

REPORT

of the

AUDITOR – GENERAL

ON THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED

31st DECEMBER 2007

TABLE OF CONTENTS

	Page
Introduction.....	1
Audit Scope and Methodology.....	1
Institutional Development.....	1
International Co-operation.....	1
Accountability of Public Funds.....	2
Limitation of Scope.....	2
Outturn and Appropriation Accounts.....	2
General Revenues.....	3
Zambia Revenue Authority.....	3
Exceptional Revenue – Ministry of Energy and Water Development.....	6
Fees and Fines – Ministry of Homes Affairs – Police	7
Exceptional Revenue – Ministry of Agriculture and Cooperatives.....	9
Fees and Fines - Ministry of Energy and Water – Water Board.....	9
Fees and Fines – Ministry of Mines and Mineral Development.....	10
Fees and Fines – Ministry of Home Affairs – Immigration.....	12
Fees and Fines – Ministry of Home Affairs – Passports.....	13
Fees and Fines – Judiciary.....	15
Fees and Fines – Ministry of Communications and Transport – RTSA.....	17
Fees and Fines – Ministry of Lands.....	25
Expenditures.....	27
Zambia Police.....	27
Ministry of Home Affairs – Headquarters.....	36
Ministry of Foreign Affairs.....	38
Loans & Investments – Ministry of Local Govt. & Housing.....	45
Loans & Investments – Ministry of Finance and National Planning.....	48

Ministry of Information & Broadcasting Services.....	50
Ministry of Local Government and Housing.....	54
Ministry of Finance and National Planning.....	64
Ministry of Community Development and Social Services.....	69
Ministry of Health.....	74
Ministry of Science, Technology and Vocational Training.....	90
Ministry of Defence.....	99
Ministry of Education.....	103
Ministry of Lands.....	120
Ministry of Agriculture and Cooperatives.....	122
Office of the President – Lusaka Province.....	133
Office of the President – Copperbelt Province.....	134
Office of the President – Northern Province.....	136
Office of the President – Western Province.....	139
Office of the President – Eastern Province.....	145
Office of the President – Luapula Province.....	149
Office of the President – North Western Province.....	152
Office of the President – Southern Province.....	166
Index.....	171

INTRODUCTION

1. This Report on the audit of the accounts of the Government of the Republic of Zambia for the financial year ended 31st December, 2007 is submitted to the President for tabling in the National Assembly in accordance with the provisions of Article 121 (4) of the Constitution of Zambia.

AUDIT SCOPE AND METHODOLOGY

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

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

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

INSTITUTIONAL DEVELOPMENT

3. In paragraph 4 of the Report of the Auditor General on the accounts for the financial year ended 31st December 2006, mention was made of the construction of five new provincial offices and the extension of the Headquarters through the Public Expenditure Management and Financial Accountability (PEMFA) programme. It was also mentioned that works in Kasama, Mongu and Solwezi had been completed and that works on the extension of Headquarters had commenced.

As at 31st December 2008, construction of all the provincial offices had been completed while works on the extension of Headquarters had reached an advanced stage.

INTERNATIONAL CO-OPERATION

4. In paragraph 3 of the Report of the Auditor General on the accounts for the financial year ended 31st December 2006, mention was made of cooperation activities between the Office of the Auditor General of Zambia (OAGZ) and the Office of the Auditor General of Norway (OAGN) which resulted in the development and implementation of audit methodologies for information technology and performance audits in OAGZ.

These activities have continued and in this regard, the OAGZ has signed a long term agreement with OAGN to cover the period from 2008 to 2012. Further, negotiations are

underway for the extension of the Restructuring and Institutional Development Project (RIDP).

ACCOUNTABILITY OF PUBLIC FUNDS

5. According to the Public Finance Act No. 15 of 2004, the Minister responsible for finance shall, subject to the provisions of the Constitution and the Act, have management, supervision, control and direction of all matters relating to the financial, planning and the economic management of the Republic. The Minister is the head of the Office of the Treasury established under the Act and shall make policy and other decisions of the Treasury except those delegated under section six of the Act to the Secretary to the Treasury who shall exercise the powers of the Treasury. In exercising these powers, the Secretary to the Treasury designates in respect of each head of revenue or expenditure provided for in a financial year, an officer who shall be a Controlling Officer. The responsibilities of the Controlling Officers are outlined in section 7 (3) to (9) of the Act and include the preparation and submission of financial statements to the Auditor General for audit and certification before inclusion in the Financial Report. The audited financial statements are then submitted to the Secretary to the Treasury to enable him prepare the Annual Financial Report for tabling in the National Assembly by the Minister responsible for finance in accordance with the provisions of Article 118(1) of the Constitution of Zambia.

LIMITATION OF SCOPE

6. Due to the restructuring exercise the Office undertook during the years from 2005 to 2007, 70% of its staff is new, thus placing enormous strain on the old staff that had to carry out on the job training. This has resulted in less audit coverage for the period under review. Further, the illness of two directors had impacted negatively on audit operations particularly on the Ministerial Appropriations Audit Directorate.

OUTTURN AND APPROPRIATION ACCOUNTS

7. According to the provisions of Article 118 (1) of the Constitution, the Minister responsible for finance shall cause to be prepared and shall lay before the National Assembly not later than nine months after the end of each financial year, a financial report in respect of that year.

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

Tax Type	GRZ Profile (K)	Collections (K)	deficit (K)
Export Duties	2,300,000,000	2,296,684,432	- 3,315,568
Extra Royalty	77,335,876,000	67,511,198,531	- 9,824,677,469
Domestic VAT	669,053,228,000	23,540,000,000	- 645,513,228,000
Total	748,689,104,000	93,347,882,963	- 655,341,221,037

b. Revenue Surplus on Seven Tax Types

Tax collections on seven (7) tax types was in excess of the target by K1,034 billion as shown in the table below:-

Tax Type	GRZ Profile (K)	Collections (K)	Surplus (K)
Excise Duty	1,103,793,720,000	1,204,150,922,769	100,357,202,769
Import Duties	829,979,618,793	906,136,219,880	76,156,601,087
Import VAT	1,762,112,150,224	2,215,960,264,821	453,848,114,597
Company Tax	935,138,200,000	1,223,310,000,000	288,171,800,000
PA YE	2,088,280,015,736	2,197,800,000,000	109,519,984,264
Medical Levy	7,022,076,000	8,748,242,064	1,726,166,064
WHT	339,292,700,000	343,600,000,000	4,307,300,000
Total	7,065,618,480,753	8,099,705,649,534	1,034,087,168,781

c. Tax Arrears

In Paragraph 14 of the Auditor General's report for the financial year ended 31st December 2006, mention was made of the failure by Zambia Revenue Authority (ZRA) to collect tax arrears (K2,909 billion) from defaulters and refer to drawer cheques (K2,568 billion) that had not been replaced.

A review of the situation carried out in April 2008 revealed that the total tax arrears outstanding in respect of six (6) tax types as at 31st December 2007 were K3,452 billion as compared to K2,909 billion in 2006 as shown in the table below:

Tax Type	2007 (K bn)	2006 (K bn)
Company Tax	1,271	1,265
Back Duty	9	214
Self Employed	82	83
PA YE	815	318
Domestic VAT	1,009	807
Customs and Excise	266	222
Total	3,452	2,909

d. Outstanding Removals in Transits

There were removals in transits at eight (8) stations with guaranteed amounts totalling K45,209,316,879 which were outstanding for periods ranging from six (6) months to more than one (1) year as shown in the table below:

Station	Amount (K)
Lusaka Port	14,966,419,407
Lusaka Int.Airport	190,067,541
Chirundu Border	15,108,664,326
Livingstone Port	1,788,183,772
Kapiri Mposhi	371,520,477
Kasumbalesa	3,743,665,822
Kitwe	971,236,702
Nakonde	8,069,558,832
Total	45,209,316,879

e. Missing Goods in the State Warehouse - Kasumbalesa

There was poor management of the state warehouse in that goods were not properly packed making it difficult to verify their existence. A stock take from a sample of goods with Value for Duty Purposes (VDP) of K21,588,614 collected from the warehouse register and the government gazette revealed that only goods with VDP amounting to K15,008,000 were physically in stock leaving goods with VDP of K6,580,614 unaccounted for.

f. Goods Seized and Gazetted but not Auctioned

Contrary to the provisions of the Customs and Excise Act, various goods with VDP amounting to K49,261,604 seized as far back as 2002 and gazetted for auction on Gazette Notice No. 553 of 2007 were still kept in the warehouse without being forfeited and subsequently auctioned. An inspection carried out in April 2008 revealed that some goods were either expired or damaged making it doubtful as to whether ZRA will recover taxes due on them.

g. Condition of the State Warehouse

The State warehouse is used to store items held by the Customs division pending collection of taxes due. Items whose duties and taxes are not paid within the stipulated legal period are seized and may be forfeited to the state. A physical inspection of the Nakonde state warehouse revealed the following:

- i. Basic stock keeping records such as use of bin cards were not in place and seized goods were stored haphazardly making it difficult to carry out any verification.
- ii. Expired perishables were kept in the warehouse without being disposed of.



Seized goods in State Warehouse-Nakonde

h. Non Maintenance of Yard Status Register

In paragraph 14 item K (ii), of the report of the Auditor General on the accounts for the financial year ended 31st December 2006, mention was made of the non maintenance of a register of seized motor vehicles and acquittal details of vehicles seized to show the revenue realised at Nakonde Port office. A follow up made in April 2008 revealed that the situation had remained the same.

PROGRAMME: 5 EXCEPTIONAL REVENUE

MINISTRY OF AGRICULTURE AND COOPERATIVES

ACTIVITY: 008 Fertilizer Recoveries

The Fertilizer Support Programme (FSP) is a programme in which the Government distributes inputs to the smallholder farmers at subsidized prices as part of its Poverty Reduction Programme. The farmers only contribute 40% of the cost of the inputs distributed. The 40% paid by the farmers is deposited into an FSP Recoveries account maintained by the Ministry of Agriculture and Cooperatives in each province.

During the year 2007, the Ministry budgeted for K73,655,522,064 in the Estimates of Revenue and Expenditure as revenue expected from 40% recoveries from the farmers.

9. Accounting and other Irregularities

An examination of revenue records at the Ministry headquarters and visits to selected districts revealed the following:

a. Unexplained Excess Recoveries

There was poor record keeping in that the Ministry neither maintained a debtors' ledger in respect of the FSP nor were the bank accounts reconciled. During the 2006/2007 farming season, the Ministry procured and distributed inputs costing

K214,860,964,424 from which revenue totalling K85,944,385,770 was recoverable from farmers. Although the Ministry reported that K86,710,974,936 had been collected, it was not possible to verify the accuracy of the figure in the absence of the debtors' ledger and bank reconciliation statements.

b. Unreconciled Stocks

Out of a total of 48,096 bags of Compound D fertilizer received by the Chipata District Cooperative Union, 46,596 bags were distributed to farmers while the balance of 1,500 bags valued at K65,760,000 with a 40% recoverable value of K26,304,000 could not be accounted for.

c. Unaccounted for Revenue Collections

Revenue totalling K90,056,767 collected from Kapiri Mposhi (K58,841,947) and Chipata (K31,214,820) stations for the period under review could not be accounted for as they could neither be traced to the bank statements nor was cash found on hand, contrary to Financial Regulation No. 129.

PROGRAMME: 8 FEES AND FINES

MINISTRY OF HOME AFFAIRS

ACTIVITY: 51 Police Collections

In Paragraph 17 of the Auditor General's report for the financial year ended 31st December 2006, mention was made of unaccounted for revenue of K314,322,600, delayed banking of K1,106,014,850 and one hundred and seventy six (176) accountable documents not availed for audit.

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, provisions totalling K14,500,000,000 were made for collection of revenue under the Zambia Police out of which K10,663,316,792 was collected.

10. Irregularities in Accounting for Revenue

An examination of financial and other records maintained at various Police Stations carried out in April 2008 revealed the following:

a. Unaccounted for Revenue

Contrary to Financial Regulation No.129, out of amounts totalling K29,304,400 collected, K11,260,000 was banked leaving a balance of K18,044,400 unaccounted for as detailed in the table below:

Station/Post	Total Collections (K)	Total Deposit (K)	Unaccounted for (K)
Mongu	11,901,000	11,260,000	641,000
Emmasdale	16,570,900	-	16,570,900
Woodlands Police Station	562,500	-	562,500
Mpika Police Station	270,000	-	270,000
Total	29,304,400	11,260,000	18,044,400

b. Delayed Banking

Contrary to Financial Regulation No. 121, there were delays of periods ranging from five (5) to one hundred and eighty (180) days in banking revenue totalling K202,332,500 collected during the period from 12th January 2007 to 27th April 2008 as shown below:

Station/Post	Amount (K)	Range (Days)
Chembe	374,000	5-20
Nchelenge	36,260,000	5-80
Mwense	3,763,500	5-10
Chipata	8,510,000	10-15
Katete	23,968,500	20-180
Petauke	15,368,000	5-10
Nyimba	2,530,500	5-20
Mongu	43,281,000	10-120
Kaoma	16,034,000	5-15
Kasama	37,190,000	5-10
Mpika	15,053,000	10-90
Total	202,332,500	

c. Receipt Books Not Presented for Audit

Contrary to Financial Regulation No.10(n), there were three (3) receipt books which were not produced for audit as shown in the table below:

Station/Post	No. of Receipts Books	Receipt No.s
Mununga Police Stn	2	0157351-0157400 0764201-0764250
Chipata Central Police Stn	1	0268901-0268950
Total	3	

d. Missing Accountable documents - Kaoma Police Station

The accountable documents used for revenue collections for the period January to June 2007 were not made available for audit. An enquiry revealed that all the documents were destroyed in a fire that gutted the station on 16th July 2007. Consequently, no verifications of revenue collections were done. As of April 2008, no loss report had been raised.

PROGRAMMES: 5 EXCEPTIONAL REVENUE

8 FINES AND FEES

**MINISTRY OF ENERGY AND WATER
DEVELOPMENT**

ACTIVITIES: 010 ERB-License Fees

065 Water Board Fees

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, provisions of K8,532,477,492 and K785,800,280 were made in respect of revenue collections from ERB license fees and Water Board fees respectively.

11. Weaknesses in Accounting for Revenue

An examination of financial and other records maintained at Ministry of Energy and Water Development and the Energy Regulations Board (ERB) revealed the following:

a. Under Collections of Revenue

During the period under review, amounts totalling K4,508,748,141 (ERB License fees) and K427,748,867 (Water Board fees) were collected resulting in under collections of K4,023,729,351 and K358,051,413 respectively as shown below:

	Budget (K)	Actual (K)	Under Collection (K)
ERB License Fees	8,532,477,492	4,508,748,141	4,023,729,351
Water Board Fees	785,800,280	427,748,867	358,051,413

b. Unremitted Collections - Energy Regulations Board License Fees

The ERB collects revenue in the form of license fees from Oil Marketing Companies (OMCs) of which 80% should be retained by the Board and 20% remitted to Ministry of Finance and National Planning (MoFNP).

During the period under review, ERB collected a total amount of K33,166,605,595 of which 20% (K6,633,321,191) was to be remitted to MoFNP. However, as of December 2007, only K4,508,748,141 had been remitted leaving a balance of K2,124,573,050 outstanding.

c. Uncollected Fee Arrears - Water Board Fees

The Ministry of Energy and Water Development is charged with the responsibility of providing policy framework in the water and energy sectors in the country.

The Water Development Board was established by an Act of Parliament Cap 198 of the Laws of Zambia of 1998 to regulate the use of surface water in Zambia by issuing rights to applicants.

All water right holders and those using public water on temporal basis without exception are required to pay for the water. Water rights are granted for renewable period of five (5) years.

In this regard, as of December 2007, the Water Development Board was owed amounts totalling K138,735,240,195 by various clients in outstanding water rights charges. It was observed that some of the amounts had been outstanding for periods of up to five (5) years.

PROGRAMME: 206 FEES AND FINES

**MINISTRY OF MINES AND MINERAL
DEVELOPMENT**

ACTIVITIES: 015 Fees and Surface Rental Charges

050 Mining License

093 Other Revenues

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2006 and 2007, provisions of K2,294,569,433 and K2,616,110,936 were made, respectively, for the collection of revenue from Mining Licenses, Fees and Surface Rental charges and Other Revenues. In this regard, amounts totaling K2,667,594,955 (2006) and K2,228,205,598 (2007) were collected resulting in over collection of K373,025,522 in 2006 and under collection of K387,905,338 in 2007.

12. Irregularities in Accounting for Revenue Collections

An examination of financial and other records maintained at the Ministry headquarters, Mines Development Department, Geological Survey Department, Mines Safety Department (Kitwe), Livingstone and Mkushi Mining Bureaux carried out in February 2008 revealed the following:

a. Unaccounted for Revenue Collections

Contrary to Financial Regulation No. 129 (1), revenue collections in amounts totalling K26,958,800 were not accounted for in that there was no evidence that the money had been banked and no cash was found on hand as shown in the table below:

Department	Amount (K)
Mines Development Department	8,563,000
Geological Survey Department	17,610,800
Livingstone Mining Bureau	785,000
Total	26,958,800

b. Delayed Banking

Contrary to Financial Regulation No. 121 (1), there were delays of periods ranging from six (6) to four hundred and thirty three (433) days in banking revenue in amounts totalling K116,294,184 collected during the period under review as shown in the table below:

Department	Amount (K)	Range (Days)
Mines Development Department	81,727,216	8 -117
Mines Safety Department	34,566,968	6 - 433
Total	116,294,184	

c. Arrears from Area Charges

There were revenue arrears from as far back as 1998 on area charges amounting to K10,012,738,998 that remained uncollected from the license holders as of March 2008 as shown below:

License Holder	Amount (K)
Gemstone Mining License Holder	9,874,814,144
Small Scale Mining License Holder	137,924,854
Total	10,012,738,998

d. Outstanding Loans issued to Small Scale Miners

In an effort to enable Artisan's Mining Right (AMR), Small Scale Mining License (SML) and Gemstone License (GL) holders meet costs for hire of equipment, working capital, marketing, consultancy and transport costs, the Government in 2005 released K1,500,000,000 to pay them loans. The conditions of the loans were that the maximum loan repayment period for Artisan's Mining Right holders was twelve (12) months while for Small Scale Mining License (SML) and Gemstone License (GL) holders was twenty (24) months. In an event of default on the repayment of the loan, the lender reserved the right to revoke the license granted to the borrower and also to repossess the area (mine) over which such license was granted.

A scrutiny of records relating to payment of loans revealed that between December 2005 and January 2007, a total amount of K1,455,000,000 was paid

to thirty one (31) miners (twenty one (21) SMLs and ten (10) GLs) as loans at the interest rate of 15% per annum. In this regard, the beneficiaries were expected to pay back a total amount of K1,891,500,000 (principal K1,455,000,000 and interest K436,500,000). It was however observed that as of July 2008, out of the thirty one (31) beneficiaries, only six (6) had repaid amounts totalling K90,491,665 leaving a balance of K1,801,008,335 unpaid. It was further observed that despite the beneficiaries defaulting, the Ministry had not revoked their licenses and repossessed the mines.

PROGRAMME: 8 FEES AND FINES

MINISTRY OF HOME AFFAIRS

ACTIVITY: 018 Immigration

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K57,754,832,160 was made for the collection of revenue under the Department. In this respect, a total amount of K56,830,653,135 was collected resulting in an under collection of K924,179,025.

13. Irregularities in Accounting for Revenue Collections

An examination of financial and other records maintained at the Immigration headquarters, Lusaka Regional office, Lusaka International Airport, Livingstone, Ndola, Chingola, Kabwe, Kasumbalesa, Nakonde and Chirundu carried out in September 2008 revealed the following:

a. Delayed Banking

Contrary to Financial Regulation No. 121, there were delays of periods ranging from five (5) to two hundred and eighty seven (287) days in banking revenue amounting to K6,917,359,098 as detailed in the table below:

Station	Amount (K)	Range (days)
Immigration HQ	5,838,004,423	5 to 287
Lusaka Region	944,485,000	5 to 15
Katima Mulilo	134,869,675	9 to 42
Total	6,917,359,098	

b. Unaccounted for Revenue

Contrary to Financial Regulation No. 129(1), revenue in amounts totalling K2,462,323,500 collected from five (5) stations during the period under review could not be accounted for as detailed in the table below:

Station	Amount (K)
Immigration HQ	4,300,000
Lusaka Int Airport	456,329,500
Ndola	1,830,000,000
Kasumbalesa	107,664,000
Chingola	64,030,000
Total	2,462,323,500

c. Missing Documents

Contrary to Financial Regulation No.10(n), there were fifty seven (57) visa books, nine (9) general revenue receipt books and two (2) visiting permits that were not produced for audit by four (4) stations as shown below:-

Station	Documents not Accounted for	No. of Documents	Value of Documents (K)
Immigration HQ	Visiting permits	2	-
Lusaka Int. Airport	General Revenue Receipt Books	9	-
Kasumbalesa	Visa Books	55	470,750,000
Victoria falls	Visa Books	2	28,800,000

d. Refer to Drawer Cheques

There were six (6) cheques in amounts totalling K9,500,000 which were referred to drawer by the Bank of Zambia. As of September 2008, the cheques had not been replaced.

PROGRAMME: 8 FEES AND FINES

MINISTRY OF HOME AFFAIRS

ACTIVITY: 020 Passports

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K6,261,177,000 was made for collection of revenue under the Passport and Citizenship Office. In this regard, amounts totalling K4,624,002,425 were collected as shown below:-

	2007 (K)	2006 (K)
Budget	6,261,177,000	4,124,585,320
Actual	4,624,002,425	4,142,229,200
Variance	1,637,174,575	- 17,643,880

14. Irregularities in Accounting for Revenue Collections

An examination of financial and other records relating to the collection of revenue at Passport Office Headquarters and selected stations carried out in September 2008 revealed the following:-

a. Poor Record Keeping - Passports Issued to Zambian Missions Abroad

A total of six hundred and forty five (645) ordinary passports were issued to twenty nine (29) Zambian Missions Abroad during the period January to December 2007 and a total amount of K46,440,000 was expected to be collected.

However, due to poor record keeping, it was not possible to establish how much each mission collected during the year under review.

b. Unaccounted for Revenue

Contrary to Financial Regulation No.129, revenue in amounts totalling K23,818,000 collected at two (2) stations during the period under review were not accounted for as shown in the table below:

Station	Amount (K)
Kasama	11,882,000
Chipata	11,936,000
Total	23,818,000

c. Unconfirmed Deposits to Control 99

Amounts totalling K979,420,999 deposited into Zambia National Commercial Bank transit accounts by three (3) stations during the period under review could not be confirmed to have been remitted to Control 99, as the transfers from the Zambia National Commercial Bank head office to Control 99 were a composition of deposits made by several other government departments as shown in the table below:

Station	Amount K
Kabwe	186,122,999
Chipata	183,556,000
Livingstone	609,742,000
Total	979,420,999

d. Delayed Banking

Contrary to Financial Regulation No.121, there were delays of periods ranging from five (5) to forty one (41) days in banking revenue amounting to K87,592,000 collected by three (3) stations as shown in the table below:

Stations	Amount (K)	Delays (Days)
Kasama	26,576,000	5 to 41
Kabwe	14,120,000	6 to 17
Chipata	46,896,000	5 to 10
Total	87,592,000	

PROGRAMME: 8 FEES AND FINES

JUDICIARY

ACTIVITIES: 084 Court and Other Fees

085 Library Services

086 Fines of Court

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K2,057,683,090 was made for the collection of revenue from Court Fines and Other Fees, Library Services and Fines of Court and K4,066,289,692 was collected resulting in over collection of revenue of K2,008,606,602 as detailed below:

	Budget (K)	Actual (K)	Variance (K)
Court Fines and other Fees	1,944,346,531	3,534,024,792	- 1,589,678,261
Library Services	31,904,073	84,914,000	- 53,009,927
Fines of Court	81,432,486	447,350,900	- 365,918,414
Total	2,057,683,090	4,066,289,692	- 2,008,606,602

15. Weaknesses in Accounting for Revenue

An examination of financial and other records carried out in June 2008 at the Judiciary Headquarters and visits to Kafue, Chongwe, Mongu, Kitwe and Ndola Courts revealed the following:

a. Delayed Banking

Contrary to Financial Regulation No.121, there were delays of periods ranging from four (4) to eighty six (86) days in banking revenue totalling K8,954,100 collected at Chongwe during the period from March 2006 to January 2008.

b. Unaccounted for Revenue

Contrary to Financial Regulation No.129, revenue collections totalling K38,064,789 collected at three (3) subordinate courts during the period from June 2006 to May 2007 could be not accounted for as detailed in the table below:

Subordinate Court	Amounts (K)
Mongu	7,771,250
Kitwe	7,110,000
Ndola	23,183,539
Total	38,064,789

c. Misappropriation of Funds

It was observed that clients' money amounting to K30,950,000 was misappropriated by the court staff during the period from April to September 2007 by falsification of receipts. These monies were subsequently reimbursed by the court from other client's money but only K1,000,000 was recovered from one of the officers involved leaving a balance of K29,950,000 outstanding as of November 2008.

d. Failure to Collect Rental Arrears

The Judiciary owns twenty one (21) residential flats in Thornpark which it rents out. It was observed that as of October 2008, the Judiciary was owed amounts totalling K218,690,047 in rental arrears. Included in the arrears were amounts totalling K106,022,399 in respect of eleven (11) tenants whose accounts had been outstanding from as far back as 2003.

e. Lack of a Safe-Kafue Local Court

Contrary to Financial regulation No.56 (2), there was no safe at the Kafue Local Court as the safe was blown open by thieves in 1997. Consequently, the court clerk kept Government revenue and receipt books at his residence.

Though in his response dated 11th November 2008, the Controlling Officer stated that the building was in a dilapidated state and that efforts were being made to renovate the buildings and thereafter install a safe, it was not clear why it had taken the Controlling Officer ten (10) years to resolve the matter.

PROGRAMME: 8 FEES AND FINES

**MINISTRY OF COMMUNICATIONS AND
TRANSPORT**

ACTIVITY: 184 Road Traffic Collections

In December 2001, the Ministry of Communications and Transport entered into a contract with Face Technologies (PTY) Ltd of Pretoria, Republic of South Africa at an initial sum of USD\$5,300,000 for the implementation of a national transport information system for the Government.

Following the signing of the contract, Face Technologies designed and implemented the Zambia Transport Information System (ZAMTIS). The final acceptance and transfer of ownership of ZAMTIS to the Road Transport and Safety Agency (RTSA) from Face Technologies took place in August 2007. ZAMTIS is the core system used to manage the licensing and registration of motor vehicles, licensing of drivers and administration of road service licenses. The system uses a hybrid of Digital Subscriber Line (DSL) and Optic Fibre to link its main database at Lumumba Station in Lusaka to other remote sites.

16. Weaknesses and Irregularities in the Zambia Transport and Information System

(ZAMTIS)

An audit of the system carried out in August 2008 revealed the following:

a. Delayed Signing of System Acceptance Testing Certificates

The contract between the Government and Face Technologies required that System Acceptance Testing be carried out to ensure that all business processes that were essential to RTSA were considered at the time of system specification and implementation. However, an examination of the system implementation documents availed for audit revealed that Acceptance Testing Certificates were not signed at the time of initial commissioning of the system in 2003. The System Acceptance Testing Certificates were only signed on 16th September 2008, five (5) years after commissioning.

b. Failure to include Temporal Registration and Physical Inspection of Motor Vehicle Modules on the ZAMTIS

Temporal Registration of vehicles is a process that is carried out at the port of entry to facilitate the movement of imported motor vehicles up to the station of registration while physical inspection is a process done before particulars of a vehicle are registered onto the system. These two processes were overlooked at the time of establishing systems requirements for ZAMTIS and had continued to be carried out manually.

c. Non-Functional Modules

ZAMTIS has seven (7) modules that were installed in 2003. An examination of system installation documents revealed that the Toll Fees and Road Service Licence (RSL) Modules were installed and had been tested to be operational. However, a physical verification carried out between 18th August and 30th September 2008 at Kariba, Chirundu, Ndola, Lusaka and Livingstone revealed that the modules were not functioning. The toll fee module had never been used since installation whereas the Road Service Licence module was unable to complete the business process due to bugs.

d. Segregation of Duties

According to the RTSA organization chart, the Information Technology (IT) department is supposed to be headed by head Information and Communication Technology (ICT) and supported by a Systems Analyst, an Assistant Systems Analyst and seven (7) Information Support Officers.

A review of functional areas and job descriptions revealed that the IT department was headed by a Principal Systems Analyst who was supported by a Systems Analyst and three (3) Information Support Officers. As a result of this inadequacy in staffing levels, each of the officers in the IT department were performing all IT functions including network administration, help desk, system administration and database administration. Further log-on rights were given to users according to their job descriptions in order to ensure segregation of duties.

However, a review of the process map for the driver licence module on fifty (50) sampled transactions revealed that segregation of duties was not adhered to on a number of transactions. In this regard, it was observed that an officer could carry out the roles of card conversion and authorization, bookings and processing payments among others. It was therefore possible that a driver's license or other security documents could be irregularly produced.

e. Logical Access Control

i. Failure to Limit Access Accounts per User and Multiple Log-on

According to the Access Control Policy in the draft ICT policy document, ZAMTIS users were allowed access onto the system using a combination of unique user numbers and biometric passwords by way of scanned finger prints. Each user's rights to carry out specific functions on the system were linked to the user number and finger print. The system user gained access to the system by typing the assigned ID number in the security box and pressing the designated finger on the Receptor Pad. The organization has an Access Account and Password Policy and Password Guidelines documented in the draft ICT Policy.

A verification carried out between 18th August and 30th September 2008, revealed that there was no limit to the number of Access Accounts assigned to a user. In this regard, a list of accounts generated from the system showed that some users had more than one active account which they could use simultaneously. It was also noted that eleven (11) users had more than one user accounts with different ID numbers. Users had concurrent access to the system through several work stations using the same account and password making the system susceptible to abuse.

ii. Unlimited Log-on Attempts

An inspection of the log-on process revealed that the system did not lock out of the Local Area Network (LAN) any users who used invalid passwords on several attempts. One could try as many attempts as possible without being locked out.

iii. Failure to Set Automatic Log-off Time

In order to avoid unauthorized access, users should be automatically logged-off when their account is inactive for a preset minimum time

period set by the system administrator. Verification on this feature, carried out between 18th and 29th September 2008 revealed that the Automatic Log-off time was not preset, thus users could be logged-on until they manually logged-off.

iv. Irregular Allocation of User Rights

User rights were supposed to be allocated to officers according to their job descriptions and stations where they were based. A verification of the allocation of user rights revealed that the user rights were given to officers without taking into consideration their job descriptions and station of operation. It was noted that managers at stations where motor vehicle registration was not carried out had rights for motor vehicle registration included in their user profiles. Motor vehicle registration is carried out at Livingstone, Lusaka and Ndola.

Similarly, the officers were given rights onto the system which were not matched with their job descriptions. For example, the Chief Accountant and Chief Examiner at Ridgeway station had rights such as change of ownership, data correction, change of vehicle particulars, registration, re-registration and de-registration among others which were meant for station managers and their assistants. These officers were among the users who had carried out irregular transactions on Vanity Registration and Change of Ownership.

v. Non-Employees Access User Accounts

The ICT policy of the Agency demands that for one to have access to the LAN, they needed to apply for a user account before they are introduced on the system by the Systems Administrator.

