



#### REPORT OF THE

# **AUDITOR GENERAL**

#### **ON THE**

# **ACCOUNTS OF PARASTATAL BODIES**

# AND OTHER STATUTORY INSTITUTIONS

**FOR THE** 

FINANCIAL YEAR ENDED

31ST DECEMBER 2024

# OFFICE OF THE AUDITOR GENERAL

**VISION:** An independent and credible audit institution promoting transparency and

accountability in the management of public resources for the well-being

of the citizenry.

MISSION: To provide timely quality audit services to promote transparency and

accountability in the management of public resources.

**CORE VALUES:** Integrity

Objectivity

Excellence

Teamwork

Confidentiality

Professionalism

# **PREFACE**

The audit of selected Parastatal Bodies and Other Statutory Institutions for the financial year ended 31<sup>st</sup> December 2024 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. 29 of 2016, 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. The matters include weaknesses in corporate governance, failure to prepare accounts, poor management of loans, pension funds and contracts, and weaknesses in internal control systems.

It is my sincere belief that, those charged with the responsibility of oversight and managing public resources will take appropriate action to address the matters brought to their attention in this report.

Dr. Ron M. Mwambwa, FCMA, FZICA, CGMA, CFE

**ACTING AUDITOR GENERAL** 

# **TABLE OF CONTENTS**

EX.	ECUTIVE SUMMARY	i
AC.	RONYMS	X
1	INTRODUCTION	1
2	SCOPE AND METHODOLOGY	1
3	INTERNAL CONTROL	1
4	COMPETITION AND CONSUMER PROTECTION COMMISSION	3
5	INDENI ENERGY COMPANY LIMITED	12
6	INFRATEL CORPORATION LIMITED	22
7	KAWAMBWA TEA INDUSTRIES LIMITED	31
8	LUSAKA SOUTH MULTI FACILITY ECONOMIC ZONE	50
9	MULUNGUSHI INTERNATIONAL CONFERENCE CENTRE LIMITED	65
10	MULUNGUSHI VILLAGE COMPLEX LIMITED	73
11	NATIONAL INSTITUTE FOR SCIENTIFIC AND INDUSTRIAL RESEARCH	79
12	PUBLIC SERVICE PENSION FUND (PSPF)	90
13	RURAL ELECTRIFICATION AUTHORITY	97
14	TAZAMA PIPELINES LIMITED	113
15	TANZANIA ZAMBIA RAILWAY AUTHORITY (TAZARA)	
16	UNIVERSITY OF ZAMBIA (UNZA)	147
17	WORKERS COMPENSATION FUND CONTROL BOARD (WCFCB)	
18	ZAMBIA REVENUE AUTHORITY	165
19	ZAMBIA RAILWAYS LIMITED	186
20	RECOMMENDATIONS	200
21	ACKNOWLEDGEMENTS	200
22	RECOMMENDATIONS OF THE COMMITTEE ON PARASTATAL BODIES	201
23	CONCLUSION	201

#### **EXECUTIVE SUMMARY**

This Report has been produced in accordance with Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016, Public Audit Act No. 29 of 2016 and Public Finance Management Act No.1 of 2018. During the audit process, there were various levels at which the Office of the Auditor General (OAG) interacted and communicated with Controlling Officers and Chief Executive Officers (CEO) whose accounts were audited. The purpose of this interaction was to provide an opportunity for the Controlling Officers and CEOs to clarify and take corrective action on the findings of the audits.

The audit findings mentioned in this Report relate to matters of a material nature that remained unresolved as at 31<sup>st</sup> October 2025. These findings represent significant issues that had not been fully addressed or satisfactorily resolved by the responsible entities by that date. In addition, the Report contains audit recommendations which are aimed at addressing various findings observed during the audit process.

Some of the issues raised in this Report are as follows:

#### a. COMPETITION AND CONSUMER PROTECTION COMMISSION

# i. Failure to Enforce Collection of Fines from Non-Compliant Entities

A review of revenue records, inspection and/or assessment reports and board minutes for the period 2022 to 2024 revealed that there were fourteen (14) cases bordering on abrogation of provisions of the CCP Act of 2010 ranging from unauthorised mergers and monopolies, consumer protection, restrictive business practices and cartels among others. These matters were submitted to the Board who assessed the cases and levied fines in amounts totalling K32,771,579. However, as of May 2025, the amounts had not been collected.

#### ii. Failure to Collect Fines

During the 63<sup>rd</sup> Board of Commissioners meeting dated 11<sup>th</sup> August 2023, the Board directed for three (3) erring companies to be fined 8.5% of their annual turnover pursuant to the Fines Guidelines and for them to be engaged in compliance training as an additional corrective measure. The erring companies entered into a settlement

agreement of K10,200,000 which was signed in January 2024. However, at the time of audit, only K800,000 had been paid leaving a balance of K9,400,000.

#### b. INDENI ENERGY COMPANY LIMITED

# i. Failure to Dispose Decommissioned Refinery Assets

As at 31<sup>st</sup> October 2025, the Company had not disposed off its Decommissioned Refinery Assets and an impairment charge of K147 million was recognised in the statement of profit and loss. In addition, during the period under review, the Company incurred expenses in amounts totaling K4,836,000 comprising of K1,747,000 for 2023 and K3,089,000 for 2024 on care and maintenance of the decommissioned assets.

# ii. Payment for Works not Done and Material not Delivered - Contract for Construction Design, Procurement and Construction of New Crude Oil Storage Tank

As at 31<sup>st</sup> December 2024, amounts totalling US\$2,667,585 had been paid towards the contract representing 33% of the contract sum. The payments included four (4) payments in amounts totalling US\$521,857.43 for materials that had not been delivered as at the time of audit.

#### iii. Failure to Attain Set Financial Perspective Key Performance Indicators

A review of performance reports revealed that INDENI did not achieve any of the key financial perspective performance indicators such ad revenue targets, Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA), administrative expenses as a percentage of revenue, staff expenses as a percentage of revenue and annual procurement of Low Sulphur Gas Oil that were set by the Industrial Development Corporation.

#### iv. Poor Working capital

The working capital for INDENI deteriorated from negative K252,471,000 in 2023 to negative K298,222,000 in 2024.

#### c. INFRATEL CORPORATION LIMITED

# i. Failure to Maintain Continuous Tower Site Operations

A physical verification conducted on 11<sup>th</sup> September 2025 at twenty-one (21) sites revealed that the sites operated below the 96% uptime threshold that was agreed in a contract entered into between INFRATEL and MTN due to power backup failures. This non-compliance resulted in penalties amounting to K1,081,900 being charged to INFRATEL.

#### ii. Failure to Adhere to Insurance Obligations – Loss of Funds

The Corporation failed to recover amounts totalling K3,616,975 from its insurance provider due to the Corporation's failure to install CCTV at its tower sites as provided for in the insurance contract.

#### d. KAWAMBWA TEA INDUSTRIES LIMITED

## i. Expired Title Deed

A review of the certificate of title dated 3<sup>rd</sup> September 1980 revealed that KTIL has two (2) parcels of land with hectarage of 25,920 and 10,735 translating into 36,655 hectares. However, a review of the certificate of title revealed that it was issued on 3<sup>rd</sup> September 1980 with a validity period of fourteen (14) years commencing 1<sup>st</sup> October 1979. This implies that the title expired in October 1993. As of 31<sup>st</sup> October 2025, the title deeds had not been renewed.

#### e. LUSAKA SOUTH MULTI FACILITY ECONOMIC ZONE

#### i. Failure to Develop Land According to the Lease Agreement

According to the Investors data base as at 31<sup>st</sup> December 2024, there was a total of one hundred and forty (140) investors. However, it was observed that, fifteen (15) investors had not commenced or progressed with their projects within the stipulated twenty four (24) month development period.

## ii. Management of Residential Properties - Failure to Provide Services on Paid Plots

As at 31 December 2024, a total of 176 customers had paid amounts totalling K55,919,541, representing between 70% and 100% of their plot costs, inclusive of a



K50,000 development fee per customer. This fee was charged to cover the cost of providing water, sewerage and electricity services.

However, the plots had not been provided with sanitation services, water connections or electricity infrastructure, despite these services forming part of the contractual agreement.

#### f. MULUNGUSHI INTERNATIONAL CONFERENCE CENTRE LIMITED

#### i. Performance Management Contracts

A review of the performance management agreements between the Industrial Development Corporation (IDC) and the MICC management revealed that the institution failed to achieve the following targets set by the Industrial Development Corporation:

- Return on Assets
- Administrative Expenses as a Percentage of Revenue
- Trade receivable days

#### ii. Failure to Collect Rental Income

A review of the 2024 Rental Debtors Aged Analysis revealed that a total of K1,439,336 was owed in rental arrears by twenty five (25) tenants; out of which amounts totalling K745,564 had been outstanding for periods exceeding six (6) months.

# g. MULUNGUSHI VILLAGE COMPLEX LIMITED

#### i. Poor Working Capital

During the period under review, Mulungushi Village Complex Limited operated with a negative working capital of K74,449,087 in 2024, K36,487,998 in 2023 and K46,879,077 in 2022. This persistent negative working capital indicates that the Company's current liabilities exceeded its current assets in all three years, suggesting liquidity challenges and a continued inability to meet short-term obligations as they fall due.

#### ii. Award of Contract without Clearance from the Office of the Attorney General

Contrary to Section 72(2) of the Public Procurement Act No. 8 of 2020, MVCL did not obtain clearance from the Attorney General in respect of three (3) contracts entered into for refurbishment works. These contracts were valued at K9,290,358 for the refurbishment of nine (9) villas as well as US\$1,628,327 for Lot 1 and K12,707,157 for Lot 2 relating to the refurbishment of thirty-five (35) villas.

#### h. NATIONAL INSTITUTE FOR SCIENTIFIC AND INDUSTRIAL RESEARCH

# i. Failure to Maintain the Laboratories in Full Usable Condition - NISIR Headquarters

A review of documentation and an inspection of the laboratories at Head Office revealed that the facilities were either non-operational or operating with non-functional equipment, which required comprehensive overhaul.

#### ii. Failure to Insure Assets

Contrary to the Regulation No.41 (3) of the Public Finance Management (General) Regulations, 2020, assets valued at K33,157,716 (staff houses, office and farm buildings - K31,777,591 and livestock - K1,380,125) were not insured during the period under review. As of 30<sup>th</sup> September 2025, the assets had not been insured.

#### i. PUBLIC SERVICE PENSION FUND

#### i. Funding Level and Funding Gap

A review of the actuarial report of 2023 revealed that the Funding Gap was 3% at the 2020 valuation and 9% at the 2023 valuation. The ratios indicated an increase in the Funding Gap resulting from an increase in assets which moved from K1.5 million to K4.1 million during the period. It was further revealed that despite this increase, the pension fund's assets covered only 9% of its future obligations, signifying a funding shortfall.

Further, PSPF's total liabilities exceeded its total net assets resulting in Funding gaps of K50,421 million and K43,877 million in the actuarial valuation periods 2020 and 2023.

# ii. Administration of Pension Contributions and Benefits - Outstanding Contributions

Contrary to the Act, the Government did not remit to the PSPF contributions in amounts totalling K96,557,225 for the month of December 2024. As at 30<sup>th</sup> September 2025, the contributions had not been remitted.

#### iii. Outstanding Rentals

During the period under review, PSPF had seven (7) commercial properties which included the KK Mall, offices and shops on Panganani Road in Lusaka as well as residential properties in Lusaka. As at 30<sup>th</sup> September 2025, the PSPF was owed amounts K14,895,538 in respect of rentals that had been outstanding for periods ranging from one (1) to fourteen (14) months.

# j. RURAL ELECTRIFICATION AUTHORITY

#### i. Compliance with Laws, Regulations and Other Procedures

During the period under review, REA had a total of seventy two (72) contracts for Grid Renewable Energy with a total contract sum of K528,579,997 with completion periods ranging from four (4) to twelve (12) months.

As at 30<sup>th</sup> September 2025, payments in amounts totalling K335,354,763 had been made, leaving an outstanding balance of K193,225,233. A review of records revealed significant weaknesses in contract management, including the failure to recover advance payments amounting to K11,892,929, the absence of valid performance guarantees valued at K1,709,177, failure to charge liquidated damages amounting to K5,625,510, failure to encash advance payment guarantees totalling K3,311,947, and failure to prepare final accounts.

# ii. Delayed Project Completion

According to the terms of the contracts for various projects under the REA, the projects were to be completed within periods ranging from six (6) to twenty four (24) weeks. A review of records revealed that, as at 30<sup>th</sup> September 2025, twenty three (23) projects with a total contract value of K88,457,139 had not been completed within the agreed timeframes. The delays ranged from one (1) month to twenty (20) months.

#### k. TAZAMA PIPELINES LIMITED

# i. Delayed Expansion of the Pipeline in Line with the Business Plan

The Business Plan provided that within two (2) years of the commencement of the conversion of the pipeline, management was to implement the expansion of the Pipeline by converting the 8 inches diameter sections to 12 inches diameter pipeline so as to increase the throughput from 850,000 metric tonnes per annum to 1.5 million tonnes per annum. The expansion was estimated to cost US\$450 million. However, a review of the status of the implementation revealed that, despite having commenced the implementation of the conversion for a period exceeding two (2) years, as of October 2025, management had not commenced the Pipeline Expansion Project.

# ii. Management of the Dead Stock - Failure to Achieve Budgeted Volumes

A review of the Processed Products Reports for the Dead Stock revealed that a total production of 99,808 MT of Finished White Products from the Crude Oil Dead Stock was budgeted for, against which only a total of 84,425 MT of Finished White Products was processed and produced, resulting in a shortfall of 15,383 MT resulting in the company incurring a loss of K381,118,620 in 2023.

#### I. TANZANIA ZAMBIA RAILWAY AUTHORITY

#### i. Lack of Audited Financial Statements

Section 22 and 23 of the TAZARA Act of 1995 states, "The accounts of the Authority shall be audited annually by independent auditors appointed from time to time by the Council."

Contrary to the Provisions, the Council had not appointed external auditors for the financial years ended 30<sup>th</sup> June 2021/2022, 2022/2023 and 2023/2024. Consequently, there were no audited financial statements and annual reports produced for the period under review.

#### ii. Loss of Revenue Due to Track Accidents

A review of the Managing Director's Reports on the TAZARA's Performance for the financial years ended 30<sup>th</sup> June 2022 to 2024 revealed that during the period 1<sup>st</sup> July

2021 to 30<sup>th</sup> June 2024, the Authority recorded a total of 405 accidents out of which 278 accidents representing 69% were attributable to track defects, rolling stock defects, failure to observe operational rules by the Authority.

As a result of the accidents, the Authority closed the mainline for 6,662 hours 43 minutes resulting in maintenance expenditure of US\$7,041,342 and revenue loss of US\$3,303,212.

#### iii. Failure to Collect Rentals

TAZARA failed to collect rental income totalling K71,026,317 as at June 2024, with some arrears outstanding for periods exceeding 360 days.

Furthermore, of the total outstanding amount, rental income of K1,566,747 relating to the Lusaka Office included K1,200,699 owed by tenants who had already vacated the premises. As at 30<sup>th</sup> September 2025, there was no evidence that management had taken action to recover the amounts owed.

#### m. UNIVERSITY OF ZAMBIA

# i. Failure to Prepare and Submit Financial Statements

Section 12 Second Schedule of the Higher Education Act No. 4 of 2013 provides for submission of a financial report to the Minister not later than six (6) months after the expiry of the financial year.

However, as at September 2025, the University had not prepared financial reports for the financial years ended 31<sup>st</sup> December 2023 and 2024.

#### ii. Failure to Secure Properties with Title Deeds

Contrary to the Public Finance Management Act, UNZA did not secure title deeds for parcels of land on which four (4) properties valued at K7,685,050 which are located in Lusaka, Livingstone, Chipata and Kitwe.

#### n. ZAMBIA RAILWAYS LIMITED

# i. Recurring Operating Losses

During the period under review, ZRL recorded operating losses of K177,802,934 in 2023 and K137,621,000 in 2024. The losses were mainly attributed to high operating expenses which accounted for 115% and 128% of the total revenue in 2023 and 2024 respectively.

The high operating expenses were as a result of the lack of investment in locomotives as the current fleet had an average age of forty (40) years compared to the manufactures' estimated useful life of 25 years leading to increased repairs and maintenance costs of the Rolling Stock and Rail Trucks which had increased by 100% from K32,877,935 in 2023 to K65,713,387 in 2024.

# ii. Poor Working Capital

The company recorded negative working capital of K1,178,732,518 and K1,170,398,003 in 2023 and 2024 respectively. In this regard, the negative working capital exacerbated the company's liquidity challenges which led to failure to meet its obligations.

#### iii. Failure to Insure Rolling Stock

Contrary to the Public Finance (General) Regulations of 2020, ZRL did not insure its rolling stock valued at K447,546,787.

#### **ACRONYMS**

ASRC Animal Science Research Centre

CCPC Competition and Consumer Protection Commission

CEO Chief Executive Officer

DBZ Development Bank of Zambia

EDRC Energy Development Research Centre

ERB Energy Regulation Board

ERP Enterprise Resource Planning

FSRC Food Science Research Centre

GCC General Conditions of Contract

GNCZ General Nursing Council of Zambia

ICT Information and Communication Technology

IDC Industrial Development Corporation

ISSAI International Standards of Supreme Audit Institutions

KTIL Kawambwa Tea Industries Limited

LMS Learning Management System

LSG Low Sulphur Gasoil

LS-MFEZ Lusaka South Multi-Facility Economic Zone

MD Managing Director

MERC Marine and Environment Research Centre

METS Materials, Engineering and Technical Services

MICC Mulungushi International Conference Centre

MIS Management Information System

MVCL Mulungushi Village Complex Limited

NAPSA National Pensions Scheme Authority

NHIMA National Health Insurance Management Authority

NISIR National Institute for Scientific and Industrial Research

NMCZ Nursing and Midwifery Council of Zambia

OMCs Oil Marketing Companies

PCC Particular Conditions of Contract

**PSPF** Public Service Pensions Fund

**PSPFB** Public Service Pensions Fund Board

**PSRC** Plant Science Research Centre

**REA** Rural Electrification Authority

**SCC Special Conditions of Contract** 

**SCADA** Supervisory Control and Data Acquisition

**SDL** Skills Development Levy

**SEC Securities Exchange Commission** 

SI Statutory Instrument

SIL Shimaini Investment Limited

SIS Student Information System

**SPV** Special Purpose Vehicle

**TRA** Tanzania Revenue Authority

**TAZARA** Tanzania Zambia Railway Authority

**TSRs Temporary Speed Restriction** 

**UNZA** University of Zambia

VAT Value Added Tax

**WCFCB** Workers' Compensation Fund Control Board

WHT Withholding Tax

**ZDA** Zambia Development Agency

**ZEMA** Zambia Environmental Management Agency

**ZAFFICO** Zambia Forestry and Forest Industries Corporation

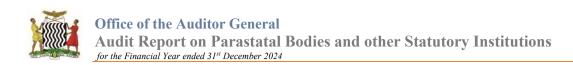
**ZICTA** Zambia Information and Communications Technology Authority

**ZPPA** Zambia Public Procurement Authority

**ZRA** Zambia Revenue Authority **ZRL** Zambia Railways Limited

**ZTA** Zambia Tourism Agency

Report of the Auditor General



## 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 Zambia (Amendment) Act No. 2 of 2016, Public Finance Management Act No. 1 of 2018, and the Public Audit Act No. 8 of 1980.

The Report on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31<sup>st</sup> December 2024 contains paragraphs on sixteen (16) Parastatal Bodies and Other Statutory Institutions that were audited, but the issues remained unresolved at the time of the conclusion of this report.

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

In preparing this Report, Controlling Officers and Chief Executive Officers of the affected institutions 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

This 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 2024. Although the Report is for the financial year ended 31<sup>st</sup> December 2024, it included the review of operations for prior years and these included the financial years 2021, 2022 and 2023.

### 3 INTERNAL CONTROL

This Report highlights significant issues observed across the various institutions. These include cases of non-preparation of financial statements, poor institutional performance, inefficiencies in the utilisation of resources, and liquidity challenges experienced by various companies, as evidenced by the performance and liquidity ratio analysis.

The Report further draws attention to deficiencies in contract management and the failure by certain companies to achieve the performance targets set by the Industrial Development Corporation (IDC).

#### 4 COMPETITION AND CONSUMER PROTECTION COMMISSION

#### 4.1 Mandate

Competition and Consumer Protection Commission (CCPC) was established by an Act of Parliament, the Competition and Consumer Protection Act (CCPA) No. 24 of 2010.

The mandate of CCPC is to protect the competition process in the Zambian Economy and also to protect consumers.

# 4.2 Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2021, 2022, 2023, and 2024, a total provision of K151,434,392 was made to cater for the operations of the Commission against which amounts totalling K153,084,389 were received resulting in over-funding of K1,649,997.

As at 31st December 2024, all funds received were spent. See table 1 below.

**Budget Funding** Variance **Expenditure** Years K K K K Bal. B/f 11,920,545 2021 33,456,920 40,043,324 33,456,920 2022 38,475,458 38,475,457 44,249,595 (1)40,740,525 2023 39,629,722 39,629,719 (3)2024 39,872,292 41,522,293 39,971,490 1,650,001 **Totals** 151,434,392 165,004,934 1,649,997 165,004,934

**Table 1: Budget, Funding and Expenditure** 

# 4.3 Audit Findings

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

#### a. Revenue Budgets and Actual Collections

In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2021, 2022, 2023 and 2024, a total revenue provision of K201,089,467 was made against which a total amount of K160,894,909 was collected, representing 80% of the budget resulting in under-collection of K40,194,558. See table 2 below.

**Table 2: Revenue Budget and Actual Collection** 

	Fe	ees	Fines/Po	enalties		Totals	
Year	Budget	Actual	Budget	Actual	Budget	Actual	Variance
	K	K	K	K	K	K	K
2021	25,965,174	19,298,669	29,034,826	3,929,858	55,000,000	23,228,528	(31,771,472)
2022	20,090,000	25,418,309	23,810,897	34,271,245	43,900,897	59,689,554	15,788,657
2023	23,699,844	25,227,903	24,591,142	8,978,453	48,290,986	34,206,356	(14,084,630)
2024	25,178,128	29,992,617	28,719,456	13,777,854	53,897,584	43,770,471	(10,127,113)
Total	94,933,146	99,937,499	106,156,321	60,957,410	201,089,467	160,894,909	(40,194,558)

As can be seen from the table above, the Commission exceeded the budgetary targets in 2022 whereas, for 2021, 2023 and 2024, the Commission failed to meet its planned revenue targets. This was attributed to the slow pace of enforcing the collection of fees and fines, delayed determination of matters by the Board and the Tribunal among others.

#### b. Basing of Merger Notification Fees on Unaudited Financial Statements

Statutory Instrument (SI) No. 97 dated 19<sup>th</sup> August 2011 provides for a fee of 0.1% of turnover/asset whichever is higher with a cap or maximum of 16,666,667 fee units for proposed merger applications. Turnover is defined according to Section 3 of the CCP Act No. 24 of 2010 as to mean the latest audited gross sales of an enterprise and the asset value is defined as to include physical assets, businesses, shares and other financial securities, brands and intangible assets including goodwill, intellectual property rights and know-how.

Contrary to the SI, a review of the file for application of a merger involving Syngenta Zambia Limited and Synergy Agribusiness Zambia Limited revealed that even though revenues from notification fees in amounts totalling K540,969 were collected, the amounts were based on management accounts of Target Asset Values of K540,969,088 instead of amounts in the audited financial statements, thereby questioning the authenticity of the notification fee charged and paid to the Commission.

Further, amounts totalling K240,000 charged as merger notification fees for the acquisition by Mercury Diamond Limited of 100% shareholding in Blackstar Agricultural Limited Agriculture ITB was based on unaudited financial statements.

As of November 2025, the Commission had not requested for audited financial statements to authenticate the value on which the notification fees charged were based.

#### c. Failure to Maintain Updated Database for Fines with Monetary Amounts

A review of the database of fines charged between 2021 and 2024 revealed that 180 entities were penalised at rates ranging from 0.5% to 4% of their annual turnover. However, while the fine percentages were indicated, the absence of data on annual turnover and actual monetary fines made it not possible to determine the revenues collectible from these entities.

# d. Failure to Enforce Collection of Fines Revenue from Non-Compliant Entities

The Commission is empowered to undertake investigations on violations of the CCP Act No. 24 of 2010, either upon receiving a complaint or court action.

Section 55(1) of the Act states, "Subject to subsection (4), the Commission may, at its own initiative or on a complaint made by any person, undertake an investigation if it has reasonable grounds to believe that there is, or is likely to be, a contravention of any provision of this Act." The fines chargeable are provided for in the Guidelines for the Administration of Fines of 2019. A review of revenue records, inspection and/or assessment reports and board minutes for the period 2022 to 2024 revealed that there were 14 cases bordering on abrogation of provisions of the CCP Act of 2010 ranging from unauthorised mergers and monopolies, consumer protection, restrictive business practices to cartels among others.

The matters were submitted to the Board who assessed the cases and levied fines in amounts totalling K32,771,579. See table 3 below.

Table 3: Failure to Collect Revenues in Fines/Penalties from Non-Compliant Entities

Year	Category	No of Entities	Amounts Fined K
2022,	Restrictive Business Practices	8	1,486,554
2023	and Consumer protection	8	1,460,554
2024	Restrictive Business Practices	6	31,306,679
	Total	14	32,793,232

As of November 2025, the amounts had not been collected despite the Commission having the powers to enforce the provisions of the Act.

# e. Failure to Collect Fines

During the 63<sup>rd</sup> Board of Commissioners meeting held on 11<sup>th</sup> August 2023, the Board directed for three (3) erring companies to be fined 8.5% of their annual turnover pursuant to the Fines Guidelines. Further, they were to be engaged in compliance training as an additional corrective measure, which amount based on the audited financial statement annual turnover of K383,855,951, the total fine was K32,627,756.

The respondent requested from management for the matter to be settled out of Court through a settlement agreement which was signed on 29<sup>th</sup> January 2024 reducing the fined amount to K10,200,000, based on the legal opinion from Directorate of Legal Services and past practices.

The respondent company defaulted on the agreed payment plan and paid K800,000 out of the fined amount of K10,200,000 leaving a balance of K9,400,000. As at 30<sup>th</sup> November 2025, the outstanding amount had not been paid.

#### f. Failure to Settle Statutory Obligations

Contrary to Income Tax Act Chapter 323 of the Laws of Zambia and National Pension Scheme Authority (Amendment) Act No. 7 of 2015, a review of financial statements, current statement of accounts from NAPSA, NHIMA and ZRA, revealed that as of November 2025, the Commission owed amounts totalling K4,834,727, some of which had been outstanding from 2008. See table 4 below.

**Table 4: Outstanding Statutory Obligations** 

Institution	Amount K	Period
ZRA	4,712,449	2020 to 2024
NHIMA	34,950	2020 to 2024
NAPSA	87,328	2008 to 2016
Total	4,834,727	

# g. Effecting Responsibility Allowance without Approval from the Executive Director

Clause 4.13 of the Commission's Resourcing Policy provides that all recruitments are with prior authorisation by the Executive Director or the Board, including placements and promotions based on recommendations from Human Resource Department.

Further, Clause 9.2 of the Commission Terms and Conditions of Service of 2020 provides that an officer who may be assigned to perform the duties of more than one post for fifteen (15) days or more shall in addition to his or her salary be paid a responsibility allowance equivalent to 20% of his or her monthly full pay. The Human Resource Department shall notify Finance Department in writing following the approval of the Executive Director as Chief Executive Officer.

However, a scrutiny of memoranda and payments made for responsibility allowance revealed that effecting the allowance was only made by the Director Human Resource instructing Director Finance without the Approval of the Executive Director.

In this regard, nineteen (19) officers were irregularly paid responsibility allowance in amounts totalling K192,851 without the approval of the Executive Director.

#### h. Contract for the Procurement of Office Building

In April 2021, the Commission procured an office building situated on Plot No. 3827, Parliament Road, Roma Park in Lusaka from Marigold Properties Limited at a cost of US\$1,395,495 (K25,410,000). This was based on a valuation by the Government Valuation Department conducted on 30<sup>th</sup> July 2020 and Board approval dated 2<sup>nd</sup> October 2020. The funds used were from short term deposits in amounts totalling K15,410,000, co-financed by a loan from Investrust Bank Plc in amounts totalling K10,000,000, repayable in 10 years at a floating interest rate of 27.75%.

The vendor was paid the full contract sum of US\$1,395,495 (K25,410,000) on 16<sup>th</sup> March 2021.

7

However, the following were observed:

# i. Irregular Approval by the Procurement Committee

Section 34 (1) (a) of the Public Procurement Act No. 8 of 2020 provides that the use of limited or direct bidding methods of procurement, except where direct bidding is on the grounds of the low value, require the prior authorisation of the relevant approvals authority who include among others the Procurement Committee.

Contrary to the Act, the contract for the purchase of the office building was executed in April 2021 while the Procurement Committee formalised the procurement on 29<sup>th</sup> December 2021, eight (8) months after execution of the contract.

#### ii. Irregular Direct Bidding of Marigold Properties Limited

Section 46 (1) (2) (a-e) of the Public Procurement Act No. 8 of 2020 provides that the objective of direct bidding is to achieve timely and efficient procurement, where the circumstances or value of the procurement do not justify or permit the use of competition.

Contrary to the Act, the Commission direct bid Marigold Properties Limited for the purchase of the building without comparative prices from other vendors of properties on the market.

Although the Commission sought authority from Zambia Public Procurement Authority (ZPPA) to regularise the transaction in retrospect in a letter dated 18<sup>th</sup> November 2021, ZPPA declined to approve the procurement citing abrogation of Section 34 (1).

#### iii. Failure to Obtain Approval from Attorney General

Section 72 (2) (e) of the Public Procurement Act No. 8 of 2020 provides that no contract, purchase order, letter of bid of accepting or other communication in any form conveying acceptance of a bid or award of a contract shall be issued without the approval and clearance by the Attorney General.

Contrary to the Act, the Commission procured the Office building at a contract sum of US\$1,395,495 (K25,410,000) without clearance by the Attorney General.

Although the Commission sought authority in retrospect to regularise the procurement from Attorney General in the letters dated 29<sup>th</sup> November 2021 and 3<sup>rd</sup> May 2022, the approval of the contract was rejected.

# Wasteful Expenditure - Procurement of Air Ticket Before Approval of Visitors Information Stay Admission (VISA)

Section 49 (1) of the Public Finance Management Act No. 1 of 2018 creates an offence of financial misconduct if the "Controlling Officer or Controlling Body wilfully or negligently makes or permits an unauthorised, irregular or wasteful expenditure or misapplication of funds or by an act or omission, causes the theft of public funds, public stores or public property".

On 17<sup>th</sup> June 2022, the Commission nominated the Chief Investigator under Restrictive Business Practices department to attend a conference on the contribution of competition policy to the resurgence of Micro, Small and Medium Enterprises (MSMEs) post Covid-19 in Bangkok, Thailand from 27<sup>th</sup> to 28<sup>th</sup> June 2022.

Prior to travelling, the officer had to apply for a VISA at the Thailand Embassy in South Africa. On 23<sup>rd</sup> June 2022, the Commission procured an air ticket for the officer at a cost of K37,160 VAT inclusive.

A review of documentation revealed that the VISA was only approved after the conference had come to an end resulting in the officer not travelling for the event.

Inquiries from management revealed that a claim for air ticket refund could not be made from the service provider as air service conditions only provided for a refund within 48 hours from the date of purchase of the air ticket resulting in loss of public funds.

#### j. Lease Agreement with Securities Exchange Commission (SEC)

On 1<sup>st</sup> April 2021, the Commission awarded a two (2) year lease agreement to the Securities Exchange Commission (SEC) for 410.5 square meters of an office building, as part of a loan condition and to use lease rentals/income to service the loan

of K10,000,000 obtained from Investrust Bank Plc, at a lease rental of US\$15 per square meter (K345/square meter) at an exchange rate of K23/1US\$, exclusive of withholding tax (WHT) and Value Added Tax (VAT) from 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2023, payable quarterly in advance by way of bank transfer into Investrust Bank Plc.

Further, on 1<sup>st</sup> February 2022, the Commission issued an addendum to the original lease agreement to increase the office space from 410.5 square meters to 510.5 square meters at a monthly rental charge of K345/square meter.

After the expiry of the two (2) year lease agreement on 31<sup>st</sup> March 2023, the Commission signed another lease agreement with SEC on 1<sup>st</sup> April 2023 with the same terms in the addendum for a period of one (1) year from 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024.

The following were observed:

#### i. Failure to Remit Tax on Rental Income

The Ministry of Finance Treasury and Management Circular No. 6 of 2017 instructed all institutions which were appointed to act as tax agents to withhold and remit taxes from payments eligible for tax effective 1<sup>st</sup> June 2017 to avoid loss of revenue due to increased taxpayer non-compliance.

Further, with effect from 1<sup>st</sup> January 2022, rental income was to be taxed as a standalone tax payable by the landlord at the rate of 10% of the gross rent payable for income below K800,000 per annum and 12.5% of the gross rent payable for incomes above K800,000 per annum.

Contrary to the Circular, the Commission awarded a lease agreement to SEC on 1<sup>st</sup> April 2021 which provided that the lease rentals of US\$15/square meter (K345/square meter) were WHT exclusive with the tenant having the responsibility to pay withholding tax and supply the receipts every month to the Commission.

Further, on 1<sup>st</sup> February 2022, the Commission issued an addendum to the lease agreement to increase the office space from 410.5 square meters to 510.5 square meters at a monthly rental charge of K345/square meter without amending Clause

5.5 of the lease agreement to align it to Government directives on the withholding and remittance of tax by the landlord.

A review of records revealed that the tenant (SEC) had paid amounts totalling K6,207,606 for which rental tax in amounts totalling K755,109 should have been remitted to Zambia Revenue Authority as of May 2025. See table 5 below.

**Table 5: Tax Not Remitted to ZRA** 

Year	Rental Amount Net of Tax K	Tax Rate	Tax Amount K
2021	1,274,603	10%	127,460
2022	2,078,970	12.5%	259,871
2023	2,113,470	16%	338,155
2024	740,563	4%	29,623
Totals	6,207,606		755,109

# ii. Failure to Collect Rental Income - Lease agreements with Avensis Group Limited

Following the execution of the contract of sale of stand No. 3827 between the Commission and Marigold Properties Limited, on 1<sup>st</sup> September 2021, the Commission further, signed a three (3) year lease agreement with Avensis Group Limited effective 1<sup>st</sup> October 2021 to 30<sup>th</sup> September 2023 at a lease rental of US\$15 per square meters for 100 square meters with a one-month security deposit exclusive of Withholding Tax (WHT) and Value Added Tax (VAT) payable quarterly or six months in advance with the tenant having the responsibility to pay WHT and supply the Commission with a receipt every month for the purpose of servicing the loan from Investrust Bank Plc.

On 1<sup>st</sup> February 2022, the Commission amended the initial lease agreement to increase the office space from 100 square meters to 181 square meters and monthly rental amount of US\$2,715.

A review of correspondences relating to the lease agreement with Avensis Group Limited revealed that the lessee defaulted on its five (5) months rental payments in amounts totalling US\$10,215 and unpaid utility bills totalling K7,757 from October 2021 to February 2022. In October 2022, the Commission obtained a

consent judgement and writ of fieri facias (fifa) to the Lusaka District Sheriff's office to seize goods and chattels of the defaulter to recover the owed amount.

As of November 2025, no evidence of foreclosure or seizure of the assets of the defaulter or the amounts owed being collected by the Commission was availed for audit.

#### 5 INDENI ENERGY COMPANY LIMITED

# 5.1 Background

#### a. Establishment

INDENI Energy Company Limited is an Oil Marketing Company (OMC), located in Ndola on the Copperbelt Province of Zambia. INDENI is wholly owned by Government through the Industrial Development Corporation (IDC).

#### b. Governance

According to Article 58 of the Articles of Association for INDENI, the number of the Board of Directors shall be seven (7) comprising the following:

- The Permanent Secretary or a representative for the Ministry responsible for Sector Policy;
- Not more than five (5) persons from the private sector; and
- The Managing Director.

Further, Article 59 further provides that a Director of the Board shall hold office for a period to be determined by the Shareholder. Retiring directors are eligible for reappointment.

The powers of appointment of the Board of Directors and the Chairperson of INDENI shall be a preserve of IDC.

#### c. Management

The day to day management of INDENI is the responsibility of the Chief Executive Officer (CEO) who is assisted by twelve (12) managers responsible for Operations and Engineering; Finance; Laboratory; Human Resource; Procurement; Safety, Health, Environmental and Quality; Business Development and Corporate Affairs; Commercial, Planning and Commodity Trading; Internal Audit; Information and Communication Technology; and Legal.

The CEO and managers are engaged on three (3) year contracts.

#### d. Sources of Funds

The sources of funds for INDENI include sales of petroleum products to Oil Marketing Companies (OMCs) and income raised through the weighbridge, land lease and laboratory services. In addition, INDENI can source funds through shareholders' funds, direct loans or any third-party financing.

### e. Budget and Income

During the period under review, INDENI budgeted to generate income in amounts totalling K10,486,694,000 from processing fees, sale of petroleum products and other sources. However, income in amounts totalling K1,931,626,000 was generated resulting in a negative variance of K8,555,068,000. See table 1 below.

**Table 1: Budget vs Income** 

Year	Budget K	Actual K	Variance K
2023	669,517,000	169,570,000	(499,947,000)
2024	9,817,177,000	1,762,056,000	(8,055,121,000)
Total	10,486,694,000	1,931,626,000	(8,555,068,000)

The poor revenue performance recorded in 2023 and 2024 which represented an income generation of only 18% of the budgeted revenue was largely attributed to the failure by INDENI to secure contracts with major bulk off takers such as mining and other large scale industrial companies.

#### 5.2 Audit Findings

A review of accounting and other records maintained at INDENI Energy Company Limited for the financial years ended 31<sup>st</sup> December 2023 and 2024 revealed the following:

# a. Weaknesses in the Management of the Transition from Refinery to Oil Marketing Company

In 2021, the Government made reforms in the energy sector by replacing the importation of Crude Oil through the Tazama Pipeline with importation of Finished Petroleum Products. Consequently, INDENI's business model changed from Oil Refinery to Oil Marketing.

The following were observed:

#### i. Failure to Dispose Decommissioned Refinery Assets

In 2023, following an operational review and recognition that certain refinery equipment would no longer be used under the new Oil Marketing Company (OMC) model, an impairment charge of K147 million was recognised in the statement of profit and loss. The decision was guided by the fact that these assets would no longer generate income.

In addition, during the period under review, the Company incurred expenses in amounts totalling K4,836,000 comprising of K1,747,000 for 2023 and K3,089,000 for 2024 on care and maintenance of the decommissioned assets.

However, as at 31<sup>st</sup> October 2025, these assets had not been disposed of.

# ii. Payment for Works not Done and Materials not Delivered - Contract for Construction Design, Procurement and Construction of New Crude Oil Storage Tank

On 26<sup>th</sup> November 2020, INDENI Petroleum Refinery Company Limited signed a contract with Yarden Engineering and CCESCC for design, procurement and construction of a new Crude Oil Storage Tank number 4 at a contract sum of US\$7,892,933.74 (VAT inclusive) for a period of three (3) years. The works were to be undertaken in phases from December 2020 to November 2023.

The schedule of payments was as follows: Year 1-Phase 1-US\$2,277,993,98, Year 2 Phase 2 – US\$4,774,358,16, Year 3 Phase 3- US\$840,692.60.

As at 31<sup>st</sup> December 2024, amounts totalling US\$2,667,585 had been paid on this contract representing 33% leaving a balance of US\$5,223,348.29.

However, following a change in Government policy that transformed INDENI from a refinery into an oil marketing company, the contract was terminated on 30<sup>th</sup> June 2022.

Subsequently, final accounts were prepared in December 2024 which included Interim Payment Certificate (IPC) No. 3. As at 17<sup>th</sup> June 2025, INDENI made four (4) instalment payments in amounts totalling US\$521,857.43 under the said IPC.

It was observed that the IPC included payment for materials purportedly delivered for the construction of the tank foundation. A physical inspection revealed that there were no materials delivered.

Consequently, INDENI incurred expenditure on works that were not executed, resulting in an irregular payment. See picture below.



Bare Place for Tank 4

#### b. Financial Analysis

#### i. Statement of Profit or Loss and Other Comprehensive Income

The Statement of Profit or loss and Other Comprehensive Income for the financial years ended 31<sup>st</sup> December 2023 and 2024 was as indicated in table 2 below.

