

REPORT

of the

AUDITOR GENERAL

ON THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED

31st DECEMBER 2009

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Preface

This report contains seventy five (75) paragraphs. The paragraphs are on Ministries, Provinces and Spending Agencies (MPSAs) that were audited and remained with unresolved issues as at 31st December 2010.

The introduction to the report has highlighted the responsibilities of the Minister of Finance and National Planning, Secretary to the Treasury and Controlling Officers as distinguished from those of the Auditor General. It also gives the audit scope and methodology as well as the limitation of scope.

An analysis of the Appropriation Account on both revenue and expenditure for the financial year ended 31st December 2009, has been included. This analysis has highlighted a revenue surplus of K618,894,384,899, unreconciled balance of K2,707,262,636,856 and excess expenditure of K87,272,446,830.

Issues raised were among others absence of expenditure returns, failure to follow the set guidelines and misapplication of funds on Poverty Reduction Programmes (PRPs), Community Self-Help, Food Security Pack, Street Children, School Health and Nutrition, bursaries to Orphans and Vulnerable Children programmes.

Audits on Information Technology (IT) systems that the Government has implemented in order to improve on the efficiency and effectiveness on service delivery have also been included. These are the Payroll Management Establishment and Control (PMEC), Integrated Financial Management Information Systems (IFMIS) and Personalised Passport Systems (PPS) under Passport Office. Some of the issues on these systems are the non involvement of the Attorney General in the engagement contracts for the supply of the systems, lack of Business and Continuity Plans and Disaster Recovery Plans, no proper procedures on change management, inadequate controls, non segregation of duties in the use of the systems and the lack of security.

Other irregularities that have been revealed in most of the paragraphs are as shown in the table below:

Summary of Findings	Amount K
Misappropriation of Revenue	3,918,288,485
Unaccounted for Revenue	1,388,790,328
Under Banked Revenue	438,773,166
Delayed Banking	9,126,634,591
Unaccounted for Funds	1,126,821,656
Misapplication of funds	95,238,162,121
Unretired imprests	25,789,847,602
Unvouched Expenditure	89,325,590,024
Unaccounted for Stores	32,676,447,022
Irregular payments	3,908,756,274
Non recoveries of Salary advances and loans	14,777,712,130
Failure to Follow Tender procedures	1,189,103,954
Undelivered Materials	345,542,984
Non Submission of Expenditure returns	11,938,931,973
Unauthorised Expenditure	13,684,411,726
Wasteful expenditure	10,042,083,206
Non remittance of tax/contributions	3,129,301,519
Overpayments	125,228,272
Total	318,170,427,033

These irregularities are mostly due to the failure to adhere to regulations.

Included in the report also is the issue of poor contract management and the poor state of properties in Missions Abroad.

The observations on the collections of revenue by the Zambia Revenue Authority are that an overall surplus of K83,818 billion was recorded. However, there was a net deficit of K344.9 billion in respect of specific tax types. The tax arrears stood at K7,962 billion as of December 2009 compared to K4,179 in December 2008, representing a 90% increase.

Other irregularities in the collection of revenue by all revenue collections institutions were unaccounted for revenues, misappropriations and delays in banking.

At the end of the report is an appendix of recommendations of the Public Accounts Committee which are still outstanding.

Interactions with Controlling Officers during the audit process has facilitated corrective action on a number of issues. Therefore, the issues contained in this Report are only those that could not be resolved as at 31st December 2010.

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 2009, 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.

Statement of Responsibility

2. According to the Public Finance Act No. 15 of 2004, the Minister responsible for Finance shall, subject to the provisions of the Constitution and the Act, have management, supervision, control and direction of all matters relating to the financial, planning and economic management of the Republic. The Minister is the Head of Office of the Treasury established under the Act and shall make policy and other decisions of the Treasury except those delegated under section six (6) of the Act to the Secretary to the Treasury who shall exercise the powers of the Treasury. In exercising these powers, the Secretary to the Treasury designates in respect of each head of revenue or expenditure provided for in the financial year, an officer who shall be a Controlling Officer. The responsibilities of the Controlling Officers are outlined in section 7(3) to (9) of the Act and include the preparation and submission of financial statements to the Auditor General for audit and certification before inclusion in the Financial Report. The audited financial statements are then submitted to the Secretary to the Treasury to enable him prepare the Annual Financial Report for tabling in the National Assembly by the Minister responsible for Finance in accordance with the provisions of Article 118(1) of the Constitution of Zambia.

Audit Scope and Methodology

3. This Report is a result of reviews, programmes of test checks, inspections and examination of accounting, stores and other records maintained by public officers and others entrusted with the handling of public resources. The audit programmes were designed to give reasonable assurance of the financial management to the Government and to enable the expression of 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.

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

Limitation of Scope

4. Audits were planned so as to obtain all the information and explanations which were considered necessary in order to provide sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud, error or other irregularities.

However, the execution of audit programmes was limited by factors outside the control of the Auditor General. In a number of instances, evidence available was limited due failure by Controlling Officers to give satisfactory responses to audit observations. In certain instances no responses at all were provided. In these instances, I have strived to assure myself that the information so provided gives some level of assurance on the completeness of the financial statements.

Outturn and Appropriation Accounts

5. According to the provisions of Article 118 (2) of the Constitution, the Financial Report should include, inter alia a balance sheet showing the financial position of the Government as at the end of each financial year appropriation account and statement of revenue and expenditure by Government during the year.

During the year 2009, there was a change in the accounting policy in that the 2009 Financial Statements were prepared in accordance with the International Public Sector Accounting Standards (IPSAS).

The outturn for the year reflected in statement “A” of the Financial Report for the year ended 31st December 2009 is analysed below:

Expenditure as reflected in Statement A 1.2	K	K
Original	15,279,037,268,317	
Supplementary	955,752,641,406	
Total Authorised		16,234,789,909,723
Actual Expenditure		13,872,822,378,084
Net Under Expenditure		2,361,967,531,639
The net under Expenditure of K2,361,967,531,639 is explained as follows:		
Savings	2,449,239,978,470	
Less excess expenditure	87,272,446,830	
		2,361,967,531,640
Revenue as Reflected in Statement A1.1		
Actual Revenue	15,732,841,928,242	
Revenue Estimates	15,113,947,543,343	
Surplus in revenue collections	618,894,384,899	
Actual Revenue	15,732,841,928,242	
Actual Expenditure	13,872,822,378,084	
Net Surplus		1,860,019,550,158
Increase/(Decrease) in Assets		
Increase in Cash	1,352,985,458,190	
Increase in Advances	1,931,737,121	
Increase in Imprest	23,718,159,451	
Increase in Loan Revolving Fund	30,974,208,569	
Decrease in Long Term Lending	(830,540,011,811)	
Increase in Deposits	24,922,582,255	
		603,992,133,775
Liabilities		
Increase in Deposits	(72,654,724,284)	
Decrease in Long Term Borrowing	830,540,011,811	
Increase in Government Securities	(1,676,280,000,000)	
Increase in External Borrowing	(532,840,508,000)	
		(1,451,235,220,473)
Unreconciled balance		2,707,262,636,856
Net Surplus		1,860,019,550,158

a. Analysis of Revenue Collection

An analysis of Statement A1 of the Financial Report for the year under review revealed that there was a net surplus in the revenue collected against the estimated amount by K618,894,384,899 as shown in the table below:

Revenue Type	Total Authorised Provision K	Actual Revenue K	Surplus/Deficit K
Income Tax (other than Mineral Tax)	4,832,980,000,000	5,073,325,538,098	240,345,538,098
Customs and Excise	2,010,205,601,250	1,873,299,668,664	(136,905,932,586)
Value Added Tax	2,502,811,000,000	2,492,584,650,332	(10,226,349,668)
Fines	943,553,438	17,296,004,775	16,352,451,337
Licences	169,549,924,003	190,254,037,901	20,704,113,898
Fees of Court or Office	167,281,003,243	175,084,225,609	7,803,222,366
Interest	64,459,874	9,437,298,691	9,372,838,817
Other Revenue	52,410,663,318	46,067,016,467	(6,343,646,851)
Bilateral Grants	-	778,360,000,000	778,360,000,000
Multilateral Grants	1,510,488,961,214	1,566,560,000,000	56,071,038,786
General Budget support	851,141,070,000	793,280,000,000	(57,861,070,000)
Sector Budget support	429,025,552,971	169,880,000,000	(259,145,552,971)
Bilateral external borrowing	700,000,000	82,281,628,000	81,581,628,000
Multilateral External Borrowing	503,288,737,180	450,558,880,000	(52,729,857,180)
Domestic Borrowing	1,798,438,456,070	1,676,280,000,000	(122,158,456,070)
Exceptional Revenue	284,618,560,782	338,292,979,705	53,674,418,923
Total	15,113,947,543,343	15,732,841,928,242	618,894,384,899

The net surplus of K618,894,384,899 was attributed to income tax collection above target due to collection of arrears from companies and bilateral grants that had no estimated provision.

b. Excess Expenditure

A review of Statement "C" of the Financial Report for the year ended 31st December 2009 revealed that there was excess expenditure of K87,272,446,830 from three (3) Heads of expenditure contrary to the Appropriation Act of 2009 as shown in the table below:

HEAD	MPSA	TOTAL AUTHORISED PROVISION K	ACTUAL EXPENDITURE K	EXCESS K
05	Electoral Commission	48,017,885,213	60,136,721,169	12,118,835,956
37	Ministry of Finance and National Planning	1,337,595,937,432	1,402,474,143,421	64,878,205,989
99	Constitutional and Statutory Expenditure	1,254,588,337,434	1,264,863,742,319	10,275,404,885
	TOTAL	2,640,202,160,079	2,727,474,606,909	87,272,446,830

The excess expenditure of K87,272,446,830 is unconstitutional and will require approval from Parliament as provided for under Article 117 (5) of the Constitution.

c. Unreconciled Balance

There was an unreconciled balance of K2,737,684,600,426 in the Financial Report of which no explanation was given. However, an analysis of the out turn revealed a reduced unreconciled balance of K2,707,262,636,856.

d. Unretired Imprest

Although there was unretired imprest of K23,043,693,444 in the Financial Report as at 31st December 2009, the balance carried forward as at 31st December 2008 amounting to K445,240,734,515 was not included in 2009 in accordance with the requirement of the International Public Sector Accounting Standards (IPSAS) – cash basis. It was not explained how the balance of K445,240,734,515 was treated.

e. Net Surplus

According to the Financial Report of 2009, the surplus amount of K1,860,019,550,150 in the Audited Statement of comparison of the Budget and Actual (Statement A) differs by K30,421,963,570 from the surplus amount of K1,890,441,513,728 in the Statement of Financial Position (Statement D). This is because corrections were made to expenditure after Statement A was submitted to Auditor General. However, the corrections made were not availed for audit scrutiny.

GENERAL REVENUE

Zambia Revenue Authority

Programmes:	1	Income Tax (Other than Mineral Tax)
	2	Mineral Revenue
	4	Customs and Excise
	5	Value Added Tax
	6	Exceptional Revenue
Activities:		Various

6. During the financial year ended 31st December 2009, an amount of K9,680 billion was collected against a target of K9,596 billion resulting in a surplus of K83,818 billion as shown in the table below:

Tax Type	GRZ profile (k)	Net Collections (k)	Variance (k)
Income Tax (other than Mineral Tax)			
Company Tax	1,176,759,000,000	1,478,958,211,886	302,199,211,886
Individuals (Self Employed)	39,860,229,398	37,176,492,625	(2,683,736,773)
Back Duty	1,391,626,366	1,045,330,575	(346,295,791)
Pay As You Earn	2,866,583,937,346	2,811,547,536,778	(55,036,400,568)
Employed Individuals	14,506,963,579	10,786,320,520	(3,720,643,059)
Withholding Tax (Rent,Interest)	426,062,522,220	380,480,603,082	(45,581,919,138)
Withholding Tax (Dividends)	16,271,829,841	14,998,103,355	(1,273,726,486)
Withholding Tax (Lump Sum)	313,193	237,321,706	237,008,513
Withholding Tax (Contractors)	24,667,108,696	38,846,481,137	14,179,372,441
Property Transfer Tax	23,443,711,991	24,100,422,728	656,710,737
Advance Income Tax	28,838,757,370	23,645,327,432	(5,193,429,938)
Sub Total	4,618,386,000,000	4,821,822,151,824	203,436,151,824
Customs and Exsise			
Customs Duty	1,137,920,244,789	1,023,459,832,839	(114,460,411,950)
Excise Duty-Soft Drinks	25,789,452,771	25,459,815,041	(329,637,730)
Excise Duty-Cigarettes	78,992,685,237	80,693,187,286	1,700,502,049
Excise Duty-Opaque Beer	35,035,814,515	34,162,803,055	(873,011,460)
Excise Duty-Clear Beer	196,453,011,331	201,175,822,341	4,722,811,010
Excise Duty-Hydro carbon oils	185,102,078,962	156,464,617,305	(28,637,461,657)
Excise Duty-Spirits	15,231,207,222	13,609,827,376	(1,621,379,846)
Rummage Sales	2,243,504,102	2,358,025,208	114,521,106
Fines	9,868,602,601	9,890,626,806	22,024,205
Estreated Deposits	-	-	-
Warehouse Rent	560,481,332	466,375,339	(94,105,993)
Accounting Fees	807,649,222	682,781,536	(124,867,686)
Licence Fees	2,613,729,758	1,700,266,393	(913,463,365)
Other Revenue	3,669,788,194	3,607,513,820	(62,274,374)
Excise Duty-Motor Vehicles	116,219,235,476	114,083,137,674	(2,136,097,802)
Excise Duty-Electrical Energy	28,662,422,927	28,816,727,439	154,304,512
Excise Duty-Water	2,936,033,244	3,155,532,494	219,499,250
Excise Duty-Wine	2,962,736,597	5,769,593,004	2,806,856,407
Excise Duty-Airtime	128,115,596,220	133,085,961,477	4,970,365,257
Excise Duty-Scrap Metal	1,669,610,612	1,672,315,153	2,704,541
Excise Duty-Cosmetics	8,358,323,616	8,287,281,369	(71,042,247)
Excise Duty-Carbon	11,096,836,079	10,227,239,744	(869,596,335)
Export Levy-Cotton Seed	541,590,236	361,060,157	(180,530,079)
Export Levy-Copper Concentrates	15,354,966,207	14,109,325,808	(1,245,640,399)
Sub Total	2,010,205,601,250	1,873,299,668,664	(136,905,932,586)
Mineral Royalty			
Mineral Revenue	214,594,000,000	251,503,386,274	36,909,386,274
Sub Total	214,594,000,000	251,503,386,274	36,909,386,274
Value Added Tax			
Domestic VAT	370,331,000,000	307,242,780,749	(63,088,219,251)
Import VAT	2,132,480,000,000	2,185,341,869,583	52,861,869,583
Sub Total	2,502,811,000,000	2,492,584,650,332	(10,226,349,668)
Exceptional Revenue			
Fuel Levy	238,898,565,804	222,515,623,848	(16,382,941,956)
Medical Levy	11,730,331,638	12,774,396,505	1,044,064,867
Motor Vehicle Fees	-	5,944,446,447	5,944,446,447
Sub Total	250,628,897,442	241,234,466,800	(9,394,430,642)
GRAND TOTAL	9,596,625,498,692	9,680,444,323,894	83,818,825,202