However, a review of user accounts carried out in August 2008 on the system revealed that there were a total of two hundred and forty one (241) active user accounts of which only one hundred and eighty two (182) were serving employees the Agency.

f. Change Management Controls

Part 8 of the contract between the Government and Face Technology consisted of modules which dealt with the development methodology of the ZAMTIS and defined procedures for implementing the project.

i. Module 8.5 User Procedure Development (UPD)

The purpose of this Module was to provide the users with the procedures and training to enable them use the system efficiently and effectively. This module included developing a user training program to ensure continuous capacity building for the users. However, as of September 2008, there was no training program put in place.

ii. Module 8.7 Transition (TRA) – Irregular Change of Ownership

The module dealt with “upgrade transition plan, convert automate data, convert manual/mixed data, establish manual and automated procedures, cut over to new procedures and review production system”. These procedures were designed to address change management issues including data conversion and migration from the old to the new system at the implementation stage of the project.

However, as of September 2008, there were still weaknesses in the handling of data conversion and migration on the ZAMTIS.

There was no proper data migration process carried out to transfer data from the old system (Legacy System) onto ZAMTIS. Consequently, vehicles or driver’s licences registered or issued before 2003 were migrated from the old system to ZAMTIS only when a motorist visited the agency for renewal purposes and other queries. Due to this inadequacy in data conversion, there were no proper checks of whether the new data entered was what came from the legacy system. In this regard, an examination of the data conversion and migration documents maintained for the period from August 2007 to September 2008 revealed that thirty eight (38) transactions amounting to K8,455,616 involving irregular change of ownership of motor vehicles were carried out between 2007 and 2008. The data conversion function under Motor Vehicle Registration Module, which did not charge any kwacha amount, was used to carry out these transactions.

iii. Change of Ownership Duty Free Vehicles (Red Books)

In 2005, the Government waved customs duty on vehicles as incentives to individuals and organizations for various reasons, and on condition that the owners did not sell or change ownership of the vehicles for a period of two (2) years in the case of returning diplomats and five (5) years for the others. If the owners decided to sell or change ownership of the vehicles before the required period, then customs duty was to be invoked on a pro-rata basis.

An examination of records for the period covering January 2007 to September 2008 revealed that sixteen (16) vehicles had changed ownership without complying with the regulations.

Similarly, seven (7) motor vehicles were irregularly re-registered during the same period using the conversion function under Motor Vehicle Registration Module resulting in revenue loss of K4,095,000.

iv. New Vanity Registration

Further examination of the Conversion function under the Motor Vehicle Registration Module on the ZAMTIS system revealed that there were irregular transactions being carried out using this function involving the registration of vehicles with personalized numbers referred to as New Vanity Registration. It was noted that one hundred and twelve (112) transactions amounting to K188,000,000 were carried out in respect of New Vanity Registration numbers using the conversion function which was rated at a zero charge. Though the officers who carried out these transactions could be traced through audit trails, no action had been taken against them as of December 2008.

g. Exposure to Flooding

The server room was located on the ground floor at Lumumba Office and the equipment was placed on the floor without a raised platform thus exposing it to the risk of floods.

h. Input Controls – Lack of Appropriate Key Field Settings

Under the Motor Vehicle Registration module, it is mandatory that the International Police (Interpol) and customs clearance numbers and dates are captured onto the system before a vehicle could be registered. However a verification of this requirement showed that the Interpol and Customs Clearance numbers were not set to be key fields.

Text boxes used to capture the Interpol number was set as default; therefore a vehicle could be registered without the Interpol number being entered. Similarly the customs clearance text box was inactive and customs details were entered in text boxes meant for old registration book number and date. It was not possible to verify motor vehicles on the system by using the Customs Clearance number as a search key.

Similarly a review of the data capture process for drivers licences revealed that the system did not reject Identity entries which had wrong formats although these were classified as key fields. For example, the prescribed format for the Zambian National Registration Card was six (6) digits followed by forward slash (/), two (2) digits followed by another forward slash (/) then one (1) digit.

However, four (4) transactions out of fifty (50) transactions were found to have been processed using the Zambian Identity option without complying with the prescribed format and the system did not reject the transactions.

PROGRAMME: 8 FEES AND FINES

**MINISTRY OF COMMUNICATIONS AND
TRANSPORT**

ACTIVITY: 184 Road Traffic Collections

In the Estimates of Revenue and Expenditure for the Financial year ended 31st December, 2007 a provision of K57,858,663,530 was made for Road Traffic Collections. In this regard the Road Transport and Safety Agency (RTSA) collected revenue amounting to K103,248,154,961 against the budget figure of K57,858,663,530 resulting in a surplus of K45,389,491,431.

17. Weaknesses in Accounting for Revenue

An examination of financial and other records maintained at RTSA headquarters and visits to selected stations carried out in July 2008 revealed the following:

a. Unaccounted for Revenue

Contrary to Financial Regulation No.129, amounts totalling K63,288,400 collected at four (4) stations during the period under review were not accounted for as there was no evidence of banking and the cash was not found on hand as shown below:-

Station	Amount (K)
Ridgeway	4,009,000
Ndola	9,921,400
Kasumbalesa	14,705,000
Chingola	34,653,000
Total	63,288,400

b. Missing Accountable Documents

RTSA maintains accountable documents that are issued upon payment for a service such as road tax, motor vehicle registration, driver licensing and driver testing among others. These accountable documents comprise security paper, temporal registration card books, general receipt books, toll fee receipt books; test certificates receipt books, road service license books, identity certificates books and cross border permit books.

Contrary to Financial Regulations No.10 (n), there were various accountable documents that were found missing as shown in the table below:

Station	Type of Accountable documents							
	Reams of Security paper	Temporal registration card books	General receipt books	Toll fee receipt books	Test certificates books	Road service license books	Identity certificates books	Cross border permit books
Lumumba	70,000	207	-	-	-	-	-	-
Ridgeway	-	-	30	1	18	10	10	6
Ndola	-	-	2	-	-	-	2	-
Kitwe	-	-	2	-	-	-	-	-
Nakonde	-	-	5	19	-	-	-	-
Livingstone	-	-	6	5	-	3	3	-
Total	70,000	207	45	25	18	13	15	6

An analysis of missing accountable documents with face values revealed that there was a potential loss of K408,000,000 as detailed in the table below:

Type of accountable document	No. of documents missing				
	Books	Pages per Book	Total pages missing	Face Value (K)	Potential Loss (K)
Cross Border Permit	6	50	300	325,000	97,500,000
Temporal registration cards	207	25	5,175	60,000	310,500,000
Total					408,000,000

c. Delayed banking

Contrary to Financial Regulations No. 121, there were delays of periods ranging from two (2) to fifty (50) days in banking revenue collections in amounts totalling K323,462,400 collected at RTSA Ndola.

d. Delays in Remitting Revenue Collected

According to the Treasury and Financial Management Circular No.1 of 2008, revenue collections once banked in a transit account must be remitted to Control 99 at the Bank of Zambia within seventy two (72) hours. However, there were delays of up to ten (10) days in remitting revenue collections in respect of toll fees totalling K1,013,612,000 (US\$266,740) collected during the period from February to March 2008 and deposited with Finance bank Nakonde Branch.

e. Lack of a Safe

Contrary to Financial Regulation No.156(2), RTSA Mazabuka had no safe. As a result, collections and accountable documents were kept in drawers. At the time of audit in August 2008, cash totalling K6,000,000 was found on hand and was kept in drawers in the manager's office.

PROGRAMME: 8 FEES AND FINES

MINISTRY OF LANDS

ACTIVITIES: 101 Ground Rent

102 Document Fees and Registration Fees

104 Survey and Miscellaneous Fees

105 Inspection Fees

106 Rent of Government Premises

107 Consent Fees

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K20,437,541,234 was made for collection of revenue out of which the Ministry collected K20,430,838,202, resulting in an under collection of K6,703,032.

18. Irregularities in Accounting for Revenue

An examination of financial and other records at the Ministry headquarters and selected provinces carried out in April 2008 revealed the following:

a. Headquarters

i. Ground Rent Arrears

In paragraph 21 of the Auditor General's report for 2006, mention was made of the failure to collect ground rent arrears in amounts totalling K270,313,494,103. A review of the situation revealed that as at 31st December 2007, amounts totalling K240,815,329,395 remained uncollected.

ii. Unaccounted for Revenue

Out of a total amount of K20,430,838,202 collected between 1st January and 31st December, 2007, amounts totalling K124,132,331 remitted from the provinces could not be accounted for.

iii. Irregular Deposit of Revenue into Control 75

According to existing arrangements, all collections from provinces were to be remitted into a transit account at head office where 50% of the funds are remitted back to the provinces as Appropriation in Aid and the balance was to be remitted to Control 99. It was however observed that amounts totalling K1,086,411,428 were deposited in Control 75, an operations account, instead of the transit account resulting in delays in remitting Appropriation in Aid to the provinces.

iv. Failure to Collect Property Rental Arrears

Rental arrears totalling K298,094,842, some dating as far back as 2005, had not been collected as of December 2008.

v. Unauthorized Appropriations of Revenue

According to the Estimates of Revenue and Expenditure for the year ended 31st December 2007, the Ministry was allowed to utilise K2,452,861,939 from revenue collections as appropriation-in-aid. It was however, observed that a total amount of K5,847,944,538 was instead utilised resulting in the Ministry using K3,395,082,599 above the authorized amount.

Further, it was observed that the Ministry used K1,159,052,645 outside the authorized period contrary to the Appropriation-in-Aid guidelines.

b. Ndola Lands Office

Transit Account

Although the office was remitting collections to Ministry of Lands headquarters on a regular basis, it was observed that a total amount of K179,746,921 could not

be transferred to headquarters because source documents such as copies of receipts and deposit slips were missing.

In his response dated 3rd December 2008, the Controlling Officer stated that a visit of the Ndola Lands Office and reconciliation of the accounts indicated that though the revenue was remitted to Headquarters on a regular basis, this was done after a month or two in some cases resulting in huge balances remaining in the account every month.

c. Mongu Lands Office

i. Delayed Banking

Contrary to Financial Regulation No.121(1), there were delays of periods ranging from 22 to 90 days in banking revenue totalling K42,545,682 collected during the period under review.

ii. Unremitted Revenue

A scrutiny of bank statements for the transit account maintained at the Zambia National Commercial Bank revealed that K23,164,692 collected during the period under review remained unremitted as of July 2008.

d. Solwezi Lands Office

i. Delayed Banking

Contrary to Financial Regulation No.121 (1), there were delays of periods ranging from 30 to 240 days in banking revenue totalling K53,947,500 collected during the period from October 2007 to July 2008.

ii. Unaccounted for Revenue

Contrary to Financial Regulation No. 129, out of a total amount of K112,974,579 collected during the period from January 2007 to July 2008, amounts totalling K95,980,570 were banked leaving a balance of K16,894,009 unaccounted for.

EXPENDITURES

HEAD:	11/01	ZAMBIA POLICE-HEADQUARTERS
UNITS:	1	Human Resources and Administration Unit
	8	Service Motor Transport
	22	Quartermasters

PROGRAMMES:	1	Personal Emolument
	8	Implementation of Various Poverty Reduction Programmes (PRP)
	9	Plant and Equipment
	7	Transport Management
	7	Acquisitions of Uniforms and Rations

ACTIVITIES: **Various**

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2006 and 2007 provisions totalling K66,240,909,890 and K88,616,937,559 respectively, were made to cater for various activities under Personal Emoluments, Poverty Reduction Programmes (PRP) , Plant and Equipment, Transport Management and Acquisition of Uniforms and Rations programmes. In this regard, amounts totalling K62,234,272,238 and K82,611,345,878 were released in 2006 and 2007 respectively, resulting in under funding of K4,006,637,652 in 2006 and K6,005,591,681 in 2007 as shown in the tables below:

	Provision (K)	Releases (K)	(Under) / Excess Funding (K)
2006			
Personal Emoluments	17,742,294,626	19,069,374,134	1,327,079,508
Poverty Reduction Prog	6,462,390,497	5,775,000,000	-687,390,497
Plant and Equipment	11,334,539,676	9,608,332,000	-1,726,207,676
Transport Management	11,207,076,117	7,890,377,396	-3,316,698,721
Acquisition of uniforms & Rations	19,494,608,974	19,891,188,708	396,579,734
TOTAL	66,240,909,890	62,234,272,238	-4,006,637,652

	Budget Provision (K)	Releases (K)	(Under) / Excess Funding (K)
2007			
Personal Emoluments	23,530,171,714	18,464,654,215	-5,065,517,499
Poverty Reduction Prog	2,500,000,000	2,500,000,000	0
Plant and Equipment	1,950,000,000	1,380,000,000	-570,000,000
Transport Management	21,207,376,117	21,098,701,936	-108,674,181
Acquisition of uniforms & Rations	39,429,389,728	39,167,989,727	-261,400,001
Total	88,616,937,559	82,611,345,878	6,005,591,681

19. Weaknesses in Accounting for Personal Emoluments, Loans and Other

Irregularities

An examination of financial and other records maintained at Zambia Police Headquarters and a physical verification at the various stations carried out in August 2008 revealed the following:

a. Personal Emoluments

Irregular Payment of Salaries

During the period under review, salaries in amounts totalling K950,957,493 were irregularly paid as detailed below:

i. Payment of Full Salaries to Suspended Officers

Contrary to the Terms and Conditions of Service, twenty six (26) employees who were suspended in 2006 and 2007, were still drawing full instead of half salaries. Consequently, amounts totalling K34,956,744 had been irregularly paid to the officers as of December 2007.

ii. Payments of Salaries to Dismissed Officers

Three (3) officers who were dismissed on 2nd December 2005, 3rd February 2006 and 17th May 2007 were still on the payroll as of March 2007. In this regard, a total amount of K30,434,722 had been paid to the officers.

iii. Payment of Salaries to Deceased Officers

Thirty seven (37) Officers who died between 6th May 2005 and 20th March 2007 were still being paid their monthly salaries as of 31st December 2007 contrary to circular No B.2 OF 2004 dated January 2004 which stipulates that payment of salaries should be terminated on the dates of passing away. As a result, a total of K222,505,376 had been paid and there was no documentary evidence to ascertain whether the funds were recovered.

iv. Payment of Salaries to Retired Officers

Contrary to Circular No.B .2 of 2004, twenty four (24) officers who retired between 28th February 2003 and 10th February 2007 were still drawing full salaries as of December, 2007.

In this regard, amounts totalling K502,391,629 were irregularly paid in the years 2006 and 2007.

v. Payment of Salaries to Officers who Resigned

Contrary to Terms and Conditions of Service for the Public Service, twenty (20) officers who resigned between 15th July 2005 and 5th February 2007 were still drawing full salaries as of December, 2007. In this regard amounts totalling K160,669,022 were paid during the period under review.

vi. Lack of Control in the Payments of Loans and Advances

There were weaknesses in the payments of loans and advances in that forty three (43) officers had no take home pays as they had more deductions than their earnings. In this regard , the officers were owing Government amounts totalling K29,422,652 which were not being recovered as a result of their situation.

b. Non-Recovery of Loans/Advances

There were ninety eight (98) transactions in amounts totalling K277,084,000 paid as loans and advances to ninety (90) officers during the years under review for which no recoveries had been effected as of October 2008 contrary to the Terms and Conditions of Service.

c. Unvouched Expenditure

i. Missing Payment Vouchers

Contrary to Financial Regulation No.45, sixty six (66) payment vouchers in amounts totalling K1,347,588,093 made during the period under review were not produced for audit. Therefore, it was not clear whether the K1,347,588,093 was used for the intended purposes.

ii. Unsupported Payment Vouchers

Contrary to Financial Regulation No. 52, there were fifty three (53) payment vouchers in amounts totalling K1,801,380,204 made to various suppliers of goods and services during the period under review that were inadequately supported in that they lacked documents such as invoices and receipts. It was therefore not clear whether the K1,801,380,204 was used on the purchase of goods and services.

d. Unretired Imprest

Contrary to Financial Regulation No. 96 (1), imprests in amounts totalling K1,080,441,250 involving eighty two (82) transactions issued to fifty nine (59) officers during the period from January 2006 to December 2007 had not been retired as of November 2008 casting doubt whether the imprests were used for the intended purposes.

e. Unaccounted For Foodstuffs and Building Materials.

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of foodstuffs costing K555,241,500 purchased during the period under review. In addition, building materials in amounts totalling K121,828,000, procured by Zambia Police Headquarters, during the periods from May to December 2006 for Choma and Mazabuka police stations, had no receipt and disposal details. It was therefore not clear whether the K677,069,500 was used for the procurement of food stuffs and building

materials and that the foodstuffs and building materials were used for the intended purposes.

f. Unutilised-Building Materials

Materials delivered to Choma Police Station in June 2007 valued at K37,363,500 were still not utilized as of October 2008. It was further observed that some of these materials were damaged during off-loading as shown in the picture below;



Some damaged plumbing materials at Choma Police Station

g. Rehabilitation of Livingstone Police Station Roof

In 2005, a contract was awarded to M K Engineering Limited to rehabilitate the roof at Livingstone Police Station at a contract price of K98,380,000. The works were completed in June 2006 and the contractor was paid in full. However, although the works were certified as completed, a physical inspection carried out in July 2008 revealed that the roof was still leaking.

h. Contract to Supply Police Uniform Materials (Bedi Investments)

On 11th July 2005, the Ministry of Home Affairs entered into a contract with Bedi Investments for the supply and delivery of 52,500 metres of Khaki materials (US\$257,250) and 22,500 metres Drill green material (US\$110,250) for Zambia Police at a contract price of K1,004,500,000 (US\$ 367,500) to be delivered within six (6) weeks. However, the materials were only received

between 26th December 2005 and 13th October 2006 which was beyond the agreed delivery period of 6 weeks.

It was also observed that although the contract amount was K1,004,500,000, the supplier had been paid a total amount of K1,400,000,000 as of February 2008 resulting in an overpayment of K395,500,000 as tabulated below:

Date	Cheque No.	Transfer	Amount (K)
16.06.07	38461		200,000,000
08.10.07	40386		250,000,000
25.10.07	40826		150,000,000
18.02.08		SL 00013	800,000,000
Total			1,400,000,000

Though in her response dated 22nd October 2008, the Controlling Officer stated that there was no overpayment and that instead the supplier was owed K132,839,628, there was no evidence to support the claim.

i. Contract with Ser Brierley Investments to Supply Police Uniforms

The Ministry of Home Affairs engaged Ser Brierley Investments Ltd to supply and deliver 3,000 Green Jerseys, 5,000 Blue Jerseys, 1,000 Green Cardigans and 1,000 Blue Cardigans for Zambia Police at contract price of K1,027,845,000. However, there were no contract documents produced for audit, making it not possible to establish the terms and conditions of the contract.

It was also observed that although the contract amount was K1,027,845,000, the supplier had been paid a total amount of K1,250,000,000 as of April 2008 resulting in an overpayment of K222,155,000 as tabulated below:

Date	Cheque No.	Transfer	Amount
19-May-06	33302		500,000,000
10-Apr-07	37861		500,000,000
17-Apr-08		SL 00045	250,000,000
Total payments			1,250,000,000
Contract Price			1,027,845,000
Overpayment			222,155,000

Though in her response dated 22nd October 2008, the Controlling Officer stated that efforts were being made to trace the supporting documents, as of 31st December 2008, no documents had been traced.

j. Contract to Procure 20 Horses

In 2003, the Ministry of Home Affairs invited an open tender through Zambia National Tender Board (ZNTB) for the supply of twenty (20) horses that were required for use by the mounted section of the Zambia Police Service.

The contract was initially awarded to C.I.E Mercantile (Pty) Limited at a contract price of US\$ 84,800, but later cancelled due to the high price.

On 28th November 2005, the Inspector General of Police submitted a request to the Permanent Secretary, Ministry of Home Affairs, to single source Ashy Agricultural Holdings Limited to supply and deliver twenty (20) horses at a contract price of K280,000,000. Authority to single source was given by the Ministerial Tender Committee in their letter dated 13th January 2006. However, there was no contract signed by the two parties.

It was observed that although full payment was made in April 2006, only ten (10) horses were received on 19th June 2006 which were later returned and replaced locally in March 2007, nine (9) months after delivery date, while seven (7) horses were received on 14th April 2008 which was one year nine months later. A balance of three (3) horses costing K42,000,000 had not been delivered as of November 2008.

k. Contract with Instrumentation for Traffic Law Enforcement (Pty) Limited

In March 2006, ZNTB gave authority to Ministry of Home Affairs for purchase of motor vehicles, motor bikes and equipment for the Zambia Police Service. In this regard, Ministry of Home Affairs entered into a contract with Instrumentation for Traffic Law Enforcement (Pty) limited on 6th July 2006, for the supply and delivery of motor vehicles, motor bikes and other equipment at a contract price of K8,994,216,000 (ZAR 14,506,800) to be delivered within eight (8) weeks as shown below:

Description	Quantity	Amount (ZAR)	Amount K
BMW 323i Sedan (VB56) Alpine white marked according to Police specifications with emblem complete with sirens and light	20	7,166,000	
1150 BMW Police specifications Motor Bike complete with siren system.	10	2,762,500	
BMW X5 security 4.4L bullet resistant	2	3,873,300	
LFL strobe lightbar (Beacon light) with complete siren system	21	705,000	
800D Beacon Light	10		
Total		14,506,800	8,994,216,000

A scrutiny of financial and related records revealed the following:

i. Variation of Contract Price Without Authority

Although authority given by ZNTB was for a contract price of K8,994,216,000 (ZAR14,506,800), Zambia Police procured twenty (20) extra motor bikes, one (1) BMW X5, LED/Strobe light, two-way radios and full & $\frac{3}{4}$ helmets thereby increasing the total cost to K17,682,161,926 (ZAR 28,519,616.01) as tabulated. There was no authority sought for variation in the contract price.

INV.No.	DESCRIPTION	PRICE (ZAR)	ZMK
0011	10 Motor Bikes	2,500,000	
0012	20 BMW 323i	6,516,000	
0022	1 BMW X5	1,900,000	
0023	2 BMW X5	4,200,000	
0024	20 Motor Bikes	5,100,000	
0027	Covert lights & Beacon lights	177,000	
0029	LED/Strobe Light on 20 Motor bikes, 10 Vehicles & 5 scouts	2,290,000	
0051	Vehicle Markings	330,000	
0053	Airfreight & Insurance	1,500,000	
0054	Two-way Radios	872,692	
0055	Full & $\frac{3}{4}$ Helmets	600,000	
0057	Calibration	33,924.01	
0058	Airfreight & Insurance	2,500,000	
TOTAL		28,519,616.01	17,682,161,926.20

In her response dated 22nd October 2008, the Controlling Officer accepted that there was no authority obtained to vary the contract but that the Ministry of Justice was following the matter.

ii. Undelivered Motor Vehicles

Although Zambia Police paid a full amount of K3,948,044,400 (ZAR6,516,000) for the procurement of 20 BMW 323i sedan vehicles and two (2) BMW X5 costing K2,544,780,000 (ZAR4,200,000) as of December 2006, only ten (10) BMW 323i sedan vehicles had been received leaving a balance of ten (10) BMW 323i sedan vehicles valued at K1,974,022,200 (ZAR3,458,000) and the two (2) BMW X5 valued at K2,544,780,000 (ZAR4,200,000) as of November 2008.

I. Other Irregularities in the Procurement of Motor Vehicles

i. Undelivered Motor Vehicle

An amount of K144,550,000 was paid on 26th May 2006 to Bryne Raymond for the supply and delivery of seven (7) motor vehicles. A scrutiny of records revealed that as of November 2008, one (1) Toyota Emina costing K23,800,000 had not been delivered.

ii. Non Refund of Overpaid Amount

On 7th July 2006, an amount of K87,500,000 (US\$ 25,000) was paid to Osaka Car Union for the purchase of a Nissan Terrano. However, the supplier delivered a Toyota Hilux Surf with a lesser value of K49,000,000 (US\$14,000). As of November 2008, the amount of K38,500,000 (US\$11,000) overpaid had not been refunded.

iii. Failure to Process Loss Report

Zambia Police ordered and paid for a Toyota Caldina from Durban Auto in 2005 valued at K7,700,000 (US\$2,200). The car was involved in a road accident on its way from Kazungula border to Livingstone in March 2006 and was a complete write-off. Enquiries with the Chief Inspector in charge of transport at Livingstone Central Police Station revealed that no loss report was prepared. As of November 2008, the report had not been processed.

m. Procurement of Riot Equipment

In 2006, the Ministry of Home Affairs entered into two (2) contracts for procurement of Riot Equipment totalling K45,372,645,729 being contract with Kent Point Trading for K2,759,100,000 (US\$811,500) entered into on 18th January 2006, and contract with Instrumentation for Traffic Law Enforcement (Pty) Limited signed on 6th July 2006 at a contract price of K42,613,545,729.21 (ZAR70,320,000). It was observed that although the

contract sums totalled K45,372,645,729, only K618,826,810 was provided for in the Estimates of Revenue and Expenditure.

A review of financial and other related records for the two (2) contracts revealed the following:

i. Contract with Kent Point Trading

Despite the equipment being delivered in 2006, Zambia Police delayed in settling the bill. As a result, the supplier started charging monthly interest of 12% on the outstanding amounts which had accumulated to K90,619,695 (US\$20,134.71) even though there was no clause in the contract to charge interest on delayed payments.

ii. Contract with Instrumentation for Traffic Law Enforcement (Pty) Limited) of South Africa

A review of correspondence between Zambia Police and the supplier revealed that Zambia Police had not fulfilled its contractual obligations of paying the supplier K42,613,545,729 for the supply and delivery of riot equipment. In this regard, the supplier had engaged lawyers claiming payment of K51,320,214,000 (ZAR84,826,800) instead of the contractual amount of K42,613,545,729 (ZAR70,320,000) resulting in an extra amount of K9,706,668,271 above the contract price. As of November 2008, Zambia Police had not paid any amount, and the matter had since been referred to the Attorney General.

HEAD:	15/01	MINISTRY OF HOME AFFAIRS- HEADQUARTERS
UNIT:	1	Human Resources and Administration Unit
PROGRAMMES:	1	Personal Emoluments
	2	General Administration
	3	Procurement and Supplies
	10	HIV/AIDS Awareness and ARVs at Work Place
ACTIVITIES:		Various

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2006 and 2007, provisions totalling K16,114,911,740 and K25,832,943,839 respectively were made under the Ministry Headquarters to cater for Personal Emoluments, General Administration, Procurement and Supplies and HIV/AIDS programmes. In this regard,

amounts totalling K18,899,372,760 and K26,242,853,144 were released in 2006 and 2007 respectively, resulting in excess funding of K2,784,461,020 for 2006 and K409,909,305 for 2007 as shown in the tables below:

	Budget Provision (K)	Releases (K)	(Under/Excess funding (K)
2006			
Personal Emoluments	1,675,067,133	4,352,534,500	2,677,467,367
General Administration	14,227,814,229	14,398,940,528	171,126,299
HIV/AIDS Awareness	212,030,378	147,897,732	- 64,132,646
Total	16,114,911,740	18,899,372,760	2,784,461,020

	Budget provision (K)	Releases (K)	(Under/Excess Funding (K)
2007			
Personal Emoluments	1,990,558,304	4,667,454,333	2,676,896,029
General Administration	23,197,141,298	21,323,310,860	- 1,873,830,438
Procurement & Supplies	330,993,837	220,662,551	- 110,331,286
HIV/AIDS Awareness	314,250,400	31,425,400	- 282,825,000
Total	25,832,943,839	26,242,853,144	409,909,305

20. Weaknesses in Accounting for Personal Emoluments, Loans and Other

Irregularities

An examination of financial and other records maintained at the Ministry Headquarters carried out in April 2008 revealed the following irregularities:

a. Irregular Payment of Salaries

i. Payment of Full Salaries to Suspended Officers

Contrary to the Terms and Conditions of Service, twelve (12) employees who were suspended in 2006 and 2007 were still drawing full salaries instead of half salaries. Consequently, amounts totalling K94,581,437 had been irregularly paid to the officers as of December 2007.

ii. Non Recovery of Salary Payments to Deceased Officers

Contrary to Circular No B2 of 2004 dated January 2004, two (2) officers from Ministry Headquarters, who passed away in May and June 2006 respectively were paid their monthly salaries up to October 2006 amounting to K6,771,767. It was also observed that the amount of K6,771,767 was not included on the officers' casualty forms and was thus not recovered from their terminal benefits which had since been paid.

In her response dated 15th September 2008, the Controlling Officer stated that the non recovery of the payments was an omission on the part of the casualty officer and that the amounts involved would be recommended to stand as a charge against public funds. However, as of December 2008, no loss report (Accounts Form 92) had been processed.

b. Non-Recovery of Loans

Contrary to Terms and Conditions of Service, loans in amounts totalling K694,964,908 involving one hundred and six (106) transactions paid to eighty three (83) officers during the period under review were not being recovered as of December 2008.

c. Unretired Imprest

Contrary to Financial Regulation No.96, imprests in amounts totalling K355,647,660 involving thirty six (36) transactions issued to twenty eight (28) officers during the period under review had not been retired as of December 2008.

d. Overstatement of Prices

During the period under review, the Ministry procured various assorted computer components at a total cost of K19,952,000. However, comparison with prices from other suppliers revealed that the same items should have costed K2,339,900 resulting in an overstatement of K17,612,100. An attempt to contact the suppliers involved proved futile as one had wound up while the other could not be traced.

Although in her response dated 15th September 2008, the Controlling Officer regretted the overstatement of prices and stated that the officer responsible was asked to exculpate herself and the matter had since been referred to the Ministry's Disciplinary Committee for action, a verification carried out in November 2008 revealed that no action had been taken.

e. Wasteful Expenditure

In December 2005 and October 2006, the Ministry purchased two (2) sobric block making machines from Octo Trading, a South African based company at a total cost of K675,195,000. Although the machines were delivered, they had not been utilised rendering the expenditure wasteful.

HEAD :	17	MINISTRY OF FOREIGN AFFAIRS
UNITS:		Various
PROGRAMMES:		Various
ACTIVITIES:		Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a total provision of K172,992,528,275 was made to cater for the Ministry of Foreign Affairs and Missions Abroad and a total amount of K198,911,874,630 was released.

21. Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry and visits to various Missions Abroad carried out in August 2008 revealed the following;

a. Headquarters

i. Unvouched Expenditure

Contrary to Financial Regulation No.65, there were fifty five (55) payments in amounts totalling K764,961,169 made during the period under review which were unvouched in that the payment vouchers were inadequately supported by invoices, receipts and other documents.

ii. Unretired Imprest

Contrary to Financial Regulation No. 96 (1), imprests in amounts totalling K45,709,987 involving thirteen (13) transactions issued to various officers between January and December 2007 had not been retired as of October 2008.

iii. Goods without Receipt and Disposal Details.

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of goods costing K2,209,446,230 involving one hundred and twenty (120) transactions purchased during the period under review.

iv. Failure to Follow Tender Procedures

Contrary to procurement guidelines, the Ministry purchased goods and services amounting to K763,051,812 without obtaining competitive quotations.

v. Non Recovery of Loans and Advances

According to Terms and Conditions of Service, the recovery of advances and loans are to commence immediately after the payment is made to an officer. It was however observed that as of September 2008, no recoveries had been instituted in respect of loans and salary advances amounting to K317,150,000 paid to various officers during the period under review.

vi. Delays in Completing Rehabilitations of the Annex Building and Guard House

In December 2006, the Ministerial Tender Committee (Ministry of Works and Supply) gave authority to Ministry of Foreign affairs to award a contract to Dockery Construction Limited to rehabilitate the Annex Building and the main gate guard house at a contract price of K358,379,427 for a period of eight (8) weeks.