**Table 2: Statement of Profit or Loss** 

Statement of Profit or Loss and Other	2024	2023
Comprehensive Income	K	K
Revenue	1,762,056,000	169,570,000
Cost of sales	(1,728,215,000)	(166,244,000)
Gross profit	33,841,000	3,326,000
Government grants	_	89,135,000
Other operating income	32,385,000	3,401,000
Administrative expenses	(104,155,000)	(123,815,000)
Other operating expenses	(27,747,000)	(16,494,000)
Operating loss	(65,676,000)	(44,447,000)
Finance (expense)/income	(15,009,000)	3,144,000
Loss before taxation	(80,685,000)	(41,303,000)
Income tax credit	24,297,000	14,629,000
Loss for the year	(56,388,000)	(26,674,000)

Source: INDENI Energy Company Limited Audited Financial Statements 2023 and 2024

The following were observed:

# • Non-Attainment of Set Operating Profit Margin Ratio

The operating profit margin ratio measures a company's profitability from its core operations by dividing its operating profit by its total revenue. The ratio is typically expressed as a percentage. The ratio is a key indicator of a company's operational efficiency and managerial competency.

During the period under review, INDENI set the operating profit margins at 71% and 69% for the years 2023 and 2024 respectively.

However, INDENI did not meet the set targets in that the actual operating profit margins were negative 26% and negative 4% in 2023 and 2024 respectively. See table 3 below.

Details	2024	2023
Details	K	K
Revenue	1,762,056,000	169,570,000
Operating loss	(65,676,000)	(44,447,000)
Actual Operating Profit Margin Ratio %	(4)	(26)
Targeted Operating Profit Margin Ratio %	69	71

# • Failure to Attain Gross Profit Margin Ratio

Gross profit margin is a profitability ratio calculated as a percentage of the revenue that remains after deducting the cost of goods sold. It is an indicator

of how efficiently a company produces and sells its products or services by measuring the portion of sales revenue that exceeds direct costs.

During the period under review, INDENI set the gross profit margin at 83%.

However, INDENI did not meet the set targets in that the actual gross profit margins achieved were 2% in both 2023 and 2024. See table 4 below.

Details	2024	2023
Details	K	K
Revenue	1,762,056,000	169,570,000
Gross Profit	33,841,000	3,326,000
Actual Gross Profit Margin Ratio %	2	2
Targeted Gross Profit Margin Ratio %	83	83

The failure to attain the targeted Gross Profit Margin Ratio of 83% for both years was attributed to the company's high Cost of Sales which stood at 98% of Revenue.

## • Non – Attainment of Net Profit Margin

The net profit margin is a profitability ratio that shows how much of a company's total revenue remains as profit after all expenses have been paid. It is calculated by dividing net income by total revenue and is expressed as a percentage. A higher percentage indicates better financial health and cost management, while a negative margin means the company is unprofitable for that period.

During the period under review, INDENI set the net profit margin at 23% and 22% for the years 2023 and 2024 respectively. However, INDENI did not meet the set targets in that the actual net profit margins were negative 16% and negative 3% in 2023 and 2024 respectively. See table 5 below.

**Table 5: Net Profit Margin** 

Details	2024 K	2023 K
Revenue	1,762,056,000	169,570,000
Profit after Tax	(56,388,000)	(26,674,000)
Actual Net Profit Margin %	(3)	(16)
Target Net Profit Margin %	22	23

Management attributed the failure to attain the targeted net margins to reduced revenue, arising from reduced purchase of the finished products than planned.

# ii. Failure to Attain Set Financial Perspective Key Performance Indicators

During the period under review, the IDC established performance targets for INDENI. Key among these performance targets were benchmarks for revenue generation, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), administrative expenses as a percentage of revenue, staff expenses as a percentage of revenue and annual procurement of Low Sulphur Gas Oil. A review of performance reports revealed that INDENI did not achieve any of these key performance indicators (KPIs). See details in table 6 below.

**Table 6: Status on IDC Performance Targets** 

IDC Dawformanaa Tawaata	20	24	2023	
IDC Performance Targets	Target	Achieved	Target	Achieved
Revenue Targets (K)	9,817,177,000	1,762,056,000	669,517,000	169,570,000
EBITDA Margin %	0.78	(3.75)	-	-
Administrative Expenses				
As Percentage of Revenue %	0.36	6	0.36	73
Set Staff Expenses As				
Percentage of Revenue %	0.36	2.9	-	-
Annual Procurement of Low				
Sulphur Gas Oil - Metric				
Tonnes (MT)	400,000	65,268	-	-

The underperformance was attributed to several contributing factors. Firstly, the revenue and EBITDA targets were not achieved due to delays by INDENI in securing contracts with fuel suppliers, which limited its ability to procure the planned quantities of finished petroleum products, consequently reducing revenue generation. Secondly, the administrative expenses-to-revenue ratio target was not met as the INDENI continued to incur fixed overhead costs such as insurance expenses, which remained constant despite reduced operational activity. Lastly, the staff expenses-to-revenue ratio was adversely affected by the fact that INDENI continued to maintain one hundred and forty one (141) employees on short-term contracts which resulted in substantial pay-out of gratuity obligations during the period under review.

#### iii. Statement of Financial Position

The Statement of Financial Position for the financial years ended 31<sup>st</sup> December 2023 and 2024 is as tabulated in table 7 below.

**Table 7: Statement of Financial Position** 

Statement of Financial Position	2024 K	2023 K
Non Current Assets		
Property, Plant & Equipment	252,098,000	293,882,000
Deferred tax	100,880,000	69,733,000
	352,978,000	363,615,000
Current Assets		
Inventories	103,867,000	59,560,000
Trade and other receivables	38,850,000	11,317,000
Bank and cash	22,979,000	63,003,000
<b>Total Current Assets</b>	165,696,000	133,880,000
Total Assets	518,674,000	497,495,000
Equity		
Share Capital	292,654,000	292,654,000
Accumulated losses	(280,830,000)	(224,442,000)
Total equity	11,824,000	68,212,000
Non Current Liabilities		
Dividends payable	42,932,000	42,932,000
	42,932,000	42,932,000
Current Liabilities		
Trade and other payables	412,957,000	342,118,000
Current income tax	50,961,000	44,233,000
	463,918,000	386,351,000
Total equity and liabilities	518,674,000	497,495,000

Source: INDENI Energy Company Limited Audited Financial Statements for 2023 and 2024

The following were observed:

# • Failure to Achieve Targeted Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability ratio that measures how efficiently a company is generating profits from the capital invested by the shareholders.

During the period under review, INDENI set the ROCE at 103% and 117% for the years 2023 and 2024 respectively. However, INDENI did not meet the set targets in that the actual ROCE achieved was negative 40% and negative 120% in 2023 and 2024 respectively. See table 8 below.

**Table 8: Return on Capital Employed** 

Deganintion	2024	2023
Description	K	K
Net Operating Profit	(65,676,000)	(44,447,000)
Capital Employed	54,756,000	111,144,000
Actual ROCE %	(120)	(40)
Targeted ROCE %	117	103

# • Failure to Achieve Set Return on Equity

Return on equity (ROE) is a ratio that shows a company's profitability by measuring how effectively it uses its shareholders' equity to generate profit. A higher ROE generally indicates greater efficiency in generating profits from shareholder investments.

During the period under review, INDENI set the ROE at 24% and 18% for the years 2023 and 2024 respectively. However, INDENI did not meet the set targets in that the actual ROE achieved was negative 0.4% and negative 4.8% in 2023 and 2024 respectively. See table 9 below:

**Table 9: Return on Equity** 

Details	2024 K	2023 K
Net Profit/Loss	(56,388,000)	(26,674,000)
Total Equity	11,824,000	68,212,000
Return on Equity(ROE) %	(4.8)	(0.4)
Targeted Return on Equity %	18	24

Management responded that failure to meet the required target was due to poor profitability, arising from reduced Revenue than planned.

#### Poor Working Capital

Working capital is a measure of a company's short-term financial health, calculated as the difference between its current assets and current liabilities. A negative working capital indicates that the Company may not meet short term obligations as they fall due.

The working capital for INDENI deteriorated from negative K252,471,000 in 2023 to negative K298,222,000 in 2024 as shown in table 10 below.

**Table 10: Working Capital** 

Description	2024 K	2023 K
Total current assets	165,696,000	133,880,000
Total current liabilities	463,918,000	386,351,000
Working capital	(298,222,000)	(252,471,000)

# • Failure to Achieve Set Current Ratio Target

The current ratio is a liquidity ratio that measures a company's ability to pay its short-term liabilities with its short-term assets. A current ratio that is below one (1) may indicate potential difficulties in meeting debt obligations.

The IDC set a current ratio of 2:1 to be achieved by INDENI in 2024. However, INDENI did not achieve the set current ratios in that the actual ratio as at 31<sup>st</sup> December 2024 was 0.36:1. See table 11 below.

**Table 11: Current Ratio** 

Idom	2024
Item	K
Current Assets	165,696,000
Current Liabilities	463,918,000
Actual Current Ratio	0.36:1
Target Current Ratio	2:1

# c. Failure to Settle Outstanding Obligations

As at 31<sup>st</sup> October 2025, INDENI owed various statutory bodies amounts totalling K84,598,697 in respect of statutory obligations. See table 12 below.

**Table 12: Outstanding Statutory Obligations** 

Description	Amount K
VAT	46,308,236
NAPSA Contributions	9,033,728
NHIMA Contributions	4,819,506
Corporation Tax	24,437,228
Total	84,598,697

In addition, as at 31st October 2025, INDENI owed amounts totalling K107,818,448 to suppliers of goods and services, IDC and outstanding actuarial payments on the in-

house pension fund among others, some of which had been outstanding from as far back as 2022.

#### 6 INFRATEL CORPORATION LIMITED

#### 6.1 Background

#### a. Establishment of INFRATEL Corporation Limited

INFRATEL Corporation Limited was incorporated on 23<sup>rd</sup> August 2018 and commenced operations on 1<sup>st</sup> October 2019 and is wholly owned by the Government through the Industrial Development Corporation (IDC).

The Corporation's mandate is to own, manage, invest in, and lease out common shareable Information and Communications Technology (ICT) and Telecommunications infrastructure to both public and private customers. The Corporation was established to support the growth of the ICT sector through the provision of shareable ICT and telecommunications infrastructure and maximizing value of existing shareable ICT and telecommunications infrastructure within the IDC group and public sector (Government).

The Corporation owns and operates three (3) tier III data centres, two (2) in Lusaka District and one (1) in Kitwe District, and over 1,200 telecommunication towers across the country.

#### b. Governance

Clause 13(60) to (62) of the Amended Articles of Association for INFRATEL Corporation Limited provides for the establishment of the governing Board of Directors comprising seven (7) members as follows:

- 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. The Chief Executive Officer.

The appointment of the Board of Directors and the Chairperson shall be the preserve of the IDC.

# c. Operational and Management Structure

The Chief Executive Officer reports to the board and is responsible for the day-to-day operations of the company. The CEO is assisted by Heads of Business Units responsible for Technical; Information Systems; Finance and Administration; Sales and Marketing; Supply Chain; Legal; Strategy and Business Development; and Internal Audit and Risk.

#### d. Sources of Funds

The sources of funds for the Corporation were from tower services, data centre revenue and other investments.

#### 6.2 Audit Findings

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

#### a. Annual Performance

#### i. Budget and Income

During the period under review, the Corporation budgeted to generate revenue of K877,500,401 against which amounts totalling K810,236,269 were generated resulting in a negative variance of K67,264,132. See table 1 below.

**Table 1:Budget vs Actual** 

Year	Budget	Actual	Variance
1 eai	K	K	K
2024	447,444,063	425,428,941	(22,015,122)
2023	430,056,338	384,807,328	(45,249,010)
Total	877,500,401	810,236,269	(67,264,132)

# ii. Statement of Profit or Loss and Other Comprehensive Income

The statement of profit or loss and other comprehensive income for the Corporation for the period under review was as detailed in table 2 below.

**Table 2: Statement of Profit or Loss and Other Comprehensive Income** 

	2024	2023	2022
	K	K	K
Revenue	425,428,941	384,807,328	349,809,328
Cost of sales	(271,177,380)	(237,269,287)	(229,258,512)
Gross Profit	154,251,561	147,538,041	120,550,816
Operating Expenditure			
Other income	6,065,355	1,258,944	1,932,307
Other (losses) gains	(345,964)	(272,291)	(498,757)
Marketing expenses	(7,206,614)	(4,192,981)	1,433,550
Administrative expenses	(144,647,212)	(133,835,943)	(132,741,210)
Write back/(charge) of loss	109,364,331	(69,641,925)	-
Other expenses	(3,000,273)	(1,425,597)	(107,065,599)
Finance costs	(4,083,623)	(73,492,875)	(68,665,036)
Profit/loss before tax	110,397,561	(134,064,627)	(185,053,929)
T 11.7	(1.420.525)	(24.076.524)	
Income tax credit (expense)	(1,430,535)	(34,976,534)	-
Profit/Loss for the year	108,967,026	(169,041,161)	(185,053,929)

# iii. Statement of Financial Position

The Statement of Financial Position for the period under review is shown in table 3 below.

**Table 3: Statement of Financial Position** 

	2024 K	2023 K	2022 K
ASSETS	N.	K	N.
Non-current assets			
Property and equipment	2,700,666,592	2,606,722,381	2,700,955,441
Right of use assets	7,303,616	13,813,136	21,950,775
Intangible asset	41,624,538	62,154,929	91,635,964
Government Bond	14,991,240	14,991,240	91,033,904
Deferred Tax	14,991,240	14,991,240	34,911,862.00
Total non-current assets	2,764,585,986	2,697,681,686	
Total non-current assets	2,704,505,900	2,097,001,000	2,849,454,042
Current assets			
Inventory	559,036	1,298,473	378,343
Trade and other receivables	163,750,618	51,756,950	75,311,788
Bank and cash balances	49,819,971	66,365,304	27,561,974
Total current assets	214,129,625	119,420,727	103,252,105
TOTAL ASSETS	2,978,715,611	2,817,102,413	2,952,706,147
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	100.000	100,000	100,000
Amount pending allotment of shares	2,854,453,566	2,232,203,566	2,232,203,566
Revaluation Reserves	95,299,364	136,250,427	
Accumulated loses	-283,134,191		204,816,487
	2,666,718,739	-433,052,280 <b>1,935,501,713</b>	(332,577,179)
Total capital and reserves	2,000,/18,/39	1,935,501,713	2,104,542,874
Non-current liabilities			
Borrowings	6,294,270	631,653,297	630,179,265
Lease liability	1,575,447	15,186,760	21,225,723
Capital grants	2,988,338	3,192,798	3,741,334
Total non-current liabilities	10,858,055	650,032,855	655,146,322
Current Liabilities			
Current Liabilities Trade and other payables	147 429 090	72 070 120	96 049 060
1 7	147,428,989 3,473,094	73,079,138	86,048,069
Borrowings	, ,	2,684,771	3,847,407
Lease liability	6,312,913	6,312,913	7,008,658
Capital grants	329,381	548,536	548,536
Amounts due to related parties	142,977,048	148,962,662	95,528,756
Current tax payable	617,392	-20,175	35,525
Total current liabilities	301,138,817	231,567,845	193,016,951
Total liabilities	311,996,872	881,600,700	848,163,273
TOTAL EQUITY AND LIABILITIES	2,978,715,611	2,817,102,413	2,952,706,147

The following were observed:

# • Failure to Meet Key Performance Targets - Performance Management Contracts 2023 and 2024

An examination of the signed performance management contracts between the Industrial Development Corporation (IDC) and Infratel Corporation Limited revealed that the Corporation failed to achieve the set targets except the current ratio for the year 2024. See table 4 below.

**Table 4: Financial Performance** 

Ohioativa		2024			2023	
Objective	Targets	Actual	Variance	Targets	Actual	Variance
a. Key Financial Metrics						
i. Total Revenue (K'000,000)	447.44	425.43	22.01	431	384.81	46.19
ii. Current Ratio	0.32	0.61	0.29	0.17	0.14	0.03
b. Management Efficiency Ratios						
i. Asset Turnover (%)	16	14	2	16	14	2
c. Receivables and Payables Management						
i. Zamtel Trade Receivables (days)	60	263	203	264	281	17
ii.Trade Payables (days)	60	126	66	74	69	5

# • Debtor Management

The credit policy of INFRATEL provides for receivables to remain outstanding for a period not exceeding 60 days.

However, as at 31<sup>st</sup> December 2024, INFRATEL Corporation Limited was owed amounts totalling K362,888,061 by various customers, some of which had been outstanding for more than 90 days. See table 5 below.

**Table 5: Debtors Age Analysis** 

Year	Current	30 days	60 days K	90 days K	Over 90 days K	Total Outstanding K
2023	(58,001)	35,656,569	29,081,421	26,802,786	269,835,613	361,318,388
2024	(460,664)	42,362,049	30,054,494	30,387,503	260,544,678	362,888,061

#### • Failure to Meet Planned activities.

A review of the Strategic Plan for the period 2021 to 2025 revealed that the Corporation planned to implement seventy nine (79) activities across five (5) programmes in 2024

However, as at 31<sup>st</sup> December 2024, only fifty nine (59) activities had been fully implemented leaving five (5) activities unimplemented while 13 activities were work in progress and one (1) activity had been discontinued. This represented a 78% overall programme performance. See table 6 below.

**Table 6: Failure to Achieve Strategic Plan** 

No.	Theme	Strategic Objective	Authority Action	Key performance indicators	Achievement Status/Reasons	Variance	Percentage of Achievement
1	Good Corporate	Enhance business processes and procedures	Enhance implementation of the MSE framework for program implementation- 80% full year achievement	80%	75%	5%	94%
	Governance	Upgrade Data centre capacity	Acquire primary and secondary cloud platform to replace fusion platform by end of 2024	100%	0	100%	0%
		Improve Service Delivery	Improve power availabilty at tower sites to 98.89%	98.89%	87.92%	10.97%	89%
2	Operational Excellence	Improve internal Audit and risk services	Procure CAATS and ERM information technology tools to enhance quality of data collection, analysis and output.	100%	50%	50%	50%
3	Financial sustainanbility	Continuos innovation	Continous development and system improvement of internal systems-tower access management systems	100%	50%	50%	50%
	Total			5	3	2	12%

# Weaknesses in the Management of Tower Infrastructure - Failure to Maintain Continuous Tower Site Operations

INFRATEL Corporation Limited operates under a network licence and a service licence issued by the Zambia Information and Communications Technology Authority (ZICTA), authorising it to establish and manage a national optical fibre transmission backbone, telecommunications towers, and Tier III data centres.

As part of its licensed mandate, INFRATEL has been resourced with 1,282 towers nationwide to support the wireless communication requirements of mobile network operators and internet service providers.

The towers are intended to provide shared colocation services, equipped with backup power, cooling systems, physical security, and both ground and tower space for tenant equipment.

On 19<sup>th</sup> January 2024, INFRATEL (Host) entered into a five-year contract with MTN Zambia Limited to manage sharable passive infrastructure, including tower space, ground space, DC power, and site security. The contract stipulates a monthly fee of

K19,764 (VAT exclusive) for sites excluding energy sharing charges (DC) and K30,390 for standard on-grid and off-grid sites.

Section 3 (1) and (2) of the contract requires the Host to provide sufficient DC (48VDC) power for the sharing operator's equipment and ensure power uptime as per the agreed service schedule. Where uptime falls below 96%, the Host is liable to a penalty of 10% of the monthly charge.

However, a physical verification conducted on 11<sup>th</sup> September 2025 at twenty one (21) sites revealed that the sites operated below the 96% uptime threshold due to power backup failures. This non-compliance resulted in penalties amounting to K1,081,900 being charged to INFRATEL.

## c. Contract Management

# i. Contract for the Supply and Delivery of Lithium-ion and Lead Acid Batteries

On 22<sup>nd</sup> August 2024, INFRATEL signed a three-year framework agreement with CCS Comservice, in joint venture with MUTECH Zambia Ltd, for the supply and delivery of Lead-Acid and Lithium-Ion batteries valued at US\$7,830,000. In addition, Appendix 2, Part 4 of the framework agreement stated that, the expected delivery period was 8 to 10 weeks from the date of the Factory Acceptance Test (FAT).

On 15<sup>th</sup> October 2024 INFRATEL issued a local purchase order in amounts totalling US\$694,625 for the supply and delivery of 420 units of 48V 200Ah lithium-ion batteries, 840 battery terminal cabinet connectors, and 105 battery cabinets (each with a 6-battery capacity).

A review of payment vouchers revealed that on 29<sup>th</sup> October 2024, INFRATEL made an initial advance payment of US\$173,656 to the supplier, representing 25% of the total contract value. In addition, on 15<sup>th</sup> May 2025 an additional US\$173,656 was paid to the contractor bringing the total amount disbursed to the supplier to US\$347,313 representing 50% of the total contract sum.

The following were observed:

# • Failure to Charge Liquidated Damages

Part 27 of the Framework Agreement between INFRATEL Corporation Limited and CCS Comserve, and Mutech Zambia Ltd. outlines the provisions governing liquidated damages in the event of delay or failure to meet delivery timeframes or performance obligations. Under this clause, the contractors are liable to pay predetermined damages to the Corporation for each week of delay beyond the agreed delivery period.

Further, Part 25.1 of the GCFA requires that liquidated damages be calculated at 0.5% of the contract price for every week of delay.

Despite the supplier's failure to deliver the contracted goods within the agreed timeframe, INFRATEL had not invoked or enforced its right to claim liquidated damages.

Although in their submission management stated that they had notified the supplier of their intention to charge liquidated damages, the notification was not availed for audit as at 30<sup>th</sup> September 2025.

# ii. Contract for Supply, Delivery and Installation of 15 Clear View Fences at 15Tower Sites - Failure to Calculate and Charge Liquidated Damages

On 20<sup>th</sup> September 2024, INFRATEL Corporation Ltd signed a contract with Grand Technical Services Ltd for the supply, delivery, and installation of clear view fencing at 15 tower sites in Luapula Province. The contract was valued at K2,574,950 (VAT inclusive), with a completion period of six (6) months.

As of July 2025, the contractor had been paid K643,738 representing 25% of the total contract price.

The scope of works included the following:

- Supply, delivery and installation of fifteen (15) perimeter fences as per specified sizes,
- Supplied fences should meet clear view fences standard specified under technical specifications,

- Bidder to prepare the sites for installation. In case of old damaged fences, the bidder will be required to remove the damaged fence and clear the site of any rubble after installation of the new fence,
- Bidder to install new fence with new kerbs underneath the fence and ramp at the gate,
- Provide own storage and security for all fence material during installation,
- Bidder to transport the fence materials from its warehouse to specified tower sites,
- The Fences should have razor wire fencing tops to get maximum boundary protection.

Clause 49.1 of the contract states that "The Contractor shall pay liquidated damages to the employer at the rate per day stated in the contract for each day that the completion date is later than the intended completion date. The amount of the liquidated damages shall not exceed the amount defined in the contract. The employer may deduct liquidated damages from the payments due to the contract. The payment of liquidated damages shall not affect the contractor 's liabilities.

Further, GCC 49 of the contract states that, "The liquidated damages for the works are 0.07 % of the final contract price per day. The maximum amount of the liquidated damages for the whole of the works is 7% of the final contract price.

Contrary to the above Provision, INFRATEL Corporation Limited did not calculate or charge liquidated damages, nor did it notify the contractor of its intention to invoke the liquidated damages clause following the expiry of the contract period in March 2025. As of August 2025, three (3) months after the contract had expired, the contractor had not supplied or installed any clear view fencing at all the fifteen (15) sites.

There was no evidence availed to show that the liquidation damages clause was invoked as at 3<sup>rd</sup> September 2025.

#### d. Failure to Adhere to Insurance Obligations - Loss of Funds

On 1<sup>st</sup> October 2020, the Corporation engaged ZSIC General for the provision of insurance services at all Infratel sites at a contract sum of K2,810,466.

Clause 1 of the General conditions of the insurance policy provided that the insured shall take reasonable steps to safeguard the property insured at its tower sites which included the installation of the CCTV. A review of the monitoring and evaluation report for the year 2023 and 2024 revealed that the CCTV were not installed at the tower sites.

During the period under review, equipment valued at K8,271,555 was stolen from various sites. The value of the stolen equipment was expected to be recovered through security managed service partners whose liability to the Corporation was K3,208,791 and the insurance provider whose liability to the Corporation was K5,366,334.

However, as at 30<sup>th</sup> September 2025, amounts totalling K1,749,359 had been recovered from the insurance provider out of a total claim of K5,366,334 leaving K3,616,975 outstanding. The non-recovery of the K3,616,975 was attributed to the Corporation's failure to install CCTV at its tower sites as provided for in the contract.

#### 7 KAWAMBWA TEA INDUSTRIES LIMITED

#### 7.1 Background

#### a. Establishment

Kawambwa Tea Industries Limited (KTIL) is Zambia's main commercial tea producer located in Kawambwa - Luapula Province, wholly owned by the Industrial Development Corporation (IDC).

The estate began as a government pilot in 1969, was commercialized as a state company in 1975, and commissioned a processing factory in 1976 to drive import substitution, food security, job creation, poverty reduction, and local infrastructure.

Privatized in 1996 to spur private-sector growth, the venture underperformed, leading the Government to repossess the assets in 2015 and tasked IDC through Zambia Forestry and Forest Industries Corporation (ZAFFICO) with rehabilitation and

expansion. ZAFFICO then created ZAFFICO Tea Company as an SPV to manage the assets while ownership remained with IDC.

In 2019, Government authorized ZAFFICO to invest proceeds from illegally harvested and forfeited mukula into the tea operations. KTIL was subsequently incorporated and, from 2021, assumed independent operation of the estate.

#### b. Governance

Article 13 (57) and (58) of the KTIL Articles of Association provides for the establishment of a Governing Board appointed by the shareholder consisting seven (7) members as follows:

- A representative from the Provincial Administration for Luapula Province;
- Not more than five (5) members from the private sector; and
- the General Manager.

The chairperson of the Board is appointed by the IDC for a tenure of three (3) years and is eligible for re-appointment.

#### c. Management

The General Manager is responsible for the day-to-day operations of the Company. He is assisted by six (6) Managers responsible for Finance and Information and Communication Technology; Production and Quality; Procurement; Human Resource and Administration; Sales and Marketing; and Audit and Risk. The General Manager and his managers are appointed by the Board on three (3) year renewable contracts.

#### d. Sources of Funds

The sources of funds for KTIL include among others revenue from tea sales, funds from Shareholders and any other monies as may be invested by the company.

#### e. Budget and Income

During the period from 1<sup>st</sup> January 2023 to 31<sup>st</sup> December 2024, the Company had a total budgeted income of K77,374,479 out of which amounts totalling K42,803,369 were realised resulting in a negative variance of K34,571,110. See table 1 below.

**Table 1: Budget and Income** 

		2024			2023			Total	
Item	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	K	K	K	K	K	K	K	K	K
Sales	27,667,755	19,624,860	8,042,895	31,456,139	20,531,833	10,924,306	59,123,894	40,156,693	18,967,201
External Income	9,951,393	0	9,951,393	6,649,192	-	6,649,192	16,600,585	-	16,600,585
Other Income	350,000	2,087,238	- 1,737,238	1,300,000	559,438	740,562	1,650,000	2,646,676	- 996,676
Total	37,969,148	21,712,098	16,257,050	39,405,331	21,091,271	18,314,060	77,374,479	42,803,369	34,571,110

# 7.2 Audit Findings

An examination of accounting and other records for the financial years ended 31<sup>st</sup> December 2023 and 2024 maintained at KTIL Head Office revealed the following:

#### a. Audit of Annual Performance Information

# i. Failure to Meet Revenue Targets

According to the performance contract between IDC and KTIL, the revenue target for period under review was set at K59,120,000. However, KTIL generated revenue in amounts totalling K40,156,693 resulting in a negative variance of K18,963,307. See table 2 below.

**Table 2: Revenue Target against Actual Revenue** 

Year	Target K	Actual K	Variance K
2024	27,660,000	19,624,860	(8,035,140)
2023	31,460,000	20,531,833	(10,928,167)
Total	59,120,000	40,156,693	(18,963,307)

#### ii. Financial Analysis – Statement of Profit and Loss

The financial statements of KTIL for the years ended 31<sup>st</sup> December 2022, 2023 and 2024 are as shown in table 3 and 4 below.

Table 3: Statement of Profit and Loss and Other Comprehensive Income

	2024	2023	2022
Item	K	K	K
Revenue	19,624,860	20,531,833	14,440,005
Cost of Sales	(14,101,197)	(14,088,193)	(10,203,201)
Gross Profit	5,523,663	6,443,640	4,236,804
Change in fair value of biological assets	11,218,145	11,397,194	3,784,736
Other Income	2,087,238	559,438	601,962
Operating expenses	(10,478,217)	(9,610,815)	(8,172,845)
Results from operating actitivities	8,350,829	8,789,457	450,657
Finance Income	178,181	7,907	1
Finance expense		-	(165,606)
Net finance income (cost)		7,907	(165,606)
Profit before tax	8,529,010	8,797,364	285,051
Income tax expense	(999,501)	(914,420)	(66,260)
Profit for the year	7,529,509	7,882,944	218,791

Source: Extract of Audited Financial Statements 2022, 2023 and 2024 of Kawambwa Tea

# Declining Gross Profit Margin

Gross profit margin is a profitability ratio calculated as a percentage of revenue that remains after subtracting the cost of goods sold. This ratio indicates how efficiently a company manages its production or service costs and is a key measure of a company's operational efficiency.

According to the performance contract signed between IDC and KTIL the gross profit margin targets were set at 76% in 2023 and 62% in 2024. See table 4 below.

**Table 4: Gross Profit Margin** 

Item	2024	2023	2022
Revenue (K)	19,624,860	20,531,833	14,440,005
Gross Profit (K)	5,523,663	6,443,640	4,236,804
<b>Gross Profit Margin</b>	28%	31%	29%
IDC targets	62%	76%	

As can be seen from table 4 above, the company attained gross profit margins of 29% in 2022, 31% in 2023 and 28% in 2024 which were below the set targets.

#### • Failure to Meet Set Staff Costs as a Percentage of Revenue Ratio Target

According to the performance contract signed with IDC, the staff costs to revenue targets were set at 25 % and 30.43% for the years 2023 and 2024 respectively as shown in table 5 below.

Table 5: Staff Costs as a Percentage of Revenue

Item	2024	2023
Revenue (K)	19,624,860	20,531,833
Staff Costs (K)	10,637,050	9,570,550
Ratio	54%	47%
IDC targets	30.43%	25%

However, the company recorded ratios of 47% and 54% in the years 2023 and 2024 respectively, thereby not achieving the targets set by IDC. The high staff cost to revenue ratios meant that the high portion of the company's earnings went towards staff related expenditure.

#### • Adverse Revenue per Hectare

According to the Performance Contract signed with the IDC, the set target for Revenue per Hectare ratio was K7,930/ha for 2023 and K7,624/ha for 2024. See table 6 below.

**Table 6: Revenue per Hectare** 

Item	2024	2023
Revenue per Year (K)	19,624,860	20,531,833
Planted and Harvested		
Hectarage	2,751	4,109
Ratio	7,134	4,997
IDC targets	7,624	7,930

As can be seen from the table above, the company attained metrices of K4,997/ha in 2023 and K7,134/ha in 2024 below the targets set by IDC by K2933/ha in 2023 and K490/ha in 2024. The failure to meet the targets was attributed to the liquidity challenges.

#### • Adverse Green Leaf Yield Per Hectare

Green Leaf Yield Per Hectare is a metric that measures the quantity of green leaves harvested or produced per unit of land area (Hectare). The metric helps

to evaluate and optimise crop yields making informed decisions about farming practices, resource allocation and production planning.

According to the performance contract signed with the IDC, the set target for Green Leaf Yield Per Hectare Ratio was 1,025MT/ha for 2023 and 1,277MT/ha for 2024. See table 7 below.

**Table 7: Green leaf Yield Per Hectare** 

Item	2024	2023
<b>Cumulative Harvested yield</b>	3,312,202	3,955,118
Size of Land harvested	2,751	4,109
Ratio	1,204	963
IDC targets	1,277	1,025

As can be seen from the table above, the KTIL attained Green Leaf Yields of 963MT/ha in 2023 and 1204MT/ha in 2024 which were below the set targets in the performance contract by 62MT/ha in 2023 and 73MT/ha in 2024.

#### • Failure to Attain Made Tea Per Hectare

Made Tea per Hectare is a metric that measures the quantity of made tea (processed tea) produced per unit of land area (Hectare). It is used to evaluate the productivity and efficiency of tea plantation estates. The metric is used to assess and optimise tea production making informed decisions about farming practices, resource allocation and production planning.

According to the Performance Contract signed with IDC, the set targets for the made tea per hectare was 212MT/ha in 2023 and 268Mt/ha in 2024 as shown in table 8 below.

**Table 8: Made Tea Per Hectare** 

Item	2024	2023
Made Tea	711,586	805,234
Size of land harvested	2,751	4,109
Ratio	259	196
IDC targets	268	212

As can be seen from table 8 above, the KTIL did not attain the Made Tea per Hectare in both 2023 and 2024.

# iii. Financial Analysis - Statement of Financial Position

The financial performance of the company for the financial years ended 31<sup>st</sup> December 2022, 2023 and 2024 was as shown in table 9 below.

**Table 9: Statement of Financial Position** 

	2024	2023	2022
	K	K	K
Assets			
Non-Current Assets			
Property, Plant and Equipment	247,903,419	239,703,954	227,469,576
Biological Assets	50,738,909	39,520,764	28,123,570
Intangible Assets	67,059	101,098	95,055
Deferred			21,110
Total Non-Current Assets	298,709,387	279,325,816	255,709,311
<b>Current Assets</b>			
Biological Assets	377,365	287,138	318,236
Inventories	8,029,896	6,224,407	6,385,514
Receivables	488,662	491,243	638,744
Cash and Cash Equivalents	5,283,203	459,549	5,174,254
<b>Total Current Assets</b>	14,179,126	7,462,337	12,516,748
Total Assets	312,888,513	286,788,153	268,226,059
<b>Equity and Liablities</b>			
Equity			
Share Capital	15,000	15,000	15,000
Capital Reserves	161,500,582	161,500,582	161,500,582
Revaluation Reserves	32,259,260	32,950,530	33,641,800
Retained Earnings	35,782,104	27,484,517	18,833,495
Total Equity	229,556,946	221,950,629	213,990,877
Non-Current Liabilities			
Loans and Borrowings	16,679,081	2,735,326	23,899,318
Deferred Tax	5,469,972	4,550,879	3,737,977
Total Non-Current Liabilities	22,149,053	7,286,205	27,637,295
Current Liabilities			
Loans and Borrowings	40,429,016	32,353,148	6,984,780
Payables	20,713,520	25,161,793	19,564,729
Current Tax	39,978	36,378	48,378
Total Current Liabilities	61,182,514	57,551,319	26,597,887
Total Equity and Liabilities	312,888,513	286,788,153	268,226,059

Source: Audited Financial Statements for the years 2022,2023 and 2024

# • Negative Working Capital

Working capital is a measure of a company's short-term financial health, calculated as the difference between its current assets and current liabilities. A negative working capital indicates that the Company may not meet short term obligations as they fall due.

The working capital for KTIL deteriorated from negative K14,081,139 in 2022 to negative K47,003,388 in 2024 as shown in table 10 below. This was attributed to an increase in short term loan obligations.

**Table 10: Working Capital** 

Year	2024	2023	2022
Current Assets (K)	14,179,126.00	7,462,337	12,516,748
Current Liabilities(K)	61,182,514.00	57,551,319	26,597,887
Working Capital (K)	(47,003,388)	(50,088,982)	(14,081,139)

#### • Poor Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay its short-term liabilities with its short-term assets. A current ratio that is below one (1) may indicate potential difficulties in meeting debt obligations.

According to the Performance Contract signed between the IDC and Kawambwa Tea, the current ratio was set at 0.4:1 for 2022, 0.43:1 in 2023 and 0.51:1 in 2024. See table 11 below.

**Table 11: Current Ratio** 

Year	2024	2023	2022
Current Assets (K)	14,179,126.00	7,462,337	12,516,748
Current Liabilities(K)	61,182,514.00	57,551,319	26,597,887
Current Ratio attained	0.23	0.13	0.47
Current ratio set by IDC	0.51	0.43	0.4

As can be seen from table 19 above, KTIL attained current ratios of 0.13 and 0.23 in the years 2023 and 2024 respectively which were below the targets set by IDC.

#### iv. Analysis of Cashflow

The Statement of Cash Flows for the financial years ended 31<sup>st</sup> December 2022, 2023 and 2024 were as shown in table 12 below.

**Table 12: Statement of Cash Flow** 

	2024	2023	2022
	K	K	K
Operating Activities			
Profit for the year	7,529,509	7,882,944	218,791
Adjusted for			
Income Tax Expense	999,501	914,420	66,260
Depreciation and Amortisation	4,995,942	4,670,390	3,910,277
Change in Fair Value of Biological Assets	(11,218,145)	(11,397,194)	(3,784,736)
Unrealised Foreign Exchange (gain) Loss	(169,983)	(7,907)	165,603
Operating Cash Flows Before Movements in Working Capital	2,136,824	2,062,653	576,195
Changes in working capital			
Biological Assets	(90,227)	31,098	(45,401)
Inventory	(1,805,489)	161,107	489,787
Receivables	2,581	147,501	15,711
Payables	(4,448,273)	5,597,064	8,408,401
Cash Generated from Operations	(4,204,584)	7,999,423	9,444,693
Taxes Paid	-	(15,600)	-
Net Cashflows from Operating Activities	(4,204,584)	7,983,823	9,444,693
T			
Investing Activities	(12.151.250)	(4 5 0 7 2 0 2 0 )	(40.004.656)
Purchase of property, Plant and Equipment	(13,161,368)	(16,872,938)	
Purchase of Intangible assets	-	(37,873)	(20,100)
Net cash flow from Investing Activities	(13,161,368)	(16,910,811)	(19,001,776)
Financing Activities			
Capitalisation of Interest	4,019,623	4,826,151	4,020,755
Proceeds from Borrowings	18,000,000	-	8,863,343
Repayment of Borrowings	-	(621,775)	-
Net Cashflows from financing activities	22,019,623	4,204,376	12,884,098
9	, ,		, ,
Net Chanages in Cash and Cash Equivalents	4,653,671	(4,722,612)	3,327,015
Cash and Cash Equivalents at start of the year	459,549	5,174,254	2,012,842
Effect of Movements in exchange rates on cash held	169,983	7,907	(165,603)
Net Cash and Cash Equilvalents at the end of year	5,283,203	459,549	5,174,254

Source: Extract of Audited Financial Statements for the financial years ended 2022, 2023 and 2024

The following were observed:

# • Cashflows from Operating Activities

KTIL recorded negative net cash flows of K4,204,584 from operating activities in 2024, compared to positive cash flows of K7,983,823 in 2023 and K9,444,693 in 2022. The decline was attributed to low demand and sales. This negative cash flow highlights operational inefficiencies, with the KTIL spending more cash than it generated from operations.

#### • Cash Flows from Investing Activities

During the period under review, KTIL continued to invest in its operational capacity through additions to biological assets, acquisition of plant and machinery, furniture, and equipment, as well as increases in capital work in

progress and intangible assets. Total investments amounted to K13,161,368 in 2024, K16,910,871 in 2023, and K19,009,776 in 2022, reflecting a downward trend over the three years. This decline in capital expenditure may indicate a strategic slowdown in investment activities or constraints in funding for expansion.

#### b. Lack of the Risk Management Policy

Section 11 1 (a) of the Public Finance Management Act No.1 of 2018 requires that a controlling officer should establish and maintain an effective, efficient and transparent system of financial and risk management and internal control.

Contrary to the Act, KTIL did not put in place measures to address risks in that the company operated without a risk management policy.

#### c. Information and Communication Technology – Lack of Backup Policy

CoBIT DSS04.07 on *Manage Backup Arrangements*, focuses on ensuring the availability of business-critical information. Further, it defines requirements for onsite and off-site storage of backup data that meet the business requirements and considers the accessibility required to back up data.

During the period under review, the company did not have a backup policy.

#### d. Financial Irregularities

#### i. Gaps in the Receipts Sequence

Regulation 122 (1) of the Public Finance Management (General) Regulations of 2020 states, "An office holder receiving payments from collectors of revenue shall ensure that the numbers of receipt forms issued by the collectors run consecutively."