Observations on Tax Revenue Collections

An examination of revenue and other records pertaining to revenue collections at the Zambia Revenue Authority (ZRA) Headquarters and selected outlying stations revealed the following:

a. Revenue Deficits on some Tax Types

Although the Authority recorded an overall surplus of K83,818 billion during the period under review, there was a net deficit of K344.9 billion in respect of twenty three (23) Tax types as tabulated in the table below:

Tax Type	GRZ Targets K	Net Collections K	Variance K
Income Tax(other than Mineral Tax)			
Individuals (Self Employed)	39,860,229,398	37,176,492,625	-2,683,736,773
Back Duty	1,391,626,366	1,045,330,575	-346,295,791
Paye As You Earn	2,866,583,937,346	2,811,547,536,778	-55,036,400,568
Employed Individuals	14,506,963,579	10,786,320,520	-3,720,643,059
Withholding Tax(Rent Interest)	426,062,522,220	380,480,603,082	-45,581,919,138
Withholding Tax(Individuals)	16,271,829,841	14,998,103,355	-1,273,726,486
Advanced Income Tax	28,838,757,370	23,645,327,432	-5,193,429,938
Sub Total	3,393,515,866,120	3,279,679,714,367	-113,836,151,753
Customs and Excise			
Customs Duty	1,137,920,244,789	1,023,459,832,839	-114,460,411,950
Excise Duty-Soft Drinks	25,789,452,771	25,459,815,041	-329,637,730
Excise Duty-Opaque Beer	35,035,814,515	34,162,803,055	-873,011,460
Excise Duty-Hydro Carbon oils	185,102,078,962	156,464,617,305	-28,637,461,657
Excise Duty-Spirits	15,231,207,222	13,609,827,376	-1,621,379,846
Warehouse Rents	560,481,332	466,375,339	-94,105,993
Accounting Fees	807,649,222	682,781,536	-124,867,686
Licence Fees	2,613,729,758	1,700,266,393	-913,463,365
Other Revenue	3,669,788,194	3,607,513,820	-62,274,374
Excise Duty-Motor Vehicle	116,219,235,476	114,083,137,674	-2,136,097,802
Excise Duty-Cosmetics	8,358,323,616	8,287,281,369	-71,042,247
Excise Duty-Carbon	11,096,836,079	10,227,239,744	-869,596,335
Export Levy-Cotton Seed	541,590,236	361,060,157	-180,530,079
Export Levy-Copper Concentrates	15,354,966,207	14,109,325,808	-1,245,640,399
Sub Total	1,558,301,398,379	1,406,681,877,456	-151,619,520,923
Value Added Tax			
Domestic VAT	370,331,000,000	307,242,780,749	-63,088,219,251
Sub Total	370,331,000,000	307,242,780,749	-63,088,219,251
Exceptional Revenue			
Fuel Levy	238,898,565,804	222,515,623,848	-16,382,941,956
Sub Total	238,898,565,804	222,515,623,848	-16,382,941,956
GRAND TOTAL	5,561,046,830,303	5,216,119,996,420	-344,926,833,883

In his response dated 23rd August 2010, the Commissioner General stated that the poor performance was attributed to the reduced business volume resulting from the economic down turn.

b. Delayed Remittances of Funds to Bank of Zambia

According to existing arrangements, Commercial Banks are supposed to remit deposited funds to the Bank of Zambia within 48 hours. Contrary to the arrangement, Zanaco delayed in remitting revenues totalling K99,239,966,131 collected between January 2007 and November 2009 to Bank of Zambia. Accordingly, the Authority computed interest due on the delayed amount totalling K40,049,780 based on the weighted average Bank of Zambia rate. It was noted that although the collections were remitted in December 2009, at the time of audit in April 2010, Zanaco had not paid the interest accrued on the delayed revenue as tabulated below:

Period	Amount Delayed K	Interest due K
Jan 2007 to May 2009	239,966,131	38,910,602
Nov-09	99,000,000,000	1,139,178
Total	99,239,966,131	40,049,780

c. Refer to Drawer Cheques

In paragraph 8 (a) (vii) of the report of the Auditor General on the accounts for the financial year ended 31st December 2008, mention was made that there were refer to drawer cheques in amounts totalling K1,780,325,392 that were still outstanding as at December 2009

In their report to the Fourth Session of the Tenth National Assembly, the Public Accounts Committee recommended that the Secretary to the Treasury should ensure that revenue collecting institutions are promptly alerted on the refer to drawer cheques as one way of expediting their replacements. It also recommended that individuals and institutions whose cheques bounce should be reported to the Police as it was a criminal offence.

A review of the situation in 2010 revealed that there were refer to drawer cheques amounting to K1,264,758,319 and as of December 2010, there were still outstanding. However, ZRA had not reported the matter to the Police.

d. Tax Arrears

Although according to the ITAS, the total tax debt stood at K7,962 billion as of December 2009 compared to K4,179 in December 2008, representing 90% increase, the Commissioner General, in his response stated that ZRA was experiencing challenges with its system integration program which had resulted in incomplete data thereby affecting integrity of the data.

See table below:

Tax Type	2009 K`bn	2008 K`bn
Domestic Taxes		
Corporate Tax	2,015	1,315
PAYE	4,477	805
Self Employed Tax	193	83
Domestic VAT	925	1,554
Back Duty	8	313
Sub total	7,618	4,070
Customs and Excise	344	109
Total	7,962	4,179

In addition, the following were observed:

i. Domestic Taxes

▪ Unsupported Movements in Domestic Tax Debt Stock – Headquarters

A review of the domestic tax debt stock revealed reductions in balances for six (6) tax payers from K88,350,807,761 in 2008 to K57,074,245,053 in 2009 as shown in the table below:

Tax	Tax payer	Arrears 2008 K	Arrears 2009 K	Difference K
PAYE	GM International	664,936,474	586,772,167	78,164,307
	Zulu Barrow	5,707,662,110	2,169,487,123	3,538,174,987
	ZNBC	77,282,198,203	53,638,894,696	23,643,303,507
	ZNOC	786,541,840	497,472,626	289,069,214
		84,441,338,627	56,892,626,611	27,548,712,016
Company Tax	Medical Stores	2,293,230,914	46,915,318	2,246,315,596
	Jack Kawinga	1,616,238,220	134,703,124	1,481,535,096
		3,909,469,134	181,618,442	3,727,850,692
Total		88,350,807,761	57,074,245,053	31,276,562,708

It was however observed that the reduction of K31,276,562,708 was not supported by any documentation such as payment receipts and reversals.

Although the Commissioner General stated in his response that reconciliations and data cleansing had been undertaken which had the effect of restating (changing) the 2008 arrears figures, the source of the reconciled figures was not provided.

In addition, six (6) companies with a total debt stock of K10,092,312,452 as at 31st December 2008 as shown in the table

below were not on the debt schedule as at 31st December 2009 and there was no proof of payment in 2009 to warrant their exclusion from the 2009 debt schedule.

Company	Debt Stock as at 31st December 2008 K
Hill and Delamain	544,283,278
Milomax Motors	249,488,690
National Milling	488,879,666
Securities and Exchange Commission	3,190,353,390
ZSIC	1,958,811,273
Reflection Limited	3,660,496,155
Total	10,092,312,452

▪ **Arrears Not Updated – Kitwe**

A total of K66,889,210,345 was reflected as outstanding Company Tax for the station as at August 2009 in respect of ninety seven (97) tax payers. A test check of five (5) taxpayers with outstanding tax arrears of K6,008,722,795 revealed that there was no correlation of the arrears schedule with the account statements on ITAS. Whereas the arrears schedule reflected K6,008,722,795 as outstanding tax arrears, the account statements on ITAS reflected K57,387,686 resulting in a difference of K5,951,335,109. In this regard, the amount of K66,889,210,345 reflected as outstanding tax arrears is questionable.

▪ **Incomplete Station Debt Stock – Livingstone**

Amounts totalling K15,414,208,456 were reflected as outstanding taxes for the station. However, the outstanding arrears were not included in the ITAS system and consequently, the interest and penalty charges were not generated. In this regard, the debt stock of K15,414,208,456 as reflected on ZRA records was incomplete.

In addition, there was no proof that efforts were made to recover the arrears in that there were neither Time to Pay Agreements nor warrants of distress issued to the defaulters.

- **Unallocated Suspense Account Transactions**

There are times when a taxpayer wishes to make a payment without knowing the liability type, or without having been registered for TPIN beforehand. In such a case, the payment should be receipted under suspense payments, which have to be allocated later, when the full details are known.

It was observed that there was a total of K43,775,645,186 in the suspense account at Lusaka cash office collected during the period under review that remained unallocated as of December 2010.

- **Missing Tax Payers**

According to records provided, the ZRA was owed amounts totalling K338,916,946 by fifteen (15) tax payers who could not be traced. However, a comparison between the Patents and Companies Registration Agency (PACRA) records and the ZRA schedule of missing tax payers revealed that out of the fifteen (15) companies designated as missing, two (2) companies; Mwalin Investment and Chipata cotton company that had tax arrears of K5,862,778 were active as they had submitted their 2009 annual company returns.

- **Mineral Royalty Tax Arrears**

A review of Mineral Royalty tax records for mining companies during the year under review revealed that three (3) companies made declarations totalling K260,641,910,890 out of which K112,994,212,651 was paid leaving a balance of K147,647,698,239. However, the amount was not included in the arrears figure reported as at 31st December 2009.

- ii. **Customs and Excise**

According to ASYCUDA, there was an amount of K344 billion outstanding as at 31st December 2009 as shown in the table below:

Customs & Excise	K'bn 2009
Customs Duty	65.3
Advance Income Tax	1.3
Carbon Surtax Emmission	0.083
Import Excise Duty	4.7
Local Excise Duty	47.7
Export Duty	1.1
Fuel Levy	7.1
MVF Tax amount	0.088
VAT Tax Amount	217
Sub total	344

The following were observed:

- **Outstanding Transits**

Transit documents are raised on the system to monitor goods destined to other countries that are transported through the country. Transit documents are generated at the port of entry and are acquitted at the point of exit as the goods are leaving the country, this must be done within five (5) days. The clearance of the transits on the system can only be done by the destination exit office indicated on the transit documents after checking that none of the goods that entered the country were consumed within.

It was observed in this regard that there were outstanding transits for the three (3) stations in amounts totalling K37,150,576,881 as shown in the table, as of August 2010 that were for the period of more than five (5) days.

Port office	Amount outstanding K
Chirundu	7,169,882,605
Livingstone	3,438,948,964
Nakonde	26,541,745,312
Total	37,150,576,881

- **Outstanding Temporal Importation Permits (TIPs)**

There are instances when goods are imported into the country via a temporary importation permit (T.I.P). These goods are meant to be re-exported to another country in an unaltered condition. Provided all the conditions are met by the importer, no duties and taxes are payable.

The imported goods are supposed to be re-exported within twelve (12) months and the transaction is captured on ASYCUDA. If the period expires, follow up action is instituted and the necessary taxes are collected.