The works included among others, repairing of leaking roofs and replacing ceiling boards in the dish washing and eating areas of the canteen, removing and replacing of tiles, working on the ablution block, electrical works at the guard house and building a temporal shelter for the displaced guards. As of June 2008, the contractor had been paid amounts totalling K246,405,690

An inspection of the works carried out in October 2008, revealed that the works had stalled and the Ministry of Works and Supply had terminated the contract citing poor workmanship.

vii. Unaccounted for Funds - SADC Summit

During the period from June to November 2007, the Ministry disbursed K12, 004,448,000 to various Ministries that were to render support service during the hosting of the Southern African Development Community (SADC) meeting in Lusaka. It was however, observed that out of a total amount of K12,004,448,000 disbursed to various Ministries, only an amount of K2,386,877,169 could be verified leaving a balance of K9,617,570,831 unaccounted for as of October 2008.

b. Missions Abroad

i. Misapplication of Funds

Contrary to the Appropriations Act of 2007, amounts totalling K6,612,421,908 involving four (4) Missions were applied on activities for

which they were not appropriated by parliament as detailed in the table below:

Mission	Amount (K)	Appropriated for	Applied on
Brussels	499,966,455	Personal emoluments	Recurrent Departmental Charges
Geneva	5,021,574,759	Personal emoluments	Recurrent Departmental Charges
Rome	365,373,766	Residence renovation	Furniture
Maputo	725,506,928	Other emoluments and rehabilitation of infrastructure	Recurrent Departmental Charges
Total	6,612,421,908		

ii. Delayed Banking

Contrary to Financial Regulation No.121, there were delays of periods ranging from two (2) to one hundred and eight (108) days in banking revenue totalling K214,839,163 collected at four (4) Missions as detailed in the table below:

Mission	Amount (K)	Range (Days)
Lilongwe	72,912,600	2 to 87
Harare	56,878,952	4 to 108
Paris	69,007,631	3 to 14
Maputo	16,039,980	4 to 46
Total	214,839,163	

iii. Unaccounted for Revenue

Contrary to Financial Regulation No.129 (1), revenue collections in amounts totalling K68,738,630 collected at two (2) Missions during the period under review were not accounted for in that they were not banked and no cash was found on hand as detailed in the table below:

Mission	Amount (K)
Harare	54,866,489
London	13,872,141
Total	68,738,630

iv. Unretired Imprest

Contrary to Financial Regulation No.96, imprests in amounts totalling K170,669,920 involving fifty (50) transactions issued to twenty two (22) officers during the period had not been retired as of December 2008 as detailed in the table below:

Mission	Amount (K)	No.of transactions	No. of officers
Paris	31,628,590	7	6
Rome	17,562,114	7	3
Maputo	121,479,216	36	13
Total	170,669,920	50	22

v. Unsupported Payments

Contrary to Financial Regulation No.45(2), there were payments in amounts totalling K1,140,393,048 made by the Mission in Brussels to various international schools in respect of school fees that were unsupported by invoices or receipts.

vi. Failure to Follow Tender Procedures

Contrary to Procurement Guidelines, three (3) Missions purchased goods and services costing K839,995,029 without obtaining competitive quotations as shown in the table below:

Mission	Amount (K)
Paris	418,775,055
Rome	335,780,879
Maputo	85,439,095
Total	839,995,029

vii. Non Recovery of Advances

According to Terms and Conditions of Service, the recovery of advances and loans are to commence immediately after the payment is made to an officer. It was however observed that as of September 2008, no recoveries had been instituted in respect of loans and salary advances amounting to K598,543,714 paid to twelve (12) officers in four (4) Missions during the period under review as shown in the table below:

Mission	Amount (K)	No. of Officers
London	200,330,369	4
Paris	260,113,300	4
Brussels	124,350,045	2
Maputo	13,750,000	2
Total	598,543,714	12

viii. Irregular Payments

There were irregular payments in amounts totalling K 927,517,753 made at six (6) Missions as detailed in the table below:

Mission	Amount (K)	Comment
London	490,211,586	Payment for renovations works without a contract
Harare	127,653,690	Payment of wages to officers not in the establishment
Harare	20,409,436	Payment of allowances to recalled officer
Lilongwe	82,546,584	Payment for security services without a contract
Brussels	9,419,660	Payment of cellphone allowance to ambassador in excess of entitlement
Geneva	56,067,600	Refund of medical bills without supporting receipts
Maputo	14,697,750	Payment of subsistence allowances in excess of authorised days
Maputo	65,154,097	Payment of allowances to recalled officer
Maputo	24,622,450	Payment of foreign service allowances in excess of entitlement
Maputo	36,734,900	Payment of rentals in excess of entitlement
Total	927,517,753	

ix. Failure to Process a Loss Report

In April 2004, the representational vehicle for Brussels Mission valued at K291,920,762 was stolen. Although the Mission claimed for the replacement of the vehicle from the insurance company the vehicle was not replaced. According to the insurance company the vehicle could not be replaced because the Mission did not equip the vehicle with an alarm system type "CJ2" which was obligatory for the vehicle. As a result, only 50% (K129,000,000) of the cost of the vehicle was refunded in April 2006. However, as of May 2008 the Mission had not processed a loss report for the balance of K129,000,000 which was not refunded by the insurance company.

x. Uneconomical Expenditure

An amount of K8,170,000 (US\$2,000) was paid to the Ambassador at the Maputo Mission as accountable imprest when he travelled to Lusaka to attend the SADC meeting and Kulamba ceremony. A scrutiny of the retirement details revealed that while the Ambassador was in Lusaka attending a SADC meeting, he decided to hire a vehicle from Kitwe for use

while in Lusaka at a cost of K6,300,000 (US\$1,575) for the period 5th August to 26th August 2007, and that a further amount of K700,160 (US\$ 175.03) was spent on fuel on the same vehicle.

xi. Unauthorised Expenditure

There were payments in amounts totalling K59,051,206 in respect of terminal benefits (K48,219,281), overtime (K6,905,550) and increased subsistence allowance (K3,926,375) for locally engaged staff made at Maputo Mission for which no authority was obtained from the Permanent Secretary, Ministry of Foreign Affairs contrary to the Foreign Affairs Regulations.

xii. Purchase of a Representational Vehicle

In February 2007, Ministry of Foreign affairs gave authority to the Mission in Maputo to purchase a representational vehicle from McCarthy Motors in South Africa at a total cost of K345,947,500 (US\$90,106). In this regard, during the period from June to September 2007 the Ministry released amounts totalling K319,367,754 (US\$83,183). In addition, the Mission was given authority to utilise part of the sale proceeds from the old representational vehicle in order to meet the shortfall of K26,579,745 (US\$6,923) on the funds remitted.

However, a scrutiny of financial and other related records revealed that a total of K363,557,500 (US\$ 94,802) was paid in nine (9) cash instalments against the authorised amount of K345,947,500 (US\$90,106), resulting in an unauthorised expenditure of K17,610,000 (US\$4,696) as shown in the table below:

Date	Chq No.	Amt (US\$)	Amt (ZAR)	Amt (K)
26-09-07	38706	10,000	71,000	39,550,000
09.10.07	38721	10,000	70,000	38,100,000
15.11.07	38762	10,000	67,000	38,400,000
16.11.07	38763	10,000	67,000	38,400,000
20.11.07	38765	10,000	67,000	38,400,000
21.11.07	812849	10,000	67,000	38,400,000
23.11.07	812854	10,000	67,000	38,400,000
03.12.07	812869	10,000	67,000	38,400,000
25.01.08	812935	14,802	103,610.86	55,507,500
		94,802		363,557,500
Amount authorised		90,106		345,947,500
Excess expenditure		4,696		17,610,000

The manner in which the transaction was handled was peculiar in that instead of transferring funds through the bank, the accountant withdrew US\$94,802 which was converted into South African Rands at a local bureau. The Mission accountant then drove to South Africa where the money was deposited in the supplier's account. Efforts to verify what rate the dollars were converted at proved futile as the accountant claimed that the bureaux did not issue receipts. As of October 2008, the vehicle had not been delivered.

xiii. Irregular Funding

In paragraph 39 b(i) of the Auditor General's Report for the year ended 31st December 2006, mention was made of the lack of title deeds for an incomplete nine (9) storey building that was given to the Zambian government by the Mozambican government in 1975.

In his submission to the Public Accounts Committee for the Second Session of the Tenth National Assembly, the Controlling Officer stated that the issue regarding the registration of the ownership of the property by the Zambian Government was still being actively pursued by the Mission. The rehabilitation works had not started on the building, but would await issuance of title deeds for the property.

A review of the situation in February 2008 revealed that the issue of the title deeds had not been resolved. However, the Mission had received a total amount of K401,955,840 (US\$104,676) in November 2007 for the completion of the building. It was not clear why funds were released when the issue of the title deeds had not been resolved.

xiv. Procurement of Capital Goods - Maputo

Contrary to Financial Regulation No.86 (c), imprest in amounts totalling K28,506,256 (US\$6,945.78) were spent on purchase of capital items such as fridges, microwave, plasma TV and deep freezer.

HEAD:	20/04	LOANS AND INVESTMENTS MINISTRY OF LOCAL GOVERNMENT AND HOUSING PHYSICAL PLANNING AND HOUSING DEPARTMENT
UNIT:	3	Housing Development
PROGRAMMES:	7	National Housing Bonds

**8 House Construction in Districts
(National Housing Authority and Local Authorities)
PRP)**

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K18,990,000,000 was made to cater for various activities under the Housing Development Unit.

In this regard, amounts totalling K14,391,430,758 were released.

22. Accounting and Other Irregularities

An examination of financial, stores and other relevant records pertaining Loans and Investments revealed the following:

a. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprests in amounts totalling K202,177,250 issued to nine (9) officers at the Ministry headquarters involving twenty three (23) transactions during the period from March to December 2007 had not been retired as of December 2008.

b. Unutilised Funds held by National Housing Authority (NHA)

In 2007, the National Housing Authority was assigned to spearhead the programme of providing infrastructure services to the seventy-two (72) districts in the country. In particular, the programme was intended to servicing of 100 plots in twenty (20) districts namely Lusaka, Kitwe, Livingstone, Chipata, Solwezi, Kazungula, Nyimba, Milenge, Lufwanyama, Nakonde, Mpulungu, Mufumbwe, Sesheke, Shang'ombo, Luangwa, Chiengi, Chibombo, Kapiri Mposhi, Chongwe and Masaiti. In this regard, NHA prepared and submitted a budget of K7,640,000,000 to the Ministry of Local Government and Housing out of which the Ministry released an amount of K2,036,416,667 in December 2007 for service provisions to five (5) districts under the Municipal Bond Programme. It was however observed that as of December 2008, no services had been provided to the twenty (20) districts. It was further observed that NHA in December 2007 deposited K2,000,000,000 into a fixed deposit account and paid travel advance of K5,500,000 to an employee in July 2007 leaving a balance of K30,916,667.

c. National Housing Bond Trust

i. Non Issuance of Bonds

In April 2007, Government commenced the operations of the National Housing Bond Trust (NHBT) with an objective of constructing 100,000 units every year in order to meet the goal of housing for all by 2010 through the issuance of municipal bonds..

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K5,069,000,000 was made to cater for the operations of NHBT out of which K3,000,000,000 was released resulting in under funding of K2,069,000,000.

It was observed that though 59% of the budget was released, no bonds had been issued as of December 2008.

ii. Construction Business by Trust – Uncommenced Projects

According to the Trust Deed, the Trust’s objective is to raise money for the construction of housing units in local authorities throughout the country. However, it was observed that it has gone into the business of construction and has so far entered into contracts with three (3) companies for the construction of self contained estates as shown below:

Town	Company Contracted	Contract No.	Amount (K)	Units	Date Signed
Kitwe	Yangts Jiang Enterprises Ltd	NHBT/ KLS1/200801 07-02	185,927,486,861	586	07.03.08
Solwezi	China Jiangxi	NHBT/ KLS1/200801 07-03	125,404,271,424	424	07.03.08
Livingstone	China Sichuan International	NHBT/ KLS1/200801 07-01	65,366,280,513	201	07.03.08

As of September 2008, the contractors had not commenced works. In addition, the following were observed under NHBT:

- **Unretired Imprest**

Contrary to Financial Regulation No.96 (1), imprest in amounts totalling K139,163,357 issued to two (2) officers involving nineteen (19) transactions paid between April and November 2007 had not been retired as of December 2008.

- **Inadequately Supported Payment**

Contrary to Financial Regulation No.52(1), fifteen (15) payment vouchers in amounts totalling K205,515,729.00 had no supporting documents.

- **Office Accommodation**

Though the Trust was offered office accommodation at Kambendekela House at the rate in the range of K4,000,000 to K5,000,000 per month, it decided to rent office accommodation at Mukuba Pension House at K30,000,000 per month.

In this regard, amounts totalling K270,000,000 were paid for office accommodation for a period of nine (9) months as of June 2008.

- **Payment for CEO's Cell phone Bills**

According to his conditions of service, the Chief Executive Officer was entitled K55,000,000.00 worth of airtime per annum. However, the officer spent K84,472,291 which was K29,472,291 above his entitlement.

HEAD: 21/01 LOANS AND INVESTMENTS
MINISTRY OF FINANCE AND NATIONAL PLANNING

PROGRAMME: 7 Projects

ACTIVITY: 05 Copperbelt Environment Programme

In June 2003, Government entered into an agreement with the International Development Association (IDA) and the Nordic Development Fund (NDF) to provide support for the Copperbelt Environmental Programme (CEP) for a period of five (5) years. The total project amount was estimated at USD 52.6 million. The project consists of two

components namely the Environmental Management Facility (EMF) and the Strengthening of the Environmental Regulatory Framework (SERF).

EMF was used as a primary mechanism for addressing environmental and social mitigation measures arising from the operations of ZCCM prior to privatisation to meet the environmental obligations of the Government and ZCCM-Investment Holdings plc (ZCCM-IH). The executing agency for this component is ZCCM-IH Environmental Coordinating Unit (ZECU).

SERF was aimed at strengthening the institutional capacity of Environmental Council of Zambia (ECZ), Mine Safety Department and delegated authorising agencies in reviewing environmental impact assessments. The executing agency for this component is Environmental Council of Zambia.

In this regard, a provision of K23,853,249,500 was made in the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007 to cater for various activities under Copperbelt Environmental Programme and the whole amount was released as shown below:

Source	Amount USD	Amount K
GRZ Counterpart funds	-	1,500,000,000
IDA Credit	2,946,000	9,077,215,200
IDA Grant	3,478,523	10,718,024,236
NDF	830,197	2,558,010,064
Total	7,254,720	23,853,249,500

23. Poor Contract Management – Construction of Amco Houses, Kitwe

In July 2003, ZCCM IH embarked on the re-location of residents of AMCO Compound who were at risk by virtue of living in a curving area, which was causing cracks to their houses. Besides, the uranium tailings dam just next to the compound exposed the people to hazardous material. In this regard, the residents of AMCO were temporarily re-located to safer places where the institution paid rent for them. As a long term measure, ZECU constructed ninety (90) houses to permanently resettle the AMCO residents and hence save the money paid for rentals.

In March 2006, a contract to build forty-four (44) houses was awarded to Turner Construction at a contract sum of K7,812,468,297 with the commencement date of 18th April 2006 and works were due for completion on 31st October, 2006. As of February 2008, a total of K3,587,838,298 had been paid to the contractor representing 46% of the total contract sum and the housing units were at various stages of completion ranging from foundation to roof levels.

A review of the documents relating to the contract and the physical inspection of the project revealed the following:

a. Failure to obtain Tender Board Authority

Although a 'no objection' was granted by the World Bank, no tender authority was obtained from the Zambia National Tender Board.

b. Unaccounted for Advance Payment

In April, 2006, a total of K1,562,493,659 was paid to the Contractor as advance payment. It was however noted that the contractor failed to account for the usage of a sum of K700,000,000 out of the total advance of K1,562,493,659 paid. This is contrary to clause 51.2 of the contract, which states that the contractor is to use the advance payment only to pay for equipment, plant, materials, and mobilization expenses required specifically for execution of the contract.

c. Delayed Completion of the Project

Although the completion date of the project was 31st October 2006, as of December 2008 twenty six (26) months after the completion date, the project had not been completed.

As a result of this delay, a total of K267,993,424 had been lost through the payment of rentals for the displaced people.

d. Failure to Claim Liquidated Damages

Despite the contractor having delayed the works by twenty six (26) months, Management had not invoked the provisions of Clause 49 of the contract to claim for liquidated damages from the contractor.

e. Failure to Invoke Contract Conditions by Management

ii. Missing Stores Items

Stores items costing K185,957,500 procured during the period from March to October 2007 though recorded in the stores ledger as received, could neither be verified as existing nor issued.

iii. Stores Paid for but Not Received

Assorted office machines costing K49,878,750 procured from MA & Suppliers in December 2007 had not been received as of December 2008, twelve (12) months after payment.

c. Failure to Take Disciplinary Action

On 11th November 2007, a motor vehicle, Mitsubishi Spotero GRZ 156 CA valued at K84,000,000 was involved in an accident while being driven by an Assistant Director. It was observed that the motor vehicle was completely written off as a result of the accident. According to the Zambia Police Accidents Report dated November 2007, the driver of the motor vehicle was at fault. In April 2008, the Zambia State Insurance Corporation paid the Ministry compensation of K71,400,000 and K9,000,000 was to be paid by the officer as recommended by the Standing Accidents Board. However, as of December 2008, no recoveries had been effected and the officer had since been transferred to Ministry of Health.

HEAD :	26/02	MINISTRY OF INFORMATION AND BROADCASTING SERVICES
		Zambia News and Information Services
UNIT:	1	Human resource and Administration
PROGRAMMES:	2	General Administration
ACTIVITY:	11	Procurement of Vehicles and Specialised Equipment

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K1,500,000,000 was made to cater for procurement of motor vehicles and specialised equipment against which a total of K1,479,801,902 was released.

25. Irregularities in the Management of Contracts

An examination of financial and other records maintained at the Ministry Headquarters and Zambia News and Information Services and visits to selected districts carried out in October 2008 revealed the following:

a. Contract for the Supply and Delivery of Video Camera Sets and AV Announcers

On 30th August 2007, the Ministry of Information and Broadcasting Services entered into a contract with Agri Visual, a UK based company, for the supply and delivery of thirty Seven (37) Camera Sets and twelve (12) pieces of AV Equipment at a contract price of K1,131,375,025 (GBP 142,204). The full contract price of K1,131,375,024 was paid in September 2007.

A comparison of prices for the same Video Cameras with the local suppliers revealed that Government would have saved an amount of K144,278,234 had the procurement been done locally, as analysed below:

	Agri Visual	Phoenix Photographics	Variance
Quantity	37	37	
Unit Price (K)	7,096,752	3,550,000	
Sub total (K)	262,579,824	131,350,000	
Bank Charges (K)	13,048,410	-	
Total	275,628,234	131,350,000	144,278,234

Further verifications carried out in six (6) Provinces and interviews conducted with staff in October 2008 revealed that the cameras were for domestic and not industrial use as they did not have a provision for connecting to an external microphone.

b. Contract for Supply and Delivery of Nissan Mobile Video Vans

On 25th September 2007, the Ministry entered into another contract with the same company for the supply and delivery of four (4) Nissan Mobile vans at a contract price of K786,840,000 (GBP 98,000), which was paid in full on 27th September 2007.

A physical inspection carried out in October 2008 revealed that although the contract was for the supply and delivery of four (4) Nissan Mobile Video Vans, the vehicles supplied were four (4) Ford Ranger Double Cabs.

It was also observed that although the amount paid for the four (4) Nissan motor vehicles was K786,840,000 (£98,000), the cost of the Ford Ranger motor vehicles delivered was K369,600,000 (US\$96,000) resulting in an over payment of K417,240,000. As of December 2008, the K417,240,000 had not been refunded.

Further, although the vehicles were procured to be used for dissemination of information in the districts, the vehicles were being used as utility vehicles at ZANIS headquarters, as the vehicles were considered not suitable for the districts. Therefore, the activity of information dissemination in the districts was adversely affected.

c. Contract with Coppernet Solutions

In November 2007, the Ministry entered into a contract with Coppernet Solutions Limited to supply and deliver thirty two (32) pieces of wireless communication equipment at a sum of K393,364,679. However, the delivery period was not specified in the contract. The full contract amount was paid on December 2007 (K275,355,275) and June 2008 (K118,009,404). The following were however observed:

- i.** Although the equipment was intended to be used by the districts to transmit text, pictures and voice messages from any location to Lusaka, the system had never been used rendering the K393,364,679 as wasteful.
- ii.** Although the equipment was not in use, as of October 2008, amounts totalling K135,921,705 had been paid to Coppernet Solutions as monthly subscriptions.

**HEAD: 29 MINISTRY OF LOCAL GOVERNMENT
AND HOUSING**

DEPARTMENT: Various

PROGRAMME: Various

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K196,225,025,812 was made to cater for recurrent departmental charges (RDCs) out of which a total of K192,096,105,886 was released leaving a balance of K14,128,969,939.

26. Weaknesses in Accounting for Recurrent Departmental Charges Funds and Grants to Local Authorities

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

a. Headquarters

i. Unvouched Expenditure

There were seventy three (73) payments in amounts totalling K851,089,846 that were unvouched in that they had missing payment vouchers (K359,226,649) or were inadequately supported by either invoices or receipts (K491,863,197).

ii. Unretired Imprests

Contrary to Financial Regulation No. 96, imprest in amounts totalling K701,490,788 involving eighteen (18) transactions issued to eighteen (18) officers during the period under review had not been retired as of December 2008.

iii. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items in amounts totalling K2,002,060,168 procured during the period under review. Included in this figure was an amount of K1,018,233,849 reported as expenditure on fuel.

Further, it was observed that forty two (42) fuel drawings in amounts totalling K11,174,256 did not indicate the vehicle registration numbers.

iv. Questionable Fuel Drawings

A total amount of K3,129,400 was spent under the Department of Physical Planning and Housing on purchase of fuel from Kalingalinga Total Filling Station between 29th January and 26th March 2007. It was however, observed that the fuel was drawn by the same vehicles twice a day each as shown in the table below:

NO.	Receipt NO.	DATE	AMOUNT	VEHICLE No.
1	158507	1/17/2007	121,320	AAP 2205
2	158542	1/17/2007	121,320	AAP 2205
3	158512	1/18/2007	181,980	AAP 3002
4	158515	1/19/2007	181,980	AAP 3002
5	158541	1/29/2007	242,640	AAP 2205
6	158542	1/29/2007	242,640	AAP 2205
7	150917	2/2/2007	242,640	AAP 2205
8	159955	2/2/2007	242,640	AAP 2205
9	159959	2/6/2007	181,980	AAP 3003
10	159963	2/6/2007	181,980	AAP 3003
11	159969	2/9/2007	181,980	AAP 2205
12	150918	2/9/2007	181,980	AAP 2205
13	161117	2/28/2007	176,640	AAP 3003
14	161116	2/28/2007	235,520	AAP 3003
15	161774	3/26/2007	235,520	AAP 2205
16	161776	3/26/2007	176,640	AAP 2205
			<u>3,129,400</u>	

No satisfactory explanation was given for the duplicated refuelling, therefore making it not possible to ascertain whether the fuel was used for the intended purpose.

v. **Unsupported Debits**

A scrutiny of records pertaining to the RDCs account in July 2008 revealed that there were eighteen (18) debits (payments) in amounts totalling K305,989,829 appearing on the bank statement for the RDCs account as direct bank transfers which were not supported by transfer instructions as detailed in the table below:

No.	Date	Details	Amount
1	6-Jul-07	3 169903 - Customer transfer	19,200,000
2	11-Jul-07	75 Fund transfer	10,638,000
3	20-Jul-07	3 175421 - Customer transfer	16,965,000
4	8-Aug-07	3 181683 - Customer transfer	6,513,846
5	16-Aug-07	78 - Funds transfer	10,199,824
6	20-Aug-07	3 186099 - Customer transfer	3,711,760
7	23-Aug-07	67 Funds transfer debit	8,313,375
8	28-Aug-07	3 188817 - Customer transfer	16,195,000
9	31-Aug-07	50 funds transfer debit	11,112,004
10	12-Sep-07	3 194555 - Customer transfer	73,716,120
11	12-Sep-07	3 194468 - Customer transfer	4,907,700
12	18-Sep-07	3 196700 -customer transfer	31,995,000
13	26-Sep-07	3 199755 - Customer transfer	30,968,000
14	27-Sep-07	3 0004036	10,000,000
15	1-Oct-07	3 0004036	10,000,000
16	2-Oct-07	3 201937	13,268,700
17	11-Oct-07	3 206656	13,386,000
18	26-Oct-07	18 018FTOCO O72990035 INV # 10499/007	14,899,500
	Total		305,989,829

As of December 2008, no satisfactory explanation had been given.

vi. **Overcharged Accounts**

Amounts for three (3) cheques detailed in the table below had higher values charged to the account as per bank statements than their values on the backing sheets resulting in the account being overdrawn by K31,960,000.

No.	Date	Cheque No.	Amount as per Bank Statement K	Amount as per Backing Sheet K	Variance K
1	23-May-07	16393	8,500,000	8,000,000	500,000
2	12-Sep-07	17781	598,563,542	593,563,542	5,000,000
3	21-Sep-07	17963	31,780,000	5,320,000	26,460,000
Total			638,843,542	606,883,542	31,960,000

b.

Grants to Local Authorities

During the period under review, the Ministry of Local Government and Housing disbursed amounts totalling K13,600,379,128 to fourteen (14) councils as grants for various activities as detailed in the table below:

	General Grant K	Procurement of Motor Vehicles K	Rehabilitation of Chief Palace K	Keep Zambia Clean Campaign K	Land Development K	In Lieu of Rates K	Rehabilitation of Markets K	Retirees Retrenchment K	Borehole K	Rehab of Schools K	Public Toilets K	Play Parks K	Salaries & Wages K	Total K
Eastern Province	800,000,000	780,000,000	250,000,000	90,000,000	350,000,000	600,000,000	195,000,000	203,303,729	132,994,992	26,030,226	-	-	-	3,427,328,947
Chipata	400,000,000	240,000,000	125,000,000	30,000,000	350,000,000	200,000,000	195,000,000	-	-	-	-	-	-	1,540,000,000
Petauke	200,000,000	180,000,000	-	10,000,000	-	-	-	67,688,845	-	-	-	-	-	457,688,845
Katete	200,000,000	180,000,000	125,000,000	10,000,000	-	200,000,000	-	111,305,275	40,000,000	-	-	-	-	866,305,275
Lundazi	-	180,000,000	-	40,000,000	-	200,000,000	-	24,309,609	92,994,992	26,030,226	-	-	-	563,334,827
Western Province	-	180,000,000	-	-	-	395,000,000	60,000,000	-	-	-	100,000,000	50,000,000	-	785,000,000
Mongu	-	180,000,000	-	-	-	395,000,000	60,000,000	-	-	-	100,000,000	50,000,000	-	785,000,000
Copperbelt Province	381,200,000	-	-	-	325,000,000	400,000,000	-	1,354,778,834	-	-	-	-	298,500,000	2,759,478,834
Luanshya	381,200,000	-	-	-	325,000,000	400,000,000	-	1,354,778,834	-	-	-	-	298,500,000	2,759,478,834
Central Province	3,033,089,380	120,000,000	-	-	-	-	-	-	-	-	100,000,000	50,000,000	-	3,303,089,380
Kabwe	830,000,000	120,000,000	-	-	-	-	-	-	-	-	100,000,000	50,000,000	-	1,100,000,000
Mkushi	891,670,491	-	-	-	-	-	-	-	-	-	-	-	-	891,670,491
Mumbwa	1,311,418,889	-	-	-	-	-	-	-	-	-	-	-	-	1,311,418,889
Southern Province	-	280,000,000	-	-	-	-	-	-	-	-	-	-	-	280,000,000
Choma	-	280,000,000	-	-	-	-	-	-	-	-	-	-	-	280,000,000
Lusaka Province	750,000,000	-	-	-	-	-	-	-	-	-	-	-	-	750,000,000
Kafue	750,000,000	-	-	-	-	-	-	-	-	-	-	-	-	750,000,000
Northern Province	2,295,481,967	-	-	-	-	-	-	-	-	-	-	-	-	2,295,481,967
Kasama	711,739,592	-	-	-	-	-	-	-	-	-	-	-	-	711,739,592
Mbala	1,018,355,375	-	-	-	-	-	-	-	-	-	-	-	-	1,018,355,375
Mungwi	565,387,000	-	-	-	-	-	-	-	-	-	-	-	-	565,387,000
Total	7,259,771,347	1,360,000,000	250,000,000	90,000,000	675,000,000	1,395,000,000	255,000,000	1,558,082,563	132,994,992	26,030,226	200,000,000	100,000,000	298,500,000	13,600,379,128

An examination of financial and other records pertaining to the grants for the year under review revealed the following:

i. Unvouched Expenditure

Contrary to Financial Regulation No. 45, payments in amounts totalling K279,101,131 were unvouched in that the payment vouchers were either missing (K184,405,054) or were not supported (K94,696,077) by relevant documentation such as invoices or receipts as shown in the table below:

	Missing Payments Vouchers K	No. Payments	Inadequately, Unsupported Payments K	No. Payments
Eastern Province	133,379,119	18	-	-
Chipata	36,029,309	6	-	-
Petauke	68,014,810	7	-	-
Katete	29,335,000	5	-	-
Western Province	-	-	94,696,077	12
Mongu	-	-	94,696,077	12
Northern Province	51,025,935	37	-	-
Mungwi	51,025,935	37	-	-
Total	184,405,054	55	94,696,077	12

ii. Misapplication of Funds

There were amounts totalling K349,619,800 at five (5) councils that were applied on activities not related to the purposes for which the funds were appropriated as detailed in the table below:

	Amount K	Appropriated for	Applied on
Eastern Province	151,340,938		
Petauke	143,163,827	Rehabilitation of markets, LDF	Purchase of engine, and payment of utility bills
Katete	8,177,111	Rehabilitation of markets and chief palace	Motor vehicle maintenance and utility bills
Western Province	106,478,862		
Mongu	106,478,862	Construction of toilets and markets	Salaries
Central Province	16,800,000		
Mumbwa	16,800,000	Market rehabilitation	Procurement of trucks
Northern Province	75,000,000		
Mbala	75,000,000	Construction of markets	Salaries, training expenses & Allowances
Total	349,619,800		

iii. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K117,679,851 involving sixty three (63) transactions issued to various officers during the period under review had not been retired as 31st December 2008 as detailed in the table below:

	Unretired Imprest K	No. of Transactions
Eastern Province	34,823,951	15
Chipata	11,783,500	2
Petauke	7,252,500	4
Katete	7,244,111	5
Lundazi	8,543,840	4
Northern Province	82,855,900	48
Mbala	82,855,900	48
Total	117,679,851	63

iv. Lack of Receipt and Disposal Details – Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K215,509,601 purchased during the period under review as shown in the table below:

	K
Eastern Province	93,997,276
Chipata	36,573,536
Petauke	25,308,028
Katete	15,765,000
Lundazi	16,350,712
Central Province	76,623,795
Kabwe	76,623,795
Northern Province	44,888,530
Kasama	14,728,550
Mungwi	30,159,980
Total	215,509,601

v. Failure to Follow Tender Procedures

There were payments for various procurements in amounts totalling K1,281,098,829 at eight (8) councils where tender procedures were not adhered to as shown in the table below:

	K	Comment
Eastern Province	494,645,500	
Chipata	240,000,000	Purchase of motor vehicles without tender
Katete	194,645,500	Purchase of motor vehicles & Water pump
Lundazi	60,000,000	Purchase of M/Vehicles from vendor who did not participate in tendering
Western Province	251,137,145	
Mongu	251,137,145	Purchase of m/Vehicles and award of contract without tender
Central Province	76,816,184	
Mumbwa	76,816,184	Works to repair grader awarded without tendering
Southern Province	196,500,000	
Choma	196,500,000	Purchase of motor vehicles without tender
Northern Province	262,000,000	
Kasama	130,800,000	Purchase of motor vehicles without tender
Mbala	131,200,000	Purchase of motor vehicles without tender
Total	1,281,098,829	

vi. Failure to Remit Statutory Contributions

A total amount of K23,131,592 deducted in 2007 from employees' salaries and wages as statutory deductions, had not been remitted to the respective institutions as of December, 2008 as shown in the table below:

	PAYE K	NAPSA K	LASF K	Total K
Mbala	4,197,073	2,040,318	1,877,378	8,114,769
Mungwi	7,990,868	4,229,205	2,796,750	15,016,823
Total	12,187,941	6,269,523	4,674,128	23,131,592

vii. Implementation of Projects

Visits to various sites revealed that despite the availability of funds, most projects had not been implemented as shown below:

	Project	Amount K	Date funded	Scope of works	Status as at December 2008
Eastern Province					
Petauke	Street Lighting	38,680,358	Nov-07	Installation of Street lights, stay assembly and switches	Project not implemented
Petauke	Rehabilitation & Construction of Markets	195,000,000	Nov-07	Construction of markets at Petauke central, Kapoche and Musanzala constituencies	No progress at all the three sites
Katete	Drilling of boreholes	40,000,000	Nov-07	drilling 2 boreholes at Chikwanda and Kaima Villages	Works not completed
Central Province					
Kabwe	Park Rehabilitation	50,000,000	Oct-07	rehabilitation of public park	No works done
Northern Province					
Mungwi	Market rehabilitation	30,000,000	Jan-07	Construction of a 4x30 meters market shelter	No works done
Mungwi	Rural water and sanitation	38,387,000	Apr-07	Rural water sanitation programme	No works done
Mungwi	Construction of VIP latrines	125,000,000	Dec-07	Construction of VIP latrines at various chief's palaces	No works done
Mungwi	Rehabilitation of water points	42,000,000	Dec-07	Rehabilitation of water points in Mungwi District	No works done
Total					
		559,067,358			



Proposed Construction site for Petauke Boma market



Nyanje Market

**HEAD: 29/8 MINISTRY OF LOCAL GOVERNMENT AND HOUSING
HOUSE OF CHIEFS DEPARTMENT**

PROGRAMME: Various

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K22,053,539,983 was made to cater for House of Chiefs out of which K21,875,810,247 was released.

