



**REPORT OF THE  
AUDITOR GENERAL ON THE  
ACCOUNTS OF PARASTATAL BODIES  
AND OTHER STATUTORY INSTITUTIONS FOR THE  
FINANCIAL YEAR ENDED  
31<sup>st</sup> DECEMBER 2018**



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**REPUBLIC OF ZAMBIA**

**REPORT OF THE**

**AUDITOR GENERAL**

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**AND OTHER STATUTORY INSTITUTIONS**

**FOR THE**

**FINANCIAL YEAR ENDED**

**31<sup>st</sup> DECEMBER 2018**

## **OFFICE OF THE AUDITOR GENERAL**

**VISION:** A dynamic audit institution that promotes transparency, accountability and prudent management of public resources.

**MISSION:** To independently and objectively provide quality auditing services in order to assure our stakeholders that public resources are being used for national development and wellbeing of citizens.

**CORE VALUES:**

- Integrity
- Professionalism
- Objectivity
- Teamwork
- Confidentiality
- Excellence
- Innovation
- Respect

## **PREFACE**

The audit of selected Parastatal Bodies and Other Statutory Institutions for the financial year ended 31<sup>st</sup> December 2018 was conducted in accordance with the Provisions of Article 250 of the Constitution of Zambia (Amendment) Act No.2 of 2016, the Public Audit Act No.13 of 1994, the Public Finance Act No.15 of 2004 and the Public Finance Management Act No.1 of 2018.

This report highlights matters concerning the management and financial performance of selected Parastatal Bodies and Other Statutory Institutions. These matters include failure to prepare and have accounts audited, implement approved governance structures, implement National Policies and Board approved plans and failings in internal control systems. Further, the report has highlighted key weaknesses in the management of Information Communication Technology (ICT) systems in some institutions that use applications for business processes.

I am hopeful that, by highlighting areas of weaknesses such as internal controls, leadership, financial management and governance in the institutions audited, those charged with governance will address the weaknesses.



Dr. Dick Chellah Sichembe

**AUDITOR GENERAL**



## ***Table of Contents***

<b><i>Executive Summary</i></b> .....	<b><i>i</i></b>
<b><i>PART I - PREAMBLE</i></b> .....	<b><i>1-2</i></b>
1. <b><i>Introduction</i></b> .....	<b><i>1</i></b>
2. <b><i>Scope and Methodology</i></b> .....	<b><i>1</i></b>
3. <b><i>Internal Control</i></b> .....	<b><i>2</i></b>
<b><i>PART II - PARAGRAPHS</i></b> .....	<b><i>3-118</i></b>
1. <b><i>CITIZENS ECONOMIC EMPOWERMENT COMMISSION</i></b> .....	<b><i>3</i></b>
2. <b><i>EXAMINATIONS COUNCIL OF ZAMBIA</i></b> .....	<b><i>10</i></b>
3. <b><i>FOOD RESERVE AGENCY</i></b> .....	<b><i>19</i></b>
4. <b><i>INDEPENDENT BROADCASTING AUTHORITY</i></b> .....	<b><i>28</i></b>
5. <b><i>JUDICIARY</i></b> .....	<b><i>33</i></b>
6. <b><i>LUSAKA SOUTH MULTI-FACILITY ECONOMIC ZONE LIMITED</i></b> .....	<b><i>39</i></b>
7. <b><i>MANSA TRADES TRAINING INSTITUTE</i></b> .....	<b><i>45</i></b>
8. <b><i>MPULUNGU HARBOUR CORPORATION LIMITED</i></b> .....	<b><i>51</i></b>
9. <b><i>NATIONAL SPORTS COUNCIL OF ZAMBIA</i></b> .....	<b><i>56</i></b>
10. <b><i>NITROGEN CHEMICALS OF ZAMBIA</i></b> .....	<b><i>62</i></b>
11. <b><i>PATENTS AND COMPANIES REGISTRATION AGENCY</i></b> .....	<b><i>70</i></b>
12. <b><i>PUBLIC SERVICE MICRO FINANCE COMPANY</i></b> .....	<b><i>76</i></b>
13. <b><i>UNIVERSITY OF ZAMBIA</i></b> .....	<b><i>83</i></b>
14. <b><i>WORKERS' COMPENSATION FUND CONTROL BOARD</i></b> .....	<b><i>96</i></b>
15. <b><i>ZAMBIA FORESTRY AND FOREST INDUSTRIES CORPORATION LIMITED</i></b> .....	<b><i>102</i></b>
16. <b><i>ZAMBIA TELECOMMUNICATION CORPORATION LIMITED</i></b> .....	<b><i>111</i></b>
<b><i>PART III - APPENDICES</i></b> .....	<b><i>119-139</i></b>
<b><i>APPENDIX 1 - LIST OF INSTITUTIONS IN THE REPORT WHOSE FINANCIAL STATEMENTS ARE CERTIFIED BY THE AUDITOR GENERAL</i></b> .....	<b><i>119</i></b>
<b><i>APPENDIX 2 - LIST OF INSTITUTIONS IN THE REPORT WHOSE FINANCIAL STATEMENTS ARE CERTIFIED BY PRIVATE AUDITORS</i></b> .....	<b><i>120</i></b>
<b><i>APPENDIX 3 - SUMMARY OF UNRESOLVED ISSUES AS AT 31st DECEMBER 2018</i></b> .....	<b><i>121</i></b>



## Executive Summary

This Report has been produced in accordance with Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016, Public Finance Act No. 15 of 2004, the Public Finance Management Act No.1 of 2018 and Public Audit Act No. 13 of 1994.

This Report contains paragraphs on sixteen (16) Parastatal Bodies and Other Statutory Institutions that were audited and remained with unresolved issues as at 31<sup>st</sup> December 2019.

During the audit process, there were various levels at which the Office interacted and communicated with those charged with management of the institutions whose accounts were audited. The purpose of this interaction was to provide an opportunity for the responsible officers to clarify and take corrective action on the findings of the audits.

Some of the issues raised in this Report are:

- i. Weaknesses in corporate governance,
- ii. Weaknesses in the implementation of Information Communication Technology (ICT) systems,
- iii. Failure to produce financial statements,
- iv. Poor financial and operational performance,
- v. Lack of title deeds for land owned by the institutions,
- vi. Weaknesses in contract management.

Other irregularities raised in this Report are as shown in table 1.0 below.

**Table 1.0: Summary of Other Irregularities**

SN	Details	Amount K	Percentage (%)
1	Failure to Settle/Remit Statutory Obligations	3,415,042,698	98.79
2	Unsupported Payments	4,533,555	0.13
3	Unaccounted for Stores	6,305,957	0.18
4	Unretired Imprest	337,197	0.01
5	Missing Payment Vouchers	1,913,952	0.06
6	Wasteful Expenditure	246,705	0.01
7	Failure to Collect Funds	19,696,078	0.57
8	Questionable Payments	1,247,162	0.04
9	Irregular Payments	4,652,035	0.13
10	Failure to Recover Loans	2,109,757	0.06
11	Failure to Follow Procurement Procedures	189,330	0.01
12	Unaccounted for Revenue/Funds	501,507	0.01
	<b>Total</b>	<b>3,456,775,933</b>	<b>100</b>



# **PART I**

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## **PREAMBLE**



## **1. Introduction**

The roles and responsibilities of the Auditor General as regards the management of public resources, reporting and accountability are as contained in the Constitution of the Republic of Zambia (Amendment) Act No. 2 of 2016, the Public Finance Act No. 15 of 2004, Public Finance Management Act No. 1 of 2018 and the Public Audit Act No. 13 of 1994.

The Report on the Accounts of Parastatal Bodies and Other Statutory Institutions for the year ended 31<sup>st</sup> December 2018 contains paragraphs on sixteen (16) Parastatal Bodies and Other Statutory Institutions that were audited, but the issues remained unresolved as at the date of reporting.

The Report also includes findings from the audits of Information Communication Technology (ICT) Systems that some organisations have implemented in order to improve on the efficiency and effectiveness of service delivery.

In preparing the Report, Controlling Officers and Chief Executive Officers of the affected organisations were availed draft paragraphs for comments and confirmations of the correctness of the facts presented. Where management comments were received and varied materially with the draft paragraphs presented, amendments were made accordingly.

## **2. Scope and Methodology**

The Report is as a result of audits of selected Parastatal Bodies and Other Statutory Institutions for the financial year ended 31<sup>st</sup> December 2018. Although the Report is for the financial year ended 31<sup>st</sup> December 2018, it includes audits covering the financial years 2013, 2014, 2015, 2016 and 2017 for institutions that had not been audited for those years.

The audits covered in this report are in two (2) categories:

- i. Institutions whose Financial Statements are Audited and Certified by the Auditor General. See Appendix 1.
- ii. Institutions whose Financial Statements are Audited and Certified by private auditors in line with appropriate pieces of legislation and are reviewed by the Auditor General. It is necessary that such accounts are reviewed, and the result of such reviews are reported by the Auditor General in compliance with relevant legislation. See Appendix 2.

The report is as a result of programmes of test checks, inspection and examination of accounting, stores, projects and other records maintained by public officers entrusted with handling public resources. The audit programmes were designed to give reasonable assurance of financial management in the audited institutions.

### **3. Internal Control**

In this Report, specific mention is made of non-preparation of financial statements, non-adherence to procurement procedures and ICT standards, irregular payments and poor financial performance among other issues by the respective institutions. These are clear indicators of internal control weaknesses in most Parastatal Bodies and Other Statutory Institutions.

# **PART II**

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# **PARAGRAPHS**



# **1. CITIZENS ECONOMIC EMPOWERMENT COMMISSION**

## **1.1. Background**

### **a. Establishment**

The Citizens Economic Empowerment Commission (CEEC) was established under the Citizens Economic Empowerment Act No. 9 of 2006 to promote broad based economic empowerment in Zambia.

The functions of the CEEC are to promote the empowerment of citizens that are or have been marginalised or disadvantaged and whose access to economic resources and development capacity has been constrained due to various factors including race, sex, educational background, status and disability.

### **b. Governance - The Commission**

Section 7 (1) of the Act provides for the establishment of the Commission consisting of twelve (12) part-time members who are appointed by the President as follows:

- i. a Chairperson,
- ii. the Secretary to the Treasury,
- iii. the Permanent Secretary in the Ministry responsible for Commerce, Trade and Industry,
- iv. the Permanent Secretary in the Ministry responsible for Labour and Social Security,
- v. the Attorney-General or a representative of the Attorney-General,
- vi. one (1) person representing the youth,
- vii. two (2) persons representing the private sector and civil society organisations,
- viii. three (3) persons representing the University community, Central Statistical Office and the Trade Unions, respectively, and
- ix. one (1) person representing the disabled.

Section 7 (2) further states that the Vice-Chairperson is to be elected from among the members.

The Commissioners hold office for a period of three (3) years and are eligible for re-appointment for a further term of three (3) years.

**c. Management**

The Director General is the Chief Executive Officer and is responsible for the day to day operations of the Commission. The Director General is assisted by five (5) Directors responsible for Finance, Business Development, Legal, Corporate Services and Credit and Risk.

**d. Sources of Funds**

According to Part IV Section 29 (2) of the Act, the funds of the Commission shall consist of:

- i. such money as may be appropriated by Parliament for the purpose of the Fund,
- ii. money received by way of grants, fees, loans or donations for the purposes of the Fund; and
- iii. interest accrued from any investment made by the Commission or raised through the local stock exchange.

**1.2. Audit Findings**

An examination of financial and other records maintained at the Citizens Economic Empowerment Commission (CEEC) for the financial years ended 31<sup>st</sup> December 2015 to 2018 and site visits to selected projects revealed the following:

**a. Income**

In the Estimate of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2015, 2016, 2017 and 2018, provisions totalling K407,854,531 were made to cater for the CEEC operations and Empowerment Fund against which amounts totalling K79,597,335 were released resulting in an underfunding of K328,257,196. See table 1.1 below.

**Table 1.1: Budget against actual Income**

Year	Budget			Releases			Underfunding
	Empowerment Fund K	Operational K	Total K	Empowerment Fund K	Operational K	Total K	
2015	82,802,535	15,000,000	97,802,535	10,000,000	13,750,000	23,750,000	(74,052,535)
2016	187,500,000	14,572,523	202,072,523	-	14,572,523	14,572,523	(187,500,000)
2017	35,163,540	14,572,523	49,736,063	15,000,000	13,358,145	28,358,145	(21,377,918)
2018	42,743,410	15,500,000	58,243,410	-	12,916,667	12,916,667	(45,326,743)
Total	<b>348,209,485</b>	<b>59,645,046</b>	<b>407,854,531</b>	<b>25,000,000</b>	<b>54,597,335</b>	<b>79,597,335</b>	<b>(328,257,196)</b>

The underfunding of the empowerment fund negatively affected the disbursement of loans.

**b. Operational Matters – The Empowerment Fund**

The Citizen Empowerment Fund promotes the economic empowerment of targeted citizens, citizen empowered companies, citizen influenced companies, citizen owned companies and gender equality in accessing, owning, managing, controlling and exploiting economic resources, in order to contribute to sustainable economic growth.

The following were observed:

**i. Non – Performing Loans**

In Paragraph 8 of the Report of the Auditor General for 2014 on the Accounts of Parastatal Bodies and Other Statutory Institutions, mention was made of non-performing loans in amounts totalling K109,567,518 which had remained static for periods of over four (4) years as of November 2015 and that the Commission had failed to recover the collateral pledged for the loans.

In their report for the Fifth Session of the Eleventh National Assembly, the Public Accounts Committee urged the Controlling Officer to ensure that outstanding debt was recovered.

A review of the situation in December 2019 revealed that the non-performing loans had increased from K109,567,518 in 2014 to K159,708,219 in 2019. See table 1.2.

**Table 1.2: Non – Performing Loans**

SN	Age Of Debt	Number of Loans	Amount Overdue K
1	1-30 Days	17	5,348,742
2	31-60 Days	7	1,840,412
3	61-90 Days	18	6,358,299
4	91-180 Days	34	10,282,697
5	> 180 Days	1911	135,878,070
	<b>Total</b>	<b>1987</b>	<b>159,708,219</b>

Included in the figure of K159,708,219 are amounts totalling K1,042,472 in outstanding loans owed by twenty-three (23) clients who could not be traced by the Commission resulting in reduction of the loan revolving fund. As at 31<sup>st</sup> December 2019, no action had been taken to recover the funds.

Further, a scrutiny of individual files and physical inspection of selected projects revealed various weaknesses in the administration of the loans which resulted in failure by loanees to service the contracted loans. See table 1.3.

**Table 1.3: Weaknesses in the Administration of the Loans**

SN	Name of the Project	Loan Amount K	Purpose of the Loan	Loan Date	Repayment Date	Amount Due As at 31-12-2018 K	Observations
1	Lupola Group – Lusaka Province	589,562	Dairy Ranching	15 <sup>th</sup> June 2015	30 <sup>th</sup> May 2021	370,948	Out of the K370,948 which was due, only K94,900 was repaid leaving a balance of K276,048 as at 31 <sup>st</sup> December 2019.
2	Nakachenje Youth Development Skills - Lusaka Province	215,245	Block Making Business	25 <sup>th</sup> January 2015	18 <sup>th</sup> November 2021	161,633	Out of the K161,633 which was due as at 31 <sup>st</sup> December 2018, no amount had been paid as at 31 <sup>st</sup> December 2019 and the project was not operational.
3	Lusanjo Business Management Services – Eastern Province	1,386,369	Groundnuts Processing Equipment	17 <sup>th</sup> January 2017	31 <sup>st</sup> January 2022	1,132,098	A total amount of K1,132,098 was outstanding as at 31 <sup>st</sup> December 2019. No repayments had been made since obtaining the loan and there was no production at the site.
4	Sunline Limited – Eastern Province	2,000,000	Peanut Butter Processing Machinery and Construction of Infrastructure	13 <sup>th</sup> June 2013	30 <sup>th</sup> April 2017	3,187,362	A total amount of K3,187,362 was outstanding as at 31 <sup>st</sup> December 2019. No repayments had been made and there was no factory constructed at the site. Only two boreholes were sunk.
5	Tatwakakulabe General Contractors and Civil Engineers – Luapula Province	1,357,029	Cassava Processing Plant	1 <sup>st</sup> January 2014	10 <sup>th</sup> April 2022	1,294,125	A total amount of K1,294,125 was outstanding as at 31 <sup>st</sup> December 2019. No repayments had been made and the equipment was not operational.
6	Global Field Farm Ltd – Northern Province	1,094,830	Purchase of Stock Feed Production equipment and construction of factory	1 <sup>st</sup> December 2015	25 <sup>th</sup> March 2021	1,430,991	Equipment was installed but not operational. As at 31 <sup>st</sup> December 2019, the amount had not been paid.

**ii. Irregular Issuance of Loans**

Clause 6.3 of the CEEC’s Credit Policy states that, the CEEC shall conduct inspections on the assigned properties for security before the loan is disbursed in order to ensure that the indicated value matches with the physical appearance of the property. The CEEC shall engage registered property valuation companies on one (1) year running contracts to value assigned properties as and when there is need. Further, periodic evaluations on the assigned property shall be conducted to ensure that there is no deterioration on the value.

Contrary to the Policy, CEEC irregularly issued loans totalling K1,828,000 to two (2) entities with securities valued at the sum of K515,000 that were less than the amounts of loans issued. See table 1.4 below.

**Table 1.4: Inadequately Secured Loans**

SN	Details	Valuation Report K	Loan Amount K	Remark
1	Kalahari Drilling	385,000	1,378,000	Loan amount more than value of security
2	Evambo Tropical Manufactures Limited	130,000	450,000	Loan amount more than value of security
	<b>Total</b>	<b>515,000</b>	<b>1,828,000</b>	

Consequently, CEEC may not fully recover its funds in the event the loanees defaulted.

**c. Accounting Irregularities**

**i. Failure to Remit Tax (Pay As You Earn)**

According to the Income Tax Act Chapter 323 of the Laws of Zambia, tax deducted from employees’ remuneration must be remitted to the Zambia Revenue Authority (ZRA) by the 14<sup>th</sup> of the month following the month in which the deduction was made.

Contrary to the Act, amounts totalling K1,705,206 deducted as PAYE from employees’ remunerations during the period under review had not been remitted to ZRA as at 31<sup>st</sup> December 2019.

The failure to remit tax may result in the Company being charged penalties.

**ii. Unsupported Payments**

There were thirty-nine (39) payments made during the period under review in amounts totalling K1,119,725 and US\$11,294 that were not supported with documents such as receipts and acquittal sheets.

In this regard, the validity of the payments could not be ascertained.

**iii. Lack of Disposal Details for Stores Items**

Contrary to Public Stores Regulation No. 16, assorted stores items costing K685,086 procured during the period under review were unaccounted for in that there were no disposal details. As a result, it was not possible to ascertain how the procured goods were utilised.

## **2. EXAMINATIONS COUNCIL OF ZAMBIA**

### **2.1. Background**

#### **a. Establishment**

The Examinations Council of Zambia (ECZ) was established by the Examination Council of Zambia Act No. 15 of 1983. The core functions of ECZ are to conduct examinations, carry out relevant research in examinations, advise any public institution on the development and use of any system of testing or examining, formulate syllabuses for examinations, promote international recognition of qualifications and organize training workshops for examiners, markers and other personnel connected with examinations.

#### **b. Governance - The Council**

ECZ is governed by a Council comprising sixteen (16) members representing various disciplines/institutions as detailed below:

- i. a Chairman appointed by the Minister,
- ii. the Permanent Secretary in the Ministry responsible for Vocational Training,
- iii. the Permanent Secretary in the Ministry responsible for Education,
- iv. six (6) persons, each nominated by the following institutions or bodies; and appointed by the Minister:
  - the Copperbelt University,
  - the University of Zambia,
  - the National Union of Teachers,
  - the Teachers Training Colleges,
  - technical colleges, and
  - Curriculum Development Centre,
- v. five (5) persons each appointed by the Minister from:
  - Zambia Consolidated Copper Mines Limited,
  - churches running schools,
  - persons running private schools,
  - the Law Association of Zambia, and

- a representative from the Zambia Council for the Handicapped.
- vi. the Chief Inspector of Schools, and
- vii. the Director of Technical Education and Vocational Training.

A member shall hold office for a period of three (3) years and may be re-appointed at the expiry of his/her term.

**c. Management**

The day-to-day operations of ECZ is the responsibility of the Director, who is the Chief Executive Officer and is assisted by the Deputy Director, the Council Secretary and four (4) heads of departments namely: Finance and Administration, Examination Administration and Research, Information Technology and Test and Development.

**d. Sources of Funds**

According to Part IV Section 23 (1) of the Act, the funds of ECZ shall consist of such moneys as may:

- i. be appropriated by Parliament for the purposes of the Council,
- ii. be paid to the Council by way of grants or donations, and
- iii. vest in or accrue to the Council.

The Council may also:

- i. accept monies by way of grants or donations from any source in Zambia, and, subject to the approval of the Minister, from any source outside Zambia,
- ii. subject to the approval of the Minister, raise by way of loans or otherwise such monies as it may require for the discharge of its functions,
- iii. charge and collect fees in respect of programmes, seminars, consultancy services, and other services provided by the Council, and
- iv. charge and collect examination fees and other charges payable to the Council.

**2.2. Audit Findings**

An examination of Information Communication Technology (ICT) systems, accounting and other records maintained at ECZ for the financial years ended 31<sup>st</sup> December 2017 and 2018 revealed the following:

**a. Governance**

**i. Failure to Avail Nomination Letters for In-coming Council Members**

According to the Examinations Council of Zambia Act, ECZ is governed by a Council comprising sixteen (16) members representing various disciplines/institutions as outlined in the Act.

On 23<sup>rd</sup> July and 1<sup>st</sup> August 2019, the Minister of General Education appointed the Council. However, there were no nomination letters availed for audit for the following members who were supposed to be nominated by their institutions before being appointed:

- a person nominated by the Technical colleges,
- a representative from the Zambia Council for the Handicapped, and
- the Chief Inspector of Schools.

Furthermore, contrary to the ECZ Act, two (2) people instead of one (1) were appointed from the University of Zambia.

**ii. Irregular Payments – Medical Bills for Council Chairperson**

Section 23 (3) (b) and (c) of the Act states that there will be paid from the funds of the Council such reasonable travelling, transport and subsistence allowances for members or members of any committee of the Council when engaged on the business of the Council, at such rates as the Minister may determine; and any other expenses incurred by the Council in the performance of its functions.

However, a review of payment documents revealed that from 12<sup>th</sup> February to 7<sup>th</sup> September 2018, amounts totalling K90,000 were paid towards medical bills for the Council Chairperson. In this regard, the payment of medical bills was irregular in that the Chairperson was not entitled.

**b. Income**

During the period under review, the Council received grants and generated income in amounts totalling K366,931,114 against the budget of K425,001,166 resulting in a negative variance of K58,070,052 as shown in table 2.1 below.

**Table 2.1: Budget against actual Income**

SN	Source	Budget			Actual			Variances		Total K
		2018 K	2017 K	Total K	2018 K	2017 K	Total K	2018 K	2017 K	
1	Grants from GRZ	66,280,443	63,061,921	129,342,364	62,599,575	73,061,931	135,661,506	(3,680,868)	10,000,010	6,319,142
2	Examination Fees	141,526,051	138,013,037	279,539,088	105,083,010	94,784,927	199,867,937	(36,443,041)	(43,228,110)	(79,671,151)
3	Council Services	5,140,055	3,132,445	8,272,500	7,973,986	7,116,674	15,090,660	2,833,931	3,984,229	6,818,160
4	Donor Support	-	5,800,000	5,800,000	3,435,940	445,265	3,881,205	3,435,940	(5,354,735)	(1,918,795)
5	Other Income	811,840	1,235,374	2,047,214	6,962,585	5,467,221	12,429,806	6,150,745	4,231,847	10,382,592
	<b>Total</b>	<b>213,758,389</b>	<b>211,242,777</b>	<b>425,001,166</b>	<b>186,055,096</b>	<b>180,876,018</b>	<b>366,931,114</b>	<b>(27,703,293)</b>	<b>(30,366,759)</b>	<b>(58,070,052)</b>

### c. Management Information Systems

#### i. Lack of Risk Management Framework

COBIT EDM03.02 stipulates that an organization should establish a risk management framework that is aligned to the organization's (enterprise's) risk management framework.

The framework, among others, should include a risk register which should highlight the significant risks the systems were exposed to, the impact, the management and mitigation of the risks. However, ECZ did not have a risk management framework during the period under review.

#### ii. Failure to Restrict and Segregate the Duties of the Developer

ISO/IEC 27001: 2005 A.10.1.4 requires that development, test and operational facilities should be separated to reduce the risks of unauthorised access or changes to the operational system. In addition, best practice requires that developers should not have access to the production environment.

Contrary to best practice, ECZ had one (1) officer who was managing the users on the application and the officer was also in charge of system development and enhancements to in-house developed applications such as Online Candidate Registration System (OCRS), Result Combination and Marks Entry Systems. The officer also had permission to perform all the activities on the system.

This implied that the officer had unrestricted access to both the production and development environments. Such unrestricted access to the system exposed the OCRS information to unauthorised changes which would not be possible to trace.

#### iii. Lack of an Integrated Management Information System

ECZ had systems for results management, online registration, marks entry and results combination. It was, however, observed that the four (4) systems were not interfaced,

and information had to be manually exported from one system to another, thus exposing it to the risk of manipulation in the transfer process.

**d. Operational Matters**

**i. Lack of Standards - Item Bank**

Item banking is the process of creating and maintaining a repository of test items from which examination questions can be drawn when need arises. Good practice requires that there be enough items per subject at any time in order that leakages may be minimised as any of the items has equal chance of being examined.

A scrutiny of the status of the item bank in December 2019 revealed that the Council did not have a standard on the minimum number of examination ready items per subject in the bank. As a result, the actual numbers of banked examination items ranged from 1 to 6, which may lead to examination leakages.

**ii. Failure to Collect Fees**

Clause 4.6.2 of the ECZ Guidelines on the Administration and Management of Examinations states that private schools/colleges shall be required to pay examination centre status renewal fees as determined by the Examination Council of Zambia.

In addition, Clause 4.8.4 states that examination centre status may be withdrawn due to non-payment.

During the period under review, private schools/centres owed amounts totalling K861,200 in unpaid renewal fees for the years 2014, 2015, 2016, 2017 and 2018. However, as at 31<sup>st</sup> December 2019, the amounts had not been collected and the status of the affected examination centres had not been withdrawn.

Further, a review of the Internal Audit Report for 2017 on Verification of Results revealed that ECZ had carried out verification of results on behalf of various institutions from which amounts totalling K63,490 should have been collected but had not been collected as at 31<sup>st</sup> December 2019.

The failure to collect the fees was as a result of poor debt management.

**iii. Failure to Retire Funds - Marking Allowances**

A review of the Provincial Marking Funding Report for 2018 revealed that the Examinations Council of Zambia funded Provincial Education Offices (PEOs) in

Muchinga, Southern, Eastern, North-western, Central, Western and Lusaka Provinces amounts totalling K13,400,074 for the purpose of payment of marking allowances for Grade 9 Internal and External, and General Certificate of Education (GCE) examinations for onward remittance to all examination centres. In this regard, amounts totalling K12,958,800 were paid and retired leaving a balance of K441,274 unretired as at 31<sup>st</sup> December 2019. See table 2.2 below.

**Table 2.2: Unretired Funds**

SN	Year	Province	Amount Funded to PEO K	Amount Spent/ Retired to ECZ K	Unretired ECZ K
1	2017/18	Muchinga	1,112,353	1,058,727	53,626
2	2017/18	Southern	2,311,542	2,087,424	224,118
3	2018	Eastern	1,743,946	1,705,219	38,727
4	2017/18	Northwestern	1,434,772	1,382,559	52,213
5	2018	Central	2,064,610	2,059,783	4,827
6	2017/18	Western	1,237,252	1,231,784	5,468
7	2017/18	Lusaka	3,495,599	3,433,304	62,295
	<b>Total</b>		<b>13,400,074</b>	<b>12,958,800</b>	<b>441,275</b>

**iv. Wasteful Expenditure – Payment of Interest**

On 26<sup>th</sup> April 2017, the Examinations Council of Zambia and Stephen Austin & Sons Limited domiciled in the United Kingdom signed a contract for the purpose of security printing, packaging and delivery of GCE, Grades 7, 9 and 12 examination question papers for the years 2017/ 2018 at a total contract sum of K41,805,847 (GB£3,132,110.17).

