period under review had no identification marks.

**h. Unaccounted for Stores and Fuel**

Contrary to Public Stores Regulation No. 16, various stores items costing K1,395,633,531 (general stores - K1,149,269,999 and fuel - K246,363,532) procured during the period under review were not accounted for in that there were no receipt and disposal details available for audit.

**i. Fuel Drawn By Private Vehicles**

Fuel costing K21,003,172 involving fifty five (55) transactions was drawn by motor vehicles which were not on the fleet owned by the DEBS Offices in four (4) Districts without authority as shown in the table below.

| <b>Station</b> | <b>No. of Transactions</b> | <b>Amount K</b>   |
|----------------|----------------------------|-------------------|
| Sesheke DEBS   | 31                         | 14,505,776        |
| Luangwa DEBS   | 12                         | 3,126,458         |
| Siavonga DEBS  | 6                          | 1,745,908         |
| Mkushi DEBS    | 6                          | 1,625,030         |
| <b>Total</b>   | <b>55</b>                  | <b>21,003,172</b> |

**j. Misapplication of Funds**

Contrary to Financial Regulation No. 31 (1), which states that Treasury Authority should be obtained for the variation of the funds, amounts totalling K7,551,817,189 in twenty two (22) institutions were applied on activities not related to the intended purpose such as payment of advances and loans, administration expenses, boarding requisites, sports activities, among others as shown in the table below without authority to vary the funds.

| Station                | Intended Purpose  | Applied on   | Amount<br>K          |
|------------------------|---|--|----------------------|
| Katete DEBS            | Basic School Grants   | Administrative Activities  | 351,452,043          |
| Chadiza DEBS           | Basic School Grants   | Administrative Activities  | 268,844,006          |
| Lundazi DEBS           | Basic School Grants   | Administrative Activities  | 622,726,520          |
| Kalabo High School     | General Administration  | Bus procurement, other personal emoluments                             | 46,186,323           |
| Kalabo DEBS            | School Grants   | Bus procurement, general administration, payments of sports activities | 441,392,529          |
| Senanga DEBS           | General Administration  | Bus procurement, other personal emoluments                             | 175,337,999          |
| Shangombo DEBS         | Basic school grants   | Bus procurement, general administration, payments of sports activities | 992,753,309          |
| Lukulu DEBS            | School Grant  | Procurement of bus   | 497,803,491          |
| Sesheke DEBS           | School grants   | Procurement of bus, co-curricular                                      | 50,000,000           |
| Kaoma DEBS             | School grants, other emoluments                                   | Procurement of bus, co-curricular activities, general administration   | 417,777,350          |
| Mongu DEBS             | School grants   | Procurement of bus, co-curricular activities, general administration   | 226,293,600          |
| Mporokoso DEBS         | School Grants   | Settling in Allowance  | 15,223,904           |
| Luwingu DEBS           | School Grants   | Settling in allowance  | 34,835,840           |
|                        | School Grants   | Repatriation   | 107,000,000          |
| Livingstone DEBS       | School Grants   | General Administration, Infrastructure and Standards                   | 828,599,863          |
|                        | Free Basic Education  | General Administration   | 560,326,520          |
| Kalomo DEBS            | School Grants   | General Administration and Standards                                   | 236,423,020          |
|                        | Free Basic Education  | General Administration   | 117,984,041          |
| Monze DEBS             | School Grants   | General Administration and Standards                                   | 447,883,840          |
|                        | Free Basic Education  | General Administration   | 632,099,580          |
| Southern PEO           | Text books, Laboratory chemicals, teaching and learning materials | General Administration, Infrastructure and Standards                   | 87,000,000           |
| Samfya & Kawambwa DEBS | Personal Emoluments   | Imprest, tuition fees, land scaping and subject association            | 223,643,720          |
| Mwimilunga High Sch.   | General Administration  | Wages, salary advances   | 14,862,000           |
|                        | Boarding costs  | General Administration   | 16,276,000           |
| Mwimilunga DEBS        | General Administration  | Wages, salary advances   | 16,408,878           |
| Kabwe DEBS             | General Administration  | Wages  | 6,800,000            |
| Chibombo DEBS - REV    | Personal Emoluments   | Imprest, examinations, spare parts, FMS etc.                           | 162,069,136          |
| <b>Total</b>           |   |  | <b>7,551,817,189</b> |

#### **k. Irregular Payment of Board Allowance**

On 14<sup>th</sup> March 2012, amounts totalling K17,920,000 were paid to two (2) persons as board member allowances respectively. It was however observed that the allowances were irregularly paid in that Cabinet Office Circular No. 7 of 2006 had abolished the payment of such allowances.

#### **l. Failure to Deduct Tax**

Contrary to Income Tax Act Cap 323 of the Laws of Zambia, taxable earnings in amounts totalling K318,995,220 were paid to one hundred and thirty (130) officers without deducting Pay As You Earn (PAYE). See table below.

| Station          | Type of Earning       | No. of Officers | Amount K           |
|------------------|-----------------------|-----------------|--------------------|
| Livingstone DEBS | Settling in allowance | 5               | 36,497,730         |
| Choma DEBS       | Settling in allowance | 30              | 76,234,970         |
| Kalomo DEBS      | Settling in allowance | 85              | 173,787,210        |
| Monze DEBS       | Settling in allowance | 10              | 32,475,310         |
|                  | <b>Total</b>          | <b>130</b>      | <b>318,995,220</b> |

**m. Failure to Remit Tax**

Contrary to Income Tax Act Cap 323 of the Laws of Zambia, Tax in amounts totalling K2,179,921,976 deducted from various earnings were not remitted to the Zambia Revenue Authority as of December 2013. See table below.

| Station  | Type of Earning   | Amount K             |
|--|---|----------------------|
| Western PEO                                    | Leave terminal benefits, Salary arrears and Long Service bonus            | 9,951,280            |
| Luapula PEO, Samfya, Kawambwa & Nchelenge DEBS | Commutation and other personal Emoluments                                 | 405,232,915          |
| Zambezi DEBS                                   | Personal Emoluments   | 36,705,190           |
| Chavuma DEBS                                   | Personal Emoluments   | 21,347,631           |
| Copperbelt PEO                                 | Personal Emoluments   | 622,671,142          |
| Luanshya                                       | Leave terminal, Long Service bonus and commutation                        | 73,391,970           |
| Kitwe  | Leave terminal and commutation  | 84,417,954           |
| Chililabombwe                                  | Leave terminal and commutation  | 89,884,700           |
| Central PEO                                    | Settling in allowance, Leave terminal, Long service bonus                 | 13,584,320           |
| Chibombo DEBS                                  | Settling in allowance, Leave terminal, Long service bonus                 | 7,674,574            |
| Kabwe DEBS                                     | Settling in allowance, Leave terminal, Long service bonus                 | 93,062,567           |
| Kapiri Mposhi DEBS                             | Settling in allowance, Leave terminal, Long service bonus                 | 64,670,144           |
| Mkushi DEBS                                    | Settling in allowance, Leave terminal, Long service bonus                 | 55,423,778           |
| Mkushi Sec. Sch.                               | Settling in allowance, Leave terminal, Long service bonus                 | 17,584,776           |
| Chibombo DEBS – REV                            | Long service bonus  | 306,686,513          |
| Chongwe DEBS                                   | Leave terminal and commutation  | 30,021,846           |
| Chinsali PEO                                   | Leave terminal, Long Service bonus, settling in allowance and commutation | 247,610,676          |
| <b>Total</b>                                   |   | <b>2,179,921,976</b> |

**n. Weaknesses in Accounting for Revenue**

**i. Unaccounted for Funds**

Amounts totalling K992,782,238 comprising funds collected by institutions in tuition and boarding fees, among others were not accounted for in that they were neither supported by deposits slips nor expenditure details. See table below.

| Name of Institution           | Details   | Amount Collected K   | Cash Accounted for K | Unaccounted for K  |
|-------------------------------|-----------|----------------------|----------------------|--------------------|
| Nalionwa High School - Kalabo | User fees | 51,229,000           | 36,184,000           | 15,045,000         |
| Chilubi Day Sec. Sch.         | User fees | 860,000,000          | 505,697,258          | 354,302,742        |
| Mushili Sec. School           | User fees | 618,515,000          | 471,930,159          | 146,584,841        |
| Mpika Boys                    | User fees | 1,798,282,897        | 1,321,433,242        | 476,849,655        |
| <b>Total:</b>                 |           | <b>3,328,026,897</b> | <b>2,335,244,659</b> | <b>992,782,238</b> |

**ii. Use of Revenue at Source**

Financial Regulation No. 129 provides that all moneys received by any accounting officer should be deposited not later than the next business day following the day of receipt. However, contrary to the Regulation, four (4) institutions spent user fees in amounts totalling K124,236,634 before banking. See table below.

| Unit                    | Amount<br>K        |
|-------------------------|--------------------|
| Lundazi Boarding        | 23,690,000         |
| Chadiza Boarding        | 8,503,000          |
| Chavuma Day High School | 73,642,000         |
| Choma DEBS              | 18,401,634         |
| <b>Total</b>            | <b>124,236,634</b> |

**iii. Failure to Collect User Fees**

In 2012, K4,309,474,000 was expected to be collected as user fees by five (5) schools. However, the schools only managed to collect K2,697,637,126 leaving a balance of K1,611,836,874. As of December 2013, the amounts owed to the schools had not been collected. See table below.

| Station               | Expected Revenue<br>K | Revenue Collected<br>K | Uncollected Amount<br>K |
|-----------------------|-----------------------|------------------------|-------------------------|
| Chibombo High School  | 2,197,815,000         | 1,654,511,500          | 543,303,500             |
| Nakonde High          | 888,000,000           | 428,195,500            | 459,804,500             |
| Chitulika High        | 839,040,000           | 386,368,126            | 452,671,874             |
| Chinsali Day High     | 324,230,000           | 228,562,000            | 95,668,000              |
| Muchinga Day High Sch | 60,389,000            | 0                      | 60,389,000              |
| <b>Total:</b>         | <b>4,309,474,000</b>  | <b>2,697,637,126</b>   | <b>1,611,836,874</b>    |

**o. Weaknesses in Management of School Grants - Unretired Basic School Grants**

School grants in amounts totalling K440,144,272 issued to two hundred and sixty (260) schools during the period under review had not been retired as of December 2013. See table below.

| Name of Institution | No. of<br>School | Amount not<br>Retired<br>K |
|---------------------|------------------|----------------------------|
| Mongu DEBS          | 16               | 24,000,000                 |
| Shangombo DEBS      | 51               | 19,384,691                 |
| Senanga DEBS        | 30               | 30,000,000                 |
| Lukulu DEBS         | 21               | 34,298,506                 |
| Kaoma DEBS          | 57               | 62,425,484                 |
| Kalomo DEBS         | 15               | 49,376,263                 |
| Monze DEBS          | 27               | 27,889,467                 |
| Chavuma DEBS        | 8                | 24,281,246                 |
| Solwezi PEO         | 3                | 7,025,000                  |
| Chongwe DEBS        | 5                | 13,713,928                 |
| Kafue DEBS          | 7                | 8,338,251                  |
| Luangwa DEBS        | 20               | 139,411,436                |
| <b>Total</b>        | <b>260</b>       | <b>440,144,272</b>         |

**p. Failure to Recover Loans and Salary Advances**

Contrary to the Terms and Conditions of Service of the Public Service, recoveries in respect of loans and advances in amounts totalling K229,700,000 paid to ninety two (92) officers had not been effected as of December 2013. See table below.

| Details                   | No. of Officers | Amount K          |                    | Total K            |
|---------------------------|-----------------|-------------------|--------------------|--------------------|
|                           |                 | Loans             | Salary Advance     |                    |
| Western PEO               | 34              | 52,500,000        | 51,600,000         | 104,100,000        |
| Livingstone DEBS          | 1               | -                 | 1,500,000          | 1,500,000          |
| Southern PEO              | 6               | -                 | 15,400,000         | 15,400,000         |
| Copperbelt PEO            | 7               | 35,200,000        | -                  | 35,200,000         |
| Central PEO               | 3               | 4,000,000         | 7,000,000          | 11,000,000         |
| Chibombo DEBS             | 32              | -                 | 44,200,000         | 44,200,000         |
| Mkushi DEBS               | 2               | -                 | 2,000,000          | 2,000,000          |
| Chibombo Secondary School | 7               | -                 | 16,300,000         | 16,300,000         |
|                           | <b>92</b>       | <b>91,700,000</b> | <b>138,000,000</b> | <b>229,700,000</b> |

**q. Lusaka DEBS – Chawama Basic School**

An examination of accounting and other records maintained at Chawama Basic School in Lusaka and physical inspection of projects carried out in January 2013 revealed the following:

**i. Failure to Collect Amounts Due to the School**

During the period from January 2010 to December 2012, the School expected to collect amounts totalling K1,263,052,500 from various sources. However, out of the expected income of K1,263,052,500 for the period under review, only a total amount of K505,062,000 (39.9%) was collected resulting in an under collection of K747,190,500. See table below.

| Source of Revenue            | Expected K           | Actual K           | Variance K         |
|------------------------------|----------------------|--------------------|--------------------|
| Grants (DEBS)                | 39,442,500           | 39,442,500         | -                  |
| User Fees PTA classes        | 806,840,000          | 275,489,500        | 531,350,500        |
| ID for exams                 | 65,620,000           | 65,620,000         | -                  |
| Examination centre fees      | 39,150,000           | 39,150,000         | -                  |
| Rent from Churches           | 120,600,000          | 63,120,000         | 57,480,000         |
| Market                       | 24,600,000           | 18,740,000         | 5,860,000          |
| Car wash                     | 12,000,000           | 1,500,000          | 10,500,000         |
| Containers                   | 18,000,000           | 1,000,000          | 6,200,000          |
| Tuck-shop                    | 7,200,000            | 1,000,000          | 6,200,000          |
| Adverts on School wall fence | 129,600,000          | -                  | 129,600,000        |
| <b>Total</b>                 | <b>1,263,052,500</b> | <b>505,062,000</b> | <b>747,190,500</b> |

**ii. Parent Teacher Association (PTA) Account**

The School procured receipt books from private printers for the collection of funds deposited into the PTA account. However, the security and the custody of the receipt books was poor

in that they were neither entered in the register of accountable documents nor securely kept in a safe. Further, the printing of the receipt book was not controlled. As a result, the following were observed:

- **Missing Receipt Books**

A total of fifteen (15) receipt books procured by the school were not availed for audit as they were purported to have been lost during the 2011 general elections. Further, contrary to Financial Regulations number 192 (2) (c) which requires that whenever an immediate loss of any kind is discovered, a report of the loss should be reported to the local police, the school failed to obtain a police report for the loss. It was therefore, not possible to ascertain the amount of funds collected from the lost receipts.

- **Receipt Books with Similar Serial Number**

Contrary to Financial Regulation No. 106 which requires that at no time should a duplicate of a receipt be issued, a total of four (4) receipt books had serial number which were similar.

The receipt books were in the custody of the school Finance Committee comprising of the Head, the Deputy and the Senior Teacher.

- **Missing Original Receipt Forms**

Contrary to Financial Regulation No. 114, there were eleven (11) original receipt forms which were missing from the unused receipt books. It was further observed that the duplicate copies were either blank or both original and duplicate receipts pulled out of the receipt book. See table below.

| Month  | Receipt Number    | No of Receipts | Comment                           |
|--------|-------------------|----------------|-----------------------------------|
| Jun-10 | 8833661 - 8833665 | 5              | Original receipts pulled out      |
| Jun-10 | 8833228           | 1              | Cancelled but top copy pulled out |
| Jan-11 | 8834121 -8834125  | 5              | Original receipts pulled out      |
|        |                   | <b>11</b>      |                                   |

The missing books were in custody of the accountant who shared the office with a senior teacher.

- **Unaccounted for Funds**

During the period under review amounts totalling K180,210,000 realised from examination centre fees, examination identity cards and other miscellaneous income were not accounted for as detailed below:

- **Examination Centre Fees**

An examination of the school records revealed that the school received an amount of K39,150,000 as exam centre fees in December 2012 from various community schools. However, the funds collected were neither receipted nor banked. The funds were collected by the guidance office which comprised of three (3) teachers.

There was no proper response from Management as to why the funds had not been accounted for.

- **Examination Identity Cards**

A scrutiny of examinations entry list for internal candidates revealed that a total amount of K65,620,000 was collected from 1,976 pupils who sat for examinations at the School for the period under review. It was however observed that the monies were neither receipted nor banked by the teachers who collected the funds.

Although in response Management stated that the money has never been banked or receipted but paid to the one marking identity cards and used on school activities, there was no documentary evidence to support the management assertion.

- **Miscellaneous Income Generating Activities**

Amounts totalling K75,440,000 were collected from the six (6) income generating activities namely rent from churches, the Shantumbu market, the two car wash, the five containers, the tuck shop and adverts on the school wall fence. It was however revealed that although the money was receipted, it was neither banked nor found on hand.

Although in response management stated that the monies were used for maintenance and other school activities, there were no expenditure returns produced to account for the funds.

- **Lack of Contract**

The school was operating six (6) income generating activities which were leased to associations and individuals without signing contractual agreements between the school and the clients.

- **Missing Cheque Book**

A cheque book with serial numbers ranging from 00201 to 00435 with a total of forty one (41) leaves was missing and not availed for audit.

In their response, management acknowledged that the book could have been misplaced between the office of the Head and Accounts and that the school was unable to avail the cheque leaves as they were never found.

- **Irregular Withdrawals**

On 9<sup>th</sup> and 30<sup>th</sup> September 2011, cheque number 00345 was debited twice by the bank in amounts of K2,000,000 and K2,100,000 respectively. This error was not corrected due to lack of bank reconciliation. The payments could not be authenticated in the absence of payment vouchers.

Although in response management stated that the School had written to the bank for an explanation the anomaly had not been corrected as of October 2013.

### **iii. Open Secondary School (APU) Account**

During the period under review, the School was expected to collect a total income of K531,490,000 from various sources such as, user fees for APU, rent of churches, Identity Cards (I.Ds), Airtel and Zamtel towers as detailed below.

| Source of Funds          | 2010<br>K         | 2011<br>K          | 2012<br>K          | Total Expected<br>K | Actual Receipts<br>K | Variance<br>K       |
|--------------------------|-------------------|--------------------|--------------------|---------------------|----------------------|---------------------|
| User Fees APU            | 44,850,000        | 92,400,000         | 142,500,000        | 279,750,000         | 189,044,000          | -90,706,000         |
| Identity Card (I.Ds)     | 23,190,000        | 53,650,000         | 72,300,000         | 149,140,000         | 20,769,500           | -128,370,500        |
| Rent from churches (APU) | -                 | -                  | 36,000,000         | 36,000,000          | 12,020,000           | -23,980,000         |
| Airtel                   | 10,200,000        | 10,200,000         | 10,200,000         | 30,600,000          | 20,400,000           | -10,200,000         |
| Zamtel                   | 12,000,000        | 12,000,000         | 12,000,000         | 36,000,000          | 25,500,000           | -10,500,000         |
| <b>Total</b>             | <b>90,240,000</b> | <b>168,250,000</b> | <b>273,000,000</b> | <b>531,490,000</b>  | <b>267,733,500</b>   | <b>-263,756,500</b> |

The following were observed:

- **Unaccounted for Funds**

Out of the expected income of K531,490,000 that was to be realised, only amounts totalling K267,733,500 were collected resulting in an under collection of K263,756,500. See table below.

| Source of Funds    | 2010<br>K         | 2011<br>K         | 2012<br>K          | Total<br>K         |
|--------------------|-------------------|-------------------|--------------------|--------------------|
| User Fees APU      | 44,885,000        | 54,348,000        | 89,811,000         | <b>189,044,000</b> |
| I.Ds               | 7,264,500         | 13,505,000        | -                  | <b>20,769,500</b>  |
| Rent from churches | -                 | 110,000           | 11,910,000         | <b>12,020,000</b>  |
| Airtel             | -                 | -                 | 20,400,000         | <b>20,400,000</b>  |
| Zamtel             | 10,200,000        | 5,100,000         | 10,200,000         | <b>25,500,000</b>  |
| <b>Total</b>       | <b>62,349,500</b> | <b>73,063,000</b> | <b>132,321,000</b> | <b>267,733,500</b> |

It was observed that out of the total sum of K267,733,500 which was collected, the school only deposited amounts totalling K246,964,000 leaving a balance of K20,769,500 unaccounted for.

- **Outstanding Rental Fees**

- **Zamtel GSM Base Station Agreement**

On the 9<sup>th</sup> of February 2006, the Chawama Basic School entered into a lease agreement with Zamtel to set up a GSM Base station at the rental fee of K1,000,000 per month. It was however observed that the school only managed to collect a total sum of K25,500,000 out of the expected rental of K71,000,000 thereby leaving a balance of K45,500,000 as of December 2012.

A scrutiny of the contract documents revealed that the contract did not provide for a clause on penalties regarding failure or delays in payment of rental charges.

- **Airtel GSM Base Station Agreement**

In 2009, the Ministry of Education entered into a lease agreement with Airtel to set up a GSM Base station on behalf of Chawama Basic School at a rental fee of K10,200,000 per year. The contract document could not be scrutinized as it was not availed for audit. However, a scrutiny of relevant documents for the period 2010 to 2012 revealed that only K20,400,000 was received leaving a balance of K10,200,000 as of December 2012.

- **Failure to Issue Receipts**

Contrary to Financial Regulation No. 123, which require that receipt of funds be acknowledged, there were no receipts issued as acknowledgement for the cheques that were deposited into the school account involving nineteen (9) transactions totalling K53,900,000 for the period under review.

- **Payments Made without Processing Vouchers**

Contrary to Financial Regulation No. 65, there were six (6) payment transactions totalling K27,336,000 which the School made during the period under review without preparing payment vouchers. It was therefore not possible to establish the purpose for which the withdrawals were made.

- **Unaccounted for Funds**

Contrary to Financial Regulation No. 45 which requires that payment vouchers should be properly prepared, eight (8) transactions totalling K29,720,000 were paid to various officers as imprest for unknown purposes and the funds were unaccounted for as at the time of audit.

- **Unaccounted for Stores**

Stores items procured during the period under review involving five (5) transactions totalling K18,600,000 had no record of receipt and disposal.

- **Overpayments of APU Allowances to Management**

During the period under review, allowances totalling K44,977,000 were paid to senior staff instead of the correct amounts of K19,418,000 resulting in an overpayment of K25,559,000.

**HEAD:** 80/ Ministry of Education

**DEPARTMENTS:** 01- 40 Headquarters, Provincial and District Education Offices, High Schools, Basic Schools, Teachers' Training Colleges

**UNITS:** Various

**PROGRAMMES:** National Implementation Framework (NIF) II

**ACTIVITIES:** Various

45. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2011 and the period ended 30<sup>th</sup> September 2012, a total provision of K405,321,502,209 (US\$84,602,207) was made to cater for activities under the National Implementation Framework (NIF) II against which amounts totalling K353,692,560,418 (US\$69,852,938) were released resulting in an underfunding of K51,628,941,791 (US\$14,749,269) by various Cooperating Partners (CPs) and GRZ as shown in the table below.

| Source       | Modality    | Budget            |                        | Actual Releases   |                        | Over/ Under Funding |                         |
|--------------|-------------|-------------------|------------------------|-------------------|------------------------|---------------------|-------------------------|
|              |             | US\$              | K                      | USD               | K                      | US\$                | K                       |
| Netherlands  | Pool        | 22,246,127        | 105,891,564,520        | 11,806,375        | 60,000,000,000         | (10,439,752)        | (45,891,564,520)        |
| Denmark      | Pool        | 6,000,000         | 28,560,000,000         | 4,578,453         | 23,267,700,000         | (1,421,547)         | (5,292,300,000)         |
| USAID        | Pool        | 2,000,000         | 9,725,000,000          | 2,570,000         | 12,850,000,000         | 570,000             | 3,125,000,000           |
| Ireland      | Pool        | 21,000,000        | 101,682,000,000        | 16,910,629        | 85,210,500,000         | (4,089,371)         | (16,471,500,000)        |
| World Bank   | Pool        | 30,000,000        | 142,800,000,000        | 30,000,000        | 152,469,900,000        | -                   | 9,669,900,000           |
| JICA         | Pool        | 3,356,080         | 16,662,937,689         | 3,706,429         | 18,532,146,150         | 350,349             | 1,869,208,461           |
| GRZ          | Counterpart | -                 | -                      | 281,052           | 1,362,314,268          | 281,052             | 1,362,314,268           |
| <b>Total</b> |             | <b>84,602,207</b> | <b>405,321,502,209</b> | <b>69,852,938</b> | <b>353,692,560,418</b> | <b>(14,749,269)</b> | <b>(51,628,941,791)</b> |

In addition, a total of K5,522,109,456 (US\$1,145,666) was brought forward from 2010 bringing the total funds available to K359,214,669,874.

Out of the total amount of K359,214,669,874 available, K314,082,554,421 was utilised at Headquarters (administration (K128,911,444,666), infrastructure (K112,996,422,343), procurement of desks

(K72,174,690,412)) and the balance of K45,132,115,453 was disbursed to Provinces as detailed in the table below.

| Province     | PEO<br>K             | DEBS<br>K             | High Schools<br>K    | Colleges<br>K        | Total<br>K            |
|--------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|
| Central      | 350,032,353          | 2,500,673,271         | 752,373,595          | 683,302,134          | 4,286,381,353         |
| Lusaka       | 293,579,178          | 1,813,890,860         | 910,269,877          | 682,549,590          | 3,700,289,505         |
| Copperbelt   | 417,093,840          | 3,787,082,255         | 1,560,653,256        | 1,251,117,948        | 7,015,947,299         |
| Western      | 394,811,829          | 2,383,363,888         | 614,015,102          | 419,787,676          | 3,811,978,495         |
| Southern     | 382,257,384          | 3,959,634,125         | 1,487,663,485        | 772,167,276          | 6,601,722,270         |
| N. Western   | 385,024,391          | 2,571,086,919         | 889,744,547          | 442,039,984          | 4,287,895,841         |
| Luapula      | 354,535,794          | 2,557,901,683         | 738,403,109          | 428,926,821          | 4,079,767,407         |
| Eastern      | 366,140,924          | 2,914,819,866         | 1,220,433,264        | 386,440,251          | 4,887,834,305         |
| Northern     | 431,148,101          | 4,341,652,996         | 1,224,392,056        | 463,105,825          | 6,460,298,978         |
| <b>Total</b> | <b>3,294,623,794</b> | <b>26,830,105,863</b> | <b>9,397,948,291</b> | <b>5,529,437,505</b> | <b>45,132,115,453</b> |

### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry headquarters, provincial and district offices carried out in June 2012 revealed the following:

#### a. Unretired Imprest

Contrary to Financial Regulations No. 96, imprest in amounts totalling K79,246,842 issued to ten (10) officers during the period under review had not been retired as of December 2013.

#### b. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, various stores items costing K49,650,000 procured during the period under review could not be accounted for in that there were no receipt and disposal details.

#### c. Procurement and Distribution of Desks

##### i. Failure to Deliver Desks

In August 2011, the Ministry engaged Sanjiza Investment Limited to supply, deliver and assemble 1,680 single seater school desks at a contract price of K407,697,847 with a delivery period of twelve (12) weeks. However, a verification carried out revealed that despite the contractor having been paid in full, only 1,443 desks were delivered leaving a balance of 237 desks undelivered.