In this regard, an examination of T.I.P records as at December 2009, relating to 2008 importations revealed that 339 temporal importations with a total collectable duty of K40 Billion had expired, as tabulated below:

Port	No. of Outstanding Entries	Outstanding Amounts (K'Bn)
Chirundu	151	23
Lusaka.I.Airport	34	4
Lusaka port	58	1
Livingstone	63	5
Nakonde	33	2
Total	339	40

- **Expired Bonded Warehousing Entries**

Bonded warehousing allows traders to bond goods where customs taxes have not been paid. Bonded warehouses operate in such a way that an importer or manufacturer of goods liable to excise duty, imports goods and stores them in a warehouse duly licensed by customs without payment of duty on first importation or completion of manufacturing.

As provided by section 62 (1) of the Customs and Excise Act, it is a requirement that all goods entered into a bonded warehouse must be cleared from the warehouse within twelve (12) months from the time the goods are first warehoused failure to which the goods should be forfeited to the state, gazetted and auctioned.

An examination of bonded warehouse records revealed that 677 entries with a collectable duty of K9,371,235,911 were neither forfeited nor gazetted for auctioning as tabulated below:

Port	No. of outstanding entries	Collectable Amounts K
Kitwe	202	1,587,356,537
Lusaka Airport	13	52,669,727
Lusaka	458	7,709,514,815
Livingstone	4	21,694,832
Total	677	9,371,235,911

- **Registered Bills of Entries Pending Assessment for Over One Year**

A bill of entry is a formal declaration describing goods which are being imported or exported. The bill of entry is examined by customs officials to confirm that the contents of a shipment conform to the law and to determine which taxes, tariffs and restrictions may apply to the shipment. This document must be prepared by the importer or exporter.

According to ZRA Customs policies, all entries submitted for registration through ASYCUDA should be assessed within five (5) days and payment should be made within five (5) days from assessment. An examination of records relating to bills of entry reviewed that there were 265 bills of entry submissions amounting to K2,165,454,625 which were not assessed for a period of over one (1) year, and therefore the duty was not collected as of December 2009. See table below:

Port office	No. of transactions	Value K
Kitwe	66	580,456,469
Nakonde	16	51,845,143
Chirundu	183	1,533,153,013
Total	265	2,165,454,625

- **Non adherence to Time to Pay Agreements by Excise Duty Manufacturers**

A Time to Pay Agreement (TPA) is an arrangement between ZRA and a tax payer to settle tax arrears in installments. In case a tax payer defaults on the TPA, ZRA is supposed to proceed and institute forfeiture procedures.

A review of Time to Pay Agreements at Lusaka Port Office entered into with Excise Duty Manufacturers in 2009, revealed that the agreements had not been honoured resulting in an unpaid balance of

K555,116,662 as of August 2010. However, ZRA had not instituted forfeiture processes.

Head: 8 Fees and Fines-Zambia Police

Activity: 051 Police Collections

7. In the Estimates of Revenue and Expenditure for the financial years 2008 and 2009, provisions of K13,622,570,658 in 2008 and K8,740,000,000 in 2009 were made against which collections of K13,203,177,748 in 2008 and K17,411,306,403 in 2009 were made resulting in under collections of revenue of K419,392,910 in 2008 and a surplus of K8,671,306,403 in 2009. The table below gives details of the collections:

	2008 K	2009 K
Approved Revenue Estimate	13,622,570,658	8,740,000,000
Actual collections	13,203,177,748	17,411,306,403
Variance	(419,392,910)	8,671,306,403

Accounting and Other Irregularities

An examination of accounting and other records maintained at Zambia Police Service Headquarters and visits to selected Police Stations in Lusaka, Southern, Central, Western, North western and Copperbelt provinces, carried out in June 2010 revealed the following:

a. Unaccounted for Revenue

Contrary to Financial Regulation No.129, revenue collections totalling K117,033,550 collected at sixteen (16) Police stations during the period from January 2008 to December 2009, could not be accounted for in that there were no deposit slips to show proof of banking and cash was not on hand. Details are shown in the table below:

Police Station	Amount K
HQ-Finger prints	3,300,000
Kabangwe	5,446,500
West wood	3,375,000
Solwezi Central	5,195,000
Nchanga	2,380,000
Chiwempala	1,350,000
Mongu Central	50,890,000
L/Stone	2,302,500
Dambwa	7,194,500
Kalomo	17,932,000
Monze	2,700,000
Pemba	3,856,900
L/Stone Central	3,000,000
Linda	4,210,150
Choma	2,394,000
Mazabuka	1,507,000
Total	117,033,550

b. Misappropriation of Revenue

Revenue in amounts totalling K39,410,000 collected during the period under review at Mongu Central Police Station was misappropriated by the Administrative Officer in that whereas the deposit slips indicated that the funds were banked, the funds were not reflected on the bank statements.

c. Delayed Banking of Revenue

Contrary to Financial Regulation No.121, there were delays of periods ranging from four (4) to one hundred and twenty (120) days in banking of revenue totalling K1,178,383,200 collected during the period from January to December 2009 by various Police stations as detailed in the table below:

Police Station	Amount K	Range Days
Kabangwe	36,273,500	4-17
Chilanga	30,034,500	4-22
Emmasdale	14,779,500	4-21
Woodlands	43,843,000	4-28
Solwezi	29,070,000	4-16
Chingola-Traffic	37,634,000	4-9
Chingola	234,878,500	4-60
Kitwe	104,891,400	4-39
Mindolo	131,597,000	4-56
Wusakile	79,879,500	4-88
Riverside-traffic	54,934,500	5-27
Riverside-Administration	34,414,000	4-120
Ndola	68,833,500	4-14
Ndola-Traffic	8,800,000	4-18
Mongu Central	4,610,000	5-56
Kaoma-Traffic	18,767,500	4-28
Kaoma	8,800,000	4-52
L/Stone	32,186,800	4-49
Victoria Falls	29,101,500	5-61
Dambwa	47,037,500	4-46
Linda-Traffic	35,285,000	4-19
Kazungula	45,520,500	4-54
Kalomo	17,852,500	4-52
Mazabuka	29,359,000	4-36
Total	1,178,383,200	

d. Receipt Books not Produced for Audit

Contrary to Financial Regulation No.10(n), there were twenty five (25) general receipt books (Accounts Form 40) that were not produced for audit at Mongu Police Station.

e. Destruction of Copies of Used Receipt Forms

Contrary to Financial Regulation No.120 which prohibits the destruction of copies of used receipt forms until after they have been examined by the Auditor General, two (2) copies of receipts, serial No. 922590 and 1679134, at Pemba Police Station were destroyed before examination by the Auditor General. In this regard, it was not possible to ascertain the correct amounts collected on the receipts in question.

Head: 8 Fees and Fines - Ministry of Home Affairs

Activity: 018 Immigration

8. In the Estimates of Revenue and Expenditure for the financial year 2009, a total amount of K84,750,000,000 was to be collected as immigration fees against which a total amount of K79,511,854,142 was collected resulting in an under collection of K5,238,145,858.

Misappropriation of Revenue and Other Irregularities

An examination of accounting and other records maintained at the Immigration Headquarters, Lusaka International Airport, Livingstone, Kazungula border, Katima Mulilo, Mongu Regional Office, Kasumbalesa, Kitwe and Ndola carried out in June 2010 revealed the following:

a. Misappropriation of Revenue

Revenue in amounts totalling K3,746,266,735 collected during the period January to December 2009 at five (5) stations from issuance of VISAs and permits had been misappropriated in that the money was neither banked nor found on hand contrary to Financial Regulation No. 129.

The five (5) stations and the amounts involved are detailed in the table below:

Station	Amount K
Immigration-HQ	2,584,050,000
Lusaka International Airport - Temporary Permits	56,500,000
Lusaka International Airport - VISA Fees	149,304,750
Kazungula - VISA Fees	11,531,985
Kitwe	21,080,000
Kitwe-Permit Fees	678,100,000
Ndola- Permit Fees	245,700,000
Total Unaccounted for	3,746,266,735

b. Delayed Banking-Permits

Contrary to Financial Regulation No.121 (1), which states that subject to the written direction of the Secretary to the Treasury in respect of the operation of any fund or working account established pursuant to Section 25 of the Act, all moneys received by any accounting officer shall be deposited not later than the next business day following the day of receipt, there were delays ranging from 4 to 75 days in banking revenue totalling K6,611,800,000 collected during the period under review.

c. Dishonoured Cheques

Contrary to Financial Regulation No.143, six (6) cheques amounting to K13,000,000 were dishonoured by Bank of Zambia and as at the time of audit in June 2010, they had not been replaced as shown in the table below:

Date	Cheque No.	Amount K
26-Jan-09	012884	1,500,000
20-May-09	000235	1,000,000
1-Dec-08	011201	2,000,000
3-Apr-09	000001	4,000,000
4-Aug-09	001589	2,000,000
4-Aug-09	001590	2,500,000
Total		13,000,000

Head:	8	Fees and Fines - Ministry of Agriculture and Cooperatives
Activities:	30	Plant Quarantine and Phytosanitary Services
	64	Fertiliser Sales
	68	Veterinary Fees
	85	Fishing Licences
	90	Import and Export Permits

9. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a total of K30,787,673,817 was provided, against which amounts totalling K113,284,882,634 were collected resulting in a surplus of K82,497,208,817 as shown in the table below:

Activity	Type of Revenue	2009 Estimates K	Amount Collected K	Variance K
1	Fishing Licenses	1,136,284,817	7,463,265,652	6,326,980,835
2	Veterinary Fees	294,874,000	10,101,657,416	9,806,783,416
3	Plant Quarantine and Phytosanitary	282,515,000	289,735,950	7,220,950
4	Import and Export Permits	554,000,000	819,229,254	265,229,254
5	Inspection fees	-	1,510,000	1,510,000
6	Other fees	-	1,746,000	1,746,000
7	Fertiliser sales	28,520,000,000	94,607,738,362	66,087,738,362
	Total	30,787,673,817	113,284,882,634	82,497,208,817

Weaknesses in Accounting For Revenue

An examination of accounting and other records maintained at the Ministry Headquarters and visits to Chilanga and Itezhi-Itezhi Fisheries, Zambia Agriculture Research Institute (ZARI)-Headquarters, Ndola, Kabwe and Livingstone carried out in July 2010 revealed the following:

a. Unaccounted for Revenue

Contrary to Financial Regulation No.129, amounts totalling K132,611,750 collected from five (5) stations during the period under review were not accounted for in that there was no evidence that the money was banked and there was no cash on hand. Details are in the table below:

Station	Unaccounted for K
Chilanga Inspection fees	71,646,600
Itezhi-tezhi-Veterinary	7,045,250
Ndola -Veterinary	8,335,000
HQ-Imports and Export permits	24,372,650
HQ-Tonnage undervaluations	18,482,250
L/Stone-Tonnage undervaluations	2,730,000
Total	132,611,750

b. Unpresented Documents

There were thirty five (35) export permits valued at K61,250,000 and one hundred and one (101) import permits valued at K176,750,000 which were not produced for audit.

c. Unauthorised Appropriation of Revenue

In paragraph 19 of the Auditor General's report for the financial year ended 31st December 2008, mention was made of unauthorised Appropriation of Revenue amounting to K204,265,796 without authority from Secretary to the Treasury.

A review carried out in July 2010 revealed that the situation had continued in that contrary to Financial Regulation No.122, revenue totalling K167,013,212 were utilised without authority from Secretary to the Treasury.

Head: 8 Fees and Fines-Ministry of Works and Supply

Activity: Various

- 10.** In the Estimates of Revenue and Expenditure for 2009, a provision of K4,741,894,728 was made for the collection of revenue from the sale of government vehicles, maintenance of government equipment, sale of personal to holder vehicles, rental of government buildings and printing supplies, out of which a total of K4,318,630,204 was collected resulting in a deficit of K423,264,524 .

Irregularities in Accounting for Revenue

An examination of accounting and other records for the revenue collections at the Ministry Headquarters and Government Complex carried out in March 2010 revealed the following:

a. Failure to Collect Proceeds from the Sale of Personal to Holder Motor Vehicles - Headquarters

During the period from January 2007 to December 2009, the Ministry sold thirty-two (32) personal to holder vehicles to eligible officers from which amounts totalling K399,363,113 were due. However as of November 2010, the Ministry had collected amounts totalling K169,560,934 while the balance of K229,802,179 was outstanding.

It was noted that the outstanding balance of K229,802,179 was in respect of twenty-five (25) motor vehicles which, according to the guidelines were to be released upon full payment. However, the motor vehicles were already with the prospective owners.

b. Government Complex

In paragraph 18 of the Auditor General's report on the accounts for the financial year ended 31st December 2008, mention was made of the Ministry's failure to capture rental revenues from rent of offices at Government Complex in Kamwala.

A review of 2009 records showed that the situation had not changed in that no provision for rental revenues was included in the Estimates of Revenue and Expenditure for 2009.

Audit tests conducted covering the period from January 2006 to December 2009 revealed the following:

i. Failure to Remit Rental Collections to Government

On 1st February 2006, the Ministry of Works and Supply entered into a contract with Bitrust Real Estate, to be estate manager for the Government Complex for the period up to 30th September 2009.

The contract provided that the management agency fee would be seven and half percent (7.5%) of the gross rent collected and deposited with the Landlord. Service charges were to be collected by estates manager and used for payment of utility bills and cleaning services while rentals were supposed to be remitted to Ministry of Works and Supply, buildings department for onward transfer into control 99.

A scrutiny of rental records maintained by Bitrust Real Estate Agency revealed that amounts totalling K948,280,879 out of the expected rental income of K1,169,559,095 for the period 2006 to 2008 were collected leaving a balance of K221,278,216 outstanding.