General Conditions of Contract state that unless the two parties agree otherwise, the payment-delay period after which the procuring entity shall pay interest to the supplier shall be sixty (60) days from the due date of the concerned invoice and the interest rate that shall be applied is 0.5% per month of the invoice value.

In February and March 2018, a total amount of K246,705 (GB£18,388.51) was paid as interest to Stephen Austin and Sons Limited due to delayed payments of outstanding obligations totalling K13,301,041 (GB£996,556.62) resulting in wasteful expenditure.

**e. Accounting Irregularities**

**i. Revenue**

An inspection of schools and Teacher Education Colleges in Lusaka, Copperbelt, Luapula, Muchinga, Southern and Western provinces conducted in August 2019 revealed the following:

- **Delayed Banking**

Contrary to ECZ Financial Regulation No. 8.6 b (iv) which states that Examination Centres within a radius of 25 km from a bank must deposit/remit the collected examination fees on a daily basis while those outside that radius must deposit/remit fees on a weekly basis, there were delays in banking of revenue in amounts totalling K746,453 ranging from one (1) to twenty six (26) days during the 2017/2018 academic year. See table 2.3 below.

**Table 2.3: Delayed Banking**

SN	District	School	Amount K	Delays
1	Lusaka	Kamwala Secondary School - Grade 12 Internal	146,372	3-26 days
2	Lusaka	David Kaunda Secondary School-Grade 12 Internal	74,975	1 to 9 Days
3	Lusaka	David Kaunda Secondary School-Grade 12 GCE	435,089	1 to 3 Days
4	Chingola	Chingola School for Continued Education - G.C.E	26,475	4-8 days
5	Chingola	Chingola Secondary School - Grade 12 - Internal	63,542	2-6 days
		<b>Total</b>	<b>746,453</b>	

- **Under Banking of Revenue**

In 2017, amounts totalling K3,381,060 in respect of examination fees were collected by seven (7) colleges out of which amounts totalling K3,205,880 were banked resulting in an under banking of K175,180.

In addition, a review of 2017 Internal Audit reports and a verification carried out revealed that three (3) colleges had not deposited a total amount of K284,450 as at 31<sup>st</sup> December 2019.

- **Unremitted Funds – Teacher Education Colleges**

Section 8.6 b (iv) of the ECZ Financial Regulations states that Examination Centres within a radius of 25 km from a bank must deposit/remit the collected examination fees on a daily basis while those outside that radius must deposit/remit the collected examination fees on a weekly basis.

However, a review of an ECZ internal memorandum dated 17<sup>th</sup> September 2019 revealed that six (6) Teacher Education Colleges did not remit examination fees in amounts totalling K679,820 which were collected during the period under review. See table 2.4 below.

**Table 2.4: Unremitted Funds**

SN	College Name	Expected Fees K	Remitted Fees K	Unremitted to ECZ K
1	Trinity College of Education	294,680	-	294,680
2	Modern College of Education	105,800	39,620	66,180
3	Siakama College of Education	204,240	74,960	129,280
4	Marshall College of Education	203,120	91,680	111,440
5	Mwarona College of Education	30,860	-	30,860
6	Mwarona College of Education	99,840	52,460	47,380
	<b>Total</b>	<b>938,540</b>	<b>258,720</b>	<b>679,820</b>

- ii. **Under-pricing of the Sale of Personal to Holder Motor Vehicle**

Terms and Conditions of Service for employees on fixed term contract state that, to arrive at the sell price of a personal to holder motor vehicle, the vehicle shall be depreciated using the reducing balance method at the rate of 20% per annum and the sell price shall be the residual amount after depreciation for five (5) years.

In May 2013, the Council procured a personal to holder motor vehicle for the Director at a cost of K277,456.

It was however observed that on 18<sup>th</sup> June 2018 the Director was offered to purchase the personal to holder vehicle at K22,729 which was 25% of the residual value of K90,917 resulting in the under-pricing of the vehicle by K68,188.

- iii. **Pension Funding Deficit - Failure to Settle Outstanding Pension Contributions**

According to the Pension Scheme Regulation Act of 1996, 18(1) d (As amended by Act No. 27 of 2005), a pension scheme shall, if it is a defined benefit scheme during the first four (4) years after regulation, carry out an actuarial valuation every two (2)

years, thereafter at least every three years so as to review and determine the sound funding of the pension scheme.

In this regard, it was observed that an actuarial valuation of the ECZ Pension Scheme which was carried out in December 2015 revealed a funding deficit of K13,116,918 out of which an amount of K4,499,918 was paid to the scheme leaving a balance of K8,617,000 as at 31<sup>st</sup> December 2019.

**iv. Non-remittance of Tax**

Contrary to the Income Tax Act Cap 323 of the Laws of Zambia, ECZ did not remit Pay As You Earn (PAYE) in amounts totalling K2,632,238 and With Holding Tax (WHT) in amounts totalling K65,667 as at 31<sup>st</sup> December 2018.

In addition, a review of the Internal Audit report for 2017 revealed that taxes arising from the Grade 9 script marking and setting allowances for 2016 and payable in 2017 amounting to K1,490,665 were not remitted to Zambia Revenue Authority (ZRA).

As at 31<sup>st</sup> December 2019, the funds had not been remitted. Consequently, the Council risks being charged penalties and interest on the outstanding amount.

**v. Unsupported Payment Vouchers**

Contrary to Section 10.3.1 of the ECZ Financial Regulations which states that the Accounts Assistant must obtain an official receipt for the payment and that the payee signs the Cheque Payment Voucher to acknowledge receipt, seven (7) payment vouchers raised during the period under review in amounts totalling K247,938 lacked supporting documentation such as receipts and acquittal sheets.

**f. Asset Management - Lack of Asset Management Policy**

An Asset Management Policy provides guidance on the acquisition, use and disposal of non-current assets, method of valuing assets, depreciation methods and rates and the treatment of fully depreciated assets, among others. However, a review of records and documents availed for audit revealed that ECZ did not have an Asset Management Policy during the period under review.

### **3. FOOD RESERVE AGENCY**

#### **3.1. Background**

##### **a. Establishment**

The Food Reserve Agency (FRA) was established in 1996 after the enactment of the Food Reserve Act No. 12 of 1995.

The functions of the Agency are to:

- i. administer the national food reserve,
- ii. establish and operate a market information system for agricultural food commodities and agricultural inputs,
- iii. promote the use of the weighing and grading standards approved under the Weights and Measures Act and the Standards Act for designated commodities,
- iv. establish and conduct a programme under which storage facilities owned by the Government may be leased or sold,
- v. establish a programme under which traders and processors shall register and report, for statistical purposes, information on the stocks of agricultural commodities handled or held by them,
- vi. assess storage requirements for marketing a designated commodity and plan for their establishment as needed, and
- vii. undertake such other functions as the Minister may assign to the Agency.

##### **b. Governance - The Agency**

Part 1 of the Schedule of the Food Reserve Agency Act Paragraph 2 (1) provides for the composition of the Board of the Agency as follows:

- i. a senior official from the Ministry responsible for:
  - Agriculture,
  - Commerce,/ and
  - Finance.
- ii. a representative of:
  - small scale farmers,

- commercial farmers,
  - persons engaged in the processing of agriculture commodities, and
  - the Bankers Association of Zambia,
- iii. one (1) person associated with transportation and haulage of agriculture commodities, and
- iv. two (2) other persons from the private sector.

The Chairperson and Vice Chairperson are elected by the Agency from amongst the members.

Members of the Board hold office for a period of three (3) years from the date of appointment and are eligible for reappointment for a further term of three (3) years.

**c. Management**

The Executive Director, who is the Chief Executive Officer of the Agency is responsible for the day-to-day affairs of the Agency. The Executive Director is assisted by the Agency Secretary, Manager Finance, Property Manager, Food Reserve and Marketing Manager, and Audit and Risk Manager.

**d. Sources of Funds**

According to the Part II Section 10 of the Act, the sources of funds for the Agency consist of such monies as may:

- i. be appropriated by the National Assembly for the purposes of administering the National Food Reserve Agency,
- ii. be paid to the Agency by way of grants and donations, and
- iii. vest in or accrue to the Agency.

The Agency may also:

- i. accept money by way of grants and donations,
- ii. raise by way of loans and otherwise from any sources in Zambia and subject to the approval of the Minister, from any source outside Zambia, such money as it may require for the discharge of its functions,
- iii. charge and collect fees in respect of programmes, publications, seminars, consultancy and other services provided by the Agency.

### 3.2. Audit Findings

An examination of financial and other records maintained at FRA for the period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> December 2018 and physical inspections revealed the following:

#### a. Governance - Failure to Appoint a Full Board

Contrary to Part 1 of the Schedule of the Food Reserve Agency Act, the FRA operated without a full Board in that there was no representation from three (3) institutions namely; Bankers Association of Zambia, Millers Association of Zambia and the Zambia National Farmers Union. Therefore, the interests of the three (3) institutions were not represented on the Board.

#### b. Income

In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2017 and 2018, provisions totalling K2,073,700,000 were made to cater for the operations of the Agency against which amounts totalling K1,576,000,000 were released resulting in an underfunding of K497,700,000. See table 3.1 below.

**Table 3.1: Budget against Actual Income**

Year	Budget K	Actual K	Variance K
2017	942,500,000	965,700,000	23,200,000
2018	1,131,200,000	610,300,000	(520,900,000)
<b>Total</b>	<b>2,073,700,000</b>	<b>1,576,000,000</b>	<b>(497,700,000)</b>

#### c. Operational Matters

##### i. Delayed Payments to Farmers

According to FRA Crop Marketing Modalities, once a farmer has delivered the product and has been issued with Produce Receipt and Certification Note (PRCN), FRA is required to pay the farmer within fourteen (14) days from date of delivery.

However, as at 31<sup>st</sup> December 2018, payments in amounts totalling K855,514,950 due to 94,345 farmers were delayed by 15 to 247 days after delivery of the produce thereby delaying economic benefits to the farmers.

##### ii. Failure to Meet Gazetted National Food Strategic Reserves

A review of records carried out in December 2019 revealed that although in 2017 the gazetted maize target was exceeded by 17,959 metric tonnes, in 2018 only 174,685 metric tonnes of maize were procured against a target of 390,000 metric tonnes resulting in an under procurement of 215,315 metric tonnes. In addition, the Agency

did not meet the minimum strategic procurement reserves of 2,100 metric tonnes of rice for the period under review as only 68 and 23 metric tonnes were procured in 2017 and 2018 respectively. See table 3.2 below.

**Table 3.2: Tonnage of Maize and Rice Procured**

Year	Gazetted Maize Metric Tonnes	Gazetted Rice Metric Tonnes	Procured Maize Metric Tonnes	Procured Rice Metric Tonnes	(Under) Over Procured Maize Metric Tonnes	(Under) Over Procured Rice Metric Tonnes
2017	500,000	2,100	517,959	68	17,959	(2,032)
2018	390,000	2,100	174,685	23	(215,315)	(2,077)
<b>Total</b>	<b>890,000</b>	<b>4,200</b>	<b>692,644</b>	<b>91</b>	<b>(197,356)</b>	<b>(4,109)</b>

**d. Accounting Irregularities**

**i. Non-remittance of Tax**

Contrary to Income Tax Act Chapter 323 of the Laws of Zambia, amounts totalling K624,068 deducted as PAYE from Director's fees during the period under review had not been remitted to Zambia Revenue Authority (ZRA) as at 31<sup>st</sup> December 2019. See table 3.3 below.

**Table 3.3: Non-remittance of Tax**

Description	2018 K	2017 K	Total K
PAYE	356,088	267,980	624,068

**ii. Delays in Remitting Statutory Obligations to NAPSA**

During the period under review, FRA deducted contributions from employees' emoluments in amounts totalling K14,477,914 out of which K13,808,329 was paid leaving a balance of K669,585 as at 31<sup>st</sup> December 2018.

Contrary to Part IV of the National Pension Scheme Act No. 40. of 1996, the Agency had not been remitting the NAPSA contributions on time resulting in penalties in amounts totalling K3,653,812 being charged. As at 31<sup>st</sup> December 2019, the penalty amount had not been paid.

**e. Asset Management**

**i. Poor Management of Repossessed Properties**

During the 1998/99 marketing season, the Agency offered maize and fertiliser loans to various cooperatives and individuals. The loans were secured by collateral in form of properties such as houses, farms and commercial buildings.

During the period from 2011 to 2013, the Agency obtained judgements in its favour to repossess forty-four (44) properties that had been placed as collateral in order to recover debt, owed by different individuals and co-operatives, in amounts totalling K4,450,858.

It was however observed that although judgements were entered in favour of the Agency, more than six (6) years earlier, the following were still outstanding:

- Out of the forty-four (44) properties, twenty-nine (29) had been revalued for purposes of disposal (sale) leaving a balance of fifteen (15) unvalued as at 31<sup>st</sup> December 2019.
- Of the twenty-nine (29) valued properties, only twelve (12) had been sold at a sum of K2,760,860 leaving the balance of seventeen (17) unsold as at 31<sup>st</sup> December 2019.

**ii. Failure to Recover Advance Payment - Perfect Investments Limited**

In September 2011, the Agency engaged Perfect Investments Limited to construct three (3) hard standing slabs at Namwala, Chivuna and Chakola Depots each with a storage capacity of 5,000 metric tonnes at a total contract price of K1,869,545.

The works were to be completed within eight (8) weeks after receipt of the advance payment.

However, it was observed that the contractor did not undertake the works despite being paid an advance payment of K942,901 on 19<sup>th</sup> September 2011.

In this regard, the Agency instituted civil proceedings in the High Court against the defendant for K942,901 plus liquidated damages, interest and costs. On 14<sup>th</sup> November 2015 the Court passed Judgement in favour of the Agency in default of appearance and defence.

It was however observed that as of December 2019, the Agency failed to recover the K942,901 plus liquidated damages, interest and costs on account that they could not trace the Company.

**iii. Infrastructure Projects**

In 2015, the Agency engaged nine (9) contractors among others to carry out various infrastructure projects. See details in table 3.4.

**Table 3.4: Abandoned Infrastructure Projects**

SN	NAME OF PROJECT	NAME OF CONTRACTOR	CONTRACT SUM K	PAYMENT TO DATE K	BALANCE ON CONTRACT K	PROJECT DURATION	PROJECT START DATE	PROJECT END DATE	AUDIT FINDINGS
1	Construction of office block, ablution block and guard house and water reticulation in Mpongwe and Masaiti.	Altavista Investments Limited	2,728,757.64	1,421,955.70	1,306,801.94	24 weeks	11/10/2015	26/4/2016	<p><b>Status</b> Project delayed for forty (40) months and abandoned.</p> <p><b>Mpongwe Main Depot</b></p> <ul style="list-style-type: none"> <li>Tiles in both the ablution and office blocks were peeling off;</li> <li>There were cracks on the tiles, and</li> <li>Cracks on the outside walls of the two (2) blocks had developed.</li> </ul> <p><b>Masaiti Main Depot</b></p> <ul style="list-style-type: none"> <li>Falling ceiling boards,</li> <li>Poor fit doors leaving gaps,</li> <li>Signs of leakages in the ceiling, and</li> <li>Leaking tap in the male ablution sink.</li> </ul>
2	Construction of office block, ablution block, guard house and water reticulation in Kapiri Mposhi.	Mach Tech Limited	1,449,202.43	594,298.80	854,903.63	24 weeks	11/10/2015	26/4/2016	<p><b>Status</b> Project delayed for forty (40) months and abandoned.</p> <p>The following were outstanding: Fitting of window frames, electrical fittings, plumbing works, ceiling boards, tiles, paintings, air conditioning and other finishing works.</p>

3	Construction of office block, ablution block and guard house at Tendere Depot.	Jemuro Investments Limited	1,014,435.38	739,462.45	274,972.93	24 weeks	11/10/2015	26/4/2016	<b>Status</b> Project delayed for forty (40) months and abandoned. The following were outstanding: Fitting of window frames, electrical fittings, plumbing works, ceiling boards, tiles, paintings, water supply air conditioning and other finishing works.
4	Construction of office block, ablution block and guard house at Mtilizi Depot.	Green Lake (Z) Limited	1,326,305.90	1,083,389.92	242,915.98	24 weeks	11/10/2015	26/4/2016	<b>Status</b> Project delayed for forty (40) months and abandoned. The following works were outstanding: water supply, electrical supply, external plumbing works and painting and decorations.
5	Construction of office block, ablution block and guard house at Katete Depot.	Jonda contractors	3,101,729.85	1,792,761.87	1,308,967.98	24 weeks	11/10/2015	26/4/2016	<b>Status</b> Contract terminated on 14 <sup>th</sup> October 2019; Small hand basins fixed instead of large ones as per BOQ. Bulb holders instead of fluorescent fittings. Geyser and geyser switch not fixed.
6	Construction of office block, ablution block and guard house at Lumezi and Mgbudu Depots.	October First Enterprises	2,434,080.43	513,296.50	1,920,783.93	24 weeks	11/10/2015	26/4/2016	<b>Status</b> Project delayed for forty (40) months and abandoned. The following were outstanding: Fitting of window frames, electrical fittings, plumbing works, ceiling boards, tiles, paintings, water supply air conditioning and other finishing works.

7	Construction of office block, ablution block and guard house at Kaoma Depot.	Best Finish Construction	1,134,966.20	645,874.93	489,091.27	24 weeks	11/10/2015	26/4/2016	<b>Status</b> Project delayed for forty (40) months and abandoned. The following were outstanding: Window glazing, electrical fittings, plumbing works, ceiling boards, tiles, paintings, water supply, air conditioning and other finishing works.
8	Construction of boundary wall fence at Alimi Depot in Chipata.	October First Enterprises	880,504.03	514,565.76	365,938.27	16 weeks	11/10/2015	1/3/2016	<b>Status</b> Project delayed for forty-three (43) months and abandoned. The wall fence was at 65% complete where four (4) panels equivalent to 12 metres had collapsed at the time of inspection.
9	Rehabilitation of Internal Depot Roads at Chambishi Depot in Kalulushi District.	Treo Zambia Limited	2,308,718.30	1,870,424.04	438,294.26	16 weeks	11/10/2015	1/3/2016	<b>Status</b> <ul style="list-style-type: none"> <li>• Contractor failed to complete project on time.</li> <li>• At the time of termination on 27<sup>th</sup> October 2019, the project had delayed for forty-three (43) months and was 60% complete.</li> </ul>
	<b>Total</b>		<b>16,378,700.16</b>	<b>9,176,029.97</b>	<b>7,202,670.19</b>				

**iv. Properties without Title Deeds**

A review of the Food Reserve (Transfer of Property) Order of 1996 revealed that the Agency acquired all properties from Zambia Co-operative Federation (ZCF) through the Food Reserve Agency Act.

As at 31<sup>st</sup> December 2019, there were 202 properties that had no title deeds despite the order being signed in 1996. The lack of title deeds may result in loss of property in the event of disputes.

## **4. INDEPENDENT BROADCASTING AUTHORITY**

### **4.1. Background**

#### **a. Establishment**

The Independent Broadcasting Authority (IBA) was established by the Independent Broadcasting Authority Act No. 17 of 2002 which was later repealed and replaced by the Independent Broadcasting Authority (Amendment) Act No. 26 of 2010.

The main function of the Authority is to regulate broadcasting in Zambia by ensuring the promotion of a pluralistic and diverse broadcasting industry in the Country. The IBA also grants, renews, suspends and cancels radio and television broadcasting licences.

#### **b. Governance - Board of Directors**

The Board of Directors comprises nine (9) part-time members appointed by the Minister on the recommendation of the Appointments Committee subject to ratification by the National Assembly.

The Chairperson and Vice-Chairperson are elected by the members from amongst themselves.

A member of the Board holds office for a period of three (3) years from the date of appointment and may be re-appointed for a further term of three (3) years.

#### **c. Management**

The day-to-day operations of IBA is the responsibility of the Director General who is assisted by the Director Standards, Licensing and Compliance and the Director Human Resource and Administration.

#### **d. Sources of Funds**

According to Part VI Section 39 of the Act, the funds of the Authority consist of such moneys or assets as:

- i. may be appropriated by Parliament for the purposes of the Authority,
- ii. may accrue to, or vest in the Authority by way of grants, subsidies, bequests, donations, gifts, subscriptions, rents, interests and royalties,
- iii. may be realised from the sale of any property by or on behalf of the Authority,
- iv. fees payable in respect of licenses under the Act, and

- v. may howsoever accrue to or vest in the Authority.

The Authority may also:

- i. accept moneys by way of grants or donations from any source in the Republic and, subject to the approval of the Minister from any source outside Zambia,
- ii. raise moneys by way of loans or otherwise from any source in the Republic and, subject to the approval of the Minister, from any source outside Zambia, as it may require for the discharge of its functions, and
- iii. in accordance with the Regulations made under this Act charge and collect fees for services provided by the Authority.

#### 4.2. Audit Findings

An examination of management information systems, accounting and other records of the IBA for the financial year ended 31<sup>st</sup> December 2018 revealed the following:

##### a. Income

During the financial year ended 31<sup>st</sup> December 2018, the Authority received amounts totalling K11,199,996 from the Treasury against the budgetary provision of K11,200,000.

In addition, the Authority generated funds in amounts totalling K3,824,995 from licence fees and television (TV) Levy, bringing the Authority's total income to K15,024,991. See table 4.1 below.

**Table 4.1: Budgeted against actual Income**

SN	Sources of Funds	Budget K	Actual K
1	GRZ	11,200,000	11,199,996
2	Licences fees and TV Levy	-	3,824,995
	<b>Total</b>	<b>11,200,000</b>	<b>15,024,991</b>

##### b. Management Information Systems

###### i. Failure to Adopt ICT Standards and Frameworks

There are several standards and frameworks, which are applicable internationally and generally used in the implementation, operation and auditing of Information and Communication Technology (ICT) environments.

However, despite the availability of various frameworks which the Authority could have utilized or adopted, the Authority did not adopt any ICT Standards and frameworks for managing its ICT operations during the period under review.

As a result, the Authority did not have a documented basis or systematic means for benchmarking or measuring the performance of its ICT activities or processes. Consequently, it was not possible to establish how the Authority identified, improved and modified any weaknesses in the various ICT control areas.

**ii. Lack of an ICT Steering Committee**

CoBIT PO4.3 states that an ICT Steering Committee (or equivalent) composed of executive, business and ICT management should be established in an organisation.

Contrary to the standard, the Authority implemented ICT systems such as the Client Information System, Payroll and Pastel systems valued at K47,625 without constituting an ICT Steering Committee or its equivalent to oversee and monitor the Authority's ICT projects and activities.

**c. Operational Matters**

**i. Weaknesses in the Collection of TV Levy**

The Independent Broadcasting Authority (Television Levy) Regulations, 2018 gives power to the IBA to collect Television Levy from licensees at the rate of K5 per subscription. A scrutiny of accounting records revealed that IBA collected a total amount of K33,604,270 from seven (7) licensees from 1<sup>st</sup> May 2018 to 31<sup>st</sup> December 2018.

However, it was observed that IBA did not have a mechanism in place for verifying the correctness of the TV Levies remitted by the licensees. In this regard, it was not possible to verify the correctness of the K33,604,270 collected from the seven (7) licensees.

**ii. Non-Collection of License Fees**

Section 22 (4) of the Independent Broadcasting Authority (IBA) Act No. 26 of 2010 states that a broadcasting licensee shall pay such annual fees for the broadcasting license as may be determined by the Board.

A review of the records in respect of radio and television fees billed in 2018 revealed that six (6) broadcasting stations had not paid license fees in amounts totalling K63,500. The amounts had been outstanding for nineteen (19) months as at 31<sup>st</sup> December 2019.

**d. Accounting Irregularities**

**i. Failure to Produce the Annual Report**

Section 42 (1) of the Independent Broadcasting Authority Act states that as soon as is practicable, but not later than three (3) months after the financial year, the Authority shall submit to the Minister a report concerning its activities during that financial year.

Contrary to the Act, as at 31<sup>st</sup> December 2019, the Authority had not produced the Annual Report for the year ended 31<sup>st</sup> December 2018. Therefore, the performance of the Authority could not be assessed.

**ii. Non-remittance of Tax**

Contrary to the Income Tax Act Chapter 323 of the Laws of Zambia, Pay As You Earn (PAYE) in amounts totalling K1,698,231 deducted from employees emoluments during the period under review were not remitted to the Zambia Revenue Authority as at 31<sup>st</sup> December 2018.

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

On 30<sup>th</sup> November 2018, the Manager – Licensing and Compliance resigned from IBA. At the time of his resignation, he owed the IBA amounts totalling K81,000 in unrecovered loans and advances.

However, as at 31<sup>st</sup> December 2019, management had not taken action to recover the funds. In this regard, IBA may not recover the outstanding amounts.

**e. Administrative Issues - Irregular Disposal of Personal to Holder Motor Vehicles**

A scrutiny of the contracts of employment for the Director General and Director Standards and Licensing revealed that the employees were eligible to purchase the vehicles at the end of the contracts at 25% of the original purchase prices. The

vehicles were bought on 2<sup>nd</sup> April 2014 and had been used for four (4) years as at 22<sup>nd</sup> October 2018 when they were disposed of.

However, a review of Board Minutes, personal files and receipt books revealed that during the period under review, the Authority sold two (2) motor vehicles to the Director General and the Director Standards and Licensing at residual values instead of 25% of the original purchase prices as provided in their contracts resulting in a loss of K128,000. See table 4.2 below.

**Table 4.2: Motor Vehicle Disposal Details**

SN	Details	Vehicle 1 K	Vehicle 2 K
1	Purchase price	355,000	285,000
2	25% of purchase price	88,750	71,250
3	Actual price disposed off at	17,750	14,250
4	Variance /undervaluation	<b>71,000</b>	<b>57,000</b>
	<b>Total Undervaluation</b>		<b>128,000</b>

## **5. JUDICIARY**

### **5.1. Background**

#### **a. Establishment**

The Judiciary of Zambia was established under Articles 120, 124, 127, 130 and 133 of the Constitution of the Republic of Zambia (Amendment) Act No. 2 of 2016. The Judiciary was established to:

- i. interpret the Constitution and the Laws of Zambia,
- ii. administer justice through resolving disputes between individuals and between state and individuals,
- iii. promote the rule of law and contribute to the maintenance of order in society,
- iv. safeguard the Constitution and uphold democratic principles, and
- v. protect human rights of individuals and groups.

#### **b. Governance**

The Judiciary is administered in accordance with the Judiciary Administration Act No. 23 of 2016.

#### **c. Management**

The Chief Administrator of the Judiciary is the Chief Executive Officer and is responsible for the day to day administration of the Judiciary and implementation of resolutions of the Judicial Service Commission.

#### **d. Sources of Funds**

According to Part III Section 17 of the Act, the funds of the Judiciary consist of such moneys as may:

- i. be appropriated by Parliament for purposes of the Judiciary,
- ii. be paid to the Judiciary by way of court fees, grants, gifts, donations or bequests,  
or
- iii. vest in or accrue to the Judiciary from investments, fees or levies administered by the Judiciary.

The Chief Administrator may also accept money by way of grants, whether or not subject to conditions, for the benefit of any activity, function, fund or asset of the Judiciary or any part thereof.

## 5.2. Audit Findings

An examination of financial and other records maintained at the Judiciary Headquarters and physical inspections of selected stations for the year ended 31<sup>st</sup> December 2018 revealed the following:

### a. Income

In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2018, a total provision of K468,958,320 was made to cater for operations of the Judiciary against which amounts totalling K440,883,303 were released resulting in an under funding of K28,075,017.

### b. Operational Matters

#### i. Inadequate Court Rooms and Judges' Chambers

According to the establishment, the Judiciary was supposed to have 1,157 court rooms and 3,505 Judges' chambers countrywide. However, it was observed that the Judiciary only had a total of 647 court rooms and 1,724 Judges' chambers, resulting in a total deficit of 510 and 1,781 court rooms and Judges' chambers respectively. See table 5.1 below.

**Table 5.1: Court Rooms and Judges' Chambers**

SN	Details	Courtrooms			Judges Chambers		
		No. Required	Actual No.	Deficit	No. Required	Actual No.	Deficit
1	Supreme Court (Lusaka, Ndola)	6	2	4	26	1	25
2	Constitutional Court	3	0	3	13	0	13
3	Court of Appeal (Lusaka, Kabwe)	10	1	9	38	13	25
4	High Court (Headquarters)	20	12	8	40	16	24
5	Provincial High Courts	20	8	12	40	12	28
6	Subordinate Courts	348	95	253	348	95	253
7	Local Courts	750	529	221	3,000	1,587	1,413
	<b>Total</b>	<b>1,157</b>	<b>647</b>	<b>510</b>	<b>3,505</b>	<b>1,724</b>	<b>1,781</b>

#### ii. Non-Operational Local Courts

During the period under review, the Judiciary had a total of 529 local courts across the country out of which 123 were not operational as they were either dilapidated or lacked water reticulation or sanitation. See table 5.2.