27. Irregularities in Accounting for Chiefs' Subsidies and Retainers' Wages and

Procurement of Motor Vehicles

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

a. Disbursement of Chiefs Subsidies and Retainers' Wages

Although MoFNP released K8,914,917,925 for payment of Chiefs subsidies and Retainers' wages to the Ministry, only K6,318,275,512 was disbursed to the councils while a balance of K2,596,642,413 was retained by the Ministry headquarters.

b. Non Maintenance of Records

i. Mpongwe District Council

The Council was funded amounts totalling K69,662,130 for payment of wages for Chiefs Retainers. However, the District Council did not maintain accounting records such as cash books, bank statements or bank reconciliation statements.

ii. Kapiri Mposhi District Council

The Council was funded amounts totalling K45,155,041 for payment of wages for Chiefs Retainers. However, the District Council did not maintain accounting records such as cash books, bank statements or bank reconciliation statements.

c. Procurement of Chiefs' Motor Vehicles

During the year under review, an amount of K6,600,000,000 was released to the Ministry for the procurement of motor vehicles to be given as loans to Chiefs.

An examination of the records pertaining to procurement and issuance of the motor vehicles revealed the following:

i. Unaccounted for Funds

Out of the K6,600,000,000 released by the Ministry of Finance and National Planning to the Ministry of Local Government and Housing for the purposes of procuring motor vehicles for chiefs, only K6,300,000,000 was remitted to

the Zambian Embassy in Japan leaving a balance of K300,000,000 to which no explanation or information was given on how it was expended.

ii. Irregularities in the Procurement of Second Hand Vehicles

- In November 2007, the Ministry gave loans to chiefs to empower them with transport. Subsequently, the Ministry entered into a contract with Japanese Vehicles Supplies Limited for the supply of one hundred and fifty (150) used motor vehicles at a contract price of US\$800,000. It was however observed that the contract did not indicate the unit cost for each vehicle.
- Although the contract sum was US\$800,000, the Ministry disbursed amounts totalling US\$1,678,359 on 13th September and 30th October 2007 to the Zambian Mission in Tokyo out of which US\$1,314,200 was paid to the supplier on 14th November, 20th November and 7th December 2007 leaving a balance of US\$364,159.
- Out of one hundred and thirty eight (138) invoices provided, sixty (60) invoices in amounts totalling US\$555,500 were not signed by the supplier making their authenticity questionable.

HEAD 37 MINISTRY OF FINANCE AND NATIONAL PLANNING

1 Human Resources and Administration.

7 Financial management and Accounting Department

UNITS: Various

PROGRAMMES: Various

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial year ended 2007, a total amount of K1,137,858,925,141 was provided to cater for various activities at the Ministry Headquarters and K823,612,779,855 was released.

28. Accounting Irregularities

An examination of financial and other records maintained at the Ministry of Finance and National Planning Headquarters carried out in August 2008 revealed the following:

a. Unvouched Expenditure

i. Inadequately Supported Payments

Contrary to Financial Regulation No. 52, there were forty (40) payment vouchers in amounts totalling K578,005,306 for the period from January to December 2007 which were inadequately supported in that there were no invoices, receipts and other documents.

It was therefore not clear if the K578,005,306 had been utilized for the intended purposes.

ii. Missing Allowances Acquittal Sheets

Contrary to Financial Regulation No.10 (n), there were five (5) payments in amounts totalling K50,352,000 paid in respect of sitting and lunch allowances during the period under review which were not supported by acquittal sheets.

Therefore, it was not clear whether or not K50,352,000 had been paid in full to the intended recipients.

iii. Missing Payment Vouchers

Contrary to Financial Regulation No. 10(n), there were two (2) payment vouchers in amounts totalling K185,000,000 that were not produced for audit scrutiny, as such the validity of the payments could not be determined.

b. Unretired Imprest

Contrary to Financial Regulation No. 96, imprests in amounts totalling K1,219,926,619 issued to thirty five (35) officers during the period from March to August 2007 had not been retired as of December 2007.

c. Cash Safes and Boxes

Contrary to Financial Regulation No.156, although an amount of K418,282,281 was released for the procurement of cash safes, strong boxes and cash boxes for Ministries, Provinces and Spending Agencies (MPSAs), none were procured and the funds were surrendered back to the Treasury. A visit to selected MPSAs

revealed that six (6) districts had no safes and money was kept in drawers and at the revenue collector's homes as shown in the table below:

NAME OF INSTITUTION	LOCATION
Road Traffic and Safety Agency	Mazabuka, Choma
Zambia Police Service	Monze(Traffic)
Central Statistical Office	Solwezi,Ndola
National Registration Office	Livingstone
Forestry Department	Choma

d. Accountable Documents

i. Irregular Transfer of Accountable Documents

Contrary to Financial Regulation No.104 (1), 38 accountable documents (Accounts form 40) were transferred from one station to another without notifying the Auditor General's Office and the Strong Room Superintendent as detailed below:

Serial number range	Qty	Requisitioned by	Transferred to
1189351-1189450	2	PACO-Mongu	Lewanika Hospital-Mongu
0622301-0622800	10	Police-Mkushi	Police-Serenje
648001-648500	10	Police-Mkushi	Police-Chisamba
1160651-1160800	3	ZANIS-Livingstone	Zambia Police-Livingstone
1160801-1161000	4	Buildings-Livingstone	Zambia Police-Livingstone
1161001-1161250	5	Forestry-Livingstone	Zambia Police-Livingstone
0667951-0668150	4	Police -Monze	Zambia Police-Pemba
Total	38		

ii. Missing Accountable Documents

Contrary to Financial Regulation No. 10(n), there were Seventy (70) accountable documents that were missing at the time of the audit as detailed below:

Zambia Police Service Stations	Serial No. Range	Description	Quantity
Kapiri Mposhi	0700201-0701200	Accounts Form 72 Admission of Guilt	20
	646501-647500		20
Luanshya	664751-665750	Accounts Form 72 Admission of Guilt	20
Chingola	0690751-0691250	Accounts Form 40	10
Total			70

iii. Obsolete Accountable Documents

Contrary to Financial Regulation No. 107 which states that Controlling Officers shall obtain authority from the Secretary to the Treasury for the destruction of obsolete receipt forms which are complete and unused, it was noted that one hundred (100) obsolete white books were found with the Road Traffic and Safety Agency – Luanshya and no report had been submitted to the Strong Room Superintendent.

**HEAD: 37/09 MINISTRY OF FINANCE AND NATIONAL PLANNING
CENTRAL STATISTICAL OFFICE (CSO)**

UNITS: Various

PROGRAMMES: Various

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K29,663,507,051 was made to cater for Recurrent Departmental charges (RDCs) and a total amount of K28,322,851,988 was released.

29. Accounting and Other Irregularities

An examination of financial and other records maintained at CSO Headquarters and selected regional offices carried out in August 2008 revealed the following:

a. Cash Survey

A cash survey conducted at Lusaka Regional Office on 5th August 2008 revealed a shortage of K2,165,000. As of September 2008, the shortage had not been made good.

b. Unvouched Expenditure

Contrary to Financial Regulation No. 45, payments in amounts totalling K656,698,500 made during the year under review were not vouched in that payment vouchers were either missing, unsupported or inadequately supported as detailed in the table below:

Station	Amount (K)
Headquarters	373,828,500
Lusaka Region	6,000,000
Ndola	276,870,000
Total	656,698,500

c. Unretired Imprest

Contrary to Financial Regulation No. 96, imprests in amounts totalling K164,592,140 involving fifty five (55) transactions issued to various officers had not been retired as of September 2008 as shown below:-

Station	Amount (K)	No. of Transactions
Headquarters	107,902,760	21
Chipata	25,884,380	28
Mongu	30,805,000	6
Total	164,592,140	55

d. Stores

- i.** Contrary to Public Stores Regulation No 51(1), there were various stores items costing K484,119,875 issued to CSO regional offices from the headquarters without stores demand, issue and receipt vouchers being approved by the issuing authorities.
- ii.** Stores items costing K47,192,000 purported to have been sent by the CSO Headquarters to the regional statistical offices could not be accounted for in that the materials were not received by the intended regional offices as shown below:

Item	Town	Quantity issued by CSO Headquarters	Quantity received by Provincial Centers	Quantity unaccounted for	Unit Price (K)	Amount (K)
Bicycles	Chipata	87	47	40	393,625	15,745,000
	Livingstone	62	50	12	393,625	4,723,500
Mattresses	Chipata	549	354	195	85,000	16,575,000
	Livingstone	362	255	107	85,000	9,095,000
calculators	Mongu	204	142	62	17,000	1,054,000
Total						47,192,500

- iii. Contrary to Public Stores Regulation No. 16, there were various stores items costing K177,788,061 that were not accounted for in that they either lacked receipt or disposal details or both as shown in the table below:

Station	ITEMS					TOTAL (K)
	Bicycle (K)	Mattresses (K)	Calculators (K)	Stationary (K)	Fuel (K)	
Headquarters	11,021,500	22,270,000	7,157,000	-	-	40,448,500
Chipata	8,659,750	3,570,000	1,190,000	-	-	13,419,750
Mongu	5,117,125	-	51,000	-	-	5,168,125
Livingstone	4,723,500	6,545,000	2,771,000	12,481,186	68,500,000	95,020,686
Lusaka	5,117,125	1,190,000	7,786,000	-	-	14,093,125
Kabwe	7,478,875	1,530,000	629,000	-	-	9,637,875
Total	42,117,875	35,105,000	19,584,000	12,481,186	68,500,000	177,788,061

HEAD: 45/1 MINISTRY OF COMMUNITY DEVELOPMENT AND SOCIAL SERVICES

DEPARTMENT: Various

PROGRAMME: Various

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K72,158,830,429 was made to cater for Recurrent Departmental Charges (RDCs) and Grants out of which an amount of K62,960,066,048 was released.

30. Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry Headquarters carried out in November 2008 revealed the following:

a. Unvouched Expenditure

Contrary to Financial Regulation No.45, there were one hundred and seventy five (175) payments in amounts totalling K1,632,286,759 that were unvouched in that they either had missing payment vouchers (K411,441,000) or were inadequately supported (K1,220,845,758) by documents such as invoices and receipts.

b. Unretired Imprests

Contrary to Financial Regulation No 96, imprests in amounts totalling K2,350,903,941 involving two hundred and thirty-seven (237) transactions issued to various officers had not been retired as of 31st December 2007.

c. Grants for the Public Welfare Assistance Scheme (PWAS)

The Public Welfare Assistance Scheme (PWAS) under the Department of Social Welfare was developed in 1994 in order to improve the welfare of the vulnerable in society.

The scheme works through a decentralized system with the participation of NGO's and established Community and Area Welfare Assistance Committees in twenty six (26) districts.

An amount of K9,295,207,108 was provided in the Estimates of Revenue and Expenditure against which K8,116,641,329 was released.

According to the PWAS guidelines, upon receipt of the funds from Ministry of Finance and National Planning, the Ministry prepares schedules of beneficiaries which it submits to ZANACO for onward remittance to the Districts. Accordingly, amounts totalling K8,002,117,728 were disbursed to various districts. A sample of seven (7) out of the twenty six (26) districts were funded as follows:

District	Amount Received K
Southern Province	620,473,724
Livingstone	108,832,469
Choma	164,038,721
Mazabuka	213,872,710
Monze	133,729,824
Central Province	481,387,704
Kapiri Mposhi	201,559,638
Chibombo	190,393,494
Kabwe	89,434,572
Total	1,101,861,428

The following however were observed:

i. **Livingstone District Social Welfare Office**

- Out of the K108,832,469 made available to the district to purchase foodstuffs for distribution to the vulnerable, amounts totalling K26,000,000 were paid to the following suppliers as shown below:

NO	PAYEE	DATE	CHEQ.NO	AMOUNT (K)
1	Wamui Enterprises	19-May-06	284	12,000,000
2	Wamui Enterprises	19-May-06	299	9,000,000
3	Catherine Chilambwe	2-Jun-06	152	5,000,000
	Total			26,000,000

However, there were no documents such as invoices and receipts to support the payments made to the suppliers.

- Contrary to PWAS guidelines, there were no field cash books to confirm the number of recipients and the amounts paid.
- A test check at Linda and Libuyu Community Centres revealed that the Area Coordinating Committees had no registers to confirm information provided by the District Office on recipients making it not possible to ascertain how the beneficiaries were identified.

ii. **Choma District Social Welfare Office.**

- According to PWAS guideline No.9, the District Social Welfare Office (DSWO) can keep 10% of the resources received for emergencies and another 10% for administrative expenses. However, the District Social Welfare Office utilised funds on administrative expenses amounting to K87,698,000 representing 53% of total released funds in the year and no satisfactory explanation was given for exceeding the percentage stipulated in the guidelines.
- A test check of documents availed for audit revealed that during the month of February 2007, an amount of K4,050,000 was spent on repatriation of stranded people to various destinations. However, amounts totalling K1,400,000 out of the K4,050,000 were not accounted for in that there were no acquittal sheets for the K1,400,000.
- A physical verification also revealed that the list maintained by DSWO had some names which were not identified in the District Community Welfare Committee records making it not possible to confirm the beneficiaries of the funds.

iii. **Chibombo Social Welfare Office**

- Contrary to PWAS guidelines, 48% (K8,000,000) of the funding K16,000,000 was utilised on administrative expenses.
- Contrary to PWAS Guidelines, there was no field cash book to confirm the number and amounts paid out to the vulnerable. In addition, stores ledgers and purchases ledgers were not maintained.

iv. **Kapiri Mposhi Social Welfare Office**

Contrary to PWAS Guidelines, there was no field cash book to confirm the number and amounts paid out to the vulnerable. In addition, stores ledgers and purchases ledgers were not maintained.

d. **Street Children Fund**

In 2007, the Ministry of Community Development and Social Services commenced a programme for street children whose aim was to re-integrate the children back to the main stream of society and to protect the rights of children in need of care on the street so that they could be socialized and rehabilitated into responsible citizens who would contribute to national

development. According to the Ministry's goal on street children, no child would be sleeping on the street by 2010.

In this regard, an amount of K6,400,000,000 was provided for in the Estimates of Revenue and Expenditure for the year 2007 out of which K5,719,651,000 was released.

The Ministry committed an amount of K1,438,978,764 to the rehabilitation of the Chikumbi Resource Centre and disbursed an amount of K2,221,671,333 through the Department of Social Welfare to various districts as grants.

A review of records pertaining to Street Children maintained at Headquarters, Livingstone, Monze, Choma, Mazabuka, Kabwe, Chibombo, Kapiri Mposhi, and Mkushi revealed that:

- There were no guidelines for the administration of the Street Children Fund and therefore no targets were set to assist in ascertaining whether the targeted districts met the intended purposes of the funds.
- The districts did not maintain street children data bases, had no budgets and no other records pertaining to the programme.
- In Choma, an amount of K13,921,300 was used to purchase various food stuffs and blankets. However, there were no receipt and disposal details for the stores items casting doubt as to whether the K13,921,300 was used for the intended purpose.

It is therefore questionable if the Ministry will achieve its goal of "no child sleeping on the street by 2010".

HEAD: 46/01 MINISTRY OF HEALTH

UNIT: Various District Health Management Teams (DHMTs)

**PROGRAMMES: 8 Health Service Delivery
9 District Health Systems Management**

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, provisions totalling K56,236,540,575 were made for the twenty four (24) DHMTs audited out of which K52,734,934,401 was funded. Further, the DHMTs raised amounts totaling K25,175,756,171 from their activities bringing the total amounts received to K77,910,690,572 as shown in the table below:

DHMT	Provision K	Funding K	Other Income K	Total Amounts Received K	Expenditure K	Variance K
Northern Province	14,205,887,911	13,181,083,643	3,772,969,837	16,954,053,480	15,419,415,639	1,534,637,841
Kaputa	1,827,622,326	2,056,607,458	643,353,259	2,699,960,717	2,094,737,104	605,223,613
Mporokoso	1,490,170,833	1,341,289,933	614,294,734	1,955,584,667	1,805,974,262	149,610,405
Chilubi	3,306,935,509	3,004,670,863	-	3,004,670,863	3,428,957,280	- 424,286,417
Mpika	2,553,919,628	2,301,147,030	1,155,494,025	3,456,641,055	2,071,891,769	1,384,749,286
Nakonde	2,047,973,820	1,806,126,976	567,232,309	2,373,359,285	2,349,954,700	23,404,585
Kasama	2,979,265,795	2,671,241,383	792,595,510	3,463,836,893	3,667,900,524	- 204,063,631
Southern Province	8,987,086,251	9,173,267,881	5,141,643,385	14,314,911,266	12,966,688,283	1,348,222,983
Choma	3,176,773,327	2,588,604,253	1,650,220,914	4,238,825,167	4,274,237,071	- 35,411,904
Monze	2,755,928,792	3,900,179,217	1,332,129,539	5,232,308,756	4,022,967,768	1,209,340,988
Mazabuka	3,054,384,132	2,684,484,411	2,159,292,932	4,843,777,343	4,669,483,444	174,293,899
Luapula Province	6,007,727,439	6,294,293,113	2,523,755,382	8,818,048,495	7,333,629,238	1,484,419,257
Mwense	2,039,498,580	1,813,044,597	2,446,760,889	4,259,805,486	3,168,479,891	1,091,325,595
Kawambwa	1,965,359,832	2,481,928,200	-	2,481,928,200	2,438,918,505	43,009,695
Chiengi	2,002,869,027	1,999,320,316	76,994,493	2,076,314,809	1,726,230,842	350,083,967
Copperbelt Province	5,050,739,116	4,668,307,198	3,558,667,008	8,226,974,206	8,233,024,331	- 6,050,125
Mufulira	1,656,833,049	1,489,899,667	1,295,468,171	2,785,367,838	2,787,109,108	- 1,741,270
Kitwe DHMT	3,393,906,067	3,078,407,531	2,263,198,837	5,341,606,368	5,384,917,448	- 43,311,080
Kitwe Central Hospital	-	100,000,000	-	100,000,000	60,997,775	39,002,225
Lusaka Province	13,250,444,761	11,926,776,709	6,595,149,395	18,521,926,104	18,193,894,719	328,031,385
Lusaka	10,823,515,243	9,705,315,304	4,301,277,302	14,006,592,606	14,664,471,260	- 657,878,654
Kafue	1,810,289,735	1,651,230,109	1,677,433,093	3,328,663,202	2,304,971,984	1,023,691,218
Luangwa	616,639,783	570,231,296	616,439,000	1,186,670,296	1,224,451,475	- 37,781,179
North Western Province	2,413,986,576	1,405,578,842	1,174,735,197	2,580,314,039	2,057,648,116	522,665,923
Kasempa	1,052,265,622	110,347,723	656,992,340	767,340,063	652,617,147	114,722,916
Zambezi	1,361,720,954	1,295,231,119	517,742,857	1,812,973,976	1,405,030,969	407,943,007
Mufumbwe	897,936,675	1,633,369,491	736,848,762	2,370,218,253	1,312,288,347	1,057,929,906
Western Province	6,320,668,521	6,085,627,015	2,408,835,967	8,494,462,982	7,355,913,367	1,138,549,615
Senanga	2,044,827,758	2,280,656,310	1,161,541,209	3,442,197,519	3,232,777,337	209,420,182
Kalabo	2,703,557,578	2,348,178,461	802,762,213	3,150,940,674	2,299,541,043	851,399,631
Shangombo	1,572,283,185	1,456,792,244	444,532,545	1,901,324,789	1,823,594,987	77,729,802
Total	56,236,540,575	52,734,934,401	25,175,756,171	77,910,690,572	71,560,213,693	6,350,476,879

31. Irregularities and Weaknesses in Accounting for DHMT Funds

An examination of financial and other records maintained at Ministry Headquarters and visits to DHMTs carried out in August 2008 revealed the following:

a. GRZ Funding not Received

Although records at the Ministry Headquarters indicated that amounts totalling K3,617,279,406 had been disbursed to ten (10) DHMTs, the DHMTs only acknowledged receipt of amounts totalling K1,836,279,030 leaving a balance of K1,781,000,376 unaccounted for as shown in the table below:

DHMT	Amount Disbursed by HQ K	Amount Received K	Amounts Not Accounted for K
Choma	292,746,754	180,606,679	112,140,075
Mazabuka	304,815,924	192,195,456	112,620,468
Monze	266,832,355	168,245,696	98,586,659
Mwense	73,471,581	-	73,471,581
Lusaka	340,625,512	-	340,625,512
Kafue	18,979,758	-	18,979,758
Luangwa	18,979,758	-	18,979,758
Kasempa	68,741,551	-	68,741,551
Zambezi	2,120,069,308	1,295,231,199	824,838,109
Senanga	112,016,905	-	112,016,905
Total	3,617,279,406	1,836,279,030	1,781,000,376

b. Unvouched Expenditure

Contrary to Financial Regulation No.45, there were three hundred and eighty four (384) payments in amounts totalling K1,650,323,320 that were unvouched in that the payment vouchers were either missing or inadequately supported by relevant documentation such as invoices, receipts and acquittal sheets as shown in the table below:

	Missing Payment Vouchers K	No. of Transactions	Inadequately Supported Payments K	No. of Transactions	Unacquitted Payments K	No. of Payments	Grand Total K
Province							
Northern	-	-	451,189,876	88	10,159,000	2	461,348,876
Kaputa	-	-	-	-	-	-	-
Mporokoso	-	-	180,723,800	20	-	-	-
Chibubi	-	-	169,485,000	24	-	-	-
Mpika	-	-	52,683,360	21	10,159,000	2	-
Nakonde	-	-	8,587,000	8	-	-	-
Kasama	-	-	39,710,716	15	-	-	-
Southern	99,125,455	26	16,730,800	14	1,865,000	6	117,721,255
Choma	11,996,500	14	4,800,000	3	-	-	16,796,500
Mazabuka	87,128,955	12	4,609,300	5	-	-	91,738,255
Monze	-	-	7,321,500	6	1,865,000	6	9,186,500
Luapula	5,032,745	4	46,230,560	16	60,017,785	9	111,281,090
Mwense	-	-	27,627,140	8	14,016,785	1	41,643,925
Kawambwa	5,032,745	4	18,603,420	8	46,001,000	8	69,637,165
Chiengi	-	-	-	-	-	-	-
Lusaka	228,162,688	30	466,366,828	105	92,332,000	14	786,861,516
Lusaka	228,162,688	30	429,390,771	96	92,332,000	14	749,885,459
Kafue	-	-	5,329,000	3	-	-	5,329,000
Luangwa	-	-	31,647,057	6	-	-	31,647,057
North Western	-	-	5,646,000	3	-	-	5,646,000
Zambezi	-	-	1,000,000	1	-	-	1,000,000
Mufumbwe	-	-	4,646,000	2	-	-	4,646,000
Western	-	-	167,464,583	67	-	-	167,464,583
Senanga	-	-	37,311,784	17	-	-	37,311,784
Kalabo	-	-	130,152,799	50	-	-	130,152,799
Shangombo	-	-	-	-	-	-	-
Central	-	-	-	-	-	-	-
Serenje	-	-	-	-	-	-	-
Kabwe	27,118,000	18	14,588,000	8	-	-	-
Total	332,320,888	60	1,153,628,647	293	164,373,785	31	1,650,323,320

c. Unretired Imprest

Contrary to Financial Regulation No.96, imprests in amounts totalling K1,414,789,810 issued to various officers during the period under review had not been retired as of October 2008 as shown in the table below:

	Unretired K	No. of Transactions	Subsequent issuance K	No. of Transaction s
Province				
Northern	873,917,230	132	162,113,710	17
Kaputa	55,911,120	22	162,113,710	17
Mporokoso	28,120,000	2	-	-
Chilubi	709,281,510	80		
Mpika	37,925,600	10		
Nakonde	38,749,000	17		
Kasama	3,930,000	1		
Southern	70,656,361	28	-	-
Choma	14,419,000	9		
Mazabuka	13,457,561	3		
Monze	42,779,800	16		
Luapula	226,989,678	64	-	-
Mwense	110,642,578	17		
Kawambwa	101,847,100	42		
Chiengi	14,500,000	5		
Lusaka	60,717,600	16		
Lusaka	60,717,600	16		
North Western	17,103,300	7	-	-
Zambezi	10,803,300	4		
Mufumbwe	6,300,000	3		
Western	162,326,361	55	-	-
Senanga	19,635,000	14		
Kalabo	41,105,163	22		
Shangombo	101,586,198	19		
Central	3,079,280	8	-	-
Serenje	3,079,280	8		
Totals	1,414,789,810	310	162,113,710	17

Further, contrary to Financial Regulation No.91, it was observed that officers were issued with subsequent imprests in amounts totalling K162,113,710 before retiring imprest issued to them previously.

d. Unauthorised Payments

Contrary to Financial Regulation No.48 (1), there were one hundred and four (104) payments in amounts totalling K611,542,176 that were not signed by the authorised warrant holders as shown in the table below:

	Unauthorised Payments K	No. of Payments
Province		
Northern		
Kaputa	146,193,310	20
Mporokoso	181,295,250	17
Chilubi	180,376,000	17
Kasama	79,437,216	34
Southern		
Monze	24,240,400	16
Total	611,542,176	104

The K611,542,176 was therefore paid without authority.

e. Irregular Payments

There were five hundred and ninety eight (598) payments in amounts totalling K1,372,798,419 that were irregular in that the payments made were not in accordance with officer's Condition of Service as shown in the table below:

	Payment of Rentals K	No. of Transactions	Purchase of Talk Time K	No. of Transactions	Fuel Allowances K	No. of Transactions	Christmas Bonus K	No. of Transactions	Fixed Overtime K	No. of Transactions	Renovations K	No. of Transactions	General Allowances K	No. of Transactions	Water Bills K	No. of Transactions	Electricity Bills K	No. of Transactions	Payment for Training K	Grand Total K
Province	927,322,348	487	125,775,500	62	22,726,000	15	20,750,000	-	46,600,000	-	5,321,000	-	176,781,406	15	411,400	2	585,765	2	46,525,000	1,372,798,419
Northern	19,456,000	-	19,800,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,700,000	57,956,000
Kaputa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mporokoso	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chibubi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,700,000	18,700,000
Mpika	19,456,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,456,000
Nakonde	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kasama	-	-	19,800,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,800,000
Southern	529,221,323	353	9,340,000	8	22,726,000	15	10,850,000	-	46,600,000	-	5,321,000	-	71,465,000	-	411,400	2	585,765	2	27,825,000	724,345,488
Choma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mazabuka	383,103,858	235	9,340,000	8	16,951,000	10	10,850,000	-	46,600,000	-	5,321,000	-	71,465,000	-	411,400	2	585,765	2	-	544,628,023
Monze	146,117,465	118	-	-	5,775,000	5	-	-	-	-	-	-	-	-	-	-	-	-	27,825,000	179,717,465
Luapula	42,109,000	29	11,350,000	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,459,000
Mwense	11,025,000	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,025,000
Kawambwa	31,084,000	23	7,800,000	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,884,000
Chiengi	-	-	3,550,000	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,550,000
Lusaka	180,882,125	67	9,440,000	7	-	-	9,900,000	-	-	-	-	-	42,814,406	15	-	-	-	-	-	243,036,531
Lusaka	130,092,125	67	9,440,000	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	139,532,125
Kafue	50,790,000	-	-	-	-	-	-	-	-	-	-	-	42,814,406	15	-	-	-	-	-	93,604,406
Luangwa	-	-	-	-	-	-	9,900,000	-	-	-	-	-	-	-	-	-	-	-	-	9,900,000
North Western	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western	66,211,500	-	30,067,500	22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	96,279,000
Central	31,342,400	38	45,778,000	13	-	-	-	-	-	-	-	-	62,502,000	-	-	-	-	-	-	139,622,400
Kabwe	31,342,400	38	13,060,000	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44,402,400
Mumbwa	-	-	-	-	-	-	-	-	-	-	-	-	62,502,000	-	-	-	-	-	-	62,502,000
Eastern	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,305,000	6,305,000
Chipata	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Petate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,305,000	6,305,000
Katele	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lundazi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Copperbelt	58,100,000	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,100,000
Mufilira	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kwwe	58,100,000	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,100,000
	927,322,348	502	125,775,500	62	22,726,000	15	20,750,000	-	46,600,000	-	5,321,000	-	176,781,406	15	411,400	2	585,765	2	46,525,000	1,372,798,419

f. Misapplication of Funds

Contrary to the Appropriation Act of 2007, there were payments in amounts totalling K685,300,484 that were applied on activities not related to the purpose for which the funds were appropriated as shown in the table below:

District	Amount K	Intended Purpose	Applied on	Consequence
Chilubi	120,000,000	Construction of two (2) staff houses	General Administration	Staff houses not constructed
Mpika	102,474,900	Health Project	Payment of wages	Projects not done
Nakonde	222,631,250	Health Project	Payment of wages, allowances and Exam fees	Projects not done
Kasama	240,194,334	Health Project	Payment of wages, allowances and Exam fees	Projects not done
Total	685,300,484			

g. Non Recovery of Salary Advances

Contrary to the Terms and Conditions of Service, as of August 2008, no recoveries had been instituted in respect of salary advances in amounts totalling K1,284,603,415 issued to various officers during the period under review as shown in the table below:

	Unrecovered Salary Advances K	No. of Officers
Province		106
Northern	49,980,000	-
Kasama	49,980,000	-
Southern	72,628,249	44
Choma	66,278,249	32
Monze	6,350,000	12
Luapula	-	-
Lusaka	1,068,883,166	16
Lusaka	1,047,028,166	16
Luangwa	21,855,000	
North Western	-	-
Western	17,162,000	24
Senanga	17,162,000	24
Central	13,200,000	22
Serenje	13,200,000	22
Eastern Province	62,750,000	
Lundazi	62,750,000	14
Total	1,284,603,415	106

h. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items costing K2,154,910,763 procured during the period under review as shown in the table below:

	Fuel K	Stores K	Mosquito Treated Nets K	Drugs K	Total K
Province					
Northern	169,963,428	253,419,810	205,920,000	213,656,410	842,959,648
Kaputa	12,653,150	28,246,693	1,920,000	-	42,819,843
Mporokoso	-	21,135,500	204,000,000	43,462,790	268,598,290
Chilubi	30,825,500	80,615,500	-	37,972,940	149,413,940
Mpika	-	33,651,413	-	-	33,651,413
Nakonde	25,911,772	17,215,992	-	-	43,127,764
Kasama	100,573,006	72,554,712	-	132,220,680	305,348,398
Southern	190,956,720	-	-	2,081,500	193,038,220
Choma	77,430,000	-	-	-	77,430,000
Mazabuka	16,951,000	-	-	2,081,500	19,032,500
Monze	96,575,720	-	-	-	96,575,720
Luapula	24,537,160	80,268,000	-	12,880,000	117,685,160
Mwense	-	-	-	12,880,000	12,880,000
Kawambwa	10,350,760	-	-	-	10,350,760
Chiengwe	14,186,400	80,268,000	-	-	94,454,400
Lusaka	47,026,453	160,810,879	-	428,822,125	636,659,457
Lusaka	47,026,453	112,668,888	-	428,822,125	588,517,466
Luangwa	-	14,720,500	-	-	14,720,500
Kafue	-	33,421,491	-	-	33,421,491
Western	-	42,617,420	-	154,146,621	196,764,041
Kalabo	-	21,362,380	-	-	21,362,380
Shangombo	-	21,255,040	-	154,146,621	175,401,661
Eastern	158,294,237	9,510,000	-	-	167,804,237
Petauke	23,000,000	9,510,000	-	-	32,510,000
Lundazi	135,294,237	-	-	-	135,294,237
Total	590,777,998	546,626,109	205,920,000	811,586,656	2,154,910,763

i. Expired Drugs

Contrary to Ministry of Health Guidelines which require that expired drugs be disposed off immediately, assorted drugs costing K249,142,125 which had expired, some from as far back as January 2005, had not been disposed of as of October 2008 as detailed below:

	Amount K
Province	
Southern	4,108,460
Monze	4,108,460
Luapula	29,844,000
Mwense	14,971,000
Chiengi	14,873,000
Lusaka	57,811,564
Lusaka	54,823,700
Luangwa	2,987,864
Western	143,126,216
Senanga	37,611,360
Kalabo	88,577,432
Shangombo	16,937,424
Eastern Province	14,251,885
Lundazi	14,251,885
Total	249,142,125

j. Delayed Banking

Contrary to Financial Regulation No.121, there were delays of periods ranging from seven (7) to one hundred and twenty three (123) days in banking user fees in amounts totalling K22,036,650 (Kawambwa-K11,613,900 and Kitwe-K10,422,750) collected during the period under review.

k. Staff Recruited Without Treasury Authority

There were ninety (90) members of staff at two (2) health offices (Mufulira-17 and Kitwe-73) who were employed without treasury authority. As of December 2007, amounts totalling K379,414,198 had been irregularly paid to the staff as wages.

l. Unaccounted for Revenue

During the period from June 2007 to January 2008, the Luangwa District Health Office collected revenue totalling K69,744,000 from the operations of a mini-bus which was used to supplement its revenue. However, contrary to Financial Regulation No.121 (1), only amounts totalling K62,076,500 were banked leaving an amount of K7,667,500 unaccounted for as of August 2008.

m. Infrastructure

i. Construction of Health Post at Musonda Falls - Mwense

In June 2006, the Ministry of Health released a sum of K225,000,000 for the construction of a health post and a staff house at Musonda Falls. On 12th December 2006, the District Health Office signed a contract with J.K. Mwandama General Dealers at a contract sum of K209,879,405 for a

duration of three (3) months. As of July 2008, an amount of K137,727,487 had been spent on the project leaving a balance of K87,272,513.