**ii. Failure to Assemble Desks**

Three (3) contractors who were awarded contracts totalling K4,041,132,878 to supply, deliver and assemble 11,077 school desks failed to meet contractual obligations in that they did not assemble 1,105 school desks as shown in the table below.

| Contractor                     | Contract Price       | Amount Paid K        | Quantity Ordered | Quantity Delivered | Quantity Assembled | Variance     |
|--------------------------------|----------------------|----------------------|------------------|--------------------|--------------------|--------------|
| Sanjiza Investments Limited    | 458,660,078          | 315,965,831          | 1,890            | 1,890              | 1,870              | 20           |
| Southern Lite Supplies         | 2,457,472,800        | 737,241,750          | 6,687            | 3,100              | 2,255              | 845          |
| Power Surge & Property Limited | 1,125,000,000        | 337,500,000          | 2,500            | 2,500              | 2,260              | 240          |
| <b>Total</b>                   | <b>4,041,132,878</b> | <b>1,390,707,581</b> | <b>11,077</b>    | <b>7,490</b>       | <b>6,385</b>       | <b>1,105</b> |

**d. Failure To Deliver Projects on Time**

A scrutiny of records relating to the execution of contracts for infrastructure development revealed that the Ministry was failing to deliver projects on time. A case in point is the construction of Namwala Basic School. The project was commissioned in April 2008 and should have been completed in May 2009. However, the project had not been completed as of December 2013, fifty five (55) months after the initial completion date. The table below provides details of other projects that have been delayed.

| District                      | Project   | Contractor                           | Start Date | End Date | Contract Period | Contract Price K | Amount Paid to Contractor K | Delay From Initial Date of Completion (Months) |
|-------------------------------|---|--------------------------------------|------------|----------|-----------------|------------------|-----------------------------|--|
| <b>Western Province</b>       |   |                                      |            |          |                 |                  |                             |  |
| Kalabo                        | Construction of Libonda Boarding High School                            | China Jiangxi Corporation Ltd        | 28.09.10   | 28.09.11 | 52 weeks        | 36,126,154,744   | 13,883,608,218              | 26   |
|                               | Construction of Sikongo High School                                     | China Gansu Engineering Corp (Z) Ltd | 24.11.10   | 28.11.13 | 160 weeks       | 35,878,013,752   | 19,975,115,789              | 1  |
| Kaoma                         | Construction of Mayukwayukwa High School                                | Hua Jiang Investments Ltd            | 10.08.08   | 26.10.10 | 120 weeks       | 27,633,798,000   | 25,175,932,339              | 38   |
| Mongu                         | Construction of Nakanyaa Technical High School                          | Hua Jiang Investments Ltd            | 06.06.08   | 20.01.11 | 120 weeks       | 25,700,951,000   | 24,550,938,777              | 18   |
| <b>Lusaka Province</b>        |   |                                      |            |          |                 |                  |                             |  |
| Lusaka                        | Construction of Matero Day High   | Datong Construction Ltd              | 26.01.09   | 27.05.11 | 120 weeks       | 18,813,338,500   | 5,169,084,964               | 19   |
|                               | Construction of Centre of Excellence at Munali High School              | China Jiangxi Corporation Ltd        | 17.07.11   | 16.10.13 | 130 weeks       | 110,109,304,910  | 21,879,012,407              | 2  |
| Chongwe                       | Construction of Rufunsa Technical High School                           | Zamchin Ltd                          | 06.05.09   | 04.03.11 | 104 weeks       | 22,665,417,106   | 17,176,832,662              | 20   |
| Luangwa                       | Construction of Luangwa Day High  | Datong Construction Ltd              | 24.01.09   | 23.07.11 | 120 weeks       | 19,931,278,700   | 15,667,606,179              | 17   |
| <b>North Western Province</b> |   |                                      |            |          |                 |                  |                             |  |
| Chavuma                       | Construction of Chavuma Boarding High School                            | Hua Jiang Investments Ltd            | 01.04.08   | 19.07.10 | 115 weeks       | 27,165,709,000   | 24,229,354,150              | 42   |
| Kabompo                       | Construction of Kayombo Boarding High School                            | China Jiangxi Corporation Ltd        | 26.05.09   | 25.06.12 | 160 weeks       | 33,289,251,181   | 26,753,856,470              | 6  |
| <b>Copperbelt Province</b>    |   |                                      |            |          |                 |                  |                             |  |
| Kitwe                         | Construction of 1 x 3 CRB at Mulenga Community School                   | Keglon Enterprises Ltd               | 24.02.11   | 20.03.11 | 52 weeks        | 258,410,700      | 75,049,598                  | 21   |
|                               | Construction of Administration Block at Copperbelt College of Education | Hua Jiang investment Ltd             | 27.04.09   | 24.10.11 | 130 weeks       | 55,877,690,000   | 21,839,688,502              | 26   |
| <b>Muchinga Province</b>      |   |                                      |            |          |                 |                  |                             |  |
| Chinsali                      | Construction of Mulakupikwa College of Education                        | Flame promotions and procurement Ltd | 11.11.10   | 01.03.13 | 78 weeks        | 107,562,504,242  | 64,837,055,759              | 9  |
| <b>Northern Province</b>      |   |                                      |            |          |                 |                  |                             |  |
| Luwingu                       | Construction of Lupososhi Boarding High School                          | Hua Juang Investment Ltd             | 29.01.09   | 12.09.11 | 140 weeks       | 30,326,097,047   | 20,705,043,717              | 27   |
| Mpulungu                      | Construction of Mpulungu Boarding High School                           | Hua Juan investment Ltd              | 2008       | 09.11.11 | 130 weeks       | 28,042,240,000   | 22,956,637,025              | 25   |
| Mporokoso                     | Construction of Lunte Girls Technical High School                       | Wah Cong Enterprises Ltd             | 14.02.11   | 05.11.12 | 90 weeks        | 28,102,712,000   | 12,529,558,739              | 13   |
| <b>Eastern Province</b>       |   |                                      |            |          |                 |                  |                             |  |
| Katete                        | Construction of Kapoche Day High School                                 | Mango Tree Construction              | 17.01.11   | 21.05.12 | 70 weeks        | 19,938,513,000   | 13,404,980,643              | 19   |
| Petauke                       | Construction of Nyamphande Boarding High School                         | Millers Construction                 | 17.01.11   | 03.09.12 | 85 Weeks        | 28,950,402,805   | 17,700,927,834              | 16   |
| <b>Central Province</b>       |   |                                      |            |          |                 |                  |                             |  |
| Kabwe                         | Construction of Nkrumah College of Education                            | Hua Jiang Investments Ltd            | 01.03.09   | 01.09.11 | 130 Weeks       | 57,518,410,000   | 38,166,267,534              | 28   |
| Chibombo                      | Construction of Kafushi High School                                     | Covec Zambia Ltd                     | 21.01.09   | 07.01.11 | 94 weeks        | 20,602,736,350   | 14,542,507,932              | 35   |
| Kapiri Mposhi                 | Construction of Kapiri Mposhi Girls Technical School                    | Wah Kong Enterprises Ltd             | 01.04.09   | 11.10.11 | 117 weeks       | 30,493,085,345   | 23,213,868,343              | 27   |
| Serenje                       | Construction of Justine Mukando High School                             | Hua Jiang Investments Ltd            | 06.02.09   | 04.08.11 | 128 weeks       | 24,080,437,000   | 14,983,450,646              | 28   |
| <b>Southern Province</b>      |   |                                      |            |          |                 |                  |                             |  |
| Namwala                       | Construction of Namwala Basic School                                    | Hua Jiang Investment Ltd             | 15.04.08   | 25.05.09 | 53 Weeks        | 8,296,960,000    | 6,889,055,397               | 55   |
| Gwembe                        | Construction of Munyumbwe High School                                   | Huajiang Investment Ltd              | 01.04.08   | 19.07.10 | 130 Weeks       | 24,101,337,500   | 22,045,316,730              | 41   |

|                    |           |  |
|--------------------|-----------|--|
| <b>HEAD:</b>       | <b>85</b> | <b>Ministry of Lands, Energy and Water</b> |
|                    | <b>01</b> | <b>Human Resource and Administration</b>   |
|                    | <b>05</b> | <b>Energy Department</b>                   |
|                    | <b>06</b> | <b>Water Affairs Department</b>            |
|                    | <b>07</b> | <b>Planning and Information Department</b> |
| <b>UNITS:</b>      |           | <b>Various</b>                             |
| <b>PROGRAMMES:</b> |           | <b>Various</b>                             |
| <b>ACTIVITIES:</b> |           | <b>Various</b>                             |

**46.** In the Estimates of Revenue and Expenditure for the Financial Year ended 31<sup>st</sup> December 2012, a total provision of K758,638,214,819 was made to cater for various activities under the Ministry.

During the period under review, the Ministry was split into the Ministry of Mines, Energy and Water and the Ministry of Lands, Natural Resources and Environmental Protection.

**This audit focussed on the programmes that remained under the Ministry of Energy and Water** after the split and for which a total provision of K665,447,498,564 was made and K187,823,389,111 released as shown in the table below.

| <b>Department/Unit</b>                       | <b>Total Authorised Provision<br/>K</b> | <b>Funding<br/>K</b>   |
|--|---|------------------------|
| <b>Human Resource and Administration</b>     |   |                        |
| PE's   | 7,483,400,809                           | 8,866,986,864          |
| HRA Unit 09                                  | 458,088,783,400                         | 113,306,091,664        |
| Procurement Unit 10                          | 376,785,067                             | 298,302,594            |
| HR Mgt Unit 11                               | 215,352,061                             | 202,217,025            |
| FM Unit 12                                   | 233,781,962                             | 192,920,060            |
| Auditing Unit 13                             | 116,319,066                             | 102,580,716            |
|  |   |                        |
| <b>Energy Department</b>                     | 47,876,251,102                          | 21,895,505,211         |
| <b>Water Affairs Department</b>              | 54,179,674,594                          | 40,501,816,838         |
| <b>Planning and Information</b>              |   |                        |
| Unit 01 Human Resource & Administration Unit | 1,394,866,478                           | 896,609,658            |
| Unit 02 Energy Planning Unit                 | 890,000,000                             | 409,149,946            |
| Unit 03 Water Planning Unit                  | 890,046,000                             | 333,842,960            |
| Unit 04 Data Base & Information Unit         | 1,002,238,025                           | 817,365,575            |
|  | <b>572,747,498,564</b>                  | <b>187,823,389,111</b> |
| <b>Add Supplementary Provision</b>           |   |                        |
| Rural Electrification                        | 7,700,000,000                           |                        |
| Management of Petroleum Supply               | 85,000,000,000                          |                        |
|  | 92,700,000,000                          |                        |
| <b>Total Authorised Provision</b>            | <b>665,447,498,564</b>                  |                        |

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and physical inspections of selected projects in provinces carried out in April 2013 revealed the following:

#### **a. Irregular Payments of Acting Allowances**

Contrary to Terms and Conditions of Service of the Public Service, eleven (11) officers were paid amounts totalling K96,253,649 as acting allowance without authority from the Public Service Management Division.

#### **b. Failure to Submit Expenditure Returns**

During the period under review, the Ministry disbursed amounts totalling K99,500,000,000 to the Rural Electrification Authority for various projects and operations. However, there were no expenditure returns submitted to the Ministry showing how the funds were utilised.

| <b>Institution</b>                            | <b>Amount<br/>K</b>   |
|---|-----------------------|
| Rural Electrification Authority (Projects)    | 87,500,000,000        |
| Rural Electrification Authority (Operational) | 12,000,000,000        |
| <b>Total</b>                                  | <b>99,500,000,000</b> |

**c. Failure to Collect Materials**

In June and December 2012, the Ministry procured various stores items such as solar heaters, casing pipes, windmills among others, at the total cost of K1,745,179,459 from four (4) suppliers for use at various project sites in the districts.

However, as of December 2013, the Ministry had not collected the items.

**d. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K141,796,311 issued to fourteen (14) officers during the period under review had not been retired as of December 2013.

**e. Failure to Maintain an Asset Register**

Contrary to Public Stores Regulation No. 99, the Ministry did not maintain an asset register. As a result, various assets costing K555,076,238 procured during the year under review had not been recorded.

**f. Unaccounted for Stores**

Contrary to Public Stores Regulation No.16, various stores items costing K161,135,000 procured during the period under review were not accounted for in that there were no disposal details.

**HEAD: 85 Ministry of Lands, Energy and Water**

**/01 Human Resource and Administration**

**/02 Lands and Deeds Department**

**/03 Lands Department**

**/04 Survey Department**

**UNITS Various**

**PROGRAMMES Various**

**ACTIVITIES Various**

47. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K758,638,214,819 was made to cater for various activities at the Ministry of Lands, Energy and Water.

During the period under review the Ministry was split into Ministry of Mines, Energy and Water and Ministry of Lands, Natural Resources and Environmental Protection. **This audit focussed on the programmes that remained under the Ministry of Lands Natural Resources and Natural Protection** after the split and for which a total provision of K109,424,660,361 was made and K69,404,903,943 released as shown in the table below.

| Department          | Authorised Provision<br>K | Funding Amount<br>K   |
|---------------------|---------------------------|-----------------------|
| HRA                 | 37,255,218,920            | 26,938,132,254        |
| Lands and Deeds     | 2,240,238,311             | 1,471,495,007         |
| Lands               | 3,899,848,691             | 2,840,840,013         |
| Survey              | 6,488,918,742             | 4,092,929,853         |
| Lands Planning Unit | 59,540,435,697            | 34,061,497,816        |
| <b>Total</b>        | <b>109,424,660,361</b>    | <b>69,404,894,943</b> |

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters and provincial offices carried out in September 2013, revealed the following:

#### **a. Irregular Payments of Retention and Recruitment Allowances**

Retention and recruitment allowances in amounts totalling K109,872,192 in respect of thirty one (31) officers were irregularly paid in that the payments were made without authority from the Public Service Management Division (PSMD).

**b. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K399,089,151 issued to thirty two (32) officers during the period under review had not been retired as of December 2013.

**c. Unaccounted for Fuel**

Contrary to Public Stores Regulation No.16, fuel costing K274,524,300 procured during the period under review was unaccounted for in that there were no disposal details such as fuel register and coupons among others.

**d. Unsupported Payments**

Contrary to Financial Regulation No. 52, eight (8) payments in amounts totalling K189,448,640 made during the period under review were not supported with relevant documentation such as receipts and invoices.

**e. Misapplication of Funds**

**i. Development of Management Information System**

Amounts totalling K1,680,217,478 meant for the development of a Management Information System were utilised on unrelated activities such as payment of outstanding bills for leased lines in the Provincial Offices (K468,713,844), imprest for various activities (K878,562,614), sitting allowance for rebasing committee (K31,800,000), tuition fees (K33,055,340) and purchase of air tickets (K75,258,430) among others.

**ii. Customary Land Identification and Acquisition**

Amounts totalling K83,853,136 meant for the customary land identification and acquisition were utilised on unrelated activities such as procurement of equipment and administration. Consequently, the customary land identification and acquisition activity was not undertaken.

**iii. Non Utilisation of Equipment Purchased**

The Ministry paid a total amount of K1,458,644,075 to Heidelberg Graphic Systems Southern Africa (PTY) Ltd on 27<sup>th</sup> December 2012 for the purchase of

equipment, accessories and materials for a map printing machine. The equipment and accessories were received in March 2013. However, as of September 2013, the equipment had not been installed.

It was further observed that the payment of K1,458,644,075 was made from the Land Audit and International Conferences votes without obtaining authority from the Secretary to the Treasury.

**iv. Loans and Advances**

- **Irregular Transfer of Funds**

The Ministry received a total funding of K237,203,149 for payment of loans and advances in March 2012 through the Recurrent Departmental Charges (RDC's) account.

It was observed that the Ministry transferred an amount of K2,795,117,501 from the RDC's account to the loans and advances account exceeding the funding received by an amount of K2,557,916,352. The excess funds of K2,557,916,352 were meant for dismantling of arrears.

- **Failure to Recover Loans and Advances**

Contrary to the Terms and Conditions of Service for the Public Service, recoveries in respect of loans and advances in amounts totalling K146,279,836 paid to eleven (11) officers during the period under review had not been effected as of November 2013.

**HEAD: 85 /07 Ministry of Lands, Energy and Water – Planning and Information**

**UNIT: 05 Lands Planning Unit**

**PROGRAMME: 1012 Infrastructure Development**

**ACTIVITY: 005 Civil Works Land Development Fund**

**48.** In the Estimates of Revenue and Expenditure for the Financial Year ended 31<sup>st</sup> December 2012, a provision of K28,493,771,000 was made to cater for opening up of new areas for development

in various local authorities against which amounts totalling K25,839,421,228 were released resulting in an underfunding of K2,654,349,772.

In addition, K845,625,425 was released for inspections, monitoring and evaluation and the operations of the Land Development Fund.

In 2012, twenty five (25) applications were received and approved and a total of K25,680,452,645 was disbursed to various councils as shown in the table below.

| <b>Council</b>          | <b>Amount Disbursed<br/>K</b> |
|-------------------------|-------------------------------|
| Chavuma District        | 952,000,000                   |
| Chienge District        | 1,000,000,000                 |
| Chililabombwe Municipal | 1,000,000,000                 |
| Chingola District       | 1,400,000,000                 |
| Chinsali Municipal      | 2,100,000,000                 |
| Choma Municipal         | 1,000,000,000                 |
| Gwembe District         | 865,293,200                   |
| Ikelenge District       | 1,000,000,000                 |
| Kabompo District        | 1,292,199,500                 |
| Kalomo District         | 1,000,000,000                 |
| Kasempa District        | 1,532,782,158                 |
| Kawambwa District       | 1,000,000,000                 |
| Luangwa District        | 1,000,000,000                 |
| Luwingu District        | 1,000,000,000                 |
| Milenge District        | 1,000,000,000                 |
| Monze District          | 300,000,000                   |
| Mungwi District         | 915,932,500                   |
| Mwiniliunga District    | 1,000,000,000                 |
| Nakonde District        | 1,000,000,000                 |
| Nyimba District         | 650,000,000                   |
| Petauke District        | 1,000,000,000                 |
| Samfya District         | 1,000,000,000                 |
| Sinazongwe District     | 1,672,245,287                 |
| Zambezi District        | 1,000,000,000                 |
| <b>Total</b>            | <b>25,680,452,645</b>         |

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and visits to projects in selected councils carried out in September 2013 revealed the following:

### **Headquarters**

#### **a. Failure to Provide Monitoring Reports**

During the period under review, various officers were issued with imprest in amounts totalling K310,653,998 for inspections, monitoring and evaluation and operations of the Land Development Fund in various provinces.

Although the imprest was retired, there were no monitoring and evaluation reports availed for audit. In this regard, it was not possible to ascertain whether the activities were undertaken.

**b. Failure to Provide Expenditure Returns**

During the period under review, the Ministry disbursed K25,680,452,645 to twenty four (24) councils. Contrary to the Land Development Fund Guideline No. 1.13, which requires that all councils benefiting from the Fund submit quarterly returns, a total amount of K7,776,981,658 disbursed to seven (7) councils during the period under review was not supported by expenditure returns.

A visit to selected councils revealed the following:

**i. Chililabombwe Municipal Council**

Chililabombwe Municipal Council received K1,000,000,000 in June 2012 for site clearing, road formation and demarcation of plots.

A total expenditure of K602,500,000 was incurred on surveying of three hundred and ninety nine (399) plots (K500,000,000), road works (K65,000,000), environmental impact assessment (K37,500,000) and administrative costs (K702,379) leaving a balance of K397,500,000.

The Council engaged Edwelu Contractors on 10<sup>th</sup> September 2012 to construct, gravel and compact 3 km gravel road at the new site in Kamenza East at a contract sum of K84,972,000 in a period of twenty five (25) days. The contractor moved on site in October 2012 and the contractor had been paid a total amount of K65,000,000.

Although the contractor was paid amounts totalling K65,000,000 a physical inspection of the works carried out in October 2013 revealed that only grading had been done on a stretch of 2.5 km of the road and the contractor had since abandoned the site.

**ii. Sinazongwe District Council**

Sinazongwe District Council received K500,000,000 in February 2012 for demarcating and surveying of plots, preparation of layout plans and construction of roads and drainages in Sinazongwe/Namafalu township.

The funds were utilised on production of lay out plans (K18,000,000), street name printing (K24,550,160) in Sinazongwe Township, opening up of 4 km roads (K186,543,200) street lighting of 1.2 km in Sinazongwe Township (K190,000,000), surveying seventy nine (79) plots in Sinazongwe Township (K50,000,000) and administrative costs (K25,968,232) leaving a balance of K4,938,408 unspent.

The following were observed:

- **Failure to Execute Works**

An amount of K50,000,000 was paid to the Regional Surveyor's Office on 16<sup>th</sup> May 2012 to survey seventy nine (79) plots in Sinazongwe Township. However, as of December 2013, the area had not been surveyed.

- **Misapplication of Funds**

According to the guidelines, the Land Development Fund is meant to assist councils to open up new areas for development. It was observed however, that the Council spent an amount of K190,000,000 on electrifying 1.2 km stretch in Sinazongwe Township, an area which already existed, contrary to the guidelines. Consequently, activities such as demarcating and surveying of plots, construction of roads and drainages among others which were funded could not be undertaken.

- **Non Commencement of Works**

In December 2012, the Ministry disbursed K1,672,245,287 to Southern Water and Sewerage Company for water reticulation at Namafalu Border Post in Sinazongwe. However, as of November 2013, the works had not commenced due to the failure by the Provincial Planning Unit to provide site plans.

**HEAD: 89/09 Ministry of Agriculture and Cooperatives**  
**Unit: 4 Agriculture Finance and Credit Management**  
**Programmes: 8 Farmer Input Support Programme (FISP) – (PRP)**  
**Activites: Various**

49. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K1,156,181,000,744 was made to cater for the purchase and distribution of inputs under the Farmer Input Support Programme (FISP) against which K1,155,861,071,547 was released resulting in an under funding of K319,929,197.

As at 31st December 2012, a total amount of K1,139,624,512,924 had been spent leaving a balance of K16,236,558,623.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters, Provincial Agriculture Co-ordinating Offices (PACOs), fifty (50) District Agriculture Co-ordinating Offices (DACOs) and physical inspections of selected cooperatives and warehouses carried out during the period from April to August 2013 revealed the following:

##### **a. Contracts Awarded**

According to the contracts made available for audit, the Ministry had between July and September 2012 awarded three (3) contracts for the supply of fertiliser costing K826,176,979,788 and seven (7) contracts for the supply of seed costing K148,378,607,600 as indicated in the tables below.

**Table 1 - Supply of fertiliser**

| Name of contractor | Contract sum<br>K      | Quantity (Metric Tonnes) |                  |
|--------------------|------------------------|--------------------------|------------------|
|                    |                        | Compound D               | Urea             |
| Nyiombo            | 429,292,518,838        | 41,185.50                | 52,251.50        |
| Omnia              | 249,884,460,950        | 22,843.00                | 37,354.00        |
| NCZ                | 147,000,000,000        | 30,000.00                | 0                |
| <b>Total</b>       | <b>826,176,979,788</b> | <b>94,028.50</b>         | <b>89,605.50</b> |

**Table 2- Supply of Seeds**

| Name of Supplier       | Contract Sum K         | Quantity (Metric Tonnes) |               |              |            |
|------------------------|------------------------|--------------------------|---------------|--------------|------------|
|                        |                        | Maize                    | Sorghum       | Rice         | Groundnuts |
| Panner Seed(Z) Ltd     | 19,989,558,753         | 1,308.91                 | -             | -            | 0          |
| Pioneer Dupont (Z) Ltd | 15,936,947,980         | 1,055.89                 | -             | -            | 0          |
| Zamseed Ltd            | 25,716,463,875         | 1,261.23                 | 59            | 113          | 103.45     |
| Farmer Barn Ltd        | 18,842,837,692         | 1,152.83                 | -             | -            | 0          |
| Kamano Seed Co.        | 4,408,372,200          | 259.56                   | -             | 30           | 3.48       |
| MRI Seed Zambia Ltd    | 28,415,811,000         | 1,864.66                 | -             | -            | 0          |
| Seedco Zambia Ltd      | 35,068,616,100         | 1,867.92                 | 60            | -            | 43.07      |
| <b>Total</b>           | <b>148,378,607,600</b> | <b>8,771.00</b>          | <b>119.12</b> | <b>142.9</b> | <b>150</b> |

The seed suppliers were supposed to supply the goods ex-ware house from the date of signing the contracts. The purchaser (Government) was expected to make prompt payment to the suppliers upon receipt of demand of payment but in no case later than ninety (90) days after submission of invoices or claims by the suppliers.

According to contract terms, the suppliers of fertilisers Nyiombo and Omnia were required to supply and deliver fertiliser to districts using their finances. After supplying and delivering the fertiliser, the contractors were expected to submit their claims which were supposed to be honoured by Government. The mode of payment during the period under review was as follows:

- 25% advance payment within thirty days of signing the contract upon production of bank guarantee for equivalent amount valid until the goods are delivered or paid against confirmation of delivery by the offices of the DACOs in respective designated depots.
- 65% on shipment and delivery upon confirmation of delivery by the DACOs in respective designated depots.
- 10% on completion and acceptance upon production of documentary evidence that all fertilisers had been delivered to the user districts.

The fertiliser was supposed to be delivered within eight (8) to ten (10) weeks of the date of signing the contract in respect of Nyiombo and Omnia while NCZ was to produce and make available the products within six (6) to eight (8) weeks.

Nyiombo was required to transport fertiliser to Central, Copperbelt, Luapula, Muchinga, Northern, North Western and Western provinces. Omnia was to deliver fertiliser to

Eastern, Lusaka and Southern provinces while NCZ was only required to produce the fertiliser.

Although the companies contracted to supply fertiliser and seed had duly complied with their contractual obligations, the Ministry paid K727,909,526,943 out of the total contractual sum of K974,555,587,378 leaving a balance of K246,646,060,434 still owing to suppliers as of July 2013. See tables below.

| <b>DETAILS</b>       | <b>TOTAL CONTRACT SUM<br/>K</b> | <b>TOTAL AMOUNT PAID<br/>K</b> | <b>TOTAL AMOUNT DUE<br/>K</b> |
|----------------------|---------------------------------|--------------------------------|-------------------------------|
| Fertiliser Suppliers | 826,176,979,778                 | 671,666,542,546                | 154,510,437,232               |
| Seed Suppliers       | 148,378,607,600                 | 56,242,984,397                 | 92,135,623,203                |
| <b>GRAND TOTAL</b>   | <b>974,555,587,378</b>          | <b>727,909,526,943</b>         | <b>246,646,060,435</b>        |

#### **b. Transportation of Inputs**

According to the contracts made available for audit, the Ministry had from July to September 2012 awarded fifty four (54) contracts to twenty nine (29) contractors for the transportation of inputs throughout the country at a total cost of K4,928,879,140.

Although the transporters contracted to deliver the inputs had duly complied with their contractual obligations, the Ministry only paid K4,126,932,940 out of the total contractual sum of K4,928,879,140 leaving a balance of K801,946,200 still owing to transporters as of December, 2013.

A further review of records relating to transporters maintained at headquarters revealed the following questionable payments.

- i.** According to transport claims approved by Mpongwe DACO and submitted for payment to the Ministry headquarters in respect of Nkanga Building Contractors, the contractor was owed an amount of K143,997,550. However, the transporter was paid K209,992,244 resulting into an overpayment of K65,994,694. As of December 2013, the funds had not been recovered from the transporter.
- ii.** Contrary to FISP Guideline No. 6.1 which requires that transporters should be registered with the Zambia Revenue Authority (ZRA) and must have a Tax Payer Identification Number (TPIN), five (5) transporters who were paid amounts totalling K718,350,891 did not qualify to be awarded contracts in that they were not registered with ZRA and did not have TPINs. See table below.

| Station      | No of Transporters | Amount<br>K        |
|--------------|--------------------|--------------------|
| Monze        | 1                  | 115,280,890        |
| Lundazi      | 4                  | 603,070,001        |
| <b>Total</b> | <b>5</b>           | <b>718,350,891</b> |

iii. During the period under review, twelve (12) transporters claimed and were paid amounts totalling K590,670,000 by DACO Mansa for transporting 3,252.41 metric tonnes of inputs. However, the claims were not supported by relevant documents such as delivery notes and records to show that the distances claimed by the transporters were verified.

**c. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65 (1), twenty six (26) payment vouchers in amounts totalling K406,275,015,608 were not made available for audit as of December 2013.

**d. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K290,404,500 issued to eight (8) officers had not been retired as of December 2013.

**e. Unaccounted for Stores**

Contrary to Public Stores Regulation No.16, various stores items costing K252,194,000 procured during the period under review could not be accounted for in that there were no receipt and disposal details in respect of various stores items.

**f. Under Collection of Revenue**

There were weaknesses in accounting for revenue collected from the distribution of farming inputs in various districts which included failure to bank funds collected, poor record keeping and failure to provide bank statements among others.

A visit to seven (7) districts where a total amount of K36,381,320,000 was expected to be realised from contributions by beneficiaries revealed that a total amount of K36,348,280,000 was deposited resulting in an under collection of K33,040,000 as shown in the table below.

| DISTRICT     | EXPECTED AMOUNT K        | AMOUNT DEPOSITED K       | UNCOLLECTED AMOUNT K |
|--------------|--------------------------|--------------------------|----------------------|
| Mansa        | 4,441,400,000.00         | 4,438,470,000.00         | 2,930,000.00         |
| Nchelenge    | 756,600,000.00           | 751,260,000.00           | 5,340,000.00         |
| Chipata      | 12,393,900,000.00        | 12,390,450,000.00        | 3,450,000.00         |
| Petauke      | 8,618,300,000.00         | 8,606,330,000.00         | 11,970,000.00        |
| Chinsali     | 3,253,520,000.00         | 3,252,010,000.00         | 1,510,000.00         |
| Mpika        | 4,845,200,000.00         | 4,841,740,000.00         | 3,460,000.00         |
| Mafinga      | 2,072,400,000.00         | 2,068,020,000.00         | 4,380,000.00         |
| <b>Total</b> | <b>36,381,320,000.00</b> | <b>36,348,280,000.00</b> | <b>33,040,000.00</b> |

**g. Weaknesses in Management of Inputs**

**i. Late Delivery of Inputs**

The fertilizer and seed contractors were supposed to deliver the inputs between eight (8) and ten (10) weeks from the date of signing the contracts. The planting season is from October to mid December within which farmers would need inputs. However, it was observed that inputs costing K6,540,558,000 were only delivered to the seventeen (17) districts between January and June 2013 as shown in the table below.

| District   | No. of Inputs           |                    |               | Total K              | Period Delivered     |
|------------|-------------------------|--------------------|---------------|----------------------|----------------------|
|            | Fertilizer x 50Kgs bags | Maize x 10Kgs bags | Sorghum x 5kg |                      |                      |
| Ndola      | 1519                    | 83                 | 0             | 442,628,000          | 01.01.13 to 31.01.13 |
| Chingola   | 1270                    | 159                | 0             | 338,670,000          | 01.01.13 to 25.02.13 |
| Masaiti    | 2319                    | 116                | 0             | 673,680,000          | 01.01.13 to 30.04.13 |
| Lufwanyama | 611                     | 20                 | 0             | 171,500,000          | 01.01.13 to 30.04.13 |
| Mpongwe    | 5217                    | 0                  | 0             | 1,460,760,000        | 01.01.13 to 30.04.13 |
| Chongwe    | 1,542                   | 319                | 429           | 184,010,000          | 01.03.13 to 30.03.13 |
| Kafue      | 4,384                   | 1,096              | 0             | 306,880,000          | 22.12.13 to 13.02.13 |
| Siyavonga  | 819                     | 0                  | 273           | 57,330,000           | 04.01.13 to 30.01.13 |
| Mansa      | 24,633                  | 0                  | 0             | 1,231,650,000        | 02.01.13 to 19.03.13 |
| Samfya     | 4,703                   | 0                  | 0             | 235,150,000          | 22.01.13 to 18.03.13 |
| Nchelenje  | 520                     | 0                  | 0             | 26,000,000           | 10.01.13 to 23.04.13 |
| Mwense     | 152                     | 2120               | 39            | 190,260,000          | 03.12.13 to 01.03.13 |
| Kawambwa   | 12,746                  | 0                  | 54            | 931,840,000          | 05.12.13 to 07.03.13 |
| Chibombo   | 398                     | 0                  | 0             | 19,900,000           | 18.06.13 to 27.06.13 |
| Chipata    | 4,118                   | 1,037              | 0             | 292,080,000          | 01.02.13 to 31.03.13 |
| Petauke    | 2,147                   | 0                  | 0             | 107,350,000          | 01.02.13 to 31.03.13 |
| Katete     | 784                     | 196                | 0             | 54,880,000           | 01.02.13 to 31.03.13 |
|            | 67,882                  | 5,146              | 795           | <b>6,540,558,000</b> |                      |

## ii. Expired Inputs

A physical inspection carried out in August 2013 of the store rooms in which inputs were being stored revealed that bags of maize and sorghum seeds in three (3) districts costing K86,180,000 had expired. As of December 2013, no action had been taken to dispose off the expired inputs. See table below.

| S/No. | District | Commodity      | Bags received | Bags issued | Bags in stores | Price per Bag (K) | Amount (K)        | Date of Expiry |
|-------|----------|----------------|---------------|-------------|----------------|-------------------|-------------------|----------------|
| 1     | Mongu    | Maize (10kgs)  | 3,475         | 2,929       | 546            | 80,000            | 43,680,000        | Jul-13         |
|       |          | Sorghum (5kgs) | 580           | 523         | 57             | 60,000            | 3,420,000         | May-13         |
| 2     | Sesheke  | Maize (10kgs)  | 1,940         | 1,912       | 28             | 80,000            | 2,240,000         | Dec-12         |
|       |          | Sorghum (5kgs) | 400           | 395         | 5              | 60,000            | 300,000           | May-13         |
| 3     | Lukulu   | Maize (10kgs)  | 2,460         | 2,447       | 13             | 80,000            | 1,040,000         | Apr-13         |
| 4     | Chongwe  | Maize (10kgs)  |               |             | 83             | 80,000            | 6,640,000         | May-13         |
| 4     | Chongwe  | Sorghum (5kgs) |               |             | 208            | 60,000            | 12,480,000        | May-13         |
| 5     | Siavonga | Sorghum (5kgs) |               |             | 273            | 60,000            | 16,380,000        | May-13         |
|       |          | <b>Total</b>   |               |             |                |                   | <b>86,180,000</b> |                |

Further, farming inputs costing K31,360,000 at Kalabo DACO brought forward from the 2011/2012 farming season were disposed off without authority. See table below.

| Commodity      | Quantity   | Price per Bag K | Amount K          |
|----------------|------------|-----------------|-------------------|
| Maize (10kgs)  | 30         | 80,000          | 2,400,000         |
| Sorghum (5kgs) | 362        | 80,000          | 28,960,000        |
| <b>Total</b>   | <b>392</b> |                 | <b>31,360,000</b> |

## iii. Unsupported Issuance of Inputs

Contrary to FISP Implementation Guidelines Nos. 8.1.7 (b) to 8.5.2 (b), it was observed that inputs costing K5,541,830,000 issued to various cooperatives and farmers were not supported with relevant documents such as goods issued vouchers and input release notes among others. See table below.

| District     | Number of     | Bags received    |                  | Value K              |
|--------------|---------------|------------------|------------------|----------------------|
|              | Co-operatives | Fertiliser 50Kgs | Maize Seed 10Kgs |                      |
| Ndola        | 43            | 1,673            | 292              | 529,760,000          |
| Chingola     | 2             | 105              | 0                | 29,400,000           |
| Masaiti      | 89            | 5,261            | 427              | 1,562,750,000        |
| Lufwanyama   | 76            | 3,834            | 317              | 1,140,090,000        |
| Mpongwe      | 122           | 8,009            | 0                | 2,242,520,000        |
| Senanga      | 2             | 0                | 170              | 37,310,000           |
| <b>Total</b> | <b>334</b>    | <b>18,882</b>    | <b>1206</b>      | <b>5,541,830,000</b> |

**iv. Unacquitted for Farming Inputs**

Contrary to the FISP Implementation Guideline No. 8.1.7, which requires that all inputs issued be signed for by the beneficiaries, farming inputs costing K138,470,000 issued to four hundred and ninety four (494) farmers were not signed for. See table below.

| District     | No. of Farmers | Value K            |
|--------------|----------------|--------------------|
| Ndola        | 11             | 3,080,000          |
| Masaiti      | 10             | 2,800,000          |
| Kafue        | 302            | 84,560,000         |
| Katete       | 147            | 41,310,000         |
| Nakonde      | 24             | 6,720,000          |
| <b>Total</b> | <b>494</b>     | <b>138,470,000</b> |

**v. Issuance of Inputs to Non Qualifying Co-operatives**

FISP Implementation Guideline No. 6.1.1 stipulates that beneficiary cooperatives of inputs should be registered with the Registrar of Societies, should have been active for at least one year and should operate a bank account, among others.