The funds of K948,280,879 collected by Bitrust Real Estate Agency were not remitted to the Ministry as of December 2010. In addition, it was difficult to ascertain how much was collected for the period January to September 2009 as they were no records availed for audit as the contract with Bitrust Real Estate Agent was terminated in September 2009. A new Estate Manager HallMark was engaged in October 2009.

Head:	123	Fees -Ministry of Lands
	125	Interest-Ministry of lands
	129	Other Revenue-Ministry of Lands
Programmes:		Various
Activities:		Various

11. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K29,070,180,000 was made for the collection of ground rent, document fees and registration fees, survey fees, rent of Government premises and interest on late payments against which amounts totalling K24,087,864,047 were collected resulting in an under collection of K4,982,315,953 as shown in the table below:

Program	Budget Provision K	Actual Revenue K	Variance K
Ground rent	14,000,000,000	15,209,756,019	1,209,756,019
Document fees & Registration fees	7,000,000,000	5,198,963,250	(1,801,036,750)
Survey fees & Miscellaneous	7,500,000,000	3,245,983,215	(4,254,016,785)
Inspection fees	100,000	-	(100,000)
Rent of Govt Premises	50,000,000	6,690,000	(43,310,000)
Consent fees	520,000,000	426,100,000	(93,900,000)
Interest on late payments	80,000	371,563	291,563
Total	29,070,180,000	24,087,864,047	(4,982,315,953)

In addition, amounts totalling K1,724,620,331 were collected at Ndola bringing the total collections to K25,812,484,378.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry carried out in September 2010 revealed the following:

a. Revenue Collections

i. Unaccounted for Revenue

Out of the K25,812,484,378 collected during the period under review, K25,171,034,122 was banked leaving a balance of K641,450,256 unaccounted for as shown in the table below.

Station	Amount Collected K	Amount Banked K	Unaccounted for Revenue
Ndola	1,724,620,331	1,330,252,111	394,368,220
Lusaka and Others	24,087,864,047	23,840,782,011	247,082,036
Total	25,812,484,378	25,171,034,122	641,450,256

ii. Delayed Banking

Contrary to Financial Regulation No 121, there were delays of periods ranging from three (3) to forty-two (42) days in banking revenue totalling K1,158,333,893 collected in Ndola.

iii. Reversals of Receipts

During the period from January 2009 to July 2010, receipts in amounts totalling K141,465,161 were purportedly reversed. However, there was no proof for the reversals.

iv. Outstanding Debtors

The Ministry operates the Lands Information and Management System (LIMS) for its administration of properties. However, the Ministry could not provide the number of properties and the correct amounts owing as at 31st December 2009.

A review of properties under the Lands Information and Management System (LIMS) revealed that there were 29,845 properties that were owing amounts totalling K38,281,453,956 as of December 2009. However, a scrutiny of the data base revealed that 21,026 property numbers and names of property owners were duplicated.

b. Appropriation In Aid

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K5,592,697,609 was made as Appropriation in Aid, however the Ministry retained K6,553,105,916 as Appropriation in Aid which exceeded the budget by K960,408,306.

EXPENDITURE

Head:	08/08	Cabinet Office, Management Development Division
Unit:	5	Public Service Management Project Units
Programme:	10	Payroll Management and Establishment Control
Activities:		Various

12. The Payroll Management and Establishment Control (PMEC) Project is a government initiative whose main purpose was to establish sustainable processes and systems that could support the effective monitoring of Government employment policy and help to detect and eliminate payroll abuse. The project was commissioned to enhance the prevention of over-runs in Personal Emoluments (PEs) expenditure and improve the accuracy of payroll budgeting.

PMEC is managed in a decentralised manner on a centralised database. PMEC integrates payroll and establishment control and incorporates business rules. PMEC went live in mid 2004. PMEC consists of a total of 258 payroll areas. This accounts for approximately 160,000 live employee master records with at least 15,000 inactive employee master records.

Weaknesses in the Administration of PMEC

a. IT Governance

i. IT Strategic Plan and ICT Policies

According to Control Objectives for Information and Related Technology (CoBIT) PO1, IT strategic planning is required to manage and direct all IT resources in line with the business strategy and priorities.

However, it was observed that PMEC had no ICT policy and IT strategic plan as of December 2010.

ii. Segregation of Duties

According to the organisation structure, the Payroll Management Section and the Organisation Management Section are supposed to be manned by two (2) officers each. The Payroll Management Officers are supposed to be supervised by the

Payroll Specialist while the Organisation Management Officers are supposed to be supervised by Organisational Management Specialist.

It was however observed that the two positions in both sections were vacant and all the functions were being carried out by the specialist.

Further, despite having different responsibilities, the Principal Accountant and Personnel Cost Planning Specialist had the same user rights on the system.

b. Contracts

i. Lack of Service Level Agreements

According to CoBIT DS1.3, Service Level Agreements (SLAs) define and agree all critical IT services based on customer requirements and IT capabilities. The following items can be considered; availability, reliability, performance, capacity for growth, levels of support, continuity planning, security and demand constraints among others.

It was observed that there were no service level agreements in place between IT specialists at PMEC and end users in Ministries Provinces and Spending Agencies (MPSAs) as of December 2010.

ii. Lack of Maintenance Contracts

According to the operational requirements in the contract, the supplier should have provided a five (5) year maintenance contract for the PMEC system support commencing August 2004. Additionally, the supplier should have provided a single point of contact to support desk and describe how the set up would assist PMEC.

It was observed that there were no running maintenance contracts for the support of the system in cases of bug fixing, system upgrades and help desk support that could not be dealt with internally by the system specialists. In this regard, the Government had been utilising external services from Multi Vendor Services, TECHNET and BYTES Technologies Group. Further, there were no maintenance contracts signed prior to engaging the consultants.

c. IT Security

i. Inappropriate User Profiles

CoBIT DS5 Systems Security states that there is need to maintain the integrity of information and protect IT assets to ensure a security management process. This process includes establishing and maintaining IT security rights and responsibilities, policies, standards and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Contrary to the standards, the Director and five (5) technical support staff had user rights to run and update records concerning payroll, organisation management, time management and personnel administration which are the core business areas on the PMEC.

ii. Lack of Back-Up Policy and Inadequate Back- Ups Testing

The ISO/IEC 17799 Clause 10.5.1 states that back-up copies of information and software should be taken and tested regularly in accordance with the agreed back-up policy. Adequate back-up facilities should be provided to ensure that all essential information and software can be recovered following a disaster or media failure.

In this regard, a back-up policy is established in order to outline steps and procedures to be implemented for taking back-up copies of data and assessing whether they are adequately recorded and secured.

Although back-ups were carried out, there was no written back-up policy in place for the PMEC system specifying the steps to be followed in the event of data loss or system failure. Further, there was no evidence to indicate that the back-ups were being tested periodically for assurance that the data was sufficient and adequately recorded.

iii. Inappropriate Backup Storage

The ISO/IEC 17799 Clause 10.5.1(d) and (e) state that back-up should be stored in a remote location at a sufficient distance to escape any damage from a disaster at the main site and that back-up information should be given an appropriate level of physical and environmental protection consistent with the standards applied at

the main site; and the controls applied to media at the main site should be extended to cover the back-up site.

Although back-ups were made on a daily basis, the back-up tapes were stored on the same premises and not stored off-site, rendering backup data vulnerable in the event of a disaster at the primary location. It was also noted that the back-up media (tapes) were stored in wooden office cabinets which were not locked thereby exposing them to accidental and deliberate damage.

iv. Inadequate Security for the Server

The ISO/IEC 17799 Clause 9.1.2 (a) and (b) states that with regard to areas with sensitive information, the date and time of entry and departure of visitors and other personnel should be recorded and all visitors should be supervised unless their access has been previously approved. They should only be granted access for specific, authorised purposes and should be issued with instructions on the security requirements of the area and on emergency procedures. Access to areas where sensitive information is processed or stored should be controlled and restricted to authorised persons only; and an audit trail of all access should be securely maintained.

It was also observed that there was no logging or monitoring of the persons accessing the server room hosting the PMEC system.

Further, the server room was used as a storage room for the legacy payroll print-outs and a photocopier making it more prone to unauthorised personnel gaining access to the system.

v. IT Infrastructure Responsibility and Security

CoBIT PO4.8 on responsibility for risk, security and compliance states that:

- Ownership and responsibility for IT-related risks within the business be embedded at an appropriate senior level.
- Define and assign roles critical for managing IT risks, including the specific responsibility for information security, physical security and compliance.
- Establish risk and security management responsibility at the enterprise level to deal with organisation wide issues.
- Additional security management responsibilities may need to be assigned at a system-specific level to deal with related security issues.

- Obtain direction from senior management on the appetite for IT risk and approval of any residual IT risks.

It was observed that the room where the P MEC server was hosted was shared with Ministry of Finance and National Planning (MoFNP). Therefore, there was no distinction as to who was responsible for the server room.

d. Lack of a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)

The ISO/IEC 17799 Clause 14.1 Business Continuity Management states that to counteract interruptions to business activities and to protect critical business processes from the effects of major failures of information systems or disasters and to ensure their timely resumption a business continuity management process should be implemented.

Contrary to the standard, there was no Business Continuity Plan and disaster recovery procedure for the P MEC system.

e. Change Management-Incomplete Data Migration

Schedule 8 of the contract states that the Contractor should meet the requirements of installation, configuration of the system and assist with data conversion and data take-on.

It was however observed that data take-on was not completed by December 2010 as there were still some employees on the legacy system, who had not been migrated to the P MEC. Therefore, the Government was running two separate systems, the legacy system which was used before P MEC was implemented and the P MEC. Taking into account that both the legacy system and P MEC are used to administer employees, there was duplication of efforts as the Government was using separate resources required to manage each system.

f. Payroll Management

i. Under Age Employees

According to Chapter II, Section 8(b) of the Terms and Conditions of Service for the Public Service, no person below the age of eighteen (18) years or above the age of forty five (45) years shall be appointed on probation. In the process of introducing employees on the payroll, every transaction is allocated a unique employee number and personal data for the new employees is captured.

It was observed that the fields for capturing personal data were not configured in accordance with the above regulations. In this regard, PMEC had thirty-one (31) employees who were below the age of eighteen (18).

ii. Newly Recruited Employees without NRC Numbers

A review of the database report on newly recruited employees under the Ministry of Education for the month of October 2009 revealed that out of a total of two thousand eight hundred and twenty one (2,821) new staff introduced on the PMEC system, thirty-one (31) employees did not have national registration card (NRC) numbers. This indicates that the NRC data input field was not configured as mandatory.

iii. Over Age Employees

According to Chapter III, termination of appointment, of the Terms and Conditions of Service for the Public Service, an established officer may be terminated from service after resignation or retirement. As prescribed in the Public Service Pensions Act No. 35 of 1996, Cap 260, no officer may continue serving after attaining pensionable age of fifty-five (55) years.

Contrary to the above regulations, the master data records for 26th October 2009 revealed that there were 3,053 records of active full-time employees aged fifty-five (55) years and above.

iv. Non Functional Leave Management Component

The PMEC system must provide for management of leave including the annual, sick, maternity and other types of leave. It must be able to accrue leave where applicable and allow for an up to date leave record to be kept including leave taken, leave withheld and leave commuted. Leave accrual limits must be enforced. Employees may be authorised to accrue excess leave days for one year. Accrual of leave days must be suspended while the employee is on leave.

It was observed that the leave management function was not operationalised.

Head:	11/	Zambia Police - Ministry of Home Affairs
	01	Headquarters
	02	Protective Unit
	03	Lilayi College
	05	Mobile Unit
	07	Para-Military
	08	Airport
Units:		Various
Programmes:		Various
Activities:		Various

13. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K279,151,690,245 was made to cater for various activities under Zambia Police Headquarters and other departments against which amounts totalling K275,003,668,555 were released resulting in an underfunding of K4,148,021,690 as shown in the table below:

Head	Department	Budget K	Funding K	Expenditure K	Under/(Over) Funding K
11/01	Headquarters	186,393,325,906	169,294,521,194	175,038,176,847	17,098,804,712
11/02	Protective Unit	13,718,009,761	15,523,198,619	13,522,741,750	(1,805,188,858)
11/03	Lilayi college	13,291,364,430	14,998,764,398	13,074,541,127	(1,707,399,968)
11/05	Mobile Unit	32,615,528,838	37,426,256,064	32,464,414,673	(4,810,727,226)
11/07	Para-Military	26,761,806,197	30,627,342,338	26,557,038,552	(3,865,536,141)
11/08	Airport	6,371,655,113	7,133,585,942	6,212,064,220	(761,930,829)
	Total	279,151,690,245	275,003,668,555	266,868,977,169	4,148,021,690

Accounting and Other Irregularities

A examination of accounting and other records maintained at the Police Service and visits to selected sites carried out in April 2010 revealed the following:

a. Unvouched Expenditure

i. Missing Payment Vouchers

Contrary to Financial Regulation No.65, fourteen (14) payment vouchers in amounts totalling K112,462,180 were not produced for audit.

ii. Unsupported Payment Vouchers

Contrary to Financial Regulation No.52, there were three hundred and twenty-four (324) payment vouchers in amounts totalling K3,870,787,775 which had no supporting documents such as quotations, invoices and Purchase Orders as shown in the table below:

Department	Amount K
Headquarters	3,364,234,507
Lilayi College	462,556,978
Lilayi Paramilitary	43,996,290
Total	3,870,787,775

b. Non Recovery of Loans and Advances

Contrary to the Terms and Conditions of Service, recoveries of loans (K119,000,000) and salary advances (K29,800,000) paid to sixty five (65) Officers during the period under review had not been effected as of September 2010.

c. Weaknesses in the Management of Imprest

i. Unretired Imprest

Contrary to Financial Regulation No.96(1), imprests in amounts totalling K779,748,177 involving one hundred and seventy three (173) transactions issued to one hundred and fifty three (153) officers during the period under review had not been retired as of September 2010.