Contrary to the Regulation, an analysis conducted to ascertain completeness of receipt ranges on the revenue receipted at KTIL during the period under review revealed that there were 300 receipts that were missing in the receipt sequence as shown in table 13 below.

**Table 13: Missing Receipts** 

Year Missing Receipt Range		Number	
rear	From	То	Number
2024	2851	3000	150
2023	2101	2250	150
Total			300

In addition, 149 copies of receipt forms issued during the period under review could not be accounted for in that, the duplicate and triplicate copies were not found in the receipt books. Consequently, the completeness of revenue collected during the period under review could not be ascertained as of August 2025. See table 14 below.

**Table 14: Unaccounted for Receipts** 

Year	No. of Receipt forms
2024	4
2023	145
Total	149

# ii. Irregular Payment of Housing Allowance

Section 20.1 and 20.2 of the Terms and Conditions of KTIL states, "the Company shall provide an employee with housing in a manner that it deems appropriate. Where the Company has not provided housing to the employee, the Company shall pay an employee housing allowance at the rate of 30% of the employee's Basic Pay or any other rate as may be determined by the Company from time to time."

During the period under review, it was observed that seventy-two (72) officers were irregularly paid housing allowances in amounts totalling to K996,988 despite being accommodated in company houses.

Although management explained that the payments arose from a 2021 asset valuation, which found most KTIL housing units to be dilapidated, leading to an incentive scheme encouraging staff to occupy the houses to prevent vandalism and further deterioration. As at 31<sup>st</sup> October 2025, no board approvals were provided to support their response.

# iii. Failure to Remit Statutory Contributions

Section 71 of the Income Tax Act requires Pay As You Earn (PAYE) to be deducted from employees' emoluments and remitted to the Zambia Revenue Authority (ZRA) by the 14<sup>th</sup> day of the month following the month in which the deduction was made.

In addition, Section 51 and 52 of the National Pension Scheme Act provides that payments for NAPSA contributions should be made to NAPSA by the 10<sup>th</sup> of each month following the month of payment of salaries.

A review of records revealed that KTIL had outstanding statutory obligations in amounts totalling K1,998,198 as at 31<sup>st</sup> October 2025 in respect of its employees' NAPSA and PAYE contributions, some of which had been outstanding as far back 2023. See table 15 below.

**Table 15: Outstanding statutory payments** 

Statutory Body	Amount K
National Pension Scheme Authority (NAPSA)	1,325,268
Zambia Revenue Authority (ZRA)	672,930
Total	1,998,198

#### iv. Bulk Tea Sales

During the period under review, KTIL entered into offtake agreements with two (2) major buyers for the sale of bulk tea. At its 4<sup>th</sup> Ordinary Meeting in 2022, the KTIL Board directed that bulk tea be priced at K21.55 per kilogramme or K21,550 per metric ton VAT exclusive. This pricing was intended to ensure cost recovery and maintain profitability.

The following were observed:

#### • Contract with Nutricum Foods Limited

On 11<sup>th</sup> January 2022, KTIL entered into an offtake agreement with Nutricum Foods Limited for the supply of 500 metric tons of tea at a unit price of K25,000 per metric ton VAT inclusive, translating into a total contract price

of K12,500,000 for a period of twelve (12) months. Payments were to be made in quarterly instalments of K3,125,000 commencing in January 2022.

The key terms of the agreement were as follows:

- Upon the expiry of twelve (12) months or fulfilment of the 500 tons supply, whichever occurred earlier, the contract was to be subject to review.
- If the 500 tons was not supplied within twelve (12) months, the supply period would be extended accordingly, with the contract price maintained until the quantity was fulfilled.
- o If the 500 tons is supplied before the end of twelve (12) months period, any additional quantities supplied would be charged at the prevailing market price or at such price as negotiated by the parties for the remaining period.

As of 31<sup>st</sup> December 2024, KTIL had supplied 686.69 tonnes of tea and Nutricum Foods limited had paid amounts totalling K14,487,539.

#### • Loss of Revenue Due to Price Reduction

On 23<sup>rd</sup> May 2023, after supplying the initial 198.54 tons at the agreed contract price of K25,000 per metric ton VAT inclusive, KTIL reduced the price to K18,000 per metric ton VAT exclusive. Consequently, as at 31<sup>st</sup> December 2024, the additional supply of 301.464 tons had been sold at the reduced price resulting in earnings of K5,426,352 instead of K7,536,600. This resulted in a loss of K2,110,248.

As at 31<sup>st</sup> October 2025, management had not provided the rationale for reducing the contract price.

#### e. Failure to Fill in Vacant Positions

According to Section 6.3 of KTIL conditions of service of 2020, the company reserves the right to hire, transfer, promote or second employees to fill any available vacancy. Further, the approved organisation structure provides for a staff compliment with diverse skills.

However, during the period under review, it was observed that the company had thirty two (32) vacant positions, most of which were key to the Company's operations, that had remained unfilled since 2021. See table 16 below.

**Table 16: Failure to Fill Vacant Positions** 

Nia	Position	No. of
110.	Position	Posts
1	Project and Operations Manager	1
2	Senior Sales and Marketing Manager	1
3	Internal Audit and Risk Manager	1
4	Sales and Marketing Officer	4
5	Warehouse and Logistics Officer	1
6	ICT Officer	1
7	Internal Auditor	1
8	Risk Management Officer	1
9	Weighing Clerks	2
10	Pump Operator	1
11	Human Resource and Administration Manager	1
12	Senior Health and Safety Officer	1
13	Administration Officer	1
14	Health and Safety Assistant	1
15	Administration Assistant	2
16	Human Resource Assistant	2
17	Communication and Community Liason Officer	1
18	Personal Assistant to General Manager	1
19	Senior Financial Officer-Reporting	1
20	Senior Security Officer	1
21	Laboratory Technician	1
22	Senior Quality Assurance Officer	1
23	Production and Quality Assurance Manager	1
24	Plumber	1
25	Automotive Mechanics	1
26	Electrician	1
	Total	32

The failure to fill some key positions such as project and operations manager, human resource and administration manager, production and quality assurance manager, and risk management officer may compromise the efficiency of operations.

#### f. Construction of a Reservoir

In January 2021, KTIL embarked on a project to construct a reservoir with a storage capacity of 28,000m<sup>3</sup>, including auxiliary infrastructure such as a pumping station on the banks of the Luena River. The project was intended to support the irrigation of 1,500 hectares of tea plants, thereby improving both the quality and quantity of tea production.

A review of an undated progress report on the reservoir construction, together with expenditure reports and payment records, revealed that between 2<sup>nd</sup> January 2021 and 15<sup>th</sup> January 2022, the company incurred expenditure in amounts totalling K862,387.

The costs covered activities such as hiring earth-moving equipment, conducting environmental impact assessments, procuring a geomembrane, among other related expenses. See table 17 below.

**Table 17: Expenditure on the Reservoir** 

Puum aaa	Amount	
Purpose	K	
Cement	551	
Dam Preparations	30,000	
Fence	26,600	
Fuel for excavator	15,590	
Geomembrane and Other Accessories	468,891	
Higer of Earth Moving Equipment	45,000	
Hire of Earth Moving Equipment	143,960	
Hire of Excavator	31,180	
Impact Assessment	45,000	
Irrigation Materials	19,260	
Reducer	3,500	
REEPO	2,350	
SrayvPaint Painting Brush -Irrigatio	505	
Zema	30,000	
Grand Total	862,387	

The following were observed:

#### i. Wasteful Expenditure - Construction of Reservoir

Although KTIL incurred expenditure in amounts totalling K862,387 on the construction of the reservoir, as at 31<sup>st</sup> October 2025, the project had not been completed to a usable state as it remained non-functional rendering the expenditure wasteful.

# ii. Wasteful Expenditure - Procurement of Sprinklers

Section 2 of the Public Finance Management Act No. 1 of 2018, defines wasteful expenditure as unnecessary costs incurred due to a lack of due care and attention. In addition, Regulation 29 of the Public Finance Management (General) Regulations of 2020, mandates office holders to exercise due diligence in their duties to prevent wasteful expenditure.

In 2021 and 2023, KTIL through a loan facility procured 220 sprinklers with accessories including carriage and 650 sprinkler sets including aluminium stands and 2-inch aluminium pipes at a total cost of K2,253,213.

A physical inspection of the irrigation system carried out in August 2025 revealed that the sprinklers were not in use. Enquiries with management and a review of board meeting minutes revealed that the sprinklers were domestic units and could not withstand the pressure from the main pipes. Further, some sprinklers were not installed from the time they were procured.

In this regard, amounts totalling K93,159 towards the sprinklers was wasteful. See Pictures below.





Sprinklers not in use

#### iii. Unaccounted for Assorted Spares for Automatic Teabag Machines

Regulation 7 of the Public Finance Management (Public Stores) Regulations of 2022 states, "An office holder in charge of public stores shall maintain the following books, records or registers: stores ledger; stores demand, issue and receipt vouchers; Stock Receipt Cost Sheet; or any other document as may be determined by the Secretary to the Treasury or a controlling body."

In 2022, KTIL procured 2 lines of automatic teabag packing machines at a cost of K6,355,210. The machines were supplied with assorted spares valued at K840,987 which were expected to be recorded in the stores ledger, kept in secure storage, and issued as needed when machine parts required replacement.

Contrary to the Regulation, a review of the store's records revealed the spare parts were unaccounted for in that they were neither recorded in the stores ledger nor were disposal details available.

#### g. Irregularities in the Management of Assets

#### i. Questionable Land Ownership

Section 41(4) of the Public Finance Management Act No.1 of 2018 stipulates that the Controlling Officer shall ensure that all public properties under the Controlling Officer's charge are secured with title deeds.

A review of the certificate of title dated 3<sup>rd</sup> September 1980 revealed that KTIL (then Kawambwa Tea Company Limited) has two (2) parcels of land with hectarage of 25,920 and 10,735 translating into 36,655 hectares. The following were observed:

#### • Expired Title Deed

A review of the certificate of title revealed that it was issued on 3<sup>rd</sup> September 1980 for a validity period of 14 years commencing 1<sup>st</sup> October 1979. This implies that the title expired in October 1993. As at 31<sup>st</sup> October 2025, the title deeds had not been renewed.

In their response management stated that there were in process of engaging Ministry of Land on the way forward particularly with regards to land survey and the process was expected to commence in the fourth quarter of 2025.

# • Discrepancies in Owned Hectarage

A scrutiny of the Strategic Plan for the period 2021 to 2025, the financial statements for the period under review, title deed and other related documents for KTIL revealed discrepancies in the hectarage reported in that the financial statements reported a total estate area of 1500 hectares, the plan attached to title deed reported 2,190 hectares, while the title deed reported 36,655 hectares.

In addition, a physical inspection carried out in August 2025 revealed that the area had been encroached as people had built shops and houses and were engaging in agricultural activities within the boundaries of the estate.

As at 31<sup>st</sup> October 2025, management could not establish the extent of encroachment.

# ii. Failure to Maintain Asset Register

Section 4 (No. 4.1) of the KTIL Asset Management Policy of April 2020 provides that all acquisitions using own funds, grants, donations and leases be reflected in the Assets Register.

Contrary to the above provision, KTIL assets in amounts totalling K146,914,153 procured during the period under review were not recorded in the asset register.

#### iii. Failure to Insure Assets

Regulation 41 (3) of the Public Finance Management (General) Regulations, 2020 states, "A public body shall ensure that an adequate budget provision is made for the insurance of public assets; and public assets are insured at reasonable value to avoid loss to Government."

Contrary to the Regulation, assets valued at K259,049,158 such as physical withering trough, continuous machine, ferber extractor machine, trinity machine, vibro screen machine and factories were not insured during the period under review. As at 31<sup>st</sup> October 2025, the assets had not been insured.

# iv. Lack of Maintenance of Property

Section 41 (1) of the Public Finance Management Act No. 1 of 2018 states, "A Controlling Officer is responsible for the management of public assets and stores of the Head of expenditure."

Contrary to the Act, a physical inspection of KTIL houses valued at K7,556,889 carried out in August 2025 revealed that the properties were dilapidated in that they had cracked walls, leaking and damaged ceiling boards, broken windows, no running water and non-functional sanitation facilities among others. See picture below.



Broken ceiling board



cracking walls

# v. Irregular Occupation of Company Quarters

Clause No. 20.7 of the Condition of Service for KTIL provides that if the contract of employment for an employee provided with housing is terminated, occupancy and vacating of the house by the former employee or their dependants shall be subjected to applicable policies and terms relating to housing as put in place by the company from time to time.

However, there was no policy in place providing guidance on the occupancy of housing units. In this regard, a physical inspection conducted in August 2025 revealed that two (2) houses in the Senior Residence Area were occupied by former employees whose employment was terminated in 2017.

# vi. Non-Functional Weighbridge.

A physical inspection and inquires made with management in August 2025 revealed that the weighbridge was non-operational since 2021.

Consequently, harvested tea was manually packed and weighed in the fields in 50kg bags and transported to the factory for processing. Management did not authenticate the unprocessed tea field records as the weighbridge that should have been used to reweigh the unprocessed tea before handover to the factory for processing was nonfunctional. See picture below.



Non-functional Weighbridge

#### 8 LUSAKA SOUTH MULTI FACILITY ECONOMIC ZONE

# 8.1 Background

#### a. Establishment

The Lusaka South Multi-Facility Economic Zone (LS-MFEZ) was incorporated under the Companies Act on 25<sup>th</sup> June 2012 and wholly owned by the Industrial Development Corporation (IDC). The LS-MFEZ has a total of 2,100 hectors of land reserved for this purpose. The objectives of the LS-MFEZ include the following:

- i. To promote the Multi-Facility Economic Zone 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 Multi-Facility Economic Zone 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

Article 57 of the Articles of Association provides for a Board of Directors which should comprise of a minimum of five (5) but not more than seven (7) members.

#### c. Management

The Managing Director (MD) is responsible for the day to day operations of the LS-MFEZ and is assisted by the Directors of Legal/Company Secretary, Finance, Planning and Technical, Business Development and Marketing, Human Resources and Administration and Internal Audit who are appointed by the Board on three (3) year renewable contracts.

#### d. Sources of Funds

The sources of funds for the LS-MFEZ include the following:

- i. Revenue from the lease of land,
- ii. Grant from Government,
- iii. Sale of Residential Plots,
- iv. Water Sales, and
- v. Road Tolls

# e. Budget and Income

During the period under review, LS-MFEZ budgeted to generate income in amounts totalling K1,052,476,613 against which amounts totalling K221,153,865 were generated resulting in a negative variance of K831,322,748. See table 1 below.

**Table 1: Budget and Income** 

Year	Total K	2024 K	2023 K	2022 K
Budget	1,052,476,613	816,834,800	235,641,813	91,555,144.00
Income	221,153,865	146,783,386	74,370,479	70,010,331.00
Variance	(831,322,748)	(670,051,414)	(161,271,334)	(21,544,813)

# 8.2 Audit Findings

A review of accounting and other records for the financial years ended 31<sup>st</sup> December 2022, 2023 and 2024 maintained at the LS-MFEZ revealed the following:

# a. Financial Analysis

# i. Statement of Comprehensive Income

The statement of Income for LS-MFEZ for the period under review is as detailed in table 2 below.

**Table 2: Statement of Comprehensive Income** 

	2024	2023	2022
	K	K	K
Revenue	146,783,386	74,370,479	70,010,331
Cost of sales	66,129,590	36,083,561	40,653,331
Gross profit	80,653,796	38,286,918	29,357,000
Other income	16,807,488	11,949,754	15,295,959
Expenditure	66,185,526	45,147,461	38,470,298
Operating profit	31,275,758	5,089,211	6,182,661
Net financing income	5,327,476	2,583,912	1,003,121
Net profit before taxation	36,603,234	7,673,123	7,185,782
Taxation	7,439,950	4,125,263	4,295,478
Total comprehensive income	29,163,284	3,547,860	2,890,304

Source: Audited financial statements 2022,2023 and 2024

The following were observed:

#### • Total Revenue

According to the Performance Contract signed between IDC and LS-MFEZ, the total revenue targets were set at K70 million, K84 million and K596.7 million in 2022, 2023 and 2024 respectively. See table 3 below.

**Table 3: Total Revenue** 

Vaan			Base
Year	2024	2023	2022
Revenue Achieved (K)	146,783,386	74,370,479	50,755,114
IDC Target (K)	596,700,000	84,000,000	70,010,331
% Target Vs Actual	25%	89%	72%

As can be seen from the table above, LS-MFEZ generated revenue of K50.8 million, K74.3 million and K146.7 million in 2022, 2023 and 2024 respectively which were below the set targets.

Failure to meet revenue targets was as a result of the failure to realise revenue from commuter buses, billboard advertisements and distribution of electricity within the zone.

#### ii. Statement of Financial Position - Asset Turnover

The statement of financial position for LS-MFEZ for the period under review is as detailed in table 4 below.

**Table 4: Statement of Financial Position** 

	2024	2023	2022
	K	K	K
ASSETS			
Non current assets			
Investment property	4,004,286,308	4,041,063,978	3,997,698,753
Property and equipment	393,946,949	320,057,844	315,099,800
Intangible assets	13,124	671,206	178,090
	4,398,246,381	4,361,793,028	4,312,976,643
Current assets			
Inventories	637,783,458	712,133,100	752,016,500
Amounts due from related parties	657,041	950,556	658,945
Accounts receivables	112,100,057	68,433,433	51,790,277
Cash and cash equivalents	98,817,738	39,308,158	43,235,572
	849,358,294	820,825,247	847,701,294
Total assets	5,247,604,675	5,182,618,275	5,160,677,937
EQUITY AND LIABILITIES			
Equity attributable to owners	21.2.2.1.000	21.2.2.1.000	21.5.2.11.000
Share capital	315,241,989	315,241,989	315,241,989
Revaluation reserve	216,358,105		
Capital grant	265,185,172		
Retained earnings	4,400,939,217	4,373,372,490	
Total accumulated funds	5,197,724,483	5,135,435,510	5,112,638,767
Current liabilities			
Deferred income	11,866,840	14,005,430	10,812,295
Dividends payable	15,966	329,009	0
Amounts due to related parties	71,334	0	82,096
Accounts payables	30,499,027	28,335,483	32,223,853
Taxation payable	7,427,025	4,512,483	4,920,926
Total liabilities	49,880,192	47,182,765	48,039,170

Source: Audited financial statements 2022,2023 and 2024

According to the Performance Contracts signed with IDC for the financial years ended 31<sup>st</sup> December 2022, 2023 and 2024 the asset turnover ratio target was 0.75 for each year. However, the company attained ratios of 0.01 in 2022 and 2023 and 0.03 in 2024 which were below the target in all the three (3) years. See table 5 below.

**Table 5: Asset Turnover** 

Year	2024	2023	<b>Base</b> 2022
Asset Turnover Achieved	0.03	0.01	0.01
Target Turnover	0.75	0.75	0.75

The inability to meet the targets is an indication that LS-MFEZ was not efficiently utilising its assets to generate revenues.

# **b.** Operational Matters

## i. Failure to Develop Land According to the Lease Agreement

According to the Investors data base as at 31<sup>st</sup> December 2024, there was a total of one hundred and forty (140) investors.

**Table 6: Details of Land Leases** 

No.	<b>Details of Status</b>	Number
1	Operational	18
2	Production	18
3	No Activity	35
4	Pending Reallocation	15
5	Termination	20
6	Reserved	1
7	Construction	18
8	Land clearing	1
9	Awaiting Sector approval	14
	Total	140

Clause 4 of the Lease Agreement provides that the Development period shall be twenty four (24) months from the date of execution of the Lease agreement. During the development period, the lessee shall at its own cost endeavour to obtain all the necessary consents, authorisations, certificates, approvals and permissions for the works required for the Project as soon as practicably possible. Prior to the submission to relevant authorities, the Lessor shall consent to details of proposed development and shall not unreasonably withhold such consent.

However, it was observed that, fifteen (15) investors had not commenced or progressed with their projects despite the lease agreements being signed and the twenty four (24) month development period elapsing. It was further observed that,

there were delays in obtaining necessary consents and approvals from Zambia Environmental Management Agency (ZEMA), and Zambia Development Agency (ZDA). In this regard, fourteen (14) investors were still awaiting sector approval.

The failure to commence development within the stipulated time resulted in loss of economic opportunities due to weak enforcement of lease management.

# ii. Receipts not Recorded in the Cashbook and not on the Bank Statement

Regulation 133 (1) of the of the Public Finance Management (General) Regulations of 2020 provides that, an office holder who collects revenue shall keep a cashbook which shall be updated daily or immediately revenue is received or collected.

A review of the Internal Audit Report dated August 2024 and a test check of the cashbook, bank statements, receipt books and customer account statements revealed that, revenues in amounts totalling K733,590 involving fifty-four (54) receipts were not recorded in the cashbook and could not be traced to the bank and customer account statements resulting in unaccounted for revenue.

# iii. Management of Residential Properties - Failure to Provide Services on Paid Plots

Clause 14 of the Contract for Sale provides that, in addition to the purchase price, a sum of K50,000 will be paid as service charge covering water, sewer and electricity by each customer.

As at 31<sup>st</sup> December 2024, 176 customers had paid amounts totalling K55,919,541 which was 70% to 100% of their plot cost including the development fee of K50,000 and were eligible to develop and occupy their properties. A physical inspection conducted in November 2025 revealed that the plots lacked sanitation services, water lines, and electricity lines which was part of the agreement despite paying the development fee.

## iv. Outstanding Income from Sale of Residential Plots

Clause 8 (ii) of the Contracts of Sale for residential plots provides that the payment period for the plots shall be twenty-four (24) equal monthly instalments.

A review of the sales schedule and customer statements showed that, as at 31<sup>st</sup> December 2024, customers with overdue accounts had outstanding balances totalling K1.9 million. It was noted that some of the clients with outstanding amounts were yet to be engaged for recovery by the Agent.

The failure to collect outstanding balances limits the company's ability to meet its financial obligations for developing the zone and could result in additional costs to pursue collections beyond the agreed-upon dates.

## v. Non-settlement of Water Bills by Institutions

According to Section 4.2 of the Debt Management Policy, investors are required to settle water consumption bills within 14 days from the date of delivery of the invoice, failure to which the investors would be formally engaged and the matter will be reported to the legal department.

A scrutiny of accounts receivable age analysis revealed that amounts totalling K7,205,494 consisting of water bills for 2024 (K4,122,926) and 2023 (K3,082,568) had been outstanding for periods ranging from thirty (30) to 150 days as at 31<sup>st</sup> October 2025 and no legal action had been taken or agreements provided for audit on how the investors planned to settle the bills.

#### vi. Lack of Contract - Kailjee Construction

A review of the 2023 and 2024 annual report and other documents revealed that LSMFEZ engaged Kailjee Construction for crushing and selling stones to various customers on behalf of LSMFEZ and agreed to remit 4% of total sales per month.

During the period under review, LSMFEZ collected amounts totalling K917,315 from Kailjee as share of sales from crushing and selling stones. However, it was observed that there was no signed agreement between LSMFEZ and Kailjee Construction.

In this regard, it could not be ascertained how LSMFEZ calculated and agreed to receive a rate of 4% on total sales per month. Further, there was no Board approval for the agreed rate of 4%. See table 7 below.

**Table 7: Failure to provide an Agreement** 

Year	Details	Total K
2023	4% on Crushed Stones	389,804
2024	4% on Crushed Stones	527,511
Total		917,315

#### vii. Lack of Contract- KEDA Ceramics

LSMFEZ charges levies for passing through their 7 km road for those motorists who opt for a shorter route to access ring roads and avoid Chifwema road through the Leopards Hill road.

The Company levies an amount depending on the weight of the vehicle coming in and passing through the road.

A review of the Debt Management Policy revealed that, road users had an option of;

- 4.4.1 paying cash to the LSMFEZ cashiers position at the two entrances.
- 4.4.2 paying monthly and are given monthly gate pass.
- 4.4.3 paying annually with annually gate pass.
- 4.4.4 obtaining gate passes for their vehicle fleet and payments done afterwards with an agreement being signed.

During the period under review LSMFEZ charged the rate of K6,500 per month to Keda Ceramics for accessing the road. As a result, amounts totalling K65,000 were collected between June and December 2024 from Keda Ceramics. However, there was no signed contract or agreement provided for audit making it difficult to ascertain how many vehicles accessed the road and how the levy of K6,500 per month was determined. See table 8 below.

**Table 8: Lack of Contract** 

Reference	Description	Date	Amount K
INV6641	Keda May Road User Fees	6/6/2024	6,500
INV6788	Keda June Road User Fees	7/8/2024	6,500
INV6885	Keda July Road User Fees	8/8/2024	6,500
INV6965	Keda August Road User Fees	9/13/2024	6,500
INV6968	Keda August Road User Fees	9/16/2024	6,500
INV7061	Keda September Road User Fees	10/2/2024	6,500
INV7249	Keda October Road User Fees	11/7/2024	6,500
INV7256	Keda Oct & Nov 2024 Road User Fees	11/15/2024	13,000
INV7316	Keda Dec 2024 Road User Fees	12/12/2024	6,500
	Total		65,000

#### c. Procurement Matters

# i. Failure to Issue Addendum and Charge Liquidated Damages - Construction of Water Networks

On 8<sup>th</sup> August 2023, LMFEZ engaged Jeetech Alu Enterprises Limited for the construction of water networks in phase one of the residential area of the Zone at a total contract sum of K13,764,285 VAT inclusive with a completion period of nine (9) months. The project commenced on 16<sup>th</sup> August 2023 and ending on 17<sup>th</sup> May 2024.

The scope of works included among others clearance of pipe wayleaves, disposal local; pipe fittings and fire hydrant; pipes sewers and fitting; sterilisation and flushing; embedment surrounding back filing; concrete stools and thrust blocks concrete class; and one (1) vehicle (Toyota Hilux) for use by the engineer and employer's staff on site.

As of September 2025, the Contractor had been paid amounts totalling K9,571,008 leaving a balance of K4,193,277 representing 69.5% of the contract sum.

On 25<sup>th</sup> April 2024, Jeetech Alu wrote to LSMFEZ Managing Director requested for an extension of the completion of the project by three and a half (3.5) months from the expected completion date of 17<sup>th</sup> May 2024.

However, there was no addendum issued to extend the contract beyond the expected completion date. Further, LSMFEZ did not charge liquidated damages amounting to K1,376,428 fifteen (15) months after the expected completion date.

A physical inspection carried out in September 2025 revealed that the works had not been completed and the contractor was still on site.

In response management stated that the addendum was not signed because it was submitted less than a month before expiry of the contract raising concern on the management of the contract by LSMFEZ.

## ii. Over Pricing of the Solar Power Back Up System

On 10<sup>th</sup> November 2024, LSMFEZ engaged Tech Masters Zambia Ltd for the supply and installation of power back up for the electronic billboard at a contract sum of K404,418 with a completion period of four (4) months. As of September 2025, the supplier had been paid amounts totalling K404,418 representing 100% of the contract price.

A scrutiny of the 2024 quarterly price index revealed that the total estimated cost for the supply and installation of 16 KW inverter, 15 KW lithium batteries, 2400W solar panels, and related accessories was K176,858.

A review of payment records revealed that LSMFEZ paid amounts totalling K336,500 to Tech Master for the supply and installation of 16 KW inverter, 15 KW lithium batteries, 2400W solar panels, and related accessories exceeded the approved price index by K159,642. See table 9 below.

Table 9: Over Pricing of Solar Back-up System

Quantity	Description	Price Index Amount K	Contract Price Amount K	Over Priced Amount K
1	16KW Deye hybrid Inverter/charger 48 three phase	76,488	141,000	64,512
3	5KW freedom won Lithium battery 48V	83,430	172,500	89,070
4	600 W solar monocrystalline solar panel	16,940	23,000	6,060
	Total	176,858	336,500	159,642

# iii. Supply and Installation of Smart Bulk Water Meters – Failure to Transmit Water Meters Readings

On 24<sup>th</sup> November 2023 LSMFEZ engaged Zariah Investment Limited for the supply and installation of twenty (20) smart bulk meters on four (4) LSMFEZ

boreholes within the Zone at the contract sum of K878,668 with a completion period of one (1) month from the date of signing the local purchase order.

As of September 2025, the supplier had been paid in full amounts totalling K878,668.

A physical inspection conducted in September 2025 revealed that despite the smart bulk water meters being supplied and installed, the antennas transmitter data could not send digital meter readings to the server to enable LSMFEZ to monitor and analyse data and access meter readings remotely.

# iv. Contract for the Supply and Delivery of Two (2) 75-Seater Buses

On 7<sup>th</sup> December 2022, LSMFEZ engaged Hazel Daniels International Limited for the supply and delivery of two (2) 75-seater Volvo 7900 series electric-powered buses at a contract price of K14,500,000. The delivery period was twelve (12) weeks from the date of contract execution. On 6<sup>th</sup> January 2023 the supplier was paid amounts totalling K3,625,000 as an advancement payment.

The following were observed:

## • Questionable Advance Guarantee

Regulation 197 (4) of the Public Procurement Regulations, 2022 states that, "A procuring entity shall only pay an advance payment against the provision by the supplier of an advance payment guarantee or bond, covering the full amount of the advance payment."

In addition, the Special Conditions of Contract, SCC 14.1, provides that, the method and conditions of payment to be made to the supplier under this Contract shall be 25% advance payment upon submission of an advance payment guarantee.

On 24<sup>th</sup> December 2022, Hazel Daniels International Limited submitted an advance payment guarantee in amounts totalling K3,625,000. The advance payment guarantee stipulated that, the guarantee shall expire at the latest upon the receipt of a copy of the interim payment certificate indicating that 80% of

the contract price has been certified for payment, or on the 7th day of December, 2022, whichever is earlier.

However, the advance payment guarantee was questionable in that the stated expiry date of 7<sup>th</sup> December 2022 preceded the issuance date of 24<sup>th</sup> December 2022, thereby nullifying its validity. Consequently, LSMFEZ were not in a position to call in the advance guarantee.

# • Failure to Carry out Due Diligence

Section 2 of the *Public Procurement Act*, 2020 defines "due diligence" as the assessment of a bidder or supplier's technical, financial, commercial, historical background, management capabilities, and governance record to determine their ability to effectively execute a contract.

A review of the Evaluation Report for the tender for the supply and delivery of two (2) 75-seater electric power buses dated 23<sup>rd</sup> September 2022 revealed that critical due diligence elements specifically, the bidder's financial status and historical record of successfully delivering contracts of similar nature and value were not assessed appropriately.

Subsequently, on 14<sup>th</sup> December 2022, the Zambia Public Procurement Authority (ZPPA), through Circular No. 23 of 2022, suspended Hazel Daniel International for one (1) year due to non-performance in a separate contract (MFL/MPC/ORD/01/2021/L1&3) for the supply and delivery of forage seed for the 2021/2022 season.

Further, on 7<sup>th</sup> March 2024, Hazel Daniel International informed LSMFEZ that it had failed to secure a letter of credit from the bank, citing inability to meet collateral and cash cover requirements, which ultimately resulted in failure to finance the supply and delivery of the buses.

This situation demonstrates that the Evaluation Committee's failure to apply full due diligence led to the selection of Hazel Daniel International.

#### • Failure to Call Performance Bond

Clause 16.1 of the General Conditions of Contract (GCC) requires that the supplier provide a performance security within 21 days of signing the contract, if specified in the SCC. Clause 16.2 provides that the performance security may be used by the procuring entity to cover any losses if the supplier fails to fulfill its contractual obligations. According to GCC 16.1 of the SCC, a performance security was required, amounting to 10% of the total contract price.

A review of a performance bond in amounts totalling K1,450,000 revealed the following:

- On 3<sup>rd</sup> October 2023, Hazel Daniels International Limited submitted a bond to LSMFEZ which was eight (8) months later than the required 21 days after signing the contract.
- The bond expired on 27<sup>th</sup> February 2024 and was not extended, despite Hazel Daniels International Limited requesting Discovery Insurance to extend it by 150 days.
- LSMFEZ did not call on the performance bond after confirming that Hazel
   Daniels International Limited failed to perform the contract.

## • Non-Enforcement of Liquidated Damages

Clause 25.1 of Special Condition of Contract states that "the liquidated damage shall be 0.05% per week." Clause 24.1 states that "the maximum number of liquidated damages shall be 10%."

Further, GCC 30.2 states that "Except in case of Force Majeure, as provided under GCC Clause 28, a delay by the supplier in the performance of its delivery and completion obligations shall render the supplier liable to the imposition of liquidated damages pursuant to GCC Clause 24, unless an extension of time is agreed upon, pursuant to GCC sub-clause 30.1.

A review of the contract documents revealed that the supplier notified LSMFEZ on 5<sup>th</sup> June 2023 (three months after the delivery deadline of 7<sup>th</sup>

March 2023 of a Force Majeure event caused by Volvo's closure of its bus manufacturing plant in Wroclaw, Poland due to the Ukraine-Russia war. As a result, Hazel Daniels International Limited switched suppliers to Kinglong on 23<sup>rd</sup> June 2023, with a new delivery period of 8 to 12 weeks following approval granted by LSMFEZ. Despite this adjustment, Hazel Daniels International Limited did not deliver the buses. The contract was terminated on 5<sup>th</sup> April 2024 and no liquidated damages in amounts totalling K1,450,000 were imposed by LSMFEZ for delays in delivery.

## • Wasteful Expenditure – Inspection Visits

Clause 23.1 of the GCC provides that, the supplier must, at its own cost, perform all required tests and inspections of goods and related services as specified in the SCC. The SCC adds that these include physical verification and testing of buses to confirm compliance and functionality at a designated location. Further, Clause 23.2 of the GCC allows inspections and tests to occur at the supplier's or subcontractor's premises, point of delivery, final destination, or another specified place in Zambia. The SCC specifies that these will be done at the supplier's premises (Zambia). Clause 23.3 of GCC entitles the procuring entity or its representative to attend the tests and inspections but requires them to cover their own travel, accommodation, and related expenses.

A review of meeting minutes between LSMFEZ and Hazel Daniels International Limited on 24<sup>th</sup> June 2024 revealed that LSMFEZ spent amounts totalling K699,517 on the pre-shipment inspections in China (first inspection K439,629 and second inspection K259,888). The first inspection was premature, as the buses were still being manufactured and not yet customised. Although the second inspection confirmed that the buses met specifications, both inspections were wasteful since they were conducted in China instead of at the supplier's premises in Zambia as required.

In their response management noted the observations and stated that they will ensure adherence to Contract and Procurement Act are followed. Further, the costs incurred for pre-shipment are part of the total cost expected to be recovered from the Supplier once the Litigation process is successfully completed.

#### v. Failure to Provide Information- Construction of Entrance Gate.

Section 82 (1)(k) of the Public Finance Management Act No. 1 of 2018 states, "a person commits an offence if that person, wilfully and without lawful authority-fails to provide any information that the Auditor-General, Accountant-General, Controller of Internal Audit or a person authorised by the Auditor-General, Accountant-General or Controller of Internal Audit may reasonably require under this Act."

LSMFEZ did not avail information such as progress reports, final account, completion certificate, reports from Engineering Institute of Zambia and National Construction Council on the collapse of the canopy, consultants reports and managements minutes (EXCO) for 2023 and 2024 on the construction of the entrance gate and expansion of the Road network carried out by Nd'ekazi Investments at a contract sum of K4,104,441 with a completion period of four (4) months.

#### d. Staff Matters

# i. Failure to Fill Key Positions

The organization structure has an approved establishment of 110 employees. However, a review of payroll data and board minutes for 2024 revealed that out of the 110 positions, sixty (60) were filled, leaving a total of fifty (50) positions unfilled. Notably, key positions such as Managing Director, Finance Director, and Business Development Manager were among the unfilled positions as at 31<sup>st</sup> October 2025. The key positions remained unfilled for a period of six (6) months.

#### ii. Failure to Recover Loan Amounts

A review of employee loan records revealed that two (2) employees who had separated from LSMFEZ during the period under review had outstanding loan balances in amounts totalling K102,667. As at 31<sup>st</sup> October 2025 the loans had not been recovered.

### 9 MULUNGUSHI INTERNATIONAL CONFERENCE CENTRE LIMITED

# 9.1 Background

#### a. Establishment

Mulungushi International Conference Centre (MICC) Limited was incorporated on 13<sup>th</sup> July 2012 and is 100% owned by the Government of the Republic of Zambia through the Industrial Development Corporation Limited (IDC).

The core business of the MICC is to provide conference facilities, hosting of corporate meetings, exhibitions and other events.

#### b. Governance

MICC is governed by a Board of Directors comprising seven (7) members as follows:

- The Permanent Secretary or a representative of the Ministry responsible for Sector policy;
- ii. The General Manager; and
- iii. Not more than five (5) persons from the private sector.

The Board members are appointed on a three (3) year tenure renewable for two (2) terms.

#### c. Management

MICC is headed by the General Manager who is assisted by Heads of Administration; Finance; Marketing; Human Resource; and Food and Beverages.

#### d. Sources of Funds

The sources of funds for MICC comprises income from the sale of food and beverages, rental income, conferencing and hosting of events and other miscellaneous income.

# e. Budget and Income

During the period under review, MICC budgeted to generate revenue in amounts totalling K214,927,867 against which amounts totalling K230,535,137 were generated resulting in a positive variance of K15,609,270. See table 1 below.

**Table 1: Budget and Income** 

Year	Budget K	Actual K	Variance K
2024	118,737,409	127,983,940	9,246,531
2023	96,190,458	102,551,197	6,360,739
Total	214,927,867	230,535,137	15,607,270

# 9.2 Audit Findings

An examination of accounting and other records maintained at MICC for the financial years ended 31<sup>st</sup> December 2023 and 2024 revealed the following:

# a. Financial Statements Analysis

# i. Statement of Comprehensive Income

The statement of comprehensive income for MICC for the period under review is as shown in table 2 below.

**Table 2: Statement of Comprehensive Income** 

	2024	2023	2022
	K	K	K
Revenue			
Sales	127,983,940	102,551,197	57,229,538
Cost of Sales	(19,749,401)	(14,530,304)	(10,332,545)
Gross Profit	108,234,539	88,020,893	46,896,993
Miscellaneous Income	7,079,489	3,669,609	1,035,607
Amortisation of capital grants	1,198,370	1,198,370	5,017,767
NAPSA penalties written back			391,050
	8,277,859	4,867,979	6,444,424
<b>Total Income</b>	116,512,398	92,888,872	53,341,417
Operating expenses	(7,749,138)	(5,443,723)	3,189,050
Administrative expenses	(62,013,848)	(58,921,008)	32,750,182
<b>Total Expenses</b>	(69,762,986)	(64,364,731)	35,939,232
Net profit / (loss) before tax	46,749,412	28,524,141	17,402,185
Taxation	(2,868,542)	(4,809,894)	124,193
Net profit / (loss) after tax	43,880,870	23,714,247	17,277,992

Source: Annual Reports for 2023 and 2024

A review of the statement of comprehensive income revealed the following:

#### • Return on Assets

This measures the profitability of a company in relation to its total assets. A Return on Assets (ROA) of 10% or higher is generally considered a benchmark of healthy asset utilisation. During the period under review, the IDC set targets of 0.04 and 0.08 in 2023 and 2024 respectively to be met by the MICC. See table 3 below.

**Table 3: Return on Assets** 

Year	2024	2023	2022
Net Profit/(loss) K	43,880,870	23,714,247	17,277,992
Total Assets (K)	1,459,441,743	1,411,943,245	1,377,892,309
ROA	0.03	0.02	0.01
Target	0.08	0.04	

As can be seen in table 5 above, the MICC reported ROA below the agreed targets in the performance management contracts in both 2023 and 2024.

# • Administrative Expenses as a Percentage of Revenue

A review of the performance management contracts between the Industrial Development Corporation (IDC) and the MICC management revealed that the institution failed to achieve the set target for administrative costs in that the set targets were between 6% and 7% whilst the actuals were between 18% and 28%. See table 4 below.

Table 4: Administration Costs as a Percentage of Revenue

Year	Revenue K	Admin Costs (less Dep) K	Depreciation K	Actual	Target
2024	127,983,940	23,635,808	19,189,020	18%	7%
2023	102,551,197	28,935,542	14,992,733	28%	6%
2022	57,229,538	14,129,588	9,310,312	25%	7%

#### ii. Statement of Financial Position

The statement of financial position for Mulungushi International Conference Centre for the period under review is as shown in table 5 below.