However, it was observed that 10,087 packs costing K2,464,234,200 were issued to three hundred and six (306) cooperatives that did not qualify in that they were not registered with the Registrar of Societies. See table below.

| DISTRICT      | No. of Farmer Groups | Packs issued  | Value K              |
|---------------|----------------------|---------------|----------------------|
| Ndola         | 12                   | 604           | 167,370,000          |
| Masaiti       | 3                    | 120           | 33,530,000           |
| Chibombo      | 9                    | 175           | 51,714,200           |
| Kabwe         | 2                    | 32            | 8,960,000            |
| Kapiri Mposhi | 2                    | 65            | 18,370,000           |
| Mumbwa        | 5                    | 109           | 30,690,000           |
| Mkushi        | 3                    | 76            | 21,280,000           |
| Mambwe        | 2                    | 465           | 94,200,000           |
| Katete        | 1                    | 265           | 74,200,000           |
| Mbala         | 1                    | 22            | 5,980,000            |
| Luwingu       | 56                   | 699           | 199,620,000          |
| Mungwi        | 4                    | 209           | 54,200,000           |
| Solwezi       | 40                   | 980           | 270,270,000          |
| Mwinilunga    | 4                    | 60            | 16,800,000           |
| Mongu         | 2                    | 55            | 15,400,000           |
| Senanga       | 2                    | 137           | 37,310,000           |
| Sesheke       | 1                    | 75            | 19,880,000           |
| Lukulu        | 70                   | 111           | 111,130,000          |
| Kalabo        | 10                   | 123           | 34,090,000           |
| Chinsali      | 57                   | 5,435         | 1,125,800,000        |
| Nakonde       | 19                   | 258           | 72,240,000           |
| Sinazongwe    | 1                    | 12            | 1,200,000            |
| <b>Total</b>  | <b>306</b>           | <b>10,087</b> | <b>2,464,234,200</b> |

**vi. Issuance of Inputs to Non Qualifying Farmers**

Contrary to FISP Implementation Guideline No. 6.1.2, inputs costing K75,810,000 were issued to three hundred and twenty two (322) farmers who did not qualify in that they were not registered with any cooperatives as detailed in the table below.

| Station      | No. of Farmers | Total Cost K      |
|--------------|----------------|-------------------|
| Kaoma        | 305            | 71,050,000        |
| Kalabo       | 12             | 3,360,000         |
| Sesheke      | 5              | 1,400,000         |
| <b>Total</b> | <b>322</b>     | <b>75,810,000</b> |

**vii. Undelivered Farming Inputs**

A comparison of quantities of inputs allocated to districts with quantities actually delivered revealed that inputs costing K326,850,000 had not been received by ten (10) districts as of December 2013.

**viii. Unaccounted for Inputs**

A scrutiny of records at five (5) Districts revealed that inputs costing K361,580,000 were not accounted for in that there were no records of issue to farmers or cooperatives such as Goods Issued Vouchers (GIVs), Authority to Collect (ATC) and Authority to Deposit (ATD) forms and there were no stocks on hand at the respective warehouses. See table below.

| Station       | Inputs                 |                 | Amount K           |
|---------------|------------------------|-----------------|--------------------|
|               | Fertilizer (50Kg bags) | Seed (10kg bag) |                    |
| Kalomo        | 0                      | 18              | 1,440,000          |
| Kapiri Mposhi | 91                     | 0               | 4,550,000          |
| Mwinilunga    | 5,439                  | 0               | 268,400,000        |
| Lukulu        | 650                    | 80              | 730,000            |
| Isoka         | 0                      | 1,088           | 86,460,000         |
| <b>Total</b>  | <b>1,186</b>           | <b>1,186</b>    | <b>361,580,000</b> |

**ix. Delivery of Under Weight Inputs - Petauke**

A review of delivery notes and records relating to weight checks carried out between 16<sup>th</sup> November 2012 and 21<sup>st</sup> November 2012 at Nitrogen Chemicals of Zambia (NCZ) weigh bridge revealed that twenty eight thousand and forty (28,040) bags of compound D fertilizer delivered by NCZ to the District had an actual weight of 1,362.75 metric tonnes instead of 1,402 metric tonnes resulting into an underweight

of 39.25 metric tonnes costing K39,250,000. As of December 2013, NCZ had not made good of the shortfall.

**x. Questionable Acquittals of Inputs**

Contrary to FISP Implementation Guideline No. 8.1.7 (b) which states that each person should collect his /her own pack, a total of three hundred and seventy nine (379) packs costing K106,960,000 were signed for by persons other than the actual beneficiaries. See table below.

| Districts    | Packs      | No. of Farmers | Amount K           |
|--------------|------------|----------------|--------------------|
| Katete       | 376        | 392            | 105,280,000        |
| Sesheke      | 3          | 22             | 1,680,000          |
| <b>Total</b> | <b>379</b> | <b>414</b>     | <b>106,960,000</b> |

**h. Weaknesses in the Utilisation of Operational Funds**

**i. Questionable Retirement of Imprest - Katete**

Imprest amounting to K12, 970,000 issued to an officer in October 2012 for monitoring and supervision of FISP activities was questionably retired as the retirement did not indicate the date when the activity was carried out and no monitoring report was produced.

**ii. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K25,779,100 (general stores - K1,100,000 and fuel- K24,679,100) procured by three (3) districts during the period under review. See table below.

| District     | No. of Transactions | General Stores K | Fuel K            | Total K           |
|--------------|---------------------|------------------|-------------------|-------------------|
| Kalomo       | 2                   | -                | 7,174,100         | 7,174,100         |
| Kaoma        | 1                   | -                | 8,155,000         | 8,155,000         |
| Kalabo       | 6                   | 1,100,000        | 9,350,000         | 10,450,000        |
| <b>Total</b> | <b>9</b>            | <b>1,100,000</b> | <b>24,679,100</b> | <b>25,779,100</b> |

**iii. Unsupported Payments – Mongu DACO**

Contrary to Financial Regulation No. 52, eight (8) payments in amounts totalling K8,800,000 were not supported with relevant documents such as quotations, delivery notes, cash sale receipts and Local Purchase Orders.

**HEAD: 89 Ministry of Agriculture and Livestock**  
**DEPARTMENT: Provincial Agriculture and Coordinating Offices (PACOs)**  
**District Agriculture and Coordinating Offices (DACOs)**  
**UNITS: Various**  
**PROGRAMMES: Various**  
**ACTIVITIES: Various**

50. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December, 2012, a provision of K96,440,628,594 was made to cater for various activities at the DACOs and PACOs against which amounts totalling K100,138,048,659 were released.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the PACOs and DACOs and physical inspections of selected projects carried out during the period from June to July 2013 revealed the following:

**a. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65, seventy eight (78) payment vouchers in amounts totalling K144,493,966 processed during the period under review were not availed for audit. See table below.

| <b>Station</b>     | <b>No. of Transactions</b> | <b>Amount K</b>    |
|--------------------|----------------------------|--------------------|
| Senanga DACO       | 5                          | 5,799,650          |
| Mazabuka DACO      | 16                         | 37,247,427         |
| Monze DACO         | 12                         | 13,811,860         |
| Gwembe DACO        | 26                         | 55,730,029         |
| Chililabombwe DACO | 8                          | 15,585,000         |
| Samfya DACO        | 11                         | 16,320,000         |
| <b>Total</b>       | <b>78</b>                  | <b>144,493,966</b> |

**b. Unsupported Payments**

Contrary to Financial Regulation No. 52, one hundred and forty five (145) payments in amounts totalling K408,858,140 processed during the period under review were not supported with relevant documents such as quotations, cash sale receipts, and purchase orders. See table below.

| Station            | No. of Transactions | Amount K           |
|--------------------|---------------------|--------------------|
| Mongu DACO         | 1                   | 500,000            |
| Senanga DACO       | 8                   | 12,616,754         |
| Sesheke DACO       | 4                   | 4,400,000          |
| Mazabuka DACO      | 9                   | 22,644,960         |
| Monze DACO         | 28                  | 67,005,125         |
| Gwembe DACO        | 5                   | 9,120,600          |
| Luangwa DACO       | 2                   | 11,561,140         |
| Chililabombwe DACO | 1                   | 3,187,000          |
| Mufulira DACO      | 6                   | 25,687,000         |
| Kitwe DACO         | 4                   | 9,270,000          |
| Samfya DACO        | 18                  | 75,854,000         |
| Milenge DACO       | 3                   | 11,762,000         |
| Solwezi DACO       | 3                   | 3,729,144          |
| Mwinilunga DACO    | 16                  | 45,023,500         |
| Mpulungu DACO      | 2                   | 800,000            |
| Chipata PACO       | 7                   | 16,085,000         |
| Chinsali DACO      | 8                   | 42,186,617         |
| Isoka DACO         | 6                   | 10,045,100         |
| Nakonde DACO       | 12                  | 15,500,200         |
| Mpika DACO         | 2                   | 21,880,000         |
| <b>Total</b>       | <b>145</b>          | <b>408,858,140</b> |

**c. Failure to Approve Payment Vouchers**

Contrary to Financial Regulation No.48, fifteen (15) payment vouchers in amounts totalling K61,281,252 were not approved by the responsible officers. See table below.

| Station       | No. of Transactions | Amount K          |
|---------------|---------------------|-------------------|
| Ikelenge DACO | 3                   | 9,400,000         |
| Mazabuka DACO | 11                  | 48,381,252        |
| Nakonde DACO  | 1                   | 3,500,000         |
| <b>Total</b>  | <b>15</b>           | <b>61,281,252</b> |

**d. Failure to Prepare Payment Vouchers**

Contrary to Financial Regulation No. 45, payment vouchers in amounts totalling K29,797,300 involving eight (8) transactions were made without raising payment vouchers. See table below.

| Station      | No. of Transactions | Amount<br>K       |
|--------------|---------------------|-------------------|
| Gwembe DACO  | 7                   | 19,327,300        |
| Chama DACO   | 1                   | 10,470,000        |
| <b>Total</b> | <b>8</b>            | <b>29,797,300</b> |

**e. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K660,148,190 issued to one hundred and thirty three (133) officers during the period under review had not been retired as of December 2013.

**f. Failure to Provide Monitoring Reports**

Imprest in amounts totalling K75,624,269 was issued to eighteen (18) officers to enable them carry out monitoring activities. However, there were no monitoring reports made available for verification making it not possible to ascertain whether the activities were undertaken.

| Station        | No. of Officers | Amount<br>K       |
|----------------|-----------------|-------------------|
| Kalabo DACO    | 2               | 1,140,000         |
| Shangombo DACO | 1               | 4,760,000         |
| Senanga DACO   | 8               | 21,629,450        |
| Luwingu DACO   | 1               | 1,475,000         |
| Mpulungu DACO  | 1               | 2,460,000         |
| Chipata PACO   | 2               | 39,209,819        |
| Katete DACO    | 3               | 4,950,000         |
| <b>Total</b>   | <b>18</b>       | <b>75,624,269</b> |

**g. Questionable Claim of Subsistence Allowance**

During the year under review, thirteen (13) officers in Western Province claimed amounts totalling K22,570,931 for travelling out of station on official duties. However, a scrutiny of the claim forms revealed that the officers only claimed subsistence allowance without claiming for transport costs. In addition, there was no indication of travelling by use of a motor vehicle as no fuel receipts, or bus tickets were attached. In this regard, the claims in amounts totalling K22,570,931 were questionable.

| Station      | No. of Officers | Amount<br>K       |
|--------------|-----------------|-------------------|
| Mongu PACO   | 4               | 11,975,931        |
| Kalabo DACO  | 4               | 3,685,000         |
| Kaoma DACO   | 4               | 6,360,000         |
| Senanga DACO | 1               | 550,000           |
| <b>Total</b> | <b>13</b>       | <b>22,570,931</b> |

#### **h. Questionable Refunds**

During the year under review, twenty four (24) officers were paid amounts totalling K33,399,900 involving twenty six (26) transactions as claim of refunds of expenses incurred on various activities such as labour day awards, hiring conference hall and buying suits for the provincial show among others. It was observed that there was no authority sought from the responsible officer to use personal moneys to undertake the activities and thus rendering the refunds questionable. See table below.

| <b>Station</b> | <b>No. of Transactions</b> | <b>No. of Officers</b> | <b>Amount K</b>   |
|----------------|----------------------------|------------------------|-------------------|
| Kaoma DACO     | 2                          | 2                      | 1,125,000         |
| Mongu DACO     | 4                          | 4                      | 2,144,000         |
| Mazabuka DACO  | 13                         | 13                     | 17,412,500        |
| Monze DACO     | 7                          | 5                      | 12,718,400        |
| <b>Total</b>   | <b>26</b>                  | <b>24</b>              | <b>33,399,900</b> |

#### **i. Non Deduction of Tax on Leave Terminal Benefits – Lusaka PACO**

Contrary to the Income Tax Act, amounts totalling K95,322,430 paid as leave terminal benefits during the period under review were not subjected to tax.

#### **j. Delays in Processing Insurance Claims for Lost Cattle – Chinsali DACO**

In December 2012, the DACO procured one hundred and seven (107) heifers costing K175,000,000 from Zambezi Ranching and Cropping. On 30<sup>th</sup> May 2012, the DACO paid Zambia State Insurance Corporation an amount of K20,000,000 for the insurance of the heifers against loss and deaths.

In February 2013, three (3) heifers were stolen and one died. Although the matter was reported to the Police, as of December 2013, no insurance claims and loss report had been processed.

#### **k. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K2,869,936,534 procured during the period under review could not be accounted for in that there were no receipt and disposal details.

**l. Failure to Collect Rabies Vaccines – Mungwi DACO**

On 17<sup>th</sup> December 2012, the DACO paid Livestock Services Cooperative Society Ltd of Lusaka an amount of K2,005,989 for the purchase of sixty nine (69) doses of rabies vaccine. However, as of December 2013, forty seven (47) doses of vaccine costing K1,607,497 had not been collected.

**m. Failure to Insure Vehicles**

- i.** On 17<sup>th</sup> December 2012, Mbala DACO procured a Toyota Hilux 4x4 Double Cab costing K163,618,062 for the Veterinary Department. However, as of December 2013, the vehicle had not been insured.
- ii.** In September 2010, a Toyota Land Cruiser GRZ 512 CE for Kaputa DACO was involved in a road traffic accident. It was however observed that at the time of the accident the vehicle was not insured and as of December 2013, the vehicle had not been repaired and no loss report had been processed, three (3) years after the accident.

**n. Failure to Recover Loans and Advances**

Contrary to the Terms and Condition of Service for the Public Service, recoveries in respect of salary advances in amounts totalling K13,660,000 paid to six (6) officers during the period under review had not been effected as of December 2013. See table below.

| Station      | No. of Officers | Amount K          | Details        |
|--------------|-----------------|-------------------|----------------|
| Mongu PACO   | 4               | 10,160,000        | Salary advance |
| Kabwe PACO   | 2               | 3,500,000         | Salary advance |
| <b>Total</b> | <b>6</b>        | <b>13,660,000</b> |                |

In addition, household loans in amounts totalling K35,500,000 paid to four (4) officers were being irregularly recovered over a period of two hundred and forty (240) months instead of one hundred and twenty (120) months.

**o. Failure to Implement Funded Programmes**

The Mufulira DACO received K315,639,658 for the construction of a dam at Mapena. It was however decided that instead of constructing a dam, a weir be constructed at Murundu in Mufulira. The department of technical services at Provincial Agriculture Coordinating

Office (PACO) was charged with the responsibility of doing preliminary works. However, as of December 2013, works had not commenced and K82,000,600 had been spent on preliminary works leaving a balance of K233,639,058.

**HEAD: 91 Office of the President - Copperbelt Province**

**PROGRAMMES: Poverty Reduction Programmes**

**ACTIVITIES: Various**

51. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K6,443,853,533 was made to cater for various Poverty Reduction Programmes (PRP) in the Province against which amounts totalling K5,660,401,852 were released resulting in an underfunding of K783,451,681.

In addition, an amount of K1,135,652,518 was brought forward from 2011, bringing the total funds available to K6,796,054,370.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration carried out in March 2013 revealed the following:

##### **a. Unsupported Payments**

Contrary to Financial Regulation No. 52, thirty nine (39) payment in amounts totalling K305,437,213 were processed and paid without adequate supporting documentation such as invoices, completion certificates and quotations.

| NO | DEPARTMENT        | No. OF TRANSACTIONS | AMOUNT K           |
|----|-------------------|---------------------|--------------------|
| 1  | Cultural Services | 5                   | 4,860,000          |
| 2  | Forestry          | 2                   | 2,858,000          |
| 3  | Land Resettlement | 2                   | 61,770,000         |
| 4  | Headquarters      | 17                  | 84,253,500         |
| 5  | Buildings         | 9                   | 115,970,713        |
| 7  | Youth Development | 4                   | 35,725,000         |
|    | <b>Total</b>      | <b>39</b>           | <b>305,437,213</b> |

**b. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K554,302,872 procured during the period under review were not accounted for in that there were no receipt and disposal details.

**c. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K59,255,162 issued to seventeen (17) officers had not been retired as of December 2013.

**d. Copperbelt Support Programme**

A total of K180,001,201 was budgeted for the Copperbelt Support Programme under Community Development department out of which amounts totalling K172,001,201 were released. A review of accounting records revealed that K86,037,000 was spent as of December 2012 leaving a balance of K85,964,201.

A physical inspection of selected projects where expenditure of K78,105,700 was incurred revealed that most of the projects had not commenced. See table below.

| Project                         | Category                       | Amount<br>Funded<br>K | Remark  |
|---------------------------------|--------------------------------|-----------------------|---|
| Fisenge Farm Centre             | Irrigation Development         | 23,353,000            | Project changed from irrigation development to carpentry without authority. A visit to the club revealed that although materials costing K23,535,000 were received, the project had not commenced as of October 2013.                           |
| Vine Women's Club               | Piggery Construction           | 5,580,000             | Club's registration documents not availed for audit. Project had not commenced as of October 2013.  |
| Munkulungwe Farmers Association | Promotion of Out grower Scheme | 26,500,000            | The Provincial administration paid K26,500,000 to Kalamba Farms Ltd for the supply of five (5) animals. As of October 2013, the animals had not been delivered. Consequently the project had not commenced.                                     |
| Twabuke Women Club              | Tourism                        | 17,963,700            | The Provincial administration procured an oil expeller for the club at the total cost of K17,963,700. A visit to the club revealed that although the club had received the equipment, no production had started as of October 2013.             |
| Twapelwa Women Club             | Tourism                        | 4,709,000             | The Provincial administration paid an amount of K4,709,000 to Ndola Dairy Farm for the supply of stock feed. A visit to the club revealed that the stock feed had not been delivered and that the project had not commenced as of October 2013. |
| <b>Total</b>                    |                                | <b>78,105,700</b>     |   |

**HEAD: 91/01 Office of the President- Copperbelt Province - Headquarters**

**PROGRAMME: General Deposit Account**

**ACTIVITIES: Various**

52. The Provincial Administration maintains a General Deposit Account (GDA) into which third party funds are deposited. The funding to the account includes amounts that various departments receive from their respective Ministry headquarters for specific purposes. Once the funds are spent, the Provincial Administration is required to submit expenditure returns including progress reports to the ministries, while maintaining ledgers to record movement of the funds.

During the period under review, amounts totalling K2,668,920,989 were deposited into the General Deposit Account for various activities.

In addition, an amount of K581,835,421 was brought forward from 2011, bringing the total funds available to K3,250,756,410 out of which K2,571,933,834 was spent leaving a balance of K678,822,576.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of selected projects carried out in June 2013 revealed the following:

#### **a. Unsupported Payments**

Contrary to Financial Regulations Nos. 45 and 52, there were sixteen (16) payments in amounts totalling K54,468,000 made during the period under review that were not supported with relevant documents such as quotations, cash sale receipts and Local Purchase Orders (LPOs), among others.

#### **b. Unaccounted For Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K164,220,745 procured during the period under review could not be accounted for in that there were no receipt and disposal.

#### **c. Unretired Imprest**

Contrary to Financial Regulation No. 96 (1), imprest in amounts totalling K100,489,700 issued to seven (7) officers had not been retired as of December 2013.

#### **d. Infrastructure Development - Levy Mwanawasa Stadium Car Park – Poor Workmanship**

In March 2012, the Ministry of Youth and Sports released K125,000,000 for the clearing of the Levy Mwanawasa car park in Ndola.

The scope of works included clearing the bush, stumping, compacting the ground and disposal of the cut out trees.

An examination of accounting records revealed that the funds were mainly used for fuel (K55,342,200), imprest (K10,425,000) and assorted road signage (K25,350,000) around the stadium.

A physical inspection of the site revealed that compacting was poorly done as depressions had formed on the site.

**HEAD: 91 Office of the President - Copperbelt Province**

**PROGRAMMES: Recurrent Departmental Charges (RDCs)**

**ACTIVITIES: Various**

53. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K6,525,942,386 was made to cater for various activities against which amounts totalling K5,567,795,745 were released, resulting in an underfunding of K958,146,637.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration carried out in January and February 2013 revealed the following:

**a. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65, thirteen (13) payment vouchers in amounts totalling K61,744,239 were not produced for audit verification.

**b. Unsupported Payments**

Contrary to Financial Regulation No. 52, one hundred and eleven (111) payment vouchers in amounts totalling K528,288,563 were not supported by relevant documentation such as receipts and invoices.

**c. Unacquitted Allowances**

Contrary to Financial Regulation No. 45, thirty five (35) payments in amounts totalling K264,162,252 involving thirty eight (38) officers had not been acquitted as of December 2013 making it not possible to ascertain whether the funds were received by the intended beneficiaries.

**d. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K1,561,538,208 procured during the period under review could not be accounted for in that there were no receipt and disposal details.

**e. Undelivered Stores**

On 13<sup>th</sup> September 2012, the Provincial Administration paid a sum of K1,000,000 to Piccioli Investments Limited for the supply of forty (40) reams of bond paper and K2,500,000 to Elberena Investments Limited for the supply and installation of an air conditioner. However, as of December 2013, both suppliers had not delivered the items paid for and no refund had been secured.

**f. Unretired Imprest**

Contrary to Financial Regulation No. 96 (1), imprest in amounts totalling K1,276,010,888 issued to various officers during the period under review had not been retired as of December 2013.

**HEAD: 91/03 Office of the President, Copperbelt Province - Rural Roads**

**PROGRAMMES: Rural Roads Unit (PRP)**

**ACTIVITIES: Various**

54. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K10,000,000,000 was made to cater for monitoring and evaluation, roads equipment operations and road rehabilitations in the Province against which K4,748,662,445 was released resulting in an under funding of K5,251,337,555 as shown in the table below.

| UNIT | DETAILS                                     | BUDGET<br>K           | Releases<br>K        | Variance<br>K        |
|------|---|-----------------------|----------------------|----------------------|
| 1    | Monitoring and evaluation                   | 200,000,000           | 100,000,000          | 100,000,000          |
| 2    | Rehabilitation of feeder roads in districts | 5,999,999,845         | 3,999,999,845        | 2,000,000,000        |
| 3    | Road Equipment Operations                   | 3,800,000,845         | 648,662,600          | 3,151,337,555        |
|      | <b>Total</b>                                | <b>10,000,000,690</b> | <b>4,748,662,445</b> | <b>5,251,337,555</b> |

In addition, K3,336,124,526 was brought from 2011 bringing the total funds available to K8,084,786,971.

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects carried out in March 2013 revealed the following:

### **a. Inadequately Supported Payment Vouchers**

Contrary to Financial Regulations Nos. 45 (2) and 52 (1), four (4) payment vouchers in amounts totalling K58,468,000 were inadequately supported in that they lacked relevant documents such as local purchase orders, receipts, invoices and goods received notes.

### **b. Wasteful Expenditure**

In July 2012, a team of five (5) officers travelled to China at a total cost of K142,691,125 to inspect equipment that the Rural Roads Unit was considering to procure. However, despite incurring the expenditure, the equipment was not procured due to non compliance with the Zambia Public Procurement Authority (ZPPA) guidelines rendering the expenditure wasteful.

### **c. Unaccounted for Fuel**

Contrary to Public Stores Regulation No. 16, fuel costing K787,120,000 procured during the period under review was not accounted for in that no disposal details were availed for audit.

### **d. Unretired Imprest**

Contrary to Financial Regulation No.96 (1), imprest in amounts totalling K620,653,250 issued to five (5) officers during the period under review had not been retired as of December 2013.

### **e. Weaknesses in the Rehabilitation of Feeder Roads in Districts**

During the period under review, the Rural Roads Unit planned to carry out works on twenty six (26) roads. However, works were carried out on five (5) roads covering a distance of 43.6 km.

A physical inspection of the roads worked on revealed the following:

**i. Access Road to Sugar Plantation – Lumpuma Road, Lufwanyama**

The RRU spent a total amount of K1,228,649,750 on the construction of the road. The works included gravelling and installation of culverts among others. However, as of October 2013, the works had not been completed as only 14 km of the road had been gravelled leaving 30 km not worked on while sixty three (63) culverts had not been installed.



*Part of the road not worked on*



*Water logged Lumpuma Road*



*Culverts not installed*

**ii. Abandoned Machinery**

A water bowser was left abandoned under unexplained circumstances on Lumpuma sugar plantation access road making it susceptible to vandalism. Although in his response the Permanent Secretary stated that the vehicle was awaiting spare parts, it was not clear why it was not towed to a more secure location.



*Abandoned Water bowser on the Lumpuma Road*

**HEAD: 92/03 Office of the President – Central Province – Rural Roads Unit**

**PROGRAMMES: 6011 Infrastructure Development**

**ACTIVITIES : 76 Grading of Feeder Roads in Districts**

**103 Maintenance of Buildings and Plant**

**127 Rehabilitation of Feeder Roads in Districts**

55. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K10,000,000,000 was made to cater for the implementation of infrastructure development activities under the Rural Roads Unit (RRU) and the whole amount was released. In addition, an amount of K697,752,818 was brought forward from 2011 bringing the total funds available to K10,697,752,818 as shown in the table below.

| <b>Activity</b> | <b>Details</b>                              | <b>Budget<br/>K</b>   | <b>Released<br/>K</b> |
|-----------------|---|-----------------------|-----------------------|
|                 | Amount brought forward                      | -                     | 697,752,818           |
| 76              | Grading of Feeder Roads                     | 3,000,000,000         | 3,000,000,000         |
| 103             | Maintenance of Buildings and Plant          | 2,000,000,000         | 2,000,000,000         |
| 127             | Rehabilitation of Feeder Roads in Districts | 5,000,000,000         | 5,000,000,000         |
| <b>Total</b>    |   | <b>10,000,000,000</b> | <b>10,697,752,818</b> |

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects carried out in April 2013, revealed that during the period under review the Provincial Administration spent amounts totalling K5,175,652,024 on rehabilitation of feeder roads in the districts as shown in the table below.

| <b>District</b> | <b>Amount<br/>K</b>  |
|-----------------|----------------------|
| Kabwe           | 502,436,920          |
| Serenje         | 1,073,097,345        |
| Mkushi          | 905,331,860          |
| Kapiri Mposhi   | 455,059,364          |
| Chibombo        | 1,154,424,764        |
| Mumbwa          | 1,085,301,771        |
| <b>Total</b>    | <b>5,175,652,024</b> |

In particular, the following were observed:

**a. Irregular Payment of Subsistence Allowance - Kabwe District**

Contrary to the Terms and Conditions of Service for the Public Service which stipulate that subsistence allowance is to be paid for work done outside the ordinary station of work, a sum of K82,005,000 was paid as subsistence allowances to seventeen (17) officers who worked on Kabwe roads that were within their normal station of duty.