The following were observed:

- Amounts totaling K124,951,762 were paid without stage completion certificates.
- Although the District Health Office already had standard architectural drawings and bills of quantities for the health post and staff house, it was not clear why they engaged an individual to prepare other bills of quantities for which an amount of K4,492,525 was paid on 25th October 2007.
- The construction of the staff house had not started as of October 2008.

ii. Construction of Staff Houses - Luangwa

In November 2006, the District Health Office received K175,000,000 for the construction of two (2) staff houses at Mphuka and Sinyawagora Rural Health Centres.

The District Health Office and Ikulaa Enterprises signed a labour only contract on 19th November 2007 for the construction of a staff house and VIP latrines at a contract sum of K15,000,000 though the contract period was not specified. As of August 2008, a total of K50,375,000 was spent on the procurement of building materials (K45,000,000) and labour (K5,375,000) leaving a balance of K124,625,000.

A physical inspection of the house at Mphuka Rural Health Centre revealed that the house had reached roof level. However, the fixing of two (2) door frames to the bed rooms, two outside air vents and construction of the drainage system had not been done.

In April 2007, the District Health Office misapplied an amount of K60,000,000 meant for the construction of a staff house on the procurement of a minibus. Consequently, construction of a staff house at Sinyawagora Rural Health Centre had not commenced as of August 2008.

iii. Construction of Maternity Ward, X-Ray and Theatre Block – Mumbwa

In 2006, the Ministry released a sum of K1,700,000,000 for the construction of a new hospital in Mumbwa. The scope of works for phase one (1) consisted of the

construction of a Maternity, theatre and x-ray blocks. A contract for the works was awarded to ABLE Construction company of Ndola on 16th October 2006 at a contract sum of K1,605,567,411 for a duration of fourteen (14) weeks. The works commenced on 31st October 2006 and as of August 2008, the contractor had been paid a total of K1,475,191,545.

The following were observed:

- As of August 2008, seventeen (17) months after the agreed completion period, the contractor had not completed the works despite having three (3) contract extensions granted.
- Poor quality blocks were used for the construction and the works had to be demolished leading to increased costs.

iv. Failure to Complete Construction of a Hostel Block – Chipata

In September 2007, the Government released a sum of K500,000,000 for the construction of a classroom block at Chipata School of Nursing. However, with authority from the Permanent Secretary, Ministry of Health, management at the Nursing school decided to construct a hostel. In this regard, on 11th December 2007, a contract for the works was awarded to Horizon contractors at a contract sum of K500,000,000. The works commenced on 11th December 2007. As of August 2008, the Contractor had been paid amounts totalling K400,000,000.

The following were observed:

- In June 2008, the contractor was requesting for the balance of K100,000,000 and extra works valued at K315,914,400 which were not part of the bill of quantities and the extra works were not authorised by the tender committee.
- As of August 2008, four (4) months after the completion date, the works had not been completed and no penalties were levied for the delay.

08 TECHNICAL SUPPORT
12 EASTERN PROVINCE

UNIT: Various

PROGRAMMES: Various

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, total provisions of K34,705,162,361 were made for grants to Provincial Health Office (K1,678,386,951), salaries and wages (K31,417,088,277), and others (K1,609,687,133) against which amounts totaling K35,295,183,248 were released (Grants K1,175,971,172, salaries and wages K31,158,666,428 and others K2,960,545,648).

32. Weaknesses in Accounting for Funds

An examination of financial and other related records maintained at the Provincial Health Office revealed the following:

a. Non Deduction of Tax – On Call Allowances

During the period under review, PHO paid on call allowances to various officers in amounts totalling K1,015,714,284. It was however observed that contrary to Income Tax Act CAP 323, withholding tax in amounts totalling K318,599,997 had not been deducted as of July 2008.

b. Unsupported Third Party Payments

Contrary to Financial Regulation No. 45, there were fifty one (51) third party payments in amounts totalling K3,825,811,934 made during the year under review which had no supporting documents such as invoices, receipts or acquittal sheets.

c. Failure to Recover Salary Advances

Contrary to Terms and Conditions of Service for the Public Service, salary advances in amounts totalling K69,000,000 paid to forty seven (47) officers during the period under review had not been recovered as of December 2008.

HEAD: 46/01 MINISTRY OF HEALTH

UNITS: **Various**

PROGRAMMES: **Various**

ACTIVITIES: **Various**

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K1,237,756,020,533 was made for the Ministry out of which K772,887,867,099 was released leaving a balance of K464,868,153,434.

33. Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry headquarters carried out in May 2008 revealed the following:

a. Unvouched Expenditure

Contrary to Financial Regulation No.45, there were one hundred and eighty four (184) payment vouchers in amounts totalling K1,448,307,728 that were unvouched in that they had either missing payment vouchers or were inadequately supported by documents such as invoices and receipts.

b. Stores Without Receipt and Disposal Details

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of fuel costing K1,025,481,865 and stores items involving forty three (43) items in amounts totalling K1,204,108,510 procured during the period under review.

c. Weaknesses in the Payment of On Call Allowances

A review of records pertaining to on call allowances paid during the period under review revealed that amounts totalling K32,570,687,960 had been paid to various doctors. However, there was no evidence that amounts totalling K22,927,845,227 had been received by the beneficiaries in that there were no acquittal sheets provided. In addition, there were no payment vouchers in respect of on call allowances in amounts totalling K9,642,842,733. In this regard, it was not clear whether the amount of K32,570,687,960 was spent on the intended purpose.

d. Salary Advances and Loans

Contrary to Financial Regulation No.10(n), no salary advances and loan ledgers were produced for audit. Consequently, it was not possible to verify

the recovery of amounts totalling K1,079,584,529 involving ninety one (91) transactions paid as salary advances and loans for the period under review.

**HEAD: 46/02 MINISTRY OF HEALTH
DIRECTORATE OF PLANNING AND
DEVELOPMENT**

UNIT: 1 Health Planning and Budgeting

PROGRAMME: 10 Infrastructure Development (PRP)

ACTIVITY: 03 Construction of Hospitals

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2006, a provision of K12,859,780,665 was made to cater for the construction of district hospitals throughout the country and K5,587,761,075 was released to Ministry of Health. In this regard, the Ministry released K1,000,000,000 to Isoka District Health Office for the construction of a maternity and children's wards.

In this regard, in August 2006, the Provincial Administration engaged Messrs Rollstone Global Construction Limited to construct the wards at a contract sum of K923,270,872 for a duration of four (4) months starting on 6th September 2006 and ending on 6th January, 2007.

34. Delay in the Construction of the District Hospital

An examination of financial and other records maintained at the District Health Office carried out in March 2008 and a physical inspection of the project revealed the following:

- a. Although the contract was extended three times and the contractor paid amounts totalling K425,543,386 during the period from September 2006 to May 2007, works had not been completed as shown in the pictures below:



Children's ward



Maternity ward

Enquiries revealed that the contractor abandoned the site in September 2007.

Further, there was poor workmanship in that there were cracks on the concrete slab and brick walls and lintels were not straight while others had collapsed.

b. Although the contract provided for liquidated damages and termination of contract, the District Health Office did not claim liquidated damages for the period of four months and did not terminate the contract until 26th December 2007 for breach of contract.

c. Due to failure to complete the project, the District was still using the old and dilapidated hospital structure shown in the picture below:



Old hospital structure still in use

HEAD: 46/12 **MINISTRY OF HEALTH – EASTERN PROVINCE**

UNIT: 4 **Chipata General Hospital**

PROGRAMMES: 1 **Personal Emoluments - (PRP)**
8 **Health Service Delivery - (PRP)**
9 **Health System Management - (PRP)**

ACTIVITIES: **Various**

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K2,629,201,296 was made to cater for the operations of the Chipata General Hospital, out of which a total amount of K2,452,822,609 was released resulting in under funding of K176,378,687.

35. Accounting and Other Irregularities

An examination of financial, stores, and other related records maintained at the General Hospital revealed the following:

a. Stores Items Without Disposal Details

Contrary to Public Stores Regulation No. 16, there were no disposal details in respect of various stores items costing K207,238,720.

b. Misapplication of Funds

Contrary to the provisions of the Appropriations Act of 2007, a total amount of K84,813,536 was paid to various officers as salaries from the Recurrent Departmental Charges (RDCs) account instead of the Salaries account at the Provincial Health Office. As of October 2008, no reimbursement to the RDCs account had been made.

c. Irregular Payments of On Call Allowances

Amounts totalling K36,480,490 were irregularly paid to laboratory, x-ray and theatre staff as on call allowances in that the officers were not entitled to such an allowance.

d. Imprest

Imprests in amounts totalling K137,339,430 involving forty one (41) transactions issued to various officers during the period under review had not been retired as of October 2008 contrary to Financial Regulation No. 96 (1). Included in the figure of K137,339,430 was an amount of K15,790,000 in respect of subsequent imprests that were issued to seven (7) officers who already had imprests outstanding in their names contrary to Financial Regulation No.91.

It was further observed that the hospital did not maintain registers of imprests contrary to Financial Regulation No.93.

e. Unaccounted for Drugs and Medical Supplies

There were no receipt and disposal details in respect of drugs costing K11,515,000 purchased during the period under review contrary to Public Stores Regulation No.16.

f. Unsupported Payments

There were five (5) payments in amounts totalling K15,733,000 made during the year under review which had no supporting documents such as invoices, receipts or acquittal sheets contrary to Financial Regulation No. 45.

HEAD: 65/10 MINISTRY OF SCIENCE, TECHNOLOGY AND VOCATIONAL TRAINING DEPARTMENT OF PLANNING AND DEVELOPMENT

UNIT: 6 Projects

**PROGRAMMES: 7 Rehabilitation of Research Institutions (PRP)
8 Rehabilitation of Training Institutions (PRP)
10 Procurement of Equipment for Training Institutions (PRP)
12 Construction of TEVET Institutions (PRP)**

**ACTIVITIES: 01 Rehabilitation of Evelyn Hone College.
02 Rehabilitation of NISIR Laboratories Chilanga Branch
02 Purchase of Equipment for MSTVT Institutions
08 Rehabilitation and Access Control Maxwell House
08 Facilities for Lapidary Training Centre
16 Lukashya Trades Training Institute
9 Solwezi Trades Training Institute**

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2006 and 2007, provisions totalling K9,426,644,892 in 2006 and K35,897,000,000 in 2007 were made to cater for the implementation of various programmes. In this regard, amounts totalling K9,070,195,868 and K30,648,262,410 were released in 2006 and 2007 respectively.

36. Weaknesses in Accounting for PRP Funds

An examination of financial and other records maintained at the Ministry headquarters carried out in March 2008 revealed the following:

a. Misapplication of Funds

- i.** Contrary to the Appropriation Acts of 2006 and 2007, amounts totalling K827,334,496 (K688,985,696 in 2006 and K138,348,800 in 2007) appropriated for the Poverty Reduction Programme (PRP) were applied on unrelated activities such as payment of subsistence allowances, hotel bills, repair of motor vehicles, air-tickets and fuel.

- ii. In 2006, amounts totalling K1,742,863,998 involving twenty-four (24) payment vouchers were spent on procurement of building materials, rehabilitation works, landscaping and payment of rentals without a budget line contrary to the Appropriation Act. It was further observed that no treasury authority was given to vary the funds contrary to Financial Regulation No. 31.
- iii. A total amount of K3,151,857,564 was misapplied on the purchase of twenty-eight (28) motor vehicles for colleges when there was no budget line for procurement of motor vehicles.

It was also observed that:

- Contrary to Cabinet Circular No. 02 of 14th February 2001, the Ministry did not apply for authority from Cabinet Office to procure the motor vehicles;
- A total of K70,847,098 was misapplied on renovations at National Institute for Scientific and Industrial Research (NISIR) Headquarters as there was no budget line in the Estimates of Revenue and Expenditure for 2006. The funds came from the rehabilitation of MSTVT institutions, a donor funded component.
- In 2006, the Ministry engaged a Messrs Kasi Business Enterprise to carry out renovation works at the Ministry Headquarters. The works involved involved:
 - Rehabilitation of the Permanent Secretary's office- K8,495,250
 - water reticulation and repair of dilapidated toilets- K64,166,750
 - Installation of shelves in the information centre.- K48,875,500

As of February 2008, amounts totalling K107,370,750 had been paid to the contractor. It was however observed that there was no provision in the Estimates of Revenue and Expenditure for 2006 and instead the expenditure was charged to budget lines such as Facilitate Athletics and Social Games and there was no Treasury variation authority for the

expenditure. In addition, the works were also not supervised by the Buildings Department.

b. Non Delivery of Kitchen Equipment

On 4th December 2006, the Ministry entered into a contract with Staghorn Trading Corporation for the supply and delivery of kitchen equipment to various training institutions at a contract sum of ZAR 736,909 (K473,151,600) within a period of eight (8) weeks. The supplier was paid the whole amount on 6th December 2006. The equipment to be supplied consisted of the following pieces:

- i. 6x 70 litres oil jacketed electrical pots,
- ii. 5x 135 litres oil jacketed electrical pots,
- iii. 5x Double deep fryer pan 2x20 litres with baskets,
- iv. 4x Industrial stoves/Cookers with 145 litres oven,
- v. 5x 530 litres Chest freezers.

However, as of November 2008, the equipment had not been delivered.

c. Delays in the Completion of Construction and Rehabilitation Works and Other Weaknesses.

Installation of the Access Control System-Ministry Headquarters.

On 25th June 2007, the Ministry engaged Messrs MEC Security Supplies for the installation of the Saflec Access Control System at a contract price of K574,717,344 for a duration of seven (7) weeks. The following were observed:

- i. Among the contract terms was Clause 14 which provided for a warranty period of one (1) year after commissioning contrary to the two (2) years quotation provided by the company on 21st November 2006.
- ii. On 19th July 2007, the contractor proposed a change of a system from Saflec Access Control System to Hirsch Access Control System at an additional cost of K157,200,000 (ZAR262,000) and suggested that the sum be split equally between the Contractor and the Ministry. In this regard, the Ministry accepted the offer and executed the variation order without subjecting the variation to the Ministerial tender committee. This resulted in an increase in the cost of the project from K574,717,344 to K652,717,344.

- iii. On 10th October 2007 the contractor requested for another variation to cover the cost of fitting of the access control doors at a cost of K109,815,100 for which there was no tender authority.
- iv. Though the total cost of the works carried out taking the two (2) variations into consideration amounted to K762,532,444, as of May 2008, the contractor had been paid amounts totalling K782,391,400 which was K19,858,956 over and above the total cost and the works had not been completed.

It was not clear why the two variations were done without obtaining tender authority and why the contractor was finally paid an excess amount of K19,858,956.

d. Evelyn Hone College

i. Rehabilitation of Hostels

On 29th August 2007, the Ministry engaged Messrs Fair Face Enterprises Ltd to rehabilitate Uganda and Ghana hostels at a contract sum of K1,674,148,676. The contract was for a period of twenty (20) weeks. The works involved renovations and repair works to the existing floors beginning with ground floor to seventh floor, kitchen, showers, toilets, lobby and DB rooms, electrical installations, painting and decorating grille door surfaces. The following were observed:

- Although the Ministry entered into a contract of K1,674,148,676 with Messrs Fair Face Enterprises Limited, there was only a provision of K515,261,613 made in the 2006 budget while there was no budget provision in 2007. The funds available were therefore not adequate to meet the contractual obligation.
- On 18th September 2007, the Ministry paid the contractor an advance of K502,244,602 which was 30% of the contract price instead of K334,829,735 which was 10% of the contract price as per standard requirement on advance payments for contracts.
- As of March 2008, ablution and shower rooms had not yet finished, internal painting of walls was to be re-done and PVC floor tiles had not been fixed.

ii. Wall Fence and Razor Wire Installation

On 30th November 2007, the Ministry engaged Messrs Satcom Systems to carry out works for improving security at Evelyn Hone College at a sum of K 14,687,500. The works involved the raising of the wall fence, repairing and re-enforcing weak areas in the wall fence and installing razor wire on top of the wall around the college campus. However, the following were observed:

- There was no signed contract between the Ministry and the contractor and no provision was made for the works.
- Although the contractor was paid in full, a site inspection carried out in March 2008 revealed that the works were incomplete as the razor wire had not yet been installed on the western part of the wall fence.

e. Lukashya Trades Training Institute.

On 25th March, 2007, the Ministry engaged J.K Contractors to rehabilitate eight (8) workshops and the administration block at the Training Institute at a contract sum of K1,614,729,866 for a period of sixteen (16) weeks commencing 25th May 2007 and ending on 24th August 2007. As of March 2008, twenty-eight (28) weeks after the expiry of the contract period, the contractor had been paid K1,056,327,169.

It was observed that the contract period was extended without authority and that though the amount of K1,056,327,169 was paid, a site inspection carried out in March 2008 revealed that only the administration block had been done whose estimated cost was K443,893,265 and the eight (8) workshops had not been done. It was therefore not clear why the contractor was paid K1,056,327,169 when the actual works were estimated at K443,893,265.

f. Solwezi Trades Training Institute - Construction of a Workshop

On 9th August 2006, the Ministry engaged Messrs J.K. Contractors for the construction of the workshop at a contract sum of K824,112,351 for a period of twenty (20) weeks. The following were observed:

- i. Although the Ministry entered into a contract of K824,112,351 with Messrs JK Contractors, there was only a provision of K660,100,000 made in the 2006 budget. The funds available were therefore, not adequate to meet the contractual obligation during the contract period.
- ii. On 14th September 2006, the Ministry made an advance payment of K164,822,470 to the contractor which was 20% of the contract price

instead of K82,411,235 which was 10% of the contract price as per standard requirement on advance payments for contracts.

- iii. It was observed that the contract period was extended by fifty eight (58) weeks without authority and as of March 2008, the contractor had been paid a total amount of K568,771,737. A site inspection carried out revealed that the works outstanding included external water reticulation, water drainage and ceiling board among others.

g. National Institute for Science and Industrial Research (NISIR) - Chilanga Campus.

Delays in Completion of Rehabilitation Works.

On 25th March 2005, the Ministry engaged Messrs Fair Face Enterprises to rehabilitate the livestock, animal house and pest research units in Chilanga at a contract sum of K1,923,688,237 for a period of twelve (12) weeks. The works included laying of concrete, electrical installations, painting and borehole drilling among others.

- i. Although the Ministry engaged a contractor at a contract sum of K1,923,688,237, it was observed that the budget provision was only K305,000,000. In this regard, the Ministry without obtaining Treasury variation authority diverted amounts totalling K1,591,625,197 meant for the rehabilitation works at Kitwe Research Branch and Headquarters.
- ii. The Buildings Department was not involved in the supervision of the works
- iii. As of December 2007, amounts totalling K1,885,884,972 had been paid to the contractor.

A physical inspection carried out at the Research Centre in March 2008 revealed that the works had not been completed and the contract completion period of twelve (12) weeks had been exceeded by one hundred and thirty-six (136) weeks.

HEAD: 65 MINISTRY OF SCIENCE, TECHNOLOGY AND VOCATIONAL TRAINING

UNITS: Various.

PROGRAMME: 2 General Administration

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2006 and 2007, provisions totaling K6,986,853,907 and K3,571,260,000 were made respectively to cater for General Administration.

The MoFNP released amounts totalling K2,171,876,904 in 2006 and K3,084,075,341 in 2007 resulting in under-fundings of K4,814,977,003 and K157,184,659 respectively as shown in the table below:

MSTVT GENERAL ADMINISTRATION FUNDING for 2006						
	Department	Budget (K)	Releases (K)	Variance (K)	Expenditure (K)	Variance (K)
		A	B	A-B	C	B-C
1	Headquarters	564,783,278	869,442,999	(304,659,721)	363,626,093	505,816,906
2	Human Resource and Admin	2,293,490,723	856,637,358	1,436,853,365	774,987,367	81,649,991
4	Vocational Education & Training	3,740,235,000	120,576,815	3,619,658,185	71,562,253	49,014,562
6	Science and Technology	251,650,000	200,458,946	51,191,054	188,163,795	12,295,151
10	Planning and Development	136,694,906	124,760,786	11,934,120	91,195,018	33,565,768
	Total for 2006	6,986,853,907	2,171,876,904	4,814,977,003	1,489,534,526	682,342,378
MSTVT GENERAL ADMINISTRATION FUNDING for 2007						
1	Headquarters	1,074,000,000	1,192,930,948	(118,930,948)	944,600,189	248,330,759
2	Human Resource and Admin	1,403,480,000	1,210,762,989	192,717,011	1,169,253,874	41,509,115
4	Vocational Education & Training	314,980,000	252,387,434	62,592,566	199,918,396	52,469,038
6	Science and Technology	233,800,000	233,722,986	77,014	166,994,496	66,728,490
10	Planning and Development	215,000,000	194,270,984	20,729,016	151,537,901	42,733,083
	Total for 2007	3,241,260,000	3,084,075,341	157,184,659	2,632,304,856	451,770,485

37. Weaknesses in accounting for Recurrent Departmental Charges (RDC)

An examination of financial and other records maintained at the Ministry headquarters carried out in March 2008 revealed the following:

a. Irregular Payment of Allowance

According to the existing arrangements, payments of leaders' emoluments are done through Leaders' Payroll at MoFNP. However, it was observed that an amount of K22,213,760 was paid to a cabinet minister in October 2006, as settling-in-allowance by the Ministry. As of September 2008, the amount had not been reimbursed.

b. Irregular Payment of Salaries

Contrary to the Terms and Conditions of Service for the Public Service Commission, an Acting Senior Accountant was seconded to National Technology Business Centre (NTBC) as Finance and Administration Manager between the period March 2004 to November 2007 and was paid a total salary K64, 640,730 while during the same period the officer drew a total salary of K38,297,733 from the Public Service.

**HEAD: 65/10 MINISTRY OF SCIENCE, TECHNOLOGY AND VOCATIONAL TRAINING
DEPARTMENT OF PLANNING AND DEVELOPMENT**

UNIT: 6 Projects

PROGRAMME: 14 Equity and Access to TEVET - (PRP).

ACTIVITY: 01 Bursary Scheme

The Government through the Ministry of Science, Technology and Vocational Training administers a bursary scheme whose objectives are to provide financial support to vulnerable students, encourage female students take up skills training in traditionally male dominated courses, provide opportunities to school drop-outs to access skills training, promote critical skill for national development and to provide financial support to retirees and retrenched workers for re-skilling. The category of students that are assisted under this scheme have to go under a selection process to prove their vulnerability. The students apply to the college and once accepted and determined by the District Social Welfare as vulnerable, names are consolidated on one list by the college. The list is in turn sent to the Ministry headquarters for funding.

In the Estimates of Revenue and Expenditure for the year ended 31st December 2007, a provision of K4,500,000,000 was made for the bursary scheme against which a sum of K3,674,328,480 was released leaving a balance of K825,671,520.

38. Weaknesses in Accounting for Bursary Scheme

An examination of financial and other records maintained at Ministry headquarters and five (5) selected training institutions carried out in March 2008 revealed that K1,445,062,360 was disbursed to the five (5) selected institutions as follows:

Name of Institution	Amount (K)
Mwinilunga TTI	352,734,300
Solwezi TTI	177,607,260
Mansa TTI	366,332,000
Lukashya TTI	458,541,600
Nkumbi TTI	89,847,200
Total	1,445,062,360

An audit of the funds in the colleges revealed the following:

a. Mansa Trades Training Institute

The Institute received K366,332,000 out of which, amongst others, K2,760,000 was for boarding fees in respect of five (5) students. However, although K2,760,000 was paid to the institution as boarding fees through the bursary scheme in respect of the five (5) students as detailed below, it was observed that the said students were not accommodated by the Institute:

Student	Amounts (K)
Kabinga Jackson	552,000
Kaluba K. Mildred	552,000
Mulenga Betty	552,000
Lyangenda S. Beauty	552,000
Mwitwa Fredrick	552,000
Total	2,760,000

b. Unsupported Receipt of Funds - Lukashya Trade Training Institute

Out of the K458,541,600 disbursed to the Institute, amounts totalling K13,160,000 were paid as bursaries in respect of students who had completed their courses in 2006 but had continued appearing on the bursary list of 2007.

HEAD : 77/01 MINISTRY OF DEFENCE - HEADQUARTERS

UNITS: Various

PROGRAMMES: Various

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, provisions totalling K148,705,588,883 were made to cater for personal emoluments, general administration, procurement and supplies and project administration, against which a total of K125,909,273,885 was released, resulting in an under funding of K22,796,314,998 as shown in the table below:

Programmes	Authorised Budget (K)	Releases (K)	Variance (K)
Personal Emmoluments	24,784,013,862	21,550,823,587	3,233,190,275
General Administration	33,750,952,992	25,358,450,299	8,392,502,693
Procurement and Supplies	73,999,999,999	66,999,999,999	7,000,000,000
Project Administration	16,170,622,030	12,000,000,000	4,170,622,030
Total	148,705,588,883	125,909,273,885	22,796,314,998

39. Accounting and Other Irregularities

In paragraph 59 of the Auditor General's report on the accounts for the financial year ended 31st December 2006, mention was made of the irregularities in accounting for personal emoluments and in procurements. A review of the situation carried out in July 2008 revealed that no improvements had been made. In particular the following were observed:

a. Unaccounted for Funds

During the period from February to November 2007, the Ministry drew amounts totalling K5,580,863,332 to pay housing allowances (K1,698,342,400) and other outstanding allowances (K3,882,520,932) to Classified Daily Employees (CDEs) based at various units of the Zambia Army, Zambia Air Force and Zambia National Service.

However, contrary to Financial Regulation No. 45(3), amounts totalling K4,485,794,345 (housing allowance - K1,600,071,893 and outstanding allowances - K2,885,722,452) were acquitted leaving a balance of K1,095,068,987 unaccounted for in that the cash was not on hand and there was no evidence of banking.

Although in his response dated 28th November, 2008, the Controlling Officer stated that they had attached acquittal sheets for the unaccounted for funds, the same was not attached and the funds therefore remained unaccounted for as at 15th December, 2008.

b. Household and Car Loans.

A total amount of K1,554,248,000 was paid out from the Loan Revolving Account as loans in the year 2007. However, a scrutiny of the payroll revealed that contrary to the Terms and Conditions for the Public Service, no recoveries had been instituted in respect of loans totaling K1,295,748,000 paid to various officers as of November 2008 thereby depriving other officers on the list to access the loan facility.

Though in his response dated 28th November 2008, the Controlling Officer stated that K1,295,748,000 was paid out and that K734,491,593 were loans being serviced leaving a balance of K561,256,407, no records were provided for verification.

c. Imprest

i. Unretired Imprest

Contrary to Financial Regulation No. 96, there were imprests in amounts totalling K2,803,514,749 involving two hundred and sixty eight (268) transactions issued to various officers that had not been retired as of November 2008. It was therefore not clear whether the money was used for the intended purpose.

In his response dated 28th November 2008, the Controlling Officer stated that verification of records at the Ministry of Defence indicated that the balance of imprest stood at K1,108,899,670 as at close of the financial year ended 31st December 2007 and that staff continued submitting retirements after the closure of accounts which could be captured in the system as the Ministry had closed the books. She added that the Ministry had sent remainders to staff who had not responded and that just as in the case of loans, most of the officers involved were military personnel whose access to the payroll was so difficult as to make the recoveries.

However, a verification of imprest records carried out on 10th December 2008 revealed that K2,803,514,749 was still outstanding.

ii. Missuse of Imprest

Contrary to Financial Regulation No. 92, there were imprests in amounts totalling K235,271,001 issued to fifty one (51) officers which were used for purposes other than that for which it was intended.