**Table 5: Statement of Financial Position** 

	2024	2023	2022
	K	K	K
Assets			
Property, Plant & Equipment	1,323,758,358	1,331,365,533	1,342,488,794
Other Operating Equipment	3,611,692	3,115,487	2,210,614
	1,327,370,050	1,334,481,020	1,344,699,408
Current Assets			
Inventories	1,824,111	1,192,403	891,267
Trade and Other Receivables	64,221,605	28,913,683	16,240,269
Amount Due from Related Parties	4,252,298	821,434	298,149
Cash and Cash Equivalents	61,773,679	46,534,705	15,763,216
<b>Total Current Assets</b>	132,071,693	77,462,225	33,192,901
Total Assets	1,459,441,743	1,411,943,245	1,377,892,309
Reserves and Liabilities			
Share Capital	1,000,000	1,000,000	1,000,000
Revaluation reserves	671,698,804	671,698,804	671,698,804
Accumulated Reserves	(30,490,623)	(74,371,493)	(98,085,740)
Funds Awaiting Allotment of Shares	615,336,622	616,121,659	616,121,659
Total Capital and Reserves	1,257,544,803	1,214,448,970	1,190,734,723
Non Current Liabilities			
Capital Grant	18,458,598	19,657,867	20,856,237
Defferred Taxation	55,670,317	61,668,632	61,972,158
Provision for Contract Gratuity	320,686	-	3,500,777
Total Non Current Liabilities	74,449,601	81,326,499	86,329,172
Current Liabilities			
Trade and Other Payables	108,965,993	106,712,750	98,784,645
Amount due to Related Parties	4,327,079	4,341,606	249,296
Provision for Contract Gratuity	173,989	-	1,029,439
Taxation Payable	13,980,278	5,113,420	765,034
Total Current Liabilities	127,447,339	116,167,776	100,828,414
Total Equity,Reserves, Grants and Liabilities	1,459,441,743	1,411,943,245	1,377,892,309

Source: Annual Reports for 2023 and 2024

The following were observed:

# • Working Capital

Working capital is the capital a business uses in its day-to-day trading operations, and it is calculated as the difference between current assets and current liabilities. A positive working capital indicates that a company can meet its short-term obligations, while a negative working capital suggests potential liquidity challenges.

During the period under review, the MICC recorded negative working capital in 2023 which improved to a positive working capital in 2024 as shown in table 6 below.

**Table 6: Working Capital/ Current Ratio** 

Details	2024 K	2023 K	2022 K
Current Assets	132,071,693	77,462,225	33,192,901
Current Liabilities	127,447,339	116,167,776	100,828,414
Working Capital	4,624,354.00	- 38,705,551.0	- 67,635,513
Current Ratio	1.04	0.67	0.33
	0.87	0.11	

#### Current Ratio

The current ratio is a liquidity ratio that measures an entity's ability to pay short-term obligations that fall due within one (1) year. During the period under review, IDC set the current ratio for the MICC at 0.87 and 0.11 for the years 2024 and 2023 respectively. See table 6 above.

## • Increase in Trade Receivables Days

The trade receivables days measure how much time it takes for trade debtors to settle their short-term obligations. A higher number may suggest weaknesses in debt collection. According to the performance-based contract between the IDC and the Board of MICC, the agreed receivables days was 60 days.

An analysis of the trade receivables days for the period under review revealed that the MICC did not meet the set targets in that the trade receivables days ranged between 103 to 183 days. See table 7 below.

**Table 7: Trade Receivables Days** 

Year	Trade Receivables K	Sales Revenue K	Actual Receivable Days	Target Receivable Days
2024	64,221,605	127,983,940	183.15	60
2023	28,913,683	102,551,197	102.91	60
2022	16,240,269	57,229,538	103.58	60

#### b. Failure to Collect Rental Income

Section 2 of the Tenancy Agreements signed between MICC and its tenants stipulates that tenants are required to pay two months' rent in advance, along with any applicable taxes, from the start date of the lease.

However, a review of the 2024 Rental Debtors Aged Analysis revealed that a total of K1,439,336 was owed in rental arrears by twenty-five (25) tenants; out of which amounts totalling K745,564 had been outstanding for over six (6) months.

## c. Outstanding Statutory Obligations

An examination of financial and other records maintained by MICC revealed that as of 31<sup>st</sup> December 2024, the Centre owed amounts totalling K30,597,173 in statutory and other obligations as shown in table 8 below.

**Table 8: Outstanding Statutory Obligations** 

Details	Amount K
PAYE	4,782,724
VAT	25,460,674
NHIMA	6,696
NAPSA	23,512
Withholding Tax	94,741
Tourism Levy	218,267
Skill Development Levy	10,559
Total	30,597,173

As of September 2025, the amount had increased to K38,155,694.

#### d. Procurement of Seven Motor Vehicles

On 24<sup>th</sup> February 2023, the Acting Human Resource Manager at the 1<sup>st</sup> MICC Management Procurement Committee meeting sought the authority to award the contract for the supply of seven (7) motor vehicles to CFAO Motors Zambia Limited at a bid price of US\$386,895.38 inclusive of Duty and VAT and or US\$284,215.46 Exclusive of Duty and VAT.

Additionally, a review of 1<sup>st</sup> MICC Management procurement minutes revealed that MICCL sought authority from the Zambia Tourism Agency (ZTA) to access a waiver introduced under the 2022 National Budget (statutory instrument No 101 of 2021, the customs and exercise Motor Vehicles suspension) and the clearance was granted through a letter from ZTA dated 9<sup>th</sup> December 2022.

The method of procurement used was limited bidding as provided for in Section 42 of the Public Procurement Act No. 8 of 2020 which provides that:

- 1. The objective of Limited Bidding is to obtain competitive and value for money to the extent possible where the circumstances do not justify or permit the use of open bidding.
- 2. Limited bidding may be used where
  - a. The goods, works or non-consulting services are only available from a Limited number of suppliers; or
  - b. There is an urgent need for the goods, works or services and engaging in open bidding would be impractical.

After the completion of the evaluation process, it was recommended that the Contract for the supply of seven (7) motor vehicles to the MICC be awarded to CFAO Motors Zambia Limited.

The following were observed:

## i. Procuring without a Contract

Section 73(1) of the Public Procurement Act No. 8 of 2020 states that a procuring entity shall use a standard contract approved by the Attorney General and issued by the Authority or any other contract approved by the Authority.

Further, the Fourth Schedule of the Public Procurement Regulations of 2022 provides for public notice of contract awards being mandatory for publication of contract award details for goods and non-consulting services on procurements over K1,000,000.

Contrary to the above Provisions, there was no contract entered into for the procurement of the seven (7) motors vehicles costing K7,122,719 VAT inclusive.

In their response dated 10<sup>th</sup> September 2025, management stated that a formal contract was not executed for the referenced procurement, as it was initially considered that the issuance of a Local Purchase Order (LPO) would suffice to formalize the transaction. However, management takes note of the provisions of the Public Procurement Regulations of 2022, which require that all procurements exceeding ZMW 1,000,000.00 be supported by formal contracts.

However, the provisions of Section 72 (2) (e) that require clearance of the contract by the Treasury and legal advise of the Attorney-General needed to be followed.

# ii. Procuring without Clearance of the Attorney General

Section 71 (1) of the Public Procurement Act No. 8 of 2020 states that a procuring entity shall use a standard contract approved by the Attorney General and issued by the Authority or any other contract approved by the Authority.

Further, Section 72 (2) (a) (b) (e) of the Public Procurement Act No. 8 of 2020 states that a contract, purchase order, letter of bid acceptance or other communication in any form conveying acceptance of a bid or award of contract shall not be issued prior to—

- (a) an award decision by the appropriate approvals authority in accordance with section 70
- (b) publication and dispatch of the notice of best evaluated bidder in accordance with Section 71;
- (e) any other approvals required, including clearance of the contract by the Treasury and the legal advice of the Attorney-General.

Contrary to the above Provisions, the institution did not seek authority of the Attorney General for clearance of a Contract to undertake the procurement.

In their response dated 10<sup>th</sup> September 2025, management stated that the procurement in question was not submitted to the Attorney General for clearance, as it was initially understood that once-off procurements approved by the Management Procurement Committee could proceed without a formal contract cleared by the Attorney General. Management recognizes that this was a misinterpretation of the provisions of the Public Procurement Act No. 8 of 2020.

# 10 MULUNGUSHI VILLAGE COMPLEX LIMITED

# 10.1 Background

#### a. Establishment

The Mulungushi Village Complex Limited (MVCL) was incorporated as a limited liability company in 2006 under the Companies Act, CAP 386 of the Laws of Zambia. On 24<sup>th</sup> August 2015, the company's shareholding was transferred to the Industrial Development Corporation (IDC), which holds 100% of the shares on behalf of the government.

#### b. Governance

Article 60 of the Articles of Association of MVCL read together with Clause 2 of the Board Charter provides that; the composition of the Board of Directors shall be seven (7) members comprising:

- The Permanent Secretary or representative of the Company Sector in which the company operates;
- Not more than five (5) persons from the private sector; and
- The Chief Executive Officer.

The Board members are appointed by the IDC and hold office for three (3) years and are eligible for re-appointment for a further three (3) year period.

# c. Management

The Chief Executive Officer is responsible for the day-to-day operations of MVCL and is assisted by two (2) Directors responsible for Finance and Corporate Services and Property Development and Maintenance.

#### d. Sources of Funds

The sources of funds are rentals charged on villas, apartments, hotel rooms and fees charged on the use of sports facilities. The other sources include revenues on sale of food and refreshments, charges on facilities hire and laundry services.

# 10.2 Audit Findings

An examination and review of accounting and other records maintained at Mulungushi Village Complex Limited for the period from 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2024 revealed the following:

#### a. Audit of Annual Performance

# i. Budget and Income

During the period under review, MVCL budgeted to generate income in amounts totalling K110,274,808 out of which amounts totalling K61,028,347 were generated resulting in negative variance of K49,246,461 representing 45% of the budget. See table 1 below.

**Table 1: Budget and Income** 

Year Budget K		Actual	Variance	Actual /
		K	K	Budget (%)
2024	42,781,347	25,177,394	(17,603,953)	59%
2023	28,037,554	17,786,350	(10,251,204)	63%
2022	39,455,907	18,064,603	(21,391,304)	46%
Total	110,274,808	61,028,347	(49,246,461)	55%

# ii. Administrative Expenses to Revenue Ratio - Financial Statement Analysis Statement of Profit or Loss and Other Comprehensive Income

The statement of profit and loss and other Comprehensive Income for MVCL for the period under review is as detailed in table 2 below.

Table 2: Statement of Profit and Loss and Other Comprehensive Income

	2024	2023	2022
	K	K	K
Revenue	25,177,394	17,786,350	18,064,603
Operating expenses	(7,422,698)	(6,018,948)	(4,705,071)
Operating Profit	17,754,697	11,767,402	13,359,532
Fair value adjustment	47,198,680	25,901,671	(4,312,991)
Other Income	550,241	35,404	745,744
Administrative expenses	(16,670,451)	(14,537,318)	(15,497,627)
Restructring provision	-	-	1,159,108
Finance costs	(13,513,250)	(11,930,850)	(13,556,571)
Profit before tax	35,319,917	11,236,309	(18,102,805)
Income tax expense	(2,962,637)	(2,212,312)	(2,311,677)
Profit for the year	32,357,280	9,023,997	(20,414,482)
Other comprehensive income			
Net other comprehensive income not			
to be reclassified to profit or loss in			
subsequent periods			
Revaluation of land right to use	2,500,000	1,950,000	5,302,000
Asset revaluation	3,948,480	2,700,625	687,419
Depreciation written back	539,297	485,285	449,692
Amortiisation written back	221,311	186,290	99,175
Other comprehensive income, net	7,209,088	5,322,200	6,538,286
<b>Total comprehensive income</b>	39,566,368	14,346,197	(13,876,196)

Source: Mulunguishi Village Complex Ltd audited financial statements for the years end 31st December 2022, 2023 and 2024

The Administrative expenses to revenue ratio measure the proportion of administrative expenses relative to an entity's revenue. It helps to assess the efficiency of an entity's operations and overhead costs. During the period under review the IDC set the administrative expenses to revenue ratio targets of 7%, 12%, and 11% for the years 2022,2023 and 2024 respectively.

However, the Company did not meet the targets set as the administrative expense ratio to revenue were 86%, 82% and 66% for the years 2022,2023 and 2024 respectively. See table 3 below.

**Table 3: Administration Expenses to Revenue** 

	2024	2023	2022
Administration (K)	16,670,451	14,537,318	15,497,627
Revenue (K)	25,177,394	17,786,350	18,064,603
Admin expenses to revenue	66%	82%	86%
Target	11%	12%	7%

#### iii. Statement of Financial Position

The statement of financial position of the company for the period under review was as shown in table 4 below.

**Table 4: Statement of Financial Position** 

	2024	2023	2022
Assets	K	K	K
Non-Current Assets			
Property and equipment	28,911,439	27,283,129	24,800,868
Right of use assets	16,000,001	13,500,000	11,550,000
Investment properties	390,910,000	340,738,000	314,836,329
Total Non-Current Assets	435,821,440	381,521,129	351,187,197
Current Assets	400,021,440	561,521,125	551,167,157
Inventory	410,368	300,499	115,546
Trade and other Receivables	1,288,491	1,062,596	1,250,681
Amounts due from related		<i></i>	
parties	1,000	1,000	320,066
Cash and cash equivalents	1,367,193	491,959	1,279,759
Total Current Assets	3,067,052	1,856,053	2,966,052
Total Assets	438,888,492	383,377,182	354,153,249
10441 1155045	.00,000,1>2	000,0,102	001,100,215
Equity and Liabilities			
Equity			
Share Capital	1,000,000	1,000,000	1,000,000
Revaluation Reserves	46,262,168	38,480,681	33,830,056
Accumulated Revenue Reserves	252,584,849	220,314,684	211,290,687
Total Equity	299,847,017	259,795,365	246,120,743
Non-Current Liabilities			
NAPSA penalties	1,484,179	1,484,179	1 494 170
Deferred retirement obligations	1,464,179	1,464,179	1,484,179
and gratuity	3,852,377	4,234,619	3,647,680
Lease Liability			0
Bank Loan	14,886,580	17,400,441	10,325,364
Shareholders Loan	41,302,200	62,118,527	42,730,154
Shareholders Loan	61,525,336	85,237,766	58,187,377
Current Liabilities	01,323,330	65,257,700	36,167,377
Trade and Other Payables	21,441,035	16,684,086	28,497,793
Amounts due to Related Parties	3,743,353	2,988,288	2,559,370
NAPSA Liabilities	1,529,383	1,547,077	1,484,179
Deferred Retirement Obligations	1,727,650	1,233,128	1,906,110
Restructuring Provision			0
Bank Loan	4,513,695	3,222,815	4,195,790
Shareholders Loan	37,028,568	8,097,325	8,572,046
Finance Lease	57,020,308	5,077,323	75,607
Bank Overdraft			194,423
Taxation Payable	7,532,456	4,571,333	2,359,811
Total Current Liabilities	7,516,140	38,344,051	49,845,129
Total Current Liabilities	77,510,140	30,344,031	77,073,127
Total Liabilities	139,041,475	123,581,817	108,032,506
	<i></i>	, , , , , , , , , , , , , , , , , , ,	
Total Equity and Liabilities	438,888,492	383,377,182	354,153,249

Source: Mulungushi Village Complex Ltd audited financial statements for the years end 31st

December 2022, 2023 and 2024

The following were observed:

# Poor Working Capital

During the period under review, MVCL operated with a negative working capital of K74,449,087 in 2024, K36,487,998 in 2023 and K46,879,077 in

2022. This persistent negative working capital indicates that the Company was experiencing liquidity challenges and a continued inability to meet short-term obligations as they fell due. Refer to table 5 below.

**Table 5: Negative Working Capital** 

Details	2024 K	2023 K	2022 K
Current Assets	3,067,053	1,856,054	2,966,052
Current Liabilities	77,516,140	38,344,052	49,845,129
Working Capital	(74,449,087)	(36,487,998)	(46,879,077)

#### • Current Ratio

The current ratio is a liquidity indicator that measures an entity's ability to meet its short-term obligations by comparing current assets to current liabilities. Although the 2024 current ratio was within the IDC's target of 0.04, the ratio was below the accepted industry current ratio of >1, indicating a weak liquidity position and potential difficulties in settling short-term liabilities. Refer to table 6 below.

**Table 6: Current Ratio** 

Dataila	2024	2023	2022
Details	K	K	K
Current Assets	3,067,053	1,856,054	2,966,052
Current Liabilities	77,516,140	38,344,052	49,845,129
Current Ratio (Actual)	0.04	0.05	0.06
<b>Current Ratio (Target)</b>	0.04	0.7	0.7

## b. Weaknesses in Contract Management - Refurbishment of Villas (Phase 1)

During the period under review, MVCL engaged Ngalitas Hardware and Electrical Limited for the refurbishment of villas as shown in table 7 below.

**Table 7: Contract Management - Refurbishment of Villas** 

Date	Dotaile	Amount	Amount	Duration
Date	ate Details		US\$	(Months)
10.03.21	Refurbishment of Nine (9) Villas	9,290,358		3
17.09.21	Refurbishment of thirty five (35) Villas (Lot 1)		1,628,326.63	6
17.09.21	Refurbishment of thirty five (35) Villas (Lot 2)	12,707,157		6
	Total	21,997,515	1,628,326.63	

The following were observed:

# iii. Award of Contract without Clearance from the Office of the Attorney General

Section 72 (2) of the Public Procurement Act No. 8 of 2020 provides that a contract, purchase order, letter of bid acceptance or other communication in any form conveying acceptance of a bid or award of contract shall not be issued prior to any other approvals required, including clearance of the contract by the Treasury and the legal advice of the Attorney-General.

Contrary to the Act, MVCL did not obtain clearance from the Attorney General for the three (3) contracts entered into with Ngalitas Hardware and Electrical Limited.

In addition, a variation amounting to K1,506,217.59 to the contract for the rehabilitation of the nine (9) villas was made without the approval of the Attorney General, contrary to Section 77 (1) of the Public Procurement Act.

#### iv. **Ouestionable Accumulation of Interest**

Clause 44.1 of the contract for the refurbishment of thirty-five (35) villas under Lot 1 and 2 provides that the client shall pay the contractor the amounts certified by the Project Manager within twenty-eight (28) days of the date of each certificate. It further provides that if the client makes a late payment, the contractor should be paid interest on the late payment in the next payment.

During the period under review, the Ngalitas Hardware and Electrical Limited charged MVCL interest of US\$4,626.38 for Lot 1 and K263,373.32 for Lot 2 over failure to settle outstanding amounts. Further on 4<sup>th</sup> September 2023, the contractor served a notice of default and demand of payment over the failure to

settle the claim. It is questionable how MVCL failed to settle the outstanding obligations despite the availability of funds.

# c. Failure to Remit Statutory Contributions - NAPSA and ZRA

As at 31<sup>st</sup> December 2024, MVCL had outstanding statutory obligations in amounts totalling K20,363,863 some of which had been outstanding from as far back as 2022. See table 8 below.

**Table 8: Outstanding Statutory Contributions** 

Institutions	Principal K	Penalties K	Amount K
NAPSA	1,529,383	1,484,179	3,013,562
ZRA - PAYE	9,602,692	-	9,602,692
ZRA - VAT	215,153	Ī	215,153
ZRA - RENTAL TAX	7,532,456	-	7,532,456
Total	18,879,684	1,484,179	20,363,863

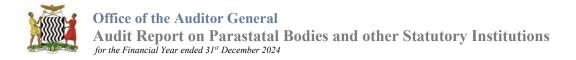
## 11 NATIONAL INSTITUTE FOR SCIENTIFIC AND INDUSTRIAL RESEARCH

## 11.1 Background

#### a. Establishment

The National Institute for Scientific and Industrial Research (NISIR) was established through Statutory Instrument No. 73 of 1998 pursuant to the Science and Technology Act No. 26 of 1997. The Functions of the NISIR are as follows:

- i. To conduct and promote scientific, technological and industrial research in Zambia in civil engineering, mechanical engineering, electrical engineering, nuclear science, material science, textile technology, biotechnology, energy resources, water resources, chemical engineering, electrical engineering, industrial chemistry, food science, material science and natural products, information science, cartographic and location analysis;
- ii. To liaise with other research bodies within and outside Zambia conducting similar research;



- iii. To co-operate with other organisations and institutions of higher learning in training programmes and other matters relevant to research;
- iv. To cooperate and liaise with industry; and
- v. To mobilise financial, technical and other resources for the purpose of carrying out research.

#### b. Governance

The oversight function of the NISIR is the responsibility of the Board of Directors consisting of seven (7) members appointed for a period of three (3) years by the Minister responsible for Science and Technology. The composition of the Board is as follows:

- one natural scientist;
- a representative of the workers of the Institute;
- a representative of the Ministry responsible for science and technology;
- a representative of the Zambia Association of Chambers of Commerce and Industry;
- a representative of the Banker's Association of Zambia;
- a representative of the council; and
- a representative of the Engineering Institute of Zambia.

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

#### c. Management

The day-to-day administration of the NISIR is the responsibility of the Director who is the Chief Executive Officer (CEO) and is assisted by a management team comprising the Deputy Director in charge of Research and Development, Managers responsible for Human Resources and Administration, Finance, and Internal Audit.

#### d. Sources of Funds

The sources of funds for the NISIR include:

- Funds appropriated by Parliament for purpose of operations;
- funds paid to the Institute by way of fees for services provided, levy, grant or donations;

- vest in or accrue to the Institute; or
- fund raised by way of loans or otherwise

## 11.2 Audit Findings

An examination of accounting and other records maintained at Head Office and other selected stations for the financial years ended 31<sup>st</sup> December 2020 to 2024 revealed the following:

# a. Budget and Actual Income

During the financial years ended 31<sup>st</sup> December 2020 to 2024, the NISIR budgeted to raise funds in amounts totalling K221,418,114 from government grants, provision of various services, interest income and rentals from the lease of properties. A total of K115,370,757 was received as government grants while amounts totalling K95,434,712 were internally generated bringing the total income to K210,805,469. See table 1 below.

**Table 1: Income Budget Vs Actual** 

Financial Year ended 31st December	Budgeted Amount	Government Grant	Internally Generated Income	Total Income Generated	Variance
2020	K 24.741.000	K	X 2.160.002	K	(C 102 425)
2020	24,741,008	16,387,501	2,160,082	18,547,583	(6,193,425)
2021	24,565,008	20,519,570	2,523,884	23,043,454	(1,521,554)
2022	43,009,444	14,566,671	24,848,275	39,414,946	(3,594,498)
2023	26,907,331	16,557,961	2,833,247	19,391,208	(7,516,123)
2024	102,195,623	47,339,054	63,069,224	110,408,278	8,212,655
Total	221,418,414	115,370,757	95,434,712	210,805,469	(10,612,945)

## b. Lack of Title Deeds

Section 41 (4) of the Public Finance Management Act No. 1 of 2018 stipulates that a Controlling Officer shall ensure that all public property under the Controlling Officer's charge are secured with title deed.

Contrary to the Act, title deeds for parcels of land on which the Kitwe Plant Research Centre (research laboratories and Institutional Houses) properties were located had not been secured as at 30<sup>th</sup> September 2025.

## c. Research, Development and Innovation

Pillar 1 of the NISIR 2022 – 2026 Strategic Plan aims to enhance Zambia's science and technological capacity by conducting high quality research in priority science, technology and innovation areas.

In fulling its mandate, the institution established six (6) research centres namely Animal Science Research Centre (ASRC), Energy Development Research Centre (EDRC), Food Science Research Centre (FSRC), Marine and Environment Research Centre (MERC), Materials, Engineering and Technical Services (METS) Research Centre, and Plant Science Research Centre (PSRC).

The following were observed:

## i. Inadequate Staffing

According to the staff establishment, there was a provision of fifty-three (53) scientists. However, during the period under review, only ten (10) of these positions had been filled leaving a total of forty-three (43) positions vacant. See table 2 below.

**Table 2: Status of the Staffing of the Scientists** 

Programme	No. of Scientists as per Staff Establishment	Actual No. of Scientists	Unfilled Positions
Food Science Research Centre	11	2	(9)
Energy Development Research Centre	7	2	(5)
Materials and Minerals Research Centre	7	1	(6)
Marine Research Centre	7	1	(6)
Plant Science Research Centre	6	2	(4)
Animal Science Research Centre	9	2	(7)
Technical Services Support	6	0	(6)
Total	53	10	(43)

As at 30<sup>th</sup> September 2025, the vacant positions had not been filled.

# ii. Research and Development Status

A review of Research Development and Innovation Committee minutes provided for audit and physical inspections conducted between April and June 2025 at selected operation centres revealed the following:

# • Failure to Maintain the Laboratories in Full Usable Condition- NISIR Headquarters

A review of Research Development and Innovation Committee minutes and inspection of Laboratories at Head Office revealed that the Laboratories were either non-operational or operational with equipment not functional and needed an overhaul. See details in table 3 below.

**Table 3: Status of Laboratories at NISIR Headquarters** 

No.	Laboratory Name	Purpose of Laboratory	Status
1	Food Chemistry	Determination of food chemical and nutritional composition	Lab not fully equipped
2	Experimental Bakery	Pilot plant for processing cereals, legumes, roots and tubers	Non-Operational due to obsolete equipment
3	Fruits and Vegetables	Pilot for fruits and Vegetable products	Non-Operational due to obsolete equipment
4	General Chemistry	Analysis of Physical chemical parameters	Facilities require replacement
5	Analytical laboratory	Analyses of analytical parameters	Non-Operational
6	Animal physiology laboratory	Study how animals responds to environemtal changes	Non-Operational due to no equipment
7	Alpha laboratory	Apha analyses	Non-Operational due to no accessories
8	Animal Nutrition	Dietary nutrient needs of animals	Non-Operational due to no equipment
9	Vector and Diseases Control	Analyses of vector diseases	Non-Operational due to no staff
10	Nutural Products	Natural Products analyses	Non-Operational due to no equipment
11	HebalNatural Products	Herbal/Natural products piloting plant	Non-Operational as lab is under rehabilitation
11	Pharmaceutical	rieroan waturar products prioring plant	rvon-Operational as lab is under renabilitation
12	Microbiology	Microbiological analyses	Non -Operational as lab requires rehabilitation

The Experimental Laboratory and Fruits and Vegetables Laboratories were not operational due to the obsolescence of equipment as most of them were procured or commissioned when NISIR became operational while some were procured as far back as 1980.

Four (4) laboratories namely, Analytical laboratory, Alpha Laboratory, Animal Nutrition laboratory and Natural Products laboratory were non-operational due to not having the required equipment.

The Vector Laboratory was non-operational due to lack of staff while the Herbal Natural Products Pharmaceutical laboratory and Microbiology laboratory had the rehabilitation works discontinued in July 2024, as such was not operational

Further, the equipment such as glass making equipment in the MET laboratory, was working at very low capacity with frequent break downs due to being obsolete, the Ultraviolet (UV) Spectrometer though working, was procured in 1980 and had challenges with spare parts whenever there

were breakdowns, the Nuclear Laboratory was using older lamps of which there were replacement challenges among others.

# • Failure to Avail Vaccination Schedules for Research Cattle - Chalimbana Farm

Section 2 (1) of the Animal Health (Control and Prevention of Animal Disease) Order 2014 states that an owner of an animal shall vaccinate the animal against the diseases in the areas specified in the schedules. The schedule specifies the area, disease and period of vaccination.

Further, Section 2 (2) of the same Act states that a veterinary assistant shall where an animal is vaccinated in accordance with this order, enter the vaccination dates and farmer cards into the stock register.

A physical inspection conducted at Chalimbana farm in June 2024 revealed that NISIR had 134 cattle consisting of calves, bulls, steers, heifers and cows. A discussion with the farm manager revealed that the animals were scheduled to be vaccinated once a year around August in order to prevent outbreak of diseases.

However, management failed to provide vaccination schedules rendering it questionable as to whether the animals were vaccinated or not as per vaccine programmes.

Consequently, cattle whose quantities and values that could not be determined due to poor record keeping at the institution died due to disease outbreak. At the time of audit in June 2025, there was no documentary evidence to confirm that the cattle valued at K1,380,125 had been vaccinated as scheduled.

# • Failure to Renovate Cattle Dip Tank - Chalimbana Farm

Section 45(1) of the Animal Health Act No. 27 of 2010 states, "An officer may require an owner of land or livestock in a livestock cleansing area to provide tick control facilities of an approved design on the land, or may require the owner of land or livestock to make efficient by repair or

otherwise, an existing tick control facility on the land at the expense of the owner of the land or livestock."

Section 2 of the same Act defines dipping as the complete immersion of cattle in a dipping tank containing an effective tick destroying agent.

A physical inspection conducted at Chalimbana Farm tick control facilities in June 2025 revealed that the dip tank was not in a usable state due to water leakage, resulting in chemical loss rendering it ineffective.

According to the farm manager, animals were being sprayed instead of being dipped, a method reportedly less effective in controlling disease outbreaks, which were frequent. At the time of the audit, the dip tank had been non-operational for over a year. See figure 1 and 2 below.





Non-functional dip Tank at Chalimbana Farm State of Dip Tank at Chalimbana farm

## • Dilapidated Infrastructure - Chilanga Research Farm

Section 45 (1) of the Animal Health Act No. 27 of 2010 states, "An officer may require an owner of land or livestock in a livestock cleansing area to provide tick control facilities of an approved design on the land, or may require the owner of land or livestock to make efficient by repair or otherwise, an existing tick control facility on the land at the expense of the owner of the land or livestock."

An inspection conducted at Chilanga Farm in June 2025 revealed that NISIR had fifty-eight (58) cattle which included calves, bulls, steers, heifers and cows three (3) water troughs and the Dip Tank. However, it was

observed that two (2) of the water troughs and the dip tank were covered in grass due to non-maintenance as they were not in use for over five (5) years.

An inquiry made with the personnel responsible revealed that only one (1) trough was in use and that it was leaking thereby holding less quantities of water at any given time. Further, it was observed that research animals from grazing drunk stagnant water from the leaking trough situated in front of the kraal. See pictures below.





Dip tank and Water Troughs in grass at Chilanga

Stagnant water from leaking troughs at Chilanga

A further inspection conducted in June 2025 revealed that infrastructure at Chilanga farm was dilapidated and poorly maintained in that the roof on the Vaccination Clinic area was blown off, while the roof on the improvised kraal was leaking. Consequently, the structures had been abandoned due to their poor condition. See pictures below.





Dilapidated infrastructure at Chilanga Dilapidated Infrastructure at Chilanga

Furthermore, a visit to Waterfall's farm in June 2025 revealed that NISIR had ninety-nine (99) cattle at the farm which included calves, bulls, steers, heifers and cows. It was observed that the water trough where the animals should access drinking water was not operational. Further, the dip tank was out of use because it had a crack.

Consequently, the animals were treated using spray method instead of dip method, thus posing a risk of outbreak of diseases in that spraying does not effectively encompass all body parts of the animal. See pictures below.



Non-functional dip tank at waterfalls farm

# d. Irregular Payment of Allowances – Board, Subcommittee Members & Employees

Section (6) of Second Schedule of the Science and Technology Act No. 26 of 1997 provides that Members should be paid such remuneration and allowances as a Management Board may, with the approval of the Minister determine.

Contrary to the provision above, Board allowances amounting to K871,119 paid during the period 2020 to 2024 were not approved by the Minister as there was no documentary evidence of any approval.

# e. Delayed Rehabilitation of Kitwe Pharmaceutical Laboratory

In 2016, the Ministry of Technology and Science procured various equipment at a cost of K2,715,263 which was delivered to NISIR Kitwe Centre. The equipment was to be utilised at the Pharmaceutical Laboratory at Plant Science Research Centre in Kitwe. In order to utilise the equipment, NISIR was supposed to modify the Pharmaceutical Laboratory.

In this regard, in April 2023, NISIR engaged Berbrin Investments Limited for the rehabilitation of the laboratory at a contract sum of K1,511,812 with a scheduled

completion date of 10<sup>th</sup> July 2023. As at 31<sup>st</sup> December 2024, the contractor had been paid amounts totalling K454,892.

A physical inspection carried out in June 2025 revealed that the works had stalled as the contractor demobilised from the site in November 2023 and there was no indication that NISIR was making any efforts to ensure that the rehabilitation works are completed.

Further, the equipment which was delivered in 2016 was not being utilised with some of the parts being stored in the Centre's carport. See pictures below.





Equipment stored at NISIR Kitwe Centre carport

# f. Poorly Managed Lease Agreements

During the period under review, NISIR leased out properties on Stand No. L/892/M and L/2350/M. It was however observed that only one (1) of the nine (9) occupants had a valid lease agreement with NISIR. The remaining eight (8) occupants either had no lease agreement in place or were occupying the properties under expired lease agreements, some of which expired five (5) years ago.

The total outstanding rental amounts owed by the eight (8) occupants could not be ascertained as management did not provide any supporting documentation. See table 4 below.

**Table 4: Poorly Managed Leases** 

No.	Entity Leasing	Lease Status	Outstanding Balnace
1	Zambia Academy of Science	Lease not provided, terms of occupancy not provided	Not provided
2	Newtech Recycling Solutions	Collaborative agreement expired in 2019	K390, 000 as of July 2023
3	Stefanutti Stocks (Zambia) Limited	Lease agreement expired in 2020 after the signing in 2016	Not provided
4	Zambia Bureau of Standards (ZABS)	Lease agreement not provided	K300,000 as at 27th July 2023.
5	National Remote Sensing Centre	Lease agreement not provided	K48,000 towards their occupancy.
6	SYAX Corp Limited	Lease agreement signed on 3rd May 2021, expired on 3rd May 2022	K195,000 due in July 2023
7	HIS Zambia Limited	Lease agreement signed in 2014 for 5 years, valid contract not availed	K60,000 paid on 2nd April 2024
8	Zamtel and Infratel Corporation Limited	Lease agreements signed in January 2020	Not provided

In addition, six (6) occupants had not fully paid their contributions towards the utility bills. In spite of this, NISIR continued to provide water, electricity and security services to the occupants which resulted in NISIR bearing a substantial cost on utilities.

## g. Irregularities in the Management of Assets

## i. Procurement of Motor Vehicle, Plant and Equipment Without Authority

The Cabinet Office Circular Minute No. 14 of 2017 requires that authority should be obtained from the Plant, Vehicle and Equipment Committee under Cabinet Office when procuring motor vehicles, plant and equipment.

Contrary to the Circular, NISIR procured four (4) motor vehicles in 2021 and 2022 at a total cost of K2,274,295 without obtaining authority from the Committee.

#### ii. Failure to Insure Assets

Regulation 41 (3) of the Public Finance Management (General) Regulations, 2020 states, "A public body shall ensure that an adequate budget provision is made for the insurance of public assets; and public assets are insured at reasonable value to avoid loss to Government."

Contrary to the Regulation, assets valued at K33,157,716 (staff houses, office and farm buildings - K31,777,591 and livestock - K1,380,125) were not insured during the period under review. As at 30<sup>th</sup> September 2025, the assets had not been insured.

## 12 PUBLIC SERVICE PENSION FUND

## 12.1 Background

## a. Establishment

The Public Service Pensions Fund (PSPF) was established by the Public Service Pension Act No.35 of 1996, Cap 260 of the Laws of Zambia.

PSPF is a defined benefit scheme that provides benefits to public servants and administers home ownership and micro finance schemes.

## b. Governance

Section 4 of the Public Service Pensions Act No 35 of 1996 and Public Service Pensions (Amendment) Act provides for the establishment of the governing Board of Directors comprising thirteen (13) members:

- i. a representative of the Ministry responsible for labour and social security;
- ii. a representative of the Public Service Management Division Cabinet Office;
- iii. the Director of Budget, Ministry of Finance;
- iv. a representative of the Attorney General;
- v. the National Secretary of the Pensioners Association representing persons who have retired under the Act;
- vi. the General Secretary of the Civil Service Union of Zambia;
- vii. the General Secretary of the National Union of Teachers;
- viii. a representative of the Defence Forces;
  - ix. a representative of the Security Forces;
  - x. a representative of the Chamber of Commerce;
  - xi. a representative of the Lusaka Stock Exchange; and
- xii. two (2) persons appointed by the President.

The Republican President appoints the Chairperson of the Board from among the Directors.

## c. Management

The Chief Executive Officer is responsible for the operations of the Fund. He is assisted by four (4) Directors responsible for Investments; Pension Administration; Human Resources and Administration; and Finance and Information Communication Technology (ICT).

## d. Sources of Funds

The sources of Funds for the Public Service Pension Fund include, among others such sums of money as may:

- i. Be payable to the Fund from time to time from moneys appropriated by Parliament;
- ii. Be received from contributions made by permanently employed civil servants and corresponding contributions from the employer (Government);
- iii. Accrue from investment activities carried out by the Fund i.e. long term and shortterm investments; and
- iv. Accrue to or vest in the company from time to time, whether in the course of the exercise of its function or otherwise.

## 12.2 Audit Findings

An examination of financial and other relevant records maintained at PSPF Headquarters for the period from 1<sup>st</sup> January 2023 to 31<sup>st</sup> December 2024 revealed the following:

## a. Annual Performance

## i. Budget and Income

PSPF budgeted to collect K4,453,153,000 in 2023 and K6,367,950,000 in 2024 from member contributions, investments, government income, and other income. Actual collections were K5,463,989,000 (2023) and K5,081,921,000 (2024), resulting in a positive variance of K1,010,836,000 in 2023 and a negative variance of K1,286,029,000 in 2024. See table 1 below.

**Table 1: Budget and Actual Income** 

		2023			2024	
Income Source	Budget	Actual	Variance	Budget	Actual	Variance
	K'000	K'000	K'000	K'000	K'000	K'000
Contribution Income	1,200,000	1,310,006	110,006	1,430,000	1,498,416	68,416
Investment Income	661,193	754,178	92,984	939,784	912,662	(27,122)
Government Funding	2,385,960	2,398,000	12,040	3,872,921	1,892,804	(1,980,117)
Other Income	206,000	1,001,805	795,805	125,245	778,038	652,793
Total	4,453,153	5,463,989	1,010,836	6,367,950	5,081,921	(1,286,029)

## ii. Financial Analysis

The financial performance of the Fund was as shown in table 2 below.

**Table 2: Statement of Net Assets Available for Benefits** 

	2024	2023	2022
	K	K	K
Assets			
Cash and Cash Equivalents	670,137,295	574,657,363	459,681,573
Investment in Debt Instruments	3,517,441,258	2,682,765,489	2,070,786,677
Equity Investment at fair value	966,852,329	685,586,984	443,205,074
Contributions due	134,002,046	33,775,607	9,289,379
Other receivables and accrued income	63,977,935	53,581,218	90,576,995
Microfinance loans	593,164,244	640,599,481	553,869,137
Home loan scheme	146,351,323	171,681,772	203,415,891
Staff loans	35,579,199	31,582,712	25,875,993
Investment properties at fair value	1,455,328,660	1,295,820,431	1,283,231,792
Investment Properties under Construction	391,671,504	391,671,504	391,671,504
Intangible Assets	1,164,500	335,515	864,953
Property plant and equipment	20,318,644	21,682,036	13,153,040
Total Assets	7,995,988,937	6,583,740,112	5,545,622,008
Liabilities			
Benefits payables	(2,948,285,060)	(1,417,305,556)	(1,050,571,660)
Other payables and accrued expenses	(43,845,976)	(36,881,435)	(38,494,451)
Staff pension liability	(28,942,571)	(14,832,447)	(10,495,947)
Long Term Loan	(910,500,409)	(960,591,203)	(753,065,288)
Total Liabilities	(3,931,574,016)	(2,429,610,641)	(1,852,627,346)
Net assets available for benefits	4,064,414,921	4,154,129,471	3,692,994,662

A review of the financial performance revealed the following:

## • Funding Level and Funding Gap

A review of the actuarial report of 2023 revealed that the Funding Gap was 3% at the 2020 valuation and 9% at the 2023 valuation. The ratios indicated an increase in the Funding Gap resulting from an increase in assets which moved from K1.5 million to K4.1 million during the period. It was further revealed that

despite this increase, the pension Fund's assets covered only 9% of its future obligations, signifying a funding shortfall. See table 3 below.

**Table 3: Funding Level** 

Item	2023 K'000	2020 K'000
Total Liabilities	48,030	51,958
Total Net Assets	4,153	1,537
Funding level Ratio	9%	3%

The Funding Gap is the shortfall between a pension scheme's liabilities and its assets. It shows how much money is needed for the scheme to be able to meet all its future benefit obligations to members.