**b. Kundalila – Katota Road - Serenje District**

A total amount of K444,877,400 was spent on road works on the Kundalila – Katota Road which included bush clearing, heavy grading and gravelling for a stretch of 30 km. Expenditure included an amount of K332,147,400 on fuel and lubricants and K112,730,000 as allowances for RRU Officers.

A physical inspection carried out in April, 2013 revealed that only a stretch of 20 km was graded out of which 12 km had bushes cleared whereas the remaining 8 km was not worked on.

Further, gravelling and spill ways were not properly done resulting in some parts of the road being washed away. See picture below.



*Part of the washed away road-Kundalila Katota Road*

**c. Msofu Road Mkushi District**

Amounts totalling K611,117,160 were spent on the rehabilitation of a stretch of 52 km of the road. The scopes of works were bush clearing, heavy grading and gravelling. Out of the total amount spent, K493,517,160 was for procurement of fuel and lubricants and K117,600,000 for payment of allowances.

However, fuel drawn in bulk in drums costing K158,894,000 was not accounted for as there were no disposal details.

A physical inspection carried out in April 2013 revealed that 63 km of the road was done instead of 52 km which was planned. It was observed that of the works done, a stretch of 5 km gravelled was poorly done resulting in the road being washed away. See pictures below.



*Bad Road Formation-3months old  
2-3 metres wide*



*Recently graded Msofu - Nkumbi road  
Standard size 6.1 metres wide (Ideal standard)*



*Part of the Msofu road washed away*



*Potholes on Msofu Road*

**d. Kapiri Mposhi District - Katukwe - Kabwale Road**

Amounts totalling K451,265,000 were spent on the rehabilitation of a stretch of 17.5 km of the road. The scope of works included bush clearing, heavy grading and spot gravelling.

A physical inspection carried out in May 2013, revealed that only bush clearing was done on a stretch of 11 km.

**HEAD: 92 Office of the President – Central Province**

**PROGRAMME: General Deposit**

**ACTIVITIES: Various**

- 56.** The Provincial Administration maintains a General Deposit account into which third party funds are deposited. The funding to the account includes amounts that the various departments under the Provincial Administration receive from their respective ministries for specific purposes.

During the financial year ended 31<sup>st</sup> December 2012, a total of K1,335,630,987 was deposited into the General Deposit Account for the implementation of various programmes and activities. In addition, an amount of K92,534,868 was brought forward from the 2011, bringing the total funds available to K1,428,165,856.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects carried out in March 2013 revealed the following:

**a. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K34,272,232 issued to two (2) officers during the period under review had not been retired as of December 2013.

**b. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K8,328,800 procured during the period under review could not be accounted for in that there were no receipt and disposal details.

**c. Undelivered Materials**

In December 2012, an amount of K39,026,900 was paid to Chroza Enterprise for the procurement of building materials for the construction of a staff house for Lukanga Resettlement Scheme Health Post. However, as of December 2013, the building materials had not been delivered and no refund had been obtained.

**HEAD: 92 Office of the President – Central Province**

**PROGRAMME: General Administrations**

**ACTIVITIES: Various**

57. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K21,062,473,962 was made to cater for various activities against which K15,438,862,813 was released resulting in an under funding of K5,623,611,149.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration carried out in March 2013 revealed the following:

**a. Unsupported Payments**

Contrary to Financial Regulation No. 52, six (6) payments in amounts totalling K48,002,000 made during the period under review were not supported by relevant documents such as receipts, invoices and quotations.

**b. Unretired Imprest**

Contrary to Financial Regulation No.96, imprest in amounts totalling K582,746,105 issued to sixty nine (69) officers during the period under review had not been retired as of December 2013. See table below.

| <b>Account</b>            | <b>No. of Officers</b> | <b>Amount K</b>    |
|---------------------------|------------------------|--------------------|
| Provincial Administration | 51                     | 510,347,105        |
| District Administration   | 18                     | 72,399,000         |
| <b>Total</b>              | <b>69</b>              | <b>582,746,105</b> |

In addition, contrary to Financial Regulation No. 91, four (4) officers were issued with subsequent imprest amounting to K23,535,893 before retiring the previous imprest of K179,148,966.

**c. Unaccounted for Stores**

Contrary to Public Stores Regulation No.16, various stores items costing K488,419,681 as shown in the table below, procured during the period under review were not accounted for as there were no receipt and disposal details.

| <b>Account</b>            | <b>Other Stores<br/>K</b> | <b>Fuel<br/>K</b>  | <b>Total<br/>K</b> |
|---------------------------|---------------------------|--------------------|--------------------|
| Provincial Administration | 105,004,259               | 90,361,003         | 195,365,262        |
| District Administration   | 75,990,626                | 217,063,793        | 293,054,419        |
| <b>Total</b>              | <b>180,994,885</b>        | <b>307,424,796</b> | <b>488,419,681</b> |

**d. Irregular Payments**

- i. In October and December 2012, amounts totalling K14,000,000 were paid as rentals for the period from May to December 2012 for a Voluntary Services Overseas (VSO) volunteer. The payments were irregular in that there was no agreement between the Provincial Administration and VSO and the amount was therefore recoverable.
- ii. Amounts totalling K11,224,000 were paid to two (2) officers as owner occupier allowances. The payments were irregular in that there was no authority for the payments. As of December 2013, the funds had not been recovered.

**HEAD: 92 Office of the President – Central Province**

**PROGRAMME: 6011 Infrastructure Development (PRP)**

**ACTIVITIES: Various**

58. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K6,174,000,000 was made to cater for various Poverty Reduction Programmes (PRP) and the whole amount was released.

Further, an amount of K1,722,944,737 was brought forward from 2011 bringing the total funds available to K7,896,944,737.

**Irregularities in Accounting for Poverty Reduction Programmes (PRP) Funds**

An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects revealed the following:

**a. Non Delivery of Materials**

In December 2012, amounts totalling K410,861,042 were paid in advance to various suppliers for the procurement of building materials. It was however observed that materials costing K54,092,450 had not been delivered as of December 2013.

As a result of the non delivery of materials, the construction of relatives shelter at Mumbwa District Hospital and Chilumba Health Centre in Kapiri Mposhi which were being implemented using force account method were halted.

**b. Infrastructure Projects**

**i. Construction of VIP Toilets**

An amount of K100,000,000 was released for the construction of VIP toilets at Chibwela Mushi and Kulamba Kubwalo Cultural Centres.

A physical inspection carried out revealed that although building materials had been procured and delivered, works had not commenced as of December 2013.

**ii. Construction of a 1x3 Classroom Block – Kampumbu Resettlement Scheme**

In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2011, an amount of K100,000,000 was provided for and released for the construction of a 1x3 classroom block at Kampumbu Resettlement Scheme in Serenje.

On 22<sup>nd</sup> November 2012, V.B.S General Dealers was engaged to construct the 1x3 classroom block at a total cost of K318,559,660 over a period of three (3) months resulting in the over commitment of funds of K218,559,660.

This was contrary to the Zambia Public Procurement Act Regulation No. 41 (2) (a) which states that procurement shall only be initiated where availability of funding has been confirmed for the requirement.

**HEAD: 93/03 Office of the President – Northern Province – Rural Roads**

**PROGRAMME: Various**

**ACTIVITY: Various**

- 59.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K11,486,268,408 was made to cater for the rehabilitation of feeder roads against which K9,696,795,533 was released.

## Accounting and Other Irregularities

A examination of accounting and other records carried out in March 2013 at the Provincial Administration and physical inspections of selected projects revealed the following:

### a. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, fuel costing K407,606,166 procured during the period under review was unaccounted for in that there were no receipt and disposal details. See table below.

| DISTRICT     | NO. TRANSACTIONS | AMOUNT K    |
|--------------|------------------|-------------|
| Headquarters | 3                | 90,792,000  |
| Mpungu       | 9                | 40,219,352  |
| Kasama       | 15               | 276,594,814 |
| TOTAL        | 27               | 407,606,166 |

### b. Project Implementation

#### i. Mungwi District

In 2012, Mungwi District Administration Office received a total of K300,000,000 for rehabilitation of three (3) major feeder roads covering a total distance of 55 km namely; Nondo to Rosa via Shimpa (30 km), Chitimukulu to Ukusefya Pangwena via Lyaya (10 km) and Kabeke Chitimukulu roads (15 km) . However, the District Administration Office without seeking ratification from the District Development Coordinating Committee abandoned the approved plan and worked on two (2) roads that had not been approved (Mungwi - Ngulula and Mungwi – Chonya).

Further, contrary to RRU's mandate of rehabilitating and maintaining rural roads using Government machinery, on 31<sup>st</sup> August 2012, management awarded a contract to rehabilitate the Mungwi to Ngulula and Mungwi to Chonya roads to J.B Carriers and General Dealers of Kasama at contract sum of K144,918,000 and K140,250,000 respectively.

#### ii. Mporokoso District

In October 2012, Mporokoso District received a total of K300,000,000 for the rehabilitation of two major feeder roads (Chitoshi via Muyembe to Nkandabana and Kalabwe Mutitima) covering a total distance of 74 km.

As of February 2013, a total of K275,573,400 (comprising fuel K162,933,400; Imprest and Subsistence allowances K98,765,000, stores K10,740,000 and others K3,135,000) had been spent leaving a balance of K24,426,600.

The District Administration Office without seeking ratification from the District Development Coordinating Committee abandoned the approved plan and worked on two (2) roads that had not been approved (Mporokoso District Hospital to Farmers Training Centre and Mporokoso Police to Chishamwamba ) as shown in the table below:

| District  | Planned Roads                      | Targeted Distance (km) | Actual Roads Done   | Actual Distance Done (km) |
|-----------|------------------------------------|------------------------|---------------------|---------------------------|
| Mporokoso | Chitoshi via Muyembe to Nkandabana | 40                     | Hospital to FTC     | 4                         |
|           | Kalabwe Mutitima                   | 34                     | Police-Chishamwamba | 4.5                       |
|           | <b>SUB TOTAL</b>                   | <b>74</b>              |                     | <b>8.5</b>                |

As of March 2013, out of the total amount of K300,000,000 meant for the planned rehabilitation of 74 km, K275,373,400 spent on the 8.5 km of road work done.

**HEAD: 93 Office of the President - Northern Province**

**PROGRAMME: Poverty Reduction Programmes**

**ACTIVITIES: Various**

- 60.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K8,832,907,271 was made to cater for Poverty Reduction Programmes (PRPs) against which amounts totalling K6,985,707,639 were released resulting in an underfunding of K1,847,199,632.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration, and a physical inspection of the projects carried out in February 2013 revealed the following:

##### **a. Irregular Payments**

During the period under review, amounts totalling K20,975,000 were paid to two (2) persons for designing and development of a website. However, the payments were irregular

in that there were no contracts entered into with the individuals and the criteria used to engage them was not clear in that reasons for single sourcing of the services was not availed for audit.

**b. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K40,478,190 issued to fourteen (14) officers during the period under review had not been retired as of December, 2013. See table below.

| <b>Department</b> | <b>No. of Officers</b> | <b>Amount not Retired K</b> |
|-------------------|------------------------|-----------------------------|
| Water Affairs     | 5                      | 13,517,736                  |
| Rural Roads Unit  | 6                      | 16,541,798                  |
| Headquarters      | 3                      | 10,418,656                  |
| <b>Total</b>      | <b>14</b>              | <b>40,478,190</b>           |

**c. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K103,303,985 procured during the period under review were not accounted for in that there were no receipt and disposal details. See table below.

| <b>Department</b>         | <b>General Stores K</b> | <b>Fuel K</b>    | <b>Total K</b>     |
|---------------------------|-------------------------|------------------|--------------------|
| Water affairs             | 59,742,800              | 6,134,900        | 65,877,700         |
| Land Resettlement         | 3,073,814               | -                | 3,073,814          |
| Provincial Administration | 34,352,471              | -                | 34,352,471         |
| <b>Total</b>              | <b>97,169,085</b>       | <b>6,134,900</b> | <b>103,303,985</b> |

**d. Fraudulent Fuel Drawing - Water Affairs Department.**

A review of fuel records such as fuel coupons, fuel register and the goods issue vouchers revealed that the Provincial Water Officer approved a total of 900 litres of diesel for operations involving eighteen (18) transactions. However, the stores officer drew 2,880 litres of diesel resulting in excess of 1,890 litres costing K14,980,680 by altering copies of the fuel coupons submitted to the filling station. As of October 2013, no action had been taken against the erring officer.

**e. Infrastructure Development**

**i. Failure to Implement Funded Activities**

During the period under review, the Provincial Administration received an amount of K80,000,000 for the construction of the Industrial Development Centre in Luwingu.

However, as of October 2013, despite the availability of the funds, the project had not been executed.

**ii. Construction of Toilets at Luwingu District Office – Poor Workmanship**

In November, 2012, the District Commissioners’ Office engaged Messrs Kanungwe Construction and General Dealers for the construction of two (2) toilets at Luwingu District Administration Office. As of 12<sup>th</sup> February, 2013, a total amount of K31,880,000 had been spent on the project.

A physical inspection of the project carried out in February 2013 revealed poor workmanship in that the toilet was detaching from the main building. See pictures below.



*Toilet was collapsing before finishing.*

**iii. Construction of Rice Dehuller Shelter at Chifwenge**

In March 2012, the Provincial Administration engaged Messrs Chikas General Dealers to construct a shelter for the Rice Dehuller at Chifwenge in Chilubi District at a contract sum of K67,000,000 with a completion period of 30 days.

The contractor had been paid an advance payment of K13,400,000 in April 2012. However, as of December 2013 works had not commenced on the project.

**iv. Completion of Police Post at Matipa in Chilubi District**

In September 2012, the Provincial Administration engaged Messrs Chikas General Dealers to complete a police post at Matipa in Chilubi district at a contract sum of K70,000,000.

The contractor had been paid an advance payment of K14,000,000 in September 2012. However, as of December 2013 works had not commenced on the project.

**HEAD: 93 Office of the President - Northern Province**

**PROGRAMMES: Various**

**ACTIVITIES Various**

- 61.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K17,928,997,266 was made to cater for various activities against which K16,498,592,563 were released.

In addition, amounts totalling K1,656,216,043 were brought forward from 2011 bringing the total available funds to K18,154,808,606.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial and District Administration Offices carried out in March 2013 revealed the following:

**a. Provincial Administration**

**i. Double Payments of Fuel Allowance**

During the period from May to September 2012, the Permanent Secretary was overpaid amounts totalling K26,316,800 in respect of fuel allowances. As of December 2013, amounts totalling K15,421,760 had been recovered while the balance of K10,895,040 remained outstanding.

**ii. Unsupported Payments**

Contrary to Financial Regulation No. 52, there were twenty seven (27) payments in amounts totalling K108,318,153 that were inadequately supported in that they lacked

relevant documentation such as Good Received Notes, Local Purchase Orders, and Invoices.

**iii. Unaccounted For Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K113,506,000 procured during the period under review were not accounted for in that there were no receipt and disposal details.

**iv. Unretired Imprest**

Contrary to Financial regulation No. 96, imprest in amounts totalling K38,828,661 issued to sixteen (16) officers during the period under review had not been retired as of December, 2013.

**v. Failure to Produce Reports**

Imprest in amounts totalling K158,548,561 was issued to various officers to enable them conduct activities such as monitoring of projects, attending workshops and meetings. Although the imprest was retired, there were no reports produced making it not possible to ascertain whether the activities were undertaken.

**b. District Commissioner’s Offices**

**i. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K64,974,821 issued to twenty seven (27) officers at five (5) stations had not been retired as of December 2013. See table below.

| <b>District</b> | <b>No of Officers</b> | <b>Amount K</b>   |
|-----------------|-----------------------|-------------------|
| Chilubi         | 13                    | 41,074,200        |
| Mpika           | 5                     | 5,553,000         |
| Chinsali        | 2                     | 1,385,000         |
| Mungwi          | 2                     | 10,750,000        |
| Kasama          | 5                     | 6,212,621         |
| <b>Total</b>    | <b>27</b>             | <b>64,974,821</b> |

**ii. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K38,940,931 procured during the period under review were unaccounted for in that there were no receipt and disposal details. See table below.

| District     | General Stores<br>K | Fuel<br>K         | Total<br>K        |
|--------------|---------------------|-------------------|-------------------|
| Mpika        | -                   | 3,384,900         | 3,384,900         |
| Chinsali     | -                   | 13,845,280        | 13,845,280        |
| Mungwi       | -                   | 2,961,880         | 2,961,880         |
| Kasama       | 18,748,871          | -                 | 18,748,871        |
| <b>Total</b> | <b>18,748,871</b>   | <b>20,192,060</b> | <b>38,940,931</b> |

**HEAD: 93 Office of the President – Northern Province (Muchinga)**

**PROGRAMME: Various**

**ACTIVITY: Various**

- 62.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K8,028,141,966 was made to cater for various activities at the Provincial Administration against which amounts totalling K10,135,087,183 were released resulting in an over funding of K2,106,945,217.

The excess funds were not supported by supplementary provision contrary to Financial Regulation No. 30 (1).

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration carried out in May 2013 revealed the following:

**a. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K37,615,951 issued to nine (9) officers during the period under review had not been retired as of December 2013.

**b. Uncollected Motor Vehicle at a Private Garage**

On 3<sup>rd</sup> September 2012, an amount of K14,484,618 was paid to Pilatus Engineering for the service of a Land Rover GRZ 606 CF. However, Pilatus Engineering advised the Provincial Administration that the vehicle's engine needed to be replaced.

In this regard, in October 2013, the Provincial Administration paid Pilatus Engineering an amount of K109,591,000.

However, as of December 2013, the vehicle had not been repaired and was still in the custody of the Garage.

**c. Irregular Payment of Allowances**

During the period under review, amount totalling K191,474,875 were paid as subsistence allowances to ten (10) officers for various activities. The payment of the subsistence allowance was irregular in that the officers were already paid amounts totalling K147,414,938 as subsistence and out of pocket allowances for other activities that were taking place during the same period.

**HEAD: 93 Office of the President – Northern Province (Muchinga Province)**

**PROGRAMME: 1012 Infrastructure Development -PRP**

**ACTIVITY: 240 Infrastructure for Muchinga Province**

- 63.** In the Estimates of Revenue and Expenditure, a provision of K15,000,000,000 was made for infrastructure development in Muchinga Province against which a total amount of K7,050,000,000 was released. The expenditure was budgeted for under Head 51/01 – Ministry of Transport, Works, Supply and Communications headquarters.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of selected projects carried out in May 2013 revealed the following:

**a. Contract for the Rehabilitation of the Government Rest House in Chinsali – Incomplete Works**

In June 2012, the Provincial Administration engaged Umutanto Investment Limited to rehabilitate the Government Rest House in Chinsali at a contract sum of K361,532,562.60 with a contract period of six (6) weeks commencing 25<sup>th</sup> June 2012.

The scope of works included construction of a borehole and spoon drain, replacement of the ceiling, painting, vanishing and fixing of tiles.

As of March 2013, the contractor had been paid amounts totalling K283,324,200.

A physical inspection carried out in June 2013 revealed that the works had not been completed and the contractor was not on site.

In response, the controlling officer stated that the contractor had been directed to come back on site not later than 15<sup>th</sup> June 2013 to complete works but the contractor could not meet the mandate hence the termination of the contract. He further stated that the works would be advertised and awarded to a different contractor.

As of December 2013, no contractor had been engaged to complete the works.

**b. Contract for Drilling of Boreholes**

In August 2012, the Provincial Administration engaged Maneni Engineering and Mining Limited to drill fourteen (14) boreholes at a contract price of K489,510,000. However, the places where the boreholes were to be drilled and the duration of the contract were not indicated.

As at 11<sup>th</sup> March 2013, the contractor had drilled nine (9) out of fourteen (14) boreholes and had been paid a total amount of K313,560,000 leaving a balance of K175,950,000.

The following were observed:

- **Non Functional Boreholes**

A physical inspection carried out in March 2013 at seven (7) sites namely; Kapwepwe Compound (2 boreholes), Rural compound, Farmers Training Centre (FTC), Kabuta and Chandamali villages and Provincial Administration revealed that three (3) boreholes costing K104,130,000 situated in Kapwepwe and Rural compounds and at FTC were not operational.

Further, inquiries revealed that the boreholes in Kapwepwe and Rural compounds stopped working soon after they were installed in August 2012, while the borehole at FTC had not operated ever since it was installed on 28<sup>th</sup> August 2012.

- **Irregular Payment**

In October 2012, the Provincial Administration paid Davis and Shirtliff a sum of K51,621,750 for the supply and installation of two (2) submersive pumps for two (2) boreholes located at the Provincial Administration and FTC.

It was however observed that the contract awarded to Maneni Engineering also included the supply and installation of hand pumps as well as construction of aprons and drainages for the two (2) boreholes valued at K19,400,000 and the contractor had been paid the amount despite the fact that the works had not been done.

As of December 2013, the payments in relation to the supply and installation of the two (2) hand pumps had not been recovered.

**c. Contract for Installation of Water Tank at FTC**

In October 2012, the Provincial Administration engaged Umutanto Investments Limited for the installation of the water tank at FTC at a contract sum of K39,000,000 and as of November 2012, the contractor had been paid in full.

However, the physical inspection carried out in March 2013 revealed that although the contractor was paid in full, the installation had not been done.

As of December 2013, no recoveries had been made from the contractor.

**HEAD: 94 Office of the President – Western Province**

**UNIT: Various**

**PROGRAMME: Various**

**Activities: Various**

- 64.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2012, a total provision of K15,857,826,527 was made to cater for general administration, against which amounts totalling K12,879,438,486 were released resulting in an underfunding of K2,978,388,041.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration carried out in January 2013 revealed the following:

**a. Unsupported Payments**

Contrary to Financial Regulation Nos. 45 and 52, four (4) payments in amounts totalling K24,862,640 made during the period under review were not supported with relevant documents such as receipts and pay sheets, among others.

**b. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K310,609,099 issued to sixty four (64) officers during the period under review had not been retired as of December 2013.

**c. Non Remittance of Tax to ZRA**

Contrary to the Income Tax Act 323, tax in amounts totalling K70,092,841 deducted from the payments for commutation of leave, leave terminal benefits and long service bonus during the period under review had not been remitted to the Zambia Revenue Authority (ZRA) as of December 2013.

**d. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K387,146,920 procured during the period under review.

**e. Irregularities in Management of Fuel**

During the period under review, amounts totalling K1,838,003,722 were paid to various filling stations for the procurement of fuel and lubricants for various departments.

A scrutiny of fuel requisitions, invoices and statements revealed the following:

**i. Fuel Drawn by Private Vehicles**

Fuel costing K7,862,846 was drawn by officers from various departments and used in privately registered vehicles without authority.

**ii. Fuel Drawn by Unknown Vehicles**

There were 2,139 litres of diesel costing K16,240,367 drawn without indicating the vehicle registration numbers, making it difficult to ascertain whether the fuel was used for Government operations.

**iii. Fuel Drawn by Vehicle not Belonging to Provincial Administration**

During the year under review, 1,830 litres of diesel and 15 litres of petrol costing K19,517,685 were drawn by vehicles not belonging to the Provincial Administration without authority from the Controlling Officer.

**f. Unrecovered Loans and Advances**

**i. Loans**

Contrary to the Terms and Conditions of Service in the Public Service, recoveries in respect of household and car loans in amounts totalling K148,000,000 paid to fourteen (14) officers had not been effected as of December 2013.

**ii. Salary Advances**

Contrary to the Terms and Condition of Service for the Public Service, which states that an advance shall be repaid within a reasonable period of time not exceeding six (6) months, recoveries in respect of salary advances in amounts totalling K33,138,333 paid to fourteen (14) officers had not been effected as of December 2013.

**HEAD: 94/01 Office of the President – Western Province**

**PROGRAMME: General Deposit Account**

**ACTIVITIES: Various**

- 65.** The Provincial Administration maintains a General Deposit Account into which third party funds are deposited. The funding to the account includes amounts that the various departments under the Provincial Administration receive from their respective ministries for specific purposes or projects.

During the financial year ended 31<sup>st</sup> December 2012, a total amount of K2,648,296,181 was received by the Provincial Administration for various activities such as the Technical Committee on drafting the Constitution, rehabilitation of district offices, access road clearing and chief's subsidies among others.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration carried out in January 2013 revealed the following:

#### **a. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K74,920,181 issued to sixteen (16) officers during the period under review had not been retired as of December 2013.

#### **b. Unaccounted for Stores and Fuel**

Contrary to Public Stores Regulation No. 16, various stores items costing K133,540,663 (general stores - K47,214,000 and fuel - K86,326,663) had no receipt and disposal details.

#### **c. Rehabilitation of Office Block and Erection of Diamond Wire Fence - Senanga**

On 16<sup>th</sup> July 2012, the Provincial Administration engaged Nkhunzi Marketing Agency to rehabilitate the meteorological office block and erect a diamond wire fence in Senanga District at a contract sum of K103,410,000. The contract was for the period of eight (8) weeks commencing on 23<sup>rd</sup> July, 2012. The scope of works included block work, glazing, painting and decorations, carpentry, plumbing and drainage works and construction a diamond wire fence.

As of February 2013, the contractor had been paid a total amount of K96,680,500.

A physical inspection of the project conducted on 13<sup>th</sup> May 2013, revealed that although the works had been completed and the contractor had left the site, several cracks had developed on the walls, only the first coat of paint on the interior walls was applied, while the wire mesh on top of the windows had not been fitted and the drainage was poorly done in that it had cracks.

**HEAD: 94/01 Office of the President - Western Province**

**PROGRAMME: Poverty Reduction Programmes (PRP)**

**ACTIVITIES: Various**

- 66.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K4,874,002,224 was made to cater for various Poverty Reduction Programmes in the province and the whole amount was released. In addition, an amount of K2,135,556,361 was brought forward from the year 2011, bringing the total funds available to K7,009,558,585.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects carried out in March, 2013 revealed the following:

**a. Rehabilitation of a Kitchen at Mongu Central Prison**

On 2<sup>nd</sup> August 2012, the Provincial Administration awarded a contract to Mude Enterprises to rehabilitate the kitchen at Mongu Central Prison at a contract sum of K49,993,000. The contract was for a period of eight (8) weeks from 8<sup>th</sup> August 2012 to 10<sup>th</sup> October 2012. The works included demolition works, roofing, floor tiling, painting and electrical works. As of February 2013, amounts totalling K39,144,750 had been paid to the contractor.

It was observed that instead of tiles being fitted as specified in the contract, the floor was painted. Enquiries made with management revealed that, a variation was done to utilise K4,010,000 meant for installation of tiles to repair the sewerage system. However, authority to vary the funds was not availed for verification.

A physical inspection carried out in August 2013 revealed that a pipe installed by the contractor in the sewerage system had burst and the paint on the floor had started peeling off.

**b. Construction of a Sewer System at Senanga Prison**

On 2<sup>nd</sup> August 2012, the Provincial Administration awarded a contract to Kufanga Contractors and General Dealers to reconstruct the sewer line system at Senanga Prison at a contract sum of K50,000,000. The works were for a period of eight (8) weeks from

10<sup>th</sup> August 2012 to 5<sup>th</sup> October 2012. The scope of works included, demolishing the old sewer lines, constructing of manholes, soak away and septic chambers, plumbing and sanitary fittings in the ablutions.

As of February 2013, the contractor had been paid amounts totalling K44,247,000.

A physical inspection carried out in November 2013, revealed that although the works were completed and the contractor not on site, the following were observed:

- One of the soak away chambers was poorly done and was overflowing with sewer discharge.
- Manholes covers costing K3,600,000 had not been supplied by the contractor despite being paid for, and instead old ones were reused some of which were broken. See pictures below.



*Overflowing Soak away*



*Broken Manhole cover*

**c. Construction of Boreholes and Wells**

In 2012, a provision of K200,000,000 was made to cater for construction and rehabilitation of boreholes and wells and the whole amount was released. In addition, an amount of K198,899,973 was brought forward from the previous year bringing the total funds available to K398,899,973.

Six (6) boreholes were drilled and five (5) were rehabilitated using force account. As of February 2013, a total amount of K241,900,291 had been spent on allowances (K65,972,860), fuel (K86,844,475) and equipment and repairs (K64,922,656) leaving a balance of K156,999,682.

However, it was observed that there was no proper drainage system constructed at the artesian borehole resulting into pools of water and algae forming in front of the health center thereby causing a health risk. See picture below.



*Water Pond in front of Mulongo Health Post*

**d. Rehabilitation of Training Centre at Namushakende**

On 15<sup>th</sup> August 2012, the Provincial Administration awarded a contract to Twashengwene Agencies to rehabilitate the training center at a contract sum of K102,000,000 for a period of six (6) months commencing 2<sup>nd</sup> September, 2012. The scope of works included the replacement of the roof in the kitchen, mending of cracks, reconstruction of the veranda, tiling, electrical fittings, replacing broken windows and doors and plumbing works in the kitchen and sanitary fittings in the ablution block. As of February 2013, the contractor had been paid amounts totalling K76,000,000.

A physical inspection of the project carried out in November 2013, revealed that the rehabilitation works had not yet been completed as cracks had not been mended. The contractor had fitted PVC tiles in the kitchen instead of ceramic tiles as provided for in the contract. Further, it was observed that although the ablution block had been rehabilitated with plumbing and sanitary fittings done and sewer discharge pipes laid, the soak away and septic tank were too old to be used and were full of sand.

**e. Misapplication of Funds - Resettlement Department**

In 2012, a provision of K250,000,000 was made to cater for drilling of boreholes, clearing access roads and demarcation of plots in Kalumwange, Lombelombe and Dongwe Resettlement Schemes and the whole amount was released. In addition, an amount of K36,766,622 was brought forward from the previous year bringing the total funds available to K286,766,622.

However, contrary to the Appropriation Act of 2012, amounts totalling K109,755,900 were applied on unrelated activities such as procurement of furniture, medical equipment and solar equipment for Lunyati Rural Health Centre in Kalumwange Resettlement Scheme. As of November 2013, the funds had not yet been reimbursed.