Further, contrary to Financial Regulation No.91 (1), there were twelve (12) officers who were issued imprests amounting to K200,799,000 before retiring previous imprest issued to them.

ii. Questionable Retirements

Contrary to Financial Regulation No.96, imprest in amounts totalling K23,999,000 issued to six (6) officers during the period under review had questionable retirements in that some supporting documents had errors and

alterations while others lacked details. As a result, it was not possible to ascertain whether the imprest was used for the intended purposes.

d. Irregular Payments

i. Purchase of Stores for Command

During the period from January to October 2009, Zambia Police Service paid Melisa Supermarket amounts totalling K40,000,000 involving five (5) transactions. Although the Local Purchase Orders and quotations were attached, they did not have details of the goods being procured. In this regard, it was not possible to ascertain the goods procured.

Further, the payment vouchers were not supported by receipts and invoices and there was no evidence that the items were received in stores.

ii. Health Management-Local Treatment

It was observed that contrary to the Terms and Conditions of Service which stated that an officer will be required to pay for medical treatment for himself/herself and family at Hospitals and Health Institutions in Zambia, Zambia Police had settled medical bills totalling K140,260,000 on behalf of fourteen (14) officers under Para-military. As of September 2010, there was no documentary evidence to show that the amounts had been recovered from the officers.

Further, it was observed that Zambia Police had been billed K2,197,630,000 by a private clinic for medical services rendered to various officers.

e. Irregular Payment of House Rentals

During the period under review, the Zambia Police Service paid amounts totalling K140,152,295 to ten (10) landlords in respect of rentals for its officers. However, it was not possible to verify the officers' entitlements as no records were made available for audit.

f. Weaknesses in Management of Stores

i. Undelivered Stores

Assorted stores items costing K239,490,340 procured from eight (8) suppliers during the period under review had not been delivered as of October 2010.

ii. Goods without Receipt and Disposal Details

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details for goods costing K4,172,697,808 procured during the period under review as tabulated below:

Department	Amount K
Headquarters	3,814,142,364
Lilayi College	269,666,507
Lilayi Paramilitary	88,888,937
Total	4,172,697,808

Further, there were no disposal details for fuel costing K1,006,230,584 procured during the period under review making it not possible to ascertain whether it was used for the intended purpose.

iii. Non Recovery of Money from Surcharged Officer

In December 2009, an officer was surcharged an amount of K69,238,141 for causing damage to a GRZ vehicle No. GRZ 187 BV(ZP 1641 B) in March 2008. However, as of September 2010, deductions from the officer's salary had not commenced.

g. Inventory not Inscribed with GRZ numbers

Contrary to Public Stores Regulation No.154, assorted furniture and equipment costing K376,331,000 had no identification marks.

h. Failure to Utilise Communication Equipment

In July 2009, Zambia Police procured communication equipment costing K559,081,600. Although the equipment was delivered in October 2009, as of October 2010 it had not been installed and was still lying in stores rendering the expenditure wasteful.

Head:	13/	Ministry of Energy and Water Development
	01	Headquarters
	02	Energy Department
	03	Water Affairs Department
	04	Planning and Information Department
Units:		Various
Programmes:		Various
Activities:		Various

- 14.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K 328,499,049,992 was made to cater for various activities at the Ministry against which amounts totalling K297,688,652,757 were released.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry headquarters and visits to selected Provincial Water Offices carried out in August 2010 revealed the following:

a. Unvouched Expenditure

Contrary to Financial Regulations No. 45 and 52, there were forty five (45) payments in amounts totalling K290,539,921 that were unvouched in that the payment vouchers were either missing or unsupported/inadequately supported.

b. Unretired Imprest

Contrary to Financial Regulation No. 96, imprests in amounts totalling K64,049,500 issued to nine (9) officers had not been retired as of December 2010.

In addition, imprests in amounts totalling K150,029,360 were issued to twelve (12) officers for workshops, short training, seminars and audit assignments. However, there were no reports to indicate that these activities had been undertaken.

c. Weaknesses in the Management of Transport

An examination of records relating to management of transport revealed weaknesses in the management of transport in that vehicles were not insured and some were marooned in garages over a long period of time. There were also cases where neither

police nor loss reports were processed for vehicles involved in road traffic accidents. In particular, the following were observed:

i. GRZ 802 BS Mitsubishi Canter

In January 2009, a Mitsubishi canter GRZ 802 BS was involved in a road traffic accident while being driven by an unauthorised person. The vehicle was not insured and as of December 2010, the accident had not been reported to the Standing Accidents Board. *See pictures below:*



GRZ 802 BS Parked at Sheki-sheki road

ii. GRZ 147 BX Toyota Hilux

In April 2009, a Toyota Hilux registration number GRZ 147 BX was involved in a road traffic accident while being driven by a Senior Water Resources Engineer. However, the vehicle was not insured and no police report was available for audit. As of December 2010, the accident had not been reported to the Standing Accidents Board. *See pictures below:*



GRZ 147 BX Parked at Sheki-sheki road

iii. Toyota Prado-ABH 7751

In 2008, a Toyota Prado, ABH 7751 was taken to Good Day Motors for repairs after it developed a compression problem. As of December 2010, the vehicle had not been repaired and was still at the garage. *See pictures below:*



Motor Vehicle ABH 7751 Parked at Good Day Garage

d. Provincial Water Office-Western Province

The Department of Water Affairs in Western province received a total of K212,000,000 during the period under review for the rehabilitation and maintenance of Kalale dam. The works involved repair of the spillway which had collapsed.

However a scrutiny of records revealed that funds were applied on dismantling arrears with China Gansu who had been contracted to construct the Kalumwange dam in 2008. Consequently, as of December 2010, the spillway had not been repaired.

Head: 15/ Ministry of Home Affairs
01 Headquarters
05 Immigration
06 National Registration Department

Units: 1 Human Resources and Administration
6 Procurement and Supplies Unit
14 Accounts and Audit Services Unit

Programmes: various

Activities: Various

15. During the financial year ended 31st December 2009, a total provision of K112,899,660,371 was made to cater for various programmes and activities under Ministry headquarters, Immigration and National Registration departments against which a total of K92,175,219,188 was released, resulting in under funding of K7,754,995,226 as shown in the table below:

Head	Department	Total Authorised Provision K	Releases K	Appropriation In Aid K	Under/ (Over) Funding K
15/01	Headquarters	54,628,105,439	55,897,412,440	-	-1,269,307,001
15/05	Immigration	21,695,442,997	5,031,460,415	12,969,445,957	3,694,536,625
15/06	National Registration	36,576,111,935	31,246,346,333	-	5,329,765,602
	TOTAL	112,899,660,371	92,175,219,188	12,969,445,957	7,754,995,226

Irregularities in Accounting and Contract Management

An examination of accounting and other records maintained at the Ministry Headquarters, National Registration and Immigration carried out in March 2010 revealed the following:

a. Unsupported Payment Vouchers

Contrary to Financial Regulation No.65, there were eighty-eight (88) payment vouchers in amounts totalling K596,047,619 which had no supporting documents such as quotations, invoices and Local Purchase Orders.

b. Non Recovery of Loans and Advances

Contrary to the Terms and Conditions of Service, as of December 2010, no recoveries had been effected in respect of loans and advances totalling K340,142,660 paid to twenty six (26) officers during the period under review.

c. Imprest

i. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K46,568,606 issued to fourteen (14) officers during the period under review had not been retired as of December 2010.

Included in the total amount outstanding were subsequent imprests amounting to K39,089,910 issued to five (5) officers contrary to Financial Regulation No. 91(1).

ii. Questionable Retirement of Imprest

Contrary to Financial Regulation No.92, imprests in amounts totalling K17,847,210 paid to seventeen (17) Officers during the period under review had questionable retirements in that records did not document items procured and in some cases the records were altered making it not possible to ascertain whether imprest was used for the intended purposes.

iii. Non Submission of Retirement Details

Financial Regulation No.93 requires that a record of the issue and retirement of all imprest be kept in a register of Imprest (Accounts form 17). Contrary to this provision however, imprest in amounts totalling K82,119,883 issued to eleven (11) officers during the period under review and indicated on the Financial Statements as retired by 31st December 2009, was not retired.

Although in her response dated 8th June 2010, the Controlling Officer stated that imprest in amounts totalling K82,119,883 issued to eleven (11) officers were retired, only imprest in amounts totalling K3,905,000 was retired leaving a balance K78,214,883 outstanding.

d. Unaccounted for Funds - Mobile Registration

Amounts totalling K300,000,000 were paid to six (6) officers for fuel and contingencies but no retirements were produced for audit. Therefore, it was not possible to ascertain whether the funds were used for the intended purposes.

e. Bank Reconciliation-Unidentified Funds Transfers

Contrary to Financial Regulation No. 145 (3), which requires the accounting officer to reconcile the cash book to the bank statements on a monthly basis, the bank reconciliations for the period under review were not prepared.

In this regard, a scrutiny of bank statements revealed that during the period from January to October 2009, there were amounts totalling K259,937,640 involving twenty two (22) transactions, which were reflected as funds transfers. However the details of cheque numbers, payees and description of payments could not be traced in the cash book resulting in loss of audit trail.

Although, in her response dated 8th June 2010, the Controlling stated that she had written to the bank requesting for more details as the Ministry was not aware of the transfers, the Ministry would have been aware had they been reconciling the accounts.

f. Overpayments to Suppliers

A scrutiny of records relating to suppliers revealed that three (3) suppliers were paid amounts totalling K1,033,807,432 against invoices totalling K969,185,200 resulting in overpayments of K64,622,232.

h. Unaccounted for Stores

- i.** There were eleven (11) passports, sixty nine (69) collections and forty five (45) file register books costing K27,500,000 procured from Government Printers in September 2009 that had not been received as of December 2010.
- ii.** A stock count at Kansenshi prison stores carried out in March 2010 revealed that there was a shortfall of 5,095kgs of beans valued at K29,041,500.
- iii.** Contrary to Public Stores Regulation No.16, there were no receipt and disposal details for goods costing K885,455,438 purchased during the period under review.
- iv.** Contrary to Public Stores Regulation No.16, there were no receipt and disposal details for fuel costing K125,834,783 purchased during the period under review.

Head:	15/03	Ministry of Home Affairs – Passport & Citizenship
Unit:	1	Human Resources & Administration
Programme:	2	General Administration
Activities:	04	Issuance of Machine Readable Passports

16. The National Registration, Passport and Citizenship (NRPC) is a department under the Ministry of Home Affairs established by the Passport Act No.22 of 2003. The department is responsible for the issuance and control of passports.

The Personalised Passport System (PPS) is an automated system which is used for the issuance of digitilised photograph/machine readable passports. The PPS uses application software called IMAGO and ORACLE 10g database management system. The system has seven (7) modules namely Reception, Photo Capturing, Data Capturing, Verification, Printing, Quality Control and Issuance.

Weaknesses in the Personalized Passport System (PPS)

An evaluation of the PPS and other records maintained at Headquarters in Lusaka and production centres in Livingstone and Ndola and physical inspection carried out in April and May 2010 revealed the following:

a. Lack of IT Strategic Plan and ICT Policy

According to best practices (Control Objectives for Information and related Technologies – CoBIT), any Organisation that embraces information technology (IT) as a business solution should have an IT Strategic Plan and an Information Communication Technology (ICT) Policy that are in line with the business strategy and priorities.

It was however observed that the NRPC operated without an IT Strategic Plan and ICT Policy.

b. Failure to Provide Documents

The Project Initiation Documents, Blueprint and Project Tendering documents were not availed for audit. It was therefore not possible to establish user requirements, system specifications, and adherence to tender regulations among others.

c. Contract Management -Passport Issuing System

In October 2006, Passport Office entered into a contract with Giesecke & Devrient GmbH of Germany for the supply, delivery and installation of a digital photograph / machine readable passport issuance system at a contract sum of K7,913,928,000 (EUR 1,276,440). The contracted quantity was one hundred and thirty four thousand (134,000) passport booklets (128,000 Ordinary Passport 32 pages, 5000 Ordinary Passport 48 pages and 1000 Diplomatic Passport). The digitilised photograph/machine readable Personalised Passport System, which was delivered, has the central server at the passport building in Lusaka with production servers in Livingstone and Ndola.

The following were however observed:

i. Failure to Submit the Contract to the Attorney General

According to Article 54(3) of the Constitution of Zambia, an agreement, contract, treaty, convention or document by whatever name called, to which Government is a party or in respect of which the Government has an interest, shall not be concluded without the legal advice of the Attorney General, except in such cases and subject to such conditions as Parliament may by law prescribe, and the General Condition of Contract requires that all contracts entered into on behalf of and for the Government of the Republic of Zambia must be submitted to Attorney General for scrutiny.