Further, PSPF's total liabilities far exceeded its total net assets resulting in funding gaps of K50,421 million and K43,877 million in the actuarial valuation periods 2020 and 2023. See table 4 below.

**Table 4: Funding Gap** 

Item	2023	2020
10011	K'000	K'000
Total Liabilities	48,030	51,958
Total Net Assets	4,153	1,537
<b>Funding Gap</b>	43,877	50,421

In this regard, these shortfalls led to increased outstanding pension benefits resulting in prolonged waiting time for beneficiaries.

# b. Administration of Pension Contributions and Benefits - Outstanding Contributions

Section 32(1) of the Public Pension Fund Act No. 35 of 1996 provides that contributions shall be payable monthly in arrears and shall be remitted to the Fund.

Contrary to the Act, the Government did not remit to the PSPF contributions in amounts totalling K96,557,225 for the month of December 2024. As at 30<sup>th</sup> November 2025, the contributions had not been remitted.

## c. Internal Control Weakness - Administration of Investments

The Fund had a portfolio of investments such as equity, government bonds, treasury bills, home ownership loans, real estate among others. The total assets under investment as at 31<sup>st</sup> December 2024 increased to K7.24 billion, from K5.89 billion in 2023, resulting in the portfolio annual growth of 23% and a budget achievement of 97% of the targeted K7.8 Billion.

The positive portfolio growth was attributed to growth in equity (41%) and fixed income securities (40%) attributable to the equities posting capital gains and the investments activities in Fixed Income securities as a Risk Reward trade-off following the loan portfolio disbursement suspension during the period under review.

The loan portfolio assets posted a negative growth of 5% (MFL) and 24% (HOS) resulting in the underbudget achievement of 71% (MFL) and 68% (HOS) respectively. The loan portfolio's negative growth resulted from the suspension of the disbursement of new loans and the impact of the reconciliation and loan recoveries. See table 5 below.

**Table 5: Investment Portfolio** 

Туре	Opening	Closing	Movement	Percentage Change
Portfolio Growth	5,890,000,000	7,240,000,000	1,350,000,000	23
1. Home Ownership	203,264,484	154,104,728	(49,159,756)	-24
2.Equity	685,586,983	966,852,329	281,265,346	41
3.Microfinance Scheme	640,599,481	609,259,924	(31,339,557)	-5
4. Fixed Income Security				
(i) Local term deposits	438,838,193	725,197,869	286,359,676	65
(ii) GRZ Bonds	2,069,339,088	2,736,852,015	667,512,927	32
(iii) Corporate bond - Shimaini	5,726,987	5,726,987	-	0
(iv) Corporate Bond - Turbo Karchin	168,861,221	279,050,000	110,188,779	65
(v) Foreign -Crown Agents	49,240,313	66,769,228	17,528,915	36
Total - Fixed Income Securities	2,732,005,802	3,813,596,099	1,081,590,297	40
5. Real Estate	1,295,820,431	1,371,759,281	75,938,850	6
Work in Progress - Real Estate	391,671,504	391,671,504	-	0
Grand Total	11,838,948,685	14,547,243,865	2,708,295,180	

A review of the portfolio revealed the following:

## i. Failure to Recover Loan - Shimaini Investment.

On 24<sup>th</sup> May 2021, Public Service Pensions Fund Board (PSPFB) in conjunction with Development Bank of Zambia (DBZ) and Workers Compensation signed a loan agreement with Shimaini Investment Limited (SIL) with DBZ being the

arranger. As per agreement, on 27<sup>th</sup> May 2021, the Fund issued a corporate bond of K5,000,000 at 9% interest to SIL to be repaid within sixty (60) months with an intended expiration date of 21<sup>st</sup> May 2026.

During the period under review, DBZ was placed under possession by the Bank of Zambia which negatively affected the agreement with SIL.

In October 2024, SIL offered to redeem the loan by paying the principal of K5,000,000 plus interest of 13%, and PSPF management accepted this as an exit to mitigate further losses. SIL committed to settling the outstanding amounts on or before 15<sup>th</sup> August 2025. However, as at 30<sup>th</sup> September 2025, SIL had not paid back the loan.

In their response, management stated that SIL responded to a demand letter stating that funds would be remitted on or before 15<sup>th</sup> August 2025. In addition, they would continue to monitor compliance with settlement terms and take further action as necessary to secure full recovery of the outstanding amount.

However, as at 31st October 2025, SIL had not remitted the funds to PSPF.

## ii. Outstanding Rentals

Clauses 5.1, 5.2 and 5.5 of the tenancy agreements provide that tenants pay rentals on the first (1<sup>st</sup>) calendar day of the month at the prescribed rate. The rental charge escalates at an annual rate of 5%.

According to the tenancy agreement made between the PSPF and its various tenants, rentals were to be settled on the 1<sup>st</sup> calendar day of the month. The failure to settle as per agreement would result in loss of investment income to the Fund.

During the period under review, PSPF had seven (7) commercial properties which included the KK Mall, offices and shops on Panganani road in Lusaka as well as residential properties in Lusaka. As at 30<sup>th</sup> September 2025, the PSPF was owed amounts K14,895,538 in respect of rentals that had been outstanding for periods ranging from one (1) to fourteen (14) months.

## iii. Delayed Completion of the Hotel at Kenneth Kaunda Mall

In 2016, PSPF entered into a contract with China State Construction Engineering Corporation Ltd (CSCEC) for the construction of a mall (with entertainment centre), office block and hotel at a total contract sum of US\$72,001,602.99 to be executed within 30 months. The project was financed through a loan facility from the Industrial and Commercial Bank of China and this was done by block disbursements to the contractor. The completion date was set for mid-March 2019. The initial cost estimate of construction (design-and-build) of the hotel was US\$14,000,000. PSPF retrospectively engaged Radisson as hotel operator in May 2018, whose independent assessment required redesigning the hotel thereby, increasing the number of rooms from 100 to 135 and the floor area from 6,072m² to 11,271m². This resulted in the total estimated construction cost of the hotel increasing from US\$14,000,000 to US\$33,214,287 representing a US\$19,214,287.

As at 30<sup>th</sup> September 2025, the mall and office block were completed and operational, however, the hotel project was only 60% complete. Construction stalled after the financier withheld payments to the contractor, invoking the cross-default clause when the Ministry of Finance—acting as loan guarantor—suspended loan repayments during the anticipated sovereign debt restructuring. A site inspection confirmed that works had stalled, and the contractor had demobilised.

In response Management stated that the Board had prioritised completing the hotel and developed a roadmap, but as of October 2025, no action had been taken, and the project remained incomplete.

## 13 RURAL ELECTRIFICATION AUTHORITY

## 13.1 Background

## a. Establishment

The Rural Electrification Authority (REA) was established by an Act of Parliament, the Rural Electrification Act No. 20 of 2003 (Repealed) and whose functions and existence has now continued under the Rural Electrification Act No. 5 of 2023.

The Rural Electrification Act mandates REA to promote Electricity Infrastructure to Rural Areas so as to give access to electricity in rural areas.

### b. Governance

The Authority's Board of Directors provides overall guidance in the planning and implementation of the Authority's activities. The Board of Directors consists of nine (9) part-time members appointed by the Minister of Energy as follows:

A representative each of the ministries responsible for—

- i. energy; and
- ii. local government;
- iii. A representative of the Attorney-General;
- iv. A representative of the Economics Association of Zambia;
- v. A representative of the Engineering Institution of Zambia;
- vi. A representative of a non-governmental organisation engaged in rural development projects; and
- vii. Three (3) persons with proven knowledge and experience in matters relating to this Act.

The Board members are appointed for a term of three (3) years and are eligible for reappointment for a further final term of three (3) years.

## c. Management

REA is headed by the Chief Executive Officer (CEO) and is assisted by four (4) Directors for Engineering Services, Finance, Strategy and Planning and Human

Resource and Administration. Other members in senior management include four (4) managers responsible for Procurement, Corporate Affairs, Legal Counsel and Audit and Risk. The management team is appointed by the Board on three (3) year renewable contracts.

## d. Source of Funds

The funds of the Authority consists of monies that may;

- i. be appropriated by Parliament for the purpose of the Fund;
- ii. be received by way of electricity levy;
- iii. vest in or accrue to the Fund.

Further, the Authority may;

- i. subject to the approval of the Minister, accept monies by way of grants or donations from any source in the Republic and outside the Republic;
- ii. subject to the Public Debt Management Act, 2022, raise by way of loans or otherwise, monies that the Authority may require for the discharge of the Authority's functions; or
- iii. in accordance with regulations made under this Act, charge and collect fees for services provided by the Authority.

## 13.2 Audit Findings

An examination of accounting and other records maintained at the Authority for the financial year ended 31<sup>st</sup> December 2024 revealed the following:

## a. Annual Performance

## i. Budget and Income

During the period under review, REA budgeted to receive income in amounts totalling K733,044,997 against which amounts totalling K712,029,504 were realised resulting into a negative variance of K21,015,493. See table 1 below.

**Table 1: Budget and Income** 

No.	Description	Budget K	Funding K	Variance K
1	Government Grants	368,721,703	368,721,703	-
2	International Donor Funding	156,232,939	135,297,478	(20,935,461)
3	Committed Funds	188,363,692	188,363,692	-
4	Finance Income	9,744,658	9,664,626	(80,032)
5	Other Income	9,982,005	9,982,005	-
	Total	733,044,997	712,029,504	(21,015,493)

## b. Compliance with Laws, Regulations and Other Procedures

During the period under review, REA had a total of seventy two (72) contracts for Renewable Energy which included thirty three (33) grid extension and thirty nine (39), grid intensification. Twenty (20) of the renewable energy projects which included eight (8) solar mini grid, four (4) standalone home solar systems and eight (8) Biogases at a total contract sum of K528,579,997 with completion periods ranging from four (4) to twelve (12) months.

As at 30<sup>th</sup> December 2024, amounts totalling K335,354,763 had been paid leaving a balance of K193,225,234. A review of records revealed weaknesses in the management of the contracts such as delayed completion, lack of valid performance guarantees, failure to charge liquidated damages and failure to prepare final accounts. In particular, the following were observed:

## i. Failure to Maintain Valid Performance Security before end of Contract

Clause 48.1 of the contracts provides that the employer no later than twenty-one (21) days from receipt of the letter of bid acceptance or date of contract signing shall be issued with a performance security certificate or bank guarantee acceptable to the employer and denominated in the types and proportions of the currencies which shall be 10% of the contract price.

In addition, the performance bond shall be valid until one year from the date of issue of the completion certificate while the bank guarantee shall be valid for 28 days from the date of issue of the certificate of completion.

However, there were four (4) contracts with a total contract sum of K17,091,766 whose total performance security guarantees in amounts totalling K1,709,177 which expired before the issuance of the certificate of completion. As at 30<sup>th</sup>

September 2025, the Authority did not avail for audit renewed performance security guarantees. See table 2 below.

**Table 2: Contracts with Expired Performance Security** 

No	Project	Project Name	Contractor	Contract Price K	Amount Guarnteed K	Guarantee Expiry Date	Contract End Date
1	Grid Extension	Shingwa/Nkumbo	ZCOM Systems LTD	5,353,767	535,377	10-Mar-24	4-May-24
2	Grid Extension	Watopa	Netpower Solutions	5,359,796	535,980	16-Jan-25	31-Mar-25
3	Distribution Network	Maccu, Kelongwa, Luumba & Tapo	Nchifar Enterprises	2,084,380	208,438	10-Mar-24	16-Jun-24
4	Grid Extension	Shabo	Treo Zambia LTD	4,293,823	429,382	14-May-23	24-Apr-24
		Total		17,091,766	1,709,177		

## ii. Failure to Recover Advance Payments

Clause 47.2 of the General Conditions of the Contract (GCC) provides that the procuring entity shall make a recoverable advance payment to the contractor upon provision of either an insurance bond or an unconditional bank guarantee issued by an insurance company or a bank acceptable to the procuring entity. The guarantee will remain effective until the advance payment has been repaid.

There were five (5) contractors who were paid amounts totalling K13,641,496 as advance payments. However, as at 30<sup>th</sup> September 2025, amounts totalling K1,748,568 had been recovered leaving a balance of K11,892,929. See table 3 below.

**Table 3: Unrecovered Advance Payments** 

				Advance	Amount	Balance
No.	Project	Project Name	Contractor	Paid	Recovered	
				K	K	K
1	Grid Intensification	Simaubi	KWD Engineering LTD	3,572,150	957,898	2,614,251
2	Grid Extension	Chief Kambombo	Siltekk Engineering LTD	3,353,317	435,931	2,917,385
3	Bio Gas Digester	Kawambwa Boys Secondary School	Luged Investment LTD	175,101	15,466	159,635
4	Grid Intensification	Chiefteness Kawaza	Transantlantic ventures	1,379,871	339,272	1,040,599
5	Solar Mini Grid	Chief Moyo, Chief Chama, Maccu, Kelongwa	Wand H venutures	5,161,058	-	5,161,058
		Total		13,641,496	1,748,568	11,892,929

## iii. Delayed Project Completion

According to GCC1.1 (u) of the Particular Conditions of Contract (PCC), the projects were expected to be completed between six (6) weeks and twenty four (24) weeks. A review of records revealed that as 30<sup>th</sup> September 2025, there were twenty three (23) contracts with a total contract sum of K88,457,139 which had delayed to be completed. The delays in completion ranged between one (1) to twenty (20) months. See table 4 below.





Table 4: Delayed Project Completion

No.	Project	Project Name	Contractor	Start Date	End Date	Last Date of Inspection	Estimated Delay in months	Contract Price K	Amounts Paid K	Balance K
-	Grid Extension	Mwininyilamba	Netpower Solutions	14/08/2023	23/01/2024	17/05/2025	16	4,442,905.68	1,110,726.42	3,332,179.26
2	Grid Extension	Watopa	Netpower Solutions	24/08/2023	04/05/2024	17/05/2025	13	5,359,796.37	791,120.60	4,568,675.77
3	Grid Extension	Matipa	Coronatech Zambia LTD	11/02/2024	27/06/2024	17/05/2025	11	12,946,116.08	1,853,496.72	11,092,619.36
4	Grid Extension	Chinyingi	Clavert Resources & Investments	16/05/2023	06/02/2024	17/05/2025	16	16,430,659.66	5,625,179.85	10,805,479.81
5	Grid Extension	Chipepo	Transatlantic Ventures LTD	05/05/2023	30/09/2023	17/05/2025	20	7,518,737.00	4,705,464.49	2,813,272.51
9	Grid Extension	Kanyama	Suberth Investments	07/05/2023	05/11/2023	17/05/2025	19	8,686,316.00		8,686,316.00
7	Grid Extension	Shnengene	Nchifar Enterprises	16/06/2021	30/09/2023	17/05/2025	20	10,145,375.00		10,145,375.00



No.	Project	Project Name	Contractor	Start Date	End Date	Last Date of Inspection	Estimated Delay in months	Contract Price K	Amounts Paid K	Balance K
8	Solar Grid	Chief Chama	W& H Solar Ventures	23/10/2023	15/01/2024	17/05/2025	16	13,285,670.10		13,285,670.10
6	Solar Grid	Limilunga	W& H Solar Ventures	23/10/2023	15/01/2024	17/05/2025	16	4,804,244.77	1	4,804,244.77
10	Solar Grid	Maccu	W& H Solar Ventures	23/10/2023	15/01/2024	17/05/2025	16			
111	Solar Grid	Kelongwa	W& H Solar Ventures	23/10/2023	15/01/2024	17/05/2025	16			
12	Solar Grid	Chief Moyo	W& H Solar Ventures	23/10/2023	15/01/2024	17/05/2025	16	2,554,319.03		2,554,319.03
13	Bio Gas	Liwitikila Girls	Yazrah Investments LTD	16/09/2024	20/01/2025	17/05/2025	4	708,051.93	113,866.80	594,185.13
41	Bio Gas	St. Theresa Girls Secondary School	Yazrah Investments LTD	16/09/2024	30/04/2025	17/05/2025	1			





Z o.	Project	Project Name	Contractor	Start Date	End Date	Last Date of Inspection	Estimated Delay in months	Contract Price K	Amounts Paid K	Balance
15	Bio Gas	Chipepo	Luged Investments	23/08/2024	16/01/2025	17/05/2025	4	700,403.46	61,865.09	638,538.37
16	Bio Gas	St. Canisius Secondary School	Multiplex Contractors & Suppliers LTD	12/12/2024	10/01/2024	17/05/2025	16	874,543.93	302,213.76	572,330.17
17	Bio Gas	Sefula Secondary School	Multiplex Contractors & Suppliers LTD	12/12/2024	10/01/2024	17/05/2025	16			
18	Bio Gas	Kambule Secondary School	Multiplex Contractors & Suppliers LTD	13/12/2024	11/01/2024	17/05/2025	16			
		Total						88,457,139.10	14,563,933.73	73,893,204.47

A review of project files revealed that the projects were delayed for among other reasons failure to secure materials on time by the contractors.

The failure to complete the projects on time has led to the Authority failing to supply, deliver and install Grid, Solar and Biogas energy to the intended beneficiaries.

## iv. Failure to Charge Liquidated Damages

Clause 45 of the contracts for Grid Extension, Supply Delivery and Installation of Power Lines, Mini Solar Grids, Home Solar Systems and Biogas Digesters provided that the contractor shall pay liquidated damages to the procuring entity at the rate of 0.1% for each day that the completion date is later than the intended completion date."

A review of records revealed that there were thirteen (13) contracts with a total contract sum of K95,208,577 had delayed for periods ranging from 28 days to 365 days.

However, as at 30<sup>th</sup> September 2025, the Authority failed to charge and collect liquidated damages in amounts totalling K5,625,510 despite the contractors failing to complete the projects as per schedule of works and within the agreed timeframes.

## v. Failure to Prepare Final Account for Terminated Contracts

Clause 53 of the contract provides for a preparation of final account to determine total sum due to the contractor or employer on a contract after taking into account the total contract sum, the unrecovered advance payments, interim payment certificates issued and paid on the contract and any liquidated damages charged on the contractor.

During the period under review, the Authority terminated five (5) contracts valued at K42,898,377 out of which amounts totalling K9,520,052 had been paid due to fundamental breaches of the contract.

However, as at 30<sup>th</sup> September 2025, the Authority had not prepared the final accounts on the contracts to establish its indebtedness to the contractors or the contractors' indebtedness. See table 5 below.

Table 5: Failure to prepare final account

No.	Project	Project Name	Contractor	Contract Price K	Amounts Paid K	Advance Paid K	Recovered Advance	Unrecovered Advance Payment K	Outstanding Balance K
1	Grid Development	Mwininyilamba	Netpower Solutions	4,442,906	1,110,726			-	1,110,726
2	Grid Intesification Power Lines	Ikwichi/ Makapaela	Jeetech Alu Enterprises	5,267,124	2,251,735			-	2,251,735
3	Grid Intesification Power Lines	Simaubi	KDW Engineering LTD	14,255,598	3,333,486	3,572,150	957,898	2,614,251	5,947,737
4	Grid Intesification Power Lines	Chieftainess Kawaza	Transantlantic ventures LTD	5,519,483	1,379,871	1,379,871	339,272	1,040,599	2,420,470
5	Extension Power Lines	Chief Kambombo	Siltekk Engineering LTD	13,413,266	1,444,235	3,353,317	435,931	2,917,385	4,361,620
	Total			42,898,377	9,520,052	8,305,337	1,733,101	6,572,236	16,092,288

# vi. Contract for Supply, Delivery and Installation of 2023 Grid Extension Lines in Matanda Phase I

On 10<sup>th</sup> August 2023, the Authority engaged Portlands Works Limited for the supply, delivery and installation of grid extension lines in Matanda Phase I, Mansa District of Luapula Province at a contract sum of K13,247,787. The project was scheduled to commence on 24<sup>th</sup> August 2023 with an expected completion date of 16<sup>th</sup> April 2024.

The scope of works included electricity supply to Mulonga Primary School and Rural Health Centre (RHC), Chikoshi Primary School and RHC, Kaseke RHC, Chief Matanda's Palace, Matanda Secondary School, Matanda Boma Offices and surrounding areas.

As at 31<sup>st</sup> March 2025, the contractor had been paid amounts totalling K2,026,798 leaving a balance of K11,220,243.

The following were observed:

## • Failure to Encash the Advance Payment Guarantee

Clause 47.2 of the General Conditions of Contract provides that there should be a payment of advance to the contractor for mobilisation which would be recovered gradually from IPCs issued over the contract duration.

A review of records revealed that Portland Works Limited provided an advance payment guarantee valued at K3,311,947 with an expiry date of 9<sup>th</sup> August 2024. Consequently, on 16<sup>th</sup> August 2023 the Authority paid an amount of K3,311,947 as an advance payment to the contractor.

However, as at 30<sup>th</sup> September 2025, the contractor had only planted 12 meter and 9 m wooden poles and was not on site.

Further, out of K3,311,947 advance payment, a total amount of K485,345 had been recovered leaving a balance of K2,826,602.

## • Failure to Maintain the Grid Extension Lines - Matanda Project

A physical inspection conducted in May 2025 revealed that the grid extension lines were not completed thirteen (13) months after the scheduled completion date of 16<sup>th</sup> April 2024 as 20 km out of the 50 km grid line was not stringed and had 12 meter and 9 m wooden poles planted. In addition, the 8 transformers which were to be mounted at the various load centres had not yet been put in place.

Further, it was observed that part of the grid extension poles had fallen off exposing the stringed lines to theft and the contractor had demobilised from the site. In this regard, the failure to maintain the line would result in the grid not being completed. See the pictures below.





Figure 1: Fallen Poles

In addition, as of May 2025, there was no evidence of contract extension or termination provided for audit review.

## vii. Weakness in the Management of Biodigesters Contracts

During the period under review, the Authority engaged two (2) contractors for the Construction of Biodigesters in five (5) districts at a total contract sum of K1,684,544 with a completion period of four (4) months.

The scope of works included construction of bio-digester- main doom, drying bed, expansion and mixing, fittings and accessories, plumbing and construction of cattle kraal,

As at 30<sup>th</sup> September 2025, amounts totalling K535,540 had been paid to the contractors leaving a balance of K1,149,004. A review of records and physical inspection carried out in May 2025 revealed that there was poor workmanship and abandoned works. In particular, the following were observed:



# Table 6: Biodigesters under Implementation

				Contract	Amounts	Balance			
Z	Beneficiary	District	Contractor	Sum	Paid to the		Start	End	Observation
					Contractor		Date	Date	
				K	×	K			
1	Sefula Secondary	Mongu	Multiplex Contractors	874,544	333,040	541,504	12-Jan- 24	05-Apr-24	A physical inspection of works and a review
	School,		and	`		`			of a letter from REA to the contractor dated
	Kambule Secondary		Suppliers Limited						11th June 2025 revealed poor workmanship in
	School								that the gas network was installed with wrong
									piping material, finishing of the main dome,
									inlet, out and mixing chamber, covers for the
									dome, inlet, outlet and expansion chamber
									were poorly constructed, The bio-slurry
									shelter installation pole (pole placements and
									roof purlins) was not properly installed, Cattle
									kraal and slab was not yet constructed, one
									instead of seven drums was delivered for the
									Schools. The mixing chamber outlet for the
									20m3 unit was incorrectly constructed and
									was not fully back filled at Sefula Secondary
									School. See pictures below.



Observation	Contractor on Site at Kamhule and Schila Secondary Schools	Further, as can be seen from the photos above, some finishes for the bio-digester system were not correctly done and needed to be remedied.	Mporokoso Boarding School – Stalled  Works  As at 30th September 2025, the contractor had only done excavation works and the project had stalled. See picture below.
End Date			03-Apr-24
Start			10-Jan- 24
Balance K			607,500
Amounts Paid to the Contractor K			202,500
Contract Sum K			810,000
Contractor			Easy Energy Limited
District			Mporokoso
Beneficiary			Mporokoso Boarding Secondary School, Mabel Shaw Girls Secondary School
No.			2

3 St. Clement's Mansa Secondary	Sum	Paid to the Contractor		Start	End Date	Observation
St. Clement's Secondary	<b>×</b>	×	×			
St. Clement's Secondary						Mabel Shaw Girl - Stalled Works
St. Clement's Secondary						As at 30th September 2025, works had not
St. Clement's Secondary						commenced twenty one 21 months after
St. Clement's Secondary						expected completion date.
School						St Clement Secondary School –
						Abandoned Works
						As at 30th September 2025, the contractor had
						not completed the works as only three (3)
						chambers out the four (4) had been
						constructed and the contractor was not on site.
						Further the following were observed;
						• The three (3) chambers constructed had
						not been buried in line with the scope of
						works. See picture below.



Observation	poor workmanship- Broken lid chamber  According to the scope of works, the	contractor was required to rence the project site. However, a visit at St. Clement Secondary school revealed that no fence had been constructed around the bio – gas digester leaving it exposed unauthorised access. Consequently, the students had started throwing rubble in the expansion chamber. See figures below.
End Date		
Start		
Balance		
Amounts Paid to the Contractor K		
Contract Sum K		
Contractor		
District		
Beneficiary		
No.		



Observation	Unfenced Biogas Digester Rubble in Expansion chamber  In response, Management stated that the contract for this project has since been terminated due to non-performance by the Contractor. The Authority is scheduled to retender the remaining works.	
End Date		
Start Date		
Balance		1,149,004
Amounts Paid to the Contractor		535,540
Contract Sum		1,684,544
Contractor		
District		
Beneficiary		Total
No.		

## 14 TAZAMA PIPELINES LIMITED

## 14.1 Background

## a. Establishment

The TAZAMA Pipelines Limited was incorporated in 1968 under the Companies Act Chapter 455 of the Laws of Zambia. The core business was to design, construct, lay, own, operate and maintain a pipeline for the carriage of oil or petroleum products from Dar-es-Salaam in Tanzania to Ndola in Zambia. The pipeline covers 1,710 kilometers and has an annual throughput capacity of 800,000 metric tonnes.

In 2023, the Pipeline was converted from Pumping Crude Oil to Finished Product. The conversion process commenced on 24<sup>th</sup> January 2023 and was successfully completed on 16<sup>th</sup> March 2023 and Pipeline operations commenced thereafter.

## b. Share Holding

The company is jointly owned by the Governments of the Republic of Zambia (67%) and the Government of United Republic of Tanzania (33%). The shares for the Zambian Government are held by the Ministry of Finance, while the Tanzania Government holds its shares through Tanzania Petroleum Development Corporation (TPDC). TAZAMA Pipelines Limited operates under a convention between the two Governments which regulates the ownership, tax status, land ownership including right of way easements and any other issues affecting the smooth operations of the Pipeline.

## c. Governance - Board of Directors

The Company is governed by a Board of Directors comprising seven (7) members four (4) of whom are appointed by the Government of Zambia and three (3) by the Government of Tanzania with Zambia providing the chairperson.

## d. Management

The day to day operations of the Company is the responsibility of the Managing Director who is assisted by three (3) Directors namely; Director Operations and Engineering; Director Finance; and Director Corporate Services, all based at Head Office in Ndola, along with the General Manager for TAZAMA Petroleum Products

Limited. Additionally, there are two Regional Managers, one based in Dar es Salaam, Tanzania, and the other at Bwana Mkubwa in Ndola, Zambia and the Company also have an Empty Container Depot Manager based in Dar es Salaam, Tanzania.

The Managing Director and Directors are appointed by the Board on three (3) year renewable contracts.

## e. Sources of funds

TAZAMA Pipelines Limited generates its income from;

- i. Storage Fees through storage of finished products in its Dar-es-Salaam tanks once it is received at the port in Tanzania,
- ii. Empty Container Depot fees,
- iii. Pumping fee through transportation of the finished product from Dar-es-salaam to the TPPL Ndola Terminal,
- iv. Storage of part of the finished product in its ZT1 tank in Ndola,
- v. Agency fees based on the agreement with Ministry of Energy to supervise the receipt, storage and transportation of feedstock from its storage tanks in Dar-es-Salaam through the pipeline to the TPPL Ndola Terminal, and
- vi. Rental income from the TAZAMA housing units and other income.

## f. Information and Communication Technology Systems

During the period under review, TAZAMA Pipelines Limited operated two (2) systems as follows:

- i. Micro Pay Payroll System used for managing the payroll; and
- ii. Microsoft Dynamics Navision used for processing financial transactions.

## 14.2 Audit Findings

A review of financial and other records of the Company for the period 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2024 revealed the following:

## 14.2.1 Governance

## a. Failure to Adhere to Cabinet Circular of 2020

Cabinet Circular dated 22<sup>nd</sup> September 2020 banned Permanent Secretaries from sitting on Boards of Parastatals and other Statutory Institutions and directed as follows;

- i. Where the law does not provide, Permanent Secretaries should not be appointed on the Boards.
- ii. Where the law specifies that a Permanent Secretary should be appointed, a decision was made that these pieces of legislation should be revised to ensure that representation on Boards is at other senior level other than the Permanent Secretary.
- iii. Draw special attention to work with the Ministry of Justice to amend provisions that specifically indicate appointment of Permanent Secretaries.

Contrary to the circular, a review of appointment letters for the Board revealed that the Permanent Secretary – Technical and the Permanent Secretary – Electricity, under Ministry of Energy were appointed by the Minister of Energy as member and Chairperson of the Board. The appointments were for the period from 1<sup>st</sup> January 2022 to May 2025 and 7<sup>th</sup> June 2025 respectively, contrary to the provisions of the Circular.

## b. Lack of Board Charter

A Board Charter is a policy document that defines the respective roles, responsibilities and authorities of the Board of Directors (both individually and collectively) and management in setting the Direction, Management and Control of the Organisation.

A review of records revealed that the Company had no Board Charter in place and had been operating without a Board Charter since inception in 1968.

## c. Failure to Separate Audit from Finance Committee

Section 19 (1) of the Public Finance Management Act No. 1 of 2018 states that "There shall be established for each Public body an Audit Committee which shall perform functions and exercise such powers as are imposed or conferred on the committee under this Act." Further, Section 19 (5) states that the functions of an Audit Committee are to -

- (a) receive reports from internal auditors;
- (b) review audit policy and audit plans;
- (c) evaluate the management procedures regarding—
  - (i) internal controls;
  - (ii) financial reporting;
  - (iii) external audit reports;
  - (iv) risk management;
  - (v) ethics and governance;
- (d) make recommendations to the Secretary to the Treasury or a Controlling body.

However, a review of the board minutes and compositions of Board Committees revealed that TAZAMA had one (1) Committee dealing with both the Finance and Audit matters. In this regard, the assessment of the financial reporting and internal control assessment was compromised as there was no separation and independence on the two Committees.

## d. Failure to Provide for Tenure of Office on Appointment letters

Articles of Association No. 84 (b) of TAZAMA Pipeline Limited (TPL) states that the tenure for a Member of the Board (Director) shall be three (3) years upon appointment subject to renewal, removal or replace as provided under Article 84 (c) and (d) here in.

As can be seen from table 1 below, four (4) Board Members had served for periods ranging from four (4) to nine (9) years contrary to the provisions of the Articles of Association that provides for the Directors serving for a period of three (3) years subject to reappointment. It was further observed that six (6) appointment letters for Board Members had no provision for tenure of office. See table 1 below.

**Table 1: Board of Directors Appointment Status** 

Name of Director	Appoitment Date	Appointment Duration	No. of Years Served	Status as of September 2025	Nationality
Director 1	6/8/2025	Not Stated	1	Actively Serving	Zambian
Director 2	5/31/2021	Not Stated	4	Actively Serving	Tazanian
Director 3	11/6/2023	3 years	2	Actively Serving	Zambian
Director 4	10/31/2016	Not Stated	9	Actively Serving	Zambian
Director 5	6/7/2025	Not Stated	1	Actively Serving	Zambian
Director 6	10/1/2023	3 years	2	Actively Serving	Tazanian
Director 7	10/1/2023	3 years	2	Actively Serving	Tazanian
Director 8	1/23/2022	Not Stated	4	Actively Serving	Zambian
Director 9	1/23/2022	Not Stated	4	Actively Serving	Tazanian

## 14.2.2 Annual Performance

## a. Budget and Income

During the period under review, the Company generated revenue in amounts totalling K2,469,266,032 against a budget of K2,488,396,224 resulting in a negative variance of K19,130,192 as shown in table 2 below.

**Table 2: Budget and Actual** 

	20	124	20	23	202	22		Total	
Description	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Variance
	K	K	K	K	K	K	K	K	K
Pumping fees	947,313,792	1,054,810,843	710,967,977	615,119,481	334,032,167		1,992,313,936	1,669,930,324	(322,383,612)
Agency fees				435,077	40,820,070	26,294,187	40,820,070	26,729,264	(14,090,806)
offloading fees		9,830,210		6,364,574			0	16,194,784	16,194,784
Storage Fees	123,384,000	314,702,266	53,352,900	135,704,371	12,975,133	649,365	189,712,033	451,056,002	261,343,969
Empty Container									
Depot Fees	44,869,500	4,266,906	26,941,920		30,875,760		102,687,180	4,266,906	(98,420,274)
Management fees				950,255	10,200,000	10,227,527	10,200,000	11,177,782	977,782
GRZ Funding			60,550,413	203,349,329	67,859,969	67,859,969	128,410,382	271,209,298	142,798,916
Other Income	457,850	10,012,246	21,718,287	4,849,933	2,076,486	3,839,493	24,252,623	18,701,672	(5,550,951)
TOTAL	1,116,025,142	1,393,622,471	873,531,497	966,773,020	498,839,585	108,870,541	2,488,396,224	2,469,266,032	(19,130,192)

The aggregate negative variance of K19,130,192 for the period under review was mainly attributed to the year ended 2022 in which the Company was not pumping any products due to the shutdown. The shutdown was necessitated by the strategic change from pumping crude oil to finished products mainly Low Sulphur Gas.

## b. Financial Analysis

The Statements of Comprehensive Income, Financial Position and Cash Flow for the years ended 31<sup>st</sup> December 2022 to 2024 were as follows:

117

## c. Increased Profitability - Statement of Comprehensive Income

A review of the Company's statement of Comprehensive Income for the period under review revealed the following:

**Table 3: Statement of Comprehensive Income** 

	2024	2023	2022
Details		Restated	
	K	K	K
Revenue	1,383,610,216	758,573,758	37,171,079
Cost of sales	(484,787,169)	(293,584,127)	(205,234,457)
Gross profit	898,823,047	464,989,631	(168,063,378)
Administration expenses	(311,809,551)	(202,997,957)	(137,323,078)
GRZ Funding	-	203,349,329	67,859,969
Other income	10,012,346	4,849,933	3,839,493
Operating profit	597,025,842	470,190,936	(233,686,994)
Interest expense	(3,074,260)	(3,381,686)	(3,415,844)
Provision for retirement benefits	(11,049,555)	(10,817,424)	(7,536,704)
Exchange gain	52,673,465	82,161,966	2,022,593
Profit before taxation	635,575,492	538,153,792	(242,616,949)
Income tax expense		-	
Profit for the year	635,575,492	538,153,792	(242,616,949)
Other items of comprehensive income:			
Items that may be reclassified subsequently to profit			
or loss:			
Exchange difference on translating foreign operation	9,592,344	23,879,181	1,208,244.00
Total comprehensive income for the year	645,167,836	562,032,973	(241,408,705)

Source – TAZAMA PIPELINES audited financial statements for the years ended 31st December 2022, 2023 and 2024

As can be seen from the table above, the Company's profitability improved from a loss of K241,408,705 in 2022 to a profit of K645,167,836 in 2024 representing an improvement of 167%.

## d. Statement of Financial Position

A review of the Company's statement of Financial Position for the period under review revealed the following: See table 4 below.

118

**Table 4: Statement of Financial Position** 

	2024	2023	2022
Details		Restated	
	K	K	K
ASSETS			
Non-current assets			
Property, plant and equipment	1,665,368,774	1,578,262,969	1,531,618,763
Investment	5,000	5,000	5,000
Deferred asset	1,186,655,987	1,202,755,417	
	2,852,029,761	2,781,023,386	1,531,623,763
Current assets			
Inventories	46,457,972	78,399,017	18,238,557
Amounts due from related parties	220,551,941	251,317,054	7,914,423
Trade and other receivables	830,621,386	114,176,148	6,114,186
Cash and cash equivalents	330,399,327	363,619,215	10,326,582
•	1,428,030,626	807,511,434	42,593,748
Total assets	4,280,060,387	3,588,534,820	1,574,217,511
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25,000,000	25,000,000	25,000,000
Revaluation reserve	952,229,757	965,881,712	979,533,667
Foreign currency Translation Reserve	96,986,327	87,393,983	63,514,802
Accumulated profits	742,174,025	227,485,026	- 324,320,721
	1,816,390,109	1,305,760,721	743,727,748
Non-current liabilities			
Due to the Government of the			
Republic of Zambia	1,753,888,414	1,868,504,758	578,545,405
Pension benefits	52,332,835	29,991,016	29,991,016
	1,806,221,249	1,898,495,774	608,536,421
<b>Current liabilities</b>			
Trade and other payables	424,644,967	97,361,060	111,199,211
Short-term Loan	215,847,592	230,847,592	45,000,000
Amounts owing to related party	16,956,470	56,069,673	65,754,131
Total current liabilities	657,449,029	384,278,325	221,953,342
Total liabilities	2,463,670,278	2,282,774,099	830,489,763
Total equity and liabilities	4,280,060,387	3,588,534,820	1,574,217,511

Source – TAZAMA PIPELINES audited financial statements for the years ended 31<sup>st</sup>

December 2022, 2023 and 2024

## i. Increase in Trade Receivable Days

According to the Company's Receivables Policy, the standard credit period for all customers purchasing products is set at 30 days from the date of invoice. This policy is intended to ensure steady and predictable cash inflows, reduce the risk of overdue debts, and maintain liquidity for operational needs.

A review of the Company's accounting records and debtors' age analysis revealed that trade receivable days fluctuated significantly, ranging from 12 days in 2022, 44 days in 2023 to 199 days in 2024. In addition, the value of receivables increased from K90,513,950 in 2023 to K755,239,468 in 2024.

These figures indicate that a substantial proportion of customers were granted extended credit way beyond the approved credit policy limit. The lack of a robust debt recovery mechanism and credit limit enforcement contributed to this deterioration. See table 5 below.

**Table 5: Receivable Days** 

Trade Receivables Days =	(Trade Receival	oles) / (Revenue)	x 365 days
	2024	2023	2022
Trade receivables (K)	755,239,468	90,513,950	1,268,644
Revenue (K)	1,383,610,216	758,573,758	37,171,079
	199	44	12

As can be seen from the table above, the receivable days significantly increased beyond the allowable credit period. The significant increase in receivable days and outstanding amounts ties up working capital that could otherwise be used for operational expenditures or investment in revenue-generating activities, thereby directly threatening the company's liquidity position and long-term financial sustainability.

## ii. Failure to Meet Set Current Ratio

The Current Ratio measures an entity's ability to meet its short-term obligations using Current Assets such as cash, receivables, and inventories. A ratio above 1 generally indicates that a company has more Current Assets than Current Liabilities, while a ratio far above 1 suggests strong liquidity. A sustained ratio below the set target reflects inadequate capacity to absorb financial shocks and fund operational needs without external financing.

The 2019–2023 TAZAMA Balanced Score Card established a target working capital ratio (Current Ratio) of 4:1 by 2023.

An analysis of TAZAMA's Current Ratio showed results of 0.19:1 in 2022, 2.10: 1 in 2023, and 2.17:1 in 2024, all significantly below the target of 4:1.

The 2022 ratio of 0.19:1 indicated that the Company had only K0.19 in current assets for every K1 of current liabilities, compromising its liquidity position. While there was improvement in 2023 and 2024, the ratios still did not meet the corporate benchmark. See table 6 below.

**Table 6: Current Ratios** 

Current ratio= (Curr	ent assets) /(Cur	rent liabilities)	
	2024	2023	2022
Current assets (K)	1,428,030,626	807,511,434	42,593,748
Current liabilities (K)	657,449,029	384,278,325	221,953,342
Current ratio	2.17	2.10	0.19

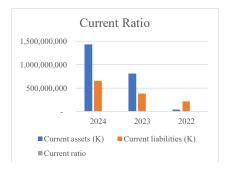


Figure 1: Current Ratio

The failure to meet the targeted ratio means that the Company may struggle to settle obligations such as supplier payments, employee benefits, and statutory remittance on time.

## iii. Increase in Debt-to-Equity Ratio

This ratio measures the proportion of debt financing relative to equity financing. Lower ratios indicate a conservative capital structure, while higher ratios signify increased leverage, which increases financial risk and reduces financial flexibility.