**HEAD: 94/7 Office of the President - Western Province – Rural Roads**

**UNIT: 01 Rural Roads**

**PROGRAMMES: 6011 Infrastructure Development**

**ACTIVITIES: Various**

67. In the Estimates of Revenue and Expenditure for the year ended 31<sup>st</sup> December 2012, a provision of K10,000,000,000 was made to cater for construction and rehabilitation of feeder roads, equipment operations and monitoring and evaluation of roads and the whole amount was released. See table below.

| <b>Activity</b>   | <b>Provision<br/>K</b> |
|---|------------------------|
| Roads Equipment Operations                                    | 3,373,098,800          |
| Construction of Limulunga - Ushaa Road(8Km) Mongu             | 778,484,400            |
| Gravelling of M10 - Mouyo Road (2.5Km) Senanga                | 692,835,000            |
| Construction of Kalabo - Mapunga Road (12Km) Kalabo           | 800,021,700            |
| Construction of Nangweshi - Sinjembela Road (10Km) Shangombo  | 804,183,300            |
| Construction of Sesheke - Mazaba Road (12Km) Sesheke          | 792,677,700            |
| Construction of Chilombo - Katoya Road (15Km) Kaoma           | 803,607,000            |
| Construction of Lukulu - Mbanga Road( 12Km) Lukulu            | 797,492,100            |
| Monitoring and Evaluation of Roads                            | 157,600,000            |
| Rehabilitation of Namushakende/ Nalikwanda Road (40 Km) Mongu | 1,000,000,000          |
| <b>Totals</b>   | <b>10,000,000,000</b>  |

In addition, amounts totalling K1,645,512,189 were brought forward from the previous year for grading of feeder roads (Kaoma – Kalumwange, Sioma – Kalongola roads and construction of culverts), bringing the total funds available to K11,645,512,189.

#### **Accounting and other irregularities**

An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of the nine (9) roads that were to be worked on carried out in January 2013, revealed that the works were either poorly done or incomplete on three (3) of the roads as detailed below:

**a. Misapplication of Funds**

Out of the total of K1,645,512,189 brought forward from the previous year meant for grading of Kaoma – Kalumwange and Sioma – Kalongola roads and construction of culverts, amounts totalling K942,240,455 were spent on rural roads leaving the balance of K703,271,734 which was applied on the procurement of graders without authority from the Secretary to the Treasury. As of December 2013, the funds had not been reimbursed.

**b. Uncompleted Works - Construction of Limulunga - Ushaa Road**

The unit planned to construct a stretch of 8 km at an estimated cost of K778,484,400. In this regard, the Zambia National Service was engaged to carry out the works. The projected duration of the works was one hundred and twenty (120) days from 24<sup>th</sup> January to 22<sup>nd</sup> May 2012. The scope of works involved road formation, side and mitre drains and gravelling.

As of September, 2013 amounts totalling K775,110,000 representing 99.6% of the allocated funds had been spent on the project.

A physical inspection carried out in September, 2013 revealed that only a stretch of 3.6 km representing 45% of the works had been constructed.

**c. Poor Workmanship - Gravelling of Mouyo Road**

The Unit planned to gravel a stretch of 2.5 km of Mouyo Road, at a estimated cost of K692,835,000. In this regard, the Zambia National Service was engaged to carry out the works. The projected duration of the works was twenty (20) days and the works commenced on 30<sup>th</sup> August, 2012. The scope of works involved construction of a drift at the junction of M10 Mongu – Senanga road and Mouyo Road, reshaping to form road prism, gravelling, compacting, and cutting of side and mitre drains.

As of January, 2013 amounts totalling K683,413,920 had been spent on the project.

A physical inspection of the project carried out in May, 2013 revealed that although the project had been completed in December 2012, most sections of the road had been eroded.

**d. Kaoma – Kalumwange Road**

The Unit planned to undertake spot improvements and maintenance grading on a stretch of 70 km of the Kaoma – Kalumwange road at an estimated cost of K127,701,630. The projected duration of the works was twenty (20) days commencing on 13<sup>th</sup> November 2012. The scope of works involved maintenance grading, spot re-gravelling, stock piling and loading of gravel, watering and compacting and construction of side drains and mitre drains. As of January 2013, amounts totalling K106,180,169 had been spent on the project.

A physical inspection of the project carried out in May 2013, revealed that the works had been completed. However, some parts of the road were damaged. See picture below.



*Damaged road at km 12.9*

**HEAD: 95 Office of the President - Eastern Province**

**UNITS: Various**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

- 68.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K3,188,639,835 was made to cater for various Poverty Reduction Programmes (PRP) against which amounts totalling K2,786,360,000 were released. In addition, an amount of K770,828,742 was brought forward from 2011 bringing the total funds available to K3,557,188,742. The amount available was above the authorised budget provision by K368,548,907 for which no supplementary provision was obtained.

As of December 2012, a total amount of K1,638,774,591 had been spent leaving a balance of K1,918,414,151.

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of the selected projects carried out in October 2013 revealed the following:

### **a. Construction of 1x3 Classroom Block at Chikwa Day High School, Chama District**

The Provincial Administration received amounts totalling K150,000,000 for the construction of the 1 X 3 classroom block at Chikwa Day High School. In this regard, in December 2012, Musmat Contractors were engaged to complete the classroom block at a contract sum of K379,266,300. As of October 2013, the contractor had been paid amounts totalling K75,853,000.

The following were observed:

#### **i. Inadequate Contract Provisions**

Despite awarding the contract to Musmat Contractors to complete the classroom at a contract sum of K379,266,300, the commencement and expected completion dates of the contract were not indicated.

#### **ii. Over Commitment**

Although only K150,000,000 was available for the project, the Provincial Administration entered into a contract for the sum of K379,266,300 resulting in an over commitment of K229,266,300.

### **b. Drilling of Boreholes - Kaozi Resettlement Scheme in Chama District**

In June 2012, the Provincial Administration engaged China Gansu Engineering Corporation - Zambia for the drilling of five (5) bore holes up to a depth of 50 m and supply and installation of submersible pumps at a contract price of K228,675,000. The drilling of the boreholes commenced on 16<sup>th</sup> July 2012 and was completed on 30<sup>th</sup> July 2012.

As of October 2013, the contractor had been paid K113,900,000 leaving a balance of K114,775,000.

A physical inspection carried out revealed that all the five (5) boreholes drilled were dry rendering the expenditure wasteful.

**HEAD: 96 Office of the President - Luapula Province**

**PROGRAMME: Poverty Reduction Programmes - (PRP)**

**ACTIVITIES: Various**

69. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K14,087,125,482 was made to cater for Poverty Reduction Programmes (PRPs) against which amounts totalling K13,962,338,204 were released resulting in an underfunding of K124,787,278.

### **Accounting and other Irregularities**

An examination of records maintained at the Provincial Administration and a physical inspection of selected projects carried out in May 2013 revealed the following:

#### **a. Non-utilisation of Generator Set**

In paragraph 67 of my Report for the financial year ended 31<sup>st</sup> December 2009, mention was made on the purchase of a generator set costing K69,800,000 which was non operational. In making recommendation, the Public Accounts Committee (PAC) in its report directed the Provincial Administration to ensure that the generator is operational and report progress on the matter.

However, an inspection carried out in March 2013, revealed that the generator had remained non operational and no action had been taken contrary to the PAC's recommendation.

It was further observed that on 8<sup>th</sup> August 2012, the Provincial Administration again procured two (2) Diesel KDE 12 EA3 9.5 KVA generators costing K97,000,000. The generators were procured for the Minister and Permanent Secretary's residences. However, it was observed that the generators had not been installed as they were found lying idle in the conference room ten (10) months later. See picture of generators below.



*Generators lying idle in the conference room*

**b. Questionable Payment**

On 21<sup>st</sup> March 2012, a payment of K5,500,000 was made to Jolly Transporters for the purchase and installation of sliding gate at the Minister's Residence. In addition, on 18<sup>th</sup> May 2012, a payment of K7,000,000 was made to Mutombo Suppliers for the refurbishment of the gate.



*Sliding gate at the Minister's*

However, the works for the refurbishment were not specified and quantified thus making the payment of K7,000,000 questionable.

**c. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65, forty six (46) payment vouchers in amounts totalling K641,989,471 were not availed for audit.

**d. Unsupported Payments**

Contrary to Financial Regulation No. 52, thirty eight (38) payments totalling K422,191,817 were not supported with documents such as a receipts, invoices and Local purchase orders (LPO).

**e. Unretired Imprest.**

Contrary to financial regulation No. 96, imprest in amounts totalling K680,582,837 issued to fifty-nine (59) officers had not been retired as of December 2013.

**f. Unaccounted for Stores**

Contrary to Stores Regulations No. 16, there were no receipt and disposal details in respect of various stores items costing K184,017,027 procured during the period under review.

**HEAD: 96 Office of the President - Luapula Province**  
**UNIT: 1 Provincial Administration**  
**PROGRAMME: 2 General Administration**  
**ACTIVITIES: Various**

70. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K14,134,454,976 was made to cater for General Administration at the Provincial and District Administration Offices against which amounts of K12,603,782,884 were released leaving a balance of K1,530,672,092.

Out of the amounts released, the Provincial Administration disbursed K1,508,930,269 to nine (09) districts to cater for operations as shown in the table below.

| District     | Amount Disbursed K   |
|--------------|----------------------|
| Nchelenge    | 111,321,775          |
| Mansa        | 111,321,775          |
| Samfya       | 118,738,299          |
| Mwense       | 111,321,775          |
| Kawambwa     | 111,321,775          |
| Milenge      | 125,255,475          |
| Chiengi      | 125,255,475          |
| Chembe       | 347,196,960          |
| Lunga        | 347,196,960          |
| <b>TOTAL</b> | <b>1,508,930,269</b> |

### Accounting and Other Irregularities

An examination of accounting and other records maintained at the Provincial Administration carried out in March 2013 revealed the following:

**a. Failure to Deduct Tax (PAYE)**

A total amount of K520,425,178 was paid to seventy two (72) officers as commutation for leave and terminal benefits. It was however observed that the payments were made without deducting tax, contrary to the Income Tax Act.

**b. Unaccounted for Assets**

In February 2012, Provincial Administration procured furniture and other electronic equipment at a total cost of K59,735,000 to furnish the VIP Guest wing at the Permanent

Secretary's residence. However, electronic equipment costing K29,735,000 could not be accounted for as of June 2013. See table below.

| SUPPLIER      | DATE SUPPLIED | ITEMS SUPPLIED                 | AMOUNT<br>K       |
|---------------|---------------|--------------------------------|-------------------|
| Radian Stores | 21/02/2012    | LG Fridge                      | 3,995,000         |
| Radian Stores | 21/02/2012    | LG Microwave oven              | 850,000           |
| Hazida        | 23/02/2012    | GTI-9100 Samsung Galaxy phone  | 4,995,000         |
| Hazida        | 23/02/2012    | 46" D7000 Samsung LED Smart TV | 16,900,000        |
| Hazida        | 23/02/2012    | HTD Samsung Home Cinema System | 2,995,000         |
| <b>TOTAL</b>  |               |                                | <b>29,735,000</b> |

**c. Unsupported Payments**

Contrary to Financial Regulation No. 52, ninety seven (97) payments in amounts totalling K485,989,505 were not supported with relevant documentation such as suppliers' invoices, quotations, Local Purchase Orders (LPOs) and receipts.

**d. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K1,213,003,551 issued to one hundred and seventeen (117) officers in the period under review had not been retired as of December 2013.

**e. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respective of various stores items costing K453,530,972 (general stores – K337,047,680 and Fuel – K116,483,292) procured during the year under review.

| Station                   | Fuel<br>K          | General<br>Stores<br>K | Total<br>K         |
|---------------------------|--------------------|------------------------|--------------------|
| Provincial Administration | 80,076,262         | 324,853,680            | 404,929,942        |
| Mansa                     | 11,953,960         | 5,904,000              | 17,857,960         |
| Samfya                    | 3,880,000          | -                      | 3,880,000          |
| Mwense                    | 9,968,070          | 2,260,000              | 12,228,070         |
| Kawambwa                  | 10,605,000         | 4,030,000              | 14,635,000         |
| <b>Total</b>              | <b>116,483,292</b> | <b>337,047,680</b>     | <b>453,530,972</b> |

**f. Missing Payment Vouchers**

Contrary to Financial Regulation No.65, there were one hundred and twenty (120) payment vouchers in amounts totalling K616,118,525 that were not availed for audit. See table below

| Station                   | No. of Payment Vouchers | Total K            |
|---------------------------|-------------------------|--------------------|
| Provincial Administration | 58                      | 319,228,900        |
| Mansa                     | 32                      | 30,431,323         |
| Samfya                    | 7                       | 17,850,000         |
| Chienge                   | 4                       | 17,337,850         |
| Chembe                    | 15                      | 223,844,452        |
| Milenge                   | 4                       | 7,426,000          |
| <b>Total</b>              | <b>120</b>              | <b>616,118,525</b> |

**HEAD: 96/01 Office of the President - Luapula Province - Headquarters**

**PROGRAMME: General Deposit Account**

**ACTIVITIES: Various**

71. The Provincial Administration maintains a General Deposit Account (GDA) into which third party funds are deposited. The funding to the account includes amounts that the various departments under the Provincial Administration receive from their respective ministries for specific purposes.

During the financial year ended 31<sup>st</sup> December 2012, a total amount of K3,150,590,420 was received by the Provincial Administration for various activities as shown in the table below.

| PROJECT                                   | DEPARTMENT                 | AMOUNT RELEASED K    |
|---|----------------------------|----------------------|
| Construction of Chipungu Border Post      | Home Affairs               | 800,000,000          |
| Channel Clearing – Dredging machine       | Communications & Transport | 170,000,000          |
| Chiefs Retainers Terminal Benefits        | Chiefs Affairs             | 134,500,000          |
| Channel Clearing                          | Communications & Transport | 400,000,000          |
| Constitutional Review                     | Justice                    | 852,889,000          |
| Road Rehabilitations- Matanda and Milenge | Land Resettlement          | 191,182,500          |
| Zone VI games                             | Youth and Sport            | 53,000,000           |
| Kilwa Island Project                      | Home Affairs               | 153,119,800          |
| Cash Deposits                             | Sale of Tender Documents   | 21,120,000           |
| Construction of Wall Fence                | Auditor General            | 311,779,120          |
| ZISC Refund                               | Insurance Payment          | 63,000,000           |
| <b>TOTAL</b>                              |                            | <b>3,150,590,420</b> |

In addition, an amount of K833,396,013 was brought forward from the previous year bringing the total funds available to K3,978,986,422.

As at 31<sup>st</sup> December 2012, a total amount of K1,403,570,665 had been spent leaving a balance of K1,407,549,652.

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of selected projects carried out in March 2013 revealed the following:

### **a. Misapplication of Funds**

A total amount of K65,978,284 was spent on activities not related to General Deposit programmes, such as procurement of HD 56 Mitsubishi Engine (K13,500,000), servicing of motor vehicle (K31,092,284), procurement of lawn mower (K9,446,000) and issuance of imprest and/or cash for purchase of goods and services (K9,940,000).

In addition, amounts totalling K520,734,490 were borrowed from GDA to finance activities not related to General Deposit projects such as capital projects under poverty reduction programmes (K223,098,000), Minister's lodging (K50,000,000), servicing of motor vehicle (K6,950,000) and imprest for various programmes (K240,686,449).

As of October 2013, the funds had not been paid back. As a result, the construction of Chipungu Border Post which received funds totalling K800,000,000 from the Ministry of Home Affairs during the period under review had not been completed.

### **b. Non - Preparation of Expenditure Returns**

Provincial Accounting Control Unit (PACU) is required to account for the utilisation of funds by preparing and submitting expenditure returns including progress reports for the projects being implemented on behalf of Ministries. It was, however, observed that no expenditure returns were prepared and submitted to the respective Ministries during the period under review.

### **c. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65, there were four (4) payment vouchers in amounts totalling K117,674,322 that were not availed for audit.

### **d. Unsupported Payments**

Contrary to Financial Regulations No. 45, payments in amounts totalling K67,641,518 were not supported with relevant documents such as claims for payments, leave pay computation statements and authority to use personal moneys in cases of refunds.

**e. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K193,048,940 issued to twenty two (22) officers during the period under review had not been retired as of December 2013.

**f. Unaccounted for Fuel**

Contrary to Public Stores Regulation No.16, fuel and lubricants costing K147,007,241 purchased during the period under review had no disposal details such as fuel coupons and issue vouchers. As a result, it was not possible to ascertain whether the fuel was used for the intended purpose.

**g. Weaknesses in the Management of Projects**

Out of the total amount of K570,000,000 released by Ministry of Communication and Transport for the canal clearing, K370,000,000 was allocated to Samfya and Lunga districts (K170,000,000 for the dredging machine and K200,000,000 for human labour) and the balance of K200,000,000 was allocated to Kawambwa and Nchelenge Districts.

An examination of records and physical inspections carried out in March, 2013 revealed the following:

**i. Rehabilitation Works of the Canal - Samfya and Lunga Districts**

An amount of K170,000,000 was used for canal rehabilitation using the dredging machine. The machine was deployed to work on Buyantanshi Canal in January 2012 stretching from Mpanta to Kasoma Lunga in Samfya and Lunga districts with a total distance of 45 km and 12 m width.

The following were however observed:

- **Under-utilisation of the Machine**

It was observed that the machine had been under-utilised in that, it had remained idle and had been parked at the harbour in Samfya due to insufficient operating funds to run it. It was further, observed that the machine was only used in 2012 from the time it was deployed to the Province in 2010.

In addition, due to insufficient funds, the clearing of the canal was done up to 38 km instead of the total distance of 45 km.

- **Failure to Account for Fuel**

During the period under review, the Provincial Administration procured 10,574 litres of diesel for the dredging machine at the total cost of K80,000,000. The fuel was drawn from a local filling station and stored at the District Commissioner's office in Samfya. However, it was not possible to verify how the fuel was utilised as there were no disposal details, contrary to Public Stores Regulation No. 16.

- ii. **Failure to Maintain Canals**

According to the Ministry of Transport, Works and Supply, Maritime and Inland Waterways Department, in order for canals to be viable and useful to the communities they serve, they need to be dredged three (3) times annually.

However it was observed that, contrary to the recommendation from the Ministry, the canals in Lunga, Samfya, Nchelenge and Kawambwa districts were only dredged once in 2012 at a total cost of K400,000,000. Consequently the canals were blocked by overgrown vegetation and other floating debris.

Enquires with the Provincial Administration revealed that the dredging was only done once in 2012 due to insufficient funding.

- h. **Construction of Chipungu Border Post**

In 2012, the Ministry of Home Affairs released an amount of K800,000,000 to the Provincial Administration for the construction of Chipungu Border Post in Chiengi District.

In this regard, the Provincial Administration invited tenders for the construction of Chipungu Border Post and only two bidders namely; R. Chipili Enterprises (K1,491,264,680) and Anucha Investments Limited (K1,801,276,652) responded. On 21<sup>st</sup> June 2012, the Tender Evaluation Committee evaluated the bids and recommended R. Chipili Enterprises for the award of the contract at the bid sum of K1,491,264,680 as

Anucha Investments Limited was found to be non - responsive owing to the absence of a security bid bond.

However, the recommendation to award the contract to R. Chipili Enterprises was cancelled and the bids were re-evaluated. The contract was instead awarded to Anucha Investments Limited at a contract price of K1,801,276,652. As of December 2013, the contractor had been paid amounts totalling K553,908,940.

The following were observed:

- i. The awarded contract sum of K1,801,276,652 to Anucha Investments Limited exceeded the budget provision of K800,000,000 by K1,001,276,652 resulting in an over commitment of funds.
- ii. Contrary to the Procurement Regulation No. 24 (3) which states that a procurement unit shall prepare a written request to the approvals authority, for authorisation to cancel a procurement proceeding, which clearly state detailed reasons for recommending the cancellation of the recommendation, no reasons were advanced on why the initial recommendation was cancelled.

It was further observed that the recommendation of the Evaluation Committee after the re-evaluation of the bids was ambiguous in that the Committee recommended either of the two (2) bidders. In this regard, despite the fact that R. Chipili Enterprises offered a more competitive price of K1,491,264,680, the contract was awarded to Anucha Investments Limited at a higher price of K1,801,276,652.

- iii. Although the Ministry of Home Affairs instructed the Provincial Administration on 8<sup>th</sup> October 2012 to nullify the contract and readvertise, the contract was not nullified.
- iv. A physical inspection carried out in November 2013 revealed that works had not been completed with the following works outstanding:
  - Erection of water tank, flooring, plastering,
  - Painting, fixing of tiles and fitting of doors, and
  - Window panes, among others.

**HEAD: 96/03 Office of the President - Luapula Province - Rural Roads**

**PROGRAMME: 6011 Infrastructure Development (PRP)**

**ACTIVITIES: 034 -576 M & E, Rehabilitation of Roads & Procurement of Equipment**

72. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K 10,000,000,000 was made to cater for monitoring and evaluation, rehabilitation of district roads and procurement of equipment out of which a total amount of K5,866,746,032 was released. In addition, K2,317,908,563 was brought forward from 2011 bringing the total to K8,184,654,595 as funds available in 2012.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and the Rural Roads Unit and a physical inspection carried out during the period from January to March 2013 revealed the following:

**a. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65 (1) and 66 (2), twenty two (22) payment vouchers in amounts totalling K912,572,040 had not been submitted for verification.

**b. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K189,795,440 involving twenty five (25) transactions issued to eleven (11) officers during the period under review had not been retired as of December 2013.

**c. Failure to reimburse Borrowed Funds**

Out of K5,866,746,032 meant for road infrastructure activities, it was observed that a total amount of K1,547,414,499 was borrowed to finance operations at the Provincial Administration in 2012, activities which were supposed to be financed from the General Administration account. As of June, 2013, only K399,846,428 had been reimbursed leaving a balance of K1,147,568,071.

**d. Misapplication of Funds**

A total amount of K2,180,000,000 meant for road works was received through the General Administration account in 2012. It was observed that on 1<sup>st</sup> March 2012, an amount of K1,365,666,114 was transferred to the Capital Account on Electronic Funds Transfer Authority (EFTA). However, the balance of K814,333,886 was retained in the General Administration Account and applied on operational activities for 2012, activities not related to the road infrastructure projects.

**e. Undelivered Spare Parts**

On 3<sup>rd</sup> October 2012, an amount of K39,000,000 was paid to Muzmat Industrial for the procurement of five (5) alternators for the old graders. A physical verification of the items revealed that only two (2) alternators were in stock while three (3) alternators costing K23,400,000 were purported to have been returned to the supplier as they were of wrong specification.

As of December 2013, the three (3) alternators returned to the supplier had not been replaced and no refund had been received.

**f. Failure to Reimburse Fuel**

During the period from March to October 2012 various departments borrowed a total of 2,135 litres of diesel costing K16,153,410 from the RRU fuel account. However as of June 2013 the borrowed fuel had not been reimbursed.

**g. Misapplication of Infrastructure Funds**

Amounts totalling K2,865,540,000 meant for the implementation of twelve (12) projects in Samfya, Nchelenge and Mansa, K2,665,499,425 were applied on the procurement of spare parts and insurance, activities not related to the programme. Consequently, only two (2) projects out of the twelve (12) planned for were implemented as shown in the table below.

| DISTRICT  | AMOUNT ALLOCATED<br>K | No. OF PLANNED ROAD PROJECTS | No. OF ROAD PROJECTS IMPLEMENTED | EXPENDITURE ON ROAD PROJECTS<br>K | VARIANCE<br>K        |
|-----------|-----------------------|------------------------------|----------------------------------|-----------------------------------|----------------------|
| Samfya    | 955,000,000           | 4                            | 0                                | -                                 | 955,000,000          |
| Nchelenge | 955,540,000           | 5                            | 0                                | -                                 | 955,540,000          |
| Mansa     | 955,000,000           | 3                            | 2                                | 199,040,575.00                    | 755,959,425          |
|           | <b>2,865,540,000</b>  | <b>12</b>                    | <b>2</b>                         | <b>199,040,575.00</b>             | <b>2,666,499,425</b> |

In his response dated 23<sup>rd</sup> September 2013, the Controlling Officer stated that the balance of K2,665,499,425 was diverted due to erratic funding.

**h. Failure to Utilise Funds**

Out of the total amount of K8,766,274,595 for the implementation of activities under Rural Roads Unit in 2012, only amounts totalling K4,887,881,071 had been spent leaving a balance of K3,878,393,524 unspent as at 31<sup>st</sup> March 2013 and no explanation had been provided.

The spent amount of K4,887,881,071 comprised K3,040,000,000 on procurement of two (2) graders, K32,841,500 on monitoring and evaluation, K138,850,000 on insurance of equipment, K1,477,148,996 on procurement of spares and repair of equipment and K199,040,575 on rehabilitation of two (02) roads in Mansa.

**i. Poor Project Implementation - Planned Activities**

A physical inspection of the two projects in Mansa revealed the following:

**i. Rehabilitation of Mufuma – Mansa Resettlement Road**

An amount of K250,000,000 was allocated for the project which involved bush clearing, grading and spot gravelling covering a stretch of 20 km. However, It was observed that the scope of work did not include drainages formation.

The project was carried out in October 2012 at a total cost of K106,991,892. A physical inspection of the road carried out in February 2013 revealed that although 20 km of the road had been graded, spot gravelling and drainage formation had not been done resulting in pot holes and ponding of water. See pictures below.



*Mufuma – Mansa Resettlement road – poor workmanship*

**ii. Rehabilitation of Kabunda Road**

In April 2012 a total amount of K92,048,683 was spent on the rehabilitation of a 12 km stretch along Kabunda Road. The works involved mending of potholes, opening of drainages and grading.

Physical inspection of the road carried out on 22<sup>nd</sup> February 2013 revealed that, though the road had been graded and some potholes mended, the drainages were poorly done in that water was collecting on parts of the road and forming potholes.

**HEAD: 96/19 Office of the President - Luapula Province - Water Affairs Department**

**PROGRAMME: 6011 – Infrastructure Development-PRP**

**ACTIVITY: 024 Construction of Boreholes**

- 73.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K398,580,000 was made to cater for the construction of boreholes. In addition, a supplementary provision of K1,400,000,000 was made bringing the total provision to K1,798,580,000. A review of records at the Provincial Administration revealed that the supplementary provision of K1,400,000,000 was meant to cater for the Isubilo Oil Palm Irrigation Project and the whole amount was released.

**Background - Isubilo Oil Palm Irrigation Scheme (IOPIS)**

In 2012, the Provincial Administration with the help of technical expertise from the Ministry of Agriculture and Department of Water Affairs embarked on Isubilo Oil Palm Irrigation Scheme

(IOPIS) in Mwense district. The IOPIS was a pilot project which was supervised by the Provincial Administration with labour drawn from the local community.

The aim of the project was to provide adequate water through irrigation and hence promote the growing of oil palm trees in Mwense district for purposes of creating a base for small scale industries for processing of palm oil.

According to the project implementation plan, the project was estimated at K1,682,917,500 and was to be completed within five (5) months and should have been handed over in May 2013. The project was targeted at supplying water to 300 hectares of land and works involved construction, installation and training of farmers as detailed in the table below.

| <b>DETAILS</b>   | <b>AMOUNT<br/>K</b>  |
|--|----------------------|
| Procurement of suction hose, stand by pump set, main pipes and electrical                | 920,600,000          |
| Installation, fittings, laying of irrigation main and construction of distribution boxes | 119,725,000          |
| Construction of reservoir and training of farmers  | 642,592,500          |
| <b>Total budget</b>  | <b>1,682,917,500</b> |

As of December 2012, amounts totalling K1,791,643,000 had been spent on the Project.

#### **Accounting and Other Irregularities - Isubilo Oil Palm Irrigation Scheme (IOPIS)**

An examination of accounting and other records carried out in March and June 2013 revealed the following:

##### **a. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K864,123,463 (general stores - K775,512,091 and fuel - K88,611,372) procured for the implementation of the Isubilo Project.

##### **b. Failure to Train Farmers**

Although an amount of K64,092,500 was allocated for training farmers, the activity had not been undertaken, as of June 2013.

##### **c. Physical Inspections**

A physical inspection carried out in June 2013 revealed the following:

- i. The pump panel costing K20,728,920 was not operational.

- ii. The irrigation system had failed to work in that no water had been pumped into the reservoir and the digging of furrows had not been done.

**d. Non Completion of the Project**

Although the project was supposed to be handed over in May 2013, as of June 2013 the Project had not been completed and no provision had been made in the 2013 Estimates of Revenue and Expenditure for the completion of the project.

**HEAD: 97 Office of the President – North Western Province**

**PROGRAMME: 2 General Administration**

**ACTIVITIES: Various**

74. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2012, a provision of K12,614,970,911 was made to cater for various activities against which K15,173,347,390 was released resulting in an over funding of K2,558,376,479.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration carried out in March 2013 revealed the following:

**a. Irregular Payments**

**i. Irregular Award of Tender**

During the period under review, amounts totalling K100,090,000 were paid to Wane Solutions for the supply of various stores items to ZANIS. However, the supplier had not supplied materials costing K64,090,000.

It was also noted that, contrary to the Public Procurement Act of 2008 Section 73, Wane Solutions is owned by a civil servant under ZANIS.

**ii. Undelivered items**

Two (2) companies (Nasa Brign enterprises and GMK International) were paid amounts totalling K30,062,000 for the supply of various stores items which had not been delivered as of November 2013.

**b. Unaccounted for Stores**

Contrary to Public Stores Regulation No 16, there were no receipt and disposal details in respect of stores items costing K660,254,855 (general stores – K137,128,139 and fuel – K523,126,716) procured during the period under review.

**c. Unsupported Payments**

Contrary to Financial Regulation No. 45, thirty (30) payment vouchers in amounts totalling K166,813,403 were not supported with relevant documentation such as cash receipts, authorities and invoices.

**d. Irregular Use of Accountable Imprest**

Financial Regulation No.86 stipulates that, “accountable imprest is imprest that is issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time”.

However, imprest in amounts totalling K415,986,128 involving sixty eight (68) transactions, was used to procure goods and services instead of paying directly to suppliers.

**e. Unretired Imprest**

Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K210,189,232 issued to twenty three (23) officers had not been retired as of December 2013.

**f. Staff Recruited without Authority**

During the period under review, amounts totalling K274,511,531 were paid as wages to casual workers without authority from Public Service Management Division (PSMD) and there was no budget line for the expenditure.

**g. Irregular Payment on the Provision of Security Services**

During the period under review the Provincial Administration paid amounts totalling K34,440,000 to Prolife Security for security services for the residence of the Permanent Secretary.

However, the conditions of service for the Permanent Secretary do not provide for a security guard. The payments of K34,440,000 made to the security firms were therefore irregular.