**Table 5.2: Non-Operational Local Courts**

SN	Province	No. of Courts	Operational Courts	Non-Operational Courts
1	Lusaka	40	32	8
2	Central	29	23	6
3	Copperbelt	50	44	6
4	Luapula	49	45	4
5	Northwestern	52	34	18
6	Muchinga	42	33	9
7	Eastern	69	49	20
8	Northern	60	49	11
9	Southern	53	42	11
10	Western	85	55	30
	<b>Total</b>	<b>529</b>	<b>406</b>	<b>123</b>

**c. Accounting Irregularities**

**i. Unsupported Payments**

Contrary to Financial Regulation Nos. 45 and 52, seventy-seven (77) payment vouchers in amounts totalling K230,584 processed at four (4) stations during the period under review were not supported with documentation such as receipts, invoices and Local Purchase Orders. See table 5.3 below.

**Table 5.3: Unsupported Payments**

SN	Station	No. of Transaction	Amount K
1	Livingstone	6	19,432
2	Mongu	64	182,436
3	Ndola	3	20,773
4	Kitwe	4	7,943
	<b>Total</b>	<b>77</b>	<b>230,584</b>

Therefore, the validity of the payments could not be ascertained.

**ii. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K1,946,643 (general stores – K1,686,863 and fuel – K259,780), procured during the period under review could not be accounted for in that there were no disposal details. See table 5.4 below.

**Table 5.4: Unaccounted for Stores**

SN	Station	No. of Transactions	General Stores K	Fuel K	Total K
1	High Court-CCD	11	401,228	25,000	426,228
2	Lusaka Sub-Court-Fees Account	37	81,006	174,800	255,806
3	Chipata	31	255,141	-	255,141
4	Livingstone	14	77,560	7,980	85,540
5	Mongu	32	223,446	-	223,446
6	Ndola	54	212,932	21,500	234,432
7	Kitwe	3	18,278	-	18,278
8	Kabwe	38	244,777	30,500	275,277
9	Solwezi	37	172,496	-	172,496
	<b>Total</b>	<b>257</b>	<b>1,686,863</b>	<b>259,780</b>	<b>1,946,643</b>

Consequently, it could not be confirmed whether the stores items were used for the intended purposes.

**d. Staff Related Matters**

**i. Irregular Payment of Remote and Rural Hardship Allowances**

Contrary to Public Service Management Division Circular No. B2 of 2010 and the Public Service Terms and Conditions of Service, seventy-three (73) officers were paid remote and rural hardship allowances in amounts totalling K447,693 despite not being entitled to the allowances. See table 5.5 below.

**Table 5.5: Irregular Payment of Remote and Rural Hardship**

SN	Station	Remote Hardship Allowance		Rural Hardship Allowance		Total Amount K
		No. of Officers	Amount Paid K	No. of Officers	Amount Paid K	
1	Kabwe	2	6,912	3	15,446	22,358
2	Kaoma	1	9,072	-	-	9,072
3	Mongu	10	74,258	28	144,533	218,791
4	Livingstone	9	74,905	20	122,567	197,472
	<b>Total</b>	<b>22</b>	<b>165,146</b>	<b>51</b>	<b>282,546</b>	<b>447,693</b>

This resulted in loss of funds to Government by paying allowances to officers who were not entitled.

**ii. Irregular Payment of Salaries to Separated Officers**

A review of personal files and other documents revealed that seventy-four (74) officers in various stations who had either resigned or dismissed and whose contracts were terminated were paid basic salaries and other allowances in amounts totalling K2,120,330 as at 31<sup>st</sup> December 2018.

This was contrary to Terms and Conditions of Service for the Public Service which requires that such employees are terminated from the payroll with effect from the date of resignation, dismissal or discharge. See table 5.6 below.

**Table 5.6: Irregular Payment of Salaries to Separated Officers**

<b>SN</b>	<b>Details</b>	<b>No. of Officers</b>	<b>Amount K</b>
1	Dismissed Staff	26	375,221
2	Contract Termination/Resignation	48	1,745,109
	<b>Total</b>	<b>74</b>	<b>2,120,330</b>

As at 31<sup>st</sup> December 2019, the irregularly paid amounts had not been recovered leading to possible loss of public funds.

**iii. Irregular Payment of Allowances to Retirees Retained on the Payroll**

Contrary to Public Service Management Division Circular No. B21 of 2018, Section 5, allowances in amounts totalling K1,172,300 were paid to 115 retirees during the financial year ended 31<sup>st</sup> December 2018 who were retained on government payroll. As at 31<sup>st</sup> December 2019, the allowances had not been recovered.

**e. Infrastructure Management**

During the period from 2012 to 2013, the Judiciary signed four (4) contracts for the construction of four (4) local courts and two (2) low cost staff houses in Shangombo, Nyimba and Mkushi Districts at a total contract sum of K3,466,658.

The terms and conditions of the contract among others, included the following:

- i. Defects Liability Period: 180 days
- ii. Performance Security: 10% of Contract Sum
- iii. Liquidated Damages: 8% of final Contract Sum

A physical inspection of the projects carried out in July 2019 revealed that projects were not completed and had stalled at various stages. In particular, the following were observed as shown in table 5.7:

**Table 5.7: Infrastructure Management**

SN	District	Project	Contractor	Contract Period	Contract Sum K	Total paid K	Scope of Works	Observations	Period Delayed (Weeks)
1	Shangombo	Construction of two (2) low cost staff houses	Tosh Building Contractors	24 weeks (from 15 <sup>th</sup> October 2013 to 15 <sup>th</sup> April 2014)	743,001	517,774	Construction of the substructure; concrete work, brickwork and block work, roofing, finishes and doors, metal work and plumbing, solar power installations and painting and decorations.	<ul style="list-style-type: none"> <li>One house had been roofed while the other one was at ring beam level,</li> <li>Cracks had developed on the walls of the super structure on both houses,</li> <li>The ring beam had cracked and sagged on the veranda of one roofed house, and</li> <li>The project had stalled, and the contractor was not on site as at 31<sup>st</sup> December 2019.</li> </ul>	272 Weeks
2	Nyimba	Construction of Mwape Local Court	Autum Construction Zambia Limited	28 Weeks (from 1 <sup>st</sup> June 2012 to 31 <sup>st</sup> December 2012)	465,749	160,192	Block work, brick work, carpentry, metal work and iron-mongery, solar electrical installation, floor and wall finishings, painting and decorating, external works, roofing and plumbing installation	<ul style="list-style-type: none"> <li>The structure was at ring beam level,</li> <li>There was a separation of the slab on the entrance to the holding cell, and</li> <li>The building had overgrown vegetation such as grass and trees thus weakening the concrete and block works of the structure.</li> </ul>	308 Weeks
3	Nyimba	Construction of Nyimba Urban Local Court	Sarzam Contractors Limited	36 Weeks (1 <sup>st</sup> October 2013 to 1 <sup>st</sup> July 2014)	1,390,363	616,541	Block work and brick work; carpentry, joinery and iron-mongery; metal work and iron-mongery; solar electrical installation; floor and wall finishings; painting and decorating; external works; roofing and plumbing installation.	<ul style="list-style-type: none"> <li>The works had not been completed and the building was at wall plate level, and</li> <li>As at 31<sup>st</sup> December 2019 the works had stalled, and the contractor was not on site</li> </ul>	296 Weeks
4	Mkushi	Construction of Masansa Local Court	JBD Green Tech Zambia Ltd	16 Weeks (from 14 <sup>th</sup> December 2012 to 14 <sup>th</sup> April 2013)	867,545	422,284	Block work, brick work, carpentry, iron-mongery, floor and wall finishings, painting and decorating, external works, roofing and plumbing installation.	<ul style="list-style-type: none"> <li>The building had stalled at lintel level,</li> <li>Cracks had developed in the main court room,</li> <li>The door frames in some rooms had been stolen from the structure,</li> <li>The public toilets which were at wall plate level were vandalised with door frames from both ladies and gents removed from the structure, and</li> <li>As at 31<sup>st</sup> December 2019 the contractor was not on site.</li> </ul>	320 weeks

## **6. LUSAKA SOUTH MULTI-FACILITY ECONOMIC ZONE LIMITED**

### **6.1. Background**

#### **a. Establishment**

The Lusaka South Multi-Facility Economic Zone Limited (LS-MFEZ) is a State Owned Enterprise (SOE) which was incorporated under the Companies Act on 25<sup>th</sup> June 2012 and is wholly owned by Government through the Industrial Development Corporation (IDC) as a Special Purpose Vehicle to manage, operate, and develop the LS-MFEZ.

The LS-MFEZ was established to achieve, among others, the following objectives:

- i. to promote the LS-MFEZ into a number one destination for investment,
- ii. to create an enabling business environment in order to attract and maintain high quality investment,
- iii. to develop land administration and management mechanisms in order to facilitate activities in the LS-MFEZ master plan,
- iv. to develop and implement Marketing Promotion Programme in order to attract quality investors in the company,
- v. to facilitate business development in the company in order to contribute to employment creation.

#### **b. Governance - Board of Directors**

The Articles of Association of the company provides for a Board of Directors with a minimum of five (5) and not more than seven (7) members.

#### **c. Management**

The day-to-day operations of the company is the responsibility of the Managing Director who is appointed by the Board and is assisted by the Manager Technical Services and Company Secretary.

**d. Sources of Funds**

The sources of funds for the company included grants from the Government and other internally generated revenues such as lease of land, sale of residential plots and rentals from letting out office space.

**6.2. Audit Findings**

An examination of financial and other records maintained at the LS-MFEZ for the period from 1<sup>st</sup> January 2016 to 31<sup>st</sup> December 2018 revealed the following:

**a. Corporate Governance - High Turnover Rate of Board of Directors**

The LS-MFEZ did not have a stipulated tenure of office for the Board of Directors from its inception in 2012. During the period from 2013 to 2018, the company had four (4) sets of Board of Directors serving for periods ranging from three (3) months to three (3) years. See table 6.1 below.

**Table 6.1: High Turnover Rate of Board of Directors**

SN	Board	Period Served		Duration	Number of Board Members	Remarks
		From	To			
1	Full Board	2013	Sep-16	3 Years	5	Dissolved
2	Full Board	Sep-16	Sep-17	1 Year	5	Resigned
3	Interim Board	Sep-17	Dec-17	3 Months	3	Dissolved
4	Full Board	Mar-18	Jul-18	4 Months	7	Dissolved

Consequently, there was lack of consistent strategic direction and oversight of the Company.

As at 31<sup>st</sup> December 2019, the Board had not been appointed.

**b. Income**

During the period under review, the company generated total revenue of K29,433,924 against a total budget of K858,169,670 resulting in failure to meet its targeted budget by K828,735,746. See table 6.2.

**Table 6.2: Budget against Actual Income**

SN	Details	2018 K	2017 K	2016 K	Total K
1	Budget	421,494,449	372,985,798	63,689,423	<b>858,169,670</b>
2	Actual	17,458,113	6,589,105	5,386,706	<b>29,433,924</b>
3	Variance	(404,036,336)	(366,396,693)	(58,302,717)	<b>(828,735,746)</b>

**c. Financial Analysis****i. Financial Performance - Statements of Comprehensive Income**

The Statement of Comprehensive Income of the company for the period under review was as shown in table 6.3 below.

**Table 6.3: Statement of Comprehensive Income**

Details	2018 K	2017 K	2016 K
Revenue	17,458,113	6,589,105	5,386,706
Cost of sales	(5,165,018)	(268,916)	(42,399)
<b>Gross Profit</b>	<b>12,293,095</b>	<b>6,320,189</b>	<b>5,344,307</b>
<b>Change in fair value of investment property</b>	3,132,524,644	-	-
Other income	7,619,838	7,243,440	6,449,015
Operating expenses	(15,257,230)	(12,295,320)	(9,897,976)
<b>Profit before income taxes</b>	<b>3,137,180,347</b>	<b>1,268,309</b>	<b>1,895,346</b>
Income Tax Expense	(961,506)	(555,936)	(561,471)
<b>Profit for the year</b>	<b>3,136,218,841</b>	<b>712,373</b>	<b>1,333,875</b>

*Source: LS-MFEZ financial statements for the years ended 31<sup>st</sup> December 2016, 2017 and 2018*

The company made a profit of K1,333,875 in 2016 which decreased to K712,373 in 2017. The decrease in profit was attributed to increase in operating expenses.

In 2018, the company made a further profit of K3,136,218,841 from K712,373 in 2017. The significant increase in profit was attributed to the revaluation of the investment property by K3,132,524,644 in 2018.

**ii. Financial Position - Statement of Financial Position**

The Statement of Financial Position for the company for the period under review was as shown in table 6.4 below.

**Table 6.4: Statement of Financial Position as at 31<sup>st</sup> December**

Details	2018 K	2017 K	2016 K
<b>Non- current Assets</b>			
Investment Property	3,968,614,970	1,402,842,197	1,372,155,897
Property and Equipment	312,365,455	313,053,990	312,798,914
Intangible asset	321,272	322,135	415,852
	<b>4,281,301,697</b>	<b>1,716,218,323</b>	<b>1,685,370,663</b>
<b>Current Assets</b>			
Inventories	822,474,900	213,280,000	213,280,000
Trade and other receivables	6,845,750	1,074,591	1,836,870
Cash and cash equivalents	7,367,075	6,913,875	30,700,179
	<b>836,687,725</b>	<b>221,268,466</b>	<b>245,817,049</b>
<b>Total Assets</b>	<b>5,117,989,422</b>	<b>1,937,486,788</b>	<b>1,931,187,712</b>
<b>Equity and Liabilities</b>			
Share Capitals	315,241,989	315,241,989	315,241,989
Revaluation Reserve	248,875,404	248,875,404	248,875,404
Capital Grant	161,039,753	117,133,454	86,327,146
Retained earnings	4,381,731,205	1,244,610,179	1,245,376,163
<b>Total Equity</b>	<b>5,106,888,351</b>	<b>1,925,861,027</b>	<b>1,895,820,702</b>
<b>Current Liabilities</b>			
Deferred income	4,153,922	6,053,294	28,897,792
Trade and other payables	5,097,365	4,684,188	5,734,318
Current income tax	1,849,784	888,279	734,898
	<b>11,101,071</b>	<b>11,625,761</b>	<b>35,367,008</b>
<b>Total Equity and Liabilities</b>	<b>5,117,989,422</b>	<b>1,937,486,788</b>	<b>1,931,187,710</b>

Source: LS-MFEZ financial statements for the years ended 31<sup>st</sup> December 2016, 2017 and 2018

The working capital improved from K210,450,041 in the financial year ended 31<sup>st</sup> December 2016 to K825,586,654 in the financial year ended 31<sup>st</sup> December 2018 as shown in the table 6.5 below.

**Table 6.5 : Working Capital**

SN	Details	2018	2017	2016
1	Current Assets	836,687,725	221,268,466	245,817,049
2	Current Liabilities	11,101,071	11,625,761	35,367,008
3	Working Capital/Liquidity	825,586,654	209,642,705	210,450,041

**d. Operational Matters - Issuance of Irregular Discount - Sale of Residential Plot**

On 10<sup>th</sup> September 2018, the Permanent Secretary in the Ministry of Commerce, Trade and Industry approved the sale of 275 residential plots at the recommended price of K100 and K200 per square metre plus a service fee of K50,000 and a 10% discount on cash payment.

A review of records revealed that a plot in Phase I was offered at a sum of K182,600 of which the first instalment of K91,300 was paid on 14<sup>th</sup> December 2018 while the second instalment of K73,040 was paid on 15<sup>th</sup> January 2019. Contrary to the

provisions in the letter of offer which allowed a 10 % discount on cash payment, the purchaser was granted a 10 % discount of K18,260 upon the payment of the second instalment of K73,040 which was made one (1) month after the initial payment resulting in issuance of irregular discount.

**e. Accounting Irregularities**

**i. Unsupported Payments**

Contrary to Financial Regulation Nos. 45 and 52, twenty-two (22) payments in amounts totalling K238,181 made during the period under review were not supported with documents such as receipts and invoices. Consequently, the authenticity of the payments could not be ascertained.

**ii. Irregular Drawing of Fuel - Non-Runner Vehicle**

During the period under review, there were four (4) motor vehicles which were allocated fuel cards for refuelling. A scrutiny of the fuel statements revealed that one of the motor vehicles (GRZ 946 BR) was a non-runner yet the fuel card for the vehicle was active and fuel in amounts totalling K105,478 had been irregularly drawn from January 2016 to December 2018.

**f. Staff Related Matters- Recruitment of Unqualified Company Secretary**

During the period under review, LS-MFEZ engaged a consultant to recruit a Company Secretary.

According to the pre-requisites for the position of Company Secretary, the eligible candidate was to have a minimum of seven (7) years relevant post qualification experience in a reputable organisation of which three (3) years should have been at senior level, should have been an advocate of the High Court and Supreme Court of Zambia with at least five (5) years at the bar and a member of the Law Association of Zambia among others.

However, the officer who was recruited for the position did not qualify as she did not meet the above pre-requisites and was not among the shortlisted candidates. As a result, the Company engaged and paid amounts totalling K185,600 to a legal firm for

provision of legal services which should have been provided by the Company Secretary.

**g. Projects - Incomplete Construction of Gravel Roads by Zambia National Service**

On 5<sup>th</sup> June 2017, Lusaka South Multi-Facility Economic Zone Limited engaged Zambia National Service (ZNS) to construct 39 kms of Gravel Roads in the Lusaka South Multi-Facility Economic Zone at the contract sum of K2,795,992 with a completion period of eight (8) months commencing 19<sup>th</sup> June 2017 and ending 17<sup>th</sup> February 2018. The scope of works included clearing and grabbing, graveling and compacting.

As at 31<sup>st</sup> December 2019 amounts totalling K1,230,291 had been paid to the contractor. A physical inspection carried out in August 2019 revealed that the contractor had abandoned works after only working on a 6.5 km stretch and had demobilized.

## **7. MANSA TRADES TRAINING INSTITUTE**

### **7.1. Background**

#### **a. Establishment**

Mansa Trades Training Institute was opened in 1950 as a Trades School. However, in 1985 the Institute was transferred to the Ministry of Science, Technology and Vocational Training and in 1999, Mansa Trades Training Institute was hived off from Government to pave way for its creation as a Management Board.

The Institute is a public institution established under the Technical Education, Vocational and Entrepreneurship Training Act No.13 of 1998.

The core business of the Institute is to provide vocational skills training to youths. The mandate of the Institute is among others to:

- i. provide training in technical education, vocational and entrepreneurship training,
- ii. ensure that standards prescribed by the Authority are maintained by the institution,
- iii. subject to the approval of the Minister, charge and collect fees for tuition, boarding and other services provided by the institution; and
- iv. do all such things as the management board may consider necessary to promote technical education, vocational and entrepreneurship training.

#### **b. Governance - The Management Board**

The Institute is governed by a Management Board constituted by the Minister under the TEVET Act. Section 10 (2) of the Act provides for the appointment of not more than eleven (11) Board members.

Members of the management board hold office for a period of three (3) years from the date of appointment and may be re-appointed for a further term of three (3) years.

#### **c. Management**

The day to day operations of the Institute is the responsibility of the Principal who is assisted by the Vice Principal.

**d. Sources of Funds**

According to Part II Section 9 of the Act, the funds of the Institution consist of such moneys as may:

- i. be appropriated by Parliament for the purpose of the management board,
- ii. be paid to the institution by way of fees, levy, grants or donations,
- iii. subject to the approval of the Minister responsible for finance, be paid to the institution from levy which may be imposed and collected for the purpose of technical education, vocational and entrepreneurship training, and
- iv. vest in or accrue to the institution,

The Institution may:

- i. accept moneys by way of grants or donations from any source in Zambia and, subject to the approval of the Minister, from any source outside Zambia,
- ii. raise by way of loans or otherwise, such moneys as it may require for the discharge of its functions, and
- iii. in accordance with the regulations made under this Act; charge and collect fees for services provided by the management board.

**7.2. Audit Findings**

An examination of financial and other records for the financial years ended 31<sup>st</sup> December 2016 to 2018 maintained at Mansa Trades Training Institute and physical inspections of projects revealed the following:

**a. Income**

During the financial years ended 31<sup>st</sup> December 2016, 2017 and 2018, the Institute received grants and generated income in amounts totalling K18,461,906 against the budget of K19,381,295 resulting in a negative variance of K919,389. See table 7.1.

**Table 7.1: Budget against actual Income**

SN	Income Category	2016 K	2017 K	2018 K	Total K
	<b>Budget:</b>				
1	Grants	1,586,353	5,959,096	3,966,537	11,511,987
2	Locally Generated Revenue	2,895,051	1,753,901	1,319,076	5,968,028
3	TEVET	-	851,250	1,050,030	1,901,280
	<b>Total Budget</b>	<b>4,481,404</b>	<b>8,564,247</b>	<b>6,335,643</b>	<b>19,381,295</b>
	<b>Income:</b>				
1	Government Grants	1,465,143	5,744,553	3,776,994	10,986,690
2	Locally generated Revenue	2,790,960	1,617,901	1,165,076	5,573,936
3	TEVET Funds	-	851,250	1,050,030	1,901,280
	<b>Total</b>	<b>4,256,103</b>	<b>8,213,703</b>	<b>5,992,100</b>	<b>18,461,906</b>
	<b>Variance</b>	<b>(225,301)</b>	<b>(350,544)</b>	<b>(343,543)</b>	<b>(919,389)</b>

**b. Failure to Prepare Financial Statements**

TEVET Act No. 13 of 1998 requires that the management board submits to the Authority the annual report which includes an audited balance sheet, an audited statement of income and expenditure and any other information. Contrary to the Act, the Institute had not produced and submitted annual reports and financial statements for the financial years ended 31<sup>st</sup> December 2016, 2017 and 2018 as at 31<sup>st</sup> December 2019.

**c. Accounting Irregularities****i. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65 (1), there were 353 payment vouchers in amounts totalling K1,913,952 which were not availed for audit. As a result, it could not be ascertained whether payment procedures were followed, and appropriate authorities obtained.

**ii. Unretired Accountable Imprest**

Financial Regulation No. 96 (1) requires imprest to be retired immediately the purpose for which it is issued has been fulfilled. However, imprest in amounts totalling K337,197 issued to thirty-one (31) officers paid during the period from February 2016 to August 2018 had not been retired as at 31<sup>st</sup> December 2019. In this regard, the items on which the funds were spent on could not be ascertained.

**iii. Unsupported Payments**

Contrary to Financial Regulation Nos. 45 and 52, there were 289 payments in amounts totalling K2,175,327 made during the period from March 2016 to December 2018 that were not supported with documents such as cash sale receipts, attendance lists and acquittal sheets. In this regard, validity of the expenditure could not be ascertained.

**iv. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K665,267 were not accounted for in that there were no receipt and disposal details. In this regard, it could not be ascertained whether the items were received and used for the intended purpose.

**v. Failure to Deduct Tax**

Contrary to the Income Tax Act Chapter 323 of the Laws of Zambia, a total amount of K119,241 was paid as extra duty allowance to twenty-seven (27) officers during the period under review without deducting Pay As You Earn (PAYE) totalling K29,810.

**vi. Missing Cancelled Receipts**

Financial Regulations No. 114 (1) and (2) require that where a receipt is cancelled, the original and all the copies of the receipt should be cancelled, and the holder of the receipt book should sign for the cancellation of the receipt.

However, a review of the receipt books revealed that twenty-one (21) receipts raised during the period under review were cancelled and management had not provided original copies of cancelled receipts to support the cancellations as at 31<sup>st</sup> December 2019. As a result, it could not be ascertained whether the cancellations were valid.

**d. Mansa Trades Secondary School - Unaccounted for Revenue**

In 2014, Mansa Trades Training Institute was selected by the Ministry of General Education to implement a 2 Tier System Education in line with the 2012 Zambia

Curriculum Framework. The framework requires the Institute to run a technical and vocation training and academic sections (secondary school). Under the 2 Tier System, the secondary school uses the facilities for the trades school. The user fees generated by the secondary school are used for educational materials and shared overhead costs. During the period under review, amounts totalling K332,559 were receipted from the pupils enrolled at the Secondary School. However, an analysis of the bank statements revealed that a total amount of K290,682 was deposited resulting in an under banking of K41,877 which was not accounted for.

**e. Agricultural Project Account**

Mansa Trades Training Institute operates an Agriculture project account where funds raised from various income generating activities are deposited. Among the activities the Institute undertakes are aquaculture, horticulture, rearing of animals within MTTI premises, at Matanda Farm and Chisunka Farm. However, the following were observed:

**i. Failure to Provide Stores Records for Cattle – Chisunka Farm**

Contrary to Public Stores Regulation No. 16, there were no stores records maintained in respect of cattle kept at Chisunka farm.

In this regard, it was not possible to ascertain whether the nineteen (19) cattle found at the farm was the actual number that was supposed to be there.

**ii. Payment of Extra Duty Allowances**

Part 16.3 of the Collective Agreement between National Union of Technical Education Lecturers and Allied Workers and Mansa Trades Training Institute Management Board states that extra duty allowance shall be paid to officers who have been seconded to alternative functions in addition to their substantive duties.

Contrary to the agreement, amounts totalling K88,508 were paid to thirty-three (33) employees without evidence of additional functions. As at 31<sup>st</sup> December 2019, the irregularly paid amount had not been recovered.

**iii. Unsupported Payment - Acting Allowances**

Contrary to Conditions of Service for Management Staff for Mansa Trades Training Institute Management Board Part 16.1, acting allowances in amounts totalling K20,822 were paid to four (4) employees who did not have letters of acting appointment.

**iv. Questionable Payment of Salary Arrears**

Salary arrears in amounts totalling K223,720 were paid to forty-nine (49) officers during the months of March and September 2017 without evidence of the basis on which the arrears were paid.

**v. Failure to Pay Outstanding Obligations**

Obligations in amounts totalling K2,081,031 relating to Workers Compensation Control Board Contribution, Pay As You Earn, National Pension Scheme Contribution and Gratuity were outstanding as at 31<sup>st</sup> December 2019. See table 7.2 below.

**Table 7.2: Outstanding Obligations**

<b>SN</b>	<b>Obligation</b>	<b>Outstanding Amount K</b>
1	Gratuity	533,689
2	Workers Compensation	48,368
3	NAPSA	117,585
4	PAYE	1,381,389
	<b>Total</b>	<b>2,081,031</b>

## **8. MPULUNGU HARBOUR CORPORATION LIMITED**

### **8.1. Background**

#### **a. Establishment**

Mpulungu Harbour Corporation Limited was established in November 1988 under the Companies Act Chapter 388 of the Laws of Zambia. The Corporation was established to provide harbour and port facility services at the Port of Mpulungu on Lake Tanganyika in Mpulungu District of Northern Province. In 2015, the Government of the Republic of Zambia transferred its shareholding to the Industrial Development Corporation (IDC).

#### **b. Governance - Board of Directors**

The Board of Directors of the Company comprise the following:

- i. the Permanent Secretary or a representative of the Ministry responsible for sector policy,
- ii. not more than five (5) persons from the private sector, and
- iii. Managing Director of the Industrial Development Corporation (IDC).

The Board Members elect a Chairperson from amongst themselves.

The Board Members hold office for a period of three (3) years from the date of appointment and may be re-appointed upon the expiration of that term.

#### **c. Management**

The day to day operations of the Corporation is the responsibility of the Managing Director who is appointed by the Board and is assisted by Finance, Operations and Maintenance Managers.

#### **d. Source of Funds**

The sources of funds for the Corporation include anchorage, departure fees, hire of equipment, hire of labour, port levy, stevedoring and wharfage.

## 8.2. Audit Findings

An examination of financial and other records for the financial years ended 31<sup>st</sup> December 2017 and 2018 maintained at Mpulungu Harbour Corporation Limited revealed the following:

### a. Income

During the period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> December 2018, the Corporation had a budget of K63,301,264 against which amounts totalling K53,929,848 were realised resulting in a negative variance of K9,371,416. See table 8.1 below.