In his response dated 28th November 2008, the Controlling Officer stated that an amicable solution would be sought by the stakeholders involved and that this was a situation where officers had retired their imprest and external auditors had disputed the validity of some receipts as supporting documents for one reason or another. However, as of December 2008, no records were provided for verification the K235,271,001 was used for purposes other than that intended.

d. Irregular Award of Contract

In October 2007, Maina Soko military hospital procured drugs from Zamjam International Ltd at a contract price of K112,058,700 without following tender procedures. The supplier was paid the full amount in December 2007 and February 2008. A scrutiny of records revealed that the Defence Force Medical Services were instructed by the then Permanent Secretary to award the contract to Zamjam International Ltd on the basis that the company was carrying out charitable works at the hospital which had not been completed at the time and needed the contract to complete the works.

e. Procurement of Foodstuffs

The Ministry of Defence Headquarters Procurement and Supplies Unit is in charge of all the procurements of food stuffs for various units under Zambia Army, Zambia National Service, Zambia Air Force, Maina Soko Military Hospital and Department of Defence Intelligence.

An examination of stores records carried out in August 2008 revealed the following:

i. Overpayment

A total amount of K1,316,315,250 was paid to various suppliers of foodstuffs against invoices amounting to K1,272,470,250 resulting in an overpayment of K43,295,000. It was not clear why there was this over payment.

ii. Poor Record Keeping

- Although foodstuffs costing K3,167,622,711 procured for various units during the period under review were recorded in the Goods Received Register, it was observed that they were not recorded in the stores ledger making it not possible to verify how they were disposed of.

Though in her response, the Controlling Officer stated that prior to the auditors visit to No.2OS Coy, there were investigations on reported thefts of some foodstuffs which led to some disciplinary action being taken on some suspects and that officers involved had since been charged and removed from the unit, there was no evidence provided for the disciplinary action taken.

- An analysis of the stores ledger revealed that each time new stocks were brought in, the balances at hand were not carried forward to arrive at the correct balances at time of receipt of new stock. In this regard, foodstuffs amounting to K80,478,000 could not be accounted for.

In her response dated 28th November 2008, the Controlling Officer stated that the reported unaccounted for foodstuffs at 2OS Coy could be as a result of the reported stolen foodstuffs at the unit and that the planned visit of the investigation team should address this observation.

iii. Storage Room

It was also observed that the wall at the entrance holding the gate to the storage room used by 3 Ordinance Supply (3 OS COY) unit in Kabwe was on the verge of collapsing as it had developed serious cracks and urgently needed repairs.

f. Irregular Issue of Fuel

Fuel costing K25,169,026 was irregularly drawn by officers at the Ministry Headquarters and used in their private motor vehicles contrary to their conditions of service.

Although in her response dated 28th November 2008, the Controlling Officer stated that the officers were entitled, no documentary evidence was provided for verification.

g. Unauthorized use of Fuel Tom Cards

During the period from January to September 2007, two (2) Tom cards that were being kept by two officers for emergencies were used to draw fuel amounting to K28, 419,074 and K18, 651,658 respectively for their personal motor vehicles without authority.

h. Purchase of Northern Command Hospital

In 2001, the Defence Force made plans to establish a military hospital in Ndola, and a facility was identified for purchase at an offer price of K12,000,000,000.

However, the Ministry renegotiated the sale price in 2007 and finally agreed on K7,000,000,000 which was paid in two (2) installments of K3,500,000,000 in September and October 2007. It was observed in this regard that:

- i.** The transaction for the purchase of the military hospital was made without authority from the Zambia National Tender Board, and the Ministry made a first payment of K3,500,000,000 in September 2007 before the contract of sale was signed.
- ii.** Contrary to Government procedures, the Ministry entered into a contract to purchase the building at K7,000,000,000 prior to obtaining a valuation report from Government Valuation Department which valued the building at K5,300,000,000.
- iii.** An inspection of the building revealed that it was in a dilapidated state as the roof was leaking, ceiling boards were falling off and the walls had cracks.

HEAD: 80 MINISTRY OF EDUCATION

DEPARTMENT: Various

UNIT: Various

PROGRAMME: Various

ACTIVITY: Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, amounts totalling K308,406,607,200 (US\$70,130,392) were provided for to cater

for activities under Sector Plan Implementation. In this regard amounts totalling K328,488,154,267 (US\$86,540,012) were released by Ministry of Finance and National Planning and various cooperating partners as details below:

Source	Type of Modality	Pledges and Other income.		Releases	
		USD	ZMK	USD	ZMK
Ireland DC	Sector Pool	10,832,000	44,411,200,000	15,459,221	58,239,782,463
Norway	Sector Pool	16,000,000	65,600,000,000	16,556,758	62,891,906,191
DFID	Sector Pool	2,205,000	9,040,500,000	2,290,327	8,697,395,319
Netherlands	Sector Pool	21,739,000	89,129,900,000	23,108,103	86,300,078,062
Finland	Sector Pool	7,020,000	28,782,000,000	7,231,176	27,451,770,042
Denmark	Sector Pool	9,500,000	38,950,000,000	10,460,615	40,542,573,990
European Union	Sector Pool	2,834,392	11,621,007,200	3,102,097	11,964,410,647
		70,130,392	287,534,607,200	78,208,297	296,087,916,714
USAID	Sector Pool	-	-	950,000	3,629,000,000
ADF	Direct	-	-	311,034	1,194,372,787
Interest earned		-	-	638,714	2,476,812,155
Other Income	-	-	-	337,915	1,352,957,808
GRZ	Counterpart	-	20,872,000,000	6,094,052	23,747,094,803
		-	20,872,000,000	8,331,715	32,400,237,553
Total		70,130,392	308,406,607,200	86,540,012	328,488,154,267

The Ministry disbursed a total of K105,840,929,237 to the provinces, districts and other beneficiary institutions as grants from the amounts received, leaving a balance of K235,083,994,352 which was administered at Ministry Headquarters for various programmes and activities.

40. Accounting and other Irregularities in Sector Plan Implementation

An examination of financial and other records maintained at the Ministry headquarters and visits to selected provinces, districts and schools carried out in June 2008 revealed the following:

a. Headquarters

i. Failure to Respond to Audit Queries

Contrary to Financial Regulation Nos. 10 (n) and (o), it was observed that accountants were not providing all information required for audit at the time when auditors were undertaking assignments.

ii. Delays in the Disbursement of Funds.

It was observed that due to late submission of funding schedules, fourth quarter funding to the beneficiary institutions in amounts

totalling K10,752,696,031 were only released in January 2008 resulting in delays in the implementation of fourth quarter activities.

iii. Weaknesses in Control over Special Imprests

Contrary to Financial Regulation No. 96 (1), imprests in amounts totalling K5,145,095,956 issued to various officers had not been retired as of June 2008 as shown in the table below:

Account	Amount (K)
Sector Pool	4,664,692,324
BESSIP	273,854,851
ADF	206,548,781
Total	5,145,095,956

Further, it was observed that some of the imprests have remained outstanding since 2004.

iv. Failure to Construct Portal Frame Classrooms – Mkushi

In March 2005, the Ministry engaged Choice Build Limited to construct 1x3 and 1x2 classroom blocks and six double VIP Latrines at thirteen (13) schools in Mkushi District at a contract sum of K4,643,401,130. However, the contractor abandoned the works at six (6) basic schools (Fibanga, Katuba, Chalata, Nambo, Shaibila and Mboroma) after receiving a total of K2,994,039,319 towards the works which were at various stages. A visit to the sites in November 2008 revealed the following:

School	Scope of Works	Work Done
Fibanga	Erect 1x2 and 1x3 classroom blocks. Erect 6 double VIP Latrines	Only foundation boxes for the 2 classrooms and 5 VIP Latrines
Katuba	Erect 1x2 and 1x3 classroom blocks. Erect 6 double VIP Latrines	1x3 portal frame class room done 1x2 classroom block at foundation box stage VIP Latrines at slab structure level
Chalata	Erect 1x2 and 1x3 classroom blocks. Erect 6 double VIP Latrines	Foundation boxes for 2 classroom blocks done 3 double VIP latrines done
Nambo	Erect 1x2 and 1x3 classroom blocks. Erect 6 double VIP Latrines	Foundation boxes for 2 classroom blocks done 3 double VIP latrines done
Shailila	Erect 1x2 and 1x3 classroom blocks. Erect 6 double VIP Latrines	Foundation boxes for 2 classroom blocks done 3 double VIP latrines done
Mboroma	Erect 1x2 and 1x3 classroom blocks. Erect 6 double VIP Latrines	No works done

In her response, the Controlling Officer stated that it was true that Choice Build Limited had abandoned the project after being paid K2,994,039,319 and that the current position was that the Ministry had made allocations for the same works as follows:

School	Allocation K
Fibanga	59,404,411
Katuba	54,404,811
Chalata	49,404,811
Nambo	54,404,811
Shaibila	49,404,811
Mboroma	-
Total	267,023,655

However, it was not clear why the Ministry had taken no action against the contractor to recover the K2,994,039,319.

v. Non Delivery of School Desks/Chairs - Central Province

In July 2007, the Ministry of Education contracted Power Trade Investments Ltd to supply 500 single-seater school desks to various schools in Central Province at a contract price of K271,285,791 for a duration of eight weeks. However, as of June 2008, only three hundred and forty one (341) desks costing K185,016,909 had been delivered leaving one hundred and fifty nine (159) desks costing K86,268,881 undelivered.

vi. Supply of Desks- Luapula and Lusaka Provinces

In July 2007, the Ministry engaged two (2) firms (Midrand Business System and Rikarm Trading Company) to supply one thousand (1,000) school desks to various schools in Luapula and Lusaka provinces at a total cost of K550,761,869. However, it was observed that the desks supplied were of wrong specifications in that they were too low for high school pupils.

b. Provinces

i. Filling of Walls in Portal frames Classrooms Blocks

In March 2007, the Ministry disbursed amounts totalling K5,050,000,000 to various DEBS in four (4) provinces namely Northern, Luapula, Central and Copperbelt for the completion of portal frames classroom at eighty five (85) schools under their charge.

Inspections at the schools carried out in June 2008 revealed that while the filling of the portal frames were done, there were outstanding works of plastering.

ii. Contract No MOE/BESSIP/01/06 for the Supply and Installation of Photo Voltaic Systems for Electrification of Primary Schools

In May 2006, the Ministry of Education engaged Photo Energy Systems Limited to install Photo Voltaic Equipment for solar power at eighty-four (84) basic schools in various districts of the Copperbelt, Northern, North-Western, Western, Southern, Eastern, Central, Lusaka and Luapula Provinces at a contract price of US\$ 1,470,159 with a completion period of 18 weeks. According to the specifications in the contract, the contractor was to install the solar systems in seventy-five (75) 1x3 and fourteen (14) 1x2 classroom blocks and two hundred and seventy-seven

(277) staff houses, provide training to the users and supply spares. The equipment was to be installed as indicated in the table below:

As of June 2008 amounts totaling US\$1,249,636 representing 85 percent of the contract price had been paid to the contractor leaving a balance of a US\$ 220,523.

Inspections of the Photo Voltaic Systems Equipment installations carried out in selected provinces revealed that equipment costing US\$206,395 had either not been delivered, accounted for or installed as shown in the table below:

DEBS	Amount US\$	Comment
Kaputa	28,729	Equipment not delivered
Isoka	24,139	Equipment not delivered
Chavuma	2,523	Equipment not accounted for
Zambezi	23,184	Equipment not delivered
Kabompo	11,932	Equipment not delivered
Chadiza	11,932	Faulty Equipment not replaced
Chipata	2,523	Solar panel stolen
Mongu	13,070	System not installed
Kaoma	7,234	System not installed
Senanga	36,851	Equipment not delivered
Shangombo	44,278	Equipment not delivered
Total	206,395	

Further, contrary to the provisions of the contract, the supplier had not provided adequate training to the users of the systems.

iii. Unutilized Funds

In January 2007, the Ministry released amounts totalling K23,957,831,348 to twenty seven (27) districts in the six (6) provinces for the procurement of Grade 3, 4, 6 and 7 text books. A scrutiny of records pertaining to the procurement of the books in the eighteen (18) districts revealed that a total of K19,507,737,455 disbursed to the districts had not been utilized as of June 2008 as detailed in the table below:

	District	Amount Released K	Amount Utilized K	Unutilized Balance K
	Northern	1,793,803,405	-	1,793,803,405
1	Kasama	327,960,042	-	327,960,042
2	Kaputa	100,218,348	-	100,218,348
3	Mporokoso	172,231,532	-	172,231,532
4	Chinsali	288,652,846	-	288,652,846
5	Mpika	385,270,534	-	385,270,534
6	Luwingu	173,281,724	-	173,281,724
7	Mpulungu	91,066,672	-	91,066,672
8	Mbala	255,121,707	-	255,121,707
	North Western	3,900,970,700	1,921,443,818	1,979,526,882
9	Solwezi	1,427,076,906	509,500,319	917,576,587
10	Kabompo	599,559,656	410,691,851	188,867,805
11	Mufumbwe	383,886,203	237,997,000	145,889,203
12	Kasempa	565,959,956	101,485,676	464,474,280
13	Mwinilunga	924,487,979	661,768,972	262,719,007
	Luapula	2,525,976,055	322,086,359	2,203,889,696
14	Milenge	277,272,701	49,991,400	227,281,301
15	Mwense	913,526,670	162,990,759	750,535,911
16	Samfya	1,335,176,684	109,104,200	1,226,072,484
	Western	3,665,366,843	1,321,903,677	2,343,463,166
17	Kaoma	1,196,657,865	450,987,027	745,670,838
18	Mongu	1,254,201,901	709,669,250	544,532,651
19	Senanga	614,157,173	105,223,000	508,934,173
20	Lukulu	225,293,719	33,883,900	191,409,819
21	Shangombo	375,056,185	22,140,500	352,915,685
	Southern	2,244,891,179	-	2,244,891,179
22	Mazabuka	1,522,470,767	-	1,522,470,767
23	Kazungula	722,420,412	-	722,420,412
	Lusaka	9,826,823,166	884,660,039	8,942,163,127
24	Lusaka	7,210,225,325	179,251,300	7,030,974,025
25	Kafue	1,091,189,936	305,674,800	785,515,136
26	Chongwe	1,334,320,214	262,606,400	1,071,713,814
27	Luangwa	191,087,691	137,127,539	53,960,152
		23,957,831,348	4,450,093,893	19,507,737,455

Enquiries with various District Education Board Secretary (DEBS) in the districts revealed that the guidelines for the procurement of books were not clear in that there were old guidelines that had not been renewed.

iv. Construction of DEBS Offices

During the period from May to September 2007, the Ministry disbursed funds totalling K5,895,000,000 for either completion or the construction of new DEBS offices to various districts.

An examination of records pertaining to the utilization of the funds and a physical inspection of the projects in selected districts carried out in November 2008 revealed that where-as most of these projects were

supposed to be completed by May 2008, works were still outstanding as shown below:

District	Amount on BOQ K	Amount Received K	Amount Spent K	Status
Kasama	380,996,000	300,000,000	287,375,360	Wall plate level
Mpulungu	380,996,000	300,000,000	210,765,300	Flooring and Fittings outstanding
Zambezi	380,996,000	300,000,000	211,306,170	Works progressing well
Lusaka	380,996,000	300,000,000	-	Works had not commenced
Kafue	380,996,000	300,000,000	257,879,814	Works progressing well
Mansa	487,000,000	300,000,000	180,120,750	Works progressing well
Senanga	-	150,000,000	129,019,500	Slab level
Masaiti	343,899,300	300,000,000	163,293,500	Wall plate level
Lufwanyama	352,976,400	300,000,000	231,588,500	Wall plate level

It was further observed that whereas the bills of quantities obtained from the building department for the completion of a standard DEBS office ranged between K380,996,000 and K487,000,000, the amount funded for each project was K300,000,000 which was inadequate to complete the structures.

c. Grants to Education Boards

During the period under review, a total amount of K105,840,929,236 was disbursed by the Ministry headquarters to various provinces as grants.

An examination of financial and other records maintained in the provinces, districts and schools carried out in June 2008 revealed the following:

i. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K372,368,380 issued to various officers during the period under review had not been retired as of June 2008 as shown in the table below:

	Unretired Imprest
Northern	59,238,669
Kasama	11,940,000
Mporokoso	12,216,000
Chinsali	21,280,000
Isoka	7,992,669
Mbala	5,810,000
Central	3,645,000
K/Mposhi	3,645,000
N/Western	69,724,628
Solwezi	69,724,628
Lusaka	135,925,600
Lusaka	16,600,000
Luangwa	119,325,600
Eastern	9,979,678
Chipata	9,979,678
Western	25,034,788
Mongu	25,034,788
Southern	68,820,017
PEO	68,820,017
	372,368,380

ii. **Unaccounted for Stores**

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items costing K751,527,880 procured during the period under review as detailed below:

Province	Cost K
Northern	312,815,360
Kasama DEBS	273,360,360
Malanshi B. School	2,600,000
Kaputa DEBS	8,615,000
Mporokoso DEBS	28,240,000
Lusaka	15,542,000
Luangwa DEBS	15,542,000
Western	101,058,444
Kaoma H. School	15,511,440
Mongu DEBS	18,641,874
Shangombo DEBS	66,905,130
Southern	322,112,076
Mazabuka DEBS	146,707,450
Siavonga DEBS	175,404,626
Total	751,527,880

iii. Unvouched Expenditure

Contrary to Financial Regulation No.45, there were various payments in amounts totalling K124,867,508 that were unvouched in that the payment vouchers were either missing (K95,664,008), unacquitted (K20,777,000) or inadequately supported (K8,426,500) by relevant documentation such as invoices, receipts and acquittal sheets as shown in the table below:

Province	Missing Payment Vouchers K	No. of Payments	Unsupported Payments K	No. of Payments	Unacquitted Payments K	No. of Payments	Total
Lusaka	-	-	3,026,500	3	20,777,000	12	23,803,500
Chongwe DEBS	-	-	-	-	-	-	-
Luangwa DEBS	-	-	3,026,500	3	20,777,000	12	23,803,500
Luapula	39,766,115	1	5,400,000	1	-	-	45,166,115
PEO	33,495,740	1	5,400,000	1	-	-	38,895,740
Kunda Mfumu B. School	6,270,375						6,270,375
Copperbelt	28,492,100	7	-	-	-	-	28,492,100
PEO	28,492,100	7	-	-	-	-	28,492,100
Southern	27,405,793	18	-	-	-	-	27,405,793
Mazabuka DEBS	27,405,793	18	-	-	-	-	27,405,793
Total	95,664,008	26	8,426,500	4	20,777,000	12	124,867,508

d. Infrastructure Development

i. Central Province

- **Unaccounted for Infrastructure Development Funds - Caritas Girls High School**

According to a schedule of disbursement from Ministry of Education Headquarters, a total of K200,000,000 was disbursed to Caritas Girls High School for infrastructure development. As of October 2008, the funds had not been received by the school.

- **Chipembi Girls High School - Undelivered Lockers**

In June 2007, the Ministry of Education headquarters paid Monarch Steel Ltd K19,380,000 for supply of twenty (20) double compartment lockers to Chipembi Girls High School. As of October 2008, the lockers had not been delivered to the school.

- **Chibombo High School - Non-Functional Boreholes**

In paragraphs 40 and 61 of the Auditor-General's Reports on the accounts for the financial years ended 31st December 2005 and 2006 respectively, mention was made of the K88,000,000 paid by Ministry of Education Headquarters to a local drilling company for the drilling of two (2) boreholes, installation of two (2) water pumps together with pipes and to build two (2) pump houses. Another K15,000,000 was paid to the same company for the rehabilitation of the water tank at the school that brought the total amounts paid to K103,000,000.

A review of records and a follow up visit to the school in June 2008 revealed that in addition to the K148,000,000 already reported as wasteful expenditure incurred on the drilling project, a further sum of K52,312,750 was paid to another driller to carry out works on the same boreholes as follows:

- pump test existing three boreholes and install a hand pump on one of them
- supply and install a two (2) horse power pump with accessories;
- realign and re route the pipeline and install new outlet

However, the water supply at the school had not improved.

- **Nabuyuni Basic School**

A total of K86,000,000 was provided for the construction of a 1x2 classroom block in 2005 at Nabuyuni Basic school. Enquiries and a site visit to the project in November 2008 revealed the following:

- The school did not maintain accounting records to show how the funds totaling K 86,000,000 were utilized.
- The bill of quantity and contract agreement entered into was not made available for audit scrutiny.
- The glass panes were cut to wrong specifications and as a result they could not fit in the window frames.
- The project has not been completed since 2005 as can be seen in the picture below:



In her response dated 6th October 2008, the Controlling Officer stated that it was true that the school did not maintain accounting records to show how funds totalling K86,000,000 were spent and that the reason for this kind of scenario was that money was being administered at the district office and as such all the relevant accounting documents were maintained at the district office which was under investigations.

ii. Lusaka Province

• Chongwe High School

In September 2006, the Ministry of Education released amounts totalling K600,000,000 to Chongwe High School for rehabilitation of twenty-eight (28) hostels.

On 14th February 2008, a labour only contract was signed between Ministry of Education and GMB General Contractors for rehabilitation of 28 hostels at Chongwe high school at a contract price of K120,000,000 with a completion period of six months.

The rehabilitation works included carpentry, brick work, Painting, grazing, electrical and plumbing with an execution period of six (6) months. As of November 2008 a total of K529,383,032 had been spent leaving a balance of K70,616,000.

An examination of the accounting records at the school revealed that there were delays in the utilizing of funds in that it took sixteen (16) months from the time the funds for the rehabilitation of hostels were received to the time when the contractor was engaged. In her response dated 6th October 2006, the Controlling Officer stated that the delay was due to late approval of tender documents.

A site visit revealed that out of the twenty-eight (28) hostels, only nineteen (19) had been completed, while the remaining nine (9) hostels had not been completed with works such as Carpentry works, painting, glazing and plumbing still outstanding. In her response, the Controlling Officer stated that these works (painting, glazing and plumbing) are still in progress.

- **Zambia Institute of Special Education (ZAMISE)**

In June 2007, the Ministry of Education released K130,000,000 for construction of a 1x3 classroom block at the Zambia Institute of Special Education.

A site visit in November 2008, revealed that no works had been done and enquiries revealed that the funds were still held in a bank account.

In her response dated 6th October 2008, the Controlling Officer indicated that she had issued a directive that the money be held until additional funds were sourced as the Ministry intended to build more infrastructure at that institution.

- **David Kaunda Technical School**

In February 2007, the Ministry of Education released K100,000,000 to David Kaunda Technical High School for rehabilitation of the girls' two storey dormitory block which had developed cracks to the extent that the first floor and the ablution block were no longer in use. The huge cracks were caused by leakages from water pipes which were built into the wall structure.

A site visit in November 2008 revealed that no works had been done and the funds were still held in the bank account over a year after being received.

In her response dated 6th October 2008, the Controlling Officer indicated that the works could not commence because the project to be undertaken was not handed over to the contractor and that arrangements were being made by the Ministry to hand over the project.

iii. Luapula Province - Infrastructure

• **Chembe High School**

During the period from July 2006 to February 2008, the school received amounts totalling K185,000,000 from the Provincial Education Office for the construction of a 1x3 classroom block. In this regard, in September 2006, a labour contract for the construction of the 1x3 classroom block was signed with Sinaju General Dealers for a sum of K25,000,000. According to the contract, the contractor was also to supply the materials depending on the availability of funds.

As of May 2008, amounts totalling K176,295,000 had been spent on the project leaving a balance of K3,500,000. However, works were still incomplete while the estimated cost had increased from K150,000,000 in 2006 to K248,000,000 in 2008.

• **Mwense Education Board Office - Construction of VIP Latrine**

In 2007, the District Tender Committee awarded to Sinaju General Dealers of Mansa a contract for the construction of four (4) VIP latrines at Chalwe Basic School at a contract sum of K28,492,000. A scrutiny of records and a site visit on 4th June 2008 revealed the following:-

- The contract document was not availed for making it not possible to determine the start and completion dates;
- The contractor only constructed three VIP latrines and no explanation was given for the failure to build the fourth latrine.

UNIT: **3 Chipata District Education Board**
 5 Lundazi District Education Board
 6 Mambwe District Education Board

PROGRAMMES: **Various**

ACTIVITIES: **Various**

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, provisions totalling K1,253,163,027 were made to cater for Recurrent Departmental Charges (RDCs) at Chipata, Lundazi and Mambwe District Education Boards, out of which amounts totalling K820,401,235 were released as shown in the table below:-

Station	Budget K	Released K	Variance K
Chipata District Education Board	385,252,509	242,821,143	142,431,366
Lundazi District Education Board	465,976,596	293,623,725	172,352,871
Mambwe District Education Board	401,933,922	283,956,367	117,977,555
Total	1,253,163,027	820,401,235	432,761,792

41. Weakness in Accounting for Funds and Stores

An examination of financial and other related records at Chipata, Lundazi, and Mambwe District Education Boards carried out in May 2008 revealed the following:

a. Chipata District Education Board

i. Unaccounted for Housing Allowances

Unclaimed housing allowances amounting to K39,420,000 were not accounted for in that there was no evidence of banking and no cash was found on hand as at 28th May 2008.

ii. Failure to Follow Tender Procedures - Repair of Motor Vehicles

Two motor vehicles, a Toyota Condor registration No. GRZ 409 BV and a Toyota Land Cruiser GX registration No. GRZ 477BM were taken to De Serra Auto in Lusaka in April and November 2007, for repairs and servicing at a total cost of K87,101,789 (Toyota Condor

registration number GRZ 409 – K42,829,225 and Toyota Land Cruiser registration number GRZ 477BM – K44,272,560) without tender authority.

iii. Unaccounted-for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K185,550,500 purchased during the period under review.

b. Lundazi District Education Board

Unaccounted-for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K128,740,032 purchased during the period under review. Included in the stores items was fuel costing K20,565,032 which was drawn without issuing fuel coupons and was not recorded in the motor vehicle log books.

In addition, fuel costing K13,450,010 was drawn by vehicles that did not belong to the Board.

c. Mambwe District Education Board

Unaccounted-for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K66,473,580 purchased during the period under review.

UNIT: 4 **Kasempa District Education Board**

PROGRAMMES **Various**

ACTIVITIES **Various**

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K517,067,617 was made for Kasempa District Education Board. However, the Ministry of Education disbursed a total amount of K858,539,000 to the Board, K341,471,383 in excess of the budgeted amount.

42. Irregular purchase of a House and Other Irregularities

An examination of financial and other records maintained at the Board and a site inspection of the projects carried out in April and August 2008 revealed the following:

a. Irregular purchase of a House

In February 2007, DEBS purchased a house from an administrator (Mr Konayuma) of a deceased civil servant at a price of K27,000,000. The sitting tenant had died before accepting the offer which Government had given to him for K5,220,000. At the time the DEBS was buying the property the administrator had no title to it. In addition, there was no provision in the budget for purchase of a house. In this regard, the payment of K27,000,000 to Mr Konayuma who had no title to the property was irregular and the money recoverable.

Further, though records indicated that K19,584,500 was spent on the renovations, the house was still in a dilapidated state as can be seen from the pictures below:



The Dilapidated House and Servant's Quarters purchased by DEBS

b. Unsupported/Inadequately Supported Payments

Contrary to Financial Regulation No.45(2), there were two (2) payments amounting to K6,795,000 which were either unsupported or inadequately supported in that the vouchers lacked supporting documents such as receipts and invoices.

c. Unretired Imprest

Contrary to Financial Regulation No.96, imprest in amounts totalling K92,574,500 issued to ten (10) officers involving seventeen (17) transactions had not been retired as of July 2008.

**HEAD: 85/01 MINISTRY OF LANDS
HUMAN RESOURCES AND ADMINISTRATION**

UNIT: 4 Planning and Information

PROGRAMME: 15 Disbursement of Land Development Fund - (PRP)

ACTIVITIES: Various

The Land Development Fund (LDF) was established by the Lands Act No. 29 of 1995. The Fund which operates as a revolving fund, is aimed at assisting City, Municipal and District Councils open up new areas for development. The sources of funds for the Fund are:

- Monies appropriated by Parliament
- 75% of revenue collected from alienation of land
- 50% of revenue collected from ground rent

In the Estimates of Revenue and Expenditure for the financial ended 31st December 2007, a provision of K2,276,400,005 was made for the Fund. However, no funding was received from Ministry of Finance and National Planning and from alienation of land while K5,230,711,919 was received from ground rent collections. In addition, K1,351,205,598 was brought forward from the previous year bringing the total funds available to K6,858,317,522. In this regard, a total amount of K5,344,467,000 was disbursed to sixteen (16) Councils, K103,715,420 was spent at the Ministry Headquarters while the balance of K1,410,135,102 remained in the bank account.

43. Weaknesses in Accounting and Other Irregularities

An examination of financial and other records maintained at the Ministry headquarters and visits to selected Councils carried out in July 2008 revealed the following:

a. Underfunding

Contrary to Part III Section 16 (c) of the Lands Act No. 29 of 1995, although the Ministry collected a total amount of K13,227,738,560 as ground rent, only K5,230,711,919 was transferred to the Fund instead of K6,613,869,280 resulting in a shortfall of K1,383,157,361.

b. Non Submission of Expenditure Returns and Progress Reports

According to the LDF guidelines, beneficiary council are required to submit expenditure returns and reports to the Ministry Headquarters quarterly. However, contrary to the guidelines, sixteen (16) Councils which received a total amount of K5,344,467,000 had not submitted both expenditure returns and progress reports as shown in the table below:

Council	Amount K
Chingola	500,000,000
Mwinilunga	700,000,000
Senanga	500,000,000
Mongu	500,000,000
Mumbwa	64,000,000
Nakonde	300,000,000
Masaiti	700,000,000
Kasama	77,860,000
Solwezi	147,000,000
Chibombo	195,000,000
Kabwe	100,000,000
Shangombo	500,000,000
Luangwa	500,000,000
Lufwanyama	90,607,000
Zambezi	120,000,000
Petauke	350,000,000
Total	5,344,467,000

c. Disbursements of Funds to Councils without LDF Accounts

Contrary to LDF guidelines which required beneficiary councils to open an account before funds could be disbursed, amounts totalling K914,000,000 were disbursed to three (3) councils which had not opened separate LDF accounts as shown in the table below:

Council	Amount K
Mumbwa	64,000,000
Luangwa	500,000,000
Petauke	350,000,000
Total	914,000,000

d. Misapplication of Funds

Contrary to the Appropriation Act of 2007, out of a total amount of K2,700,000,000 disbursed from the Fund to five (5) councils for various projects, amounts totalling K953,086,429 were applied on unrelated activities such as payment of salaries and allowances among others. As of June 2008, only K178,000,000 had been reimbursed leaving a balance of K775,086,429 as shown below:-

Council	Amount Received (K)	Amount Misapplied (K)	Reimbursed (K)	Balance (K)
Chingola	500,000,000	332,392,900	178,000,000	154,392,900
Mpika	500,000,000	264,384,033	-	264,384,033
Lukulu	500,000,000	189,128,000	-	189,128,000
Mwinilunga	700,000,000	77,206,496	-	77,206,496
Mongu	500,000,000	89,975,000	-	89,975,000
Total	2,700,000,000	953,086,429	178,000,000	775,086,429

HEAD: 89 MINISTRY OF AGRICULTURE AND COOPERATIVES

UNIT: Various.

PROGRAMME: Various

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, provisions of K102,495,949,008 were made to cater for Recurrent Departmental Charges out of which amounts totalling K83,334,409,436 were released.

44. Weaknesses in Accounting for Funds and Other Irregularities

An examination of financial and other related records maintained at Ministry Headquarters carried out in March 2008 revealed the following:

a. Unvouched Expenditure

Contrary to Financial Regulation No. 45, there were one hundred and thirty six(136) payments in amounts totalling K2,349,305,039 that were unvouched in that the payment vouchers were either missing (K67,625,189), inadequately supported (K1,392,983,806) or unacquitted (K956,321,233).

b. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K100,750,031 involving thirty nine (39) transactions issued during the period under review had not been retired as of June 2008.

It was further, observed that contrary to Financial Regulation No. 91 (1), there were payments of subsequent accountable imprest in amounts totalling K6,915,158,073 issued to thirty-four (34) officers before retiring the previous amounts.

c. Failure to Provide Tour Reports

In 2007, amounts totalling K1,728,381,900 involving seventy-two (72) transactions were obtained for various tours for which officers were supposed to produce tour reports on their return from the assignments.