**h. Payments for Maintenance Works**

In March and April 2012, amounts totalling K85,737,000 were paid to two (2) contractors for maintenance works as shown in the table below.

| <b>Date</b> | <b>Payee</b>       | <b>Amount<br/>K</b> | <b>Details</b>                             |
|-------------|--------------------|---------------------|--|
| 7/3/2012    | Dajome Investments | 41,880,000          | General Works at Ministers Residence       |
| 12/4/2012   | Ennys Cleaning     | 43,857,000          | Maintenance of Minister and PS's residence |
|             | <b>Total</b>       | <b>85,737,000</b>   |  |

However, contrary to the Zambia Public Procurement Act, the Provincial Administration single sourced the contractors and no reasons were given for single sourcing.

**HEAD: 97 Office of the President – North - Western Province**

**PROGRAMME: General Deposit**

**ACTIVITIES: Various**

75. The Provincial Administration maintains a General Deposit Account (GDA) into which third party funds are deposited. The funding to the account includes amounts that the various departments under the Provincial Administration receive from their respective ministries for specific purposes.

During the financial year ended 31<sup>st</sup> December 2012, amounts totalling K3,852,323,773 were deposited into the General Deposit Account.

In addition, an amount of K912,020,906 was carried forward from 2011, bringing the total funds available to K4,764,344,680.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of projects carried out in March 2013 revealed the following:

**a. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K67,306,600 involving three (3) transactions issued to two (2) officers during the period under review had not been retired as of December 2013.

**b. Over Commitment of Funds - Construction of an Office Block - Kazhiba Resettlement**

During the period under review, an amount of K103,000,000 was received for the construction of an office block at Kazhiba Resettlement Scheme in Solwezi District.

On 26th November 2012, the Provincial Administration engaged North Western Contractors Limited to construct the office block at a contract sum of K160,134,500 with a completion period of thirteen (13) weeks.

As of November 2013, the contractor had been paid an amount of K94,762,000.

Although the Provincial administration engaged North Western Contractors Limited at a contract price of K160,134,500 only K103,000,000 was received for the project resulting in an over commitment of K57,134,500.

**HEAD: 97 Office of the President-North Western Province**

**DEPARTMENT: Various**

**PROGRAMME: 6011 Poverty Reduction Programmes - (PRP)**

**ACTIVITIES: Various**

**76.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2011, a total provision of K8,152,895,129 was made to cater for various Poverty Reduction Programmes and the whole amount was released as shown in the table below.

| <b>DETAILS</b>               | <b>AMOUNT<br/>K</b>  |
|------------------------------|----------------------|
| Headquarters                 | 5,618,440,000        |
| Forestry Department          | 176,000,000          |
| Water Affairs Department     | 1,034,167,738        |
| Cultural Services Department | 332,000,000          |
| Resettlement Department      | 820,732,791          |
| Sports Department            | 171,554,600          |
| <b>Total</b>                 | <b>8,152,895,129</b> |

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects carried out in March 2013 revealed the following:

### **a. Delay in Completion of Project – Construction of Office Block**

An amount of K150,000,000 was released to cater for the construction of an office block in Mufumbwe District.

In this regard, in April 2012, the Provincial Administration engaged Zhaimo Contractors Limited to construct the office block at a contract sum of K254,869,400. The contract was for a period of five (5) months.

As of March, 2013, the contractor had been paid amounts totalling K116,659,260.

A physical inspection of the office block revealed that seven (7) months after the completion period revealed that the project had not been completed and was at roof level.

### **b. Resettlement Department**

#### **i. Failure to Implement Projects - Storage Shed - Janyauki Resettlement Scheme**

An amount of K70,000,000 was released for the construction of storage sheds at Janyauki Resettlement Scheme. It was however observed that despite the availability of funds, the storage shed had not been constructed.

#### **ii. Delay in the Construction of Staff House at Kainanfumu Scheme**

An amount of K80,000,000 was released for the construction of a staff house at Kainanfumu Scheme in Solwezi District.

In this regard, in November 2012, the Provincial Administration engaged Masate Contractors Limited to construct the Staff House at a contract sum of K194,102,000. The contract was for a period of three (3) months commencing December 2012.

As of November 2013, the contractor had been paid K41,257,550.

However a physical inspection of the project carried out in November, 2013 revealed that the house had not been completed as shown in the picture below.



*Incomplete house*

**c. Rehabilitation and Maintenance of Solwezi Sports Complex**

In April 2012, the Provincial Administration engaged Luwaili Investments to rehabilitate the Solwezi Sports Stadium at a contract sum of K68,008,000.

The contractor completed the works and had been paid K50,965,600.

A physical inspection carried out in April 2013 revealed that the wall fence had collapsed due to poor workmanship rendering the expenditure of K50,965,600 wasteful. See pictures below.



*A collapsed section of the rehabilitated wall fence at the Solwezi Stadium Complex*

**d. Magrade Extension Road**

In August 2011, the Provincial Administration awarded a contract to Hillers Construction Company Limited for the upgrading and maintenance of Magrade Extension Road (1.6 km) to bituminous standard at a contract price of K2,495,212,870 with a completion period of three (3) months. Works commenced on 22<sup>nd</sup> August, 2012 and were expected to be completed in 22<sup>nd</sup> November, 2012.

As of March 2013 the contractor had been paid K2,078,342,264

The following were observed:

**i. Works Paid for but not Done**

A review of the Interim Payment Certificate No. 3 revealed that included in the amount claimed by the contractor and paid, was an amount of K88,192,000 in respect of bituminous double surface dressing works.

However, a physical inspection carried out in March 2013 revealed that no bitumen double surface dressing had been done on the whole 1.6 km stretch of the road by the contractor.

It was not clear under what circumstances the supervising engineer certified the contractor's claim when the works had not been done.

**ii. Delayed Completion**

Although the contract was expected to be completed by 22<sup>nd</sup> November 2012, as of February 2013, three (3) months after completion period, works had not been completed and the contractor had since abandoned the site.

**e. Solwezi College Road**

In August 2011, the Provincial Administration engaged Jansi African Construction Limited for the maintenance and upgrading to bituminous standards of the Solwezi College Road at a contract price of K3,591,656,501 with a completion period of three (3) months.

As of March 2013, the contractor had been paid K2,693,473,768.

A physical inspection of the road carried out in March, 2013 revealed that the surface dressing was being eroded from the sides due to lack of a drainage system which was not included in the contract. See pictures below.



*Road surface dressing being eroded from the Solwezi College Road due to lack of a drainage system*

**f. Unretired Imprest**

Contrary to Financial Regulation No.96, imprest in amounts totalling K44,915,500 issued to three (3) officers during the period under review had not been retired as of December 2013.

**HEAD: 97/03 Office of the President – North - Western Province - Rural Roads**

**PROGRAMME: 6011 Infrastructure Development (PRP)**

**ACTIVITIES: Various**

77. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2012, a provision of K10,019,063,295 was made to cater for Infrastructure Development under Rural Roads Unit, and the whole amount was released as shown in the table below.

| <b>Activity</b>                   | <b>Budget<br/>K</b>   | <b>Releases<br/>K</b> |
|-----------------------------------|-----------------------|-----------------------|
| Matebo Road                       | 700,000,000           | 700,000,000           |
| Maintenance of Building and Plant | 19,063,295            | 19,063,295            |
| Mafwe-Manyama Matebo              | 800,000,000           | 800,000,000           |
| M8-Munyambala Road                | 1,500,000,000         | 1,500,000,000         |
| M8-Nyoka-Kelongwa Roads           | 900,000,000           | 900,000,000           |
| Kelonga Road                      | 500,000,000           | 500,000,000           |
| Chikonkwelo- Kayombo Road         | 1,400,000,000         | 1,400,000,000         |
| Lwakela- Chief Kakoma Road        | 1,400,000,000         | 1,400,000,000         |
| Chinyamalitapi Road               | 1,400,000,000         | 1,400,000,000         |
| Chingi-Sewe Road                  | 800,000,000           | 800,000,000           |
| Nguvu-Mukuku Road                 | 600,000,000           | 600,000,000           |
| <b>Total</b>                      | <b>10,019,063,295</b> | <b>10,019,063,295</b> |

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and physical inspections of the projects carried out in February 2013, revealed the following:

**a. Failure to Implement Funded Activities**

During the period under review, amounts totalling K5,700,000,000 were released for five (5) road projects as shown in the table below.

| <b>Activity</b>         | <b>Budget<br/>K</b>  | <b>Releases<br/>K</b> |
|-------------------------|----------------------|-----------------------|
| Mafwe-Manyama Matebo    | 800,000,000          | 800,000,000           |
| M8-Munyambala Road      | 1,500,000,000        | 1,500,000,000         |
| M8-Nyoka-Kelongwa Roads | 900,000,000          | 900,000,000           |
| Kelonga Road            | 500,000,000          | 500,000,000           |
| Chinyamalitapi Road     | 1,400,000,000        | 1,400,000,000         |
| Nguvu-Mukuku Road       | 600,000,000          | 600,000,000           |
| <b>Total</b>            | <b>5,700,000,000</b> | <b>5,700,000,000</b>  |

Despite the availability of funds, the Provincial Administration did not work on the roads.

**b. Implementation of Unapproved Activities**

During the period under review, amounts totalling K1,222,466,720 were spent on two (2) unapproved road projects in that they were not provided for in the Estimates of Revenue and Expenditure for the year ended 31<sup>st</sup> December, 2012 as shown in the table below.

| <b>Name of Road</b> | <b>Amount Spent<br/>K</b> |
|---------------------|---------------------------|
| Nyapafuka Road      | 925,422,720               |
| Mushitala           | 297,044,000               |
| <b>Total</b>        | <b>1,222,466,720</b>      |

**c. Weaknesses in accounting for Public Stores**

**i. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K1,600,095,516 (other stores – K112,801,500 and fuel – K1,487,294,016) procured during the period under review had no receipt and disposal details.

**ii. Undelivered Stores Items**

An amount of K9,450,000 was paid to Thochima Enterprises in November 2012, for the supply of one hundred and fifty (150) bags of cement.

However, as of October 2013, only fifty (50) bags of cement costing K3,150,000 had been delivered leaving a balance of one hundred (100) bags of cement costing K6,300,000 not delivered.

**d. Questionable Payments**

In January 2012, an amount of K82,800,000 was paid to an officer for allowances to officers who were to work on the Nkulwashi/Kabulamema Road.

However, even though the payment was acquitted, it was observed that the road was not worked on.

**e. Uncompetitive Hire of Grader**

In January 2012, an amount of K440,000,000 was paid to Yambeji Construction for the hire of a grader.

It was, however, observed that the supplier was single sourced contrary to Public Procurement Act of 2008.

**f. Failure to Follow Tender Procedures**

Contrary to Public Procurement Regulation Nos. 7 and 8, which stipulates that approval of Procurements above K50,000,000 be approved by the Provincial Procurement Committee, the Provincial Administration procured tyres from Lamusa Company costing K606,000,000 in December 2012 without the approval of the Provincial Tender Committee.

It was further observed that contrary to Public Procurement Regulation No. 129 (1), which requires that “all procurements with estimated value of above K500 million shall be undertaken using the open bidding or open selection method”, the tender was made without opening it to the public.

**g. Implementation of Road Projects.**

**i. Chingi-Sewe Road - Chavuma District**

A total amount of K800,000,000 was released for 10.7 km of Chingi - Sewe road. The scope of works included among others shaping, gravelling, drainages on the 10.7 km stretch.

A review of records revealed that amounts totalling K713,229,340 were spent on the project leaving a balance of K86,770,660.

A physical inspection carried out in February 2013 revealed that although 10.7 km of the road formation was done only 4 km gravelling was done and the drainages were not done.

**ii. Mushima Road - Mufumbwe District**

Amounts totalling K925,422,720 were spent for the rehabilitation of a stretch of 26 km of the road. The scope of works included among others installation of culverts, spot maintenance, grading, gravelling on the 26 km stretch.

A physical inspection carried out in March 2013 on Mushima road revealed that only 6 km out of the expected 26 km had been gravelled and culverts were not installed.

**iii. Mushitala Road- Solwezi District**

Amounts totalling K297,044,000 were spent for the rehabilitation of a stretch of 17 km of the road.

The scope of works included spot maintenance, grading and gravelling.

A physical inspection carried out in February 2013 revealed that only a stretch of 2 km was gravelled and some parts of the road had become impassable as shown in the picture below.



*An impassable portion of Mushitala road*

**iv. Chikonkwelo –Kayombo Road- Kabompo District – Incomplete Works**

A total amount of K1,400,000,000 was released for 74 km of Chingi - Sewe Road. The scope of works included among others shaping, gravelling, drainages, embankment construction on the 74.7 km stretch.

A review of records revealed that amounts totalling K1,125,504,034 were spent on the project leaving a balance of K274,495,966.

A physical inspection carried out in February 2013 revealed the following:

- 28 km clearing was done,

- 24 km road formation was done, and
- 4 km gravelling was done.



*Kayombo Road under construction*

**HEAD: 98/01 Office of the President – Southern Province - Headquarters**

**PROGRAMME: 6011 Infrastructure Development (PRP)**

**ACTIVITIES: Various**

**78.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December, 2012, a provision of K28,273,171,461 was made to cater for PRP related activities against which amounts totalling K14,607,589,050 were released leaving a balance of K13,665,582,411.

In addition, a sum of K959,902,531 was brought forward from the previous year bringing the total available funds for expenditure to K15,233,597,267. A total of K8,824,191,548 had been spent leaving a balance of K6,409,405,719.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration in Choma and a physical inspection of selected projects carried out in March 2013, revealed the following:

##### **a. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65 (1), three (3) payment vouchers in amounts totalling K9,030,000 were not produced for audit.

**b. Unretired Imprest**

Contrary to Financial Regulation No. 96 (1), imposts in amounts totalling K205,882,814 involving forty nine (49) transactions issued to forty three (43) officers had not been retired as of December 2013.

**c. Issuance of Subsequent Imprest**

Contrary to Financial Regulation No. 91 (1) and (2), impost in amounts totalling K154,383,570 involving twenty five (25) transactions was issued to eighteen (18) officers who had not retired previous impost.

**d. Failure to Produce Reports**

During the period under review, twenty one (21) officers who were issued with impost in amounts totalling K234,180,083 to undertake various official activities such as monitoring and annual appraisals. However, although the impost was retired, as of December 2013, no monitoring reports were produced. In this regard, it was not possible to ascertain whether the activities were undertaken.

**e. Claims Made Without Prior Authority**

A scrutiny of records revealed that claims in amounts totalling K43,347,000 involving twenty (20) transactions were paid to several officers for extra nights spent on official trips. However, there was no evidence to show that prior authority from the Controlling Officer permitting the undertaking and extension of trips was sought.

**f. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K508,605,858 (general stores – K455,055,378 and fuel – K53,550,480) procured during the period under review.

**g. Construction of Low Cost Houses – Kazungula**

In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a provision of K50,000,000 was made to cater for the completion of two (2) low cost staff houses in Kazungula District and the whole amount was released. The houses were being constructed by the Ministry of Transport, Works and Supply, Buildings Department

under Force Account. In this regard, builders from the Buildings Department undertook the construction works while materials were procured by the Provincial Administration.

However, the following were observed:

**i. Uncollected Building Materials**

On 4<sup>th</sup> September 2012, the Provincial Administration procured building materials costing K7,729,800 from VADOMA Ltd for the rehabilitation of two (2) low cost staff houses in Kazungula District. However, the materials procured had not been collected as of October 2013.

**ii. Project Status**

A physical verification of the site conducted in June 2013, revealed that the two (2) staff houses had not been completed with the following works still outstanding:

- glazing, painting, fitting of doors and ceiling, fitting of air vents,
- Completion of roof capping and wiring among others.

**HEAD: 98/01 Office of the President – Southern Province - Headquarters**

**PROGRAMME: Various**

**ACTIVITIES: Various**

**79.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December, 2012, a provision of K17,581,296,130 was made to cater for General Administration against which amounts totalling K14,602,074,465 were released resulting in an underfunding of K2,979,221,665.

In addition, an amount of K2,932,475,218 was brought forward from 2011 bringing the total available funds to K17,534,549,683 against which a total of K14,432,942,597 was spent leaving a balance of K3,101,607,086.

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration in Choma and physical inspections of selected projects carried out in June 2013 revealed the following:

### **a. Misapplication of Funds**

Contrary to the Appropriation Act of 2011, amounts totalling K70,675,810 meant for Recurrent Departmental Charges were spent on activities not related to the intended purpose such as Presidential visits, personal emoluments (housing allowance, acting allowance and salary arrears) and salary advance among others without authority of the Secretary to the Treasury.

### **b. Irregular Refund**

In December 2012, the Permanent Secretary claimed and was paid K50,200,000 as refund for meals and accommodation expenses incurred at Decha Lodge and Gloria's Bed and Breakfast and Accommodation for the period of one hundred and nine days (109) days. However, the payment was irregular in the claim was not supported by relevant documents such as invoices.

### **c. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65, seventeen (17) payment vouchers in amounts totalling K81,178,489 made during the period under review were not availed for audit.

### **d. Unsupported Payments**

Contrary to Financial Regulations No. 45 and 65, ninety nine (99) payments in amounts totalling K373,017,205 made during the period under review were not supported with relevant documents such as quotations, cash sale receipts and Local Purchase Orders.

### **e. Unretired Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K547,788,401 issued to one hundred fifty five (155) officers during the period under review had not been retired as of December 2013.

| Station                   | No. of Officers | Amount K    |
|---------------------------|-----------------|-------------|
| Provincial Administration | 50              | 206,882,441 |
| Choma Sub Accounting Unit | 105             | 340,905,960 |
| Total                     | 155             | 547,788,401 |

Included in the unretired imprest was subsequent imprest in amounts totalling K268,662,799 issued to ten (10) officers.

**f. Failure to Produce Reports**

Amounts totalling K387,433,816 involving seventy two (72) transactions were paid to various officers to undertake official duties. It was however observed that no reports were produced to support the trips undertaken by the officers. As a result, it was difficult to ascertain whether the trips were undertaken.

| Station                   | Amount K    |
|---------------------------|-------------|
| Provincial Administration | 117,208,243 |
| Choma Sub Accounting      | 270,225,573 |
|                           | 387,433,816 |

**g. Irregular Retirement of Imprest**

Imprests in amounts totalling K550,087,538 involving one hundred and twenty seven (127) transactions issued to fifty six (56) officers were irregularly retired in that supporting documents such as log books, receipts were not provided for audit verification.

**h. Non- Deduction of Tax**

Allowances in amounts totalling K278,078,870 paid to various officers were paid without deducting Pay As You Earn (PAYE) contrary to the Income Tax Act Chapter 323 of the Laws of Zambia.

| Station                   | Amount K    |
|---------------------------|-------------|
| Provincial Administration | 249,011,358 |
| Choma Sub Accounting      | 29,067,512  |
|                           | 278,078,870 |

**i. Failure to Remit Taxes**

A total of K396,067,565 was paid to various officers as settling-in-allowances, commutation of leave days and long service bonus. However, Pay As You Earn (PAYE)

amounting to K145,829,416 was deducted but not remitted to the Zambia Revenue Authority, contrary to the Income Tax Act Chapter 323 of the Laws of Zambia.

| Station                   | Amount<br>K |
|---------------------------|-------------|
| Provincial Administration | 140,181,287 |
| Choma Sub Accounting      | 5,648,129   |
|                           | 145,829,416 |

**j. Unaccounted Stores**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K1,463,568,110 procured during the period under review. See table below.

| Station                   | General Stores<br>K | Fuel<br>K   | Totals<br>K   |
|---------------------------|---------------------|-------------|---------------|
| Provincial Administration | 492,156,799         | 713,505,285 | 1,205,662,084 |
| Choma Sub Accounting Unit | 118,909,526         | 138,996,500 | 257,906,026   |
| <b>Total</b>              | 611,066,325         | 852,501,785 | 1,463,568,110 |

**k. Weaknesses in The Management of Fuel**

**i. Fuel Payments not reflected on the Fuel Statement**

A reconciliation of fuel payments against fuel statements obtained from the Filling Station revealed that fuel and lubricants costing K14,600,000 involving nine (09) transactions, purchased during the period under review remained unaccounted for in that the fuel payments were not credited to the fuel account.

**ii. Questionable Drawings of Fuel**

Fuel and Lubricants costing K4,065,783 drawn during the year under review from various accounts, had no vehicle registration numbers indicated on the drawing slips making the drawings questionable.

It was further observed that fuel costing K14,571,488 was drawn by motor vehicles which were not on the fleet owned by the departments.

**l. Failure to Implement Projects**

During the period under review the Provincial Administration received amounts totalling K350,000,000 for the construction of the District Commissioners' offices in Kazungula

(K150,000,000) and Chikankata (K200,000,000). As of December 2013, despite the availability of the funds, the projects had not commenced.

**m. Revolving Fund Account**

During the financial year ended 31<sup>st</sup> December 2012, amounts totalling K1,355,039,274 were received to cater for loans and salary advances.

Out of the total amount received, amounts totalling K1,342,443,799 were spent leaving a balance of K12,595,475 as at 31<sup>st</sup> December, 2012.

The following were observed:

**i. Inadequately Supported Payments**

Contrary to Financial Regulation No 65, eighty two (82) payments in amounts totalling K510,019,207 were either unsupported or inadequately supported with relevant documents such as application and/or request forms and pay slips.

**ii. Loans and Salary Advances not Recovered**

During the period under review, loans and salary advances in amounts totalling K804,900,000 given to one hundred and twenty three (123) officers had not yet been effected for recovery.

**HEAD: 98/03 Office of the President – Southern Province – Rural Roads Department**

**PROGRAMME: 6011 Infrastructure Development**

**Activities: Various**

- 80.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K10,000,000,000 was made under Provincial Administration to cater for PRP related activities against which amounts totalling K8,115,866,142 were released leaving a balance of K1,884,133,858.

| District                 | Provision<br>K        | Release<br>K         | Variance<br>K          |
|--------------------------|-----------------------|----------------------|------------------------|
| Livingstone Rural Roads  | 1,780,000,000         | 2,660,000,000        | 880,000,000            |
| Choma Rural Roads        | 800,000,000           | 500,000,000          | (300,000,000)          |
| Gwembe Rural Roads       | 600,000,000           | 500,000,000          | (100,000,000)          |
| Itezhi-Tezhi Rural Roads | 1,700,000,000         | 300,000,000          | (1,400,000,000)        |
| Kalomo Rural Roads       | 600,000,000           | 650,866,142          | 50,866,142             |
| Kazungula Rural Roads    | 600,000,000           | 635,000,000          | 35,000,000             |
| Mazabuka Rural Roads     | 600,000,000           | 360,000,000          | (240,000,000)          |
| Monze Rural Roads        | 520,000,000           | 460,000,000          | (60,000,000)           |
| Namwala Rural Roads      | 1,600,000,000         | 500,000,000          | (1,100,000,000)        |
| Siavonga Rural Roads     | 600,000,000           | 750,000,000          | 150,000,000            |
| Sinazongwe Rural Roads   | 600,000,000           | 800,000,000          | 200,000,000            |
| <b>Total</b>             | <b>10,000,000,000</b> | <b>8,115,866,142</b> | <b>(1,884,133,858)</b> |

As of 31<sup>st</sup> December 2012, amounts totalling K6,912,476,875 had been spent leaving a balance of K1,203,389,267.

### Accounting and Other Irregularities

An examination of accounting and other related records maintained at the Provincial Administration in Choma and physical inspection of selected projects carried out in March 2013, revealed the following:

#### a. Trips Not Supported by Activity Reports

Amounts totalling K114,950,000 involving twelve (12) transactions were issued to seven (7) officers to undertake various official activities such as monitoring and annual appraisal. However, no reports were made available for audit scrutiny to support the undertaken trips. As a result, it could not be ascertained as to whether the trips took place.

#### b. Irregular Drawings of Fuel by Non RRU Vehicles

During the year under review, fuel costing K19,002,020.30 involving thirty seven (37) transactions were drawn by motor vehicles which were not on the fleet owned by Rural Roads Unit Office. As of March, 2013, no reimbursements had been made by the departments that borrowed the fuel.

#### c. PRP Projects Implementation – Incomplete Works / Poor Workmanship

A physical inspection on selected roads revealed that most of the works were not completed and there was an element of poor workmanship as detailed below.

| District | Works Planned (KM)                                | Amount Released K | Observations  |
|----------|---|-------------------|---|
| Siavonga | Rehabilitation of Mataningala Air Strip           | 750,000,000       | Although the road had been graded and formed the following were observed:<br>- No culverts were installed<br>- Spot re-gravelling was not done<br>- The road was in a bad state with potholes and road cutting in some places   |
|          | - 14 km Heavy Grading                             |                   |   |
|          | - 2 km Spot Re-gravelling                         |                   |   |
| Mazabuka | Rehabilitation of D384 Magoye/Konkola/Namaila     | 360,000,000       | - Only heavy grading up to 18.5 Km was done<br>- Spot re-gravelling was not done<br>- The road was in a bad state with potholes, rutting, deep depression on the main carriage way and road cutting in some places  |
|          | - 3km Light Grading                               |                   |   |
|          | - 68Km Heavy Grading                              |                   |   |
| Monze    | Rehabilitation of St Marys Road                   | 460,000,000       | - Heavy grading up to 16.5Km only was done<br>- Spot re-gravelling was not done<br>- The road was in a bad state with potholes, depression on the main carriage way, longitudinal and transverse gullies, eroded side drains and road cutting in some places            |
|          | - 40.5Km Heavy Grading                            |                   |   |
|          | - 1.5km Spot Re-gravelling                        |                   |   |
| Gwembe   | Rehabilitation of Gwembe –Munyumbwe Chipepo Road. | 500,000,000       | - Bulldozing up to 21Km only was done<br>Full gravelling was done up to 9km<br>- The road was in a bad state with potholes<br>- No heavy grading was done rendering the road to be narrower than the earlier state, deep longitudinal gullies on the main carriage way. |
|          | - 25km Light Grading                              |                   |   |
|          | - 45Km Heavy Grading                              |                   |   |
| Choma    | Rehabilitation of Choma Masuku mission            | 500,000,000       | - Heavy grading was done up to 19km only<br>- The road is in a very bad state with potholes, deep depression gullies on the main carriage way, impassable in 5Km due to poor workmanship (detour by motorist being used)  |
|          | - 51.55Km Heavy Grading                           |                   |   |
|          | - 3.45km Spot Re-gravelling                       |                   |   |

**HEAD: 99 Constitutional and Statutory Expenditure – Ministry of Finance**

**Programmes: Various**

**Activities: Various**

### **Background**

81. Head 99 comprises funds for servicing external and internal debt, contingency and other expenditure and is controlled by the Secretary to the Treasury at the Ministry of Finance.

### **Management Information System**

The Ministry of Finance (MOF) has been using the United Nations Conference on Trade and Development's (UNCTAD) Debt Management and Financial Analysis System (DMFAS) since

1986. This is a specialised debt management and financial analysis software designed to help countries manage external and domestic public debt, including securities.

The Investment and Debt Management (IDM) Department is charged with the core function of management of public debt, supervision and monitoring of Government investments. IDM has five units; External Debt, Domestic Debt, Government Investments, Accounting and a Data Debt Unit.

The DMFAS database is maintained by the Debt Data Unit and contains only public external debt. The other units of IDM have no access to the system.

In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2012, a total provision of K3,934,159,822,511 was made to cater for various activities against which a total amount of K3,102,063,287,369 was released resulting in an under funding of K832,096,535,142.

### **Weaknesses in the Management of Constitutional and Statutory Expenditure**

A review of accounting, DMFAS and other relevant records maintained at the Ministry Headquarters and Bank of Zambia carried out in September 2013 revealed the following:

#### **a. Lack of Segregation of Duties**

The Debt Unit under the Investments and Debt Management Department (IDM) has a total staff establishment of four (4) officers (Head – Debt Data, Programmer/ Analyst and two (2) Data Entry Operators)

Although all the positions were filled, only two (2) data entry operators were defined and managing the system as the Head Debt Data was on long term attachment to IFMIS while the programmer was performing other duties.

Consequently, there was lack of segregation of duties in that the two (2) data entry operators were performing systems, database and security administration in addition to data entry.

Further, a data entry operator was the system owner who also had rights to carry out business transactions as well as perform system administration duties on the system.

**b. Failure to Maintain an IT Asset Register**

During the period under review, IDM did not maintain an IT Asset Register. In this regard, it was not possible to ascertain the existence and location of the equipment.

**c. Lack of Risk Assessment and Internal Audit of the system**

CoBIT PO9.4 Risk Assessment requires that an organization assesses on a recurrent basis the likelihood and impact of all identified risks, using qualitative and quantitative methods. The likelihood and impact associated with inherent and residual risk should be determined individually, by category and on a portfolio basis.

Equally important in the risk management process is the independent, objective assurance, evaluation and monitoring of processes of the system by internal auditors as this activity is designed to add value and improve the effectiveness of the risk management, control, and governance processes.

However, neither was risk assessment of the DMFAS carried out nor the system subjected to audit by internal auditors.

**d. Lack of Backup Policy**

A back up policy is important in the effective management of data. The policy is designed to protect data in the organisation and ensure it is not lost and can be recovered in the event of an equipment failure, intentional destruction or disaster.

A back-up policy should address among others the frequency and mode of back-up, type of back-up, backup storage media and their location. However, during the period under review, the Ministry operated without a backup policy.

**e. Lack of an Information Security Policy**

According to ISO/IEC 27001 A.5 Security Policy, the objective of an information security policy is to provide management with direction and support for information security in accordance with business requirements and relevant laws and regulations.

An information security policy document should be approved by management, be published and communicated to all employees and relevant external parties. It outlines all

of the policies, procedures, plans, processes, practices, roles, responsibilities, resources, and structures that are used to protect and preserve information.

However, during the period under review, the Ministry did not have an information security policy in place.

**f. Lack of Change Management Procedures**

ISO 27001 A.10.1.1 Documented Operating Procedures requires that operating procedures shall be documented, maintained, and made available to all users who need them.

In addition, ISO 27001 A.10.1.2 Change Management requires that changes to information processing facilities and systems shall be controlled.

The Ministry did not have documented or formalised change management procedures in place to guide the system administrator and user on making changes on the system and database which included the adjustments to loan parameters.

**g. Lack of Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)**

Business Continuity and Disaster Recovery Planning help institutions prepare for and resume operations in the event of disruptive events whether an event might be a power outage, fire destroying equipment, or the system failing to function as expected.

According to the International Monetary Fund (IMF) Guideline on Public Debt 3.2 (37), management of operations, requires that sound business recovery procedures should be in place to mitigate the risk that debt management activities might be severely disrupted by natural disasters, social unrest or acts of terrorism.