**Table 8.1: Budget against actual Income**

Year	Budget K	Actual K	Variance K
2017	32,603,230	26,249,621	<b>6,353,609</b>
2018	30,698,034	27,680,227	<b>3,017,807</b>
<b>Total</b>	<b>63,301,264</b>	<b>53,929,848</b>	<b>9,371,416</b>

### b. Financial Analysis

#### i. Statements of Comprehensive Income

The statements of comprehensive income for the Corporation for the period under review were as shown in table 8.2 below.

**Table 8.2: Statements of Comprehensive Income**

Details	2018 K	2017 K
<b>Total Income</b>	27,680,277	26,249,621
Operating Costs		
<b>Operating Expenses</b>	26,156,797	24,928,223
Finance Costs	147,962	190,189
Profit/ Loss before Tax	1,375,518	1,131,209
Income Tax for the Year	-	-
Profit/ Loss for the year	<b>1,375,518</b>	<b>1,131,209</b>

*Source: Mpulungu Harbour Corporation Limited financial statements for the years ended 31<sup>st</sup> December 2017 and 2018*

The Corporation recorded a profit of K1,131,209 in 2017 which increased to K1,375,518 in 2018. The profit recorded was attributed to the amortisation of the Government grant and translation gains of K1,736,799 and K2,608,725 respectively which were included in the total income.

## ii. Statement of Financial Position

The financial position of the Corporation for the financial years ended 31<sup>st</sup> December 2017 and 2018 were as shown in table 8.3.

**Table 8.3: Statement of Financial Position**

DETAILS	2018 K	2017 K
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property and equipment	24,049,171	26,159,316
<b>Current assets</b>		
Inventories	94,232	89,127
Receivables and prepayments	6,637,241	5,788,600
Cash and cash equivalents	189,247	212,452
	6,920,720	6,090,179
<b>TOTAL ASSETS</b>	<b>30,969,891</b>	<b>32,249,495</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners</b>		
Share capital	50,000	50,000
Capital grant	19,215,612	20,952,410
Revaluation reserves	2,903,886	2,971,282
Retained earnings	(8,239,733)	(4,172,021)
<b>Total equity</b>	<b>13,929,765</b>	<b>19,801,671</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred Pension liabilities	5,707,546	5,351,025
Deferred tax liabilities	1,167,475	1,203,766
Funds Pending Allotment - GRZ	17,139	17,139
	<b>6,892,160</b>	<b>6,571,930</b>
<b>Current liabilities</b>		
Bank overdraft	730,398	1,423,881
Taxation payable	-	-
Payables, accruals and provisions	9,417,568	4,452,013
	10,147,966	5,875,894
<b>Total liabilities</b>	<b>17,040,126</b>	<b>12,447,824</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>30,969,891</b>	<b>32,249,495</b>

*Source: Mpulungu Harbour Corporation Limited financial statements for the years ended 31<sup>st</sup> December 2017 and 2018*

### Current Ratio

The current ratio measures the ability of the company to meet its current liabilities as they fall due with its current assets. Acceptable current ratios vary between 1.5:1 and 3:1.

The current ratios for the Corporation for the financial years ended 31<sup>st</sup> December 2017 and 2018 were 1.04:1 and 0.68:1 respectively which were below the recommended ratios. See table 8.4.

**Table 8.4: Deteriorating Current Ratio**

SN	Details	2018 K	2017 K
1	Current Assest	6,920,720	6,090,180
2	Current Liabilities	10,147,966	5,875,894
3	Working Capital	(3,227,246)	214,286
4	Current Ratio	0.68	1.04

The low current ratios may lead to the Corporation failing to meet its current obligations when they fall due.

In addition, the Corporation recorded negative working capital of K3,227,246 in 2018 from a favourable working capital of K214,286 in 2017.

**c. Accounting Irregularities**

**i. Failure to Deduct Taxes - Education and Board Allowances**

Contrary to the provisions of the Income Tax Act Chapter 323 of the Laws of Zambia, during the period under review, Child Education allowances in amounts totalling K93,558 were paid to eight (8) officers without deducting Pay As You Earn (PAYE).

In addition, Board allowances in amounts totalling K252,300 were paid to Board Members during the period under review without deducting tax.

**ii. Questionable Payment of Insurance Claim**

On 11<sup>th</sup> November 2017, one of the Corporation's motor vehicles Toyota Hilux registration No. ALE 9361 was involved in a road traffic accident. The vehicle had been insured for a sum of K233,165 by the Corporation. Consequently, the insurance company paid an amount of K164,306 as insurance claim after deducting the value of missing parts at the accident scene (K13,300) and depreciation (K34,824).

It was however, observed that out of the insurance claim, the Corporation paid the Managing Director a total of K140,452 on 29<sup>th</sup> March 2018 (K60,452) and on 11<sup>th</sup> June 2018 (K80,000).

In this regard, the decision to pay the Managing Director, the insurance claim of K140,452 was highly questionable in that the vehicle belonged to the Corporation which insured it. In addition, there was no Board authority for the payment.

**iii. Non-Remittance of Statutory Contributions**

Contrary to Income Tax Act Chapter 323 of the Laws of Zambia and National Pension Scheme Authority (Amendment) Act No. 7 of 2015, amounts totalling K8,003,288 deducted and due to Zambia Revenue Authority (ZRA) and National Pension Scheme Authority (NAPSA) had not been remitted to the respective institutions as at 31<sup>st</sup> December 2018. See table 8.5 below.

**Table 8.5: Non-Remittance of Statutory Contributions**

SN	Details	Principal Amount K	Penalty Fees K	Interest K	Total K
1	Zambia Revenue Authority	3,924,970	1,634,810	231,281	5,791,061
2	NAPSA	-	2,212,227	-	2,212,227
	<b>Totals</b>	<b>3,924,970</b>	<b>3,847,037</b>	<b>231,281</b>	<b>8,003,288</b>

Included in the outstanding balance are penalties and interest amounting to K4,078,318 which was as a result of the delay to remit statutory contributions. The funds remained unremitted as at 31<sup>st</sup> December 2019.

## **9. NATIONAL SPORTS COUNCIL OF ZAMBIA**

### **9.1. Background**

#### **a. Establishment**

The National Sports Council of Zambia (NSCZ) is a statutory body established by the Sports Council of Zambia Act No. 29 of 1988. Section 9 of the Act states that the functions of the Council shall be to:

- i. disseminate the policies of the Government in the matter of sports,
- ii. register sports groups as national sports associations,
- iii. ensure that sports groups at all levels conform to the rules and norms governing the sport,
- iv. develop, promote, control and encourage all forms of amateur and professional sports on a national basis in conjunction with national sports associations,
- v. assist financially or otherwise, any team or individual in representing Zambia in any competition in or outside Zambia,
- vi. assist financially or otherwise, any citizen of Zambia who is a member of a national sports association in obtaining training in or outside Zambia which would qualify him as an instructor, coach or organiser of any form of sport,
- vii. raise and maintain a fund from any source and by such means as the Minister may approve to enable the Council to carry out its functions, and
- viii. develop and maintain national and provincial sports complexes and other sports facilities, among others.

#### **b. Governance - The Council**

Section 5 (a) to (e) of the Sports Council of Zambia Act states that the Council shall consist of the following members:

- i. Chairman appointed by the Minister,
- ii. Vice-Chairman elected by the Council from amongst its members,
- iii. one (1) member appointed by each national sports association,

- iv. one (1) member each appointed by:
  - each of the Ministries responsible for sports, defence, education, health, local government, and the police,
  - each associate body, and
- v. not more than five (5) other members, all of whom shall be appointed by the Minister.

A member, other than an ex-officio, shall hold office for a period of three (3) years from the date of appointment and may be re-appointed upon the expiration of that term.

**c. Management**

The General Secretary is appointed by the Board and is responsible for the day to day operations of the Council. The General Secretary is assisted by the Administration Manager, Centre Manager, Accountant, Sports Development Manager and four (4) Sports Development Officers.

**d. Sources of Funds**

According to Part V Section 29 of the Act, the funds of the Council shall consist of such moneys as may:

- i. be appropriated by Parliament for the purpose of the Council,
- ii. be paid to the Council by way of grants and donations, and
- iii. vest or accrue to the Council.

The Council may also:

- i. accept moneys by way of grants or donations from any source in Zambia and, subject to the approval of the Minister, from any source outside Zambia,
- ii. subject to the approval of the Minister, raise by way of loans or otherwise, such moneys as it may require for the discharge of its functions, and
- iii. charge and collect fees in respect of programmes, seminars, and other services provided by the Council.

## 9.2. Audit Findings

An examination of financial and other records for the financial year ended 31<sup>st</sup> December 2018 maintained at NSCZ revealed the following:

### a. Governance - Lack of a Council

During the period from March 2017 to November 2019, the National Sports Council of Zambia operated without a Council contrary to Section 10 of the Sports Council Act. Consequently, the Council lacked oversight and guidance on strategic matters. As at 31<sup>st</sup> December 2019, the Council had not been appointed.

### b. Income

In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2018, a provision of K2,382,000 was made to cater for the operations of the Council, against which amounts totalling K1,962,000 were released resulting in an underfunding of K420,000. See table 9.1 below.

**Table 9.1: Budget against actual Income**

SN	Details	Budgeted Provisions K	Actual Income K	Variance K
1	GRZ Operational Grant	702,000	702,000	-
2	GRZ Sport Association Grant	1,680,000	1,260,000	420,000
	<b>Total</b>	<b>2,382,000</b>	<b>1,962,000</b>	<b>420,000</b>

In addition, the Council received a special funding of K2,326,199 to cater for the Zone 5 Regional Netball Tournament.

Further, the Council collected amounts totalling K1,167,595 from bar sales, affiliation fees from the various clubs, special funding from organisations, facility hire, clearance and fundraising activities as shown in table 9.2.

**Table 9.2: Other Sources of Income**

<b>SN</b>	<b>Details</b>	<b>Amount K</b>
1	Affiliation Fees 2018	106,000
2	Bank Interest	12,473
3	Clearance	82,925
4	Facility Hire	562,396
5	Sales from the Bar	241,624
6	Fundraising	115,177
7	Rentals	47,000
	<b>Total</b>	<b>1,167,595</b>

**c. Operational Matter - Lack of Strategic Plan**

During the period under review, NSCZ operated without a Strategic Plan. As such, there was no road map to guide the Institution or set targets in order to improve the management of various sports development activities in the country.

**d. Accounting Irregularities**

**i. Delayed Banking**

Contrary to Financial Regulation No. 121 which states that revenue collected should be banked the following working day after collection, revenue collected from bar sales in the period under review in amounts totalling K240,921 were delayed in banking for periods ranging from five (5) to seven (7) days.

**ii. Questionable Payment of Christmas Bonus**

Section 15.1 of the conditions of service states that an annual taxable bonus may be paid on the basis of a performance management review carried out subject to availability of funds, at the discretion of management on an individual basis subject to individual meeting or exceeding their performance objectives and the Council meeting or exceeding predetermined sporting annual objectives.

However, a scrutiny of records revealed that on 24<sup>th</sup> December 2018, nineteen (19) officers were paid amounts totalling K17,500 as Christmas bonuses at the following rates:

- Senior Management – K1,275

- Middle Management – K900
- Junior Officers – K800

However, there was no documentary evidence availed for audit such as performance review minutes to show that the staff exceeded their targets rendering the payments questionable.

**iii. Delayed Remittance of Statutory Obligations**

A scrutiny of documents availed for audit revealed that the Council was not remitting statutory contributions on time. In this regard, as at 31<sup>st</sup> December 2018, the Council owed the National Pension Scheme Authority (NAPSA) amounts totalling K4,206,154 in penalties and interest. The amount had increased to K5,627,965 as at 31<sup>st</sup> December 2019.

**iv. Weaknesses in Internal Controls on Disbursed Funds**

During the period under review, the Ministry of Youth and Sports disbursed amounts totalling K299,000 to ten (10) Provincial Offices (K29,900 each) to cater for expenses such as hosting of tournaments, purchase of sports equipment and allowances to Provincial Sports Advisory committee members.

A scrutiny of accounting records at four (4) selected Provincial Sports Advisory Committees (PSACs) visited namely; Kabwe, Ndola, Solwezi and Chipata revealed that non-accounting staff were entrusted with the responsibility of managing the funds and consequently, the following were observed:

- **Failure to Prepare Bank Reconciliation Statements**

Contrary to Financial Regulation No.138 (1) which states that bank reconciliation statements for government accounts at the Bank of Zambia and commercial banks shall be submitted to the Office of the Accountant General by the 15<sup>th</sup> day of the following month, bank reconciliation statements for the accounts maintained in Kabwe and Chipata had not been prepared as at 31<sup>st</sup> December 2019.

- **Failure to Avail Annual Work Plans and Budgets**

Sections (d) and (e) of the Terms of Reference for the Provincial and District Sports Advisory Committees (PDSAC) provide that the committees shall maintain a calendar of District sports programmes in conjunction with the District associations, to serve as the District branch of the PDSAC implementing national development plans to enable the District Sports Advisory Committees (DSACs) to carry out its functions and achieve its objectives. However, Chipata PSAC did not avail for audit the annual work plans and the budgets for 2018.

**e. Staff Related Matters - Failure to Fill Key Vacant Positions**

As at 31<sup>st</sup> December 2019, the Council’s total establishment was twenty-six (26) positions, out of which fifteen (15) were filled leaving eleven (11) still vacant. Among the vacant positions were eight (8) that were key in the operations of the Council. See table 9.3 below.

**Table 9.3: Vacant Key Positions**

SN	Position
1	General Secretary
2	Administrative Manager
3	Centre Manager
4	Sports Development Manager
5	Sports Development Officer Associations
6	Sports Development Officer Accreditation
7	Sports Development Officer PE Schools
8	Sports Development Officer SFA Interns

## **10. NITROGEN CHEMICALS OF ZAMBIA**

### **10.1. Background**

#### **a. Establishment**

The Nitrogen Chemicals of Zambia Limited (NCZ) was registered in September 1967 as a limited company. It is wholly owned by the Government of the Republic of Zambia through the Industrial Development Corporation (IDC).

The Company was established to provide Compound and top-dressing Ammonium Nitrate fertilizers to farmers and provide prilled porous Ammonium Nitrate for Kafironda for their manufacture of explosives for the mines and other industrial chemicals. In the early eighties, the plant was expanded to include production of ammonia, nitric acid, ammonium sulphate, sulphuric acid and compound fertilisers.

#### **b. Governance - Board of Directors**

The Articles of Association provides for a Board of Directors of not less than three (3) members. The Industrial Development Corporation appoints the Board Chairperson and directors.

#### **c. Management**

The Chief Executive Officer is responsible for the day to day operations of the Company and is assisted by the Chief Operations Officer, Chief Finance Officer, Purchasing Manager, Technical and Maintenance Manager, Production Manager and Human Resource Manager.

#### **d. Sources of Funds**

The Company earns its income from the sale of fertilisers, grants from the Government, hire of equipment and workshop services among others.

### **10.2. Audit Findings**

An examination of financial and other records maintained at NCZ for the financial year ended 31<sup>st</sup> December 2018 revealed the following:

**a. Governance - Failure to Appoint the Board of Directors**

During the period from May 2015 to March 2019, the Company operated without a Board until April 2019 when an interim Board was appointed.

Consequently, there was lack of effective strategic direction and oversight of the Company as evidenced by the following:

- i. lack of strategic plan,
- ii. failure to hold Annual General Meetings, and
- iii. unapproved internal audit charter.

As at 31<sup>st</sup> December 2019, the substantive Board had not been appointed.

**b. Income**

During the financial year ended 31<sup>st</sup> December 2018, the company earned K340,691,737 from the internal sources against a budgeted income of K987,749,091 resulting in a negative variance of K647,057,354. See table 10.1 below.

**Table 10.1: Budget against actual Income**

SN	Item	Budget K	Actual K	Varaince K
1	Compound D	840,000,000	319,672,416	(520,327,584)
2	Ammonium Nitrate	144,000,000	1,736,594	(142,263,406)
3	Urea	-	14,608,143	14,608,143
4	Ammonium Nitrate Dense	-	117,520	117,520
5	Nitric Acid	-	1,125	1,125
6	Canteen	-	13,305	13,305
7	Hire of Equipment	1,357,543	4,298,123	2,940,580
8	Engineering Services	2,391,548	27,021	(2,364,527)
9	Rent	-	82,000	82,000
10	Miscellaneous	-	135,490	135,490
	<b>Total</b>	<b>987,749,091</b>	<b>340,691,737</b>	<b>(647,057,354)</b>

The failure to meet budgeted targets by K647,057,354 resulted in operational challenges.

**c. Operational Matters**

**i. Failure to Prepare Financial Statements**

Contrary to the Companies Act Chapter 388 of the Laws of Zambia, management had not prepared financial statements for the financial years ended 31<sup>st</sup> December 2018 as at 31<sup>st</sup> December 2019.

Consequently, the shareholders were deprived an opportunity to evaluate the performance of the Company.

**ii. Payment to Zal – Bro Trading Limited for Purchase of Urea**

On 4<sup>th</sup> December 2018, NCZ signed an agreement with Zal – Bro Trading Limited for the supply and purchase of 1,000 metric tonnes of fertiliser. According to the agreement, Zal – Bro Trading Limited was to supply 1,000 metric tonnes of Urea fertiliser at an agreed fixed amount of US\$375 per metric tonne bringing the total contract sum to US\$375,000.

The fertiliser was to be collected from a designated warehouse in Lusaka at NCZ's cost within fourteen (14) days.

On 13<sup>th</sup> December 2018, NCZ made a down payment of K453,488 (US\$37,500) being 10% of the contract sum as provided in the contract.

The following were observed:

- There was no evidence that procurement procedures were followed prior to the signing of the agreement in that there were no minutes availed to confirm how Zal-Bro Trading Limited was engaged.
- As at 31<sup>st</sup> December 2019, NCZ had not collected any Urea Fertiliser from Zal-Bro Trading Limited and there was no claim of a refund of the advance paid.

**iii. Unpaid for Fertiliser - Chimsoro Farms Ltd**

A review of the NCZ internal audit report dated 14<sup>th</sup> August 2018 on the audit of fertilizer on cash sale and debt swaps revealed that on 2<sup>nd</sup> May 2017, NCZ

supplied 90 metric tonnes of Compound D fertiliser costing K432,000 to Chimsoro Farms Ltd. See table 10.2.

**Table 10.2: Fertiliser supplied to Chimsoro Farms Ltd**

No.	Qty	Weight	Delivery Note No.	Date	Net Weight	Unit Price K	Total K
1	600	50 Kg	335583	02.05.17	30 Metric Tonnes	240	144,000
2	600	50 Kg	335583	02.05.17	30 Metric Tonnes	240	144,000
3	600	50 Kg	335583	02.05.17	30 Metric Tonnes	240	144,000
<b>Total</b>	<b>1,800</b>				90 Metric Tonnes		<b>432,000</b>

*Key: 1 metric tonne = 1,000 kgs (20 by 50 kgs bags)*

A further examination of records revealed that although the fertiliser was delivered in May 2017, NCZ only raised the invoice in July 2019. However, as at 31<sup>st</sup> December 2019, NCZ had not delivered the invoice to Chimsoro Farms Ltd and the amount of K432,000 remained unsettled.

**iv. Questionable Debt Swaps with Neria’s Investments Limited**

On 26<sup>th</sup> September 2017, the Government entered into a debt swap with Neria’s Investments limited.

According to the agreement:

- The Permanent Secretary (Ministry of Agriculture) acknowledged that it was indebted to Neria’s Investments limited in amounts equivalent to K32,863,449 for fertiliser supplied under the Farmers Input Support Programme (FISP) during the 2016/2017 agricultural season,
- The Government acknowledged that during the 2015/2016 and 2016/2017 agricultural seasons, Neria’s Investments Limited supplied raw materials to the Nitrogen Chemicals of Zambia to produce D Compound fertiliser and that indebtedness of NCZ to Neria’s Investments Limited was K515,916,357 as at the end of 2017,
- To set off the debt, the Government and Neria’s Investments Limited agreed to a debt swap through the supply of 48,000 metric tonnes of Urea Stock equivalent to K96,000,000 stationed in various locations within the districts

as per agreed schedule as full and final payment of amounts owed under the FISP and as part towards the debt owed by NCZ to Neria’s Investments Limited, and

- Further, the Government was to supply to Neria’s Investments limited 48,000 Metric Tons of D Compound equivalent to K105,600,000 as part payment toward the debt owed by NCZ. The parties were to agree on settlement of the balance of K347,179,806 that was to remain outstanding after the debt swap in favour of Neria’s Investments Limited. See table 10.3 below.

**Table 10.3: Questionable Debt Swaps**

SN	Details	Amount K
	<b>Indebtness</b>	
1	GRZ Indebtness to Neria - FISP	32,863,449
2	NCZ Indebtness to Neria - Supply of Raw Materials	515,916,357
	<b>Total Indebtedness</b>	<b>548,779,806</b>
	<b>Payments</b>	
1	Debt Swap - 48,000 metric tonnes of Urea	96,000,000
2	Debt Swap - 48,000 metric tonnes of D Compound	105,600,000
	<b>Total Payments</b>	<b>201,600,000</b>

*Key: 1 metric tonne = 1,000 kgs (20 by 50 kgs bags)*

The following observations were made:

- The agreed transfer of 48,000 metric tonnes of D Compound equivalent to K105,600,000 implied that 960,000 bags were to be transferred at a total price of K105,600,000 or K110 per 50 kg bag.
- In January 2018, NCZ issued 30,489.35 metric tonnes or 609,787 bags at a price of K110 per 50 kg bag thus realising a total amount of K67,076,570.
- A review of the Credit Note Number 406 dated 12<sup>th</sup> July 2018 revealed that prevailing price per bag of D Compound in September 2017 at NCZ was K265 per 50 kg bag. In this regard, the 30,489.35 metric tons or 609,787 bags at the prevailing price of K265 per 50 kg was to realise an amount of K161,593,555.

The issuance of 30,489.35 metric tonnes or 609,787 bags at a price of K110 per 50 kg as opposed to issuance at the price of K265 per 50 kg resulted into NCZ incurring a loss of K94,516,985.

**v. Irregular Sale of Fertiliser**

According to NCZ's credit policy, administration of the policy was to be carried out by the Credit Committee and customers were to be offered fertiliser on credit upon fulfilling the following conditions:

- The Customer pays 50% cash for the Goods and collects all the goods. Balance not paid after the credit period lapses was to be charged interest at the ruling bank rate.
- The maximum credit period was ninety (90) days from the date of the issue of goods after which interest was charged at the ruling bank rate.
- The customer was to have verifiable collateral that can be foreclosed on in the case of failure to pay within the stipulated period.
- The Customer was to furnish NCZ with either the Bank Guarantee from the Customers Bank or the Original Document of the property or both, as collateral.
- The Customer was to sign a Credit Sales Contract before collecting the goods.
- Title and risk of the procured goods was to pass from NCZ to the Customer once they pass NCZ security Check Point (NCZ Expansion Gate) and exit NCZ factory or have left NCZ premises, e.g. depots.

The following were observed:

- During the period under review, NCZ sold on credit 63,144 x 50 kg bags of Compound D fertiliser and 400 x 50 kg bags of Ammonium Nitrate to twelve (12) clients from whom amounts totalling K16,093,155 were due to be collected. However, only amounts totalling K2,594,344 were collected leaving a balance of K13,498,811 as at 31<sup>st</sup> December 2019. See table 10.4.

**Table 10.4: Irregular Sale of Fertiliser**

SN	Client	Dates when fertilizer was issued	QTY Issued 50Kg Bags Comp D	QTY Issued 50Kg Bags A/Nitrate	Invoiced Amount K	Amount Paid K	Uncollected Amounts K
1	Couch Enterprises	5th November 2018	600	-	186,000	30,000	156,000
2	Cidom Investment	6th November 2018	600	-	186,000	-	186,000
3	Chafra Contractors and General Dealers	6th November 2018	400	-	124,000	-	124,000
4	Asdek Enterprises	Between 22nd December 2017 and 5th November 2018	1,700	-	512,725	206,000	306,725
5	Mulestus Agro Services	28th December 2017 and 5th November 2018	4,221	-	1,263,930	586,224	677,706
6	Annemwa General Dealers	30th November 2017 and 9th February 2018	3,600	-	930,000	345,000	585,000
7	Wankundi Ltd	30th October 2018	600	-	159,000	146,000	13,000
8	Elector Chilipa General Dealers	5 <sup>th</sup> April 2018	3,000	-	780,000	145,000	635,000
9	Steve B Carriers	11 <sup>th</sup> January 2018	9,000	-	2,097,000	310,000	1,787,000
10	First Sun Enterprises	9 <sup>th</sup> January 2018	10,800	-	2,781,000	74,000	2,707,000
11	Power Times Enterprises	8 <sup>th</sup> February 2018	2,400	-	636,000	-	636,000
12	Daisy Mining Consultancy	31st August 2018	24,000	-	6,120,000	697,000	5,423,000
13	Kaku Business Solutions	Between 22nd December 2017 and 5th November 2018	2,223	400	317,500	55,120	262,380
	<b>Total</b>		<b>63,144</b>	<b>400</b>	<b>16,093,155</b>	<b>2,594,344</b>	<b>13,498,811</b>

- There were no contracts signed with buyers.
- There was no evidence of recommendation of issuance of fertiliser by the credit committee availed for audit.
- There was no interest charged on the outstanding amounts.
- There was no evidence of verifiable collateral provided to NCZ by the customers that could be foreclosed in the case of failure to pay within the stipulated period.

Consequently, the Company may suffer loss in the event the customers fail to settle the outstanding amounts by the suppliers.

**d. Accounting Irregularities**

**i. Irregular Payment of Commission**

On 16<sup>th</sup> August 2016, NCZ engaged Soteria Security Services as an agent to sale 10,000 metric tonnes of Compound D fertiliser at a minimum price of K4,500 per metric tonne (K225 per 50kg). The agreement provided for payment to the agent of a commission of 3.5% on all sales facilitated by the agent.

In December 2018, NCZ paid amounts totalling K733,204 to Soteria Security Services as commission.

The following were observed:

- The services of the agent were not competitively acquired as there was no evidence of a procurement process.
- In order to earn commission of K733,204, the Agent should have facilitated sales of K20,948,699. However, there were no records of sales facilitated by the agent.

In this regard, there was no basis on which the commission was paid rendering the payment irregular.

**ii. Failure to Remit Statutory Contributions**

As at 31<sup>st</sup> December 2018, NCZ owed amounts totalling K465,382,230 in respect of Pay As You Earn (PAYE) (K133,099,952) and National Pension Scheme Authority (NAPSA) (K332,282,278) deducted from employees' remunerations. The amount deducted had not been remitted as at 31<sup>st</sup> December 2019.

In addition, no evidence was availed for audit to show whether the Company had remitted its component of the NAPSA contribution.

**iii. Failure to Pay Terminal Benefits**

A review of personnel emoluments records revealed that the NCZ owed terminal benefits in amounts totalling K72,622,181 for staff who had separated from the Company between January 2014 and December 2018. As at 31<sup>st</sup> December 2019, the amounts remained outstanding. Consequently, the separated staff have been adversely affected to settle post separation.

## **11. PATENTS AND COMPANIES REGISTRATION AGENCY**

### **11.1. Background**

#### **a. Establishment**

The Patents and Companies Registration Agency (PACRA) is a body corporate established under the Patents and Companies Registration Agency Act No. 15 of 2010.

The functions of the Agency are to:

- i. administer the Companies Act, the Registration of Business Names Act, the Patents Act, the Trademarks Act, the Registered Designs Act and the Companies (Certificates Validation) Act,
- ii. receive and investigate any complaint of alleged or suspected breach of the Act or the Acts referred to in paragraph (i) and subject to the directives of the Director of Public Prosecutions (DPP) prosecute offences under those Acts,
- iii. collect, collate and disseminate information on the law relating to the Acts referred to in (i) above, and
- iv. advise Government on all matters pertaining to the Act, and
- v. do all such things as are necessary or incidental to the performance of its functions under the Act.

#### **b. Governance - The Board of the Agency**

The Board of the Agency consist of seven (7) members who are appointed by the Minister as follows:

- i. a representative of the Ministry of Commerce, Trade and Industry,
- ii. a representative of the Attorney General,
- iii. an accountant registered with the Zambia Institute of Chartered Accountants,
- iv. a representative of the Zambia Association of Chambers of Commerce and Industry,
- v. one (1) person with expertise in matters of intellectual property, and
- vi. two (2) other persons.

A member of the Board shall hold office for a period of three (3) years from the date of appointment and may be reappointed for a further three (3) year period.