Contrary to the above, the contract was not submitted to the Attorney General Chambers for legal advice.

ii. Omission of Retention Fee Clause in the Contract

Section 1.10.2 of the Tender Regulations - Tender and Performance Securities and Retention, provides that, in order to retain a measure of control over the adherence to the contract, the final payment to the consultant may be retained until the final assignment is completed satisfactorily and in accordance with the contract.

Contrary to the above, there was no retention clause in the contract.

iii. Lack of Change Management Procedures

The International Standards Organisation/International Electrotechnical Commission (ISO/IEC) 17799 Clause 10.1.2 states that operational system and application software should be subject to strict change management control. Formal management responsibilities and procedures should be in place to ensure satisfactory control of all changes to equipment, software or procedures. When changes are made, an audit log containing all relevant information should be retained.

It was however observed that there were no procedures for carrying out changes to the System in the Contract.

d. Lack of Maintenance Contracts

According to International Standards Organisation/International Electrotechnical Commission (ISO/IEC) 17799 Clause 6.2.3, agreements with third party involving accessing, processing, communicating or managing the organisation's information or information processing facilities, or adding products or services to information processing facilities should cover all relevant security requirements. The agreements should ensure that there is no misunderstanding between the organisation and the third party. Organisations should satisfy themselves as to the indemnity of the third party.

It was observed that the PPS had no maintenance contract in place despite the fact that the warrant on the PPS equipment had expired in December 2009.

e. Failure to Automate Vital Business Processes

According to NRPC, for a passport to be issued, it has to undergo six (6) vital modules namely; Reception, Photo Capture, Data Capture, Verification, Printing, Quality Control and Issuance.

Passports are issued to applicants once they have complied with the requirements, which are prescribed on forms A and B. These include payment of appropriate fees manually.

While the issuance of passport was automated on Passport Issuing System (PPS), the process relating to the receipting of cash for passports was still performed manually. In addition the issuance of travel documents was done manually. It was observed in this regard that:

i. Issuance of Passports Using Travel Document Receipt Number

Travel Documents were charged at K70,000 and the passports were charged at K320,000 (32-pages) and K520,000 (48 pages).

A test check of passports issued in Livingstone revealed that fifteen (15) passports were processed using nine (9) receipts for travel documents. In addition, three (3) passports were produced using receipts for penalty fees for Lost Passports. In this regard there was a revenue loss of K4, 830,000.

ii. Issuance of Passports Using any Numbers

It was observed that the PPS accepted any numbers that were entered as receipt number. In this regard, the PPS processed three (3) passports with the expected revenue of K960,000 using receipt numbers: S1111111, F1111111 and F7777777 which were not traced in the Register of Accountable Documents.

iii. Processing of Multiple Transaction Using One Receipt Number

It was observed that PPS was not configured in such a way that it rejects multiple transactions to be processed using one receipt number in that one thousand nine hundred and seventy seven (1977) receipts were reflected on more than one passport issued at Livingstone passport office.

A further test check on two hundred and thirty five (235) receipts out of the one thousand nine hundred and seventy seven (1977) receipts revealed that twenty nine (29) receipts reflected amounts less than the fees required to process the passports. In this regard, revenue in amounts totalling K4,200,000 was not accounted for.

iv. Passport Issued Without a Receipt Number

An ordinary 32 pages passport costing K320,000 of file number N 218998 in Ndola was issued without a cash receipt.

f. Segregation of Duties

According to CoBIT, Management is required to implement a division of roles and responsibilities that reduces the possibility for an individual to compromise a critical process and make sure that personnel are performing only authorized duties relevant to their respective jobs and positions.

It was observed that there was only one Systems/Database Administrator who was in charge of Database, Network, Security and System Analysis and there was no supervision.

Although in her response dated 27th September 2010, the Controlling Officer stated that Passport Office did not have an IT structure and thus depended on the Home Affairs Research and Information Department (HARID), the Office had invested heavily to acquire the system and required to provide for the same.

g. Lack of Supervision on the Operation of the PPS

Passports are issued to applicants once they have complied with the requirements which are prescribed on forms A and B. These include payments of appropriate fees and interviews with senior management namely; Chief Passport and Citizenship Officer, Deputy Passport and Citizenship Officer at headquarters and Passport and Citizenship Officers in provinces who approve the application form which are used by IT for production of the passport on the PPS. After the passports have been processed, the IT staff submits the valid passport for senior management to sign.

It was observed that there was no senior management intervention in the automated processes on PPS because only forty (40) Assistant Registration Officers were given user profiles on the system.

h. Physical Access and Information Processing Facility (IPF)

According to CoBIT, an entity should translate business, risk and compliance requirements into an overall IT security plan, taking into consideration the IT infrastructure and security culture.

A physical inspection of the Server Rooms in the Production Sites in Lusaka, Ndola and Livingstone revealed the following:

i. Exposure of Server to Possible Floods

The Server Room at the Production House in Lusaka is located in sunken part of the building and the two (2) servers were positioned on the floor without a raised platform, thus exposing them to floods which could result from plumbing leakages or rain water.

ii. Lack of Power Generator and Uninterrupted Power Supply (UPS) for the Servers

The Production Sites in Lusaka, Ndola and Livingstone did not have power generator sets and UPSs for use during power interruptions, thus exposing them to the risk of losing data in the event of power interruptions.

iii. Lack of Fire Fighting Equipment

As of December 2010, Passport Office production sites in Lusaka, Ndola and Livingstone did not have the firefighting equipment.

i. Poor User Account Management

Contrary to the best practice under CoBIT, there were no controls to limit the number of attempts for logging on the system. In this regard, users could make unlimited log on attempts with incorrect passwords and user account could be logged on and idle for unlimited time thus posing a risk of un- authorised access.

j. Lack of a Business Continuity Plan (BCP) and Disaster Recovery Centre (DRC)

According to best practice under Information Systems Audit and Control Association (ISACA), an organisation that uses IT systems for their operations should have a Business Continuity Plan (BCP) and a Disaster Recovery Centre (DRC) in order to mitigate the risk of un-foreseen eventualities. It was however, observed that the PPS did not have both BCP and DRC as of December 2010.

k. Lack of Insurance Cover for IT Equipment

Best practice requires that an organisation obtains insurance cover for its valuable assets. Contrary to this requirement, Passport Office did not have an insurance cover for all its IT equipment whose value could not be ascertained due to poor record keeping.

l. Inappropriate Configuration of Key Fields - National Registration Numbers (NRC)

According to the system, for someone to obtain a passport they need to be in possession of a National Registration Card (NRC) and a receipt. These were defined as unique key fields. In cases of minors the NRCs for guardians/parents would suffice.

It was observed however, that the system configuration control on the sharing NRCs was weak as it allowed Assistant Registration Officers to override it. Further, fifty three (53) applicants who were above sixteen (16) years were issued with 32-pages passports with estimated revenue of K16,960,000 without the NRC numbers being reflected on the system.

m. Failure to Operationalise Photo Capturing Facility

In accordance with Clause 5.1.1.1 of the PPS contract, applicants' photographs were to be captured using digital cameras, which were integrated with the system.

A verification exercise conducted in April and May 2010 in Lusaka, Ndola and Livingstone revealed that the eight (8) digital cameras procured for unknown amounts were idle as they were not being used for photo capturing.

In her response dated 27th September 2010, the Controlling Officer stated that the mounted cameras in Ndola, Lusaka and Ndola were functional only that the official fees had not been established and gazetted as legal requirements.

Head:	17/	Ministry of Foreign Affairs
	01	Headquarters
	39	Zambia Mine Action Centre
	40	Development and International Organisations
	41	Protocol
	42	Political Affairs
	49	Great Lakes Region
Units:	1	Human Resources and Administration
	6	Procurement and Supplies Unit
	14	Accounts and Audit Services Unit
Programmes:		Various
Activities:		Various

17. During the financial year ended 31st December 2009, a total provision of K23,822,354,551 was made to cater for various programmes under Headquarters, Zambia Mine Action Centre, Development and International Organisation, Protocol, Political Affairs and the Great Lakes Region out of which a total amount of K20,151,808,097 was released, resulting in under funding of K3,670,546,454 as shown in the table below:

Head	Department	Authorised Provision K	Releases K	Variance K
17/01	Headquarters	17,164,967,964	16,985,209,329	179,758,635
17/39	Zambia Mine Action Centre	916,801,001	431,936,145	484,864,856
17/40	Development and International Organisations	2,343,614,961	1,410,152,136	933,462,825
17/41	Protocol	1,139,309,454	427,132,226	712,177,228
17/42	Political Affairs	1,622,457,515	570,724,506	1,051,733,009
17/49	Great Lakes Region	635,203,656	326,653,755	308,549,901
Total		23,822,354,551	20,151,808,097	3,670,546,454

Accounting Irregularities

An examination of accounting and other records maintained at the Ministry carried out in March 2010 and verifications made in May 2010 revealed the following:

a. Unsupported Payments

Contrary to Financial Regulation No.65, there were nine (9) payments in amounts totalling K98,070,985 made during the period under review whose vouchers had no supporting documents such as quotations, invoices and local purchase orders.

b. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of assorted stores items costing K640,554,118 procured during the period under review.

c. Non Recovery of Loans and Advances

Contrary to the Terms and Conditions of Service, recoveries on loans and salary advances amounting to K33,000,000 paid to four (4) officers during the period under review had not been effected as of December 2010.

Further, in February 2009, an amount of K25,000,000 was paid to an officer who was supposed to take up an appointment as Ambassador to Germany. However, the officer was not appointed, and as of December 2010, the advance had not been recovered. It was not clear as to how the officer was paid an advance when he was not appointed.

d. Failure to Deduct 10% Contribution

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

Contrary to the above, it was observed that thirty- four (34) officers in missions abroad were not contributing. In this regard, amounts totalling K296,224,681 due from the officers for the period June 2008 to March 2010 were not recovered.

It was further observed that seventy-five (75) employees were contributing less than 10% of their basic pay towards rentals. This resulted in loss of revenue for Government amounting to K159,039,348 during the period under review.

e. Irregular Payments of Housing Allowances

It was observed that one hundred and thirty-two (132) officers at Missions Abroad who were accommodated by Government were also being paid housing allowances. In this regard, the officers were irregularly paid amounts totalling K1,095,160,000 as housing allowances during the period June 2008 to March 2010. As of December 2010, recoveries had been instituted on eighteen (18) officers and the balance of K969,570,000 was still outstanding.

Head:	17/02	Ministry of Foreign Affairs- Mission Abroad – Lubumbashi
Unit:	2	Human Resource and Administration
Programmes:		Various
Activities:		Various

- 18.** In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009, provisions of K4,818,819,899 and K4,375,893,620 were made respectively, against which amounts totalling K3,855,108,767 in 2008 and K4,867,240,732 in 2009 were released, resulting in an under funding of K963,711,132 in 2008 and an over funding of K491,347,112 in 2009.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in April 2010 revealed the following:

a. Unaccounted for Stores Items

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of assorted stores items costing K95,246,828 (US\$23,182) procured during the period under review.

b. Non Insurance of Motor Vehicle

Contrary to Foreign Service Regulation No. 110, a representational motor vehicle, Toyota Prado registration No.038 CD 02, was not insured. Consequently, the Mission could not claim insurance when the vehicle was damaged in an accident in July 2008 and required to be repaired at a cost of K105,271,527. As of September 2010, the vehicle had not been repaired.

c. Mission Properties

The Mission has a total number of six (6) properties. These consist of the Chancery, the Consul General's Official Residence and four (4) staff houses.

An examination of the records and a physical inspection of the properties revealed the following:

i. Failure to Replace Title Deeds

In Paragraph 28 of the Auditor General's Report on the Accounts for the financial year ended 31st December, 2006, mention was made that the title deeds for all the six (6) properties were missing.

In paragraph 30 of the Treasury Minute on the Report of the Public Accounts Committee for the Second Session of the Tenth National Assembly, on the Report of the Auditor General on the Accounts for the Financial year stated above, it was reported that the title deeds had not been located and that the host nation had given the Mission a quotation of US\$49,750, in order to provide copies of the title deeds.

However, as of September 2010, the title deeds had not been replaced.

ii. Poor Maintenance of Properties

Whereas the Chancery and the Official Residence were in good condition, the rest (6 Lundula, 6 Tshiniama, 1322 Kapenda and 743 Kamanyola Avenues) were not, in that the roofs were leaking, the floor tiles and the walls were in bad state, as shown in pictures below:



Cracked wall and damaged roof at 6 Lundula Avenue



Ceiling falling due to leaking roof at 6 Tshiniama Avenue



House cracking at 1322 Kapenda Avenue



Damaged Floor in the Garage at 743 Kamanyola Avenue

Therefore, there is an urgent need for the properties to be attended to avoid further deterioration.

iii. Rehabilitation Works

Out of the total provision for 2008, amounts totalling K1,000,000,000 were for infrastructure development. In this regard, amounts totalling K517,923,773 were released. There was no provision for infrastructure development in 2009.

In May 2009, the Consulate entered into a contract with Innovex Consulting Pty Ltd to carry out various rehabilitation works on all the six (6) properties at

a contract price of K2,809,465,199 (US\$531,592.28). The contract stated that payments shall be effected in installments and shall be disbursed in stages; fifty percent (50%) upon commencement of the rehabilitation works, twenty five percent (25%) upon completion of half the works on the properties and twenty five percent (25%) upon satisfactory completion and commissioning of the works on the properties.