However, during the period under review, the Ministry did not have a BCP and a DRP for the system during the period under review.

**h. Lack of Designated Server Room**

CoBIT DS 12.2 Physical Security Measures stipulates that an entity should define and implement physical security measures in line with business requirements to secure the location and the physical assets.

Physical security measures must be capable of effectively preventing, detecting and mitigating risks relating to theft, temperature, fire, smoke, water, vibration, vandalism, power outages, chemicals or explosives.

Furthermore, international best practice requires that a server room is in a conducive and safe condition at all times with ambient temperatures of between 18°C - 25°C and has restricted access.

The Ministry did not have a designated server room for DFMAS. As a result, the computer room was used to house the DMFAS server. Furthermore, the computer room was used as a pool office for three (3) officers.

**i. Poor User Account Management**

CoBIT DS5.4 User Account Management requires that user privileges are set according to user account management procedures to facilitate the managing, issuing, suspending, modifying and closure of user accounts.

However, a review of the user access management and Domain Controller Security settings on the system revealed that there was poor account and security management. In particular the following were observed:

- The passwords for the system administrator and users were not set with an expiration period.
- Parameters, complexity, age and length of passwords were not defined on the password security settings.
- The automatic account lock out duration, threshold and lock out counter on the system were not defined. Therefore, a user could make several attempts to logon to the system with an invalid password without being locked out.

**j. Lack of Data Classification Scheme on DMFAS**

According to CoBIT PO2.3 Data Classification Scheme, an organisation should establish a classification scheme that applies throughout the enterprise, based on the criticality and sensitivity (e.g., public, confidential, top secret) of enterprise data. This scheme should include details about data ownership; definition of appropriate security levels and

protection controls; and a brief description of data retention and destruction requirements, criticality and sensitivity. It should be used as the basis for applying controls such as access controls, archiving or encryption.

However, there was no data classification scheme at the Ministry during the period under review.

**k. Lack of an Updated Antivirus on DMFAS**

According CoBIT DS5.9 Malicious Software Prevention, Detection and Correction, an organization should put preventive, detective and corrective measures in place (especially up-to-date security patches and virus control) across the organization to protect information systems and technology from malware (e.g., viruses, worms, spyware, spam).

The antivirus installed on the DMFAS server was obsolete as the supplier stopped offering support services for the software in 2010.

**l. Lack of Continuance System Upgrade**

The Ministry has been using the DMFAS version 5.3 since 2006. The version can be installed and accessed on a standalone PC or on a networked environment and supports Oracle 10g RDMS.

The latest version DMFAS 6.0 was released in November 2009. It supports the latest technology and enhanced functionalities including a web interface (portal) that provides centralized access to all DMFAS modules and utilizes Oracle 11g RDMS which has improved performance, availability and security.

However, as of December 2012, the Ministry had not upgraded to the DMFAS 6.0 which was released over three (3) years ago.

**m. Failure to Utilise DMFAS Grants Module**

The DMFAS has a grants module which can be used to record general and specific data relating to grants. However, the module was not being utilised.

The Ministry is currently developing the Zambia External Assistance Development Management system, for managing data related to grants. Between March 2011 and August

2012, amounts totalling K232,335,731 had been spent on workshops, seminars and allowances for staff involved in the development of the database (ZEADMS).

Further, the development of the ZEADMS was not supported by a Project Initiation Document (PID) to show the justification for undertaking the project.

As at November 2013, the project had not been finalized.

**n. Failure to Perform Data Validation Checks**

The DMFAS guide provides for generation of data validation reports which allow users to check the accuracy and consistency of the data recorded. However, during the period under review the Ministry did not perform data validation checks.

**o. Failure to Provide Pre - HIPC and Post HIPC Reports**

The Ministry of Finance did not provide reports clearly showing the debt stock for Pre HIPC and Post HIPC position of the Country.

In addition, reconciliation reports on debt portfolio of Zambia on DMFAS clearly indicating dates when a debt was contracted, fully repaid loans and those outstanding during the Pre and Post HIPC period were not provided for audit.

**Financial Audit Findings**

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

**a. Position of Public Debt**

The position of domestic and external debt as at 31<sup>st</sup> December 2012 was as shown in the table below:

| TYPE          | Opening Balance as at 1st January 2012<br>K | Amount Borrowed During the year 2012<br>K | Amount Repaid During the year 2012<br>K | Closing Balance as at 31st December 2012<br>K |
|---------------|---|---|---|---|
| Domestic Debt | 13,825,383,063,019                          | 11,241,865,743,600                        | 9,710,182,629,280                       | 15,357,066,177,338                            |
| External Debt | 7,656,868,272,984                           | 8,927,980,854,463                         | 1,153,182,535,027                       | 15,431,666,592,420                            |
| <b>Total</b>  | <b>21,482,311,336,003</b>                   | <b>20,169,846,598,063</b>                 | <b>10,863,365,164,308</b>               | <b>30,788,792,769,758</b>                     |

As can be seen from the table above, total public debt increased from K21,482,311,336,003 as at 31<sup>st</sup> December 2011 to K30,788,792,769,758 as at 31<sup>st</sup> December 2012 representing

an increase of 43%. The increase in the debt levels was attributed to new borrowings made in 2012.

**b. Failure to Service Loans**

Records in respect of loans in amounts totalling US\$123,446,502 as shown in the table below, revealed that the Government has not been consistent in servicing the loans from Brazil, Iraq and China.

Loans from Brazil were last serviced in June 2001, from Iraq in July 1984 and those from China have never been serviced and interest has since accumulated to US\$44,906,325 as shown in the table below.

| CREDITOR NAME      | ARREARS PRINCIPAL US\$ | ARREARS INTEREST US\$ | OUTSTANDING INCL ARREARS TOTAL US\$ |
|--------------------|------------------------|-----------------------|-------------------------------------|
| BANCO DE BRASIL    | 32,250,842.36          | 34,886,132.57         | 67,136,974.93                       |
| GOVT OF CHINA      | 19,221,513             | -                     | 19,221,512.84                       |
| GOVT OF IRAQ       | 27,067,822             | 10,020,192.43         | 37,088,014.28                       |
| <b>GRAND TOTAL</b> | <b>78,540,177</b>      | <b>44,906,325</b>     | <b>123,446,502.05</b>               |

**c. Failure to Monitor and Manage Bonds - Treasury Bills**

According to the World Bank/IMF debt sustainability framework, the Ministry of Finance is required to sign an Agency Agreement with the Bank of Zambia (BOZ) which spells out the formalised roles and responsibilities of the two parties. However, during the period under review, the Ministry did not have an Agency Agreement with the BOZ.

Further, although records obtained at BOZ revealed that K9,110,865,743,600 was raised in treasury bills and bonds during the period under review, there were no records maintained at the Ministry. In this regard, it was not possible to ascertain whether there was effective monitoring and management of bonds by the Ministry.

**RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE WHICH HAVE EITHER NOT BEEN IMPLEMENTED OR HAVE BEEN PARTIALLY IMPLEMENTED**

- 82.** In 1992, the Public Accounts Committee (PAC) resolved to appoint a Committee of officials from the Ministry of Finance, National Assembly and Office of the Auditor General to deal exclusively with the outstanding issues on a continuous basis. Since then, the Committee has been meeting to ensure that outstanding issues are cleared.

Appendix 1 to this Report summarises the status of the unresolved issues as at 31<sup>st</sup> December 2013 for which necessary remedial action is required. This forms part of my Report for the financial year ended 31<sup>st</sup> December 2012 where as Appendix 2 is the glossary of terms. The glossary of terms has been included in order to make the report to be clearer and to assist the users of the report to fully understand the issues raised.

**AUDIT HOUSE  
HAILE SELASSIE  
AVENUE  
LUSAKA  
31<sup>st</sup> December 2013**

**ANNA O CHIFUNGULA FCCA, FZICA  
AUDITOR GENERAL  
REPUBLIC OF ZAMBIA**

## **Appendix 1**

### **REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIRST SESSION OF THE EIGHT NATIONAL ASSEMBLY**

#### ***Report of the Auditor General on the Accounts for the Financial year ended 31<sup>st</sup>***

##### ***December 1994***

*Para 30 (40) Management Programme – Fertilizer Purchase – on the Current position on the matter.*

*Para 54 (64) Irregularities in the purchase and Distribution of mattresses Whether the amount of K30,488,497,000 has since been recovered.*

### **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 31<sup>st</sup>***

##### ***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 year ended 31<sup>st</sup>***

***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 31<sup>st</sup>***

***December 2000***

*Para 53 (64) Accounting irregularities –Progress made on the matters in (i)  
and (ii)*

*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.*

*Para 130 (142) Guarantees – the regards the outcome of the investigations.*

**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 31<sup>st</sup>***

***December, 2001***

- Para 22 (24) Repairs to GRZ 556 BK – On the latest position on the matter.*
- Para 24 (26) The Trust Restriction 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 (f)*
- Para 40 (45) District Education Office – Chipata – As regards progress made  
c on the matters raised.*
- Para 46 (50) District Education Office – 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 31<sup>st</sup>***

***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 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 52 (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 110 (120) District Education Office-Kasempa – As to whether the works have since been completed.*

*Para 128 (138) District Education Office- 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 for the Financial year ended 31<sup>st</sup>***

***December, 2003***

- Para 11 (16) ZRA Revenue Collection - On the progress made on the matters raised (d)*
- Para 12 (17) Misappropriation of Revenue Collections and other Accounting irregularities – current position on the matters raised.*
- Para 20 (20) Weakness in Accounting for Mission funds – as to whether the renovations 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 (28) Accounting and other irregularities – current position raised on the matter.*
- Para 25 (30) Revenue on the sale of Government Pool Houses – whether the matter has been disposed off by the court (e)*
- Para 27 (32) Accounting irregularities – As regards progress made on the matter raised in (e)*
- Para 38 (43) Accounting irregularities – current position on the matters raised.*
- Para 40 (45) Headquarters*
- (a) Unretired imprest – As regards progress on the matter and on other raised.*

- Para 41 (46) Kasama District Education Office – Progress made to address the issues raised (c), (ii)*
- Para 45 (50) District Education Office – Luwingu – As regards latest position on the matter raised.*
- Para 48 (53) District Education Office – Luangwa - As regards the latest Position made in addressing the matter raised in ( a-c )*
- Para 49 (54) Construction of the District Board Secretary’s Office – Luangwa- As regards progress made on the unaccounted for amount of K49,157,000.00*
- Para 50 (55) District Education Office – Kafue- As regards progress made on the matters raised.*
- Para 55 (60) District Education Office – Chibombo – As regards the latest Position on the items in (a)*
- Para 59 (64) District Education Office – Sesheke – As to whether the reconciliation between the Ministry of Education and Zambia Publishing house concerning the 1,925 books has been done.*
- Para 61 (66) District Education Board – Chama - As to whether the reconciliation on the remaining 6,070 books have been done.*
- Para 62 (67) District Education Board – Mambwe – on the latest position on the matters raised*
- Para 64 (69) District Education Office – Kalulushi – As to whether the construction works have been completed*
- Para 70 (75) District Education Office – Mansa – As regards the latest position on the matters raised in (a) – (c)*

- Para 71 (76) District Office – Samfya – As regards the current position on the construction works.*
- Para 73 (78) Basic Schools – the current position on the matter raised.*
- Para 75 (80) Unretired Imprest K64,709,400.00 – Progress on the matter.*
- Para 76 (81) Unauthorised Loans – As regards the current position on the matter.*
- Para 78 (38) 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 - As regards the current position on the matter raised*
- Para 80 (85) Accounting irregularities – The current position on the matter raised (a), (e)*
- Para 81 (86) Weakness in the management of Debt Stock – As regards progress made on the matters raised in (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 31<sup>st</sup>***

***December, 2004***

- Para 16 (14) Revenue Collections – Lusaka Port Office – AS regards progress in the matter raised (a) i, ii, (d), (e) i, ii.*
- Para 17 (15) Other ports and stations – whether the matters raised in (iv) and (vi) have been resolved.*

- Para 19 (17) Weakness and irregularities in Accounting for Revenue - On the latest position on the matters raised.*
- Para 19 (20) Local Bank Accounts – Regarding the recovery of funds from the Union Bank*
- Para 20 (18) Provincial and District Offices – Latest position on the matter raised in b, d, e.*
- Para 22 (20) Weakness and Irregularities in Accounting for Revenue – Whether the issues raised have since been addressed..*
- Para 25 (23) Weaknesses in Internal controls and poor Record Keeping – Progress on the matter raised.*
- Para 26 (24) Weaknesses in Procurement of Goods and Services and other Irregularities – Progress on the matter raised.*
- Para 30 (28) Accounting and other irregularities – progress made in resolving the matter raised in (a), (b), (c)*
- Para 32 (30) Unsupported expenditure – on progress made in resolving the matters raised.*
- Para 33 (31) Non-adherence to Tender Procedures – the current position on the matter raised.*
- Para 35 (33) Sector Plan Implementation – As regards the current position on the Unretired imprest.*
- Para 41 (39) Outstanding Loans (K184,253,333.00) – Regarding the latest position on the matter.*
- Para 43 (41) Consideration on Issue Arising from the inspection Tour of Missions Abroad – As regards progress to address the issues*

*raised.*

*Para 45 (45) Rehabilitation of feeder roads Road Rehabilitation – current position on the matter raised.*

***TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE  
FOR THE FIRST SESSION OF TENTH NATIONAL ASSEMBLY***

***Report of the Auditor General on the Accounts for the Financial year ended 31<sup>st</sup> December  
2005***

*Para 9 (9) Revenue Collections – ZRA – As regards progress on matters raised.*

*Para 10 (10) Accounting irregularities - current position as the matter raised*

*Para 13 (13) Weaknesses and irregularities in Accounting for revenue*

*Para 14 (14) Weakness and irregularities in Accounting for Revenue  
– Progress made in resolving the outstanding matters raised*

*Para 15 (15) Irregularities in Accounting for Rental Collection – Progress made on the matter raised*

*Para 20 (20) Irregularities in Accounting for weigh Bridge Charges-  
Kafulafuta – 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 has  
reported progress in matters raised in (a) and (j)*

- Para 24 (24) Accounting and other irregularities – Regarding progress made on the matters raised.*
- Para 28 (28) Weaknesses in Accounting for Special Imprest and other irregularities – Regarding the latest position on the matters raised*
- 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 in (b) 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 Flights-As regards progress made on the matters raised.*
- Para 38 (38) Delays in the completion of the Zambia Transport Information system (ZAMTIS) project – As regards progress on the matter*
- Para 40 (40) Weakness in Accounting for Sector Plan Support Funds – As regards progress on the construction works and the current position on the other matters raised.*
- Para 41 (41) Provincial Offices – Current position on the matters raised*
- Para 44 (44) Weakness in Control Over Bank Accounts- As regards the latest position on the matters raised.*
- Para 45 (45) Rehabilitation of feeder roads – As regards the latest position on the matters raised.*
- Para 46 (46) Failure to implement Poverty Reduction and other Irregularities- On the progress made in order to address the matters raised in (a)*

*and (b)*

- Para 47 (47) Wasteful expenditure and other irregularities – As regards the Current position on the matters raised.*
- Para 51 (51) Misappropriation of Personal Emoluments and other irregularities regarding the current position on the matters raised in (e)*
- Para 52 (52) Accounting and other irregularities – As to whether verification has since been done (b) –(f)*
- Para 41 (45) Provincial Office – Grants to the Provinces – 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 TENTH NATIONAL ASSEMBLY***

***Report of the Auditor General on the Accounts for the Financial year ended 31<sup>st</sup> December 2006***

- Para 23 (21) Weaknesses and Irregularities in the management of Lands Management Information System (LIMS) and Accounting for Revenue – Progress made in addressing the matters raised.*
- Para 24 (22) Weakness in Accounting for revenue – 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 – Progress made on the matters raised (a) – (d).*
- Para 65 (63) Accounting and other irregularities – As regards the latest position on the matters raised (f)*

- Para 66 (64) Weaknesses in Accounting for funds and other irregularities whether the matters raised have since been addressed*
- Para 56 (54) Accounting irregularities - On progress made in resolving the issues raised.*
- Para 57 (55) Irregular Transfer of funds – Progress made to resolve the matters raised.*
- Para 58 (56) Accounting and other irregularities – Progress made to resolve the issues raised*
- Para 49 (47) Irregularities in Accounting for Grants – Progress made on the matters raised (a) – (d).*
- Para 62 (60) Accounting in irregularities – Government funded Programs and activities - As regards the current position on the matters raised in (a) – (g)*
- Para 63 (61) Weaknesses in Accounting for Sector Plan Implementation Funds – on the progress made to address the issues raised*
- Para 64 (62) Accounting irregularities - On the measures taken to address the issues raised.*
- Para 76 (74) Irregularities in Accounting for Personal Emoluments – As to whether the matters raised have since been addressed.*
- Para 78 (76) Accounting weaknesses – PRP Funds - Progress made to resolve the matters raised (a) – (d).*
- Para 79 (77) Road Rehabilitation Irregularities on Contract Management - Progress made on the matters.*

- Para 80 (78) Accounting irregularities On the current position of Police investigation.*
- Para 81 (75) Misapplication of funds -As regards the latest position on the matter.*
- Para 89 (87) Irregularities in the Procurement of Cattle – 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 –As regards progress made on the matters raised (b) and (c).*
- Para 73 (71) Construction of Health Posts/Rehabilitation of Health Facilities - progress made on the matter.*
- Para 75 (74) Weaknesses in Administration of Funds – As regards measures put in place to resolve the issues raised (a) and (b).*
- Para 84 (82) Accounting irregularities -As regards progress made on the matter.*
- Para 83 (81) Accounting and other Irregularities - regarding the current position on the matter.*
- Para 88 (86) Accounting irregularities – regarding the current position on the matters (b) – (c)*

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE  
FOR THE FOURTH SESSION OF THE TENTH NATIONAL ASSEMBLY.**

***Report of the Auditor General on the Accounts for the Financial Year ended 31<sup>st</sup> December 2007.***

- Para 7(8) Revenue Collections-Current position on the matters raised in (c)-(f).*
- Para 8(9) Accounting and other irregularities-Whether the queries raised in (a)-(c) have since been addressed.*
- Para 9(10) Irregularities in Accounting for Revenue-Current position on matters raised in (a) and (c).*
- Para 10(11) Weaknesses in Accounting for Revenue-Latest position on issues raised.*
- Para 11(12) Irregularities in Accounting for Revenue Collections-As regards the current position on the matters raised.*
- Para 12(13) Irregularities in Accounting for Revenue Collections- As regards the current position on the matters raised.*
- Para 14(15) Irregularities in Accounting for Revenue-Current position the issue raised.*
- Para 15(16) Weakness and Irregularities in the Zambia Transport and Information System (ZAMTIS)-Progress made in addressing the issues raised.*
- Para 16(17) Weakness in Accounting for Revenue-As to whether the recorded loss of K63, 288,400 has been recovered.*
- Para 17(18) Irregularities in Accounting for Revenue-The current position on the matters raised in (a) to (d).*
- Para 18(19) Weakness in Accounting for Personal Emoluments, Loans and other irregularities-Latest position on the outstanding matters.*
- Para 19(20) Weakness in Accounting for Personal Emoluments, Loans and other irregularities-Latest position on the outstanding matters.*
- Para 20(21) Accounting and other Irregularities-Latest position on the outstanding matters.*

- Para 21(22) Poor Contract Management-Construction of AMCO house, Kitwe- Progress made in addressing the issues raised.*
- Para 22(24) Accounting and other Irregularities- Current position the issues raised.*
- Para 24(28) Accounting Irregularities- Current position the issues raised.*
- Para 25(29) Accounting and other Irregularities- Latest position on the outstanding matters.*
- Para 26(30) Accounting and other Irregularities- Progress made in addressing the issues raised.*
- Para 27(31) Irregularities in Accounting for DHMT funds-As to whether the issues raised have been addressed.*
- Para 28(32) Weaknesses in Accounting for Funds-the current position on the matters raised.*
- Para 30(34) Delays in the construction of the District hospital- the current position on the matters raised.*
- Para 32(36) Weaknesses in Accounting for PRP funds-- Latest position on the outstanding matters.*
- Para 34(38) Weaknesses in Accounting for Bursary Scheme- Progress made in addressing the issues raised.*
- Para 35(39) Accounting and other irregularities-current position on issues raised in c-h.*
- Para 36(40) Accounting and Other irregularities in Sector Plan implementation- Progress made in addressing the issues raised.*
- Para 37(41) Weaknesses in Accounting for funds and stores- current position on issues raised.*
- Para 38(42) Irregular Purchase of a house and other irregularities-Whether the issues have since been addressed.*
- Para 39(43) Weaknesses in Accounting and other Irregularities-Current position on (a) to (d)*
- Para 40(44) Weaknesses in Accounting for funds and other irregularities-whether the queries have been addressed.*
- Para 41(45) Weakness in Accounting for Irrigation and Land Husbandry Programmes (RIF)-RPP-The current position on issues raised in (d).*

- Para 43(47) Accounting and other irregularities-Whether the issues raised in (b) to (d) have since been addressed.*
- Para 44(48) Accounting and other Irregularities-Latest position on the matters raised.*
- Para 45(49) Weaknesses in Accounting for PRP funds-whether the issues raised in (b)-(d) have been addressed.*
- Para 46(50) Monitoring and Evaluation, Construction of staff house for provincial staff-whether the queries have been addressed.*
- Para 47(51) Irregularities in Accounting for High School requisites -latest position on the court case.*
- Para 48(52) Accounting and Other irregularities-Current position on item (a)*
- Para 49(53) Weaknesses in Accounting for PRP funds-Progress made on the matter*
- Para 50(54) Failure to complete projects-Progress made to complete all the outstanding projects*
- Para 51(58) Accounting and other irregularities-Whether the issues raised in (a)-(c) have been addressed.*
- Para 52(59) Failure to Execute Rehabilitation works-Whether the works at Chisale Day School have been completed.*
- Para 53(60) Weaknesses in Accounting for Recurrent Departmental charges-The current position on items (c) and (h).*
- Para 55(62) Irregularities in Accounting for Building materials –whether the issues raised in (c) have been addressed.*
- Para 56(63) Weaknesses in Accounting for PRP funds- The current position on issues raised.*
- Para 57(64) Weaknesses in Accounting for Building Materials and Failure to complete projects (Teachers houses)-whether the issues raised in (a) I, ii, iii c and d have been addressed.*
- Para 58(65) Weaknesses in Accounting for Building Materials and Failure to complete projects-Progress made in addressing issues raised in (b) to (i).*

*Para 61(68) Accounting and other irregularities-current position on the matters raised.*

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE  
FOR FIFTH SESSION OF THE TENTH NATIONAL ASSEMBLY**

**Report of the Auditor General on the Accounts for the financial year ended 31st December  
2008.**

*Paragraph 7(7) Outturn and Appropriation Accounts – As to the whether unreconciled  
balance of K53, 670,924,188 has been resolved.*

*Paragraph 8(8) General Revenue – Progress made in addressing issues raised (a) i-ix (b)*

*Paragraph 9(9) Weaknesses in accounting for revenue – progress made in addressing (a)  
and (c)*

*Paragraph 10(10) Accounting Irregularities in revenue collections – As regards the latest  
position on items (a) and (b)*

*Paragraph 12 (12) Irregularities in Accounting for Revenue collections - whether the issues  
raised in (i) and (iv) have since been addressed.*

*Paragraph 13 (13) Accounting irregularities in Revenue collections – Progress made in  
resolving the outstanding issues in (a) and (c)*

*Paragraph 14 (14) Weaknesses in Accounting for Revenue and other irregularities – Progress  
made in addressing issues raised (a) (b) (c) (d)*

*Paragraph 15 (15) Accounting irregularities in Revenue collection – Progress made in  
resolving the outstanding issues*

*Paragraph 16 (16) Accounting Irregularities in Revenue collections – Progress made in  
resolving the issues raised in (a) – (b)*

*Paragraph 17 (17) Irregularities in accounting for Revenue – As to whether the issues raised  
in (a) (b) and (c) have been addressed*

*Paragraph 18 (18) Weaknesses and Irregularities in Accounting for Revenue – Measures  
taken to address the issues raised*

- Paragraph 20 (19) Weaknesses in Accounting for Revenue – As to whether the issues raised in (i) and (ii) have been resolved*
- Paragraph 21 (20) Accounting and other Irregularities – Progress made in addressing issues raised*
- Paragraph 22 (21) Accounting and Other Irregularities- Progress made in addressing issues raised.*
- Paragraph 23 (22) Accounting and other Irregularities – Progress made in addressing issues raised in (b) (f) (g) (h) (j) (l) and (m)*
- Paragraph 24 (23) Weaknesses in Accounting for PRP funds – As to whether the work s have since been completed*
- Paragraph 25 (24) Accounting and Irregularities – Progress made in resolving the issues outstanding in (b) (c) (e) (f) and (g)*
- Paragraph 26(25) Accounting Irregularities – Progress made in resolving the outstanding issues*
- Paragraph 27 (26) Accounting and other irregularities – Progress made in addressing issues raised (a) – (h)*
- Paragraph 28(27) Accounting and Other Irregularities - Current position on the matters raised (b)*
- Paragraph 30(29) Accounting and other Irregularities – As to whether payment in amounts totalling US\$4,244 have been supported and disciplinary action taken against the officer responsible.*
- Paragraph32(31) Accounting and other irregularities - As to whether the controlling officer has come up with a formula for apportioning bills.*
- Paragraph 35(34) Accounting and Other Irregularities – As to when the advance recovery detailed will be availed for audit.*
- Paragraph 36(35) Accounting and other irregularities – As to whether the issues in (b) viii and ix have been addressed.*

- Paragraph 40(39) Accounting and other Irregularities – Progress made in addressing issues raised (a)i-ix*
- Paragraph 41(40) Weaknesses in Accounting for Personal Emoluments and other Irregularities – Progress made to resolve the outstanding issues.*
- Paragraph 42 (41) Accounting and other Irregularities – As regards progress made in addressing the issues raised.*
- Paragraph 43(42) Accounting and other Irregularities – As regards progress made in addressing the issues raised in (a)(b)(c)(g)(h)*
- Paragraph 44(43) Irregularities in the Procurement of Hearses – the latest position on the investigations.*
- Paragraph 45(44) Accounting Irregularities – The current position regarding the issues Paragraph raised in (a)I and iv*
- Paragraph 46(45) Irregularities in Procurement of Motor vehicles- Current position on item (a)iii and (b)*
- Paragraph47 (46) Accounting and other irregularities - As to whether the claim for insurance has been processed and police report availed.*
- Paragraph 48(47) Compensation and Awards- As to whether the investigations into the final reconciliation have been concluded.*
- Paragraph49(48) Accounting and Other Irregularities – As to whether the building has been completed and commissioned.*
- Paragraph50 (49) Accounting and other irregularities- As to whether the outstanding issues have since been resolved.*
- Paragraph 51 (50) Accounting and other Irregularities – Progress made in addressing issues raised in (b)ii*
- Paragraph 52 (51) Accounting Irregularities – As to whether the necessary retirements have been availed and construction works completed.*

- Paragraph 53 (52) Accounting and Other Irregularities – Whether the issues raised have been resolved*
- Paragraph 54 (53) Accounting Irregularities – Administration of the RDC account- As to whether the issues raised in (a) and (c) have been addressed*
- Paragraph 55 (54) Accounting and Other Irregularities – As to whether the issues raised in (a) (c) (d) (e) (g) i, iii*
- Paragraph 56 (55) Accounting and other Irregularities in the execution of the projects- current position on items (a) (b) and (c)*
- Paragraph 57 (56) Accounting and other Irregularities – Current status on items (a) – (d)*
- Paragraph 58 (57) Accounting and other Irregularities – As to whether the issues raised (a) i, ii have been addressed*
- Paragraph 60 (59) Irregularities in Accounting for forestry Development Credit Funds- Whether all queries raised have since been addressed*
- Paragraph 61 (60) Accounting and other Irregularities – As to whether all the outstanding bills amounting to K406, 351,146.74 have been cleared*
- Paragraph 62 (61) Accounting and other Irregularities – As to whether the amount of K274, 746.500, K51, 794,044 and K226, 250.000 have been recovered.*
- Paragraph 63 (62) Weaknesses in Accounting and failure to follow tender procedures – As to whether the issues raised in (a) and (b) have been addressed.*
- Paragraph 64 (63) Accounting and other irregularities – Progress made in resolving the outstanding issues.*
- Paragraph 65 (64) Accounting and other irregularities – As to whether all the issues raised have been resolved.*
- Paragraph 66 (65) Weaknesses in Accounting for sector/ National Implementation Frame work funds – Progress made in resolving the issues raised*

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|--------------------------|---|
| <i>Paragraph 67 (66)</i> | <i>Irregularities in the Management of Grants and Distance Learning Education Funds – Whether the issues raised in (a) iii, iv, v (b) iii, iv, vii, viii iv x</i> |
| <i>Paragraph 68 (67)</i> | <i>Accounting Irregularities – Progress made in addressing issues raised.</i>   |
| <i>Paragraph 69 (68)</i> | <i>Accounting other irregularities - latest position on the matter raised.</i>  |
| <i>Paragraph 70 (69)</i> | <i>Accounting irregularities – latest position on the matter raised.</i>  |
| <i>Paragraph 71 (70)</i> | <i>Accounting irregularities – Progress in addressing issues raised in (b) ii</i>   |
| <i>Paragraph 72 (71)</i> | <i>Accounting irregularities – Progress made in resolving the issues.</i>   |
| <i>Paragraph 73 (72)</i> | <i>Weakness in Accounting and other irregularities – Progress made in resolving all outstanding issues.</i>   |
| <i>Paragraph 74 (73)</i> | <i>Weaknesses in Accounting and other irregularities – Progress made in addressing the issues raised (a) - (d)</i>  |
| <i>Paragraph 75 (74)</i> | <i>Weakness in Accounting for PRP funds – As the works on the laboratory block and other works have been done.</i>  |
| <i>Paragraph 76 (75)</i> | <i>Accounting and other irregularities – Progress made in addressing the issues raised in (a) – (g).</i>  |
| <i>Paragraph 77 (76)</i> | <i>Construction of Youth Skills Centre – Progress made to resolve the Outstanding issues.</i>   |
| <i>Paragraph 78 (77)</i> | <i>Accounting and other irregularities – Whether the issues raised in (a) – (h)</i>   |