The 2019–2023 TAZAMA Balanced Score Card established a target gearing range of 30% to 40%.

A review of Financial Statements revealed Debt-to-Equity Ratios of 112%, 175% and 136% in 2022, 2023, and 2024 respectively, far exceeding the set target in all periods. This means that for every K1 of equity, the company borrowed K1.12 in 2022, K1.75 in 2023, and K1.36 in 2024. The consistently high gearing levels reflect dependence on debt financing, increasing the cost of capital and financial risk exposure. See table 7 below.

**Table 7: Debt to Equity Ratio** 

	2024	2023	2022
Total Liabilities (K)	2,463,670,278	2,282,774,099	830,489,763
Total Equity (K)	1,816,390,109	1,305,760,721	743,727,748
Debt to equity (K)	136%	175%	112%

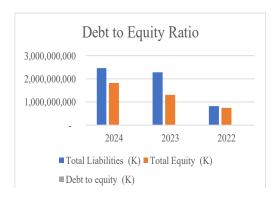


Figure 2: Debt to Equity Ratio

A highly leveraged position increases vulnerability to interest rate fluctuations, reduces creditworthiness, and limits capacity to raise additional debt if required.

## 14.2.3 Compliance with Laws and Regulations

# a. Petroleum Reforms - Conversion of TAZAMA Pipeline from Crude Oil to Finished Products

On 8<sup>th</sup> November 2021, Government decided to convert the Tazama Crude Oil Pipeline running from Dar es salaam Tanzania to Ndola Fuel Terminal in Zambia with a stretch of 1,710 km to a finished products pipeline. This was in order to reduce losses and the cost of landing fuel in the Country. The conversion of TAZAMA pipelines was to ensure security of supply and meeting of the National demand for Low Sulphur Gasoil (LSG) in the Country.

In response to Government's decision and in accordance with the Business plan, the conversion process of the pipeline was to take a period of approximately forty-five (45) days. The total cost of converting the Pipeline from Crude Oil to LSG was US\$6.0million. The cost was inclusive of enhancement of security of the pipeline, cleaning the storage tanks at Kigamboni Tank farm in Tanzania and cleaning the pipeline. An additional cost of US\$149.4 million was for the procurement of two (02) 200,000 MT cargos of LSG.

As part of the conversion, the crude oil dead stock in the pipeline was to be displaced and an equivalent amount of LSG procured. This being the first cargo of LSG, the displaced crude oil dead stock would be received and processed at the INDENI Refinery and the resultant product sold to cover part of the cost of the LSG. This would complete the conversion of the pipeline from Crude oil to LSG. The second cargo of LSG was to be stored and available for sale immediately.

The following were observed:

## i. Delayed Expansion of the Pipeline in Line with the Business Plan

The Business Plan provided that within two (2) years of the commencement of the conversion of the pipeline, management was to implement the expansion of the Pipeline by converting the 8 inches diameter sections to 12 inches diameter pipeline so as to increase the throughput from 850,000 metric tonnes per annum to 1.5 million tonnes per annum. The expansion was estimated to cost US\$450 million.

A review of the status of the implementation revealed that, despite having commenced the implementation of the conversion for a period exceeding two (2) years, as of October 2025, management had not started the Pipeline Expansion Project.

## ii. Failure to Improve Security Measures along the Pipeline

According to the Business plan for Conversion of the Pipeline from Crude Oil to Finished Products, the security measures of the Pipeline were to be enhanced by two major interventions which included:

- Optic Fibre in order to effectively monitor the pipeline operation,
   Management was to install optic fibre network and Supervisory Control and
   Data Acquisition (SCADA) system.
- Use a Drone in order to effectively monitor the pipeline activities over the 1,710 km Management was to procure a Hybrid Drone complete with accessories and a Transponder

A review of records and physical inspections at various points of the Pipeline revealed that Management had not installed the above mentioned security measures, thereby exposing the Products to various risks.

# Inadequate Pipeline Security Leading to Repeated Product Loss and Environmental Damage

Guideline 3.6 of the TAZAMA Pipelines Systems and Procedures Manual states that "TAZAMA shall ensure transportation and safe transit of the feedstock via the TAZAMA pipeline. In addition, industry best practices require that pipelines transporting high-value, finished products must be secured through a robust combination of physical and technological measures. This includes intrusion detection systems capable of providing real-time alerts to prevent incidents of vandalism and theft.

A review of the TAZAMA Incidences and Accidents Register for 2023 and 2024 revealed a persistent and severe deficiency in pipeline security. There were numerous cases of vandalism – attempted drill, corrosion, worn-out gasket, welded part failure, and theft which occurred across multiple regions, including Dar es Salaam, Mbeya, and Songwe. See table 8 below.

Table 8: Summary of Security Incidents on the Pipeline 2023-2024

Reason Category	Total Leaked (LTS)	Total Recovered (LTS)	Net Loss (LTS)	% Loss	Kwacha Equivalent K
Vandalism	916,090	21,200	894,890	19%	23,267,140
Corrosion	1,728,760	234,035	1,494,725	32%	38,862,850
Burst-due to corrosion	1,030,000	122,000	908,000	19%	23,608,000
Pipeline cut (Road construction)	277,000	1,000	276,000	6%	7,176,000
Pipeline Heat	420,000	6,000	414,000	9%	10,764,000
Defective gasket	16,000	15,000	1,000	0.14%	26,000
Theft	705339	0	705,339	15%	105,988
GRAND TOTAL	5,093,189	399,235	4,693,954		103,809,978

Source: TAZAMA Incidence and Accidents Register for 2023 and 2024

As can be seen in table 9 above, the failure to implement the Optic Fibre Monitoring System resulted into the Company incurring losses in amounts totalling approximately K103,809,978 during the period under review.

# Contract for Supply and Delivery of Welkin F4 Hybrid Drone Complete with Accessories and a Transponder

On 16<sup>th</sup> December 2019, TAZAMA Pipeline entered into Contract with Shu Xi Ying Technology (Chengdu) Company Limited for the supply and delivery of Welkin F4 Hybrid Drone Complete with Accessories and a Transponder at a contract price of U\$ 100,100. On 23<sup>rd</sup> November 2021, the supplier changed their name to Shu Xi Ying Cultural Communication Limited.

The following were observed:

# Failure to Provide for Performance Security as Advised by the Attorney General

In a letter dated 29<sup>th</sup> August 2019, the Office of the Attorney General advised TAZAMA to include in the Contract with respect to the Special Contract Condition (SCC) relating to GCC 16.1, a clause that the amount of Performance Security shall be between 5% and 10%. This is as provided for in Regulation 127(3) of the Public Procurement Regulations of 2011 which provides that 'the value of any required performance security may be expressed either as a fixed amount or as a percentage of the contract value, except that the amount shall be between 5% and 10% of the contract value.' Further, Section 147 (1) of the Public Procurement Regulations of 2011, states that a Contract shall state that the procuring entity has the right to inspect goods, works and services at any reasonable time or place, including—(a) during manufacture or construction; (b) prior to shipment; (c) on delivery or completion; or (d) prior to final acceptance of the goods, works or services.

Contrary to the Provisions, the Contract signed between TAZAMA and the Contractor did not provide for any Performance Security under GCC16.1 and no inspections and tests of the Drone were conducted at any stage in the manufacturing process or before shipment.

125

In this regard, the Company was not able to claim for any compensation when the contractor failed to deliver parts such as the control panel, flying station and batteries and the supplier's technical team did not travel to commission the equipment and train the TAZAMA maintenance and operations team.

As at 31<sup>st</sup> October 2025, the Drone was not operational, and the Company had not received any compensation from the Supplier.

## **o** Wasteful Expenditure on Procurement of a Drone

TAZAMA made a total payment of US\$103,600 (K1,785,138.53) as 100% advance payment for the shipping of a drone. Further, amounts totalling K439,188 were paid as customs clearing charges bringing the total amount paid for the procurement of the drone to K2,224,327. See table 9 below.

**Table 9: Payments Made to the Supplier** 

Date	Payment Details	Amount U\$	Equivalent K
24.08.20	25% Advance payment	23,525.00	432,270.75
	40% Advance payment after fuselage frame		
30.12.21	production	37,640.00	626,611.90
	Advance payment for Mode Transponder O/N		
20.04.22	7975	9,500.00	165,537.50
	35% Final advance payment before shipping of		
17.05.22	Drone	32,935.00	560,718.38
30.09.22	Clearing charges for Agricultural Drone		20,394.39
	Clearing custom charges and wharfage for		
30.09.22	Agricultural Drone @Tsh 48,467,321@0.0073)		64,982.38
	Clearing charges for the Drone advice		
30.11.22	No.3745/220		353,811.44
	Total	103,600.00	2,224,326.74

A review of the Bill of Lading revealed that the Agricultural Drone was shipped on 31<sup>st</sup> July 2022 from Hongkong to Dar es Salaam and arrived in Tanzania in December 2022.

However, following the non-functionality of the Drone, a combined team of selected Board members and staff undertook a trip to China from 17<sup>th</sup> to 23<sup>rd</sup> November 2024 to meet the manufacturer at a total cost of K1,770,297. The following were established:

The Sales Company was liquidated in 2022 and the owner had relocated to the United States of America. Additionally, the Drone was of military grade in nature, hence the challenges experienced in accessing the manufacturer given a number of clearances required to visit a company that manufactures military equipment for China and Export.

Further, a physical verification carried out in September 2025 revealed that the Drone and its Camera were kept in Stores and had not been utilised but recommended for impairment. See pictures below.





Non-functional Drone and Accessories in stores at Kigamboni Tank Farm

In this regard, amounts totalling K3,994,624 spent on the procurement of the Drone (K2,224,327) and allowances paid to Board Members and Employees (K1,770,297) amounted to wasteful expenditure.

# b. Weaknesses In the Management of Dead Stock & Government Loan - Conversion of Pipeline

On 2<sup>nd</sup> June 2023, the Government of the Republic of Zambia entered into an Interest free Loan Agreement with TAZAMA amounting to K2,701,899,588 (US\$137,584,572.22) for the purpose of settling the amount owed to petroleum suppliers during the conversion of the Pipeline from pumping Crude Oil to Finished White Products.

127

According to the Repayment terms, TAZAMA shall either by itself or by its successors and assignees, re-pay an amount of K1,839,363,3889 (US\$93,663,001) using the proceeds from the sale of the processed crude oil and Kerosene within a period of twelve months effective 1<sup>st</sup> July 2023 while the balance of K862,536,004 (US\$43,921,560.85) will be paid back to the treasury over a period of ten (10) years in forty (40) instalments from Throughput Fees that will be charged by TAZAMA with the first instalment being due on 30<sup>th</sup> March 2024.

In addition, any shortfall due to lower than projected sales will increase the amount that TPL will have to pay back to the Government through the Throughput Fees from the current projection of K862,536,004 (US\$43,921,560.85) by the extent of the shortfall. In an event that the sales proceeds are higher than the projected K1,839,363,388 (US\$93,663,001.40), the excess sales will result in a corresponding reduction in the amount payable by TAZAMA to Government using Throughput Fees.

The following were observed:

## i. Failure to make Loan Repayment as Per Contract Agreement

TAZAMA had not remitted any instalments through Throughput Fees despite the first instalment being due on 30<sup>th</sup> March 2024. As at 31<sup>st</sup> October 2025, amounts totalling K1,413,962,898 were still outstanding.

Further, a review of Financial Statements as at 31<sup>st</sup> December 2024 revealed that amounts totalling K217.7 million remained unremitted to Ministry of Finance for the sales made on processed Crude Oil products as TAZAMA Petroleum Products Limited (TPPL) had not remitted the amounts to TAZAMA. See table 10 below.

**Table 10: Outstanding Loan from Dead Stock Proceeds** 

No.	Description	Amount K	Amount US\$
1	Loan Amouts Due from Sale Proceed of Processed Crude Oil effective 1st July 2023	1,839,363,388	93,663,001.00
2	Amount Paid from Sale of Processed Crude Oil as at 31st December 2024	1,287,936,494	65,583,558.93
3	Balance to be paid using Throughput Fees due 30th March 2024	551,426,894	28,079,442.07
4	Amounts to be paid through Throughput Fees effective 30th March 2024	862,536,004	43,921,560.85
5	Total to be paid over 10 years from Throughput Fees effective 30th March 2024	1,413,962,898	72,001,002.73
6	Amount Paid as at 31 December 2024	-	
	Amount Due as at September 2025	1,413,962,898	72,001,002.73

## ii. Management of the Dead Stock - Failure to Achieve Budgeted Volumes

A review of the Processed Products Reports for the Dead Stock revealed that a total production of 99,808 MT of Finished White Products from the Crude Oil Dead Stock was budgeted for, against which only a total of 84,425 MT of Finished White Products was processed and produced, resulting in a shortfall of 15,383 MT. See table 11 below.

**Table 11: Budget vs Actual Yield – Processed Finished Products** 

Products	Total Budgeted Production MT	Actual Production MT	Variance	Approximate Loss on Dead Stock Conversion K
Lpg/Butane	4021	290	-3731	(175,357,000)
Petrol	19042	21469	2427	71,402,340
Kerosenes	22042	6333	-15709	(321,091,960)
Gasoil	39610	40460	850	22,848,000
Fuel oil	15193	15873	680	21,080,000
<b>Total Finished Products</b>	99808	84425	-15383	(381,118,620)

The failure to realise the budgeted stock levels from the Dead Stock resulted into the Company incurring a loss of K381,118,620 in 2023. At the time of audit in September 2025, Management had not provided the reconciliation in the Stock Processing and Movement Report.

## c. Failure to Meet Energy Regulation Board Key Technical Performance Indicators

In 2023, the ERB and TAZAMA agreed on Key Performance Indicators (KPIs) Framework covering the period January 2023 to December 2023. A review of the Energy Sector Report 2023 revealed that ERB continued to monitor the performance of TAZAMA against the KPI framework as shown in table 13 below.

Table 13: TAZAMA Performance against set ERB KPI

No.	Key Performance Indicator (KPI)	Target	2023 (Actual)	Remarks
1	Thorough put (MT)	800,000.00	557,446.30	Not achieved
2	Operational Days %	350	275	Not achieved
3	Pumping Rate	110	101.84	Not achieved
4	Consumption and Loss%	1.2	0.92	Achieved
5	Product Quality	100%	one incident	Not achieved

Source: Energy Sector Report 2023

As can be seen from the table above, TAZAMA met only one out of the five indicators set by the ERB.

#### 14.2.4 Procurement Matters

#### a. Failure to Use Market Price Index on Procurement – Low Value Procurements

Section 12(2) of the Public Procurement Act No.8 of 2020 provides that a procuring entity should procure standard goods, services and works in accordance with the price index issued by the Zambia Public Procurement Authority (ZPPA).

Contrary to the Regulation, payments totalling K10,699,863 involving thirty-three (33) transactions at Headquarters and Bwana Mkubwa Office for supply of goods were made to twenty-eight (28) suppliers without Market Price Index analysis as prescribed by the Circular.

#### 14.2.5 Staff Related Matters

# a. Questionable Conditions of Service— Inclusion and Payment of Responsibility Allowance

A Responsibility Allowance is an extra payment made to an employee in addition to their basic salary, for taking on additional responsibilities beyond their normal duty.

In a Letter dated 10<sup>th</sup> June 2020, the Ministry of Labour and Social Security indicated that some clauses in the Employment Contract of the Managing Director were not couched in clear terms. Among the clauses was Responsibility Allowance where the Commissioner advised that the Responsibility allowance was not clear as it does not expressly show the circumstance that would trigger the allowance.

A review of the contract signed for the period 20<sup>th</sup> June 2020 to 19<sup>th</sup> June 2023 revealed that a clause was included which stated that the employee will be entitled to a Responsibility Allowance of USD 3,500 per month and it did not state the circumstance under which it would be trigged.

In this regard, the Managing Director was paid Responsibility Allowance in amounts totalling USD 63,000 for the period 1<sup>st</sup> January 2022 to 19<sup>th</sup> June 2023 without stating the circumstances which triggered the allowance. The payment of Responsibility Allowance without any basis was therefore questionable.

#### 14.2.6 Operations - Tanzania Region

## a. Failure to Pave (Concrete) the Kigamboni Tank Farm Bund Surface Area

A review of the Energy and Water Utilities Regulatory Authority (EWURA) Report on Pre-Licensing Inspection of TAZAMA Pipeline under the Petroleum Division dated November 2018, TAZAMA (Tanzanian Side) revealed that a Licence was granted for the Pipeline Operation on condition that all anomalies were rectified within the period of the time granted. One of the recommendations was that TAZAMA was required to pave (concrete) the Kigamboni Tank Farm bund surface area within five (5) years, that is by the year 2023.

A physical inspection, however, revealed that the Concrete works within the surface area of the band wall were not paved contrary to the recommendations in the EWURA report. See the figures below.



Rehabilitated Tank 6 without Concrete Works on Bund Surface Area

In this regard, the failure to adhere to the recommendations of the EWURA may lead to the revocation of the Pipeline Operation License of TAZAMA on the Tanzanian side.

## b. Dilapidated Bund Walls at Kigamboni Tank Farm

In November 2018, the Energy and Water Utilities Regulatory Authority (EWURA) recommended that TAZAMA pave the Tank Farm Bund area, extend pavement to the MP3 and MP4 sheds for effective spill detection and drainage to oil-water separators, and design the waste treatment pond to avoid intersecting the seasonal water table, using concrete or watertight polyethylene lining to prevent seepage of petroleum products into groundwater.

International standards on the management of Petroleum Tank Farms further require that bunds be impermeable, structurally robust, and capable of containing at least 110% of the largest tank's capacity. Bund walls must be reinforced, lined with corrosion and chemical resistant materials, and built to withstand hydrostatic pressure. Designs should exclude any direct outlets to drains or watercourses, ensure adequate wall height without compromising ventilation or firefighting access, and incorporate measures to prevent rainwater ingress and provide safe access and escape routes.

A physical inspection conducted in September 2025 revealed that while management had rehabilitated a small portion of the bund wall at Tank 3, the bund walls for Tanks 1 and 2 remain in a dilapidated state, with visible cracks, erosion, vegetation growth, and damaged lining. These defects compromise the bunds' permeability and structural integrity, resulting in non-compliance with the recommendations made by the Energy and Water Utilities Regulatory Authority (EWURA) in November 2018 and with international standards such as NFPA 30 and relevant ISO guidelines. See pictures below.





Dilapidated Bund walls at Tank 1

Dilapidated bund walls at Tank 2

Damaged bund walls significantly reduce the ability to contain potential fuel spillages, increasing the risk of petroleum products seeping into the soil and contaminating groundwater. This also heightens the risk of environmental pollution, regulatory non-compliance, potential license suspension, and reputational damage. Structural weaknesses could lead to bund wall failure during an incident, exacerbating spill impacts and increasing remediation costs.

#### 14.2.7 Other Audit Findings

a. Lack of Internally Generated Documentation of Received and Dispatched White Products. -

Following the conversion of the Pipeline from Crude oil to Finished White Product Low Sulphur Gasoil (LSG) in 2023, TAZAMA transported a total of 1,326,201.10 MT of LSG in 2023 and 2024 valued at US\$69,907,666.10

A review of records for Petroleum Products received and dispatched for the period under review revealed that there were no internally generated documents such as Goods Received Notes and Goods Issued Notes which should show quantities of Petroleum received in the Kigamboni Tank Farm and transported through the pipeline to Ndola Fuel Terminal.

Further, it was observed that TAZAMA relied on third party documents (Shore Tank Quantity Reports) to confirm Petroleum Products received into the Tank Farm showing the Cargo, Volume and date of delivery and countersigned by one officer from TAZAMA.

In this regard, the absence of internally generated Goods Received and Issued Notes may make it difficult for TAZAMA to account for quantities of Petroleum Products received and transported through the pipeline and could also make it difficult for TAZAMA to detect errors or misstatements for Petroleum quantities received.

Furthermore, with the Open Access Policy allowing TAZAMA to store Products for different OMCs, it was not possible to ascertain how much of the stored products in the Tanks belonged to which OMC. It was also observed that there were no segregations of duties for the Petroleum Stock Reports as only one (1) officer endorsed on the stock reports.

In the absence of chronologically internally generated documents, it was difficult to verify the completeness of the Products received and dispatched from the Tank Farm.

#### b. Lack of Documentation-Instruction for Pumping Activity

Section 4.1(h) of the TAZAMA Operations and Maintenance Manual provides that the Despatcher shall issue an instruction for the Tank Farm to start pumping.

However, there was no formal documentary evidence availed for audit at Kigamboni Tank Farm to show instructions to start the pumping activity. Given the Operationalisation of the Open Access Policy that allowed different OMCs to pump fuel through the Pipeline, it was difficult to ascertain which OMCs' Product was being pumped at a particular time without formal instructions from TAZAMA.

Further, TAZAMA Kigamboni Tank Farm did not have specific records for whom the Petroleum Products had been pumped for in terms of Oil Marketing Companies other than details showing that the fuel was designated or pumped to the Ndola Fuel Terminal.

Furthermore, Management at TPL was using an Operations and Maintenance Manual which was outdated as it had procedures relating to Pumping of Crude Oil despite the change of business model of transporting Crude Oil to finished White Product.

#### c. Failure to Dispose of Unserviceable Assets

Section 44 (1) of the Public Finance Management Act of 2018 provides that the controlling body of a local authority, statutory corporation or state-owned enterprise should establish a Committee of Survey (COS) as and when need arises for the purpose of disposal of unserviceable, obsolete, obsolescent, or surplus stores, equipment or

assets. Further, Clause 4.3.1 (f) of the TAZAMA Revised Finance Policies and Policies Manual of August 2024 provides that disposal of old and uneconomic assets shall be done following periodic assessment and recommendation by a team of internal assessors.

During the period under review, TAZAMA's Financial records revealed that 17 motor vehicles, including Toyota Hilux, Toyota Land Cruiser, Mitsubishi Canter, and two trailers, were identified as broken down, or requiring costly repairs (with Zero net book values).

In a memorandum dated 8<sup>th</sup> April 2024, from the Head Driver (T) to the Engineering Manager (T), recommendation was made to dispose of the vehicles. As at 31<sup>st</sup> October 2025, the vehicles had not been disposed of. See pictures below.



Obsolete Motor Vehicles Kigamboni Pump Station



Obsolete Motor Vehicles Kigamboni Pump Station

#### d. Statutory Obligations

#### i. Failure to remit Skills Development Levy (SDL)

The Skills Development Level is a Statutory Levy imposed on employers in Tanzania under the **Vocational Education and Training Act** (Cap. 82). The purpose is to fund vocational education, training, and skills development in the country to ensure the workforce has appropriate skills. The Levy is paid to Tanzania Revenue Authority (TRA).

During the period under review, the company owed the Tanzania Revenue Authority (TRA) amounts totalling TSH2,431,706,403 (K24,317,064.03) in respect of

unremitted Skills Development Levy. The amount has been outstanding from as far back as 2020.

## ii. Unrecovered VAT Refunds from Zambia Revenue Authority (ZRA) and Tanzania Revenue Authority (TRA)

During the period under review, the Company was owed amounts totalling K47,177,584 by the Zambia Revenue Authority (K25,102,609) and Tanzania Revenue Authority (K22,074,975) as Value Added Tax (VAT) refunds. As at 31<sup>st</sup> December 2024, the refunds had not been recovered.

#### 15 TANZANIA ZAMBIA RAILWAY AUTHORITY

## 15.1 Background

#### a. Establishment

The Tanzania Zambia Railway Authority (TAZARA) was established under the Tanzania Zambia Railway Act No. 4 of 1995. It is jointly owned by the Government of the United Republic of Tanzania and the Government of the Republic of Zambia on equal share holding basis. The Authority has its headquarters in Dar-es-Salaam, Tanzania and two (2) regional offices one based in Mpika (Zambia) and the other one in Dar es Salaam, Tanzania.

The General duties and functions of the Authority include the following:

- i. Carry passengers and goods by rail
- ii. Manufacture parts and provide maintenance and repairs services at any foundry, workshop or other factory owned or operated by the Authority;
- iii. Operate road-rail services; and
- iv. Provide storage facilities in Tanzania and Zambia for goods to be carried by the Authority.

#### b. Governance

The governance structure comprises a Council of Ministers, Board of Directors and Management. The Council sits once a year to discuss the Board of Directors resolutions and recommendations referred to it. The Board of Directors consists of six (6) members as follows:

- i. The Permanent Secretary in the Ministry responsible for Transport in Zambia;
- ii. The Principal Secretary in the Ministry responsible for Transport in Tanzania;
- iii. Two members with experience in either transport, commerce, industry or finance appointed by the Minister responsible for Transport in Zambia; and
- iv. Two members with experience in transport, commerce, industry or finance appointed by the Minister responsible for Transport in Tanzania.

Members of the Board hold office for a term of not more than three (3) years.

#### c. Management

The operations of the Authority is the responsibility of the Managing Director who is assisted by the Deputy Managing Director, Chief Civil Engineer, Chief Mechanical Engineer, eight (8) managers in charge of safety, traffic, planning and corporate affairs, marketing, human resource and two (2) Regional General Managers, one based in Mpika (Zambia) and the other in Dar-es-Salaam (Tanzania), Head Information Technology and Head Public Relations.

#### d. Sources of Funds

The funds of the Authority consist of such moneys as may be:

- i. Appropriated by the two (2) member country Parliaments for the purposes of the Authority;
- ii. Paid to the Authority by way of services rendered;
- iii. Paid to the Authority by way of grants or donations; and
- iv. Vest in or accrue to the Authority.

#### e. Budget and Income

During the financial years ended 30<sup>th</sup> June 2022 to 2024, the Authority budgeted to raise income totalling K2,629,892,479 from freight, passenger, rentals and other income against which amounts totalling K1,074,731,782 were generated resulting in a variance of K1,555,160,697. The income generated represented 41% of the total budget. See table 1 below.

**Table 1: Budget and Actual Income** 

	2022		2023		2024		Total			
Station	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Variance	
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	
Head Office	137,459	68,733	147,234	107,268	169,263	114,743	453,956	290,744	(163,212)	
Tanzania Regional Office	401,653	233,243	460,679	172,987	379,715	129,152	1,242,047	535,382	(706,665)	
Zambia Regional Office	480,145	87,891	244,051	65,500	209,692	95,215	933,888	248,606	(685,282)	
Total	1,019,257	389,867	851,964	345,755	758,670	339,110	2,629,891	1,074,732	(1,555,159)	

## 15.2 Audit Findings

An examination of financial and other records for the financial years ended 30<sup>th</sup> June 2022 to 30<sup>th</sup> June 2024 maintained at TAZARA Headquarters in Dar es Salaam, Lusaka and Mpika offices revealed the following:

#### a. Audit of Financial Statements

#### i. Lack of Audited Financial Statements

Section 22 and 23 of the TAZARA Act of 1995 states, "The accounts of the Authority shall be audited annually by independent auditors appointed from time to time by the Council."

Contrary to the Provisions, TAZARA had not appointed external auditors for the financial years ended 30<sup>th</sup> June 2021/2022, 2022/2023 and 2023/2024. Consequently, there were no audited financial statements and annual reports produced for the period under review.

#### ii. Weaknesses in Stores Management

Section 10.8 of the TAZARA Financial Policies and Regulations of November 2011 on Stock taking provides that when there are discrepancies between stock found by physical examination and the balance on the stock records, investigations shall be carried out to ascertain the nature of all discrepancies. Further, both stock record and accounts shall be adjusted in respect of declared discrepancies either directly from stock sheets or by discrepancy report forms. The finance manager shall authorise the recording of the required adjusting entries necessary to bring the control accounts into agreement with the accounts.

A review of the annual stock take reports for the period under review revealed that there were discrepancies such as surpluses, deficits, dormant, damaged and obsolete stores items confirmed during the exercise.

However, there was no evidence of investigations, discrepancy reports and stock control cards showing the adjustments of entries to correct the stock value in the draft financial statements. See table 2 below.

**Table 2: Stock Discrepancies** 

Financial Year	Consolidated TShs	Surplus TShs	Deficit TShs	Dormant TShs	Obsolete TShs	Damaged TShs
2021/2022	16,457,549,739	19,851,751	9,124,439	6,549,457,159	786,287,920	828,949
2022/2023	16,204,877,394	32,793,538	46,761,806	7,402,547,145	1,249,549,092	-
2023/2024	16,744,226,391	14,594,354	39,548,743	7,215,303,336	758,126,637	-
	K	K	K	K	K	K
2021/2022	128,675,135	155,213	71,340	51,207,640	6,147,677	6,481.23
2022/2023	126,699,589	256,400	365,612	57,877,616	9,769,735	-
2023/2024	130,916,547	114,108	309,216	56,413,630	5,927,495	-

Further, as at 30<sup>th</sup> September 2025, there was no evidence availed to show that the Disposal Committee had made recommendations for the specific obsolete items to be disposed.

## b. Failure to Achieve Strategic Plan Objectives

The TAZARA 2019/2020 to 2023/2024 approved Strategic Plan states that the company selected Strategic Themes namely, Customer Focus, Market Development, ICT Capacity Development, Operational Excellence, Financial Stability, and Human Resource Development. These Strategic Themes were to be realised by implementing a number of Strategic Objectives and Strategic Initiatives.

However, as at 31<sup>st</sup> December 2024, some activities such as improve punctuality of passenger services, formulate and implement a safety management system, develop train accident investigation manual, develop and implement company marketing plan, acquire branded furniture for all stations, rehabilitate existing mainline locomotives, purchase new locomotive, rehabilitate and procure shunting locomotives, rehabilitate and procure wagons and coaches, hire rolling-stock repair and uplift all speed restrictions on the mainline, replace all signalling and telecommunication equipment with modern ones, rehabilitate station, production and residential buildings, develop

credit control policy, computerise the debt management, automate revenue collection had not been implemented.

## c. Operational Matters

As a result of TAZARA's failure to meet some of its key strategic objectives in the Strategic Plan, the following observations in the operations of the company were observed:

#### i. Performance of Quarries

During the period 1<sup>st</sup> July 2021 to 30<sup>th</sup> June 2024 TAZARA operated two (2) quarries, namely Kongolo Quarry in Mbeya, Tanzania and Mununga Quarry in Lavushimanda, Zambia. The two quarries had a production target of 421,818 metric tonnes of quarry materials and 49,920 metric tonnes of Reinforced Concrete Sleepers (RCS).

However, it was observed that the quarries produced 213,636 metric tonnes of quarry materials and 14,640 metric tonnes of reinforced concrete sleepers representing 51% and 29% of the targets respectively. See details in table 3 below.

**Table 3: Quarry Production Performance** 

		Quarry Ma	terials	R	einforced Cond	crete Sleepers		
Kongolo Quarry	Target	Actual	Variance	Actual %	Target	Actual	Variance	Actual %
	<b>Metric Tons</b>	<b>Metric Tons</b>	<b>Metric Tons</b>		<b>Metric Tons</b>	<b>Metric Tons</b>	<b>Metric Tons</b>	
2021/2022	67,698	46,686	21,012	69%	•	-	•	0%
2022/2023	146,400	80,800	65,600	55%	24,960	6,960	18,000	28%
2023/2024	146,400	74,320	72,080	51%	24,960	7,680	17,280	31%
Total	360,498	201,806	158,692	56%	49,920	14,640	35,280	29%

Mununga Quary								
2021/2022	3,720	4,942	- 1,222	133%	-	-	-	-
2022/2023	28,800	3,572	25,228	12%	-	-	-	-
2023/2024	28,800	3,316	25,484	12%	-	-	-	-
Total	61,320	11,830	49,490	19%	-	-	-	-
Grand Total	421,818	213,636	208,182	51%	49,920	14,640	35,280	29%

Consequently, the Authority reported a production of 7,680 reinforced concrete sleepers against the target of 24,960 at Kongolo Quarry being 30.77% achievement of the target. It was also noted that production at Mununga Quarry was unsatisfactory because of unreliable machinery which often broke down.

140

#### ii. Loss of Revenue Due to Track Accidents

A review of the Managing Director's Reports on the Authority's Performance for the financial years ended 30<sup>th</sup> June 2022 to 2024 revealed that during the period 1<sup>st</sup> July 2021 to 30<sup>th</sup> June 2024, the Authority recorded a total of 405 accidents. See table 4 below.

**Table 4: Recorded Accidents** 

No	. Category		ancial Year	Fin	ancial Year	Fin	ancial Year	]	Total for
NO.	Category	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
1	Track defects	29	16.50%	35	16.70%	10	52.60%	74	18.3%
2	TAZARA rolling stock defects	34	19.30%	49	23.40%	2	10.50%	85	21.0%
3	Calabash rolling stock defects	11	6.30%	3	1.40%	1	5.30%	15	3.7%
4	AFICD rolling stock defects	0	0.00%	1	0.00%	0	0.00%	1	0.2%
5	TAZARA failure to observe operations rule	49	0%	59	28.20%	3	15.80%	111	27.4%
6	Operator's failure to observe operations rule	5	27.80%	1	0.50%	2	10.50%	8	2.0%
7	Load shift	0	2.80%	2	1.00%	0	0.00%	2	0.5%
8	Failure by non TAZARA personnel	0	0.00%	58	27.80%	1	5.30%	59	14.6%
9	Other causes	47	0.00%	2	1.00%	0	0.00%	49	12.1%
10	Pending investigation	1	26.70%	0	0.00%	0	0.00%	1	0.2%
	Total	176	100%	210	100%	19	100%	405	100%

As can be seen from the table above, 278 accidents representing 69% were attributable to track defects, rolling stock defects and failure to observe operational rules by the Authority.

As a result of the accidents the Authority closed the mainline for 6662 hours 43 minutes resulting in maintenance expenditure of USD \$7,041,342 and revenue loss of \$3,303,212. See table 5 below.

**Table 5: Closure Time** 

Details	Financial Year ended 30th June 2022	ended	Financial Year ended 30th June 2024	Total
Mainline Closure Time Due to	1073 hours 11	1395hours 49	4,193hours 43	6662 hours
Accidents (Hours)	minutes	minutes	minutes	43minutes
Cost of Maintenance (US \$)	1,188,518	1,242,143	4,610,681	7,041,342
Revenue Loss (US \$)	631,103	611,134	2,060,974	3,303,212

## d. Weaknesses in Debt Management

#### i. Uncollected Access Fees

During the period under review, the Authority had access agreements with two (2) freight companies namely Calabash Freight Limited and African Inland Container

Dept Limited which granted them non-exclusive rights to operate train services between New Kapiri Mposhi in Zambia and the Port of Dar es Salaam in Tanzania covering 1,860 km.

According to the terms of the agreements, the operators were to pay TAZARA the amount of the invoice within 30 days after receipt of the invoice.

However, a review of records carried out in June 2025 revealed that TAZARA was owed a total amount of K22,844,653 by the two (2) access holders with some of the invoices outstanding for over 360 days. See table 6 below.

**Table 6: Uncollected Access Fees** 

Access Holder Name	Outstanding Amount K	No. of Days Outstanding
Calabash Freight Limited	17,914,725	Over 360 days
African Inland Container Dept Limited	4,929,928	Over 360 days
Total	22,844,653	

It was further observed that despite the access holders owing TAZARA, they still had access to the rail and no action had been taken by the Authority.

## ii. Outstanding Freight Charges

During the period 1<sup>st</sup> July 2021 to 30<sup>th</sup> June 2024, TAZARA entered into various contracts for provision of freight services. The contracts required that the customers settle invoices within periods ranging between 14 to 30 days.

However, a review of financial and other records carried out in June 2025 revealed that the Authority had outstanding trade receivables in amounts totalling K9,845,547 which had been outstanding for more than 360 days. See table 7 below.

142

**Table 7: Outstanding Freight Charges** 

No.	Customer	Outstanding Amount as 30th June 2024 K	No. of Day Outstanding
1	Dar Corridor Group Z ltd	554,862	above 360
2	E.T.G Inputs Zambia ltd	1,453,423	above 360
3	HEROCEAN	289,123	above 360
4	Earth Alloys Limited	4,704,902	above 360
5	M.M.Intergrated steel mills	1,758,525	above 360
6	METALICA	361	above 360
7	Nova Esparanga	1,807	above 360
8	SONOREX	4,523	above 360
9	LINK AFRICAN LOGISTICS	2,331	above 360
10	Tanzania Road Haulage( 1980)	1,075,690	above 360
	Total	9,845,547	

#### iii. Failure to Collect Rental Income

Chapter 5.6.1(v) of the TAZARA Financial Regulation stipulates that customers to whom services had been rendered on credit must settle their bills within a period of thirty (30) days. The regulations further stipulate that any account overdue for more than ten (10) days after trade period should be followed up by phone, letter and physically until payment is received.

Contrary to the regulation, rental income in amounts totalling K71,026,317 was outstanding as at 30<sup>th</sup> June 2024, some of which had been outstanding for over 360 days. See table 8 below.

**Table 8: Failure to Collect Rentals** 

No.	Place	Amount K	Period
1	Lusaka Office	1,566,747	Above 90 days
2	Tanzania Cost Profit Centre	1,466,628	above 360 days
3	TAZARA Training Centre	667,252	above 360 days
4	Zambia Cost Profit Center	4,189,974	Above 90 days
5	HQ Misc Debtors	63,135,716	Above 90 days
	Total	71,026,317	

Further, out of the K1,566,747 outstanding rental income for Lusaka Office, K1,200,699 was owed by customers who had vacated the properties. As at 30<sup>th</sup> September 2025, there was no evidence of action taken by management to collect the amounts due.

#### iv. Failure to Remit Rental Income Tax

The Ministry of Finance Treasury and Management Circular No. 6 of 2017 instructed all institutions which were appointed to act as tax agents to withhold and remit taxes from payments eligible for tax effective 1<sup>st</sup> June 2017 to avoid loss of revenue due to increased taxpayer non-compliance.

Further, with effect from 1<sup>st</sup> January 2022, rental income was to be taxed as a standalone tax payable by the landlord at the rate of 10% of the gross rent payable for income below K800,000 per annum and 12.5% of the gross rent payable for incomes above K800,000 per annum.

During the period under review, rental income in amounts totalling K5,144,507 were collected at the Lusaka Area Office.

Contrary to the Circular, rental income tax in amounts totalling K643,063 had not been remitted to ZRA as at 30<sup>th</sup> September 2025.

#### e. Audit of Compliance with Legislation/Regulations/Procedures

#### i. Unretired Accountable Imprest

Regulation 104 (1) of the Public Finance Management (General) Regulations of 2020 stipulates that special or accountable imprest shall be retired immediately after the purpose for which the imprest was issued is fulfilled.

Contrary to the Regulation, accountable imprest in amounts totalling K5,267,152 issued to various officers during the period under review had not been retired as at 30<sup>th</sup> September 2025. See table 9 below.

**Table 9: Unretired Accountable Imprest** 

Station	Type of	Amount
Station	Imprest	K
Head Office	Safari	2,267,954
Head Office	General	2,863,669
Zambia Cost and Profit Centre	General	135,529
Total		5,267,152

## ii. Lack of Disaster Recovery and Business Continuity Plan

Clause No. 2.1 of the Public Service Information Communication Technology Standards Business Continuity and Disaster Recovery Plan Guidelines of 2019 requires all public institutions to prepare Business Continuity and Disaster Recovery Plans for approval by responsible officers. The plan will include requirements for disaster management including mitigation, preparedness and response and recovery measures.

Contrary to the Guideline, during the period under review, TAZARA operated without a Business Continuity and Disaster Recovery Plan.

#### iii. Failure to Remit Statutory Obligations

A review of records revealed that TAZARA had outstanding statutory obligations in amounts totalling K8,265,774,521 as at 30<sup>th</sup> September 2024 in respect of its employees' pension contributions and tax payments in the two respective shareholding countries. See table 10 below.

**Table 10: Outstanding Statutory Obligations** 

No.	Statutory Body	Country	Principal K	Penalties K	Amount K
1	Tanzania Revenue Authority	Tanzania	428,487,007	-	428,487,007
2	Public Service Social Security Fund	Tanzania	69,670,524	32,470,255	102,140,780
3	National Social Security Fund	Tanzania	217,656,191	317,355,658	535,011,848
4	National Pension Scheme Authority	Zambia	6,542,889	45,273,098	51,815,987
5	Zambia Revenue Authority	Zambia	7,148,318,899		7,148,318,899
	Total		7,870,675,509	395,099,011	8,265,774,521

#### iv. Outstanding Ground rates

A review of the asset register and title deeds maintained at the Mpika Cost Profit Centre revealed that the Centre is responsible for managing a total of forty-one (41) properties. However, only five (5) of the properties were found to have title deeds, indicating that the majority of the properties are not formally registered in the Authority's name. This presents a risk to the Authority's ownership and control over the assets.