**c. Management**

The Registrar and Chief Executive Officer is responsible for the day-to-day operations of the Agency and is assisted by the Assistant Registrar - Commercial Unit, Assistant Registrar - Intellectual Property, Information and Communications Manager, Chief Finance Officer, Human Resources and Administration Manager, Chief Internal Auditor and the Legal Counsel.

**d. Sources of Funds**

According to the Act, funds of the Agency consist of such moneys as may be:

- i. appropriated to the Agency by Parliament for the purposes of the Agency,
- ii. paid to the Agency by way of fees, loan, grants or donations, and
- iii. or otherwise vesting or accruing to the Agency.

Subject to the Minister's approval, the Agency may also accept money by way of grants or donations from any source outside Zambia. The Agency may also raise, by way of loans or otherwise, such moneys as it may require for the discharge of its functions, within Zambia.

**e. Management Information Systems**

During the period under review, the Agency operated the following management information systems:

**i. Electronic Patents and Companies Registration Agency (e-PACRA) System**

The system is used for registration of companies and business names.

**ii. Intellectual Property Administration System (I-PAS)**

The system is used for registration of intellectual properties such as patents, trademarks and copyrights.

**iii. Moveable Property Registry System (MPRS)**

The system is used for the registration of moveable property and security interest.

**iv. Pastel**

The system is used for processing accounting information.

**v. Human Resource Management System (HRMS)**

The system is used for the management of Human Resource and Payroll processes.

**11.2. Audit Findings**

An examination of financial and other records maintained at PACRA for the financial years ended 31<sup>st</sup> December 2016, 2017 and 2018 revealed the following:

**a. Income**

In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2016, 2017 and 2018, provisions totalling K163,778,848 were made to cater for various activities against which amounts totalling K149,954,730 were released resulting in an underfunding of K13,824,118 as shown in table 11.1 below.

**Table 11.1: Budget against actual Income**

<b>Year</b>	<b>Budget K</b>	<b>Actual K</b>	<b>Under Funding K</b>
2016	53,889,424	53,889,424	-
2017	53,889,424	49,398,639	(4,490,785)
2018	56,000,000	46,666,667	(9,333,333)
<b>Total</b>	<b>163,778,848</b>	<b>149,954,730</b>	<b>(13,824,118)</b>

**b. Information Communication Technology (ICT) Systems**

**i. Missing Information on Client Master Data - Contact Details**

According to Section 28. (1) of the Companies Act of 2017, a company shall have a registered office in Zambia to which all communications and notices may be addressed. In addition, Section 14. (1) (d) states that where an applicant meets the requirements of this Act, the Registrar shall within five (5) days assign a designating number to the company as its registration number.

However, a review of the active clients on the client master data in ePacra revealed that information such as registration numbers for 16 clients and the addresses of registered offices for 17,082 clients were missing from the system.

This may result in the failure to trace the companies.

**ii. Lack of Business Continuity Plan (BCP)**

CoBIT DSS 04 BP3, requires an organisation to develop a Business Continuity Plan (BCP) based on the strategy that documents the procedures and information in readiness for use in the event of systems failure or disaster to enable the enterprise to continue its critical activities.

During the period under review, PACRA operated without a documented Business Continuity Plan. Consequently, there were no documented procedures in respect of Recovery Time and Recovery Point Objectives set for all applications.

In the event of systems failure or disaster, the operations may be adversely affected.

**iii. Failure to Maintain Data Recovery Site Environment**

CoBIT DSS01.04, states that measures should be maintained for protection against environmental factors and install specialised equipment and devices to monitor and control the environment. This is meant to ensure that ICT sites and server rooms are always clean and in a safe condition.

It was however observed that the ICT Data Recovery Centre was being used as a storeroom in which stationery and cleaning materials were stored.

This exposed critical equipment such as servers to sabotage and hardware operational failures.

**c. Accounting Irregularities**

**i. Irregularities Related to the Fixed Deposit Account - Misapplication of Funds Reserved for the Construction Project**

On 4<sup>th</sup> February 2013, the Agency opened a fixed deposit account with a local bank with an initial deposit of K15,000,000. As at 28<sup>th</sup> June 2016, the balance on the account had accumulated to K19,235,173.

In this regard, the Board directed management to set aside K17,000,000 from the fixed deposit account for the construction of a new office block.

However, out of the K19,235,173 available, amounts totalling K14,542,198 were applied on unrelated activities such as payments of personal emoluments and other

operational costs without Board authority leaving a balance of K4,422,212. Consequently, as at 31<sup>st</sup> December 2019, the construction of the office block had not commenced.

**ii. Non-remittance of Tax**

Contrary to the Income Tax Act Chapter 323 of the Laws of Zambia which required the Agency to remit taxes promptly to ZRA, amounts totalling K2,027,572 deducted as Pay as You Earn (PAYE) in November and December 2018 were not remitted to the Zambia Revenue Authority (ZRA) as at 31<sup>st</sup> December 2019.

**iii. Delayed Transfer of Revenue to Control 99**

During the period from January 2016 to December 2018, PACRA received amounts totalling K17,038,639 in respect of various fees collected by the World Intellectual Property Organisation (WIPO) and the African Regional Intellectual Property Organisation (ARIPO) on behalf of the Government. However, the Agency delayed transferring funds to Control 99 from the Operational Account for periods ranging from 12 to 187 days thereby depriving the Treasury of revenue.

**iv. Under Declaration of Revenue on Annual Returns**

According to the PACRA Fee Chart for the period August 2015 to December 2018, companies in sectors such as Banking, Insurance and Financial services are supposed to declare returns and pay specified fees as outlined in the approved fee structures.

However, a review of annual returns for the period under review revealed that thirty (30) companies in the Banking, Insurance and Financial services sectors had under declared annual returns by K44,749. See table 11.2 below.

**Table 11.2: Under Declaration of Revenue**

<b>Period</b>	<b>No of Customers</b>	<b>Expected Declaration K</b>	<b>Amount Declared K</b>	<b>Amount Under Declared K</b>
2016	11	18,326	1,666	16,660
2017	6	9,996	1,494	8,502
2018	13	22,492	2,905	19,587
<b>Total</b>	<b>30</b>	<b>50,814</b>	<b>6,065</b>	<b>44,749</b>

**d. Administrative Issues**

**i. Failure to Obtain Title Deeds**

The Lands Act No. 29 of 1995 requires that institutions or individuals owning land should have or possess title deeds as proof of ownership.

On 12<sup>th</sup> May 2015, PACRA purchased a piece of land in Chinsali, Muchinga Province, from Chinsali Municipal Council at K11,000 with a view to constructing the Provincial Office.

However, as at 31<sup>st</sup> December 2019, PACRA had not acquired title for the land. The lack of title deeds may result in loss of property.

## **12. PUBLIC SERVICE MICRO FINANCE COMPANY**

### **12.1. Background**

#### **a. Establishment**

The Public Service Micro Finance Company (PSMFC) was registered on 1<sup>st</sup> March 2013 as a limited company under the Companies Act Chapter 388 of the Laws of Zambia. It is wholly owned by the Government of the Republic of Zambia and held in trust by the Minister of Finance and the Secretary to the Treasury.

The Company was established to provide short, medium and long-term loans to the Public Service employees within the Republic of Zambia.

#### **b. Governance - Board of Directors**

The Articles of Association provides that the number of Board members shall be not less than seven (7) and not more than nine (9) and the Board shall at a minimum be composed of:

- i. the Permanent Secretary responsible for the Public Service Management Division,
- ii. the Permanent Secretary responsible for labour,
- iii. the Permanent Secretary at the Ministry responsible for Public Finance,
- iv. a member of the Zambia Institute of Chartered Accountants who does not serve in the public service,
- v. a member of the Law Association of Zambia who does not serve in the public service,
- vi. a member of the Bankers Association of Zambia who does not serve in the public service and
- vii. the Chief Executive Officer of the Company.

The tenure of each member shall be three (3) years from the date of appointment and may be eligible for reappointment of two (2) subsequent tenures of three (3) years each.

**c. Management**

The day to day operations of the Company is a responsibility of the Chief Executive Officer (CEO) who is appointed by the board and is assisted by the Chief Financial Officer, Director Business Development, Director Operations, Director Legal Services and Director Audit Risk and Compliance.

**d. Sources of Funds**

The sources of funds for the Company included grants from the Government and other internally generated revenues such as interest on loans, fixed deposits and sundry income.

**e. Information Communication Technology (ICT) Systems**

During the period under review, the Company operated three (3) ICT Systems as shown in table 12.1 below.

**Table 12.1 - Information Communication Technology Systems**

SN	Name of System	Function
1	Rubikon Banking	Administration and processing of loans
2	ZNBS 2000	Administration and processing of loans
3	PayFlex	Disbursement of loans

**12.2. Audit Findings**

An examination of financial and other records for the financial years ended 31<sup>st</sup> December 2013 to 2018 maintained at the PSMFC revealed the following:

**a. Governance - Failure to Appoint a Board of Directors**

During the financial year ended 31<sup>st</sup> December 2018, the Company operated without the board. In the absence of the board, the functions of the board were carried out by the Office of the Secretary to the Treasury. In this regard, there was no wider strategic oversight on the operations of the Company. As at 31<sup>st</sup> December 2019, the board had not been appointed.

**b. Income**

During the financial years ended 31<sup>st</sup> December 2013, 2014, 2015, 2016, 2017 and 2018, the Company generated income of K118,388,988 against the total budgeted income of K141,509,383 resulting in a negative variance of K23,120,395. See table 12.2 below.

**Table 12.2 – Budget against actual Income**

Years	Budgeted Revenue K	Actual Revenue K	Variance K
2013	12,982,691	10,805,432	(2,177,259)
2014	28,203,738	30,842,562	2,638,824
2015	22,139,003	7,675,986	(14,463,017)
2016	20,468,124	11,815,143	(8,652,981)
2017	25,674,433	23,278,127	(2,396,306)
2018	32,041,394	33,971,738	1,930,344
<b>Total</b>	<b>141,509,383</b>	<b>118,388,988</b>	<b>(23,120,395)</b>

**c. Financial Analysis**

**i. Financial Performance - Statements of Comprehensive Income**

During the period under review, the Company's Statements of Comprehensive Income were as shown in table 12.3 below.

**Table 12.3: Statement of Comprehensive Income**

Details	2018 K	2017 K	2016 K	2015 K	2014 K	2013 K
<b>Income</b>						
Interest Income	30,004,147	22,663,282	11,199,069	6,291,126	3,771,911	581,161
<b>Other Operating Income</b>						
Non-Operating Income	3,967,591	614,845	555,709	1,384,858	27,070,652	10,224,271
<b>Expenditure</b>						
Operating Expenses	(5,877,383)	(7,168,642)	(4,170,434)	(5,958,604)	(6,197,901)	(1,934,181)
Employee Costs	(15,037,724)	(7,020,195)	(7,872,933)	(7,454,131)	(4,733,335)	(1,824,589)
Impairment Losses on Loans and Advances	(3,931,132)	(5,482,848)	-	-	-	-
<b>Operating Expenses</b>	<b>24,846,239</b>	<b>19,671,685</b>	<b>11,487,658</b>	<b>12,027,877</b>	<b>16,139,416</b>	<b>6,465,502</b>
<b>Earnings Before Taxation</b>	9,125,498	3,606,441	(288,589)	(5,736,750)	19,911,327	7,046,663
Taxation	1,078,347	2,439,164	(39,419)	(2,084,069)	553,853	(38,002)
<b>Profit/ (Loss) for the Year</b>	<b>8,047,152</b>	<b>1,167,277</b>	<b>(249,170)</b>	<b>(3,652,682)</b>	<b>19,357,474</b>	<b>7,084,664</b>

Source: PSMFC financial statements for the years ended 31<sup>st</sup> December 2013, 2014, 2015, 2016, 2017 and 2018

- **Profitability of the Company**

The Company recorded profits of K7,084,664 and K19,357,474 in 2013 and 2014 respectively. However, in 2015 and 2016 the Company recorded losses of K3,652,682 and K249,170 respectively which were attributed to a reduction in non-operating income arising from a reduction in Government grants. In 2017 and 2018 the Company made profits of K1,167,277 and K8,047,152 respectively which were attributed to increase in interest income as shown in table 12.3 above.

- ii. **Financial Position – Statements of Financial Position**

The Statements of financial position of PSMFC for the financial years ended 31<sup>st</sup> December 2013 to 2018 were as shown in table 12.4 below.

**Table 12.4: Statements of Financial Position**

Details	2018 K	2017 K	2016 K	2015 K	2014 K	2013 K
<b>ASSETS</b>		<b>Restated</b>	<b>Restated</b>			
Cash and Cash Equivalents	12,213,046	53,219,225	44,168,264	51,945,637	40,730,971	30,794,827
Placements with other Financial Institutions	60,400,000	27,400,000	57,400,000	30,337,438	10,052,164	-
Loans and Advances	226,680,189	157,629,354	116,235,614	120,652,530	86,508,041	35,318,356
Other Receivables and Prepayments	251,105,773	307,845,342	329,906,863	322,789,124	393,590,359	443,281,018
Property, Plant and Equipment	5,386,129	1,811,983	2,273,368	3,063,921	3,600,763	1,772,021
Deferred Tax Assets	3,294,893	-	2,123,488	2,084,069	-	38,002
<b>Total Assets</b>	<b>559,080,031</b>	<b>547,905,905</b>	<b>552,107,597</b>	<b>530,872,718</b>	<b>534,482,298</b>	<b>511,204,224</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Other Liabilities	19,116,282	20,745,275	26,426,042	3,417,529	3,066,281	1,043,324
Employee Benefits	2,201,625	1,055,629	532,227	1,529,410	1,033,768	300,507
Income Tax Payable	3,966,204	831,528	515,851	515,851	515,851	-
<b>Total Current Liabilities</b>	<b>25,284,112</b>	<b>22,632,432</b>	<b>27,474,120</b>	<b>5,462,791</b>	<b>4,615,901</b>	<b>1,343,831</b>
<b>Non-Current Liabilities</b>						
Capital Grants	1,024,159	1,565,909	2,093,190	2,620,471	3,424,259	1,772,021
Deferred Tax Liability	206,299	-	-	-	-	1,003,708
<b>Total Non-Current Liabilities</b>	<b>1,230,458</b>	<b>1,565,909</b>	<b>2,093,190</b>	<b>2,620,471</b>	<b>3,424,259</b>	<b>2,775,729</b>
<b>Equity</b>						
Share Capital	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Retained Earnings	31,772,215	23,707,564	22,540,287	22,789,457	26,442,138	7,084,664
Revaluation Reserves	793,246	-	-	-	-	-
<b>Total Equity</b>	<b>532,565,461</b>	<b>523,707,564</b>	<b>522,540,287</b>	<b>522,789,457</b>	<b>526,442,138</b>	<b>507,084,664</b>
<b>Total Equity and Liabilities</b>	<b>559,080,031</b>	<b>547,905,905</b>	<b>552,107,597</b>	<b>530,872,718</b>	<b>534,482,298</b>	<b>511,204,224</b>

Source: PSMFC financial statements for the years ended 31<sup>st</sup> December 2013, 2014, 2015, 2016, 2017 and 2018

As can be seen in table 12.4 above, the total assets increased from K511,204,224 in 2013 to K559,080,031 in 2018.

**d. Outstanding Loans as Per PSMFC Debtor’s Age Analysis**

According to the provisions of Statutory Instrument No. 142 of 1996, loans are classified as pass, sub-standard, doubtful and loss. Non-performing loans are in the categories of sub-standard, doubtful and loss.

Sub-standard loans are loans where arrears of principal and discount fee are 90 to 119 days. Where arrears are 120 to 179 days, the loans are classified as doubtful, while loans in arrears of 180 days and above are categorised as loss loans.

A review of the PSMFC debtors’ age analysis for the year ended 31<sup>st</sup> December 2018, revealed that loans in amounts totalling K12,145,619 had been in arrears for periods ranging from 90 to more than 180 days. See table 12.5 below.

**Table 12.5: Outstanding Loans as per PSMFC Debtor’s Age Analysis**

SN	Loan Type	Sub-standard (90 to 119 days) K	Doubtful (120 to 179 days) K	Loss (180 days and above) K	Total K
1	Short term loans	99,990	461,720	995,356	1,557,066
2	Personal loans	-	-	9,331,708	9,331,708
3	Motor vehicle loans	313,061	67,545	461,322	841,928
4	Agriculture Asset Loans	-	-	414,917	414,917
	<b>Total</b>	<b>413,051</b>	<b>529,265</b>	<b>11,203,303</b>	<b>12,145,619</b>

**e. Weaknesses in the Administration of Loans**

During the period under review, the PSMFC disbursed various loans in amounts totalling K430,963,957 to 12,737 officers. See table 12.6 below.

**Table 12.6: Category of Loans Disbursed**

Period	Personal Loans K	Agricultural Loans K	Short Term Loans K	Motor Vehicle Loans K	Total K
2013	17,669,600	-	-	-	17,669,600
2014	62,693,000	-	-	-	62,693,000
2015	52,761,000	-	-	-	52,761,000
2016	44,877,170	909,978	76,700	477,233	46,341,081
2017	33,098,000	11,701,910	12,341,380	41,035,947	98,177,237
2018	50,813,298	7,172,124	40,429,845	54,906,772	153,322,039
<b>Total</b>	<b>261,912,068</b>	<b>19,784,012</b>	<b>52,847,925</b>	<b>96,419,952</b>	<b>430,963,957</b>

However, the following were observed in relation to loans in amounts totalling K388,001,730 that were being recovered through the Payroll Management and Establishment Control (PMEC) system:

**i. Delinquent Loans**

A comparison of the PSMFC Loan disbursements to the loan recovery schedules revealed that loans in amounts totalling K5,750,183 issued to 571 employees were either discontinued from the payroll or had not been recovered. The loans had not been serviced for periods ranging from twelve (12) months to seventy-seven (77) months. See table 12.7.

**Table 12.7: Delinquent Loans**

SN	Loan Type	No. Of Beneficiaries	Description	Amount K
1	Personal Loans	119	No Recoveries	1,881,922
2	Personal Loans	201	Discontinued Recoveries	2,113,819
3	Agriculture Loans	5	No Recoveries	258,541
4	Cash Solution	174	No Recoveries	1,377,182
5	Cash Solution	72	Discontinued Recoveries	118,719
	<b>Total</b>	<b>571</b>		<b>5,750,183</b>

Further, there was no evidence that management had made any efforts to recover the loans as at 31<sup>st</sup> December 2019. In this regard, the loan disbursement funds were adversely affected by the unrecovered loans in that the loan funds were locked up with the borrowers and this could be a potential loss to the Company.

**ii. Under Recovery of Loans**

Loan recoveries from beneficiaries are based on an amortisation schedule which reflects the deductions of both interest and principal.

A comparison between the agreed loan recoveries and the actual recoveries for 263 beneficiaries revealed that an amount of K7,180,146 was due for recovery as at 31<sup>st</sup> December 2018. However, only amounts totalling K5,151,388 had been recovered resulting in under recovery of K2,028,757. See table 12.8 below.

**Table 12.8: Under Recovery of Loans**

<b>SN</b>	<b>Loan Type</b>	<b>No. of Beneficiaries</b>	<b>Loan Amount K</b>	<b>Amount Recovered K</b>	<b>Amount Due But not Recovered K</b>
1	Personal	170	3,952,420	2,715,412	1,237,008
2	Motor Vehicle	13	1,405,327	1,111,029	294,298
3	Agriculture	19	1,350,353	952,485	397,867
4	Cash Solution	61	472,047	372,463	99,584
	<b>Total</b>	<b>263</b>	<b>7,180,146</b>	<b>5,151,388</b>	<b>2,028,757</b>

As at 31<sup>st</sup> December 2019, no evidence was availed on adjusting the monthly deduction and tenure of the loans. As a result, the loans were still tied with the borrowers and may not be recovered.

**f. Failure to Disburse Mortgage Loans**

In 2015, the Ministry of Finance authorised the PSMFC to take over the Public Service House Loan Scheme managed by the Zambia National Building Society (ZNBS) including its resources, files and all related documents. On 29<sup>th</sup> April 2015, the mortgage funds totalling K9,415,583 and two hundred (200) files for disbursed loans were transferred from ZNBS to PSMFC. The following were observed:

- i. At the time of the transfer of the files, PSMFC should have verified the completeness of the files transferred from ZNBS. However, there were fifty (50) files relating to mortgage loans in amounts totalling K4,861,600 that did not have original certificates of title. In this regard, the mortgage loans obtained were not secured and may not be recovered in case of default.
- ii. As at 31<sup>st</sup> December 2019, the initial amount of K9,415,583 had been invested and grown to K16,000,000. However, the Company had not commenced disbursement of mortgages thereby depriving civil servants access to mortgages.

## **13. UNIVERSITY OF ZAMBIA**

### **13.1. Background**

#### **a. Establishment**

The University of Zambia (UNZA) commenced operations on 12<sup>th</sup> November 1965 and was established under the University Act of 1965, which was repealed and replaced by the University Act of 1999. The University Act of 1999 was repealed and replaced by the Higher Education Act No. 4 of 2013. The Higher Education Act of 2013 provides for the establishment, governance and regulation of public higher education institutions.

The functions of the higher education institute among others are to:

- i. provide higher education,
- ii. create conditions for learners to acquire qualifications and pursue excellence and promote the full realisation of the potential of learners,
- iii. create conditions for lifelong learning,
- iv. prepare learners and academics and strengthen the effect of academic learning and scientific research to enhance social and economic development, and
- v. conduct research necessary and responsive to national needs.

#### **b. Governance - The Council**

The Council consists of the following part time members appointed by the Minister:

- i. the Vice-Chancellor, who shall be an ex-officio member,
- ii. the Deputy Vice-Chancellor who shall be an ex-officio member,
- iii. one (1) member of staff of a local authority in whose area the higher education institution is located, who shall be nominated by the local authority,
- iv. two (2) members of the academic staff of the higher education institution who are members of Senate, who shall be nominated by Senate,
- v. one (1) member who is associated with higher education institutions outside the Republic,

- vi. one (1) member who is associated with other higher education institutions within the Republic,
- vii. one (1) member who is a student of the higher education institution, who shall be nominated by the students of the higher education institution in accordance with such election procedure as the students' union may determine,
- viii. one (1) person who is a member of the non-academic staff of the higher education institution, who shall be nominated by the non-academic staff of the higher education institution in accordance with such election procedure as the non-academic staff may determine,
- ix. one (1) member of the academic staff of the higher education institution, elected by the academic staff of the higher education institution in accordance with such election procedure as the academic staff may determine,
- x. one (1) member who is a graduate of the higher education institution and who is not a member of staff of that higher education institution,
- xi. three (3) members representing trade, commerce and the professions, not being employees or students of the higher education institution, public officers or members of Parliament, who shall be nominated by a recognised business or professional association or organisation in accordance with such procedure as the business or professional association may determine,
- xii. one (1) member of the National Assembly nominated by the Speaker, and
- xiii. one (1) representative each from the Ministries responsible for higher education and finance.

The members of the Council shall appoint the Chairperson and Vice Chairperson from among themselves.

The Chairperson and the Vice Chairperson of a Council shall hold office for a period of three (3) years and shall be eligible for re-election for a further period of three (3) years.

Subject to the other provisions of this Act, a member of the Council shall hold office for a period of three (3) years and shall be eligible for re-appointment for a further period of three (3) years.

**c. Management**

The Vice Chancellor is appointed by the Minister of Higher Education on the advice of the Council and is the academic, financial and administrative Head of the University. In discharging his responsibilities, the Vice Chancellor is assisted by the Deputy Vice Chancellor, Registrar, Librarian, Bursar and Dean of Students.

**d. Sources of Funds**

The funds of a public higher education institution consist of such moneys as may:

- i. be appropriated by Parliament for its purpose,
- ii. be paid to the public higher education institution by way of fees, subscription, contribution, grants or donations, and,
- iii. otherwise vest in, or accrue to, the public higher education institution,
- iv. a public higher education institution may, with the approval of the Minister, accept monies by way of grants or donations from any source in or outside Zambia, except that the public higher education institution shall not be obliged to accept a grant or donation for a particular purpose unless it approves of the purpose and the conditions, if any, attaching to it,
- v. a public higher education institution may borrow, by way of loans or otherwise, such sums as it may require for meeting its obligations and discharging its functions under this Act, except that the prior consent of the Minister responsible for finance, in consultation with the Minister, shall be obtained .

**e. Management Information Systems**

During the period under review, the University operated the following Management Information Systems:

**i. Student Information System**

The system is used for managing student records and information such as applications, registration, accommodation and results. The application runs on Linux sever.

**ii. Sage ERP 100**

The system is used for managing finances and accounting.

**iii. Human Resources System/ Payroll System**

The system is used for all human resource management such as payroll, leave computation, maintenance of staff listing.

**13.2. Audit Findings**

An examination of accounting and other records for the financial years ended 31<sup>st</sup> December 2013, 2014, 2015, 2016, 2017 and 2018 revealed the following:

**a. Governance - Failure to Appoint a Substantive Council**

Section 24 of the Higher Education Act No. 4 of 2013, provides that a public institution of higher learning shall have a Council, which shall be responsible for the governance, control and administration of a higher education institution. Further, Section No. 1 of the second schedule of the Act provides for the composition of the Council.

During the period from August 2015 to December 2019, the University operated without a substantive Council.

**b. Income**

In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2013, 2014, 2015, 2016, 2017 and 2018, provisions in amounts totalling K1,538,357,916 were made to cater for various activities against which amounts totalling K1,834,514,216 were released resulting in overfunding of K296,156,300. See table 13.1.

**Table 13.1: Budget against actual Income**

YEAR	Budget K	Funding (Income) K	Over /(Under) Funding K
2013	248,846,882	191,621,663	(57,225,219)
2014	263,281,696	311,940,740	48,659,044
2015	259,730,846	343,640,588	83,909,742
2016	334,606,429	456,967,807	122,361,378
2017	201,606,429	313,057,780	111,451,351
2018	230,285,634	217,285,638	(12,999,996)
<b>Total</b>	<b>1,538,357,916</b>	<b>1,834,514,216</b>	<b>296,156,300</b>

As can be seen from table 13.1 above, the institution was over funded in the years 2014, 2015, 2016 and 2017 while, in 2013 and 2018 there was under- funding of K57,225,219 and K12,999,996 respectively.

In addition, the University raised amounts totalling K2,175,389,693 from tuition, research and consultancy fees and other sources as shown in table 13.2 below.

**Table 13.2: Other Sources of Income**

SN	SOURCE	2018 K	2017 K	2016 K	2015 K	2014 K	2013 K	Total K
1	Tuition Fees	389,270,925	261,295,098	248,497,736	403,356,840	253,994,000	162,039,000	1,718,453,599
2	Research and Consultancy	8,962,026	11,390,289	10,061,311	8,625,633	42,004,000	32,113,000	113,156,259
3	Other Student Fees	58,699,765	17,364,560	13,500,292	6,700,682	24,484,000	12,455,000	133,204,299
4	Business Venture		-	-	-	8,051,000	3,712,000	11,763,000
5	Other Income	24,386,414	24,484,239	68,670,019	20,593,864	15,038,000	45,640,000	198,812,536
	<b>Total</b>	<b>481,319,130</b>	<b>314,534,186</b>	<b>340,729,358</b>	<b>439,277,019</b>	<b>343,571,000</b>	<b>255,959,000</b>	<b>2,175,389,693</b>

**c. Operational Matters - Irregular Invoicing of Non - Sponsored Students to Loans Board**

The Higher Education Loans and Scholarship Board awards loans in various categories to deserving students. The categories are 100%, 75%, 50% and 25% sponsorships. The University invoices the Higher Education Loans and Scholarship Board amounts due for the students through Ministry of Higher Education for settlement.

During the period from 2017 to 2018, the University billed the Government amounts totalling K203,588 for ten (10) self-sponsored students. As at 31<sup>st</sup> December 2019, there was no evidence of recoveries against the ten (10) self-sponsored students who were included on the GRZ bill resulting in loss of public funds.

**d. Procurement Matters - Failure to Account for Sale and Hire of Graduation Attire**

On 24<sup>th</sup> February 2015, the University awarded Academic Apparel Industries a three (3) year running contract for the supply and delivery of academic graduation attire commencing on 1<sup>st</sup> March 2015 and ending on 1<sup>st</sup> March 2018. The attire was for sale and hire to graduates.

As at 31<sup>st</sup> December 2019, a total amount of K21,089,742 (ZAR29,074,605) had been paid to the supplier for the supply of 37,045 graduation attire.