It was however, noted that out of the K1,728,381,900 paid out, imprests amounting to K150,500,000 were retired without submission of the tour reports.

d. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K163,000,000 purchased during the period under review.

e. Undelivered Laboratory Sinks

In January 2007, an amount of K28,000,000 was paid to Mwejo Enterprises for the supply of laboratory sinks to Mazabuka Veterinary Research Institute. A review of records revealed that laboratory sinks had not been delivered as of August 2008, twenty (20) months after payment.

In his response dated 1st December 2008, the Controlling Officer stated that it was regrettable that the sinks had not been delivered and that he would summon the supplier so that they could map out a strategy on the way forward.

f. Weaknesses in the Management of Motor Vehicles

- A Mitsubishi Pajero, registration no. GRZ 993 BN for the department of Planning and Policy was taken to a garage, Genuine Auto Tech on 24th December 2005 for engine overhaul and a payment of K17,644,823 was made on 20th December 2005 for the works. However, as of July 2008, the vehicle was still at the garage and repairs had not been completed.
- A motor vehicle, registration no. GRZ 520BN was taken to a garage, Brika Automotive Service on 14th July 2006 for fixing the suspension system and panel beating at a sum of K18,000,000 out of which K15,000,000 was paid in September 2007. However, as of July 2008 the works had not been completed.

HEAD:	89/04	MINISTRY OF AGRICULTURE AND COOPERATIVES AGRICULTURE DEPARTMENT
UNITS:	6	Irrigation
	7	Land Husbandary
PROGRAMMES:	8	Water Resource Development for Irrigation
	16	Rural Investment Fund
	14	Commercialisation of Agricultural Land Farm Blocks
ACTIVITIES:	01	Rehabilitation and Construction of Dams and Weirs
	06	Construction of Fish Ponds
	01	Infrastructure Surveys and Construction at Nansanga
	02	Infrastructure Surveys and Construction at Luena

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K8,795,000,000 was made to cater for the Rehabilitation and Construction of Dams and Weirs, Construction of Fish Ponds, Infrastructure Surveys and Construction at Nansanga and Luena out of which a total of K6,715,582,692 was released by the Ministry of Finance and National Planning.

45. Weaknesses in Accounting for Irrigation and Land Husbandry Programmes (RIF) – PRP

An examination of financial and other records maintained at Ministry Headquarters carried out in 2008 revealed the following:

a. Outstanding Works on Rehabilitation of Canals

i. Lukulu North Irrigation Canal

In January 2007, the Provincial Agricultural Office embarked on rehabilitation of Lukulu North irrigation canal located in Kasama District. The works involved casting of the concrete in the canal floor, construction of the culverts in the crossing structure and building on the site of the canal masonry stones.

According to the bill of quantities, the works were estimated at K229,825,000. As of July 2008, amounts totalling K204,707,500 had been spent on the project. However, a site inspection carried out in July 2008 revealed that construction of culverts in the crossing structures had not been done.

ii. Mulumbi Irrigation Canal

In 2005, the Provincial Agricultural Office embarked on rehabilitation of Mulumbi irrigation canal. The works involved casting of the concrete in the canal floor, plastering of the canal side walls and construction of the lining of the 1.2 kilometres.

According to the bill of quantities, the works were estimated at K86,500,000. As of October 2007, an amount of K71,500,000 had been spent. However, a site inspection carried out in July 2008 revealed that construction of lining of the 1.2 kilometres had not been done.

b. Nabuyani Dam-Kalomo

In 2007, the Provincial Agricultural Office embarked on rehabilitation of Nabuyani dam. The works involved casting a concrete apron across the spill way, healing of the gullies with earth materials, construction of the training

wall, placing a rip-rap inlet collar at the upstream of the training wall and planting runner grass at the base of the spill way. According to the bill of quantities the works were estimated at K117,800,000. As of October 2007, amounts totalling K120,440,000 had been received and K106,591,500 spent on the project. However, a site inspection carried out in July 2008 revealed that the gullies on the spill way and vertiver grass had been washed away.

c. Questionable Contract

According to government procedures, any Ministry or Spending Agency seeking to enter into a financial contract with a private institution should obtain authority from the Secretary to the Treasury. Contrary to this requirement however, the Ministry of Agriculture and Cooperatives entered into a contract with Micro Bankers' Trust (MBT) to manage government funds and disbursed a total of K2,033,000,000 through the Rural Investment Fund (RIF) to facilitate loan payments to small scale farmers.

According to the contract dated 24th July 2006 and an addendum dated 27th August 2007 for peri-urban farmers, Micro Banker Trust was supposed to manage K 1,850,000,000. It was however observed that the Ministry disbursed a total of K2,000,000,000 to MBT to manage contrary to the terms and condition of the agreement.

d. Nasanga Farm Block

Failure to Construct Bridges

Although K1,772,374,230 was released for the construction of three (3) bridges at Luombwa, Nyamanda and Ifuna, a visit to the sites in July 2008 revealed that the bridges had not been done, thirteen (13) months after the funds had been released to National Road Fund Agency. See pictures below:



Luombwa Bridge



Nyamanda Bridge



Ifuna Bridge

e. Failure to Construct Roads and Bridges - Luena Farm Block

Although K2,300,000,000 was released for the rehabilitation of two (2) roads and bridges at Mushota-Chibote and Chibote-Chama roads, a visit to the sites in July 2008 revealed that the roads and bridges had not been done, thirteen (13) months after the funds had been released to the National Road Fund Agency. See pictures below:



Mushota-Chibote Road



Chisembe Road

HEAD: **89/06 MINISTRY OF AGRICULTURE AND
COOPERATIVES
VETERINARY AND LIVESTOCK DEVELOPMENT
DEPARTMENT.**

UNITS: **1 Management and Coordination
2 Veterinary Services.
7 Livestock Production & Extension**

PROGRAMMES: **2 General Administration
8 Animal Disease Control.
15 Management and Coordination**

ACTIVITIES: **Various**

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K6,459,096,772 was made to cater for various activities out of which amounts totalling K5,984,705,397 were released.

46. Weaknesses in Accounting for PRP Funds - Animal Disease Control

An examination of financial and other records maintained by the Ministry Headquarters and site visits to selected districts carried out in July 2008 revealed the following:

a. Failure to Follow Tender Procedures.

An amount of K609,000,000 was paid in July 2008 to Centre for Ticks and Tick-borne Disease of Malawi for the supply of 58,000 ECF vaccine doses. However, records reviewed indicated that the Centre was selected without following tender procedures.

b. Unaccounted for Stores

In paragraph 35 of the Auditor General's Report on the accounts for the financial year ended 31stDecember 2004, mention was made of the weaknesses in the custody of veterinary vaccines. In particular, mention was made on the lack of proper receipt and disposal records for 150,200 doses of vaccines costing K1,099,973,297.

A review of the situation in July 2008 revealed that there was no improvement in that contrary to Public Stores Regulation No. 16, there were no receipt and disposal details for 58,000 ECF vaccine doses costing K609,000,000 and Contagious Bovine Pleuropneumonia (CBPP) materials costing K1,273,508,004 procured during the period under review.

**HEAD: 89/08 MINISTRY OF AGRICULTURE AND
COOPERATIVES
FISHERIES DEPARTMENT**

UNIT: 1 Management and Coordination

PROGRAMMES: Various

ACTIVITIES: Various

In the Estimates for Revenue and Expenditure for the financial year ended December 2007, a provision of K1,204,445,335 was made to cater for various programmes under the Management and Coordination Unit out of which amounts totalling K947,812,006 were released leaving a balance of K256,633,329.

47. Accounting and Other Irregularities

An examination of financial and other records and a review of an Internal Audit report dated 24th November 2007 carried out in November 2008 revealed the following:

a. Unauthorised Expenditure

There were payments in amounts totalling K1,006,435,784 involving eighty eight (88) transactions that were paid without authority.

b. Unsupported Payments

Contrary to Financial Regulation No.45(2), there were twenty seven (27) payments in amounts totalling K90,664,152 that were not supported by approved leave forms, claim forms and transfer letters.

c. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K264,080,360 purchased during the period under review.

d. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K567,023,580 involving fifty seven (57) transactions issued during the period under review had not been retired as of November 2008.

HEAD: 89/ MINISTRY OF AGRICULTURE AND COOPERATIVES

**26 EASTERN PROVINCE - PROVINCIAL AGRICULTURE
COORDINATING OFFICE**

27 DISTRICT AGRICULTURE COORDINATING OFFICE

UNIT: Various

PROGRAMMES: Various

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the year ended 31st December 2007, a provision of K11,315,874,903 was made to cater for various programmes and activities at Chipata Provincial Agriculture Coordinating Office. In this regard, K10,574,158,999 was

released by Ministry of Finance and National Planning (MoFNP) resulting into under funding of K741,715,904.

In addition, there was an amount of K4,559,020,799 provided for the five (5) District Agriculture Coordinating Offices out of which an amount of K3,585,833,179 was released as shown in the table below:

District	Provision	Funding	Variance
Chipata	1,013,921,314	827,382,054	186,539,260
Petauke	1,001,783,611	785,854,441	215,929,170
Katete	905,464,981	713,168,550	192,296,431
Lundazi	911,639,510	665,295,454	246,344,056
Mambwe	726,211,383	594,132,680	132,078,703
			-
Total	4,559,020,799	3,585,833,179	973,187,620

48. Accounting and Other Irregularities

An examination of financial and other related records maintained at the Provincial Agriculture Coordinating Office and a visit to the five (5) districts revealed the following:

a. Provincial Agricultural Coordinating Office (PACO)

i. Missing Payment Vouchers

Contrary to Financial Regulation no.10 (n) ninety five (95) payment vouchers in amounts totalling K181,425,320 were not made available for audit.

In addition, there were four (4) unused cheque leaves bearing serial numbers 000001, 000002, 000003 and 000004 which were also not produced for audit.

ii. Unretired Imprests

Imprests in amounts totalling K527,813,967 involving one hundred and thirty three (133) transactions issued to various officers during the period under review had not been retired as of August 2008 contrary to Financial Regulation No. 96 (1).

iii. Unrecovered Salary Advances

Contrary to Terms and Conditions of Service for Public Service, salary advances in amounts totalling K15,924,000 involving twenty eight (28) transactions paid to staff between January and November 2007 had not been recovered as of August 2008.

iv. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K89,187,093.

b. District Agriculture Coordinating Office (DACO) - Chipata

i. Unaccounted For Funds

Amounts totalling K6,252,726 meant for HIV/AIDS and Gender Sensitization activities were not accounted for in that there were no expenditure details to indicate how the funds were utilised.

ii. Unretired Imprests

Contrary to Financial Regulation No. 96 (1), imprest in amounts totalling K136,625,000 involving forty (40) transactions issued to various officers during the period under review had not been retired as of August 2008.

iii. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K60,257,300.

c. District Agriculture Coordinating Office - Petauke

i. Unretired Imprests

Contrary to Financial Regulation No. 96 (1), imprests in amounts totalling K39,755,000 involving thirteen (13) transactions issued to various officers during the period under review had not been retired as of August 2008.

ii. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K36,990,000 purchased between March and December 2007. Included in this amount was fuel and lubricants costing K26,945,000.

d. District Agriculture Coordinating Office - Katete

i. Unretired Imprests

Contrary to Financial Regulation No. 96 (1), imprests in amounts totalling K39,565,000 involving fifteen (15) transactions issued to various officers during the period under review had not been retired as of August 2008.

ii. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items including furniture, fuel and spare parts costing K64,714,554.

iii. Missing Payment Vouchers

Contrary to Financial Regulation No. 10(n), there were twelve (12) payment vouchers in amounts totalling K40,420,000 that were not produced for audit.

e. District Agriculture Coordinating Office - Lundazi

i. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K71,552,460 purchased between March and December 2007. Included in the unaccounted for stores was fuel and other lubricants costing K32,315,960. In addition, fuel costing K1,749,549 involving ten (10) transactions was drawn by vehicles that did not belong to the DACO.

ii. Unretired Imprests

Contrary to Financial Regulation No. 96 (1), imprests in amounts totalling K47,934,130 involving twenty (20) transactions issued to various officers during the period under review had not been retired as of August 2008.

f. District Agriculture Coordinating Office - Mambwe

i. Unretired Imprests

Contrary to Financial Regulation No. 96(1), imprests in amounts totalling K80,954,750 involving thirty four (34) transactions issued to various officers during the period under review had not been retired as of August 2008.

ii. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K27,448,000 purchased in November and December 2007.

HEAD: 90 OFFICE OF THE PRESIDENT
LUSAKA PROVINCE

UNIT: 01 Human Resources and Administration

PROGRAMMES: Poverty Reduction Programmes (PRP)

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the year financial year ended 31st December 2007, a provision of K9,406,630,481 was made to cater for Poverty Reduction Programmes out of which a total amount of K8,177,055,575 was released leaving a balance of K1,229,574,906.

49. Weaknesses in Accounting for PRP Funds

An examination of financial and other records maintained at the Provincial Administration revealed the following:

a. Misapplication of funds

Contrary to the Appropriations Act of 2007, a total amount of K161,178,085 appropriated for PRP was applied on unrelated activities such as servicing of motor vehicles, purchase of fuel for district offices and payment of utility bills. As of April 2008 the money had not been refunded to the PRP account.

b. Unacquitted Payments

Contrary to Financial Regulation No.45, payments of wages and allowances in amounts totalling K96,971,889 were not supported by acquittal sheets and no cash was found on hand.

c. Unretired Imprest

Contrary to Financial Regulation No. 96 (1), imprests in amounts totalling K288,629,178 issued to fifty eight (58) officers involving seventy nine (79) transactions during the period from April to December 2007 had not been retired as of April 2008.

d. Unaccounted for Stores

There were no receipt and disposal details for stationery and other stores items costing K80,446,470 purchased during the period from September to December 2007, contrary to Public Stores Regulations No.16.

**HEAD: 91/01 OFFICE OF THE PRESIDENT,
COPPERBELT PROVINCE - HEADQUARTERS**

UNIT: 1 Human Resources and Administration

PROGRAMME: 21 Infrastructure Development (PRP)

**ACTIVITIES: 02 Monitoring and Evaluation
03 Construction of Staff Houses for Provincial Staff**

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K1,559,226,616 was made to cater for Infrastructure Development in the province, out of which a total amount of K1,259,742,234 was released leaving a balance of K299,484,382.

Activity	Budget (K)	Released (K)	Variance (K)
02.Monitoring and Evaluation	260,000,000	251,860,042	8,139,958
03.Construction of Staff Houses for Provincial staff	1,299,226,616	1,007,882,192	291,344,424
Programme Total	1,559,226,616	1,259,742,234	299,484,382

50. Failure to Account for Funds – Construction of Staff Houses

An examination of financial and other records maintained at the Provincial Administration carried out in March 2008 revealed that, although an amount of K1,259,742,234 was released for the activities, actual expenditure of K1,617,227,133 was incurred as reflected in the financial statements resulting in excess expenditure of K357,484,899. However, contrary to Financial Regulation No. 10 (n), expenditure details relating to the activities were not produced for audit and inquiries made with the Permanent Secretary proved futile as no responses were provided.

A physical inspection of the project sites carried out in August 2008 revealed that the houses had not been constructed.

**HEAD: 91/01 OFFICE OF THE PRESIDENT
COPPERBELT PROVINCE - HEADQUARTERS**

UNIT: 1 Human Resources and Administration

PROGRAMME: 12 Education Services (PRP)

ACTIVITY: 04 Provision of High School Requisites

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K466,000,000 was made to cater for the provision of high school requisites and the whole amount was released to the Provincial Administration.

51. Irregularities in Accounting for High School Requisites

An examination of financial and other records carried out in March 2008 at the Provincial Administration revealed the following:

a. Unvouched Expenditure

Contrary to Financial Regulation No. 45, payments in amounts totalling K202,106,261 made during the period under review were unvouched in that the payment vouchers were either missing or unsupported by documentation such as invoices and cash sale receipts among others.

b. Supply of Sub-Standard Furniture

A total amount of K158,004,000 was paid to Messrs Shizmok Wood and General Dealers Limited for the supply of five hundred and four (504) single student desks and five hundred and four (504) single student chairs and the furniture was delivered.

A physical inspection of the furniture supplied to schools carried out in April 2008 at seven (7) selected schools and inquiries made to school managers revealed that out of two hundred and fifty two (252) student chairs costing K28,980,000 and two hundred and fifty two (252) desks costing K49,896,000 supplied by the company, one hundred (100) chairs and eight (8) desks valued at K11,500,000 and K1,584,000 were damaged within one year of supply.

c. Unretired Imprest

Contrary to Financial Regulation No. 96, imprests in amounts totalling K37,200,000 issued to two (2) during the period from March to November 2007, had not been retired as of December 2008.

HEAD: 93 OFFICE OF THE PRESIDENT - NORTHERN PROVINCE

UNITS: 1 Various

PROGRAMMES: 2 General Administration

ACTIVITIES various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, provisions totalling K8,539,334,397 were made for Recurrent Departmental Charges (RDCs), out of which amounts totalling K7,614,204,714 were released leaving a balance of K925,129,683.

52. Accounting and Other Irregularities

An examination of financial and other records maintained at the provincial headquarters carried out in June 2008 revealed the following:

a. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K299,923,003 purchased during the period from January to December 2007.

b. Unretired Imprest

Contrary to the Financial Regulations No. 96, imprests in amounts totalling K353,531,708 involving one hundred and three (103) transactions issued to various officers during the period under review had not been retired as of June 2008.

c. Weaknesses in Accounting for Fuel.

There was poor record keeping in that fuel registers were not properly maintained, the fuel accounts were not being reconciled and refuellings were not entered in the log books. In this regard, fuels, oils and lubricants costing K607,009,599 procured in 2007 could not be verified.

d. Misapplication of Funds

According to the existing arrangements, Procurement and Supplies Unit under the Ministry of Works and Supply, is responsible for furnishing and maintenance of VIP houses. It was observed however that in 2006, the provincial administration spent a total amount of K108,008,250 to furnish the office and official residence of the provincial minister without treasury authority and involvement of the Ministry of Works and Supply. As of August 2008, the money had not been refunded.

e. Weaknesses in the Management of Transport

During the period under review, two motor vehicles GRZ 271BV and GRZ 256BX had been involved in two separate road accidents. It was however observed that at the time of the accident, the two (2) vehicles had not been insured. Contrary to the Standing Accidents Board guidelines, no police and loss reports had been processed as of December 2008.

**HEAD: 93/01 OFFICE OF THE PRESIDENT
NORTHERN PROVINCE - HEADQUARTERS**

UNIT: 1 Provincial Administration

PROGRAMME: Poverty Reduction Programmes (PRP)

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, provisions totalling K8,323,820,758 were made to cater for various PRP in the province out of which a total amount K6,334,224,171 was released leaving a balance of K1,989,596,587. In addition, there was an amount of K2, 471,256,759 brought forward from the previous year bringing the total amount available to K8,805,480,930.

53. Weaknesses in Accounting for Poverty Reduction Programme Funds (PRP)

An examination of financial and other records maintained at the provincial administration headquarters carried out in March 2008 revealed the following:

a. Misapplication of Funds

- i. During the period from January to April, 2007, the provincial administration transferred a total amount of K263,432,575 from PRP to finance day to day activities at the provincial headquarters. As of August 2008 the funds had not been reimbursed
- ii. During the period from February to November 2007, a total amount of K162,001,000 meant for monitoring PRP projects were applied on activities not related to PRP, such as payment of comprehensive insurance for vehicles, purchase of furniture, purchase of computers and imprest among others.

b. Failure to Follow Tender Procedures

In January and February 2007, the Provincial Administration purchased six (6) printers from a local supplier at a total cost of K150,000,000 without authority from the Provincial Tender Committee.

**HEAD: 93/52 OFFICE OF THE PRESIDENT - NORTHERN
PROVINCE DISTRICT ADMINISTRATION**

UNIT: 1 Human Resources and Administration

PROGRAMME: 7 Infrastructure Development (PRP)

ACTIVITY: 01 Infrastructure Development

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K614, 619,398 was made for Infrastructure Development and the amount was released in full.

54. Failure to Complete Projects

An examination of financial and other records maintained at the district administration offices and visits to the sites carried out in June and July 2008 revealed the following:

a. Inadequate Provision for Construction Works

Although the cost of constructing the three (3) office blocks was estimated at K1,046,765,678, only an amount of K614,619,398 was provided for in the Estimates of Revenue and Expenditure.

b. Failure to Complete Projects

As of July 2008, the works had stalled and the contractor had abandoned the site as shown in the pictures below:



Mpulungu District Commissioner's office at window level



Nakonde District Commissioner's



Incomplete Mungwi District Commissioner's office

HEAD:	94/09	OFFICE OF THE PRESIDENT WESTERN PROVINCE - BUILDINGS DEPARTMENT
UNIT:	1	Buildings
PROGRAMME:	7	Maintenance and Rehabilitation of Public Buildings
ACTIVITIES:	01	Rehabilitation of VIP Houses
	02	Inspection and Monitoring

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K747,172,993 was made to cater for the rehabilitation of VIP houses and monitoring and the amounts were released in full.

55. Irregularities in Project Management (PRP)

An examination of financial and other records maintained at the provincial administration and physical inspection of the projects carried out in March 2008 revealed the following:

a. Rehabilitation of Katongo Presidential Guest House

i. Failure to Prepare Bill of Quantities

Although the contract sum was K52,740,500 and the contractor was paid K23,041,150 as down payment in November 2007, there was no evidence that the bill of quantities was prepared. Therefore the basis on which the contract sum was arrived at and the amount paid to the contractor was questionable.

ii. Unaccounted for Building Materials

Contrary to Public Stores Regulation No. 16, building materials costing K13,086,000 were not accounted for in that they lacked receipt and disposal details.

iii. Inflating of Prices

In March 2007, the Principal Accountant was issued with imprest of K39,745,000 to procure building materials. However, although receipts from Micmar Investments Limited showed that the price of a box of ceramic tiles was K250,000 per box, inquiries made with Micmar Investments Limited revealed that the unit price of ceramic tiles ranged between K100,000 and K150,000 per box at the time of purchase. This resulted into a loss to Government of a total amount of K13,500,000.

iv. Uncompleted Works

Although the works were supposed to be completed in October 2007, a visit to the site in August 2008 revealed that rehabilitation works had not been completed.



Partly Rehabilitated Katongo Presidential Guest House

b. Rehabilitation of Lukulu District Commissioner's Residence

The contract for the rehabilitation works of the District Commissioner's residence was awarded to a local contractor on 3rd October 2007. Although the contract period was not indicated, the contractor had been paid a total amount of K64,650,000 as of December 2007.

It was observed that the contractor had carried out additional works outside the contract without authority from the engineer and was in this regard claiming an amount of K16,500,000 for the extra works.

**HEAD: 94/42 OFFICE OF THE PRESIDENT
WESTERN PROVINCE
RESETTLEMENT DEPARTMENT**

UNIT: 1 Resettlement Unit

PROGRAMME: 7 Infrastructure Development- PRP

**ACTIVITIES: 01 Demarcation of 600 Plots
02 Water Supply
03 Access Road Clearing
04 Completion of Clinic**

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K642,886,935 was made to cater for demarcation of 600 plots, water supply, access road clearing and completion of a clinic against which amounts totalling K730,000,000 were released.

56. Irregularities in Accounting for PRP Funds

An examination of financial and other records maintained at the provincial administration carried out in February 2008 revealed the following:

a. Irregular Payment of Imprests

Contrary to Financial Regulation No. 96, imprests in amounts totalling K20,027,420 issued to two (2) officers were irregular in that the imprests were issued to officers before they retired previous imprests. Further, the imprests covered the same periods for which the other imprests were issued as detailed below:

- i. In August 2007, the Principal Lands Resettlement Officer, was paid K5,715,500 imprest to enable him travel to Kalumwange Resettlement Scheme. The Officer was issued another imprest of K4,841,000 before retiring the previous imprest. It was noted that the two imprests issued covered the same period from 17th to 23rd August 2007.
- ii. In September 2007, the Scheme Manager was paid K48,250,000 from 1st to 31st October 2007 to facilitate for road clearing in Kalumwange. It was however observed that he obtained a subsequent imprest amounting to K15,186,420 covering the same overlapping period from 25th September to 6th October 2007. Therefore, the issuance of subsequent imprest for the same period was irregular.

b. Excess Expenditure-Access Road Clearing

Although an amount of K180,000,000 was provided for in the Estimates for Access Road Clearing in the resettlements, it was observed that actual expenditure of K221,676,384 was incurred on the project resulting in excess expenditure of K41,676,384. Enquiries revealed that the excess expenditure was from Recurrent Departmental Charges.

c. Questionable Expenditure

- i. In July 2007, an accounting officer was issued with imprest of K59,650,000 to pay allowances to officers who were engaged in marking access roads in Kalumwange and Lombelombe resettlement schemes from 10th to 22nd July 2007. Among the officers engaged in this process was the Principal Lands Resettlement Officer who was paid an amount of K24,817,379 comprising subsistence allowance of K3,590,000 and fuel imprest of K21,227,379. Records indicated that the Principal Lands Officer had travelled to Lusaka on 19th July 2007 for five (5) days for which further imprests of K6,823,180 was issued to him resulting in him being irregularly

issued imprests for four days for which he had already been issued with a subsequent imprest.

A scrutiny of the retirement records for the K21,227,379 for the fuel receipts indicated that 2,830 litres for two vehicles GRZ 790 BV and GRZ 897BX was used to travel to and from Mongu to Lombelombe, a distance of 720 KM.

d. Completion of Construction of Clinic

Contrary to tender procedures, Provincial Administration single sourced a labour-only contractor locally without competitive bidding.

It was however observed that there was no formal agreement between the provincial administration and the contractor therefore it was not possible to ascertain the contract price, the duration of the contract and the scope of works. Further, the Provincial Buildings Engineer was not involved and no stage completion certificates were issued. Although, as of April 2008, amounts totalling K44,000,000 had been spent on the project, the basis of the expenditure of K44,000,000 in the absence of stage completion certificates was questionable. Further, included in the K44,000,000 was K22,000,000 irregularly paid as wages to workers on the project for the months of November and December in view of the fact the works only commenced on 31st December 2007.

**HEAD: 94/01 OFFICE OF THE PRESIDENT
WESTERN PROVINCE - HEADQUARTERS**

Unit: 1 Provincial Administration

Programmes: Various

Activities: Various

In 2007, provisions of K10,578,899,804 and K3,625,413,805 were made in the Estimates of Revenue and Expenditure to cater for General Administration and Poverty Reduction Programmes (PRP) activities respectively, out of which K10,286,705,183 and K3,325,541,766 were released.

57. Accounting Irregularities

An examination of financial and other related records maintained at the Provincial Administration carried out in March, 2008 revealed the following:

a. Unretired Imprest.

Contrary to Financial Regulation No. 96 of 2006, imprests in amounts totalling K158,472,190 involving nineteen (19) transactions were not retired as of August 2008.

b. Questionable Retirement of Imprest

- i.** An Accounts Assistant was issued with imprest amounting to K50,150,000 on cheque number 013953 dated 2nd November 2007 for ten (10) nights to facilitate consolidation of the 2008 Provincial Budget at Kapona Lodge within the Mongu.

A review of records related to this transaction revealed that an amount of K15,180,000 was paid towards accommodation and meals but was not adequately supported by relevant documentation such as invoices and bills.

Further, although the officer purchased 1,784 litres of diesel costing K11,999,184 for three (3) vehicles assigned to the workshop, there were no details to show how the fuel was used. In this regard, the use of 1,784 litres of fuel for a ten (10) day workshop held locally was questionable.

- ii.** On 28th March 2007, an amount of K120,000,000 was issued as imprest to an Assistant Accountant to facilitate preparations for the Kuomboka Ceremony. Out of this amount, K10,000,000 was not accounted for as it was not retired.
- iii.** During the period June to December 2007, six (6) officers were issued with imprest in amounts totalling K200,053,180. However, a scrutiny of retirement details revealed that imprests amounting to K19,980,000 were over paid in that the days fell within the periods that were covered in earlier payments.

c. Missing Motor Vehicle

In June 2005, a motor vehicle, Toyota Land Cruiser registration number GRZ 178BP was taken to Auto World in Lusaka by the Transport Officer for repairs. When a follow up was made by the Provincial Administration in 2006, it was discovered that the vehicle had been moved from the garage to an unknown place. As of August 2008 the vehicle was still missing and the matter had not been reported to the police.

d. Questionable Payment

On 15th June 2007, cash was paid to the Assistant Accountant as accountable imprest to purchase Labour Day attire for three (3) officers. It was however not clear why cash was paid to the Assistant Accountant instead of the supplier, Trade Fair Investments in Mongu.

A scrutiny of the records related to the transaction revealed that the suits were purchased at a price of K3,000,000 each. However, the confirmation of the price of the suits could not be done as the shop could not be located.

e. Unaccounted for Stores Materials

Contrary to the Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K17,108,000 purchased during the year under review.

**HEAD: 95 OFFICE OF THE PRESIDENT
EASTERN PROVINCE**

UNIT: 1 Provincial Administration

PROGRAMMES: 2 General Administration

ACTIVITIES: Various

The Constituency Youth Development Fund (CYDF) was created by Government to finance and support community youth projects in all constituencies in the country in order to promote youth participation in social economic development and empower them to improve their livelihood. Each constituency would have its own Constituency Youth Development Committee which would be responsible for among others to receive, consider and approve project proposals. However, the administration of the funds was to be done by Local Authorities.

The funds were provided for under the Ministry of Sport, Youth and Child Development and were disbursed to Local Authorities through Provincial Accounting Control Units (PACU). In this regard, during the year under review, PACU received an amount of K760,000,000 for various youth projects in 19 constituencies. In turn, PACU transferred the funds to Local Authorities according to the number of constituencies in each district. Each constituency received K40,000,000 as detailed in the table below:

	Council	Amount Received K
1	Petauke	120,000,000
	Petauke Central	40,000,000
	Msanzala	40,000,000
	Kapoche	40,000,000
2	Lundazi	120,000,000
	Lumezi	40,000,000
	Chasefu	40,000,000
	Lundazi	40,000,000
3	Mambwe:	40,000,000
	Malambo	40,000,000
4	Nyimba:	40,000,000
	Nyimba	40,000,000
5	Chadiza:	80,000,000
	Chadiza Central	40,000,000
	Vubwi	40,000,000
6	Katete:	120,000,000
	Milanzi	40,000,000
	Mkaika	40,000,000
	Sinda	40,000,000
7	Chama:	80,000,000
	Chama South	40,000,000
	Chama North	40,000,000
8	Chipata:	160,000,000
	Chipata Central	40,000,000
	Chipangali	40,000,000
	Luangeni	40,000,000
	Kasenengwa	40,000,000
	Total	760,000,000

58. Accounting and Other Irregularities

An examination of financial, stores and other related records maintained by PACU, Local Authorities and some selected youth groups that were funded, as well as a physical verification of the projects carried out in selected constituencies in Petauke, Lundazi, Katete, Chama, Mambwe, Nyimba and Chadiza revealed the following:

a. Non Existent Projects

Amounts totalling K73,161,000 were paid by four (4) councils to various suppliers for the delivery of various materials for various youth projects such as piggery, carpentry, tailoring and fish farming among others. The funds were disbursed as follows:

Council	Amount K	Purpose
Petauke	29,843,000	To supply building, tailoring and piggery materials to 12 youth groups.
Lundazi	9,093,000	To supply building, tailoring and piggery materials to 6 youth groups.
Katete	14,300,000	To supply building, tailoring and piggery materials to 8 youth groups.
Chama	19,925,000	To supply building, tailoring and piggery materials to 4 youth groups.
Total	73,161,000	

However, visits to the sites in September 2008 and enquiries made revealed that the projects were nonexistent.

b. Unaccounted for Materials

There were various materials in amounts totalling K9,885,000 meant for various youth projects that were not accounted for as shown in the table below:

Council	Amount K	Comment
Petauke	6,120,000	Materials and piglets not delivered
Lundazi	1,000,000	Livestock chemicals and building materials not supplied
Chadiza	2,255,000	Various materials not accounted for
Chama	510,000	Farming inputs not accounted for
Total	9,885,000	

c. Chadiza District Council - Delays in Disbursing Funds

Although the Council received the K80,000,000 in April 2007, disbursements to the approved youth groups only started in May 2008. Consequently, only an amount of K39,482,377 had been spent as of October 2008 leaving a balance of K40,517,623 unutilised.