In addition, a review of financial and supporting records showed that the Authority had accumulated outstanding ground rates amounting to K20,061,253 which remained unsettled as of August 2025. The prolonged non-payment of these statutory obligations exposes the Authority to potential penalties, legal claims, and may also hinder efforts to regularize property ownership and secure title deeds.

#### f. Other Information

## i. Failure to Pay Terminal Benefits

The Public Service Management Division Circular No. B10 of 2016 guided that effective 5<sup>th</sup> January 2016, all retired employees should be retained on the payroll until pension benefits are paid.

A review of records carried out in June 2025 revealed that between 2019 and 2024, a total of 266 employees had retired. However, the Authority failed to pay terminal benefits in amounts totalling K2,147,421,938 to 159 employees from the Zambia Cost Profit Centre (ZCPC).

Consequently, 159 ZCPC retirees were retained on the payroll and paid salaries in amounts totalling K25,461,091 by the Authority for the period under review.

#### ii. Unacquitted Payments

A review of Payments made by the Authority during the period under review revealed that on 31<sup>st</sup> May 2024, a payment of US\$13,880 was made to an officer towards the release of funds from Calabash meant for a seminar and trade test of their locomotive drivers. It was however observed that there were no acquittal details or activity reports. In this regard, it could not be ascertained whether the funds were used for the intended purpose.

Although management stated that the money in question was purely Calabash money for drivers' refresher course and trade test, there was no evidence availed to confirm the remittance of funds by Calabash to TAZARA account. Further, it was questionable why the entire amount was withdrawn as cash and not paid electronically to the beneficiaries.

## iii. Failure to Deduct Tax on Board Allowances

Section 2 of the Employer Guide to Pay As You Earn defines "emoluments" to include any salary, wage, overtime or leave pay, commission, fee, bonus, gratuity, benefit, advantage (whether or not that advantage is capable of being turned into money or money's worth), allowance, including inducement allowance, pension or

annuity, paid, given, or granted in respect of any employment or office, wherever engaged in or held.

Similarly, Section 7(2) of the Tanzanian Income tax Act of 2004, Chapter 332 Subdivision B-Chargeable Income states that in calculating an individual's gains or profits from an employment for a year of income the following payments made to or on behalf of the individual by the employer or an associate of the employer during that year of income shall be included: (a) payments of wages, salary, payment in lieu of leave, fees, commissions, bonuses, gratuity or any subsistence travelling entertainment or other allowance received in respect of employment or service rendered.

Contrary to the above provisions, during the period under review, TAZARA paid a total of K17,828,589 (Tsh2,310,452,686.04) as Board allowances without deducting tax at the applicable rates.

## 16 UNIVERSITY OF ZAMBIA

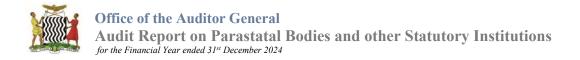
#### 16.1 Background

#### a. Establishment

The University of Zambia (UNZA) in a government owned university which was established in 1966 under the Act of Parliament No. 66 of 1965. The University is registered as a university under the Higher Education Act No. 4 of 2013 as amended by Act No 23 of 2021. UNZA has campuses in Lusaka and the Copperbelt provinces of Zambia.

The principal activities of the University included the following:

- Provide higher education;
- Create conditions for learners to acquire qualifications and pursue excellence and promote the full realisation of the potential of learners;
- Create conditions for lifelong learning;



- Prepare learners and academics and strengthen the effect of academic learning and scientific research so as to enhance social and economic development; and
- Conduct research necessary and responsive to national needs.

## b. Governance - University Council

In line with Section 24(1) and 25 of the Higher Education Act No. 4 off 2013 as read with Section 1 and 2 of the Second Schedule of the Act, UNZA has in place a Council which has the responsibility responsible of the governance, control and administration of the University. The Council consist of the following part-time members who are appointed by the Minister of Education:

- i. The Vice Chancellor;
- ii. The Deputy Vice Chancellor;
- iii. One (1) member of staff of the Lusaka City Council;
- iv. Two (2) members of the academic staff of the higher education institution who are members of the Senate, who shall be nominated by the Senate;
- v. One (1) member who is associated with higher education institution outside the Republic;
- vi. One (1) member who is associated with other higher education institution 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;
- 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;
  - ix. One (1) member of the academic staff of the higher education institution, elected by the academic staff of the higher education institution;
  - 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;

148

- 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.

A council member shall hold office for a period of three (3) years but shall be eligible for reappointment for a further period of three (3) years.

## c. Management

The Vice Chancellor is the academic, financial and administrative Head of the University. The Minister of Education on the advice of the University Council appoints the Vice Chancellor and he reports to the Council. In discharging his responsibilities, the Vice Chancellor is assisted by the two Deputy Vice Chancellors, the Registrar, the Librarian, the Chief Financial Officer and the Dean of Students.

## d. Sources of Funding

The sources of funds for the University include the following:

- Funds appropriated by Parliament for its purposes;
- Funds received by way of fees, subscription, contribution, grants or donations;
- Otherwise vest in, or accrue to, the public higher education institution. The public
  higher education institution may also accept monies by way of grant or donations
  from any source in Zambia and, with the approval of the Minister of Higher
  Education, from any source outside Zambia; and
- The public higher education institution may borrow, by way of loan or otherwise with the prior consent of the Minster responsible for finance.

#### e. Budget and Income

In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2022, 2023, and 2024, total budget provisions of K690,985,000 were made to cater for the UNZA's operations against which amounts totalling K1,047,295,000 were released resulting in a positive variance of K356,310,000 which was released as special grant by the Treasury for dismantling of arrears. See table 1 below.

**Table 1: Budget Vs Actual** 

	Draft	2024	Draft	2023	202	2	Total for t	he period	Variance
Description	Actual K'000	Budget K'000	Actual K'000	Budget K'000	Actual K'000	Budget K'000	Actual K'000	Budget K'000	K'000 (Actual - Budget)
<b>Government Grants</b>									
Recurrent	230,328	230,328	230,328	230,328	230,329	230,329	690,985	690,985	-
Debt Dismantling Grant	206,310		-	-	150,000	-	356,310	-	(356,310)
Total Grants Budgeted/Releases	436,638	230,328	230,328	230,328	380,329	230,329	1,047,295	690,985	(356,310)
Tuition and Other Fees									
Tuition Fees	676,980	642,690	646,109	718,000	622,267	557,400	1,945,356	1,918,090	(27,266)
Research and Consultancy	19,010	63,690	15,053	84,600	18,004	69,800	52,067	218,090	166,023
Other Students Fees	56,000	37,000	69,191	78,500	58,115	53,600	183,306	169,100	(14,206)
Other Income from ventures	70,600	49,900	42,373	47,400	46,634	42,300	159,607	139,600	(20,007)
Sub Total	822,590	793,280	772,726	928,500	745,020	723,100	2,340,336	2,444,880	104,544
Income Grand Total	1,259,228	1,023,608	1,003,054	1,158,828	1,125,349	953,429	3,387,631	3,135,865	(251,766)

Source: UNZA Draft Financial Statements for 2024,2023 and 2022

In addition, the University collected amounts totalling K2,340,336,000 from tuition, research, other student fees and other business ventures bringing the total available funds to K3,387,631,000.

#### f. Management Information Systems

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

## i. Modular Object-Oriented Dynamic Learning Environment (Moodle)

Moodle is an open-source Learning Management System (LMS) that enables the University to deliver course content, facilitate communication, and manage assessments online.

## ii. Student Information System (SIS)

The Student Information System (SIS) is an online platform designed to manage and streamline student-related processes including registration, admissions, academic progress, results, accommodation and payments.

#### iii. HR Payroll Management System

The HR Payroll System at the University of Zambia manages various human resource functions related to payroll and employee records.

#### iv. Sage Pastel

This is a financial management software designed to manage and maintain the accounting records and preparation of financial statements.

## v. Library System

The library system is an application designed to manage the library. It helps librarians and users efficiently handle tasks related to acquisition, cataloguing, circulation, and access to library resources.

#### vi. Performance Management System

This is a Performance Management System used to monitor, evaluate, and improve employee performance in alignment with strategic goals. It helps ensure that individual contributions support broader objectives of the University.

## 16.2 Audit Findings

#### a. Operational Matters

## i. Failure to Prepare and Submit Audited Financial Statements

Section 12 Second Schedule of the Higher Education Act No. 4 of 2013 provides for submission of a financial report to the Minister not later than six (6) months after the expiry of the financial year.

In the 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 2021 mention was made of the failure by UNZA to prepare financial reports for the financial years ended 31<sup>st</sup> December 2019, 2020, and 2021 as of 31<sup>st</sup> October 2022.

In his response, the Controlling Officer informed the Committee that Management planned to be up to date with the audited financial statements prior to 2022 and that Covid-19 disrupted the audit process. Further, the University had drawn up a revised work plan and had appointed a task team to prepare the financial statements for the years ended 31<sup>st</sup> December 2020, 2021, and 2022.

However, a review of the situation in September 2025 revealed that although the University prepared financial statement for the financial years ended 31<sup>st</sup> December 2019, 2020, 2021 and 2022, the University had not prepared audited financial

reports for the financial years ended 31<sup>st</sup> December 2023 and 2024 as of 31<sup>st</sup> October 2025 contrary to the Act.

## ii. Failure to Settle Outstanding Obligations

As at 31<sup>st</sup> October 2025, UNZA had outstanding obligations in amounts totalling K10,276,906,943 in respect of statutory obligations, payables to suppliers of suppliers of goods and services and unpaid terminal benefits. Out of this amount, K5,299,384,679 had been outstanding from as far back as December 2011. See table 2 below.

**Table 2: Outstanding Obligations** 

No.	Creditors Name	Amount as at 31st October 2025 K
1	National Pension Scheme Authority	4,514,597,104
2	Zambia Revenue Authority- PAYE	4,244,111,580
3	National Health Insurance Management Authority	2,173,136
4	Workers Compensation and Control Body	3,519,084
5	Contractors & Suppliers	72,766,713
6	Terminal Benefits	838,704,503
7	Superannuation Fund	601,034,823
	Total	10,276,906,943

#### b. Management of Kitwe School of Nursing

The Kitwe School of Nursing is part of the University of Zambia's School of Nursing Sciences, which was established as an independent school on 1<sup>st</sup> January 2017. It operates under the broader administration of UNZA and offers programs such as:

- Diploma in Registered Nursing (full-time)
- Diploma in Midwifery (full-time)
- o Bachelor of Science in Nursing (E-Learning)

The Kitwe Campus functions as an extension of the Lusaka-based School of Nursing Sciences. The School of Nursing is currently facing significant infrastructure and resource challenges due to over-enrolment.

#### i. Over Enrolment of Students

In 2017, the General Nursing Council of Zambia (GNCZ) guided that the University of Zambia with the current equipment and space, the School of Nursing could enrol

a maximum number of fifty (50) students per class and further guided that should there be a need to enrol more than fifty (50), the University should improve on its space, laboratory and other materials and can be granted approval.

However, the University as of September 2025, had not improved on space, laboratory and other materials as recommended by GNCZ to enrol above the approved fifty (50) students.

The audit revealed a persistent trend of over-enrolment at Kitwe School of Nursing, with student intake exceeding the institution's physical and instructional capacity of fifty (50) students. See table 3 below.

Table 3: (Over)/Under enrolment of Students

Voor	Enrolmer	(Over)/ Under	
Year	Recommended	Actual	Enrolment
2022	50	170	(120)
2023	50	228	(178)
2024	50	302	(252)

This misalignment between enrolment figures and available infrastructure has led to overcrowded classrooms and strained faculty resources among others.

#### ii. Inadequately Equipped Laboratory

Regulation 7.7.1 (a) of the Zambia Standard and Quality Assurance in Higher Education Manual requires that practicum sites, laboratories, and equipment used in a nursing and midwifery programme must conform to the standards and requirements of the relevant professional body, such as the Nursing and Midwifery Council of Zambia (NMCZ).

A physical inspection carried at Kitwe School of Nursing and Midwifery revealed that the labs lacked key equipment needed to facilitate training needs for the students. A critical deficiency was observed in the availability and adequacy of laboratory equipment essential for practical nursing instruction. The existing inventory of equipment is insufficient to support the current student population. Specifically:

- Eighteen (18) key equipment items are completely unavailable in the General Nursing Skills Lab.
- Twenty four (24) key equipment items are completely unavailable in the Midwifery Skills Lab.

This indicates that the current laboratories are not adequately equipped to meet NMCZ's prescribed training standards.

In this regard, the absence of key equipment compromises the delivery of core competencies in clinical diagnostics, patient care, and emergency response. The lack of essential tools further worsened the problem, with students often required to share limited resources in ways that dilute learning outcomes.

## iii. Inadequacy of Laboratory space to Student Ratio

Regulation 7.7 of the Zambia Standard and Quality Assurance in Higher Education Manual states that a higher education institution conducting courses requiring the use of laboratories or specialised facilities as part of instructional facilities shall, in addition to providing lecture rooms, provide suitable laboratory facilities.

In addition, Appendix II of the manual requires that laboratory space per student be as shown in the table 4 below.

**Table 4: Inadequately Laboratory space** 

No.	Type of Laboratory	Required Space per Student in Square Metres	
1	Agriculture Sciences Laboratory	2.70 - 3.60	
2	Building Science Laboratory	3.60 - 4.50	
3	Biological Health and Veterinary Sciences Laboratory	2.60 - 4.50	
4	ICT Laboratory	2.50 - 3.80	
5	Engineering Laboratory (Excluding Mechnical)	3.60 - 6.40	
6	Engineering Laboratory (Mechnical)	6.40 - 9.20	
7	Fine Arts and Architecture and Design Studio	2.70 - 4.50	
8	Nutrition and Dietetics Laboratory	2.80 - 4.50	

A physical inspection conducted at Kitwe Nursing School revealed that the institution currently has only two (2) laboratories designated for practical training in nursing and midwifery. The laboratory measure approximately 20 sqm while the current student population of students stands at 700 students. On average each lab

consisted of forty seven (47) students for the period under review, translating into a space of 0.42 sqm per student contrary to the prescribed minimum of 2.60 sqm per student and maximum of 4.50 sqm per student as per guidelines. The audit further identified laboratory space-to-student ratio, with practical rooms accommodating up to three (3) times their intended capacity during peak sessions.

In this regard, the overcrowding may lead to reduced hands-on learning opportunities which hinder student's ability to gain critical clinical and procedural skills in a controlled and supervised environment.

## c. Failure to Utilise Equipment for Commercial Garage Project

Section 12(1) of the Public Finance Management Act, No. 1 of 2018 states, "controlling bodies shall exercise the duty of utmost care to ensure reasonable protection of the assets and records of a public body."

In 2016, UNZA embarked on a commercial garage service project as part of its incomegenerating activities. In order to facilitate the operationalisation of this venture, UNZA spent amounts totalling K709,462 for the procurement and installation of garage equipment. However, as at 31<sup>st</sup> October 2025, the garage had not been operationalized and the equipment had not been utilised rendering the expenditure wasteful. See pictures below.



Unutilised garage equipment at UNZA

#### d. Failure to Secure Properties with Title Deeds

Section 41(4) of Public Finance Management Act No 1 of 2018, requires Controlling Officers to ensure that all public properties under their charge are secure with title deeds.

Contrary to the Act, UNZA did not secure title deeds for parcels of land on which four (4) properties valued at K7,685,050 were located. See table 5 below.

**Table 5: Failure to Acquire Title Deeds** 

No.	Station	Location	Property Value K
1	Lusaka	Northmead, Lusaka	2,000,000
2	Livingstone	Njoko Road, Livingstone	560,000
3	Chipata	Obote Road, Chipata	2,225,050
4	Kitwe	Kantanta Street, Kitwe	2,900,000
	Total		7,685,050

#### 17 WORKERS COMPENSATION FUND CONTROL BOARD

#### 17.1 Background

#### a. Establishment

The Workers' Compensation Fund Control Board (WCFCB) is a social security institution established by the Workers Compensation Act Chapter 271 of the Laws of Zambia which was amended by the Workers Compensation Act No.10 of 1999 to provide for:

- establishment and administration of the Fund for compensation of workers disabled by occupational accidents or diseases;
- payment of compensation to dependants of workers who die as a result of occupational accidents or diseases;
- the payment of contributions to the Fund by employers.

#### b. Governance

Section 10 (2) of the Act provides for the Board of Directors comprising eleven (11) members who are appointed by the Minister of Labour and Social Security 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 eight (8) Directors responsible for Strategy and Corporate Performance, Investments, Compliance and Compensation, Information Technology, Human Resources and Administration, Audit and Risk Services, Finance, and Legal.

#### d. Sources of Funds

Section 104 (2) of the Workers' Compensation Act No. 10 of 1999 states that "The funds of the WCFCB shall consist of –

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

## e. Information and Communication Technology

During the period under review, the WCFCB operated the following Information and Communication Technology (ICT) Systems:

#### i. Pension Administration System (PAS)

The system is used for claim processing, pension payment and employer compliance.

#### ii. Web Portal

Web Portal is an application used for online employer compliance and accident reporting and follow up.

## iii. Infor Sun-Systems

The system receives data from other systems such as Dove payroll.

## iv. Dove Payroll and Human Resource

The application is used for employee salary processing and human resource administration.

#### v. Job Portal

The application is used by Human Resource for employee recruitment.

## 17.2 Budget and Income

During the period under review, the WCFCB budgeted to generate and receive income of K2,286,472,000 from member assessments and investments against which amounts totalling K2,588,751,000 were realised resulting in a positive variance of K302,279,000 as shown in table 1 below.

**Table 1: Budget and Actual Revenue** 

Year	Details	Assessments Income K'000	Investment Income K'000	Total Income K'000
2023	Budget	533,410	560,357	1,093,767
2023	Actual	494,025	730,395	1,224,420
2024	Budget	586,932	605,773	1,192,705
2024	Actual	563,053	801,278	1,364,331
	Budget	1,120,342	1,166,130	2,286,472
Total	Actual	1,057,078	1,531,673	2,588,751
	Variance	(63,264)	365,543	302,279

As at 31st December 2024, amounts totalling K795,007,000 had been spent leaving a balance of K1,793,744,000.

#### 17.3 Audit Findings

An examination of financial and other records for the period from 1<sup>st</sup> January 2023 to 31<sup>st</sup> December 2024 maintained at the WCFCB revealed the following:

## a. Irregular Payment of Board/Committee Allowances to Management

Part 5 of Cabinet Office Circular No. 11 of 2013 dated 17<sup>th</sup> June 2013 issued to various addressees including Heads of State-Owned Enterprises, Grant Aided Institutions and Statutory Bodies stated, "In view of the above, all Officers shall only be paid allowances in line with the provisions of the Terms and Condition of Service except for the Committee appointed by His Excellency the President of the Republic of Zambia."

In addition, Part 8 of the Circular stipulated that remunerative allowances such as top up allowances for staff allowances shall not be paid to civil servants and other employees in the mainstream public service. This includes allowances paid for attending Tender, Procurement or Audit Committee meetings.

However, a review of the 2023 and 2024 payment records revealed that some members of senior management were paid allowances for attending Board/Committee Meetings in amounts totalling K364,800 in the years 2023 and 2024 contrary to the Circular. Further, there was neither a clause provided for in the Senior Management Conditions of Service, Contract of Employment and Board Charter nor were senior management appointed as part of the board to entitle them to sitting allowances. See table 2 below.

Table 2: Sitting allowance paid per year

Year	No. of Officers	No. of Transactions	Amount K
2023	12	199	190,500
2024	12	182	174,300
Total	24	381	364,800

Although, in their response, management stated that the Emoluments Commission, pursuant to the Emoluments Commission Act, affirmed the payment of sitting allowances to Management, the approval was against the cabinet circular. In this

regard, the payment of allowances for attending Board and Committee Meetings was irregular.

# b. Failure to Collect Outstanding Debt - Financial Analysis - Statement of Financial Position

The Statement of Financial Position for the period under review is shown in the table 3 below.

**Table 3: Statement of Financial Position** 

Details	2024	2023	2022
	K'000	K'000	K'000
Non-Current Assets			
Propert, Plant and Equipment	299,526	232,637	212,895
Other receivables	15,381	22,333	28,017
Forest plantaion	12,566	10,999	8,530
Investment property	404,904	382,651	368,361
Intangible assets	2,265	4,510	3,749
Financial assets	3,730,447	2,828,192	2,014,299
	4,465,089	3,481,322	2,635,851
Current assets			
Financial assets	784,174	1,150,947	1,095,954
Assets held for sale	-	856	1
Inventories	899	2,266	1,780
Assessment and other receivables	115,176	102,429	72,596
Cash and cash equivalent	73,609	55,142	189,773
	973,858	1,311,640	1,360,083
Total Assets	5,438,947	4,792,962	3,995,934
Funda and Liabilities			
Funds			
Accumulated funds	5,068,399	4,434,689	3,720,786
Disaster Reserve	5,983	5,983	4,476
Revaluation Reserve	109,303	107,199	107,133
Data Reserve	157,107	157,107	95,271
	5,340,792	4,704,978	3,927,666
LIABILITIES			
Non-current Liabilities			
Lease liabilities	1,889	697	242
Provisions	6,647	4,418	2,130
	8,536	5,115	2,372
Current liabilities			
Payables	70,377	64,752	52,931
Lease liabilities	278	278	278
Provisions	18,964	17,839	12,687
	89,619	82,869	65,896
	5,438,947	4,792,962	3,995,934

Source Financial Statements for the years ended 2022, 2023 & 2024

Section 110 of the Workers Compensation Act No. 10 of 1999 states, "every employer other than the State and any employer exempted by the Minister under the provisions of Section 111 during the period of that exemption shall be liable to assessment."

As at 31<sup>st</sup> December 2024, the WCFCB database had a total of 66,477 registered companies out of which 26,468 were assessed leaving a balance of 40,009.

A scrutiny of the assessed income records for the year 2024 revealed that the outstanding debt was K253,951,950 from 24,399 companies.

In particular, there were sixteen (16) employers who owed the WCFCB amounts totalling K73,329,547. The amounts had been outstanding for period exceeding three (3) years. See table 4 below.

Table 4: Companies Owing for over 3 years

No.	Name of Employer	Amount Owed K	Period
1	Tanzania Zambia Railway Authority-Regional Office	33,689,008	Over 3 years
2	Konkola Mineral Resources Limited	6,496,393	Over 3 years
3	Tazara Workshops	4,936,541	Over 3 years
4	Mupepetwe Development Co Ltd	4,559,463	Over 3 years
5	Zambia Postal Services	3,367,432	Over 3 years
6	University of Zambia	3,496,042	Over 3 years
7	Oriental Quarries & Concrete Blocks	1,991,972	Over 3 years
8	Chimwenda Investments Limited	1,826,926	Over 3 years
9	Tazara Mununga Stone Quarry	1,538,590	Over 3 years
10	Zambia Railways Truck	1,683,028	Over 3 years
11	National Housing Authority	1,395,522	Over 3 years
12	DBK Management Consulting Ltd	1,747,057	Over 3 years
13	Consolidated Farming Ltd	1,322,651	Over 3 years
14	KCM (Smelterco) Limited	2,274,597	Over 3 years
15	Tombwe Processing Limited	1,730,161	Over 3 years
16	Lusaka Provincial Health Office	1,274,162	Over 3 years
	Total	73,329,547	

## c. Investments - Emporium Partners Limited

During the period under review, the investment portfolio of the Board was as shown in table 5 below.

**Table 5: WCFCB Investment Portfolio** 

Description	31st December 2024	Percentage Share	31st December 2023	Percentage Share	31st December 2022	Percentage Share
•	K' Million	%	K' Million	%	K' Million	%
Property & Infrastructure (Investments)	405.00	8%	382	9%	368	10%
Property (Other Fixed Assets)	63	1%	67	2%	58	2%
Listed Equities	497	10%	344	8%	271	7%
Unlisted Equities	1,815	36%	974	22%	709	19%
GRZ Securities	667	13%	866	19%	840	22%
Corporate Debt Instruments	1,094	22%	359	8%	247	7%
Term Deposits	443	9%	1,430	32%	1,044	28%
Cash	64	1%	30	1%	190	5%
Forest Plantation	13	0%	11	0%	9	0%
<b>Total Investments</b>	5,059	100%	4,463	100%	3,735	100%
% Increase from 2022 Base Year	35%		19%			

As can be seen in the table above the total Investment Portfolio grew from K3.735 billion in 2022 to K5.059 billion in 2024 representing a 35% increase over the period under review.

The Boards investment portfolio of K5.059 billion presented 3% of Zambia's Gross Domestic Product which stood at K168.795 billion as at 31<sup>st</sup> December 2024 according to the Zambia Statistical Agency.

On 21<sup>st</sup> July 2021, WCFCB, Urban Brand Asset Management and Vanessie Holdings Limited entered into agreement to create Special Purpose Vehicle (SPV) called Emporium Partners Ltd for the construction of Kasama Shopping Mall at a total cost of US\$12.5 million.

The terms of the agreement were that a Special Purpose Vehicle (SPV), was to be created and each of the shareholders were to contribute capital before commencement of the construction with the following shareholding;

- 51% Workers Compensation Fund Control Board
- 42% Urban Brands Asset Management Limited and

#### • 7% - Vanessie Holding Ltd

In this regard, on 8<sup>th</sup> August 2021, WCFCB paid US\$6.6 million as its contribution towards its obligation. The balance of US\$5.08 million was expected from the other shareholders. However, as at 8<sup>th</sup> August 2022, the two (2) shareholders had not made their contributions.

As a result, the project capital cost for WCFCB increased by US\$6.12 million, from US\$11.08 million to US\$17.2 million.

In October 2023, the shareholding was restructured allocating WCFCB 74% shares, Urban Brands 22% shares, and Vannesie Holdings 4% shares. In addition, WCFCB agreed to cover the outstanding contributions of the other two (2) shareholders as a loan, at an interest rate of two (2) year Government Bond + 2% per annum, with their shares pledged as collateral and subject to forfeiture in case of default.

The following were observed:

# i. Failure to Honor Loan Agreement Terms

On 12<sup>th</sup> December 2023, WCFCB disbursed loans to Urban Asset Brands Management Ltd (UrB) and Vanessie Holding Ltd amounting to US\$3,778,551 (K91,818,799) and US\$687,002 (K16,694,150) respectively to meet their capital contributions. Urban Asset Brands Management Ltd pledged 13,371 shares and Vanessie Holding 2,226 shares as collateral for the loans. See table 6 below.

Table 6: Loan disbursements to Urban and Vanessie Holdings Ltd

Name of Borrower	Original Capital Contribution required US\$	Amount Borrowed (US\$)	Capital not Contributed US\$	Purpose
Urban Brands Asset Management Limited	5,400,000.00	3,778,551.41	1,621,448.59	Loan facilty to complete Kasama Mall
Vannesie Holding Ltd	900,000.00	687,002.00	212,998.00	Loan facilty to complete Kasama Mall
Total	6,300,000.00	4,465,553.41	1,834,446.59	

The following were key terms of the loan

• Clause 6.2 provided that; interest accrues monthly, with the first payment due after 365 days, then bi-annually.

- Clause 13.1(a) and 13.4 (a) provided that; default in loan payment allows the lender to take control of equity, terminate the agreement, and recover amounts due.
- Clause 7.2 provided that; borrowers were to deposit share certificates and transfer forms with WCFCB at execution of the agreement.

#### The following were observed:

- Neither Urban Brands nor Vanessie Holdings paid the first interest due on 19<sup>th</sup> December 2024, nor made any commitment contrary to clause 6.2.
- No evidence was provided to show that required share certificates or ownership documents were deposited with WCFCB contrary to clause 7.2.
- Although the two (2) partners defaulted, WCFCB did not enforce its rights under Clause 13.4 (a).

Thus, the investment in Emporium Partners Ltd was funded exclusively by WCFCB which should have assumed full ownership of the project but failed.

# ii. Failure to Avail New Shareholding Certificate after Change of Shareholding Structure

Section 140 of the Companies Act No. 10 of 2017 requires a company to lodge notice of alteration of the shareholding to the Registrar of Companies within thirty (30) days after making the alteration. The Registrar upon receipt of notice should alter a particular company's certificate of share capital and issue a replacement certificate.

However, as at 30<sup>th</sup> September 2025, there was no evidence that the notice to alter the share capital for Emporium Partners Limited had been lodged with the Registrar, eighteen (18) months after the share structure had been changed.

# 18 ZAMBIA REVENUE AUTHORITY

# 18.1 Background

#### a. Establishment

The Zambia Revenue Authority (ZRA) is mandated to assess, charge, levy and collect all revenue due to the Government under such laws as the Minister may, by statutory instrument, specify; to ensure that all revenue collected is, as soon as reasonably practicable, credited to the Treasury; and to perform such other functions as the Minister may determine.

The ZRA has the responsibility of enforcing tax compliance and collecting taxes, related fines and penalties on behalf of the Government in accordance with Section 11 of the Zambia Revenue Authority Act Chapter 321 of the Laws of Zambia.

#### b. Governance

The Governing Board oversees the operations of ZRA and comprises nine (9) members. According to Section 10 (1) of the Zambia Revenue Authority Act, the Board shall consist of the following members;

- i. The Secretary to the Treasury,
- ii. The Permanent Secretary at the Ministry of Justice,
- iii. The Governor of the Bank of Zambia,
- iv. A representative from the Law Association of Zambia,
- v. Three (3) persons, each representing the Zambia Association of Chambers of Commerce and Industry, the Bankers' Association of Zambia and the Zambia Institute of Chartered Accountants, and
- vi. Two (2) members appointed by the Minister responsible for Finance.

According to the Act, the members shall hold office for a period of three (3) years from the date of appointment and are eligible for re-appointment for a further term of three (3) years.

#### c. Management

The Commissioner General is responsible for the day-to-day operations and is assisted by four (4) Commissioners in charge of Finance; Domestic Taxes; Corporate Services; and Customs Services.

#### d. Information and Communication Technology Systems

During the period under review, ZRA operated four (4) main systems as listed below:

#### i. Tax Online II

This is a web-based application that is used for administration of direct taxes. The System runs on Oracle 19c Database and Oracle Linux 7.9 operating system.

#### ii. SAP

This is an Enterprise Resource Planning (ERP) System that is used for financial management and reporting. The System runs on Oracle Database 18c and Oracle Linux 7.9 operating system.

#### iii. ASYCUDA World

This a web-based system which is used for administration of Customs. The system runs on Oracle 19c Database and Oracle Linux Server release 7.9 operating system.

#### iv. Smart Invoicing

This is a software-based electronic invoicing solution that taxpayers use to manage their invoices. The System runs on Oracle 19c Database and Oracle Linux 7.9 operating system.

#### e. Source of Funds

According to Section 22 (1) of the Zambia Revenue Authority Act, the funds of ZRA shall consist of:

- i. Such funds as may be appropriated by Parliament for the purpose of the Authority.
- ii. Such moneys as may be paid to ZRA by way of grants or donations;
- iii. Vest in or accrue to ZRA.

#### 18.2 Audit Findings

A review of accounting and other records maintained at the ZRA Head Office and selected stations for the period from 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2024 revealed the following:

#### 5.1 Audit of Annual Performance Information

## a. Budget and Actual Income

In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2022, 2023 and 2024, provisions totalling K7,099,394,829 was made for ZRA operations and modernisation activities, with a supplementary funding of K743,858,910, bringing the total budgeted amounts to K7,843,253,739 against which amounts totalling K7,687,859,094 were released by the Treasury resulting in an underfunding of K155,394,645. See table 1 below.

**Table 5: Budget vs Actual** 

D	2024	2023	2022	Total for
Description	K	K	K	the Period K
<b>Government Grants</b>	IX.	K	ıx	K
Budgeted Operational Grant	2,509,462,228	2,258,023,201	1,306,463,600	6,073,949,029
Budgeted Mordenisation Grant	327,763,800	364,182,000	333,500,000	1,025,445,800
Supplementary Funding			743,858,910	743,858,910
Total Budgeted Grant Income	2,837,226,028	2,622,205,201	2,383,822,510	7,843,253,739
Actual Funding Released	2,679,623,760	2,559,845,317	2,448,390,017	7,687,859,094
Over/(Underfunding) Govt Grants	(157,602,268)	(62,359,884)	64,567,507	(155,394,645)
<b>Government Grants</b>				
Other income	755,265,592	604,759,767	550,204,295	1,910,229,654
Total Available Funds	3,434,889,352	3,164,605,084	2,998,594,312	9,753,483,393

In addition, as can be seen in the table above, the Authority collected amounts totalling K1,910,229,654 from Other Incomes bringing the total available Funds to K9,753,483,393 during the period under review.

#### b. Performance of Corporate Strategic Plan for the Period 2022 to 2024

The performance of the Corporate Strategic Plan (CSP) is evaluated through the achievement of strategic objectives measured by defined Key Performance Indicators (KPIs). During the period under review, the ZRA monitored ten (10) high level KPIs which were aligned to six (6) strategic objectives to assess delivery against its CSP commitments. An analysis of the ZRA's performance reports for 2022, 2023, and

167

2024 revealed that the set target under the strategic objective on Optimizing Revenue Collection were met. However, performance across the other strategic objectives fluctuated with a general failure to achieve the set KPIs in 2024. In particular, the following was observed:

#### i. Enhance Compliance

At the close of the strategic period, ZRA had inconsistencies in the achievement of the targets set under the strategic objective on Enhance Compliance. In 2024, the ZRA did not achieve either of the set targets. See table 2 below.

**Table 2: Strategic Objective on Enhance Compliance** 

	2022		2023		2024	
	Target	Actual	Target	Actual	Target	Actual
	%	%	%	%	<b>%</b>	%
Filing Compliance	60	40	70	77	80	41
Payment Compliance	60	40	75	87	75	72

In their response Management attributed the failure to meet the Filing Compliance objectives to:

- the decline in the filing rates were due to the COVID-19 pandemic, which resulted in the loss of business for many taxpayers and the suspension of the automatic charging of penalties and interests on TaxOnline II.
- the decline in the filing compliance rates under PAYE, Turnover Tax and Presumptive Tax on Gaming and Betting can be attributed to the reactivation of dormant accounts, which were suspended in 2023 and eventually deregistered by end 2024.

The failure to meet Payment Compliance was attributed to:

- The decline in VAT payment compliance was primarily attributed to withholding agents opting for offsets.
- The decline in payment compliance under Rental Income tax was due to registered landlords not being fully acquainted with the tax type and their compliance obligations.

- Under insurance Premium Levy, payment compliance issues stemmed from reported cash flow challenges among taxpayers due to reduced business activity.
- This decline in Corporate Income Tax compliance rate for instance, can be attributed to several factors, including failure by some taxpayers to make timely provisional payments due to outstanding requests for VAT refund offsets. In addition, some taxpayers cited cashflow challenges arising from reduced business activities, which were exacerbated by increased hours of electricity load shedding and a depreciating exchange rate.

### ii. Improve Customer Experience

At the close of the strategic period, ZRA had inconsistencies in the achievement of the targets set under the strategic objective on Improve Customer Experience. In 2024, the ZRA did not achieve the set target. See table 3 below.

**Table 3: Strategic Objective on Improve Customer Experience** 

Year	Target %	Actual %
2022	88	64.6
2023	89	90.8
2024	90	75

According to Management the below target performance on the percentage of satisfied taxpayers was attributed to a decline in Service Efficiency (increased waiting times) due to the following factors:

- the increased demand for TPINs due to the mandatory TPIN requirement by institutions such as ZESCO, banks, and employers.
- increased applications for exemptions from withholding tax on commissions;
   and
- delayed processing of TPIN registrations occasioned by duplicated NRC numbers

#### iii. Improve ICT Solutions

At the close of the strategic period, ZRA had inconsistencies in the achievement of the targets set under the strategic objective on Improve ICT Solutions. In 2024, the ZRA did not achieve the set target. See table 4 below.

**Table 4: Strategic Objective on Improve ICT Solutions** 

Year	Target	Actual
rear	%	%
2022	86	56
2023	88	57
2024	90	61.2

Management attributed the underperformance was due to Percentage of Satisfied End-Users of ZRA Business Systems:

- Low ratings on internet speed and network quality that need improvement.
- Dissatisfaction with the response rate of the ICT service desk. Respondents
  highlighted the need for the ICT service desk to be faster in providing
  feedback and improve communication.
- Limited ICT security awareness.

#### iv. Improve Public Perception

At the close of the strategic period, ZRA had inconsistencies in the achievement of the targets set under the strategic objective on Improve Public Perception. In 2024, ZRA did not achieve the set target. See table 5 below.

**Table 5: Strategic Objective on Improve Public Perception** 

Year	Target %	Actual %
2022	68	54
2023	89	80
2024	75	62

According to Management the underperformance was mainly on account of refund processing and tax registration. The average processing time was 812.3

days against the Charter standard of 30 days. Reasons for underperformance include:

- Inadequate funding to pay refund claims.
- Inadequate human resource to process VAT claims.
- Missing information from VAT claimants (e.g., bank details).
- Adoption of the FIFO approach, which slows overall processing time.

# v. Increase Human Capital and Staff Motivation

At the close of the strategic period, ZRA had inconsistencies in the achievement of the targets set under the strategic objective on Increase Human Capital and Staff Motivation. In 2024, the ZRA did not achieve the set target. See table 6 below.

Table 6: Strategic Objective on Increase Human Capital and Staff Motivation

Year	Target %	Actual %
2022	78	76
2023	76	0
2024	76	67.4

Management stated that Professional development and Job satisfaction recorded the worst scores, emerging as the job-related factors that influence engagement levels across the organisation, needing more improvement.

# vi. Failure to Meet Key Performance Indicators - Debt Management

According to the 2022-2024 Strategic Plan and Implementation Plan, the Authority planned to meet the following Key Performance Indicators in relation to the Debt Management as at 31<sup>st</sup> December 2024. See table 7 below.

**Table 7: Key Performance Indicators not Attained** 

KPI	Target (%)	Actual Achieved %
Debt/ Tax revenue Ratio	30	40
Percentage of debt arising		
from transits	40	53

As can be seen from the table above, ZRA failed to meet the Debt/Tax revenue Ratio set target of 30% as it only achieved 40%. It was further observed that that percentage of debt arising from transits was set at 40% while the actual achieved was 53% which was 13% higher than the set target.

In their response Management attributed the failure to meet Debt Management Key Performance Indicators to static debt which accounted for 12% of the overall debt portfolio.

# 5.2 Audit of Compliance with Laws and Regulations

# a. Information and Communication Technology - Review of the SAP Use of Unsupported Database - Oracle 18 c

ISO/IEC 27001:2022 A12.6.1 on the management of technical vulnerabilities requires that an organisation obtains in a timely manner information about technical vulnerabilities of information systems being used, the exposure to such vulnerabilities should be evaluated and appropriate measures taken to address the associated risk. This control measure aims to prevent the exploitation of technical vulnerabilities.

It was observed that the Authority was operating Oracle database 18c for the SAP system. However, according to Oracle Corporation, support for Oracle 18c ended on 30<sup>th</sup> June 2021.

This implies that the database does not receive new security updates or receive online technical content updates. This exposed the database to malware and virus attacks that could compromise and/or corrupt data on the system.

#### b. Operational Issues - Failure to Secure Title Deeds

Section 41 (4) of the Public Finance Management Act No. 1 of 2018 stipulates that a Controlling Officer shall ensure that all public properties under the Controlling Officer's charge are secured with title deed.

Contrary to the Act, title deeds for parcels of land on which 111 properties valued at K216,685,973 were located had not been secured as at 30<sup>th</sup> September 2025.

172

#### c. Weaknesses in Contract Management

During the period under review, ZRA engaged twenty-six (26) contractors for the construction of staff houses and refurbishment of existing building infrastructure valued at K258,969,325 out of which amounts totalling K85,253,235 had been paid as at 31<sup>st</sup> December 2024 leaving a balance of K173,716,089.

A review of records revealed weaknesses in the management of the contracts such as delayed completion, lack of valid performance guarantees, failure to charge liquidated damages and failure to prepare final accounts.

In particular, the following were observed:

#### i. Failure to Charge Liquidated Damages

Clause 49.1 of the contract states, "The Contractor shall pay liquidated damages to the Employer at the rate per day stated in the SCC for each day that the Completion Date is later than the Intended Completion Date."

During the period under review, there were eight (8) contractors that delayed in the completion of the projects in that they did not adhere to the timelines set in the contracts. However, as at 30<sup>th</sup> September 2025, ZRA had not charged liquidated damages in amounts totalling K4,375,614.