However, there were no records produced for the hire and sale of the graduation attire making it not possible to ascertain the amounts raised by the University.

**e. Accounting Irregularities**

**i. Failure to Submit Annual Reports**

Section 12, second schedule of the Higher Education Act No.4 of 2013 provides for submission of the annual report to the Minister not later than six (6) months after the expiry of the financial year. It was however, observed that the University did not submit annual reports for the years 2016, 2017 and 2018. Further, as at 31<sup>st</sup> December 2019, the University had no audited financial statements for financial years ended 31<sup>st</sup> December 2017 and 2018.

**ii. Loss of Revenue – Unpaid Accommodation Fees**

According to the University Regulations, accommodation fees for self-sponsored students are supposed to be paid on the invoiced amount.

During the period 2015 to 2018, ten (10) self-sponsored students were accommodated and invoiced amounts totalling K27,360. However, there was no evidence of payment for accommodation fees despite the students being accommodated resulting in loss of revenue.

**iii. Unsupported Payments**

Contrary to Part 9, Clauses 49 and 63 of the University of Zambia financial regulations of 2015, which states that all payments must be supported by

appropriate and relevant documentation, thirty-eight (38) payment vouchers in amounts totalling K500,978 made during the period under review were not supported with relevant documentation such as receipts, payment certificates and reports on assignments undertaken.

**iv. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items and fuel costing K3,008,961 procured during the period from January 2018 to December 2018, could not be accounted for in that there were no receipt and disposal details.

**f. Projects**

**i. Construction of a False Roof - School of Mines**

On 21<sup>st</sup> July 2015, the University awarded Bencon Works Limited a contract for the construction of a false roof at the school of mines at a contract sum of K1,785,899. The start date of the contract was 23<sup>rd</sup> July 2015 and the expected completion date was 23<sup>rd</sup> December 2015 with a Defects Liability Period of twelve (12) months.

The scope of the works included structural steel works, roofing and cladding, painting and plumbing among others.

As at 31<sup>st</sup> December 2019, the contractor had been paid amounts totalling K1,740,778 leaving a balance of K45,121 which is 2.52 % of the total price.

However, the following were observed:

- **Failure to Provide Performance Security against the Contract**

Section 127 (1), of the Public Procurement Regulations of 2011, states that, “a procuring entity shall request a performance security for all contracts for goods, works and non-consulting services with a value greater than K500,000 to secure the supplier’s obligation to fulfil the contract,” however, a scrutiny of the contract document revealed that the contract had no provision for a performance security contrary to Zambian Public Procurement Authority Regulations.

- **Questionable Payments on expired Contract**

Although the contract expired on 23<sup>rd</sup> December 2015, the University continued to pay the contractor on an expired contract. In this regard, amounts totalling K1,089,210 were paid outside the contract period. In addition, it was observed that although the contractor was being paid based on Interim Payment Certificates (IPC's) these were questionable in that the completion status of the project was at 75% while the payments to the contractor totalled K1,740,778 representing 97.5% of the contract sum of K1,785,899.

- **Failure to Complete Works**

A physical inspection carried out in November 2019, revealed that the contractor had not completed works fifty-nine (59) months after the expected completion date of 23<sup>rd</sup> December 2015 and the following works were still outstanding:

- Structural steel works which include angle iron supports and cleats.
- Roofing and Cladding
- Painting works
- Plumbing and Sundries. See picture 13.1 below.



**Picture 13.1: Unfinished Roof Structure**

As at 31<sup>st</sup> December 2019, the contractor was not on site and the works had been abandoned.

**ii. Failure to Construct a Poultry House - School of Veterinary Sciences**

On 27<sup>th</sup> November 2018, the School paid an amount of K49,900 to DIAB Blocks Limited for the purchase of 6,000 x 6 inches blocks and 500 x 50 kg bags of cement to be used for the construction of a poultry house at the school. As at 31<sup>st</sup> December 2019, though the blocks had been delivered, the cement costing K32,500 had not been delivered. Consequently, the poultry house had not been built.

**g. Asset Management**

**i. Lack of Asset Management Policy**

The Asset Management Policy gives guidance on the acquisition, recording, use and disposal of an entity's non-current assets. Asset Management Policy also defines the parameters for updating the Fixed Asset Register including the date of purchase, location or beneficiary department, asset class, asset description, method of valuing asset, depreciation rate and asset code.

A review of records and documents availed for audit revealed that the University had no Asset Management Policy in place for the period under review. In this regard, it was not clear how the Institution was managing its assets.

**ii. Failure to Utilise Procured Property**

In 2009, the University purchased a residential property in Northmead Lusaka at a cost of K1,300,000 to be used as a computer laboratory for students and members of staff. The house was handed over to the University on 30<sup>th</sup> September 2012. However, the house has remained unutilized and deteriorating as of December 2019. See pictures 13.2 below.



**Pictures 13.2: Unutilised Procured Property**

**h. Staff Related Matters**

**i. Failure to Settle Statutory Contributions**

A scrutiny of records revealed that as at 31<sup>st</sup> December 2018, the University of Zambia owed amounts totalling K2,755,977,104 to the Zambia Revenue Authority, NAPSA and Workers Compensation Fund Control Board in respect of statutory contributions. See table 13.3 below.

**Table 13.3: Outstanding Statutory Obligations**

SN	Institution	Amount K
1	ZRA - PAYE	1,607,660,000
2	NAPSA - Pension (Principal)	158,341,505
3	NAPSA - Pension (Penalties)	980,175,599
4	Workers Compensation	9,800,000
	<b>Total</b>	<b>2,755,977,104</b>

The debt accrued from 2011 to 2018.

**ii. Failure to Settle Terminal Benefits**

According to the UNZA conditions of service, employees who have retired or separated from the Institution are retained on the payroll until they are paid their gratuity/ terminal benefits.

During the period under review, the University owed amounts totalling K648,259,150 in respect of terminal benefits, gratuities, and leave days to 2,857 officers that had either retired or were still in employment as at 31<sup>st</sup>

December 2018. Included in the figure are amounts that have been outstanding for periods ranging from 2011 to 2018. See table 13.4.

**Table 13.4: Outstanding Terminal Benefits**

SN	Details	No. of Cases	Amount Outstanding K
1	Terminal Benefits - Deceased Officers	37	17,696,606
2	Terminal Benefits - Retired Medical Grounds	2	3,275,255
3	Terminal Benefits - Other Officers	237	264,212,712
4	Contract Gratuities / Leave Days	2,581	363,074,578
	<b>Total</b>	<b>2,857</b>	<b>648,259,150</b>

In this regard, the University was paying K2,150,280 in monthly salaries to the retirees.

**i. Financial Analysis - UNZA Investments**

**i. Poor Performance of Investments – ZAMNET**

ZAMNET Communication Systems Limited is a pioneer internet provider which is wholly owned by the University of Zambia. A review of the financial records for the financial years ended 31<sup>st</sup> December 2013 to 2018 revealed the following:

- **Failure to Produce Financial Statements**

According to Section 164 (1) Part viii of the Companies Act No. 10 of 2017, Directors of a company are required to prepare financial statements for each financial year which should give a true and fair view of the financial position of the company.

Contrary to the Act, ZAMNET did not prepare financial statements for the financial years ended 31<sup>st</sup> December 2017 and 2018.

- **Recurring Losses – Statement of Comprehensive Income**

The income statements of ZAMNET for the financial years ended 31<sup>st</sup> December 2013, 2014, 2015 and 2016 were as shown in table 13.5 below:

**Table 13.5: Income Statement - ZAMNET**

Details	2016 K	2015 K	2014 K	2013 K
Revenue	10,176,370	10,784,773	11,908,053	9,454,234
Cost of sales	(9,436,869)	(9,425,393)	(10,405,054)	(6,310,277)
Gross profit	739,501	1,359,380	1,502,999	3,143,957
Other income	17	54	14,125	19,710
Administrative expenses	(4,957,795)	(4,845,737)	(4,992,088)	(3,778,008)
Operating profit/ (loss)	(4,218,277)	(3,486,303)	(3,474,964)	(614,341)
Finance costs			(1,854)	-
	(4,218,277)	(3,486,303)	(3,476,818)	(614,341)
Loss before income tax		-	-	-
Income tax expense				(4)
	(4,218,277)	(3,486,303)	(3,476,818)	(614,345)
Loss for the year	(4,218,277)	(3,486,303)	(3,476,818)	(614,345)
Other comprehensive income				
<b>Total comprehensive income for the year</b>	(4,218,277)	(3,486,303)	(3,476,818)	(614,345)
<b>No. of Customers</b>	414	452	685	826

Source: ZAMNET financial statements for the years ended 31<sup>st</sup> December 2013, 2014, 2015 and 2016

As can be seen from the extract of the statement of comprehensive income in table 13.5 above, the company's losses increased from K614,345 in 2013 to K4,218,277 in 2016 representing a percentage increase of 587%.

The increase in losses was caused by the decline in the customer base which reduced from 826 in 2013 to 414 in 2016 representing a decline of 50%.

## ii. Declining Profits – York Farm

The Council of the University has a 48.8% shareholding in York Farm. The principal activities of the Company are to grow and sale vegetables, wheat, soya beans, and roses for export and domestic markets.

The statements of comprehensive income for the financial years ended 31<sup>st</sup> December 2013 to 2017 are shown in table 13.6.

**Table 13.6: Income Statement - York Farm**

Details	2018 K	2017 K	2016 K	2015 K	2014 K	2013 K
		<b>Restated</b>				
Revenue	65,317,879	62,290,398	56,676,641	55,721,073	52,190,619	43,035,513
Cost of sales	(36,766,095)	(35,889,765)	(47,698,192)	(42,892,292)	(40,693,845)	(32,542,027)
<b>Gross profit</b>	<b>28,551,784</b>	<b>26,400,633</b>	<b>8,978,449</b>	<b>12,828,781</b>	<b>11,496,774</b>	<b>10,493,486</b>
Investment revenue	48,829	20,906	168,945	166,574	260,935	410,473
Changes in fair value of biological assets	581,710	-	-	-	-	-
Other operating revenue	192,360	174,306	165,384	270,957	149,129	101,033
Gain on sale of non-current asset		-	-	-	-	44,354,652
Selling and Distribution expenses	(19,090,146)	(17,607,630)	-	-	-	-
Exchange gain/(loss)	(1,250,294)	1,674,815	(720,080)	(843,840)	(1,358,360)	541,710
Finance costs	(1,290,011)	(641,495)	(755,598)	(359,611)	(74,301)	(122,385)
Admin and other expenses	(10,652,018)	(9,334,760)	(9,336,909)	(8,113,369)	(6,388,349)	(6,004,150)
<b>Profit before tax</b>	<b>(2,907,786)</b>	<b>686,775</b>	<b>(1,499,809)</b>	<b>3,949,492</b>	<b>4,085,828</b>	<b>49,774,821</b>
Income tax expense	978,061	(484,241)	(268,598)	(681,132)	(438,729)	(668,943)
<b>Profit/(loss) for the year</b>	<b>(1,929,725)</b>	<b>202,534</b>	<b>(1,768,407)</b>	<b>3,268,360</b>	<b>3,647,099</b>	<b>49,105,878</b>

*Source: York Farm financial statements for the years ended 31<sup>st</sup> December 2013, 2014, 2015, 2016, 2017 and 2018*

As can be seen from table 13.6 above, the company's profits reduced from K49,105,878 in 2013 to a loss of K1,929,725 in 2018 representing a reduction in profit of 104%. The increased losses were due to increased costs of production and export.

## **14. WORKERS' COMPENSATION FUND CONTROL BOARD**

### **14.1. Background**

#### **a. Establishment**

The Workers' Compensation Fund Control Board (WCFCB) is a social security institution established by Chapter 271 of the Laws of Zambia which was revised by the Workers Compensation Act No.10 of 1999 to provide mainly for: the establishment and administration of the Fund for compensation of Workers disabled by occupational accidents or diseases; the payment of compensation to dependents of workers who die as a result of occupational accidents or diseases; the payment of contributions to the Fund by employers.

#### **b. Governance - The Board of Directors**

Section 10 (2) of the Act provides for the Board of Directors comprising eleven (11) members who are appointed by the Minister as follows:

- i. the Chairperson of the Board,
- ii. three (3) persons from associations representing employers,
- iii. three (3) persons from associations representing workers,
- iv. three (3) representatives from the Government, and
- v. one (1) person from an association of pensioners.

A member holds office for a period of three (3) years from the date of appointment and may be re-appointed for a further three (3) year period.

#### **c. Management**

The Commissioner is the Chief Executive Officer and is responsible for the day-to-day operations of WCFCB. The Commissioner is assisted by six (6) Directors responsible for Claims and Pensions, Legal and Corporate Services, Human Resources and Administration, Fund Management, Finance, Audit and Services.

#### **d. Sources of Funds**

According to the Act, the Funds of the WCFCB shall consist of:

- i. the assessments paid by employers under this Act,
- ii. any money paid by employers to the Board under this Act,
- iii. any moneys paid as penalties imposed under this Act, other than penalties imposed by a court of law,
- iv. interest from investments of the fund,
- v. any payments made to the Board by exempted employers under the provisions of this Part; and
- vi. any other sums to which the Fund may become entitled.

**e. Information Communication Technology (ICT) Systems**

During the period under review, WCFCB operated three (3) systems for the following purposes:

- i. administration package used for employers' assessments claims and pension, pensioner's payroll and other investments.
- ii. accounting package used for managing financial transactions.
- iii. payroll package used for administration of employees' payroll transactions.

## **14.2. Audit Findings**

An examination of financial and other records for the financial years ended 31<sup>st</sup> March 2017, 2018 and 2019 revealed the following:

**a. Governance – Failure to Comply with Board Composition**

On 18<sup>th</sup> January 2017, the Minister of Labour and Social Security appointed a Board of Directors consisting of eleven (11) members. A review of the Board membership revealed that the composition was not compliant with Section 10 of the Workers Compensation Act of 1999 in that there was no representation from an association of pensioners.

**b. Financial Analysis**

**i. Financial Performance**

During the period under review, the statement of comprehensive income for the years ended 31<sup>st</sup> March 2017 to 2019 were as shown in table 14.1 below.

**Table 14.1: Statement of Comprehensive Income**

<b>Details</b>	<b>2019 K'000</b>	<b>2018 K'000</b>	<b>2017 K'000</b>
<b>Revenue</b>			
Assessments raised	<b>264,148</b>	<b>240,368</b>	<b>223,567</b>
<b>Other Income</b>			
Interest income	203,248	191,040	159,875
Interest on staff loans	228	176	270
Rental income	16,510	14,706	10,671
Levies on employers' assesment	15,336	600	2,876
Dividends income	12,071	25,630	7,302
Gain on disposal of assets	(659)	839	–
Gain on differences	–	1	–
Provision written off	3,173	–	–
Sundry income	6,372	2,558	966
Gain from fair value adjustment of assets	(107,730)	159,952	8,014
	<b>148,549</b>	<b>395,502</b>	<b>189,974</b>
<b>Total income</b>	<b>412,697</b>	<b>635,870</b>	<b>413,541</b>
<b>Claims and pensions paid</b>			
Claims paid - Accident Fund	(7,212)	(7,317)	(4,727)
Pensions paid - Pension Fund	(26,769)	(30,346)	(25,251)
	<b>(33,981)</b>	<b>(37,663)</b>	<b>(29,978)</b>
<b>Total income after claims and pensions paid</b>	<b>378,716</b>	<b>598,207</b>	<b>383,563</b>
Expenditure	(174,551)	(167,696)	(130,267)
<b>Surplus for the year before exceptional item and tax</b>	<b>204,165</b>	<b>430,511</b>	<b>253,296</b>
(Increase)/decrease in disaster reserve			-
(Increase)/decrease in data reserve		<b>(34,327)</b>	-
<b>Surplus for the year</b>	<b>204,165</b>	<b>396,184</b>	<b>253,296</b>
<b>Other Comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Gain (loss) on property revaluation	537	17,075	1,088
<b>Total comprehensive income for the year</b>	<b>204,702</b>	<b>413,259</b>	<b>254,384</b>

Source: WCFCB financial statements for the years ended 31<sup>st</sup> March 2017, 2018 and 2019

• **Administrative Costs as a Percentage of Assessment Income**

One of the objectives of the 2016 to 2020 strategic plan was to reduce and contain administrative costs to within 30% of the assessment income by 31<sup>st</sup> March 2020.

However, an analysis of the administrative costs against assessment income for each of the years under review revealed that administrative costs accounted for 55.29% in 2017, 65.97% in 2018 and 62.12% in 2019 of the assessment income thereby reducing the funds available for the beneficiaries. See table 14.2 below.

**Table 14.2: Administrative Costs as % of Assessment Income**

SN	Year	2019	2018	2017
1	Assessment Income (K'000)	264,148	240,368	223,567
2	Administrative Costs (K'000)	164,090	158,574	123,620
3	% of Admin cost of Assessment Income	62.12	65.97	55.29

**ii. Financial Position**

During the period under review the statements of financial position were as shown in table 14.3 below.

**Table 14.3: Statements of Financial Position**

DETAILS	2019 K'000	2018 K'000	2017 K'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	62,049	66,236	50,718
Investment property	312,994	390,607	261,968
Intangible assets	111	283	458
Financial assets	175,686	197,223	148,796
	<b>550,840</b>	<b>654,349</b>	<b>461,940</b>
<b>Current Assets</b>			
Financial assets	1,455,667	1,167,201	789,941
Inventories	2,170	1,670	473
Assessments and other receivables	21,481	21,454	138,821
Cash and cash equivalents	34,818	31,778	29,501
	<b>1,514,136</b>	<b>1,222,103</b>	<b>958,736</b>
<b>Total Assets</b>	<b>2,064,976</b>	<b>1,876,452</b>	<b>1,420,676</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>			
Accumulated funds	1,782,110	1,590,293	1,193,290
Disaster reserve	4,000	4,000	4,000
Revaluation reserve	99,065	100,227	83,971
Investment reserve	50,106	50,106	50,106
Disaster reserve	68,265	68,265	33,938
	<b>2,003,546</b>	<b>1,812,891</b>	<b>1,365,305</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Provisions	3,300	3,760	4,867
<b>Current Liabilities</b>			
payables	47,110	49,855	42,154
Provisions	11,020	9,946	8,350
	<b>58,130</b>	<b>59,801</b>	<b>50,504</b>
<b>Total Liabilities</b>	<b>61,430</b>	<b>63,561</b>	<b>55,371</b>
<b>Total Funds and Liabilities</b>	<b>2,064,976</b>	<b>1,876,452</b>	<b>1,420,676</b>

Source: WCFCB financial statements for the years ended 31<sup>st</sup> March 2017, 2018 and 2019

The working capital improved from K908,232,000 in the financial year ended 31<sup>st</sup> March 2017 to K1,456,006,000 in the financial year ended 31<sup>st</sup> March 2019 as shown in table 14.4 below.

**Table 14.4: Working Capital**

SN	Details	2019	2018	2017
1	Current Assets (K'000)	1,514,136	1,225,103	958,736
2	Current Liabilities (K'000)	58,130	59,801	50,504
3	Working Capital/Liquidity (K'000)	1,456,006	1,165,302	908,232

**c. Operational Matters - Pensioners and Dependants on Payroll without Life Certificates**

Beneficiaries are required to complete life certificates each year to confirm their existence in order to continue receiving benefits under the Act. According to the Board policy, if a pensioner or a dependant does not comply with the requirements, they are removed from the pensioners' monthly payroll.

A review of the beneficiaries payroll revealed that during the period under review amounts totalling K2,338,178 were paid to 984 beneficiaries that had not completed life certificates as of December 2019 and were still on the database. See table 14.5 below.

**Table 14.5: Beneficiaries without Life Certificates**

SN	Description	Beneficiaries without Life Certificates	Amount Paid K
1	Dependants	203	445,384
2	Pensioners	781	1,892,793
	<b>Total</b>	<b>984</b>	<b>2,338,178</b>

Consequently, it was not possible to establish whether the Board was paying pension to bona fide beneficiaries.

**d. Asset Management**

**i. Lack of Title Deeds**

In Paragraph 23 of the Auditor General's Report on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial years ended 31<sup>st</sup> December 2013, 2014, 2015 and 2016 mention was made of the WCFCB not having title deeds for 13 properties.

A review of operations of the WCFCB carried out in December 2019 revealed that the situation had not improved and in addition, the Institution had acquired

four (4) more properties which had no title deeds bringing the number of properties without title deeds to seventeen (17).

In the absence of title deeds for its properties, the Institution risks losing its properties in the event of disputes.

**ii. Failure to Collect Rental Income**

The Fund was owed amounts totalling K18,504,132 as at 31<sup>st</sup> March 2019 by various tenants occupying the properties in the country. The amounts had been outstanding for periods ranging from 9 to 81 months.

Included in the K18,504,132 was an amount of K5,602,961 owed by 149 tenants who had since vacated the properties. As at 31<sup>st</sup> December 2019, there was no evidence that management was making a follow up.

**iii. Loans Issued to Employees without Security**

The WCFCB Staff Loan guidelines relating to motor vehicles and house loans states that the motor vehicles and houses procured on loan shall be security. In the case of motor vehicles, the Board will have absolute ownership while for the houses title deeds have to be surrendered to the Board.

It was however observed that title deeds for house loans in amounts totalling K517,755 issued to six (6) officers had not been deposited with the Institution as at 31<sup>st</sup> December 2019 which may result in loss of funds.

## **15. ZAMBIA FORESTRY AND FOREST INDUSTRIES CORPORATION LIMITED**

### **15.1. Background**

#### **a. Establishment**

The Zambia Forestry and Forest Industries Corporation Limited (ZAFFICO) was incorporated in 1982 under the Companies Act Chapter 388 of the Laws of Zambia following the commercialization of Industrial Plantations Division (IPD) of the Forestry Department. The corporation is wholly owned by the Government of the Republic of Zambia through the Industrial Development Corporation (IDC).

The corporation is mandated to manage forest plantations and operate wood processing units. As of December 2018, the corporation was managing plantations in Muchinga, Copperbelt, Luapula and Northern Provinces.

#### **b. Governance - Board of Directors**

Section 12 (1) of the Articles of Association states that there shall be a Board of Directors of the Corporation which shall consist of the following:

- i. the Permanent Secretary or a representative of the Ministry responsible for the Sector Policy,
- ii. not more than five (5) persons from the private sector, and
- iii. the Managing Director of the Corporation.

#### **c. Management**

The day to day operations of the Corporation is a responsibility of the Managing Director who is appointed by the Board of Directors on a three (3) year renewable contract. The Managing Director is assisted by four (4) Directors responsible for Plantations, Finance, Human Resources, Business Development and the Corporation Secretary.

#### **d. Sources of Funds**

The sources of funds for the Corporation include, among others, revenue generated from timber sales, sale of treated poles, accrued interest from investments and any other levies imposed.

## 15.2. Audit Findings

A review of financial and other records for the period from 1<sup>st</sup> January 2016 to 31<sup>st</sup> December 2018, revealed the following:

### a. Income

The Corporation generated income from sales of timber and timber products, service charges, and interest on investments during the period under review in amounts totalling K677,108,224 against a budget of K709,488,929 resulting in a negative variance of K32,380,705 as shown in table 15.1 below.

**Table 15.1: Budget against actual Income**

Year	Budget K	Actual K	Variance K
2016	213,358,928	205,414,119	(7,944,809)
2017	233,313,406	217,950,590	(15,362,816)
2018	262,816,595	253,743,515	(9,073,080)
<b>Total</b>	<b>709,488,929</b>	<b>677,108,224</b>	<b>(32,380,705)</b>

### b. Financial Analysis

#### i. Financial Performance - Statement of Comprehensive Income

During the period under review the Company Statement of Comprehensive Income is as stated in table 15.2 below:

**Table 15.2: Statement of Comprehensive Income**

Details	2018 K	2017 K	2016 K
Revenue	244,715,056	208,183,277	195,028,756
Cost of sales	(39,408,762)	(28,464,457)	(24,672,707)
<b>Gross Profit</b>	<b>205,306,294</b>	<b>179,718,820</b>	<b>170,356,049</b>
Other income	9,028,459	9,767,313	10,385,363
Operating expenses	(83,854,468)	(68,669,435)	(95,825,567)
Profit before capitalisation of expenses	130,480,285	120,816,698	84,915,845
<b>Profit before income taxes</b>	<b>130,480,285</b>	<b>120,816,698</b>	<b>84,915,845</b>
Income Tax Expense	(10,897,932)	(6,278,986)	(5,405,840)
<b>Profit for the year</b>	<b>119,582,353</b>	<b>114,537,712</b>	<b>79,510,005</b>

Source: ZAFFICO financial statements for the years ended 31<sup>st</sup> December 2016, 2017 and 2018

- **Profitability**

The Corporation recorded profits of K79,510,005 in 2016, K114,537,712 in 2017 and K119,582,353 in 2018. A scrutiny of records revealed that the profits were mainly attributed to income generated from the harvest and sale of pine which accounted for 92% to 98% of the revenue recorded by the Corporation. The profits were as a result of non-adherence to the Annual Allowable Cut (AAC) set at 451,203 cubic metres against which the Corporation harvested 1,288,009 cubic metres of pine thereby compromising future revenues. See table 15.3 below.

**Table 15.3: Sources of Revenue per Product**

SN	Source of Revenue	2018 K	2017 K	2016 K
1	Pine Saw logs	234,798,441	204,033,081	180,235,846
2	Eucalyptus treated poles	2,823,778	-	-
3	Eucalyptus Untreated poles	2,259,020	2,108,845	4,517,347
4	Eucalyptus Saw logs	560,150	1,059,488	707,054
5	Miscellaneous	4,274,667	981,862	1,136,536
6	Mukula	-	-	8,431,973
	<b>Total Revenue</b>	<b>244,716,056</b>	<b>208,183,276</b>	<b>195,028,756</b>
	<b>% of Pine Sales</b>	<b>96%</b>	<b>98%</b>	<b>92%</b>
	<b>% of Eucalyptus &amp; Gmelina</b>	<b>4%</b>	<b>2%</b>	<b>8%</b>

Further, in terms of harvest, the Corporation was 99% dependant on the harvest of pine species. The Corporation's overdependence on one product may negatively affect its going concern. See table 15.4 below.

**Table 15.4: Over Dependence on Pine Species**

SN	STATION	PINE (M <sup>3</sup> )			EUCALYPTUS SAW LOGS (M <sup>3</sup> )			EUCALYPTUS POLES (M <sup>3</sup> )			GMELINA (M <sup>3</sup> )		
		2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
1	NDOLA	141,087	136,645	127,151	8			-	-	-	-	-	-
2	CHATI	91,336	86,845	92,040	1,388	1,836	264	3,632	1,686	1,731	-	-	-
3	ICHIMPE	108,181	114,523	123,543		45	38	135	-	-	7	-	35
4	LAMBA	86,178	85,828	94,652	93			6	-	-	-	-	-
5	TOTAL	426,782	423,841	437,386	1,489	1,881	308	3,767	1,686	1,731	7	-	35
	AREA %	<b>99%</b>			<b>0.28%</b>			<b>0.55%</b>			<b>0.17%</b>		

- ii. **Financial Position - Statements of Financial Position**

During the period under review, the Company's Statements of Financial Position is as stated in table 15.5 below.

**Table 15.5: Statements of Financial Position as at 31st December 2016 to 2018**

DETAILS	2018 K	2017 K	2016 K
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plantations in formation	480,145,598	399,369,337	311,943,653
Property and equipment	82,340,956	73,994,937	58,344,606
Intangible assets	225,655	184,274	232,208
Investment in Subsidiary	10,000	10,000	10,000
	562,722,209	473,558,548	370,530,467
<b>Current Assets</b>			
Inventories	24,026,136	7,766,033	6,696,448
Trade and other receivables	28,507,455	27,639,153	30,487,929
Cash and cash equivalents	141,349,182	117,989,036	67,283,346
	193,882,773	153,394,222	104,467,723
<b>TOTAL ASSETS</b>	<b>756,604,982</b>	<b>626,952,770</b>	<b>474,998,190</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners</b>			
Share capital	82,500,763	82,500,763	82,500,763
Revaluation Reserves	3,397,419	3,838,704	4,279,989
Retained earnings	501,644,237	382,346,949	332,226,458
Amounts awaiting allotment	-	-	-
<b>Total Equity</b>	<b>587,542,419</b>	<b>468,686,416</b>	<b>419,007,210</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans	-	-	-
Deferred Liabilities	47,171,248	35,773,598	25,200,854
Deferred tax liabilities	3,098,359	3,262,644	3,426,929
Deferred capital grant	6,097,570	7,097,570	8,097,570
	56,367,177	46,133,812	36,725,353
<b>Current liabilities</b>			
Trade and other payables	62,397,207	36,025,508	5,513,446
Dividend payable	40,088,199	68,141,701	9,451,000
Income tax	10,209,980	7,965,333	4,301,181
	112,695,386	112,132,542	19,265,627
<b>Total liabilities</b>	<b>169,062,563</b>	<b>158,266,354</b>	<b>55,990,980</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>756,604,982</b>	<b>626,952,770</b>	<b>474,998,190</b>

Source: ZAFFICO financial statements for the years ended 31<sup>st</sup> December 2016, 2017 and 2018

- **Lack of Receivable Management Policy**

During the period under review, the Corporation did not have a receivable management policy. In this regard, it was not clear as to what guided the Corporation in the management of receivables. Consequently, it was observed that during the period under review the trade receivables increased from

K2,601,483 in 2016 to K15,333,197 in 2018. The debtors age ranged from 60 to above 180 days.