The works were to be executed within twenty eight (28) weeks effective from the date of the payment of the initial 50% of the total contract amount, minus 10% retention.

The following were observed:

▪ **Inadequate Budget Provisions**

Despite the Consulate entering into a contract for K2,809,465,199 (US\$531,592.28) in 2009 against a provision of K1,000,000,000 in 2008, only K587,530,125 was provided for in the Estimates of Revenue and Expenditure for 2010 bringing the total provisions to K1,587,530,125.

This resulted in the Consulate failing to pay the contractor K702,366,405 (US\$132,898.07), being 25% of the contract amount payable upon completion of 50% of the works. The failure to pay the contractor resulted in the suspension of the works in December 2009.

▪ **Lack of Expert Supervision of the Works**

It was observed that the project had no expert to supervise the contractor and monitor progress.

A physical verification of the works purportedly carried out by the contractor, as per certificate of stage completion, against the bill of quantities revealed that there were incomplete works as detailed below, contrary to the claims by the contractor.

○ **Official Residence - 26 Luvua Avenue**

Contractual works valued at US\$25,352.50 which included wall crack repair draining tank, painting, water proofing, amongst others were not done.

○ **Consulate – 288 Lufira Avenue**

Contractual works including the construction of concrete driveway, decorative board of strand, pipe replacement and the

construction of a non armed concrete pavement among others, valued at US\$21,382.50 were not done.

It was also observed that wrong air cons were supplied in that contrary to the contractor's certificate of stage completion that he had supplied at 108% four (4) aircons with the capacity of 30000 BTU and twelve (12) aircons with a capacity of 12000 BTU as specified in the contract, only one (1) 30000 BTU and nine (9) 9000 BTU aircons (instead of the 12000 BTU capacity aircons) were supplied.

In his response of September 2010, the Controlling Officer stated that a team of experts was to be sent to Lubumbashi to evaluate the rehabilitation works and resolve outstanding issues with the contractor.

Head:	17/06	Ministry of Foreign Affairs, Mission Abroad – London
Unit:	2	Human Resource and Administration
Programmes:	1	Personal Emoluments
	2	General Administration
	6	Utilities
	7	Political and Economic Relations
	8	Infrastructure Development
	9	Dismantling of Arrears
Activities:		Various

19. During the financial year ended 31st December 2009, a total provision of K15,769,356,438 was made in the Estimates of Revenue and Expenditure for the London Mission to cater for Personal Emoluments, General Administration, Utilities, Political and Economic Relations, Infrastructure Development and Dismantling of Arrears against which amounts totalling K15,618,778,221 were released as shown in the table below:

	Authorised Provision K	Releases K
Personal Emoluments	14,280,341,382	14,863,031,226
General Administration	207,038,756	132,395,703
Utilities,	174,112,000	105,179,797
Political and Economic Relations	181,180,300	86,500,495
Infrastructure Development	900,000,000	425,000,000
Dismantling of Arrears	26,684,000	6,671,000
	15,769,356,438	15,618,778,221

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in April 2010 revealed the following:

a. Failure to Obtain Authority for Retention of Funds

According to existing Government procedures, all Government Ministries and Spending Agencies are required to surrender all unspent funds at the close of the financial year. Any retention of funds by the Ministries and Spending Agencies is supposed to be authorized by the Secretary to the Treasury.

It was observed that contrary to the procedures, the Mission retained a total amount of K259,096,720 (GBP32,387.09) in 2008 and K339,642,480 (GBP42,455.31) in 2009 without authority from the Secretary to the Treasury.

b. Insurance of Buildings

The Mission has four properties as detailed below:

Property	Date of Purchase	Value at Time of Purchase (GBP)
2 Palace Gate	1983	2,600,000
17 Courtenay Avenue	1971	300,000
13 Foscoote Road	1979	64,000
12 Chelmsford Square	1984	85,000

During the financial year under review, the Mission spent amounts totalling GBP11,154.48 on insurance premiums for the properties.

However, records examined at the Mission revealed that the four properties had not been revalued in the last ten (10) years. In this regard, it was not clear how the premiums which were adjusted upwards over the years were arrived at.

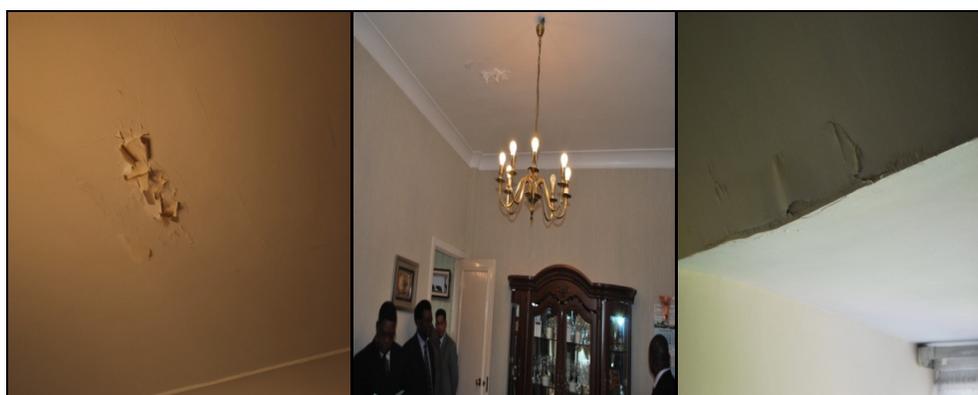
c. Property Management

In paragraph 30 of the Auditor General's Report for the Financial year ended 31stDecember 2006, mention was made on the poor state of some properties at the London Mission. In particular mention was made of the poor state of the properties at 13 Fostcote, Hendon NW4 and 12 Chelmsford, Wilesden Green. In this regard, a provision of K900,000,000 was made in the Estimates of Revenue and Expenditure for 2009 for maintenance of buildings against which an amount of K425,837,722 was released.

A physical inspection carried out in May 2010 revealed the following:

i. The Residence - 17, Courtenay Avenue

The house was in poor state in that there were leakages in the foyer, kitchen, TV room as well as on the third floor and the carpets on the third floor were torn, while the ceiling was falling off. *See pictures below:*



Damaged ceilings at the Residence due to leakages

ii. 12 Chelmsford Square, Wilsden

The house was in a dilapidated state and was inhabitable. The outside of the house contrasts the adjoining semi detached flat in outlook. There was evidence of leakages in most rooms including the bathroom. The carpet in bedrooms as well as on stairs needed replacement and the ceiling was falling off. *See picture below:*



Damaged leaking ceiling

Due to the poor state of the house, the officer who was recently posted to the Mission could not occupy it. Consequently, the Mission had to rent a house at a cost of K12,663,000 (GBP1,800) per month for the officer while awaiting the rehabilitation of the house. As of May 2010, the Mission had spent K63,315,000 on rentals for the officer.

It was further noted that because of the poor state of the house, the Mission has been receiving letters of complaint from the neighborhood as the bad state of the house affected the value of their properties.

In her response dated 7th September 2010, the Controlling Officer stated that the funds available were inadequate to carry out the repair works.

iii. 13 Foscote Road, Hendon NW4

The windows at the rear were not secured and the stairway railing as well as the kitchen wooden floor needed to be worked on.

The Controlling Officer in her response dated 7th September 2010 stated that although Tender Authority had been granted for the rehabilitation works, the Mission did not have adequate funds to complete the works.

Head: 17/09 Ministry of Foreign Affairs -Missions Abroad-Dar-es-salaam

Units: Various

Programmes: Various

Activities: Various

20. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009, provisions of K9,468,020,712 in 2008 and K4,236,375,165 in 2009 were made against which amounts totalling K6,237,286,191 (US\$1,866,486.72) in 2008 and K3,654,729,662 (US\$ 713,309) in 2009 were released.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters and a visit to the Mission in May 2010 revealed the following:

a. Revenue - Rent Arrears

The Mission leased out the 1st and 2nd floors of the Chancery to the Malawian Embassy, the Annex to four (4) tenants and Smart Card House to Smart Card (T) Limited.

A review of the lease agreements revealed that rentals for Vertex Financial Services of US\$645 and Smart Card (T) of US\$1,500 per month had not been revised since 1999 and 2002 respectively. It was further noted that Vertex Financial Services owed the Mission amounts totalling K63,384,000 (US\$13,205) in rentals for the period from December 2007 to March 2010.

b. Expenditure

i. Unauthorised Payments to Zambians Stranded in Tanzania

Contrary to Foreign Service Regulations 157(ii), during the period from January 2008 to May 2009, the Mission paid a total amount of K7,209,792 (TZS 2,126,311.57) to stranded Zambians in Tanzania without authority from the Permanent Secretary.

ii. Failure to Refund the Air Ticket Fare

In August 2008, the Mission paid K6,488,475 (US\$1,785) for an air ticket on behalf of Ministry of Local Government and Housing. As of December 2010, the Ministry of Local Government and Housing had not refunded the Mission.

c. Rehabilitation of Mission Properties

A total amount of K4,437,423,461 (US\$910,240.71) was released by the Ministry of Foreign Affairs in 2008 to the Mission for the rehabilitation of staff houses, Residence and the Chancery.

Prior to the commencement of the rehabilitations, the Mission engaged a consultant in August 2008 to supervise the works. In this regard, in August 2008, a total amount of K265,993,957 (US\$73,175.78) was paid as consultancy fees. However, as of August 2010, the contract signed between the consultant and the Mission had not been produced for audit.

A scrutiny of payments relating to the rehabilitations and physical verifications carried out in May 2010 revealed the following:

i. Rehabilitation of Staff Houses

In 2008, tenders were invited for the rehabilitation of staff houses and bids were received as follows:

Contractor	Fixed Tender Sum US\$
Syscon builders limited	623,964.29
Siha Enterprises LTD	933,367.91
Catic Int.(T) LTD	684,895.00
Ibra Build Construction & Gen.sup LTD	487,052.24
Mashariki Construction	692,885.52

The bids were evaluated and the consultant recommended to the Mission that Catic International Engineering (T) Limited be engaged for the works. However, despite the advice from the consultant, the Mission recommended Ibra Build Construction & General Supplies Ltd to be awarded the contract. Consequently, on 30th September 2008, the Ministerial Tender Committee granted authority to the Mission to award a

contract for rehabilitation of staff houses to Ibra Building and General Supplies at the tender sum of K1,771,665,968 (US\$488,062.25) with a completion period of ten (10) weeks.

As of December 2009, a total sum of K782,924,903 (US\$160,599.98) representing 33% of the contract price was paid to the contractor for the works.

However the following anomalies were observed:

- As of May 2010, the works had not been completed, resulting in a delay of twelve (12) months and the contractor had not been charged for the delays. It was further noted that there was no authority from the Ministerial tender committee for the extension of time. At the time of the audit four (4) houses had been completed but due to poor workmanship the completed houses had not been handed over to the Mission. In this regard, the contractor had not been allowed to continue rehabilitating the remaining two (2) houses.
- In August 2009, the Mission varied the contract resulting additional costs amounting to K147,454,608 (US\$30,719.71) without obtaining authority from the Ministerial Tender Committee.

A physical inspection carried out in May 2010 revealed the following:

- **House # 36 Ada Estate**

According to the contract terms, old doors, geysers, in built wardrobes and air conditioners were to be replaced with new ones. However, it was noted that the doors, geysers and one air conditioner were not replaced.

- **House # 22 Ocean Drive**

Although the rehabilitation was done, the works were not done as specified in the contract in that old wardrobe doors were not replaced, the roof was leaking, the kitchen sink was not firmly fitted, the carport floor and plumbing works were not properly done.

- **House # 350 Lugal**

Although the rehabilitation was done, the works were not done as specified in the contract in that the toilet had leakages, tiles were not properly fitted in the sitting room, doors were not replaced, paving was partially done, the roof was leaking and the electrical system had not been properly repaired. *See pictures below:*



Wooden floor tiles coming off Damaged ceiling board

- **House # 517**

An inspection carried out in May 2010, revealed that cracks had developed on the roof, the kitchen door was dilapidated, wooden window frames were eaten by termites, all air conditioners and fans were not functioning. It was also observed that the toilet cistern was not in use because of leakages. Below are the pictures of the house yet to be worked on.



House # 517



Wooden window eaten by termites

○ **House # 396 Drive**

The works on this house had not started as of May 2010. It was noted during the inspection that the building had developed cracks and metal parts of equipment started rusting/corroding due to salt saturated air from the ocean, boundary Wall fence was dilapidated, there were cracks on the floor of the verandah, tiles were damaged and wooden fittings were eaten by termites. *See pictures below:*



House #396



Dilapidated house



Cracks on verandah wall and floor of the house

ii. The Residence

A physical inspection carried out, in May 2010 revealed that the residence was not in good state in that kitchen drawers were falling off, the roof was leaking, the door on the balcony of 1st floor and ceiling board outside corridors was falling, skirting was poorly done. It was also noted that the servant's quarter and the garage were in poor state due to lack of maintenance. *See pictures below:*



Dilapidated wooden garage door

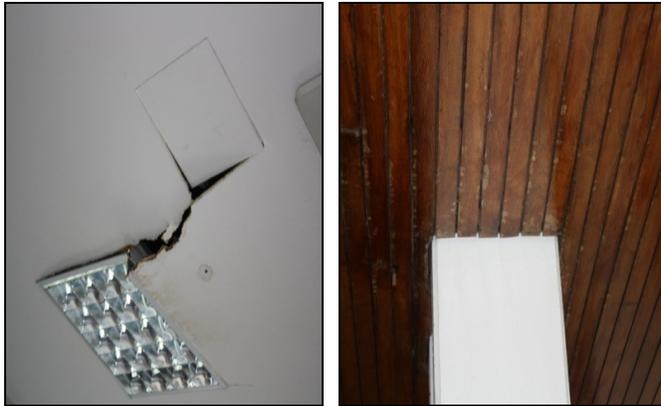


Servant's quarter

iii. The Chancery Building

- An inspection of the building in May 2010 revealed in particular that, on fourth floor, the roof was leaking and the wall in the Deputy High Commissioner's office was damaged, the first and second floors' tiles were peeling off.