#### ii. Failure to Maintain Valid Performance Bond Security

Clause 51.1 of the contracts between ZRA and Contractors provides that the contractor shall within twenty-one (21) days of signing the contract, or receipt of the letter of bid acceptance, whichever is earliest provide performance security of the performance of the contract in the amount specified in the SCC. The Performance Security shall be issued in an amount and form by a bank or surety acceptable to the Employer and denominated in the currency in which the Contract Price is payable. The performance security shall be valid until a date twenty-eight (28) days from the date of issue of the Certificate of Completion in the case of a Bank Guarantee and until one (1) year from the date of issue of the Completion Certificate in the case of a Performance Bond.

173

Contrary to the Clause, three (3) contracts valued at K26,121,618 had expired performance securities. As at 31<sup>st</sup> October 2025, the performance securities had not been renewed.

#### iii. Expired Advance Payment Guarantees and Unrecovered Advance Payments

Clause 48.1 of GCC provides that the employer shall make an advance payment to the contractor, if applicable, which shall not exceed 25 percent of the total contract sum against provision by the contractor of an unconditional bank guarantee to the amounts and currencies equal to the advance payment. The guarantee shall remain effective until the advance payment has been repaid, but the amount of the guarantee shall be progressively reduced by the amounts repaid by the contractor.

During the period under review, ZRA made advance payments in amounts totalling K12,412,736 which were secured by advance payment guarantees in respect of seven (7) contracts valued at K49,650,945. However, the guarantees which expired between 22<sup>nd</sup> December 2023 and 30<sup>th</sup> April 2025 had not been renewed. As at 31<sup>st</sup> October 2025, ZRA had only recovered K5,930,900 from the advance payments made leaving a balance of K6,481,836.

#### iv. Failure to Prepare Final Accounts

On 12<sup>th</sup> December 2023, ZRA terminated the contract with Autobase Enterprises Limited valued at K1,854,137 for the construction of a 1x4 single quarter staff house at Chavuma Border Post in North Western Province. At the time of the termination, ZRA paid the contractor amounts totalling K463,534 as advance payment.

As at 31<sup>st</sup> October 2025, the final accounts had not been prepared. In this regard, it was not possible to ascertain whether there were any funds recoverable from the contractor.

#### v. Delayed Project Completion

A review of nine (9) contracts for the construction of staff houses, parking yards and driveways valued at K66,771,731, against which amounts totalling

K26,779,391 were paid, revealed significant delays in project execution. Despite contract periods ranging from six (6) weeks to six (6) months, completion of works was delayed by two (2) to nineteen (19) months. Further, physical inspections conducted in 2025 revealed instances of poor workmanship, abandoned works, variations of works without approvals among others. See details in table 8 below.



# Table 8: Delayed Project Completion

	ed that the
Observations	en in July 2025 reveald only the earthworks with the earthwork with the earthworks with the earthwork wit
Obser	A physical inspection undertaken in July 2025 revealed that the contractor was not on site and only the earthworks were done as shown in pictures below.
Period of Delay	Months of
End Date	01.05.2025
Start Date	29.12.2023
Amounts Paid to Date K	1,185,305
Contract Price K	4,741,219
Contractor	Creative Team Construction
Project	Construction of Concrete parking Yard and Driveway at Kapiri Enforcement Centre.
No.	_



Observations	An inspection of the site revealed poor workmanship in the kitchen area, particularly the fittings of the kitchen cabinet and sink area. See picture below.  Further, it was observed that 5,000 litres water tank was delivered and installed instead of 10,000 litres provided for in the BOQ.
Period of Delay	Months Months
End Date	20.07.2023
Start Date	10.02.2023
Amounts Paid to Date K	3,116,736
Contract Price K	3,944,440
Contractor	Accura
Project	Construction of two (2) 1x4 single quarter staff houses and associated external works at Nchelenge and Chipungu.
No.	2



Observations	A physical inspection carried out in August 2025 revealed that the substructure, superstructure and roofing were completed for all the units. The following were outstanding:  Plumbing works were partially done as sinks and toilets were not fitted.  Final paint coatings and decorating  Tilling was partially completed  Wardrobes and kitchen shelves  Electricity connections to the units  See picture below.
	A physical inspectic the substructure, su for all the units. The  Plumbing work were not fitted.  Final paint coat  Tilling was par  Wardrobes and  Electricity conr See picture below.
Period of Delay	Months Months
End Date	01.05.2024.
Start Date	17.08.2023
Amounts Paid to Date K	4,333,074
Contract Price K	6,865,623
Contractor	Madi Construction Limited
Project	five (5) two bedroomed semidetached staff houses and three (3) bedroomed standalone house and associated external works at Kazungula One Stop Boarder Post in Southern Province - Lot 2
No.	3



Observations	A physical inspection carried out in August 2025 revealed that the substructure, superstructure and roofing were completed for all the units. The following were outstanding:  • Final paint coatings and decorating • Tilling was partially completed • Fitting of doors and curtain rails.  See picture below.
Period of Delay	Months
End Date	31.07.2023
Start Date	1.02.2023
Amounts Paid to Date K	1,244,699
Contract Price K	2,035,112
Contractor	Acco Civil Engineering Limited
Project	Construction of 1x4 single quarter staff housing units in Luangwa in Eastern Province
No.	4



Observations	A physical inspection of Construction works in August 2025 revealed that the substructure, superstructure and roofing were completed for all the eight (8) units, however, the plumbing, glazing, wiring, carpentry, plastering, painting and décor had not yet been done. The overall progress report is at 50%. See picture below.
Period of Delay	3 Months
End Date	28.04 2025
Start Date	16.12.2024
Amounts Paid to Date K	2,072,923
Contract Price K	5,890,119
Contractor	Lewile Enterprises Limited
Project	Construction of eight (8) two bedroomed semidetached staff houses in Choma
o Z	v



Observations	A physical inspections carried out in August 2025 revealed that the concrete parking yard and driveway was not complete.  Further, cracks had developed on the concrete parking yard. See picture below.  The detailed schedule to show the actual works certified as per Bill of Quantity (BOQ) against each IPC issued and paid was not availed for audit making it not possible to ascertain whether or not the payments made were commensurate to the works undertaken.
Period of Delay	Months Months
End Date	31.10 2024
Start Date	21.04 2023
Amounts Paid to Date K	12,663,390
Contract Price K	14,811,726
Contractor	Pelcon Engineering Limited
Project	Concrete Parking Yard and Drive way at Chanida Border Post
No.	9



No.	Project	Contractor	Contract Price K	Amounts Paid to Date K	Start Date	End Date	Period of Delay	Observations
٢	Construction of single quarter staff houses at Nakonde Border Post	Streetwalls	15,003,615	5,921,517	18.01.2024	18.07.2025	3 Month	A physical inspection of construction works in Nakonde revealed that works were still underway and the contractor had requested for an extension. However, evidence of extension was not provided for verification.
∞	Construction of four (4) single quarter staff houses in Chavuma	Autobase enterprises	1,854,137	463,534	14.08.2023	04.12.2023	19 Months	Overall completion was at 35%, works have stalled at window level.
6	Contract for Construction of Staff houses at Kasumbalesa Border Post	Koredo Investments Limited	11,625,731	4,337,840	01.12.2023	30.06.2024	Months	A physical verification carried out in August 2025 revealed that the staff houses were incomplete, and the contractor was not on site. See picture below.

# vi. Failure to Encash Contract Security Guarantees - Construction of two (2) 1x 4 Single Quarters Staff Housing Units and Associated External Works at Mwami Boarder Post in Eastern Province

In November 2023, the Authority engaged Tripple V Property Investments Limited for the construction of two (2) 1x4 single quarter staff housing units and associated external works at Mwami Boarder Post in Eastern Province at a total contract sum of K4,444,269 for a period of sixteen (16) months with an initial start date of 12<sup>th</sup> February 2024 ending on 30<sup>th</sup> June 2025. As of June 2025, the Contractor had been paid amounts totalling K1,111,067 as advance payment.

Clause (GCC) 48.1 of the contract provides that; 'the Employer shall make an advance payment to the contractor, if applicable, which shall not exceed 25 percent of the total contract sum as stipulated in Regulation 197(3) of the Public Procurement Regulation 2022, in the amount stated in the SCC, against provision by the contractor of an unconditional Bank Guarantee to the amounts and currencies equal to the advance payment. The Guarantee shall remain effective until the advance payment has been repaid, but the amount of the Guarantee shall be progressively reduced by the amounts repaid by the contractor. Interest will not be charged on advance payment.

A review of the project file revealed that on 7<sup>th</sup> November 2023, the contractor obtained an Advance Payment Guarantee in amounts totalling K1,111,067 valid until 6<sup>th</sup> May 2025.

In addition, the contractor availed Performance Bond DICL/PERF/0071/11/2023 in amounts totalling K444,427 valid until 6<sup>th</sup> May 2025. On 28<sup>th</sup> November 2023, ZRA made an advance payment of K1,111,067 to the contractor and no IPCs were issued by the Contractor as no works were certified as complete.

During a physical verification carried out in August 2025, it was observed that the contractor had abandoned the site and only excavation works were done. Further, the Advance Payment Guarantee and Performance Bond both expired on 6<sup>th</sup> May 2025 without the Authority recovering the Advance Payment and neither was the Performance Bond encashed as at 31<sup>st</sup> August 2025.

In this regard, failure by the Authority to recover the Advance Payment and failure to encash the Performance Bond occasioned financial loss to the Authority in amounts totalling K1,555,494 in addition to lost opportunities occasioned by failure to perform the Contract.

#### d. Staff Related Matters

# i. Questionable Conditions of Service - Payment of both Gratuity and Terminal Benefits

The Employment Code Act No. 3 of 2019 defines gratuity as payment made to an employee in respect of a person's service on the expiry of a long-term contract of employment based on the basic pay earnings that have accrued to the employee during the term of service.

Section 22.2 of the Administration Manual states that terminal benefits shall be paid at the rate of four (4) months' basic salary for each completed year of service in the current contract. The last drawn basic salary shall be the basis for calculation of retirement terminal benefits.

Section 24.1 of the Administration Manual states that the authority shall pay to the contract employee in Grade ZRA 00-ZRA 04 Contract Gratuity at the rate of 40% of the last drawn salary and housing allowance for the contract period served.

A review of the computations for gratuity paid to fourteen (14) officers revealed that the officers were paid both gratuity and terminal benefits resulting in double payments in amounts totalling K16,560,090 as shown in table 9 below.

Table 9: Payment of both Gratuity and Terminal Benefits

Emp No	Period	Transaction Date	Gratuity K	Terminal Benefits K
11177	15/04/2019 - 5/02/2024	14.02.2024	4,933,602	1,154,585
70074	13/11/2017- 12/11/2022	24.11.2022	1,888,600	1,120,858
11126	01/11/2017- 21/10/2022	03.11.2022	1,575,376	1,069,201
70018	12/12/2017- 15/08/2022	15.09.2022	1,796,436	1,062,129
20380	01/08/2018- 21/07/2023	01.09.2023	2,156,013	1,287,405
70081	14/09/2018- 13.09.2023	19.09.2023	1,662,216	1,117,207
20278	02.05.2019- 09.09.2023	19.09.2023	1,877,995	1,121,394
20428	18.04.2019- 01.11.2023	01.11.2023	1,862,010	1,089,975
70012	21.11.2017- 20/11/2022	24.01.2023	2,126,369	1,319,224
11076	16/11/2018- 15/11/2023	01.12.2023	2,129,828	1,265,584
71164	02/04/2019- 01/04/2024	27.04.2024	1,662,216	1,117,207
11256	19/11/2019 - 11/18/2024	13.12.2024	2,322,212	1,416,145
11170	17/08/2019- 16/08/2024	30.08.2024	1,793,913	1,200,157
70089	15/02/2020- 28/07/2024	08.08.2024	2,017,776	1,219,019
	Total		29,804,562	16,560,090

In their responses Management stated that the Authority paid both gratuity and terminal benefits to employees based on Clause 25.1 of the Administration Manual which states, "The normal retirement age shall be 55 years. The Authority, however, reserves the right, at its discretion, to offer such retired employees' re- engagement on a series of fixed term contracts, each not exceeding one year in duration, up to such retired employee's 60<sup>th</sup> birthday."

However, the payment of both gratuity and terminal benefits to employees on contract was contrary to the employment code and amounted to being compensated twice for the period served.

#### ii. Abuse of Additional Procedure Code

Additional Procedure Code (APC) 403 under the ASYCUDAWorld system is a customs provision which is applicable to new residents and to the estate of the deceased person. The code allows for duty free importation of personal effects, including one motor vehicle per household subject to strict eligibility criteria and time limitations. The code is intended sorely for personal use and not for commercial importation.

A review of customs records for the period from 26<sup>th</sup> April and 6<sup>th</sup> October 2023 revealed that a clearing and forwarding agent, Powerest Investments Limited, processed the importation of thirty four (34) vehicles valued at K30,115,479 using APC 403.

Consequently, the vehicles were cleared without payment of import duty resulting in loss of Government revenue.

#### 19 ZAMBIA RAILWAYS LIMITED

#### 19.1 Background

#### a. Establishment

The Zambia Railways Limited (ZRL) is wholly owned by the Government of the Republic of Zambia through the Industrial Development Corporation (IDC). The Company was incorporated in 1982. It is mandated under the Railways Act of 1984 to operate both rail passenger and freight trains.

The ZRL's main operations domain is Mulobezi to Chililabombwe, and Chipata to Mchinji. The Company also provides train operations beyond its borders, through the respective railway administrations in the Southern African Development Community (SADC) region.

In 1997, the ZRL entered in a joint venture with National Railways of Zimbabwe which resulted in the incorporation of Emerged Railways Properties Private Limited. The ZRL owns 50% in the joint venture.

#### b. Governance

Article 60 of the ZRL Articles of Association provides that the composition of the Board of Directors shall be seven (7) members appointed by IDC comprising:

- The Permanent Secretary or a representative of the Ministry responsible for the Sector Policy
- o Not more than five (5) persons from the private sector
- Managing Director

#### c. Management

The day to day operations of ZRL is the responsibility of the Managing Director who is the Chief Executive Officer and is appointed by the Board. The Managing Director is assisted by the Company Secretary, Directors responsible for Finance, Operations, Technical Services, and Human Resources and Administration.

The Management team is appointed by the Managing Director with approval from the Board of Directors. In the case of Finance Director and Company Secretary, the Board's approval is subject to ratification by IDC.

#### d. Sources of Funds

According to the Strategic Business Plan 2024 to 2028, the Company has four major business units namely; Freight, Passenger, Real Estate and Engineering Services from which the revenue of the company is generated.

#### e. Information and Communication Technology Systems

During the period under review, ZRL used the following Information and Communication Technology (ICT) Systems:

- i. SAGE 300 ERP used to produce the ZRL financial statements, procurement processes, purchases and inventory control;
- ii. SAGE People used for the purpose of preparing the payroll and personnel management; and
- iii. E-ticketing used to manage ticket sales.

#### 19.2 Budget and Income

During the period under review, ZRL budgeted to generate income in amounts totalling K1,151,190,437 from freight, customs clearance and warehouse clearing, passenger train, real estate, interchange and other income against which amounts totalling K874,389,504 were generated resulting in a negative variance of K276,800,933 as shown in table 1 below.

**Table 1: Budget v Actual** 

Year	Budget K	Actual K	Variance K	Actual % of Budget
2023	523,094,736	501,768,037	(21,326,699)	96%
2024	628,095,701	372,621,467	(255,474,234)	59%
Total	1,151,190,437	874,389,504	(276,800,933)	76%

#### 19.3 Audit Findings

An examination of accounting and other records for the financial years ended 31<sup>st</sup> December 2023 and 2024 conducted at the ZRL headquarters revealed the following:

#### a. Financial Analysis

#### i. Statement of Profit or Loss and Other Comprehensive Income

During the period under review the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period under review was as tabulated in table 2 below.

Table 2: Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2024	2023
	K	K
Revenue	372,621,467	501,768,037
Cost of sales	(86,526,753)	(150,014,252)
Gross profit	286,094,714	351,753,785
Other operating Income	53,296,895	49,866,299
Other operating expenses	(477,012,608)	(579,423,018)
Operating loss	(137,621,000)	(177,802,934)
Finance costs	(18,626,978)	(15,808,891)
Share of net profit of joint venture		14,636,525
Foreign exchange gains	540,771	(56,879,174)
Loss before taxation	(155,707,206)	(235,854,474)
Taxation		(259,532,230)
Loss for the year	(155,707,206)	(495,386,704)

The following were observed:

#### Questionable Going Concern

The concept of going concern is a fundamental accounting assumption which presumes that an entity will continue to operate in the foreseeable future, typically for at least twelve (12) months from the date of the financial statements. This assumption indicates that the entity does not intend, nor is it required, to liquidate or significantly reduce its operations.

During the period under review, ZRL recorded total losses of K651,093,310 which included losses in 2023 of K495,386,704 and K155,707,206 in 2024. In addition, an analysis of the draft Financial Statements and Management Accounts revealed

that the ZRL had accumulated losses in the Statement of Financial Position amounting to K1,603,502,179 while its current liabilities exceeded its current assets by K1,178,732,518 in 2023 and K1,170,398,003 in 2024.

It was further observed that the Equity Ratio of the Company stood at 12% as at 31<sup>st</sup> December 2024, indicating that 88% of ZRL's assets were financed by debt. Furthermore, ZRL recorded negative working capital during the period under review, an indication that ZRL was failing to meet its short-term obligations.

Given the aforementioned and the ZRL's failure to liquidate its financial obligations, including employee benefit liabilities, which increased from K238,197,489 in 2023 to K262,263,970 in 2024, the ZRL's going concern is doubtful.

This position is reinforced by the audit opinion on the financial statements for the year ended 31<sup>st</sup> December 2024, in which it was expressed that an opinion on the appropriateness of preparing the financial statements on a going concern basis could not be made. This was due to the lack of sufficient and appropriate audit evidence to support the assumption that ZRL would continue as a going concern. Specifically, management did not provide adequate evidence to demonstrate the existence of concrete plans to mitigate existing uncertainties, address the adverse financial conditions or secure the necessary resources to sustain operations in the foreseeable future.

#### Recurring Operating Losses

During the period under review, ZRL recorded operating losses of K177,802,934 in 2023 and K137,621,000 in 2024. The losses were mainly attributed to high operating expenses which accounted for 115% and 128% of the total revenue in 2023 and 2024 respectively. The high operating expenses were as a result of the lack of investment in locomotives as the current fleet had average age of forty (40) years compared to the manufactures' estimated useful life of twenty five (25) years leading to increased repairs and maintenance costs of the Rolling Stock and Rail Trucks which had increased by 100% from K32,877,935 in 2023 to K65,713,387 in 2024.

# • Failure to Achieve Revenue Targets - Set Financial Key Performance Indicators

During the period under review, ZRL signed Performance Contracts with the IDC where Key Performance Indicators (KPIs) were agreed.

According to the performance-based contract between IDC and ZRL, the revenue targets were K523,094,736 in 2023 and K628,095,701 in 2024. However, the ZRL collected K501,768,037 in 2023 and K372,621,467 in 2024 both of which were below the targets. See table 3 below.

**Table 3: Target v Actual** 

Year	2024	2023	Total
i cai	K	K	K
Target Revenue	628,095,701	523,094,736	1,151,190,437
Actual Revenue	372,621,467	501,768,037	874,389,504
Variance	(255,474,234)	(21,326,699)	(276,800,933)
Actual as a % of Target	500/	060/	7(0/
Revenue	59%	96%	76%

The decrease in revenue in 2024 was attributed to the decrease in the annual freight tonnage from 345,319,249 tons reported in 2023 to 180,902,793 tons in 2024 resulting in a 49% decline in business activities.

#### • Failure to Attain EBIT Margin As a % of Total Revenue

The Performance Contract signed between ZRL and IDC set a minimum EBIT Margin of negative K123.62 million in 2023 and negative K203.1 million in 2024 in order to ensure reduced losses.

However, the Company attained an EBIT margin of negative K170 million in 2023 and K139.76 million in 2024. Although the EBIT target in 2024 was met, it was attributed to the realized gains from NAPSA penalties write off amounting to K149.08 million as opposed to improved operational efficiencies. Therefore, without the gains from the write off, the EBIT would have been negative K288.84 million.

#### • Increase in Administrative Expenses as a Percentage of Revenue

According to the Performance Based Contract between IDC and the Board of ZRL for 2023 and 2024, the agreed administrative expense as a percentage of revenue target was 2.5%.

However, an analysis of administrative expenses as a percentage of revenue revealed that the Company was not able to achieve the set targets as the Company attained 3% in 2023, while in 2024, it recorded 7%.

## • Failure to Reduce Administrative Expenses

The Performance Based Contract between IDC and the Board of ZRL for 2023 and 2024, required the Company to reduce administration expenses by not less than 5%. However, ZRL recorded an increase in administration expenses of 52% and 33% in 2023 and 2024 respectively.

#### ii. Statement of Financial Position

During the period under review, the Consolidated Statement of Financial Position for the period under review was as tabulated in table 4 below.

**Table 4: Consolidated Statement of Financial Position** 

	2024	2023
	K	K
Non Current Assets		
Property, Plant and Equipment	1,460,996,416	1,471,566,195
Right of use of asset	21,034,521	40,274,964
Investment Properties	142,911,900	142,911,900
Investments Accounted for using the equity method	256,487,317	256,487,317
Financial Assets at fair value through Other	, , -	
Comprehensive Income	34,625,000	23,750,000
	1,916,055,153	1,934,990,376
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Current Assets		
Inventories	1,826,585	2,430,774
Amounts due from related parties	80,171,792	119,846,128
Trade and other receivables	57,936,256	51,052,376
Other financial assets at amortised cost	8,000,000	
Cash and cash equivalents	31,206,374	59,600,331
Total Current Assets	179,141,008	232,929,609
	., ,	- ) )
Total Assets	2,095,196,161	2,167,919,985
	, , ,	
Equity and Liabilities		
Equity		
Share Capital	627,426,729	627,426,730
Other Reserves	1,230,984,515	1,305,114,307
Accumulated loss	(1,603,502,179)	(1,667,772,534)
	254,909,065	264,768,503
Net assets reserve taken from Railway Systems of	5 501 000	5 501 000
Zambia	5,591,000	5,591,000
Capital grant	33,951,479	40,759,892
Total Equity	294,451,545	311,119,395
Liabilities		
Non Current Liabilities		
Borrowings	8,396,727	4,135,926
Lease liabilities		12,272,000
Employee benefit obligation	189,449,303	175,370,962
Deferred tax	253,359,575	253,359,575
	451,205,605	445,138,463
Current Liabilities		
Trade and other payables	1,080,664,836	1,212,249,296
Amounts due to related parties	118,689,886	65,897,867
Lease liabilities	34,555,423	27,635,361
Employee benefit obligation	72,814,666	62,826,527
Current tax payable	28,868,344	30,171,492
Bank overdraft	13,945,855	12,881,584
	1,349,539,011	1,411,662,127
Total liabilities	1,800,744,616	1,856,800,590
Total equity and liabilities	2,095,196,161	2,167,919,985

The following were observed:

# • Return on Capital Employed (ROCE)

Return on Capital Employed (ROCE) is a measure of the returns that a business achieves from the capital employed. Although IDC did not set the ROCE target,

during the period under review, ZRL recorded negative ROCE of 0.57 and 0.47 in 2023 and 2024 respectively. See table 5 below.

**Table 5: Return on Capital Employed** 

Description	2024 K	2023 K
Operating Loss	(137,621,000)	(177,802,934)
Capital Employed	294,451,545	311,119,395
Return on Capital Employed	(0.47)	(0.57)

As can be seen in the table above, ZRL did not earn sufficient profits from capital employed which could lead to failure to increase shareholder's wealth.

## • Poor Working Capital

A review of financial information at ZRL revealed that the Company had recorded negative working capital of K1,178,732,518 and K1,170,398,003 in 2023 and 2024 respectively. See table 6 below.

**Table 6: Working Capital** 

Description	2024	2023
Description	K	K
Total current assets	179,141,008	232,929,609
Total current liabilities	1,349,539,011	1,411,662,127
Working capital	(1,170,398,003)	(1,178,732,518)

As can be seen in the table above, the Company did not generate sufficient cash flows to liquidate its current liabilities as its liabilities exceeded its assets by 506% in 2023 and 653% in 2024.

In this regard, the negative working capital exacerbated the company's liquidity challenges which led to failure to meet its obligations.

# • Poor Gearing Ratio

According to the Performance Contract signed between ZRL and IDC, the gearing benchmark was set at 25% and 32% in 2023 and 2024 respectively.

A review of Statement of Financial Position revealed that the Company attained a gearing ratio of 86% in 2023 and 2024 which was above the set benchmark. See table 7 below.

**Table 7: Gearing Ratio** 

Details	2024	2023
Total debt (K)	1,800,744,616	1,856,800,590
Equity (K)	294,451,545	311,119,395
Gearing ratio %	86%	86%
Benchmark Set by Shareholder	32%	25%

The high Gearing Ratio was attributed to failure by the company to generate cash from its operations which led to the company failing to settle its liabilities as they fall due.

# • Failure to Achieve Set Current Ratio Target

According to the Performance Based Contract between IDC and the Board of ZRL for 2023 and 2024, the agreed current ratio target was 1:1 for the two (2) financial years.

However, the company failed to achieve the set targets as it attained current ratios of 0.17:1 in 2023 and 0.13:1 in 2024. See table 8 below.

**Table 8: Current Ratio** 

C	2024	2023	
Source of Funding	K	K	
Current Assets	179,141,008	232,929,609	
Current Liabilities	1,349,539,011	1,411,662,127	
Working Capital	(1,170,398,003)	(1,178,732,518)	
<b>Current Ratio</b>	0.13:1	0.17:1	

In this regard, ZRL was not able to meet its obligations as they fell due as it had more liabilities than current assets.

#### iii. Consolidated Statement of Cash Flow

The Statements of Cash Flows for the period under review were as tabulated in table 9 below.

**Table 9: Statement of Cash Flows** 

Description	2024 K	2023 K	2022 K
Net cash from operating activities	171,933,039	341,100,911	82,772,422
Net cash from investing activities	95,768,551	(281,981,560)	(72,103,967)
Net cash from financing activities	16,924,919	(48,027,905)	(5,472,642)
Net (decrease)/increase in Cash and Cash	(21,136,204)	11,091,446	5,195,813
Equivalents			
Cash at the beginning of the year	45,729,669	29,313,667	20,863,000
Effect of exchange rate movement on cash balances		6,313,634	3,254,854
Total cash at end of the year	24,593,465	46,718,747	29,313,667

A review of the Statement of Cash Flow for the period under review revealed the following:

# • Reduction in Net Cash Flow from Operating Activities

A review of the Statement of Cash Flow for the period under review revealed that the Company's cash generated from operating activities had reduced from K341,100,911 recorded in 2023 to K171,933,039 in 2024. This reduction of 50% demonstrates the Company's inability to generate sufficient cash flow to cover its operational and administrative costs.

#### b. Poor Management of Core Assets and Infrastructure

#### i. Increased Temporary Speed Restrictions (TSRs) Distances

The Strategic Target Internal Business Processes and Innovation (3) requires that Temporary Speed Restriction (TSRs) are reduced by 80% by 2025. TSRs are imposed when sections of the railway track become unsafe for normal operating speeds. TSRs serve as a key indicator of track incapacity. The greater the distance under TSR, the higher the risk of derailment.

However, instead of a reduction in the TSRs, it was revealed that the TSRs increased from 134.25 km in 2023 to 251.75 km in 2024 representing an 88 % increase. See table 10 below.

Table 10: TSRs and Infrastructure Derailments (2020 – 2024)

Year	TSRs (Km) in Q4	Infrastructure related Derailments	% Increase in TSRs
2020	48.75	14	
2021	51.25	14	5%
2022	130.75	19	155%
2023	134.25	28	3%
2024	251.75	9	88%

#### ii. Failure to Invest in Modern Locomotives

Sections (c) and (d) of the ZRL's Strategic Business Plan - Internal Business Processes and Innovation (Operations) Customer Growth and Market Development emphasizes modernization and regional integration, to promote interoperability and harmonization of transport systems.

A review of the asset register revealed that the Company had seventeen (17) locomotives which were acquired between 1974 and 1993 with an average Manufacturer's useful life of twenty four (24) years. At the time of audit in June 2025, the locomotives had been in use for an average period of forty (40) years resulting in an average excess year in operations of sixteen (16) years. See table 11 below.

**Table 11: Locomotive Status** 

No.	Description	Acquisition Date	Manufacturers Expected Operational Life	Actual Years In Operation	Excess Years in Operation	Status
1	GT 36CU-MP-01-605	1-May-93	25	31	(6)	Non- Functional
2	GT 36CU-MP-01-608	1-May-93	25	31	(6)	Functional
3	GT 36CU-MP-01-612	1-May-93	25	31	(6)	Non- Functional
4	GT 36CU-MP-01-613	1-May-93	25	31	(6)	Non- Functional
5	U20C-01-262	1-Jan-76	25	48	(23)	Non- Functional
6	U20C-01-266	1-Jan-76	25	48	(23)	Functional
7	U15C-02-304	1-Apr-74	25	50	(25)	Non- Functional
8	U15C-02-305	1-Jan-74	25	50	(25)	Non- Functional
9	U15C-02-308	1-Jan-74	25	50	(25)	Functional
10	U15C-02-309	1-Jan-74	25	50	(25)	Non- Functional
11	U20C-01-270	1-Jan-76	25	50	(25)	Functional
12	Remanufacture of loco 701	1-Oct-16	20	8	12	Non- Functional
13	Remanufacture of loco 702	1-Jun-17	20	7	13	Functional
14	01-703	1-Jan-76	20	48	(28)	Functional
15	01-704	1-Jan-76	20	48	(28)	Functional
16	02-502	1-Jan-74	25	50	(25)	Non- Functional
17	Steam Loco	1-Jan-74	25	51	(26)	Functional
	AVERAGE		24	40	(16)	

As can be seen in the table above, out of the seventeen (17) locomotives, nine (9) were non-functional while the remaining eight (8) required frequent repairs.

#### c. Lack of Weigh Bridges for Declaration of Weight Moved

During the period under review, ZRL had no weighing machinery such as weigh bridges and other weight measuring equipment. In this regard, it could not be ascertained how the recorded moved stock weighing 345 million and 181 million tonnes amounting to K466 million and K320 million for 2023 and 2024 respectively was determined.

#### d. Failure to Insure Rolling Stock

Regulation 41(1) of the Public Finance (General) Regulations, 2020 states, "A public body shall insure public assets with an insurance company registered under the Insurance Act, 1997." In addition, Section 11.3 of ZRL Insurance Policy requires that all critical and high value operational assets be insured against operational and accidental risks.

Contrary to the provisions, ZRL did not insure its rolling stock in amounts totalling K447,546,787.

#### e. Failure to Enforce Court Order

In 2024, the ZRL commenced legal action against Kafue Town Council and other Kafue residents who were illegally allocated land belonging to ZRL. The legal action was for the demolition of the properties that had been built on the illegally allocated land. Consequently, in April 2025 the court ruled in favour of ZRL and ordered that the structures be demolished. However, as at 31<sup>st</sup> October 2025, ZRL had not enforced the court order.

# f. Delayed Completion - Contract for Construction of Bunk House at Mulobezi

In 2022, ZRL engaged Luhmart Solutions for the construction of a bunk house at Mulobezi railway station at a contract sum of K839,938 with a completion period of eleven (11) weeks from the date of signing the contract. The construction commenced on 25<sup>th</sup> September 2023 and was scheduled to be completed on 13<sup>th</sup> December 2023. As of September 2025, amounts totalling K606,664 had been paid leaving a balance of K233,274 for works not yet completed.

However, a review of the progress report and other correspondences revealed that the bunkhouse had not been completed as progress was at 88%. The project had been delayed for seventeen (17) months.

# g. Failure to Put in Place Deliberate Measure for the Implementation of Statutory Instruments

Government issued Statutory Instruments Nos. 7 of 2018 and 98 of 2020 requiring that at least 30% of specified commodities across key economic sectors be transported by rail to reduce road pressure and promote railway transport.

However, the Zambia Railways Limited (ZRL) did not incorporate this statutory requirement into its 2018 – 2023 Strategic Plan.

Although a subsequent strategic plan was developed covering the period from 2024 to 2028 which set targets to meet the statutory haulage requirements by the end of 2024 at 2,600,000 tons, ZRL achieved only 598,825 representing 0.002% of national haulage as at 31<sup>st</sup> October 2025. See table 12 below.

**Table 12: National v ZRL Haulage** 

Details	2023	2024	Total
ZRL Tonnage Hauled	758,536	598,825	1,357,361
National Tonnage Hauled	32,673,695,267	30,072,436,076	62,746,131,343
Market Share %	0.002	0.002	0.002

Further, there was no evidence of deliberate measures to mobilize resources or engage key stakeholders, including Government and strategic partners, to build capacity in rolling stock and rail infrastructure despite these statutory requirements being in force for over five (5) years.

#### h. Failure to Settle Statutory Obligation

Section 106 of the Workers Compensation Act No. 27 of 1994 as read with section 66 of the Income Tax Act Chapter 323 of the laws of Zambia and section 15 of the National Pension Scheme Authority Act No.40 of 1996 places an obligation on ZRL to remit statutory contributions.

However, a review of ZRL's payables schedule revealed that; the Company had outstanding statutory obligations amounting to K330,232,467 as at 30<sup>th</sup> September 2025. See table 13 below.

**Table 13: Outstanding Statutory Obligation** 

Description	2023	2024	Current
2 0001-12011	K	K	K
PAYE & NAPSA - Penalties	198,439,194	46,637,036	44,133,931
Payroll Creditors - Pay As You Earn	192,152,689	215,109,724	222,280,948
Payroll Creditors - Pension ( DC Scheme )	27,657,128	30,824,616	31,679,607
Workers Compensation - Provsions	985,583	1,341,906	3,721,572
Income Tax Payable	32,468,959	28,868,344	28,416,409
Total	451,703,553	322,781,626	330,232,467

#### i. Filled Positions Not on the Establishment

A scrutiny of the positions on the payroll and approved Establishment revealed that there were sixty-six (66) positions filled by 229 and 208 officers in 2023 and 2024 respectively on the payroll that were not on the Establishment. As at 30<sup>th</sup> September 2025, management had not taken measures to correct the anomaly.

#### **20 RECOMMENDATIONS**

To address the weaknesses identified in this report, I recommend the following:

- i. Management of the respective institutions that did not prepare audited financial statements should ensure that audited financial statements are prepared timely.
- ii. Management of the respective institutions should improve their working capital management by strengthening receivables collection and payables management as well as establish minimum liquidity thresholds and regularly monitor compliance to the set thresholds.
- iii. Management should ensure strict compliance with procurement laws and contract conditions, including timely enforcement of penalties such as liquidated damages.
- iv. Introduce regular contract performance monitoring and reporting to management and the Board of Directors.
- v. The strategic and operational plans of institutions under IDC should ensure that these plans are well aligned to the performance targets set by IDC as well as establish internal monitoring systems to track progress against IDC targets on a regular basis. This can further be strengthened through accountability mechanisms such as linking management performance contracts to achievement of agreed targets.

#### 21 ACKNOWLEDGEMENTS

I wish to extend my sincere appreciation to all my staff for their dedication and hard work throughout the audits, which enabled the preparation of this Report despite the challenges encountered during the audit process. I also wish to express my gratitude to the Controlling Officers of Line Ministries, the Chief Executive Officer of the Industrial Development Corporation and its subsidiaries, as well as other Statutory Bodies, and their staff, for their cooperation. Their support was instrumental in allowing the audits to be conducted in an objective, efficient, and effective manner.

#### 22 RECOMMENDATIONS OF THE COMMITTEE ON PARASTATAL BODIES

The status on the Outstanding Issues remains unchanged from what was reported in the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year ending 31st December 2022.

Refer to the 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 2022.

#### 23 CONCLUSION

This Report has highlighted various weaknesses in the management of Parastatal Bodies and other Statutory Institutions that must be addressed to enable these entities to effectively fulfil their mandates.

#### **APPENDIX 4 - Glossary of Terms**

- 1. **Audit Finding -** The result of audit procedures and tests conducted by the auditor.
- Committee on Parastatal Bodies A sessional committee of the National Assembly
  established in terms of the standing orders. The committee examines the Reports of the
  Auditor General, as part of its mandate of examining the accounts of Parastatal Bodies
  and Other Statutory Institutions.
- 3. **Outstanding Issues -** Audit queries that remain unresolved in the Treasury Minutes (Action Taken Reports) prepared by the Ministry of Finance on the Reports of the Auditor General.
- 4. **Statutory Obligations -** Obligations that do not arise out of a contract but are imposed by law
- 5. **Unaccounted for Revenue -** Revenue collected but neither banked nor cash found on hand.
- 6. Unretired Accountable Imprest Imprest not accounted for.
- 7. **Unaccounted for Stores -** Missing stores items without evidence of how they were received and utilised.
- 8. **Wasteful Expenditure -** Expenditure incurred without benefits derived.
- 9. **Accountability** Acceptance of responsibility for honest and ethical conduct toward others. A company's accountability extends to its shareholders, employees, and the wider community in which it operates.
- 10. **Audit Finding** -The result of audit procedures and tests conducted by the auditor, identifying any irregularities, weaknesses, or areas of concern in the management and use of public resources.
- 11. **Audited Financial Statements** These are statements that include a signed statement from the auditor attesting to the fair presentation of financial results, position and cash flows of an entity.
- 12. **Audit Methodology** The systematic process and techniques used by auditors to plan, conduct, and report on audits.
- 13. **Annual Report** A comprehensive report prepared by an organization about its activities during the preceding year, including its financial performance and operations.
- 14. **Board** A group of individuals, often elected or appointed, who jointly oversee the activities of an organization, such as a parastatal body or statutory institution.
- 15. **Budget Line** A specific item or category within a budget, detailing planned income and expenditure for a particular purpose.
- 16. **Bill of Quantities (BoQ)** A document used in construction projects that itemizes materials, parts, and labor with their associated costs.

- 17. **Corporate Governance** Systems, principles, and processes by which a company is directed and controlled.
- 18. **Controlling Officer** An officer designated by the Secretary to the Treasury to maintain the accounts of a Ministry, Province, or Agency, ensuring proper financial management and reporting.
- 19. **Debt Issuance** The process by which an organization raises funds by selling bonds or other forms of debt to investors.
- 20. **Dividend** A distribution of profits by a corporation to its shareholders, usually in the form of cash or additional shares.
- 21. **Financial Year** The period over which an organization's financial transactions are accounted for, typically one year, ending on a specific date.
- 22. **Strategic Business Plan** A document that outlines an organization's long-term goals, the actions needed to achieve them, and the resources required.
- 23. **Project Implementation Unit (PIU)** A dedicated unit within an organization responsible for the day-to-day management and implementation of a specific project.
- 24. **Other Income** Revenue generated from sources other than the primary business activities of an organization.
- 25. **Parastatal Bodies** State owned enterprises or controlled by the government, often involved in commercial activities.
- 26. **Internal Control** Processes and procedures designed to ensure effective and efficient operations to ensure reliable financial reporting and compliance with laws and regulations.
- 27. **Parliament** The legislative organ of the government, responsible for making laws and overseeing the executive branch, including the management of public finances.
- 28. **Irregularity** A breach of laws, regulations, or rules, which may include financial improprieties or administrative failures.
- 29. **Imprest** Funds issued to facilitate payments for minor expenses, for travel purposes, or to purchase goods and services whose value cannot be determined in advance.
- 30. Technology (ICT) Systems Information and Communication Technology systems implemented by organizations to improve the efficiency and effectiveness of service delivery.
- 31. **Transparency** open sharing of honest information about various company operations with shareholders, partners, employees, and customers.
- 32. **Procurement** The process of acquiring goods, services, or works from an external source through various ways as prescribed by law.
- 33. **Subsidiaries** Companies that are controlled by a parent company, often through majority shareholding.

- 34. **Risk Assessment** The process of identifying, analyzing, and evaluating potential risks that could impact an organization's objectives.
- 35. Value Added Tax (VAT) A tax on the added value of goods and services at each stage of production or distribution, ultimately borne by the end consumer.
- 36. **Loan Agreement** A contract between a borrower and a lender that outlines the terms under which the loan is provided.
- 37. **Operational Matters** Issues relating to the day-to-day operations of an organization, including management of resources, processes, and people.
- 38. **Interim Payment Certificates (IPCs)** Documents issued by the project manager to certify the amount of work completed and the payment due to the contractor.