The failure to collect debts on time may lead to cash flow constraints.

**a. Operational Matters**

**i. Exceeding Annual Allowable Cut (AAC)**

In Paragraph 20 of the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 2015 mention was made that the Corporation did not adhere to the recommended Annual Allowable Cut of 177,809 m<sup>3</sup> in that it harvested a total of 1,704,691 m<sup>3</sup> of Pine wood species. Thus, the Corporation exceeded the Annual Allowable Cut by 1,526,882 m<sup>3</sup> representing 859% above the Annual Allowable Cut.

In their report for the First Session of the Twelfth National Assembly, the Public Accounts Committee expressed concern at the rate at which pine was being harvested during the period under review and further expressed that this type of timber will be depleted with time. The Committee urged the Controlling Officer to find other forms of revenue generation and not risk over harvesting the pine.

A review of the Forest Plantation Inventory Report covering the period 1<sup>st</sup> January 2016 to 31<sup>st</sup> December 2020 and the Annual Plantation Reports for the years 2016, 2017 and 2018 revealed that the Corporation had continued to exceed the Annual Allowable Cut (AAC) in that while the total annual allowable cut during the period under review was 451,203 cubic metres (m<sup>3</sup>), the total forest harvested was 1,288,009 cubic metres (m<sup>3</sup>) resulting in a variance of 836,809 cubic metres (m<sup>3</sup>) as shown in table 15.6 below.

**Table 15.6: Annual Allowable Cut**

SN	Stations	Annual Allowable Cut (m <sup>3</sup> ) per year per Area	Total Annual Allowable Cut (m <sup>3</sup> ) per Area (3 yrs)	Total Volume Harvested in m <sup>3</sup> per Area (3 yrs)	Total Excess Volumes Harvested per Area
1	Ndola	39,618	118,854	404,883	286,029
2	Chati	47,629	142,887	270,221	127,334
3	Ichimpe	29,640	88,920	346,247	257,327
4	Lamba	33,513	100,539	266,658	166,119
	<b>Total</b>	<b>150,400</b>	<b>451,200</b>	<b>1,288,009</b>	<b>836,809</b>

*Source: Forest Plantation Inventory Report*

Failure to adhere to AAC may affect future revenue generation as the Pine may run out of stock.

**ii. Failure to Develop the Forest Plantation Management Plan for 2018 - 2023**

A review of the Forest Inventory Report of 2016 revealed that the Corporation had planned to develop a five (5) year Forest Plantations Management Plan for the period 2018 to 2023 as a deliverable which was supposed to be approved by the Board by 20<sup>th</sup> March 2017. However, as at 31<sup>st</sup> December 2019, the Forest Plantation Management Plan had not been developed.

In the absence of a plan, the Corporation did not have long term strategic guidance on the management of the forest plantations.

**iii. ZAFFICO Tea Company- Failure to prepare Financial Statements**

Following the notice in Government Gazette No. 251 of 2016, in which Kawambwa Tea Company was compulsorily acquired by the Government of the Republic of Zambia and handed over to ZAFFICO limited, ZAFFICO Tea Company was incorporated on 5<sup>th</sup> August 2016 as a Special Purpose Vehicle (SPV) to oversee the assets and selected liabilities of Kawambwa Tea Company.

It was observed that despite the Company being operational since 2016, there were no audited financial statements for 2017 and 2018 for ZAFFICO Tea Company.

Lack of audited financial statements could deny shareholders and potential investors the information needed to determine the financial state of the company.

**iv. Lack of Title Deeds – Shiwang’andu and Copperbelt Plantations**

A review of the minutes of the Board meeting held on 13<sup>th</sup> April 2017 revealed that the Board approved to vary K1,100,000 meant for the construction works at Shiwang’andu Plantation in the 2017 budget for procurement of additional 550 hectares of land for future forest expansion at a cost of K550,000 and the other K550,000 was varied to be paid towards title processing for the Copperbelt Plantations.

However, there was no title for the additional 550 hectares of land acquired in Shiwang’andu including the plantations on the Copperbelt namely Ndola, Chati, Ichimpe and Lamba.

In this regard, the land was unprotected against encroachment.

**v. Use of Revenue on Sale of Mukula Logs**

On 17<sup>th</sup> August 2015, ZAFFICO Limited was granted authority by Ministry of Lands, Natural Resources and Environmental Protection to export the already harvested Mukula logs.

On 30<sup>th</sup> May 2017, ZAFFICO Limited received further directives to collect all the logs countrywide and export them. The proceeds from the exports were to be invested in ZAFFICO Limited and ZAFFICO Tea Company.

Further, on 13<sup>th</sup> December 2017, ZAFFICO Limited was granted authority to retain US\$1,200,000 realized from the disposal of the confiscated Mukula logs with the following conditions among others:

- utilise funds on programmes for which funds have been requested, and
- submit expenditure returns to the Office of the Accountant General – Ministry of Finance on utilisation of the above stated funds in accordance with Regulation No. 8 of Financial Regulations of 2006.

During the period from 8<sup>th</sup> September 2016 to 7<sup>th</sup> December 2018, amounts totalling US\$5,474,914 were realized from the sale of Mukula logs.

However, the following were observed:

- contrary to the outlined conditions, as at 31<sup>st</sup> December 2019, ZAFFICO Limited had not submitted expenditure returns to the Office of the Accountant General, in amounts totalling US\$1,200,000. In the absence of expenditure returns there is a possibility of funds being applied on other unrelated activities.
- a scrutiny of the bank statement as at 31<sup>st</sup> December 2018 revealed that the Mukula bank account had a balance of US\$4,361,882.71 (fixed deposit account – US\$4,207,982.34 and bank balance – US\$153,900.37).

However, the investment plan and budget on the utilisation of the funds was not availed for audit as at 31<sup>st</sup> December 2019.

## **b. Infrastructure Management**

### **i. Delayed Compensation - Land for Construction of International Airport**

According to the valuation report issued by ZAFFICO in October 2016, a total of 347 hectares of land with 100,850 cubic metres of plantation stock worth K50,258,191 were affected as the land was allocated to the Zambia Airports Corporation Limited (ZACL) for the purposes of construction of the international airport in Ndola.

A review of the letter dated 16<sup>th</sup> April 2018, from the Ministry of Finance revealed that the Ministry of Finance Internal Auditors were to carry out an audit prior to the acceptance of the compensation amount of K50,258,191. As at 31<sup>st</sup> December 2019, the audit had not been done and the Corporation had not been compensated.

### **ii. Failure to Separate Power Supply - Former Institutional Houses**

A review of ZAFFICO's electricity bills for the period under review revealed that, included in the bills were bills for former institutional houses. However, the Corporation continued paying electricity bills for the institutional houses as they

were not delinked from the office lines. In this regard, the Corporation paid K1,036,406 in 2016; K2,431,276 in 2017; and K1,093,265 in 2018 towards electricity bills.

In a meeting held on 29<sup>th</sup> September 2016, the Board directed management to constitute a Committee to follow up on the de-linkage and subsequent recoveries from the occupants of the houses. As at 31<sup>st</sup> December 2019, management had not implemented the Board's directive.

## **16. ZAMBIA TELECOMMUNICATION CORPORATION LIMITED**

### **16.1. Background**

#### **a. Establishment**

The Zambia Telecommunications Corporation Limited (Zamtel) was incorporated under the Companies Act Chapter 388 of the Laws of Zambia. Zamtel is wholly owned by the Government of the Republic of Zambia through the Industrial Development Corporation (IDC).

The core function of Zamtel is the provision of telecommunication services including fixed line, mobile and data services.

#### **b. Governance - Board of Directors**

The Articles of Association of the Company provide for a Board of Directors with a maximum of seven (7) members comprising the following:

- i. the Permanent Secretary or a representative of the Ministry responsible for sector policy
- ii. five (5) persons from the private sector; and
- iii. the Managing Director of the Company

The Members of the Board are appointed on a renewable three (3) year term.

#### **c. Management**

The Managing Director is responsible for the day to day operations of the Company and is assisted by the Chief Officers responsible for Legal and Regulatory, Financial, Technical and Information Services, Commercial Services, Human Resources and Administration and Audit and Risk.

#### **d. Sources of Funds**

Zamtel derives its income from the provision of communication services such as sale of mobile services, value added services (caller tunes, borrowing of talk time), fixed services, interconnectivity, roaming and the sale of devices as well as from rental income.

**e. Management Information Systems**

During the period under review, Zamtel operated five (5) ICT systems for the following purposes:

- i. administration of payroll, procurement, inventory and financials.
- ii. production of Personal Identification Numbers (PINs) distributed through the electronic Voucher Distribution System and Scratch Cards.
- iii. for customers to buy and sell talk-time electronically.
- iv. management of calls, SMSs and data (billing section of core network).
- v. management of the transfer and receiving of mobile money transactions.

**16.2. Audit Findings**

An examination of financial and other records for the financial years ended 31<sup>st</sup> December 2015, 2016, 2017 and 2018 revealed the following:

**a. Income**

During the period under review, budget provisions in amounts totalling K3,694,997,513 were made to cater for various activities, against which amounts totalling K2,422,599,000 were generated resulting in a deficit of K1,272,398,513.

See table 16.1 below

**Table 16.1 Budget against actual Income**

<b>Year</b>	<b>Budget K</b>	<b>Actual K</b>	<b>Variance K</b>
2015	882,829,631	641,804,000	(241,025,631)
2016	829,047,924	458,368,000	(370,679,924)
2017	702,500,958	673,717,000	(28,783,958)
2018	1,280,619,000	648,710,000	(631,909,000)
<b>Total</b>	<b>3,694,997,513</b>	<b>2,422,599,000</b>	<b>(1,272,398,513)</b>

The failure to meet the revenue targets contributed to the loss-making position of the Company.

**b. Information Communication Technology (ICT) Systems - Failure to Manage Backup Arrangements**

According to the Zamtel Business Continuity Management Policy (BCMP), the Entity is required to maintain backups of critical business information. Further, good practice requires that backups are maintained at an offsite location away from the central place of operation.

A review of the backup mechanism revealed that its critical information was backed up centrally and not offsite.

Consequently, in the event of a system failure or disaster, the Company may have no recourse to recover its critical information.

**c. Financial Analysis**

**i. Financial Performance - Statements of Comprehensive Income**

The Statements of Comprehensive Income were as shown in the table 16.2 below.

**Table 16.2: The Statements of Comprehensive Income**

<b>Details</b>	<b>2018 K'000</b>	<b>2017 K'000</b>	<b>2016 K'000</b>	<b>2015 K'000</b>
Revenue	648,710	673,717	458,368	641,804
Cost of Sales	(495,053)	(572,261)	(20,108)	(24,309)
<b>Gross Profit</b>	<b>153,657</b>	<b>101,456</b>	<b>438,260</b>	<b>617,495</b>
Other income / (expenses)	372,448	14,830	27,003	(506,499)
Net Impairment Losses on financial assets	(34,161)			
Distribution and Administrative Expenses	(542,536)	(549,143)	(875,275)	(804,886)
<b>Operating Loss</b>	<b>(50,592)</b>	<b>(432,857)</b>	<b>(410,012)</b>	<b>(693,890)</b>
Finance Income	330	107	211,094	221
Finance cost	(496,102)	(43,078)	(72,156)	(461,058)
<b>Net finance cost</b>	<b>(495,772)</b>	<b>(42,971)</b>	<b>138,938</b>	<b>(460,837)</b>
<b>Loss before income tax</b>	<b>(546,364)</b>	<b>(475,828)</b>	<b>(271,074)</b>	<b>(1,154,727)</b>
Income tax expense	(30)	(37)	(1,275)	(596)
<b>Loss for the year</b>	<b>(546,394)</b>	<b>(475,865)</b>	<b>(272,349)</b>	<b>(1,155,323)</b>
Other Comprehensive Income		-		-
Revaluation Surplus	171,392			
<b>Total Comprehensive Loss for the year</b>	<b>(375,002)</b>	<b>(475,865)</b>	<b>(272,349)</b>	<b>(1,155,323)</b>

*Source: Zamtel Financial Statements for the years ended 31<sup>st</sup> December 2015, 2016, 2017 and 2018*

- **Profitability**

During the period under review, the company recorded losses for the year of K1,155,323,000 in 2015, K272,349,000 in 2016, K475,865,000 in 2017 and K546,394,000 in 2018.

The losses were mainly attributed to the high distribution and administration costs compared to the revenues for the period. See table 16.3 below.

**Table 16.3: Distribution and Administrative Costs as Percentage of Revenue**

SN	Details	2018 K	2017 K	2016 K	2015 K
1	Revenue	648,710,000	673,717,000	458,368,000	641,804,000
2	Distribution and Administration Costs	542,536,000	549,143,000	875,275,000	804,886,000
3	Percentage (%)	84	82	191	125

In addition, the financing costs of K461,058,000 in 2015, K72,156,000 in 2016, K43,078,000 in 2017 and K496,102,000 in 2018 also contributed to the losses.

Consequently, the accumulated losses for the company were worsening year by year, from K2,536,415,000 in 2015, to K4,000,203,000 in 2018.

- **Revenue Losses - Service Downtime and Penalties**

According to the Zamtel Revenue Loss Reports (Tracker) for 2017 and 2018, the Company lost revenue in amounts totalling K7,110,562 (2017 - K5,142,800 and 2018 – K1,967,762) due to Zamtel’s network failure.

Further, the reports revealed that due to poor network quality and failure to comply with other requirements, Zamtel was charged penalties in amounts totalling K7,415,000 (K2,400,000 in 2017 and K5,015,000 in 2018) by the regulator (Zambia Information Communication Technology Authority) resulting in loss of revenue.

**ii. Financial Position - Statements of Financial Position**

The Statements of Financial Position for Zamtel as at 31<sup>st</sup> December 2015, 2016, 2017 and 2018 were as shown in table 16.4 below.

**Table 16.4: Statements of Financial Position**

<b>DETAILS</b>	<b>2018 K'000</b>	<b>2017 K'000</b>	<b>2016 K'000</b>	<b>2015 K'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, Plant and Equipment	2,634,510	1,642,803	1,403,955	1,621,845
Investment in Subsidiary - Mobile Money	10	10	10	-
	<b>2,634,520</b>	<b>1,642,813</b>	<b>1,403,965</b>	<b>1,621,845</b>
<b>Current Assets</b>				
Inventories	23,591	21,214	15,489	40,122
Trade and other receivables	75,142	519,424	273,561	181,903
cash and cash equivalents	128,310	27147	19,648	5,682
	<b>227,043</b>	<b>567,785</b>	<b>308,698</b>	<b>227,707</b>
<b>TOTAL ASSETS</b>	<b>2,861,563</b>	<b>2,210,598</b>	<b>1,712,663</b>	<b>1,849,552</b>
<b>EQUITY</b>				
<b>Equity attributable to owners</b>				
Share capital	6,000	6,000	6,000	6,000
Revaluation reserve	234,797	81,185	95,127	109,069
Amount awaiting allotment of shares	1,874,212	1,798,920	1,574,201	1,506,972
Accumulated Losses	(4,000,203)	(3,256,745)	(2,794,822)	(2,536,415)
<b>Total Equity</b>	<b>(1,885,194)</b>	<b>(1,370,640)</b>	<b>(1,119,494)</b>	<b>(914,374)</b>
<b>Non-Current Liabilities</b>				
Borrowings	-	664,077	-	1,136,513
Capital Grants	-	961	961	1,015
	-	<b>665,038</b>	<b>961</b>	<b>1,137,528</b>
<b>Current Liabilities</b>				
Contract Liabilities	41,957	28,890		
Trade and other payables	1,419,859	1,553,876	1,328,805	1,095,635
Current income tax liability	9,693	10,778	10,741	10,118
Borrowings	3,275,248	1,322,656	1,491,650	520,645
<b>Total Liabilities</b>	<b>4,746,757</b>	<b>2,916,200</b>	<b>2,831,196</b>	<b>1,626,398</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,861,563</b>	<b>2,210,598</b>	<b>1,712,663</b>	<b>1,849,552</b>

Source: Zamtel Financial Statements for the years ended 31<sup>st</sup> December 2015, 2016, 2017 and 2018

A review of the Statements of Financial Position revealed the following:

- **Current Ratio**

Current ratio is a liquidity ratio that measures a company's ability to pay off its short-term liabilities as and when they fall due using its current assets. The ideal ratio is 2 to 1. During the period under review, Zamtel's current ratio worsened from 0.13:1 in 2015 to 0.05:1 in 2018 as shown in table 16.5.

**Table 16.5: Current Ratio**

SN	Detail	2018 K	2017 K	2016 K	2015 K
1	Current Assets	227,043,000	567,785,000	308,698,000	227,697,000
2	Current Liabilities	4,746,757,000	2,916,200,000	2,831,196,000	1,692,398,000
3	Working Capital	(4,519,714,000)	(2,348,415,000)	(2,522,498,000)	(1,464,701,000)
4	<b>Current Ratio</b>	<b>0.05 : 1</b>	<b>0.19 : 1</b>	<b>0.11 : 1</b>	<b>0.13 : 1</b>

In addition, as can be seen in table 16.5 above, the working capital of the company worsened from negative K1,464,701,000 in 2015 to negative K4,519,714,000 in 2018. The low current ratio and worsening working capital implied that the company had challenges to meet its short-term obligations.

Consequently, the short-term borrowings increased from K1,322,656,000 in 2017 to K3,275,248,000 in 2018, representing a 148% increment and attracted interest of K166,409,000.

- **Increase in Payable Days**

According to the Company's Accounts Payable and Disbursement Policy, all payable and purchases must be settled within a month or 30 days.

During the period under review, the payable days increased from 223 days in 2015 to 1,047 days in 2018 representing a percentage increase of 370%. See table 16.6 below.

**Table 16.6: Payable Days**

Year	Trade Payables K	Cost of Sales K	Payable Days
2018	1,419,859,000	495,053,000	1047
2017	1,553,876,000	572,261,000	991
2016	1,328,805,000	412,698,000	1175
2015	1,095,635,000	24,309,000	223

**d. Accounting Irregularities - Failure to Settle Statutory Obligations and Accumulated Penalties**

As at 31<sup>st</sup> December 2018, Zamtel had not settled statutory obligations and accumulated penalties in amounts totalling K168,992,539 (K80,437,781 in Pay as You Earn, K88,439,093 as penalties to NAPSA and K115,664 as penalties to

Workers Compensation Fund Control Board (WCFCB)) as shown in table 16.7 below.

**Table 16.7: Statutory Obligations and Penalties**

SN	Institutions	De tails	Amount K
1	Zambia Revenue Authori	PAYE	80,437,781
2	NAPSA	Penalties	88,439,093
3	WCFCB	Penalties	115,664
	<b>Total</b>		<b>168,992,539</b>

The failure to settle statutory obligations resulted in loss of funds through penalties.

**e. Assets Management**

**i. Properties without Title Deeds and Expired Title Deeds**

The Lands Act No. 29 of 1995 requires that institutions or individuals owning land should have or possess title deeds as proof of ownership. A review of the asset register and other relevant documents carried out in December 2019 revealed that Zamtel did not have title deeds for seventy-five (75) properties such as Mwembeshi Earth Station, warehouses, workshops and repeater stations valued at K87,951,277.

In addition, the Lands Act No. 29 of 1995 provides for renewal of leases upon expiry for institutions or individuals owning land and have or possess title deeds. A review of the title deeds in respect of Zamtel properties revealed that thirty-eight (38) properties valued at K6,026,275 whose title deeds expired during the period from 1990 to 2007, had not been renewed as at 31<sup>st</sup> December 2019.

**ii. Lease of Kitwe Motor Workshop**

On 30<sup>th</sup> December 2011, Zamtel entered into a lease agreement with Amazon Security Service Limited for the lease of Kitwe Motor Workshop. The lease agreement was for a period of one (1) year at a monthly rental charge of US\$1,500. The following observations were made:

- **Failure to Renew Lease Agreement**

Although the tenant was still occupying the premises, the lease agreement availed for audit was for the period from 1<sup>st</sup> February 2012 to 31<sup>st</sup> January 2013. There was no evidence that the lease had been renewed.

- **Failure to Collect Rental Income**

As at 31<sup>st</sup> December 2019, Zamtel had not collected rentals in amounts totalling K176,396 (US\$16,500) for the period from February to December 2018.

# **PART III**

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## **APPENDICES**



## **APPENDIX 1**

### **LIST OF INSTITUTIONS IN THE REPORT WHOSE FINANCIAL STATEMENTS ARE CERTIFIED BY THE AUDITOR GENERAL**

<b>SN</b>	<b>INSTITUTION</b>
1.	Examinations Council of Zambia
2.	Independent Broadcasting Authority
3.	Judiciary
4.	Mansa Trades Training Institute
5.	National Sports Council of Zambia

## APPENDIX 2

### LIST OF INSTITUTIONS IN THE REPORT WHOSE FINANCIAL STATEMENTS ARE CERTIFIED BY PRIVATE AUDITORS

SN	INSTITUTION
1.	Citizens Economic Empowerment Commission
2.	Food Reserve Agency
3.	Mpulungu Harbour Corporation Limited
4.	Lusaka South Multi-Facility Economic Zone
5.	Nitrogen Chemicals of Zambia
6.	Patents and Companies Registration Agency
7.	Public Service Micro Finance Company
8.	University of Zambia
9.	Worker's Compensation Fund Control Board
10.	Zambia Forestry and Forest Industries Corporation Limited
11.	Zambia Telecommunication Corporation Limited

### **APPENDIX 3**

#### **SUMMARY OF UNRESOLVED ISSUES AS AT 31<sup>st</sup> DECEMBER 2018**

##### **JUDICIARY**

<i>2012 Para (7) (9) (f)</i>	-	<i>Failure Deliver Projects on Time</i>
<i>2012 Para (7) (9) (h)</i>	-	<i>Questionable Payment of Retention Funds Mulobezi</i>
<i>2013, 2014, 2015, 2016 Para (5) (5)</i>		<i>Construction of Ndola Main Urban Local</i>
<i>2013, 2014, 2015, 2016 Para (5) (5) (5.2)</i>		<i>Construction of Baluba Urban Local Court</i>
<i>2013, 2014, 2015, 2016 Para (5) (5) (5.4)</i>		<i>Construction of Kapiri Mposhi Urban Local Court</i>
<i>2013, 2014, 2015, 2016 Para (5) (5) (5.5)</i>		<i>Construction of Makululu Local Court</i>
<i>2013, 2014, 2015, 2016 Para (5) (5) (5.6)</i>		<i>Contract Agreement for Citing, Drilling and Equipping Of a Borehole</i>
<i>2013, 2014, 2015, 2016 Para (5) (5) (5.7)</i>		<i>Construction of Nkana Rural Local Court</i>
<i>2013, 2014, 2015, 2016 Para (5) (5) (5.8)</i>		<i>Construction of Kitwe Local Court</i>
<i>2014 Para (13) (12) (a) (iv)</i>		<i>Delayed Completion of the Project</i>
<i>2014 Para (13) (12) (b) (iii)</i>		<i>Erosion of Clients Accounts by Bank Charges</i>
<i>2014 Para (13) (12) (c)</i>		<i>Failure to pay Gratuity</i>
<i>2014 Para (13) (12) (d) (i)</i>		<i>Weaknesses in Managing the Sheriff's Office of Zambia Lack of Bailiwicks Records</i>
<i>2014 Para (13) (12) (e) (i)</i>		<i>Weaknesses in the Management of Judiciary Infrastructure Subordinate Court Complex-Lusaka</i>
<i>2014 Para (13) (12) (e) (iii)</i>		<i>Kitwe Subordinate Court</i>
<i>2014 Para (13) (12) (e) (iv)</i>		<i>Solwezi Subordinate Court</i>
<i>2014 Para (13) (12) (e) (v)</i>		<i>Choma Subordinate Court</i>
<i>2014 Para (13) (12) (e) (vi)</i>		<i>Livingstone High Court and Subordinate Court</i>
<i>2014 Para (13) (12) (e) (vii)</i>		<i>Mongu Subordinate Court</i>

2014 Para (13) (12) (e) (viii)	<i>Kabwe Subordinate Courts</i>
2015 Para (9) (9) (a) (i)	<i>Inadequacies in Judiciary Infrastructure Structure Chambers and Office Space</i>
2015 Para (9) (9) (a) (ii)	<i>Lack of Court Rooms</i>
2015 Para (9) (9) (d)	<i>Weaknesses in Managing Contribution Project Matero-II Local Court</i>
2015 Para (9) (9) (e)	<i>Court Physical Inspection</i>

## **MINISTRY OF AGRICULTURE**

### **Food Reserve Agency**

2013, 2014, 2015, 2016 Para (4) (4) (4.2) (a,b,c) *Poor Management of Construction  
Projects*

2013, 2014, 2015, 2016 Para (4) (4) (4.3) *Poor Storage of Tarpaulins*

2013, 2014, 2015, 2016 Para (4) (4) (4.4) (ii) *New Sheds in Mwinilunga*

2014 Para (11) (10) (a) *Failure to produce Audited Accounts and Annual Reports*

2014 Para (11) (10) (b) *Delays in Remitting Statutory Obligations*

2014 Para (11) (10) (d) *Properties Without Title Deeds*

### **Nitrogen Chemicals of Zambia Limited**

2012 Para (16) (18) (a) - *Weakness in the Collection of Receivables*

2012 Para (16) (18) (b)- *Failure to Settle Accounts Payables*

2012 Para (16) (18) (c)- *Outstanding Litigations in favour of Nitrogen Chemicals of Zambia for  
Years 2009 -2012*

2012 Para (16) (18) (d) *Non-Remittance of Statutory Obligations*

2015 Para (15) (15) (e) *Non-Payment of Statutory Contributions*

2015 Para (15) (15) (g) *Questionable Fertilizer Sales*

2015 Para (15) (15) (h) *Supply of Fertilizer Mumbwa District Farmers Association*

<i>2015 Para (15) (15) (i)</i>	<i>Failure to Supply – Braithweit Investments Zambia</i>
<i>2015 Para (15) (15) (k)</i>	<i>Irregular Transaction- Maluba M. Trading</i>
<i>2015 Para (15) (15) (p)</i>	<i>Non-Delivery of Conveyor Belt</i>
<i>2015 Para (15) (15) (q) (iii)</i>	<i>Unreconciled Returned Fertilizer Bags- Kabwe K549,024</i>
<i>2015 Para (15) (15) (r) (iii)</i>	<i>Inadequate Machinery and Plant Equipment Loader</i>
<i>2015 Para (15) (15) (r) (iii)</i>	<i>Sewing Machines</i>
<i>2015 Para (15) (15) (r) (iv)</i>	<i>Lack of Plant Machinery and Equipment Replacement Policy</i>
<i>2015 Para (15) (15) (r) (iv)</i>	<i>Failure to Repair Ammonium Nitrate, Plants and Nitric Acid Plant</i>
<i>2015 Para (15) (15) (r) (v)</i>	<i>Non-Implementation of off take Agreement</i>
<i>2015 Para (15) (15) (r) (vi)</i>	<i>Poor Management of Non-Current Assets, Failure to Acquire a New Fire tender</i>
<i>2015 Para (15) (15) (r) (vi)</i>	<i>Dilapidated Structure</i>
<i>2015 Para (15) (15) (r) (vi)</i>	<i>Failure to insure Property, Plant and Equipment</i>
<b><i>Tobacco Board of Zambia</i></b>	
<i>2015 Para (18) (18) (d)</i>	<i>Failure to Recover GRZ and TBZ Out growers Loans</i>