**HEAD: 95/01 OFFICE OF THE PRESIDENT
EASTERN PROVINCE - HEADQUARTERS**

UNIT: 1 Provincial Administration

PROGRAMME: 13 Rehabilitation of Schools - PRP

ACTIVITIES: 03 Rehabilitation of Staff Houses at Chadiza Boarding School

04 Rehabilitation of Staff and Pupils Ablution blocks at Petauke Boarding School

05 Rehabilitation of Two (2) Boreholes at Chama Boarding School

07 Construction of Weekly Boarding Dormitories at Chisale Day School

09 Water Reticulation at Lundazi Boarding School

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, provisions of K955,000,000 were made to cater for rehabilitation of schools and the whole amount was released as shown in the table below:

ACTIVITY	BUDGET (K)	RELEASE (K)
01 Rehabilitation of High Schools	0	0
02 Construction of Dormitory at Sonja Girls High School	190,000,000	190,000,000
03 Rehabilitation of Staff Houses at Chadiza Boarding School	100,000,000	100,000,000
04 Rehabilitation of Staff and Pupils Ablution blocks at Petauke Boarding	150,000,000	150,000,000
05 Rehabilitation of Two (2) Boreholes at Chama Boarding School	80,000,000	80,000,000
06 Completion of 1X3 Classroom Block at Lusuntha day School	50,000,000	50,000,000
07 Construction of Weekly Boarding Dormitories at Chisale Day School	70,000,000	70,000,000
08 Construction of Weekly Boarding Dormitories-Feni Day School-Chipata	105,000,000	105,000,000
09 Water Reticulation at Lundazi Boarding School	80,000,000	80,000,000
10 Rehabilitation of Dormitories at Chizongwe Technical High School	70,000,000	70,000,000
11 Construction of 1 X3 Classroom Block at Mwase Day School-Lundazi	60,000,000	60,000,000
Total	955,000,000	955,000,000

59. Failure to Execute Rehabilitation Works

An examination of financial and other records maintained at the Provincial Administration, and a physical inspection of the projects in five (5) districts carried out in March 2008 revealed that although amounts totalling K153,837,290 were spent on the procurement of building materials and labour for rehabilitation works at

various schools, it was observed that various works were either not completed or not done as detailed in the table below:

<u>School</u>	<u>Cost of Building Materials/Works (K)</u>	<u>Date of Procurement</u>	<u>Purpose</u>	<u>Remarks</u>
Chadiza Boarding School	48,529,000	Aug-07	Rehabilitation of teachers' houses	Works not commenced
Petauke Boarding School	58,308,290	Sep-07	Water reticulation	Works not done
Chisale Day School	47,000,000	Sep-07	Construction of a dormitory	Works not done
Total	153,837,290			

**HEAD: 96 OFFICE OF THE PRESIDENT
LUAPULA PROVINCE - HEADQUARTERS**

UNIT: 1 Provincial Administration

PROGRAMMES: Various

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, total provisions of K7,914,364,727 were made to cater for activities under general administration and in this regard the Ministry of Finance and National Planning released amounts totalling K9,191,833,107.

60. Weaknesses in the Accounting for Recurrent Departmental Charges

An examination of financial and other records maintained at the Provincial Administration carried out in March, 2008 revealed the following:

a. Excess Release of Funds

Although total provisions of K7,914,364,727 were made, amounts totalling K9,191,833,107 were released resulting in excess funding of K1,277,468,380.

b. Missing Payment Vouchers

Contrary to Financial Regulation No. 65(1), nineteen (19) payment vouchers in amounts totalling K84,365,941 were missing.

c. Unsupported Payment Vouchers

Contrary to Financial Regulation No. 45 (2), there were fifty (50) payment vouchers in amounts totaling K151,115,098 which were not supported by relevant documents.

d. Misapplication of Funds

Amounts totaling K326,064,432 involving thirteen (13) transactions were transferred from the RDC Account to the general deposit and capital accounts. However, as of August 2008, reimbursements had not been made.

e. Non Submission of Returns

A total amount of K56,943,521 involving fifteen (15) payments were paid as grants to Non Governmental Organizations and sports associations. It was observed however, that expenditure returns were not submitted to the Provincial Administration.

f. Repair of a Motor Vehicle

On 24th May 2007, an amount of K8,500,000 was paid to an individual for panel beating of a motor vehicle registration No. ABE 3440 which was involved in an accident. It was also noted that the vehicle was not insured. As of August 2008 the matter had not been reported to the Standing Accidents Board.

g. Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details for various stores items costing K658,842,892 purchased during the period under review. Included in the K658,842,892 was an amount of K205,885,897 in respect of furniture procured without following tender procedures.

h. Unretired Imprest

Contrary to Financial Regulation No.96, imprests in amounts totalling K1,019,596,615 involving 175 transactions issued during the period under review had not been retired as of June 2008.

HEAD:	96/42	OFFICE OF THE PRESIDENT LUAPULA PROVINCE DEPARTMENT OF RESETTLEMENT
UNIT:	1	Human Resources and Administration
PROGRAMME:	8	Infrastructure Development - (PRP)
ACTIVITIES:	04	Construction of Hand Pump Wells
	05	Construction of Hand Pump Boreholes
	11	Construction of Irrigation Canal
	14	Weir Diversion Construction

In the Estimates of Revenue and Expenditure for the year ended 31st December 2007, a total provision of K259,419,750 was made to cater for the construction of pump wells, Hand Pump Boreholes, Irrigation Canals, and Weir Diversion under the Infrastructure Development Programme and the amount was released in full as shown below:

Activity	Budget (K)	Releases (K)
Construction of Hand Pump Wells	103,103,750	103,103,750
Construction of Hand Pump Boreholes	82,626,000	82,626,000
Construction of Irrigation Canal	16,450,000	16,450,000
Weir Diversion Construction	57,240,000	57,240,000
Total	259,419,750	259,419,750

61. Weaknesses in Accounting for Project Funds

An examination of financial and other records maintained at the Provincial Administration carried out in March 2008 revealed the following:

a. Construction of Irrigation Canal

A total amount of K16,450,000 was released for the construction of a 5km irrigation canal at the Mansa Resettlement Scheme in April.

A physical inspection of the project site in March 2008 revealed that although construction of the canal was completed, it had been overgrown with grass and the workmanship was poor in that there was no cement on the canal walls and ground to hold the water.

b. Failure to Construct a Weir Diversion

Although the amount of K57,240,000 was released for the construction of a weir diversion and records indicated that the funds were utilized on the activity, a physical inspection carried out in March 2008 revealed that no works had been done.

c. Unretired Imprest

Contrary to Financial Regulation No. 96, imprests in amounts totalling K75,860,000 involving thirty three (33) transactions issued to thirty three (33) officers had not been retired as of March 2008.

d. Unaccounted for Stores

Contrary to Stores Regulation No.16, there were no receipt and disposal details for building materials and fuel costing K178,490,420 purchased during the period under review.

**HEAD: 97/01 OFFICE OF THE PRESIDENT
NORTH WESTERN PROVINCE
HEADQUARTERS**

Unit: 1 Provincial Administration

Programme: 12 Rehabilitation of Schools (PRP)

Activity: 01 Rehabilitation of High Schools

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2006 and 2007, provisions totalling K1,107,432,077 (K147,339,888 in 2006 and K960,092,189 in 2007) were made for the rehabilitation of High schools.

62. Irregularities in Accounting for Building Materials Mutanda High School

An examination of financial and other records maintained at the Provincial Administration carried out in May 2008 revealed the following:

a. Award of Works Without Signed Contract

In September 2006, a contract was purported to have been awarded by the Provincial Tender Committee to a local contractor to carry out the rehabilitation works at Mutanda High School.

However, the minutes of the tender committee meeting in which the contract was approved and the signed contract were not produced contrary to Financial Regulation No.10 (n).

In his response dated 18th August 2008, the Controlling Officer acknowledged the fact that there was no signed contract and stated that the matter had since been referred to the Anti Corruption Commission.

b. Failure to Follow Tender Procedures

Although the Provincial Tender Committee had granted authority for the procurement of building materials costing K88,594,100, it was observed that the Provincial Administration paid amounts totalling K179,137,000 to three (3) suppliers K90,542,900 above the approved amount.

c. Stores

i. Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of building materials valued at K41,113,500 purchased in December 2006.

ii. There were eight hundred and twenty two (822) pockets of cement costing K41,100,000 which could not be used because the cement had hardened.

A site inspection carried out in May 2008 revealed that the building was at window level and works had stalled. Inquiries revealed that the contractor had since abandoned the site and was claiming K48,201,163 for the works done.

HEAD: 97 OFFICE OF THE PRESIDENT
NORTH WESTERN PROVINCE

UNIT: 1 Provincial Administration

PROGRAMMES: Poverty Reduction Programmes

ACTIVITIES: Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, provisions amounting to K 13,774,062,025 were made and released to cater for various PRP Projects in the North-Western Province.

63. Weaknesses in Accounting for Poverty Reduction Programme Funds

An examination of financial and other records maintained at the provincial administration carried out in April 2008 revealed the following:

a. Misapplication of PRP Funds

Contrary to the Appropriation Act of 2007, amounts totalling K177,827,360 were applied on day to day activities not related to Poverty Reduction Programme such as imprests and purchase of furniture.

b. Unvouched Expenditure

Contrary to Financial Regulation No.45, there were eight (8) payments in amounts totalling K616,395,635 made during the period from April to July 2007 which were unvouched in that the payment vouchers were either unsupported or inadequately supported by relevant documents such as invoices, receipts and other documents.

c. Overpayments to Suppliers

During the period from February to December 2007, amounts totalling K198,821,000 were paid to various suppliers for the supply of building materials. However, a verification of payment vouchers and suppliers invoices revealed that the suppliers were over paid by K7,028, 000 and as of April 2008 the amounts had not been recovered.

d. Unretired Imprest

Contrary to Financial Regulation No.96, as of August 2008 the Head of the Procurement unit had not retired imprest amounting to K20,000,000 issued to him in July 2007 for the procurement of furniture for the Presidential Lodge.

HEAD	97/01	OFFICE OF THE PRESIDENT NORTH WESTERN PROVINCE HEADQUARTERS
UNIT	1	Provincial Administration
PROGRAMME	8	Infrastructure Development (PRP)
ACTIVITY	01	Houses for Rural Teachers

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a total provision of K2,663,180,000 was made for the construction of Houses for Rural Teachers and the whole amount was released.

64. Weaknesses in Accounting for Building Materials and Failure to Complete Projects (Teachers Houses)

An examination of financial and other records maintained at the Provincial Administration headquarters and selected schools carried out in April 2008 revealed the following:

a. Construction of Rural Staff Houses

Amounts totalling K1,577,932,500 were allocated to fourteen (14) schools by the Provincial Tender Committee for the procurement of building materials and payment to contractors as shown below.

SCHOOL	ALLOCATED AMOUNT (K)
Chozu Basic	150,000,000
Kapona Basic	150,000,000
Kainanfumu basic	150,000,000
Kibangabwe Basic	150,000,000
Lumwe Basic	150,000,000
Mavili basic	150,000,000
Nyakaseya Basic	150,000,000
Kyangozhi Basic	75,000,000
Nyang'amba Basic	75,000,000
Mushivi Basic	75,000,000
Mukinge Girls High	77,932,500
Ngoma Basic	75,000,000
Moses Luneta	75,000,000
Mbulumunene Basic	75,000,000
TOTAL	1,577,932,500

In this regard, building materials costing K1,217,253,805 were procured for thirteen (13) schools for the construction of rural teachers houses and for the rehabilitation of ablution blocks at Mukinge Girls High School.

A physical inspection carried out in April 2008 revealed the following:

i. Failure to Complete Projects

Although building materials costing K1,217,253,805 were ordered and paid for the construction of teachers houses in thirteen (13) schools and the rehabilitation of ablution blocks at Mukinge Girls High School, as of April, 2008 the houses had not been completed (see pictures below)



An incomplete Medium Cost Staff Houses at concrete level - Kainanfumu Middle Basic School



An incomplete Medium Cost Staff House - Kibangabwe Middle Basic School



An incomplete medium cost staff houses at slab level - Lumwe Middle Basic School



*An incomplete medium cost staff house
Nyakaseya Middle basic School*



An incomplete medium cost staff house



An incomplete medium cost Staff House and VIP latrine - Ng'oma Middle Basic School



An incomplete house and V.I.P pit latrine

Although the funds were released in full by the Ministry of Finance and National Planning, there were no explanations provided for the failure by the Provincial Administration to complete the project.

ii. Undelivered Building Materials

Out of the building materials costing K1,217,253,805, materials costing K386,393,687 had not been delivered as of April 2008.

iii. Wasted Materials

1,055 x 50kg pockets of cement costing K45,928,600 meant for construction of Rural Teachers Houses at seven (7) schools had hardened as a result of being stored under poor conditions.

b. Wasteful Expenditure - Provincial Administration Headquarters

The procurement and supply unit under the Provincial Administration was authorized to procure eight thousand four hundred and seventy (8,470) pockets of cement for the construction of houses for rural teachers. An examination of

supporting documents revealed that four quotations were obtained whose unit prices ranged between K50,000 and K38,900 per pocket.

The Unit however procured the cement at K50,000 per pocket at a total cost of K423,500,000 instead of K38,900 at a total cost of K334,202,000 resulting into wasteful expenditure of K89,298,000.

c. Transport

In August and December 2007, a total amount of K17,000,000 was paid to a transporter to deliver building materials to Mavili Basic School on the Zambezi West Bank. It was observed however, that the transporter only delivered the materials up to DEBS office. In this regard, another transporter was engaged and paid K8,000,000 to deliver the same materials from DEBS office to Mavili Middle Basic School.

The total amount incurred on transportation cost was therefore K25,000,000 instead of K17,000,000 resulting in excess transport costs of K8,000,000.

d. Unaccounted for Cement-Kyangozhi Middle Basic School

120 x 50Kg pockets of cement costing K4,740,000 could not be accounted for. Enquiries with the school authorities revealed that the pockets of cement were collected by the area councilor in exchange for the delivery of sand and burnt bricks to the project which as of April 2008 had not been delivered.

Further, 236 x 50 Kg pockets of cement costing K9,322,000 were collected by the contractor to mould five thousand (5,000) bricks but the contractor only moulded seven hundred (700) bricks leaving a balance of four thousand three hundred (4,300).

HEAD: 97/01 OFFICE OF THE PRESIDENT
NORTH WESTERN PROVINCE
HEADQUARTERS

UNIT: 1 Provincial Administration.

PROGRAMME: 8 Infrastructure Development (PRP)

ACTIVITY: 02 Rural Housing for Medical Staff.

In the Estimates of Revenue and Expenditure for the year ended 31st December 2007, a provision of K3,454,368,000 was made to cater for the construction of Houses for Rural Medical Staff and the amount was released in full.

65. Weaknesses in Accounting for Building Materials and Failure to Complete Projects.

An examination of financial and other records and a physical inspection of the projects revealed the following:

a. Unutilized Funds

A total of K1,066,392,788 out of the released funds was spent on the activity leaving a balance of K2,387,975,212 as at 31st December, 2007.

b. Construction of a Semi-detached Staff House for Solwezi Urban Clinic

i. Delay in completion of the project

In April 2007, the Provincial Administration entered into a labour-only contract agreement with a contractor Mushidika Joe K for the construction of a semi detached house at Solwezi Urban Clinic at a total cost of K23,400,000. According to the contract, the construction was to be completed in six (6) months starting April 2007.

However, as of April 2008, the house had not been completed resulting in a delay of 12 months due to lack of materials (see pictures below).



A semi-detached house under construction at Solwezi Urban Clinic

ii. Undelivered Building Materials

Out of payments totalling K163,324,744 made to various suppliers for the supply of building materials during the period March to December 2007, building materials costing K56,259,500 had not been delivered as of April 2008.

c. Construction of a Semi-detached House-Solwezi General Hospital

i. Failure to Complete the Project on Time

In April 2007, the Provincial Administration entered into a labour-only contract with an individual Silwamba Paul for the construction of a semi detached house at Solwezi General Hospital at a contract price of K23,400,000.

The works were to be completed in six (6) months effective from 18th April, 2007. However, as of April, 2008 the house had not been completed, a delay of 12 months. See picture below:



A semi-detached house under construction at Solwezi General Hospital

ii. Undelivered Building Materials

Out of payments totalling K127,966,430 made to various suppliers for the supply of building materials during the period from January to December 2007, building materials costing K38,965,900 had not been delivered as of April 2008.

iii. Materials without Receipt and Disposal Details

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items costing K10,960,530. Consequently, it was not possible to verify whether the materials paid for were actually received and used on the intended project.

d. Construction of two Medium Cost Houses - Kabanda Rural Health Centre

i. Delay in Completion of the Project

In April 2007, the Provincial Administration entered into a labour-only contract agreement with a contractor, Kenboy General Dealers, for the construction of two (2) medium cost houses at Kabanda Rural Health Centre in Mufumbwe District at a total cost of K24,381,893.

However, as of April, 2008 the works had not been completed and the contractor had abandoned the project. See pictures below.



Two incomplete staff houses at Kabanda Rural Health Centre

ii. Wasted Materials

There were 100 x 50kg pockets of cement costing K4,350,000 which were still in stores at Kabanda Rural Health Centre since January 2007. An inspection revealed that the cement had hardened.

e. Construction of an Out-Patient Block-Nkulumazhiba Rural Health Centre.

i. Delay in Completion of the Project

In April 2007, the Provincial Administration entered into a labour-only contract with Solwezi Building Centre for the construction of an outpatient block at Nkulumazhiba Rural Health Centre at a contract price of K35,000,000.

The works were to be completed in six (6) months commencing 11th June, 2007. However, as of April 2008, the works had not been completed and the contractor had abandoned the project.

Enquiries made with the Provincial Administration revealed that the works could not continue because Ministry of Finance and National Planning had mopped up the funds at the end of the financial year. See picture below:



An incomplete Out-Patient Block at Nkulumazhiba Rural Health Centre

ii. Wasted Materials

In February 2007 the Provincial Administration procured six hundred and sixty nine (669) x 50kg pockets of cement from a local supplier at a total cost of K30,038,100 which were delivered to the health centre in March 2007. However, a total of two hundred and forty eight (248) x 50kg pockets of cement amounting to K11,135,200 found in stores in April 2008 had hardened.

iii. Wasteful Expenditure

- Thirty five (35) tonnes of building sand amounting to K5,500,000 could not be used on the project as it was of poor quality as testified by the contractor.

- Eleven (11) door frames amounting to K2,354,000 bought for the project were not compatible with the building plan and consequently removed. These had not been replaced.

iv. Undelivered Building Materials

Building materials costing K3,300,000 were not delivered to site as of April 2008.

f. Construction of a Kitchen Block at St. Dorothy Rural Health Centre

i. Uncompleted Project

In 2007, the Provincial Administration entered into a labour-only contract agreement with Kenboy General Dealers for the construction of a kitchen at St. Dorothy Rural Health Centre in Solwezi District. The contractor moved to site in August 2007 and commenced the works. However, contract/agreement was not availed for audit scrutiny and it was not possible to ascertain the contract sum and period.

Site inspection carried out on 28th April 2008 revealed that the kitchen had not been completed and the contractor had abandoned the site.

(see pictures below);



An incomplete Kitchen Block at St. Dorothy Rural Health Centre

ii. Undelivered Building Materials

Payments totalling K31,993,000 involving three (3) transactions made during the period from February to November 2007 were paid to various suppliers for the purchase of building materials for the construction of a kitchen block at St Dorothy in Solwezi.

However, a physical verification and scrutiny of stores records carried out at site in April, 2008 revealed that building materials costing K3,546,000 were not delivered to site.

iii. Poor Record Keeping

There was poor recording keeping at St. Dorothy Rural Health Centre evidenced by a lack of stores records such as delivery notes, goods received vouchers and stores ledgers among others contrary to Public Stores Regulation No. 16. Consequently, it was not possible to verify the receipt and disposal of building materials costing K2,076,500.

g. Purchase of Medical Equipment for Kichikwe Rural Health Centre under PRP funds

Undelivered Medical Equipments

Payments totalling K68,111,147 involving three transactions made between May and August 2007 were paid to three suppliers for the purchase of medical equipment for Kichikwe Rural Health Centre.

However, a physical verification and scrutiny of stores records carried out at site on 28th April, 2008 revealed that medical equipment costing K5,955,250 out of the K68,111,147 paid for were not delivered to site.

h. Zambezi District Hospital

In November 2006 the Office of the President, Provincial Administration – North Western Province embarked on two projects at the Zambezi District Hospital; the rehabilitation of the hospital and construction of 1 x 2 semi-detached house for medical staff at a estimated cost of K230,573,000 and K150,000,000 respectively. As of March 2008, a total amount of K333,724,964 had been spent on the projects.

An examination of payment details revealed that:-

i. Undelivered Building Materials

Payments totalling K333,724,764 involving twenty one (21) transactions covering the period February 2007 to December, 2007 were paid to various suppliers for the purchase of building materials for the construction of a semi detached house and rehabilitation of the Zambezi District Hospital.

However, a physical verification and scrutiny of stores records carried out at site on 14th April, 2008 revealed that building materials costing K89,009,000 were not delivered to site and the user department confirmed the same in a minute dated 14th April 2008.

ii. Delay in Completion of Project

The labour only contract for the rehabilitation of the Zambezi District Hospital stipulated that the works were to take three (3) months from 16th April to 16th July 2007 to complete; however a site inspection carried out on 14th April 2008 revealed that the works had not been completed and the contractor had moved out of site.

iii. Failure to Maintain Ledgers

The hospital did not maintain ledgers to account how much was spent on the rehabilitation of the hospital and construction of 1 x 2 semi-detached houses.

In this regard it was difficult to apportion the expenditure of K333,724,764 incurred to each project.

iv. Failure to Fit the Air Conditioning Unit

An air conditioning unit worth K10,144,000 was purchased for the Pharmacy at Zambezi District Hospital in June 2007. A site verification carried out on 14th April 2008 revealed that the unit was delivered but not installed.

v. Failure to commence work on the construction of a Semi detached House at Zambezi District Hospital

Building materials worth K27,639,000 were purchased between February and December 2007 for the construction of 1 x 2 semi-detached houses at Zambezi District Hospital. Site verification on 14th April 2008 revealed that a contractor to undertake the construction of the houses had not been engaged, and as such nothing had been done.

i. Rehabilitation of Kalengwa Rural Health Centre, Mufumbwe District

On 22nd December, 2006 the Provincial Tender Committee allocated K40,747,175 for the rehabilitation of Kalengwa Rural Health Centre. A review of accounting and other related records and a physical inspection of the project revealed that payments totalling K36,127,850 involving nine (9) transactions covering the period 13th December 2006 to 28th December 2007 were paid to various suppliers for the purchase of building materials.

However, as of December 2008, building materials costing K8,542,000 had not been delivered.

HEAD: 98/08 OFFICE OF THE PRESIDENT

SOUTHERN PROVINCE

ROADS DEPARTMENT

UNIT: 1 Human Resources and Administration

PROGRAMME: 8 Rehabilitation of Bottom Road

ACTIVITY: 01 Drainage Works, Shaping, Re-gravelling and Grading

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, a provision of K500,000,000 was made for the rehabilitation of Bottom Road and a total amount of K450,000,000 was released.

In addition, the Provincial Administration varied K300,000,000 from the Cattle Restocking Programme to the rehabilitation of the road bringing the total funds available to K750,000,000.

66. Poor Management of Contracts

An examination of financial and other records at the Provincial Administration and a physical inspection of the project carried out in March 2008 revealed that as at 31st December, 2007 a total amount of K142,367,405 had been spent leaving a balance of K607,632,595.

Further, the following were observed:

a. **Construction of Drainage Structure -Sinazeze - Chiyabi
D499 CH 18 + 100**

In April, 2007 a contract was awarded to Messrs Jimanzi Contractors to construct a drainage structure at CH 18 + 000 on Sinazeze-Chiyabi Road, at a contract price of K73,063,668. However, the contract was open ended in that it had no commencement and completion dates. It was further observed that although the contract price was K73,063,668, the contractor was paid K86,027,033 between May and October 2007, resulting in an over payment of K12,953,336. As of March, 2008, no tender authority had been obtained for the over payment.

Although the project was completed in November 2007, the physical inspection of the project carried out in March 2008 revealed that the structure had collapsed. Inquiries made with Road Development Agency who were the

supervising consultants for the works, revealed that the structure had collapsed due to poor workmanship.

b. **Construction of Vented Drift (culvert) Sinazeze - Chiyabi D4 CH 34 + 000**

In April, 2007 a contract was awarded to Messrs DMC Industrial Suppliers to construct a vented drift (culvert) on Sinazeze – Chiyabi Road at a contract sum of K132,576,165. However, the contract was open-ended in that it had no commencement and completion dates. As of March 2008 the contractor had been paid amounts totalling K43,590,372.

A physical inspection of the project carried out in March, 2008 revealed that the structure had collapsed. Inquiries made with the Road Development Agency revealed that erosion protection works such as stone pitching had not been carried out leading to the weakening of the structure and its eventual collapse.

The expenditure amounting to K142,367,405 comprising K129,617,405 payments to contractors and K12,750,000 for supervision, incurred on the rehabilitation of the road was therefore wasteful.

**HEAD: 98/09 OFFICE OF THE PRESIDENT
SOUTHERN PROVINCE
BUILDINGS DEPARTMENT**

UNIT: 1 Human Resources and Administration

PROGRAMME: 10 Rehabilitation of Government VIP Houses and Office Blocks

ACTIVITY: 02 Rehabilitation of Government VIP Houses and Office Blocks

In the Estimates of Revenue and Expenditure, a provision of K238,940,000 was made for the rehabilitation of Government VIP houses and other office blocks and the whole amount was released.

67. Accounting and Other Irregularities

An examination of financial and other records maintained at the Provincial Administration and site inspections carried out in March 2008 revealed the following:

a. Rehabilitation of the Permanent Secretary's Residence

In May 2007, the Provincial Administration engaged a local contractor, Messrs Mardona Building Contractors and Civil Engineering Limited to rehabilitate the residence at a contract sum of K187, 590,630 for a period of eight (8) weeks

starting on 7th May 2007. The works involved carpentry, plumbing, electrical among others, and as of March 2008, the contractor had been paid amounts totalling K201,087,655, which was K13,497,025 in excess of the contract sum. The following were observed:

i. Excess Payment

There was no authority obtained for the K13,497,025 paid in excess of the contract sum and no explanation was given for the over payment.

ii. Advance Payment Contrary to Contract Terms

Contrary to the provisions of the contract, which stipulated that the employer shall not make down payment of the contract price to the contractor on commencement of the rehabilitation works, the contractor was paid K50,000,000 as advance payment.

iii. Failure to Complete Works.

Although the contract period was exceeded by twelve (12) months, a physical inspection of the project carried out on 15th April, 2008 revealed that the project had not been completed and there was poor workmanship in that there were leakages in the sitting room and the toilet and the replaced ceiling boards at the guest house were falling off.

b. Rehabilitation of the residence for the Deputy Permanent Secretary and District Commissioner – Livingstone

In May 2007, the Provincial Administration engaged a local contractor, Messrs Trigger Investments to rehabilitate the residences of the Deputy Permanent Secretary and District Commissioner at a contract sum of K145,445,025 for a period of nine (9) weeks starting on 7th May 2007. The works involved carpentry, plumbing, electrical, flooring among others, and as of March 2008, the contractor had been paid amounts totalling K84,543,750.

Although the contract period was exceeded by eleven (11) months, a physical inspection of the project carried out on 15th April, 2008 revealed that the project had not been completed.

HEAD:	98	OFFICE OF THE PRESIDENT
		SOUTHERN PROVINCE
UNITS:	1	Various
PROGRAMMES:	2	General Administration
ACTIVITIES:		Various

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2007, provisions totalling K7,346,570,980 were made for Recurrent Departmental Charges (RDCs), out of which amounts totalling K6,158,783,786 were released leaving a balance of K1,187,832,194.

68. Accounting and Other Irregularities

An examination of financial and other records maintained at the Provincial Administration Headquarters carried out in March 2008 revealed the following:

a. Missing Payment Vouchers

Contrary to Financial Regulation No. 65(1), payment vouchers in amounts totalling K101,172,727 involving twenty-six (26) transactions for period from January to December 2007 were not produced for audit.

b. Unsupported/Inadequately Supported Payments

Contrary to Financial Regulation No. 45, payments amounting to K57,147,967 involving nineteen (19) transactions made during the year under review were unsupported or inadequately supported due to lack of cash sale receipts, invoices, local purchase orders and quotations.

c. Purchases made without Competitive quotations

Contrary to procurement guidelines, purchases in amounts totalling K98,698,994 involving twenty nine (29) transactions were made without obtaining competitive quotations.

d. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest amounting to K256,382,105 involving fifty-seven (57) transactions issued to twenty eight (28) officers during the period under review had not been retired as of August, 2008.

e. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, they were no receipt and disposal details in respect of stores items costing K145,493,849 procured during the period under review.

f. Misapplication of Funds

Contrary to the Appropriation Act of 2007, amounts totalling K186,000,000 appropriated for RDCs were paid to members of staff as household and car loans. As of August 2008, the funds had not been reimbursed.

Conclusion

- 69.** On recommendations of the Public Accounts Committee (PAC) which have not been implemented, during the year under review, the Committee of Officials from the Office of the Auditor General, Office of the Clerk of the National Assembly and the Ministry of Finance and National Planning met to resolve the outstanding issues. In this regard, the committee will issue a separate report on outstanding issues.

**AUDIT HOUSE
HAILE SELASSIE AVENUE
LUSAKA**

**ANNA O CHIFUNGULA FCCA, FZICA
AUDITOR GENERAL
REPUBLIC OF ZAMBIA**

31 December 2008

INDEX

(The figures refer to paragraph numbers)

A		Irregularities in management of contracts
Audit scope and methodology	1	25
Accountability of public fund	2	
Accounting irregularities	28,	
	57	
Accounting and other irregularities	9,	
	21, 22, 24, 29, 30, 33, 35, 39, 40, 47, 48,	Irregular purchase of a house
	52, 58,67,68	42
C		Irregularities in accounting for high school
Conclusion	69	requisites 51
		Irregularities in project management 55
D		L
Delays in the construction of the district hospital	34	Limitation of scope 6
F		O
Failure to account for funds	50	Outturn and appropriations accounts 7
Failure to implement projects	54	P
Failure to execute rehabilitation works	59	Poor contract management
		23, 66
I		T
Institutional development	3	Tax Arrears 8
International cooperation	4	Revenue collections 8
W		
Irregularities in accounting	10, 12,	Weaknesses and other irregularities in
	13, 14, 18, 27, 31, 56, 62	ZAMTIS 16

Weaknesses in accounting for revenue
11, 15, 17

Weaknesses in accounting for Personal
emoluments 19, 20

Weaknesses in accounting 26, 32,
37, 41, 43, 44, 60, 61, 64,65

Weaknesses in accounting for PRP funds
36, 45, 46, 49, 53, 63

Weaknesses in accounting for bursary
scheme 38