- Paragraph 79 (78) Accounting and other irregularities – Progress made in addressing the issues raised.*
- Paragraph 80 (79) Accounting and other irregularities in the management of General Deposit Account – As to whether the receipt and disposal details for the fuel has been availed.*
- Paragraph 81(80) Management of Poverty Reduction Programme (PRP) – As to whether the Imprest has been retired.*
- Paragraph 82 (81) Construction of Provincial Minister’s House and fencing of VIP House-Progress made in resolving the outstanding issues.*
- Paragraph 83 (82) Irregularities in contract management – As to whether the works have since been completed.*
- Paragraph 84 (83) Irregularities in Project Management – Kalumwange Clinic – Progress made in addressing the issues raised.*
- Paragraph 85 (84) Irregularities in Accounting for PRP funds – Regarding progress made in on issues raised.*
- Paragraph 86 (85) Accounting irregularities – As to whether the overpaid salaries have been recovered.*
- Paragraph 87 (86) Accounting and other irregularities – As to whether the amount of K19,403,257*
- Paragraph 89 (88) Accounting and other irregularities – As to the whether the construction of the house at Chanida Border and the office block at Mwami Border have been completed.*
- Paragraph 90 (89) Weaknesses in Accounting for Canal funds – As to whether the issues raised in (d) have been addressed.*
- Paragraph 91 (90) Weaknesses in Accounting for Borehole construction Funds- As to Whether the issues raised in (b) (c) and (d) have been resolved.*

- Paragraph 92 (91) Failure to complete Projects and other irregularities – As to whether the stores records have been traced and verified.*
- Paragraph 93 (92) Accounting Irregularities – As to whether the issues raised in (a) and (b) have been addressed.*
- Paragraph 94 (93) Irregularities in the procurement of school Requisites – As to whether Retrospective Treasury Authority has been obtained.*
- Paragraph 95 (94) Accounting Irregularities – As to whether the raised has since been addressed.*

***TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIFTH SESSION OF THE TENTH NATIONAL ASSEMBLY.***

***Report of the Auditor General on the Accounts for the Financial Year ended 31<sup>st</sup> December 2009.***

- Paragraph 7 (5) Outturn and Appropriation accounts - current position on (d) unretired imprest.*
- Paragraph 8 (6) Weaknesses in Revenue Collection - Current position on item d (i) and (ii)*
- Paragraph 10 (8) Misappropriation of Revenue and other Irregularities – As regards the current position on the matters raised in a, b and c.*
- Paragraph 11 (9) Weaknesses in Accounting for Revenue – Current position on matters raised in a to c.*
- Paragraph 12(10) Irregularities in Accounting for Revenue – whether the matters raised in a and b have been addressed.*
- Paragraph 13 (11) Accounting and Other Irregularities – Progress made in addressing the issues raised in a (ii, iii, iv) and b.*
- Paragraph 14 (12) Weaknesses in the Administration of PMEC – The current position on issues raised in a – f.*
- Paragraph 15 (13) Accounting and Other Irregularities – Progress made on the issues raised in a, c, d (ii), e, g and h.*
- Paragraph 16 (14) Accounting and Other Irregularities – Progress made on the issue raised in d.*

- Paragraph 17 (15) Irregularities in Accounting and Contract Management – Progress on the matters in a, b, c(ii),f, and h(ii).*
- Paragraph 18 (16) Weaknesses in the Personalised Passport System (PPS) – Progress made regarding the issues raised in a, e(i),(ii) (iii), f, g, h j ,k, and m.*
- Paragraph 19 (17) Accounting Irregularities – Latest position on the matter raised in e.*
- Paragraph 20 (18) Accounting and Other Irregularities- As to whether the issues raised in b and c (i-ii) have been addressed.*
- Paragraph 21 (19) Accounting and Other Irregularities - Latest position on the matters raised in a and c.*
- Paragraph 22 (20) Accounting and Other Irregularities - Progress made on issues raised in a, b(ii) and c.*
- Paragraph 23 (21) Accounting and Other Irregularities- Progress made on issues raised in a to c.*
- Paragraph 24 (22) Accounting and Other Irregularities -Latest position on the matters raised in a and b ( misapplication).*
- Paragraph 26 (24) Accounting and Other Irregularities – Current status on items a, c(ii), d, and e.*
- Paragraph 27 (25) Accounting and Other Irregularities – As to whether the issues raised in a and c have been addressed.*
- Paragraph 28 (26) Accounting and Other Irregularities – Progress made in addressing the issues raised in a, b (ii) and c.*
- Paragraph 29 (27) Accounting and Other Irregularities – As to whether the issues raised in b – e have been addressed.*
- Paragraph 30 (28) Accounting and Other Irregularities – Progress made in addressing the issues raised in a (i) and b.*
- Paragraph 31 (29) Accounting and Other Irregularities - As to whether the issues raised in a, b, c, e, f, g and h have been addressed.*
- Paragraph 32 (30) Accounting and Other Irregularities - Current status on items a-c.*

- Paragraph 33 (31) Accounting and Other Irregularities - As to whether the issues raised in a, b, c, d, g, h and j have been addressed.*
- Paragraph 34 (32) Accounting and Other Irregularities - Current status on items c and e.*
- Paragraph 36 (34) Accounting and Other Irregularities - As to whether the issues raised in a, c (ii),(iii), d (i),(iii), e, i and j have been addressed.*
- Paragraph 37 (35) Accounting and Other Irregularities - As to whether the issues raised in a, e(ii),(iv), i and j have been addressed.*
- Paragraph 38 (36) Accounting and Other Irregularities – Progress made in addressing the issues raised in a ,c (ii) , and d .*
- Paragraph 39 (37) Weaknesses in the Implementation of IFMIS – Progress made in addressing issues raised in a , b, c, d (iii),e ,f, h and i.*
- Paragraph 40 (38) Accounting and Other Irregularities – Progress in addressing issues raised in a-d.*
- Paragraph 41 (39) Accounting and Other Irregularities – As to whether the issues raised in f(i),(ii),(iii) g and K.*
- Paragraph 42 (40) Accounting and Other Irregularities - Progress in addressing issues raised in the Mirror Account relating to a, b, d and e and Expanded Basket- matters raised in to a, b, c, d, e, f, g, m and n.*
- Paragraph 43 (41) Accounting and Other Irregularities – Latest position on the matter raised in c.*
- Paragraph 44 (42) Accounting and Other Irregularities – Progress made in resolving the issues raised in a, d, h, I and j.*
- Paragraph 45 (43) Accounting and Other Irregularities – Latest position on the matter raised in d.*
- Paragraph 46 (44) Accounting and Other Irregularities – As to whether the outstanding works raised in (c) concerning the works at Kasiya, Solwezi, Mongu, Kaoma Trades Training Institutes and Gemstone Processing and Lapidary Training Centre have been completed.*
- Paragraph 47 (45) Accounting and Other Irregularities – Progress made in addressing the issues raised in a, b, c, d, e and g .*

- Paragraph 48 (46) Accounting and Other Irregularities – Progress made in resolving issues raised in a, c, d and e.*
- Paragraph 49 (47) Accounting and Other irregularities - Progress made in addressing the issues raised in a, b, c, and f.*
- Paragraph 50 (48) Accounting and Other Irregularities – Progress made in resolving issues raised in a, b, c, d, f, g, h, i, j, K, l and m.*
- Paragraph 51 (49) Accounting and Other Irregularities – Latest position regarding the matters raised in a and b.*
- Paragraph 52 (50) Accounting and Other Irregularities – Progress made in resolving all outstanding issues raised in a, b, c, d, e and f.*
- Paragraph 54 (52) Accounting Irregularities - Progress made in resolving issues raised in a, b, and d.*
- Paragraph 55 (53) Accounting Irregularities – Progress made regarding issues raised in a (i),(iii), (iv), b (ii),(iv), d , e, f and g.*
- Paragraph 56 (54) Accounting and Other Irregularities - Latest position regarding the matters raised in a to d.*
- Paragraph 57 (55) Accounting and Other Irregularities - Latest position regarding the matters raised in a to f.*
- Paragraph 58 (56) Accounting Irregularities – Progress made in addressing issues raised in a - e.*
- Paragraph 59 (57) Accounting and Other irregularities – Progress made in addressing issues raised in a – f.*
- Paragraph 60 (58) Accounting Irregularities – The Current position regarding the issues raised in a – h.*
- Paragraph 61 (59) Accounting and Other Irregularities – The current position on items a (ii, iii and iv), b (i-iv) and c (i-ii).*
- Paragraph 62 (60) Accounting Irregularities – Progress made in addressing issues raised in a, b, c(i, iii, iv,) ,d, e, f, g and h*

- Paragraph 63 (61) Irregularities in the Administration of the General Deposit Account – The current position regarding the issues raised in a- c.*
- Paragraph 65 (63) Irregularities in the Payment and Recoveries of Loans and Advances – Progress made in addressing the issues raised in a-c.*
- Paragraph 66 (64) Non Operational Health Posts and Misapplication of Funds – Current position of items a and b.*
- Paragraph 67 (65) Irregularities in Accounting for PRP Funds – The current position regarding issues raised in a, b, c, d, e and f.*
- Paragraph 68 (=) Irregularities in Accounting for PRP Funds – Current position on items a – f.*
- Paragraph 70 (67) Accounting and Other Irregularities - As regards progress made in addressing issues raised in a, b, c, d(i) and e.*
- Paragraph 71 (68) Accounting and Other Irregularities – Progress made in addressing issues raised in a – c.*
- Paragraph 72 (69) Weaknesses in the Implementation of Rural Roads Projects – Current position on issues raised in a and b.*
- Paragraph 73 (70) Accounting and Other Irregularities – whether the issues raised in a, b and c (iii).*
- Paragraph 74 (71) Weaknesses in Accounting for Personal Emoluments – Latest position on the matters raised in a – e.*
- Paragraph 75 (72) Accounting Irregularities – Current position on issues raised in a – c.*
- Paragraph 76 (73) Accounting Irregularities on the General Deposit Account (GDA) – The current position on issues raised in b-d*

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**Report of the Auditor General on the Accounts for the Financial Year ended 31<sup>st</sup> December 2010.**

- Paragraph 8 (7)      *Weaknesses in Revenue Collection - Latest position on b (ii) concerning transits clearance documents not availed for audit – Ndola and c (iv) concerning unaccounted for deposits at Mwami , c(V) , (vii).*
- Paragraph 8 (8)      *Accounting and Other Irregularities - Latest position on a (regarding Mongu and Chipata – unaccounted for revenue), d and e.*
- Paragraph 9 (9)      *Accounting and Other Irregularities – whether the issues raised in a –e and g have been addressed.*
- Paragraph 10 (10)      *Weaknesses in Accounting for Revenue – Latest position on a, b (Kitwe and Livingstone regarding missing accountable documents), c ,d and e.*
- Paragraph 11 (11)      *Accounting and Other Irregularities – Whether the issues raised in a and c have been addressed.*
- Paragraph 12 (12)      *Irregularities in Accounting for Revenue Collections - Latest position on f – unsupported deposits.*
- Paragraph 13 (13)      *Accounting and Other Irregularities - As regards progress made in addressing issues raised in b, e and g*
- Paragraph 14 (14)      *Irregularities in Accounting and Contract Management – Progress made on the matters raised in b ,c,d,e,f,I,j,k and l.*
- Paragraph 16 (16)      *Weaknesses in Accounting for Prisons Industries Revolving Fund - Latest position on Provincial Offices (Northern Region ) item c (i).*
- Paragraph 17 (17)      *Accounting and Other Irregularities – Progress on the matters raised in a, b(ii) and c.*
- Paragraph 18 (18)      *Accounting and Other Irregularities – As to whether the issues raised in b and d have been addressed.*
- Paragraph 19 (19)      *Accounting and Other Irregularities – The current position on the issues raised in c.*
- Paragraph 20 (20)      *Accounting and Other Irregularities - the current position on the issues raised in b (i- iii and vi).*

- Paragraph 21 (21) Accounting and Other Irregularities – whether the issues raised in b (ii) and c have been addressed.*
- Paragraph 22 (22) Accounting and Other Irregularities – Whether the queries raised in a to f have been addressed.*
- Paragraph 23 (23) Accounting and Other Irregularities - Progress made in addressing issues raised in b (ii and iv).*
- Paragraph 24 (24) Accounting and Other Irregularities – Whether the queries raised in (a) have been addressed.*
- Paragraph 25 (25) Accounting and Other Irregularities – Whether the queries raised in (b) and (c) have been addressed.*
- Paragraph 26 (26) Accounting and Other Irregularities – Progress made in addressing the issues raised in b (iii and iv).*
- Paragraph 28 (28) Accounting and Other Irregularities - whether the issues raised in d (i ,ii- regarding unretired imprest and unacquitted payments).*
- Paragraph 29 (29) Accounting and Other Irregularities – Progress made in addressing issues raised in a, b, c and d.*
- Paragraph 30 (30) Weaknesses in the Administration of the Scheme – Current position on the matters raised in b and d.*
- Paragraph 31 (31) Weaknesses in Accounting for Government Grants – Latest position on the matters raised in a, b, c, d, e, f, g and i*
- Paragraph 32 (32) Accounting and Other Irregularities – Latest position on the matters raised in a – c.*
- Paragraph 33 (33) Accounting and Other Irregularities – Current position on issues raised in a , b, c and f (i-iii).*
- Paragraph 34 (34) Accounting and Other Irregularities – Latest position on the matters raised in b, c(ii- iii), d , h(ii), j, l, m, n, o(ii) and the double payment of allowances – Mungwi , q (iii and iv) and r.*
- Paragraph 35 (35) Accounting and Other Irregularities – whether the issues raised in b , c, d, f, h(ii) and j (vi).*

- Paragraph 36 (36) Accounting and Other Irregularities - As to whether the issues raised in a (i-ii), c, d, e, f, g (i),i, j, and n have been addressed.*
- Paragraph 37 (37) Accounting and Other Irregularities – Latest position on the issues raised in b – f.*
- Paragraph 38 (38) Accounting and Other Irregularities – Progress made in addressing the issues raised in a(i),d, e and g.*
- Paragraph 39 (39) Accounting and Other Irregularities- Current position on the issues raised in d (ii &iv) and e (iii-iv).*
- Paragraph (41) Accounting and Other Irregularities –*
- Paragraph 41 (42) Accounting and Other Irregularities – As to whether the issues raised in c, d and e have been addressed.*
- Paragraph 42 (43) Accounting and Other Irregularities - The current position on the issues raised in a and b(ii ).*
- Paragraph 43 (44) Accounting and Other Irregularities - As regards the latest position on the issues raised in a, c, d(i & iii), e, f and g.*
- Paragraph 44 (45) Accounting and Other Irregularities - The current position on the issues raised in e.*
- Paragraph 45 (46) Accounting and Other Irregularities - As to whether the issues raised in e (i ,iv) f and h.*
- Paragraph 46 (47) Accounting and Other Irregularities – The current position on the matters raised in a-g, i-p.*
- Paragraph 47 (48) Weaknesses in Accounting for the National Implementation Framework (NIF) – Progress made in addressing issues raised in a – g, i –m and p.*
- Paragraph 48 (49) Accounting and Other Irregularities – Current position on the issues raised in a to c and d (i).*
- Paragraph 49 (50) Accounting and Other Irregularities - Progress made in addressing the issues raised in a, d (i – regarding Nelkan Industrial Construction, iv, v and vi).*
- Paragraph 50 (51) Accounting and Other Irregularities –Regarding the current position on matters raised in d and e.*

- Paragraph 51 (52) Accounting and Other Irregularities – Progress made on items b, d, f(ii), g and m.*
- Paragraph 52 (53) Weaknesses in Accounting for Personal Emoluments and Other Irregularities – As regards the latest position on the matters raised in a – e.*
- Paragraph 53 (54) Irregularities in Accounting for Rural Roads Funds – Progress made on the matters raised in b, c and d (ii,iii,v).*
- Paragraph 54 (55) Accounting and Other Irregularities – Progress made to resolve the matters raised in b, c, d and f.*
- Paragraph 55 (56) Accounting and Other Irregularities - As regards the Latest Position on the matters raised in a and b.*
- Paragraph 56 (57) Accounting and Other Irregularities – Whether the issues raised in a to c have since been addressed.*
- Paragraph 57 (58) Accounting and Other Irregularities – As to whether the matters raised in a(ii-iii), b to i.*
- Paragraph 58 (59) Irregularities in Accounting for Rural Roads Funds - whether the matters raised in a to c have been resolved.*
- Paragraph 59 (60) Irregularities in the Management of Funds - Regarding the latest position on a ,b and c.*
- Paragraph 61 (62) Accounting and Other Irregularities – Progress made in addressing the issues raised in a, b, c(i, ii and iv) and d.*
- Paragraph 62 (63) Accounting and Other Irregularities – The current position on the matters raised in a - e.*
- Paragraph 63 (64) Irregularities in Accounting for PRP funds – Latest position on the item raised in a.*
- Paragraph 64 (65) Accounting and Other Irregularities - Whether the issues raised in a,b, c(i) and f (ii&iii).*
- Paragraph 65 (66) Accounting and Other Irregularities - Latest position on the issues raised in b.*
- Paragraph 66 (67) Accounting Irregularities - Whether the issues raised in a – b have been resolved.*

- Paragraph 67 (68) Accounting and Other Irregularities - The current position on the matters raised in a – c, e (ii), and f.*
- Paragraph 68 (69) Accounting and Other Irregularities – Latest position on issues raised in b and c.*
- Paragraph 70 (71) Accounting and Other Irregularities - The current position on the matters raised in a, b and d.*
- Paragraph 71 (72) Accounting and Other Irregularities – Latest position on the issue raised in a (ii).*
- Paragraph 72 (73) Accounting and Other Irregularities – The current position on issues raised in a – d.*
- Paragraph 73 (74) Accounting and Other Irregularities – Whether the issues raised in c and d have been addressed.*
- Paragraph 74 (75) Accounting and Other Irregularities - Latest position on the issues raised in a, b, c, d, e and f.*
- Paragraph 75 (76) Accounting and Other Irregularities – The current position on the matters raised in a and b.*
- Paragraph 76 (77) Accounting and Other Irregularities – Latest position on the issues raised in a and b.*
- Paragraph 77 (78) Irregularities in Accounting for Funds- Whether the issues raised in b, c, d and e(ii )have been addressed.*
- Paragraph 78 (79) Accounting and Other Irregularities – Latest position on c (lack of Reconciliation).*

***TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE SECOND SESSION OF THE ELEVENTH NATIONAL ASSEMBLY.***

***Report of the Auditor General on the Accounts for the Financial Year ended 31<sup>st</sup> December 2011.***

- Paragraph 6(7) Accounting and Other Irregularities – Latest position on the issues raised in a (i, v) and b.*
- Paragraph 8(9) Accounting and Other Irregularities – Progress made in addressing the issues raised in a and b.*

- Paragraph 9(10) Accounting and Other Irregularities – Latest position on the issues raised in a to c.*
- Paragraph 10(11) Accounting and Other Irregularities – Progress made in addressing issues raised in a to d.*
- Paragraph 12(13) Accounting and Other Irregularities – Latest position on the issues raised in a to c.*
- Paragraph 13(14) Accounting and Other Irregularities – whether the issues raised in a and c have been addressed.*
- Paragraph 14(15) Accounting and Other Irregularities – Progress made in addressing issues raised in a and b.*
- Paragraph 15(16) Accounting and Other Irregularities – Latest position on the issues raised in a (ii,iii,iv,v,vii,viii) and b(I,iii,iv,v).*
- Paragraph 16(17) Accounting and Other Irregularities – Progress made in addressing issues raised in a to e.*
- Paragraph 17(18) Accounting and Other Irregularities – whether the issues raised in a to c have been addressed.*
- Paragraph 18(19) Accounting and Other Irregularities – Latest position on the issues raised in a to b.*
- Paragraph 19(20) Accounting and Other Irregularities – Latest position on the issues raised in a to d.*
- Paragraph 20(21) Accounting and Other Irregularities – Progress made in addressing issues raised in a ,b(ii),c,d and f.*
- Paragraph 21(22) Accounting and Other Irregularities – whether the issues raised in a and b(i) have been addressed.*
- Paragraph 22(23) Accounting and Other Irregularities – Latest position on the issues raised in a to c.*
- Paragraph 23(24) Accounting and Other Irregularities – Progress made in addressing issues raised in a b,and d.*
- Paragraph 24(25) Accounting and Other Irregularities – Latest position on the issues raised in a to h.*

- Paragraph 25(26) Accounting and Other Irregularities – whether the issues raised in a b(i,ii,iv) and c have been addressed.*
- Paragraph 26(27) Accounting and Other Irregularities – Latest position on the issues raised in a and b.*
- Paragraph 27(28) Accounting and Other Irregularities – Progress made in addressing issues raised in a and c.*
- Paragraph 28(29) Accounting and Other Irregularities – Progress made in addressing issues raised in a to c.*
- Paragraph 29 (30) Accounting and Other Irregularities – Latest position on the issues raised in a – e, g and h.*
- Paragraph 30 (31) Accounting and Other Irregularities – Latest position on the issues raised in a (i, iii),c and d*
- Paragraph 31(32) Accounting and Other Irregularities – Latest position on the issues raised in a*
- Paragraph 32(33) Accounting and Other Irregularities – Latest position on the issues raised in a(ii),b and c.*
- Paragraph 33(34) Accounting and Other Irregularities –whether the issues raised in a and b(i &iii) have been addressed.*
- Paragraph 34(35) Accounting and Other Irregularities – As regards progress made to resolve the issues raised in a –f.*
- Paragraph 35(36) Accounting and Other Irregularities – Latest position on the issues raised in a and b.*
- Paragraph 36(37) Accounting and Other Irregularities – As regards the latest position on the issues raised in a and b(i).*
- Paragraph 37(38) Accounting and Other Irregularities – Latest position on the issues raised in a to d, g –K.*
- Paragraph 38(39) Management of Compensation and Awards – Latest position on the issues raised in a- c.*
- Paragraph 39(40) Accounting and Other Irregularities – Latest position on the issues raised in b,c,d,e,f,i,k and l.*

- Paragraph 40(41) Accounting and Other Irregularities – Progress made on the matters raised in b,c,e and f.*
- Paragraph 41(42) Accounting and Other Irregularities – Progress made to resolving the matters raised in a,c,d and e.*
- Paragraph 42(43) Irregularities in Accounting for Funds – Latest position on the issues raised in a,b,c,d,e(i,ii and g(i).*
- Paragraph 43(44) Accounting and Other Irregularities – Progress made on the matters raised in b (i,iii,iv,vi,viii,ix), c and f.*
- Paragraph 44(45) Accounting and Other Irregularities – Regarding the current position on the matters raised in a- h.*
- Paragraph 45(46) Accounting and Other Irregularities – Latest position on the issues raised in a,c,d,and e.*
- Paragraph 46(47) Accounting and Other Irregularities – As regards the progress made to the issues raised in a to g.*
- Paragraph 47(48) Accounting and Other Irregularities – As to whether the matters raised in a to d have been addressed.*
- Paragraph 48(49) Accounting and Other Irregularities – Latest position on the issues raised in a to e, g and h.*
- Paragraph 49(50) Accounting and Other Irregularities – Progress made on the issues raised in a to e.*
- Paragraph 50(51) Accounting and Other Irregularities – Latest position on the issues raised in a to h.*
- Paragraph 51(52) Accounting and Other Irregularities – On the progress made on issues raised in a to r.*
- Paragraph 52(53) Accounting and Other Irregularities – As to whether the issues raised in a to f have been addressed.*
- Paragraph 53(54) Accounting and Other Irregularities – Latest position on the issues raised in a to d.*
- Paragraph 54(55) Accounting and Other Irregularities – Latest position on the issues raised in a to g.*

- Paragraph 55(56) Accounting and Other Irregularities – Latest position on the issues raised in a,c,d,f,g &h.*
- Paragraph 56(57) Accounting and Other Irregularities – The current position on the issues raised in a to c.*
- Paragraph 57(58) Accounting and Other Irregularities – As regards the latest position on issues raised in a to e.*
- Paragraph 58(59) Accounting and Other Irregularities – Latest position on the issues raised in a,b,d to f.*
- Paragraph 59(60) Accounting and Other Irregularities – The current position on the issues raised in a to c.*
- Paragraph 60(61) Accounting and Other Irregularities – As regards the latest position on issues raised in b to e.*
- Paragraph 61(62) Accounting and Other Irregularities – The current position on the issues raised in a(i,ii ) b(i,iv),c,d,e,f,h and j (iii&v).*
- Paragraph 62(63) Accounting and Other Irregularities – Latest position on the issues raised in a,b,d to f.*
- Paragraph 63(64) Accounting and Other Irregularities – As regards the latest position on issues raised in a,b,e to g.*
- Paragraph 64(65) Accounting and Other Irregularities – The current position on the issues raised in b,c,e, to g*
- Paragraph 65(66) Accounting and Other Irregularities – Latest position on the issues raised in a,b,c, &,e.*
- Paragraph 66(67) Accounting and Other Irregularities – The current position on the issues raised in a to e.*
- Paragraph 67(68) Accounting and Other Irregularities – Latest position on the issues raised in a to c.*
- Paragraph 68(69) Accounting and Other Irregularities – The current position on the issues raised in a to c.*
- Paragraph 69(70) Accounting and Other Irregularities – On the progress made on issues raised in a to f.*

- Paragraph 70(71) Accounting and Other Irregularities – Latest position on the issues raised in a to g.*
- Paragraph 71(72) Accounting and Other Irregularities – The current position on the issues raised in a,c to g .*
- Paragraph 72(73) Accounting and Other Irregularities – Latest position on the issues raised in b & c.*
- Paragraph 73(74) Accounting and Other Irregularities – The current position on the issues raised in a to K.*
- Paragraph 74(75) Accounting and Other Irregularities – Progress made on the issues raised in a to h.*
- Paragraph 75(76) Accounting and Other Irregularities – Progress made on the issues raised in a to e.*
- Paragraph 76(77) Accounting and Other Irregularities – The current position on the issue raised in a.*
- Paragraph 77(78) Accounting and Other Irregularities – Progress made on the issues raised in a to e, f(i,iv).*
- Paragraph 78(79) Accounting and Other Irregularities – The current position on the issues raised in a to g.*
- Paragraph 79(80) Accounting– Progress made on the issues raised in a to c.*
- Paragraph 80(81) Irregularities in Accounting for Funds – Progress made on the issues raised in a to c.*
- Paragraph 81(82) Accounting and Other Irregularities – current position on the issues raised in a to c.*
- Paragraph 82(83) Accounting and Other Irregularities – Progress made on the issues raised in a to g.*
- Paragraph 83(84) Accounting and Other Irregularities – The current position on the issues raised in a to d.*
- Paragraph 84(85) Accounting and Other Irregularities – Latest position on the issues raised in a-b,& d–g.*

- Paragraph 85(86) Accounting and Other Irregularities – The current position on the issues raised in a to d ,f &g.*
- Paragraph 86(87) Accounting and Other Irregularities – Whether the issues raised in in a to c, and e to h have been addressed .*
- Paragraph 87(88) Accounting and Other Irregularities – The current position on the issues raised in a to d.*
- Paragraph 88(89) Accounting and Other Irregularities – Progress made on the issues raised in a to d , e(i,iii) and f(ii).*
- Paragraph 89(90) Accounting and Other Irregularities – Progress made on the issues raised in a to d*

## **Appendix 2**

### **GLOSSARY OF TERMS**

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| <b>Accountable Documents</b>                    | Documents such as receipts, licences, certificates, discs or tokens and others used in the collection of Revenues.   |
| <b>Controlling Officer</b>                      | An officer designated as such by the Secretary to the Treasury to maintain accounts of a Ministry, Province or Spending Agency.  |
| <b>Delayed Banking</b>                          | Failure to bank moneys received not later than the next business day or at least twice every month where banking facilities do not exist.  |
| <b>Excess expenditure</b>                       | Expenditure incurred without the authorisation of National Assembly normally above the authorised budget amounts.  |
| <b>Failure to Follow Procurement Procedures</b> | Non-Compliance with the ZPPA Act and Procurement guidelines in the purchase of goods and services.   |
| <b>Irregular payments</b>                       | Payments made outside the normal practice or acceptable regulations or norms.  |
| <b>Irregularity</b>                             | Breach of rules, regulations or laws.  |
| <b>Imprest</b>                                  | Funds or monies issued out to facilitate payments of a minor nature, meet expenses when the officer is travelling on duty or to facilitate the purchase of goods and services whose value cannot be ascertained at the time. |
| <b>Misapplication</b>                           | Use of funds budgeted for a programme on an unrelated programme without authority from the Secretary to the Treasury.  |

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| <b>Misappropriation</b>                          | Use of public funds for personal purposes or crediting public funds to a private bank account.   |
| <b>Non-Recovery of Salary advances and Loans</b> | Failure to effect recovery of loans or advances.   |
| <b>Overpayments</b>                              | Payments made above the normal price charged.  |
| <b>Parliament</b>                                | Legislative organ of Government  |
| <b>Public Accounts Committee (PAC)</b>           | A sessional committee of the National Assembly established in terms of the standing orders. PAC examines the Auditor General's Report, as part of their mandate of examining the accounts showing the appropriation of the sums approved by the National Assembly. |
| <b>Unaccounted For Revenue</b>                   | Revenue collected but neither banked nor on hand.  |
| <b>Statement B</b>                               | Statement of budget execution. This highlights the budget performance of the Government during the period under review.  |
| <b>Statement C</b>                               | Statement of detailed budget execution (Comparative statement of authorized provision and actual expenditure)  |
| <b>Unvouched Expenditure</b>                     | Payment vouchers not availed for audit because they are either missing or inadequately supported. This may be a means of concealing a wrong doing  |
| <b>Unretired Imprest</b>                         | Imprest not retired.   |
| <b>Unauthorised expenditure</b>                  | Funds spent for the purpose not intended for or in excess of the allocated amount.   |

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| <b>Unacquitted payments</b>                  | Payments made without evidence of having been received by the intended beneficiaries. |
| <b>Unapproved payments</b>                   | Payments made without the necessary approval from the Controlling Officer.            |
| <b>Unaccounted-For Stores</b>                | Lack of receipt and disposal details for goods procured.                              |
| <b>Undelivered Materials</b>                 | Goods paid for but not received.  |
| <b>Non-Submission of Expenditure Returns</b> | Failure to provide details of how funds disbursed were utilised.                      |
| <b>Unaccounted for Funds</b>                 | Failure to properly account for the funds.  |
| <b>Wasteful expenditure</b>                  | Expenditure incurred where there is no benefit derived.                               |
| <b>Reconciliation</b>                        | The process of ensuring that two (2) sets of records are in agreement.                |