## ***MINISTRY OF COMMERCE TRADE AND INDUSTRY***

### ***Citizen Economic Empowerment Fund***

<i>2012 Para (5) (7) (b) (i) -</i>	<i>Empowerment fund- unreconciled Loan Recoveries</i>
<i>2012 Para (5) (7) (b) (ii) -</i>	<i>Site Visits to CEEC Sponsored Business Entities</i>
<i>2014 Para (9) (8) (a) (i)</i>	<i>Undisbursed Funds by Micro Finance Institutions Gray Pages</i>
	<i>Financial Solutions CETZAM Financial Services Plc</i>
<i>2014 Para (9) (8) (b)</i>	<i>Contract with ACCESS Bank Zambia Limited</i>
<i>2014 Para (9) (8) (c)</i>	<i>Non-Performing Loans</i>

2014 Para (9) (8) (d) (i)            *Questionable Procurement of Diary Animals*

***Consumer and Competition Protection Commission***

2014 Para (8) (7) (c) *Failure to Engage ZRA on Payment of Tax on Gratuity on behalf  
Of Directors*

***Zambia Development Agency (ZDA)***

2012 Para (20) (22) (a)-            *Unreimbursed borrowings from Escrow Account*

2012 Para (20) (22) (b) (i)-        *Non-Remittance of Statutory Contributions*

2012 Para (20) (22) (e) -          *Fixed Assets*

***MINISTRY OF COMMUNICATION AND TRANSPORT***

***Mpulungu Harbour Corporation***

2013, 2014, 2015, 2016 Para (8) (8) (8.5)        *Unsupported Payments- K127,702*

***National Airports Corporation Limited***

2012 Para (17) (19) (19) (e)-    *Abandoned Aircraft – MK Airlines*

2012 Para (17) (19) (a) -        *Nonperforming Contract – Unitech System Inc.*

***Tanzania Zambia Railway Authority***

2015 Para (17) (17) (e) (i)        *Lack of Performance Security*

2015 Para (17) (17) (e) (ii)       *Contract to Supply and Install Workshop Equipment- Mpika  
Workshop, Lack of Performance Security*

2015 Para (17) (17) (e) (iii)      *Failure to Supply and install Lighting System – Mpika  
Workshop*

2015 Para (17) (17) (f) (i)        *Management of Property and Infrastructure Abandoned  
Property*

2015 Para (17) (17) (f) (ii)       *Lack of Title*

2015 Para (17) (17) (e) (i)       *Land Encroachment on Railway Strip*

2015 Para (17) (17) (e) (i)       *Failure to Remit Statutory Contributions*

***Zamcargo and Logistics Ltd***

2013, 2014, 2015, 2016 Para (21) (21) (21.2) *Irregular Payment of Out of Pocket*

*Allowance on Local Trips (Irregular*

*US\$5,871.20 and Overpayment*

*US\$3,858*

2013, 2014, 2015, 2016 Para (21) (21) (21.4)(c.i) *Unfilled Position*

2013, 2014, 2015, 2016 Para (21) (21) (21.4)(c.iii) *Wasteful Expenditure-Payment in lieu of*

*Notice US\$8,239*

2013, 2014, 2015, 2016 Para (21) (21) (21.4)(c.iv) *Irregular Payment of Car Allowance-*

*Regional Manager*

2013, 2014, 2015, 2016 Para (21) (21) (21.5) (ii)- *Contract with Mining Agricultural &*

*Construction Services Limited for Repair of*

*Liebherr Reach stacker*

2013, 2014, 2015, 2016 Para (21) (21) (21.6)(ii)-*Lack of Title Deed for Plot Number 1616*

*MASAKI*

2013,2014,2015,2016 Para (21)(21)(21.6)(iii)*Lack of Ownership details for leased Shed by*

2013, 2014, 2015, 2016 Para (21) (21) (21.6)(iv)*Failure to Replace Stolen Motor Vehicles*

2013, 2014, 2015, 2016 Para (21) (21) (21.6)(v)*Failure to Dispose Obsolete Machinery*

2013, 2014, 2015, 2016 Para (21) (21) (21.6)(vi) *Loss of Government Land for a Dry*

*Port-Nakonde*

***Zambia Railways Limited***

2012 Para (18) (20) (b) (i)- *Irregularities in Staff Related Costs Non-Remittance of Statutory obligations*

2012 Para (18) (20) (c) (i) *Deterioration of Infrastructure during Concession Period Dilapidated Workshop Buildings*

<i>2012 Para (18) (20) (c) (ii)-</i>	<i>Vandalized Heavy-Duty Equipment</i>
<i>2012 Para (18) (20) (c) (iii)-</i>	<i>Vandalized Level Crossings</i>
<i>2012 Para (18) (20) (d) (i)-</i>	<i>Failure to Account for Traction Motor and Compressor Exhausters Sent To South Africa</i>
<i>2012 Para (18) (20) (d) (v)-</i>	<i>Irregular Exchange of Locomotive Engines</i>
<i>2012 Para (18) (20) (e) -</i>	<i>Irregularity in the Sale of Properties</i>
<i>2012 Para (18) (20) (g)-</i>	<i>Irregular Sale of Land</i>
<i>2014 Para (24) (23) (a)</i>	<i>Failure to account for traction motors and compressor Exhausters sent to South Africa</i>
<i>2014 Para (24) (23) (c) (ii)</i>	<i>Payment of Christmas Bonus for Board Members</i>
<i>2014 Para (24) (23) (d) (i)</i>	<i>Irregularities in Management of Funds, Euro Bond, Misapplication of Funds, Unsupported Payment</i>
<i>2014 Para (24) (23) (e) (i)</i>	<i>Irregularities in the Management of contracts Over Commitment on procured Contract- Signalling and Telecommunication Equipment, Inadequate Funds for Procured Contract, Failure to Pay Huawei International For the installation of Telecommunication Equipment Failure to commence works by Bombardier Transportation Denmark AS</i>
<i>2014 Para (24) (23) (e) (iii)</i>	<i>Loss of Nine Coaches</i>
<i>2014 Para (24) (23) (e) (iv)</i>	<i>Failure to Deliver Flash Butt by Diamond Motors Limited</i>

**MINISTRY OF ENERGY**

***Indeni Petroleum Ltd***

<i>2013, 2014, 2015, 2016 Para (4) (4) (4.6) (i)</i>	<i>Overdue Receivables</i>
<i>2013, 2014, 2015, 2016 Para (4) (4) (4.6) (ii)</i>	<i>Receivable Turnover Days/Debt Collection</i>

	<i>Period</i>
2013, 2014, 2015, 2016 Para (4) (4) (4.7)	<i>Non-payment for corrosion of Plant Equipment due To Processing of Contaminated Crude Oil</i>
2013, 2014, 2015, 2016 Para (4) (4) (4.8)	<i>Non-Recoverability of Crude Stock</i>
2013, 2014, 2015, 2016 Para (4) (4) (4.9)	<i>Non-Delivery of Goods by Apple Construction</i>
2013, 2014, 2015, 2016 Para (5) (5) (5.9)	<i>Failure to provide Performance Security against the Contract</i>
2013, 2014, 2015, 2016 Para (5) (5) (5.9) (ii)	<i>Delays in Completing the Works</i>
2013, 2014, 2015, 2016 Para (5) (5) (5.10) (i)	<i>Failure to Provide Performance Bond</i>
2013, 2014, 2015, 2016 Para (5) (5) (5.10) (ii)	<i>Failure to Supervise Construction works by the Contract Manager</i>
2013, 2014, 2015, 2016 Para (5) (5) (5.10) (iii)	<i>Failure to complete the Construction works as per Contract Agreement</i>

### **ZESCO Limited**

2014 Para (22) (21) (f) (ii)	<i>Contract for Design, Procure, Build and Commission Hyro Power Stations</i>
2014 Para (22) (21) (f) (iii)	<i>Connection of Luangwa District to the National Grid Project</i>
2014 Para (22) (21) (h) (i)	<i>Poor Management of Non-Current Assets Failure to Revalue Fixed Assets</i>
2014 Para (22) (21) (h) (ii)	<i>Non-Disposal of obsolete Stocks</i>
2014 Para (22) (21) (h) (iii)	<i>Failure to pass Title of Assets to ZESCO Limited</i>

**MINISTRY OF FINANCE**

**National Savings and Credit Bank**

2013, 2014, 2015, 2016 Para (12) (12) (12.2) (ii) Failure to Remit Pay As You Earn (PAYE)

K8,087,161

2013, 2014, 2015, 2016 Para (12) (12) (12.4) Unrecovered Loans – K560,598

2013, 2014, 2015, 2016 Para (12) (12) (12.5) Non Recovery of Loans – Head Office

K2,911.676

2013, 2014, 2015, 2016 Para (12) (12) (12.6) Failure to Adhere to Loan Agreement –

Bunjimi Assets Plus, Loans K476,264

2013, 2014, 2015, 2016 Para (12) (12) (12.7) Failure to Deliver Service

**Pensions and Insurance Authority**

2013, 2014, 2015, 2016 Para (16) (16) (16,2) Irregular payment of Procurement

Committee Allowance – K123,362

2013, 2014, 2015, 2016 Para (16) (16) (16,3)(i) Failure to Surrender Original Title

Documents

2013, 2014, 2015, 2016 Para (16) (16) (16,3)(ii) Failure to Provide Collateral Equivalent to

house Loans Obtained

2013, 2014, 2015, 2016 Para (16) (16) (16,4)(i) Failure to Adequately Protect Members’

Interest

**Public Service Pension Fund**

2013, 2014, 2015, 2016 Para (17) (17) (17.1)(i) Excessive Number of Board

Meetings-K8,817,846

2013, 2014, 2015, 2016 Para (17) (17) (17.3) (i) Irregular Inclusion Members to the

Funds After Enactment of the NAPSA Act

2013, 2014, 2015, 2016 Para (17) (17) (17.4)(i)Equity Investment

2013, 2014, 2015, 2016 Para (17) (17) (17.5) (i)Irregularities in the Procurement of  
Standby Generator

**Zambia Revenue Authority**

2015 Para (21) (21) (a) Lack of Title Deeds – Non-Current Assets

**Zambia State Insurance Corporation**

2012 Para (22) (24) (a) (iii) - Delayed Projects Implementation

2012 Para (22) (24) (b) (i) - Government Indebtedness to ZSIC

2012 Para (22) (24) (b) (vii)- Review of Internal Audit Reports on Investments

2012 Para (22) (24) (b) (vii) - Failure to Conduct Risk Assessment

2012 Para (22) (24) (b) (vii) - Failure to Monitor the Investment

2012 Para (22) (24) (b) (vii)- Investment in Circle Pharmaceuticals Africa US\$700,000

2012 Para (22) (24) (b) (vii) - Investments in Freshpikt

2012 Para (22) (24) (b) (vii)- Investments in Non-Performing Projects – Kitwe Development Limited

**MINISTRY OF HIGHER EDUCATION**

**Copperbelt University (CBU)**

Copperbelt University (CBU) Failure to state Specifications for the Marquee

**Kwame Nkrumah University**

2015 Para (10) (10) (g) Lack of Title Deeds

**Mulungushi University**

2012 Para (8) (10) (a) - Non-Remittance of Statutory Contributions

2012 Para (8) (10) (b) - Lack of Title Deed for Water Works Land

2015 Para (12) (12) (c) (iii) Unreceipted Deposits for More than 12 Months

2015 Para (12) (12) (f) (i) Civil Works, Construction of Phase One of

Alternative Sources-Chindwin

**University of Zambia**

2012 Para (9) (11) (a) (b)- *Statement of Financial Position – Unaccounted for Income*

2012 Para (10) (12) (b) (i) - *Statement of Financial Position – Failure to Collect Receivables*

**MINISTRY OF HOUSING AND INFRASTRUCTURE**

**National Housing Authority**

2015 Para (14) (14) (c) (iii) *Breach of Conditions of the Scheme*

2015 Para (14) (14) (f) (iii) *NHA-CJI Joint Venture*

2015 Para (14) (14) (h) *Non-Remittance Statutory Contributions*

**MINISTRY OF INFORMATION AND BROADCASTING**

**Zambia Institute of Mass Communication Education Trust**

2013, 2014, 2015, 2016 Para (22) (22) (22.2) *Lack of an Internal Audit Function*

2013, 2014, 2015, 2016 Para (22) (22) (22.8) *Obsolete Studio Equipment*

**Zambia National Broadcasting Corporation**

2013, 2014, 2015, 2016 Para (24) (24) (24.2) (i) *Agreement Star Times Weaknesses in the Joint Borrowing with Top-Star Communications Company Ltd US\$232,181,138.85*

2013, 2014, 2015, 2016 Para (24) (24) (24.2) (ii) *Failure to produce Escrow Account*

*Management Agreement*

2013, 2014, 2015, 2016 Para (24) (24) (24.3) *Financial Performance-Statement of Comprehensive Income Negative Profits Margins*

2013, 2014, 2015, 2016 Para (24) (24) (24.3) (i) - *Staff Costs Compared to Revenue Generated*

2013, 2014, 2015, 2016 Para (24) (24) (24.3(a)(ii) *Statement of Financial Position as at 31<sup>st</sup> December 2014 Current Ratio*

2013, 2014, 2015, 2016 Para (24) (24) (24.3) (b) *Receivable Days*

2013, 2014, 2015, 2016 Para (24) (24) (24.3) (c) *Negative Equity (from-K942,693,851 in 2012 to K1,078,529,639 in 2016)*

2013, 2014, 2015, 2016 Para (24) (24) (24.4) *Failure to Generate Positive Cash Flows from Operating Activities*

2013, 2014, 2015, 2016 Para (24) (24) (24.4) (a) *Analysis of Net Increase in Cash and Cash Equivalent*

2013, 2014, 2015, 2016 Para (24) (24) (24.5)(iii) *Declining Cash Inflows from Investment in an Associate From K49,980,000 in 2014 to K13,506,500 in 2016*

2013, 2014, 2015, 2016 Para (24) (24) (24.5) (iv) *Non-Remittance of Statutory Contributions - K458,824,474*

2014 Para (23) (22) (h) *Misapplication of Funds-Digital Television Migration*

2014 Para (23) (22) (I) (ix) *Failure to Re-Master Tapes, Outdated Storage Media*

## **MINISTRY OF LABOUR AND SOCIAL SECURITY**

### ***Local Authorities Superannuation Fund***

2013, 2014, 2015, 2016 Para (6) (6) (6.1) *Lack of Segregation of Duties-Director Finance and Pensions Administration*

### ***National Pension Scheme Authority***

2012 Para (21) (23) (b) (i) - *Outstanding Contribution Payments – Arrears*

2012 Para (21) (23) (b) (ii) - *Employers who ceased operations*

2012 Para (21) (23) (b) (iii)- *Employers who changed locations*

2012 Para (21) (23) (c) (i) - *Management of Levy Business Park – Questionable Payment (K8,526,101,801) maintenance expenditure and K2,056,364,260 Wages on behalf of Liberty Properties)*

2012 Para (21) (23) (c) (i)- *Unremitted Funds*

2012 Para (21) (23) (d)- Undischarged Guarantee

2012 Para (21) (23) (e) - Outstanding Rent Debtors

2013, 2014, 2015, 2016 Para (11) (11) (11.2) (ii) Irregularities in the Management of  
Contributions Defaulting Employers

2013, 2014, 2015, 2016 Para (11) (11) (11.4) (i) Failure to claim funds from the  
Council paid for the Encroachment

2013, 2014, 2015, 2016 Para (11) (11) (11.4) (ii) Failure to Secure Refund for  
Construction of the Twenty Seven

2013, 2014, 2015, 2016 Para (11) (11) (11.5) Absentee Tenants- Mongu

2013, 2014, 2015, 2016 Para (11) (11) (11.6) Duplicated Payments

**Workers' Compensation Fund Control Board**

2013, 2014, 2015, 2016 Para (20) (20) (20.4) Car Park- Questionable Procurement/idle  
Property

**MINISTRY OF MINES**

**Ndola Lime Co. Ltd**

2013, 2014, 2015, 2016 Para (13) (13) (13.1) Financial Performance-Statement of Profit  
and Loss And Other Comprehensive Income  
for the Financial Year Ended 31 March,  
2013 2014, 2015 and 2016

2013, 2014, 2015, 2016 Para (13) (13) (13.3) Inefficient Structuring of an Engineering  
and Procurement Contracts (EPC)

2013, 2014, 2015, 2016 Para (13) (13) (13.4) (i) Defective Mining Equipment

2013, 2014, 2015, 2016 Para (13) (13) (13.4) (ii) Lack of Refractory Bricks for Vertical  
Kilm(i)

2013, 2014, 2015, 2016 Para (13) (13) (13.6) (i) Contract for the Supply of 2000

*Replica Jerseys-Yesu Sports*

2013, 2014, 2015, 2016 *Para (13) (13) (13.7) (b) Non-Payment of Terminal Benefits*

**MINISTRY OF TOURISM AND ARTS**

***Hotel and Tourism Training Institute (HTTI)***

2014 *Para (12) (11) (a) Failure to Constitute the Board of Trustee*

2014 *Para (12) (11) (b) Lack of Audit Committee*

2014 *Para (12) (11) (d) Failure to complete works*

2014 *Para (12) (11) (e) Failure to secure Title Deeds*

***Mulungushi Village Complex***

2015 *Para (13) (13) (e) Failure to collect Rentals from Government*

2015 *Para (13) (13) (b) Failure to Settle internal frozen Terminal Benefits*

2015 *Para (13) (13) (i) Failure to Rehabilitate and Maintain Investment Property*

***National Heritage Conservation Commission***

2014 *Para (14) (13) (a) (i) Weaknesses in the Operations of the Board*

*Lack of Board/Governance Charter*

2014 *Para (14) (13) (b) Lack of a Heritage Policy*

2014 *Para (14) (13) (e) Lack of Title Deeds*

2014 *Para (14) (13) (h) (ii) Failure to Adhere to Site Instruction*

2014 *Para (14) (13) (i) (ii) Extension and Alteration of the Curio Market and Paving of*

*the Visitor's Car Park- Kalomo Contractors Hardware*

*Enterprises*

2014 *Para (14) (13) (k) (i) South West Regional Office Kalomo Administrator's House-*

*Dilapidated state*

2014 *Para (14) (13) (k) (ii) Livingstone Railways Museum-Non-Maintenance of Rented*

*Properties*

2014 Para (14) (13) (I) (i) *Construction of a Boundary Wall at Railway Museum and Painting two Historic Buildings-the Anglican Church and Jewish Synagogue Imaza Building Contractors Delayed Completion and failure to claim liquidated*

*Damages*

2014 Para (14) (13) (I) (ii) *Unsatisfactory work*

2014 Para (14) (13) (m) (ii) *Construction of Visitor's Toilets at Embassy Park National Monument Ailito Cleaning Services, Delayed Completion/Lack of Handover Irregular Payment*

2014 Para (14) (13) (m) (iii) *Tourism Concession Agreement – Lundazi Castle Hotel*

2014 Para (14) (13) (n) (i) *Northern Regional Office, The Lumangwe/Kabwelume Falls Tourism Infrastructure Development Project, Failure to Remit Funds*

2014 Para (14) (13) (n) (ii) *Failure to Rehabilitate Director's Residence*

2014 Para (14) (13) (n) (iii) *Construction of the Proposed Tourism Development Infrastructure at Kalambo Falls -Curve Contractors, Delayed Completion and unclaimed Liquidated Damages, Irregular Variation, Weaknesses identified in the Site Handover Report.*

***National Parks***

2015 Para (22) (22) (c) *Questionable Presence of a South African Company in Lusaka National Park*

2015 Para (22) (22) (d) *Undelivered Materials*

2015 Para (23) (23) (b) *Failure to Remit Statutory Contributions*

2015 Para (23) (23)

***Zambia Wild Life Authority***

- 2012 Para (23) (25) (e) - *Failure to Collect Revenue from Masebe Game Ranch*
- 2012 Para (23) (25) (f) (ii) - *Failure to Remit Loan Recoveries to Financial Institutions*
- 2012 Para (23) (25) (f) (ii)- *Failure to Remit Statutory Contributions*
- 2012 Para (23) (25) (g) (i) *Questionable issuance of Local Purchase Order (LPO)*
- 2012 Para (23) (25) (g) (ii)- *Failure to Execute Contract in Full*
- 2012 Para (23) (25) (g) (iii)- *Failure to Declare Interest*
- 2012 Para (23) (25) (h)- *Lack of Proper Armory Building- Area Management Units*
- 2012 Para (23) (25) (h) (i) *Encroachment into Game Management Areas Mumbwa  
East/Lower Zambezi National Park*
- 2012 Para (23) (25) (h) (ii)- *Companies Operating without Tourism Concession  
Agreements*
- 2012 Para (23) (25) (h) (iii)- *Failure to Collect Debt Related to Fixed Lease and variables Fees*

***MINISTRY OF WATER DEVELOPMENT, SANITATION AND ENVIRONMENTAL  
PROTECTION***

***Chambeshi Water and Sewerage Company Limited (CHWSC)***

- 2015 Para (7) (7) (a) *Failure to prepare Audited Financial Statements*
- 2015 Para (7) (7) (d) *Questionable Board Expenses*
- 2015 Para (7) (7) (g) *Lack of Title Deeds for surrendered Assets*
- 2015 Para (7) (7) (j) *Non-Remittance of Statutory Contributions*
- 2015 Para (7) (7) (k) (i) *Projects and Contracts. Delayed Completion of Works*
- 2015 Para (7) (7) (k) (iii) *Falling Walls on the Spillway-Lubu Earth Dam-Chinsali*

***Eastern Water and Sewerage Company***

- 2013, 2014, 2015, 2016 Para (2) (2) (2.1) (iv)- *Lack of Board of Directors*

2013, 2014, 2015, 2016 Para (2) (2) (2.4) (iv) - Sanitation Coverage

2013, 2014, 2015, 2016 Para (2) (2) (2.4) (v) - Staff Cost in Relation to Billing and  
Collection

2013, 2014, 2015, 2016 Para (3) (3) (3.1) - Delay in Paying Suppliers and Allowances  
to Officers

2013, 2014, 2015, 2016 Para (3) (3) (3.8) (i) - Misapplication of Funds

**Lukanga Water and Sewerage Company Limited**

2012 Para (13) (15) (a) (i) Company Performance Unaccounted for Water (Non-Revenue Water)

2012 Para (13) (15) (c) (ii) - Collection of Trade Receivables

2012 Para (13) (15) (d) - Non-payment of Statutory Obligations

2012 Para (13) (15) (d) - Non-payment of Statutory

2012 Para (13) (15) (e) (i) Revenue cancelled Receipts Wrongly Posted to Customer Accounts

2012 Para (13) (15) (e) (ii) - Failure to Avail Cancelled Receipts

2012 Para (12) (14) (e) - Un-accounted for Water

2012 Para (12) (14) (f) - Failure to Remit Statutory Contributions

2012 Para (14) (16) (e) - Failure to Remit Statutory Contributions

2015 Para (11) (11) (d) (ii) Properties without Title Deeds/Lack of Statutory  
Instrument To Transfer Assets

2015 Para (11) (11) (e) (i) Irregularities in Revenue Collection, Missing  
cancelled/Void Receipts

2015 Para (11) (11) (e) (ii) Gaps Receipt Sequences

2015 Para (11) (11) (f) Non-payment of Statutory Obligations

**Mulonga Water and Sewerage Company Limited**

2013, 2014, 2015, 2016 Para (9) (9) (9.3) Failure to Produce Audited Financial

*Statements*

- 2013, 2014, 2015, 2016 Para (9) (9) (9.6) (i) *Properties without Title Deeds*
- 2013, 2014, 2015, 2016 Para (9) (9) (9.6) (ii) *Value Mulonga Water and Sewerage  
Company Properties*
- 2013, 2014, 2015, 2016 Para (9) (9) (9.8) (a.i) *Delayed Implementation of Kasumbalesa  
Project*
- 2013, 2014, 2015, 2016 Para (9) (9) (9.8) (b.i) *Failure to Avail Variation Order*
- 2013, 2014, 2015, 2016 Para (9) (9) (9.8) (b.ii) *Stalled Works*
- 2013, 2014, 2015, 2016 Para (9) (9) (9.8) (b.iii) *Delayed implementation of Repair Works  
Collapsed Embankment*
- 2013, 2014, 2015, 2016 Para (9) (9) (9.9) *Failure to Replace Water Testers*

***North Western Water and Sewerage Company***

- 2014 Para (15) (14) (c) *Poor Administration of Backups – Lack of Backup Policy*
- 2014 Para (15) (14) (i) *Failure to Utilize Modules Paid for in SAGE Evolution ERP*
- 2014 Para (15) (14) (j) (ii) *Irregular Rate of Board Allowances*
- 2014 Para (15) (14) (k) *Internal Audit Weaknesses, Lack of Internal Audit Charter*
- 2014 Para (15) (14) (o) (i) *Irregularities in Billing Systems Administration Customer  
Accounts with Incomplete Details on the System*
- 2014 Para (15) (14) (o) (ii) *Unbilled Customer Account*
- 2014 Para (15) (14) (o) (iii) *Customers with Duplicate Account Numbers*
- 2014 Para (15) (14) (o) (iv) *Customers with Zero and Negative Water Consumption,  
Negative Consumption*
- 2014 Para (15) (14) (o) (v) *Customers Billed on Average Consumption Over Three  
Months*
- 2014 Para (15) (14) (o) (vi) *Failure to Disconnect Past Due Customer Accounts*

- 2014 Para (15) (14) (o) (vi) *Failure to Disconnect Past Due Customer Accounts*
- 2014 Para (15) (14) (o) (vii) *Metered Customers on Meter Reading Report not on the Customer Master*
- 2014 Para (15) (14) (o) (viii) *Metered customers on the customer Master not on the Meter Reading Report*
- 2014 Para (15) (14) (o) (viii) *Metered Customers on the customer Master not on the Meter Reading Report*
- 2014 Para (15) (14) (p) (v) *Weaknesses in Managing Staff Costs- Questionable Recruitments*

***Nkana Water and Sewerage Company***

- 2013, 2014, 2015, 2016 Para (14) (14) (14.1) *Expiry of the Tenure of the Board*
- 2013, 2014, 2015, 2016 Para (14) (14) (14.2) *Operating Losses – Statement of Comprehensive Income*
- 2013, 2014, 2015, 2016 Para (14) (14) (14.7) *Casualization of Labour*

***Southern Water and Sewerage Company***

- 2015 Para (16) (16) (e) *Questionable Acquisition of a House*
- 2015 Para (16) (16) (f) *Failure to Remit Withholding Tax*
- 2015 Para (16) (16) (e) *Failure to Pass Title of Assets to SWSC*

***Water Resources Management Authority***

- 2014 Para (20) (19) (a) (ii) *Questionable Payment of Allowances to Board Members*
- 2014 Para (20) (19) (a) (iii) *Questionable Payment of Allowances*

***Western Water and Sewerage Company***

- 2014 Para (21) (20) (o) (ii) *Wasteful Expenditure-Mwandi Water Project*
- 2014 Para (21) (20) (o) (iii) *Kaoma Rehabilitation and Extension Water Supply Network- Collapsed Borehole*

2014 Para (21) (20) (f) (i) *Internal Control Weaknesses, Lack of the Risk Management Policy*

2014 Para (21) (20) (k) (iii) *Lack of interface between the Billing and Accounting System, Failure to Collect Debt*

2014 Para (21) (20) (m) *Failure to Meet Water and Sanitation Sector Benchmarks Reduction in Sanitation Coverage, Water Services Coverage, Hours of Supply*

## **MINISTRY OF WORKS AND SUPPLY**

### **Roads Development Agency**

2014 Para (17) (16) (a) *Lack of Board*

2014 Para (17) (16) (b) *Irregular Investment of K3,000,000*

2014 Para (17) (16) (e) *Irregular Sales of Motor Vehicles to Officers*

## **MINISTRY OF YOUTH AND SPORT**

### **National Youth Development Council**

2014 Para (16) (15) (a) (i) *Irregularities in the Payment of Allowances and Overpayment Of Council Allowances*

2014 Para (16) (15) (a) (ii) *Double Payment of Allowances*

2014 Para (16) (15) (a) (iii) *Irregular payment of Council Allowances*

2014 Para (16) (15) (b) *Irregular Recruitment of Staff*

2014 Para (16) (15) (c) *Misapplication of Funds for Terminal Benefits*

2014 Para (16) (15) (f) *Lack of Title Deeds for Council Properties, Plot 10423/196 And 179, Chainama Great East Road*