- Although the roof of the Annex was rehabilitated in December 2008 at a cost of K10,378,133 (US\$2,105.10), it was leaking as of May 2010 causing damages to the ceiling as shown in the pictures below:



Rain damage on the ceiling at Chancery Annex

- Due to constant breakdowns of the elevator, the Mission engaged CSI Installations in December 2008 at the contract price of K371,556,845 (US\$75,366.50) to replace the old elevator with the new elevator. The works involved the dismantling of the old elevator, acquire a new elevator and install it. The whole amount was paid to the company through the bank transfer in December 2008. The lift was delivered and installed in January 2010.

However the contract signed between the Mission and the contractor for the elevator procurement and installation was not produced for audit scrutiny, as a result it was not possible to establish the terms and conditions of the contract. It was further observed that the elevator was constantly breaking down and a Technician from the company was working on the machine on a daily basis.

- In May 2009, the Mission engaged Messrs Sumbala Enterprises to carry out water reticulation services at a contract sum of K44,556,379 (TZS10,821,000) and the whole amount was paid. It was however observed that after the works were completed, the water supply did not improve rendering the amount spent wasteful.

- In May 2006, the Mission procured two (2) generator sets, for the Chancery at K85,852,800 (US\$17,886) and for the Residence at K12,460,320 (US\$2,595.90)

The objective of procuring the generator sets was to mitigate the constant power outages that were affecting Dar es Salaam.

In 2009, a sum of K9,273,404 (TZS2,177,200) was spent on maintenance works on the generator sets at both the chancery and residence. However, the generator at the Chancery was not functioning.

Head: 17/10 **Ministry of Foreign Affairs- Mission Abroad – Kinshasa**
Unit: 2 **Human Resource and Administration**
Programmes: **Various**
Activities: **Various**

21. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009, provisions of K3,957,337,697 and K5,632,451,091 were made respectively to cater for various activities at the Mission, against which amounts totalling K4,259,158,945 for 2008 and K4,638,547,432 for 2009 were released.

During the same period, the Mission collected revenues in amounts totalling K45,963,840 (US\$12,192) in 2008 and K65,592,135 (US\$12,411) in 2009 in respect of Travel documents, Passport and Visa fees

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry of Foreign Affairs Headquarters and the Mission carried out in May 2010 revealed the following:

a. Unaccounted for Revenue

Out of the amounts collected, amounts totalling K8,704,395 (US\$1,647) were not accounted for in that there was no evidence of banking and the cash was not on hand.

b. Expenditure

i. Unaccounted for Bank Transfers

Bank transfers made during the period under review as detailed below could not be traced to the bank statements of the recipient bank accounts:

Date	Cheque No	Details	Amount US\$	Amount K
29-Jul-09	338302/1	Zambia Embassy to Defence A/c	8,000	42,280,000
9-Sep-09	338330	Revolving Fund to Access Bank	2,121	11,209,485
1-Oct-09	338349	Zambia Embassy to Revolving Fund	15,291	80,812,935
Total				134,302,420

In response, the Controlling Officer stated that the amount of K11,209,485 (US\$2,121) purported to have been transferred from the Revolving Fund to the Access Bank had been recovered from the erring officer. However, there was no documentary evidence to support the recovery of K11,209,485 (US\$2,121) and any action taken on the balance of K123,092,935.

ii. Unaccounted for Stores

- Contrary to Public Stores Regulation No.16, fuel costing K43,167,500 (US\$9,600) had no receipt and disposal details.
- Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of assorted stores items costing K208,173,750 (US\$43,829) procured during the period under review.

c. Missing Payment Vouchers on Revolving Fund Account

Contrary to Financial Regulation No.65, various payment vouchers in amounts totalling K87,058,100 (US\$18,523) were not produced for audit. It was also noted that the account had not been reconciled.

d. Unmarked Furniture and Office Equipment

Contrary to Public Stores Regulation No. 154, various GRZ furniture and equipment at the Chancery and Official Residence had no identification marks.

e. Mission Properties - House No. 15 Yandonge Binza/Pigeon

The house is located in a prime area, 25 kilometres from the Chancery in the central commercial district of Kinshasa. It has remained unoccupied from 2007 on account of erratic water and electricity supply coupled with the distance to the Embassy and schools.

Although the property was rehabilitated in 2006 at the cost of US\$58,415.50 by a local company, a physical inspection revealed that the property was still in bad shape.

A Special Board of Survey on the property constituted by the Permanent Secretary (FMA), Ministry of Finance and National Planning in December 2009 recommended that the property be reoccupied immediately after rehabilitation by installing a booster pump to pump water to a 5000 litre tank mounted on an elevated steel stands to enhance the supply of water and a suitable generator to resolve the electricity problem and attending to the other parts of the property in a state of disrepair.

However, as of December 2010 the recommendation had not been implemented.

Head: 17/13 Ministry Of Foreign Affairs- Mission Abroad – Gaborone

Unit: 2 Human Resource and Administration

Programme: Various

Activities: Various

- 22.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K3,855,072,186 was made to cater for various activities at the Mission, against which amounts totalling K2,945,069,104 were released resulting in an under funding of K910,003,082.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry of Foreign Affairs Headquarters and the Mission, carried out in May 2010 revealed the following:

a. Unrecovered advance

An education advance of K27,300,000 (P39,000), paid to the High Commissioner in January 2009 was not entered in the Advances Register and recoveries had not been made as of May 2010.

Although the Controlling Officer in a response dated 23rd September 2010 stated that the advance was fully recovered despite not being entered in the register, no recovery details were provided for audit.

b. Mission Properties

The Mission had a total number of nine (9) properties consisting of a Chancery, the Official Residence and seven (7) staff houses.

i. Construction of a House at 262 Kgali

In paragraphs 36 (f) and 33 (f) i. of the Auditor General's reports on the accounts for the financial years ended 31st December 2006 and 2008 respectively mention was made of the fact that the Mission house at Plot 262 Kgali, Gaborone, was dilapidated and required demolition and construction of a new structure.

In April 2008, the Ministry disbursed an amount of K979,371,187 for the construction of a staff house at 262 Kgali Close. The following were however observed:

▪ **Delay in Project Implementation**

There were undue delays in the construction of a staff house at 262 Kgali Close in that whilst the funds were available in April 2008, the project only commenced in May 2010.

▪ **Misapplication of Funds**

Out of the amount received, K792,043,200 was applied on unrelated activities such as payment of foreign service allowances and recurrent departmental charges. It was therefore not clear how the funds released for foreign service allowances and recurrent departmental charges were utilised

ii. Plot No. 1118 and 1119-Main Mall

A section of the property was in a deplorable condition in that the paint on the walls and ceiling were peeling off and the wooden stair cases and the ceiling had fungi as can be seen in the pictures below:



Chancery Walls with peeling paint



wooden stair case infested with fungi



A ceiling infested with fungi



A ceiling with paint peeling off

Head: 17/20 Ministry of Foreign Affairs-Mission Abroad - Stockholm

Units: 2 Human Resource and Administration

Programmes: Various

Activities: Various

23. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009, provisions of K6,346,183,915 in 2008 and K7,596,698,569 in 2009 were made to cater for various activities at the Mission against which amounts totalling K7,766,348,860 in 2008 and K6,595,593,759 in 2009 were released.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry's headquarters and at the Mission carried out in May 2010 revealed the following:

a. Irregular Payment of Telephone Allowances

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

In August 2007, the revised Foreign Service Regulations and Conditions of Service was effected, which required Heads of Missions and the Minister Counsellor to be paid US\$350 and US\$250 respectively to enable them settle both their residential and mobile bills. The revised Foreign Service Regulations and Conditions of Service superseded the earlier circulars.

Contrary to the revised Foreign Service and Regulations No.53 (iii), in addition to the monthly telephone allowance of US\$350 the Mission continued paying the Head of Mission an additional allowance of US\$100 per month based on the 2005 circular. In this regard during the period from January 2008 to December 2009, amounts totalling K7,471,585 (US\$1,600) were irregularly paid.

As of December 2010, no recoveries had been made.

b. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of various stores items costing K46,952,353 (US\$8,844) purchased during the period under review.

c. Property Management

In paragraph 38 of the Auditor General's report for the financial year ended 31st December 2006, mention was made of the weaknesses in property management. In particular, the dilapidation of the official residence situated at Varingavagen 14,182 63 Djursholm was mentioned.

A review of the situation in May 2010 revealed that although K146,966,321 (US\$43,970.15) was released in 2008 for rehabilitation works at the residence, the works had not commenced and the money was still in the account as of May 2010.

Head: 17/24 **Ministry of Foreign Affairs – Missions Abroad- Maputo**
Unit: 2 **Human Resource and Administration**
Programmes: **Various**
Activities: **Various**

24. In the financial years ended 31st December 2008 and 2009, provisions of K4,063,563,013 and K3,493,734,687 were made in the Estimates of Revenue and Expenditure respectively for the Mission’s activities against which amounts of K3,029,974,259 (US\$809,498.42) in 2008 and K3,397,537,723 (US\$729,346) in 2009 were released.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in May 2010 revealed the following:

a. Revenue

The Mission collects revenue in form of Visa fees and Travel Documents of identity. In this regard, total amounts of K24,332,560 and K85,989,778 were collected in 2008 and 2009 respectively as shown below:

Year	ZMK	US\$
2008	24,332,560	6,840
2009	85,989,778	20,174
Total	110,322,338	27,014

However, the following were observed:

- i. Contrary to Financial Regulations No.10(n) and 114, as of November 2010, the Mission had not produced original copies of eleven (11) cancelled receipts for audit scrutiny.
- ii. According to existing arrangements, transfer of funds from the Revenue to an Operational Account can only be made upon written authority from the Ministry Headquarters. The Ministry in turn deducts the equivalent amount from the Mission’s funding.

It was however observed that amounts totalling K86,928,000 (US\$18,110) were transferred from the revenue account to the main account during the period from October to December 2009 without authority.

As of November 2010, the amounts had not been reimbursed.

b. Cash Refunds to Members of Staff

It was observed that the Mission refunded a total amount of K118,345,807 (US\$24,038.95) to staff who purportedly used their personal money to either buy stores items or pay for services provided to the Mission during the period from September 2008 to December 2009. During the period from August 2009 to December 2009, one member of staff whose monthly allowance was K32,734,231 (US\$7,000), made as many as thirty (30) claims and was in this regard paid amounts totalling K29,231,902 (US\$6,251.05).

However, there was no documentation to support the claims thereby making it not possible to confirm whether the services were rendered or the goods were procured.

c. Properties

The Mission has three (3) properties consisting, the High Commissioner's residence, the Chancery and a 9 storey incomplete building. A physical inspection of the properties carried out in April 2010 revealed the following:

i. Rua Alfonso Henriques No. 20, High Commissioner's Residence

The residence was structurally sound but required extensive attention both internally and externally in particular:

- The residence required external painting as the old paint was peeling off due to the salty water,
- the sink and hand wash basin inside and outside the kitchen required maintenance,
- the swimming pool was not in use and was drained of water, external toilet was leaking and required to be sealed to reduce the loss of water and the related high water bills,
- air-conditioning units at the house were obsolete and required replacement,
- roofing sheets at the poolside veranda were missing as they had not been replaced since being blown off in 2005,
- the entrance gate to the residence was damaged by rust and parts of it had fallen off. Below is the picture of the residence:



Official Residence

ii. Kenneth Kaunda Avenue No.1286 Sommerschild - Chancery

A physical inspection of the property revealed that the building was in a fair condition. However, the roof required maintenance in that on the last floor of the building the roof leaks and walls of the conference and ceiling board were spoiled, the rear and front gates were dilapidated and the building generally required repainting. Below is the picture of part of ceiling board and walls damaged by leaking roof.



Rain damaged walls and ceiling

d. Nine (9) Storey Building

In Paragraphs 39b (i) and 21(xiii) of the Auditor General's Reports for the years ended 31st December 2006 and 2007, 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.

In this regard, the Ministry remitted to the Mission amounts totalling K605,579,469 (US\$189,612.13) (K401,955,840 (US\$104,676) in 2007 and K283,623,629 (US\$84,936.13) in 2008) for the rehabilitation of the building. As of April 2010, the works had not commenced and the funds had not been utilised.

A physical inspection of the building on 29th April 2010 revealed that the building was being painted by an unknown contractor. Inquiries with the High Commissioner revealed that the building had been repossessed by the Host country, although it was not officially communicated to the Mission.

e. Locally Engaged Staff Litigations

In May 1995, the Mission was restructured and seven (7) Locally Engaged Staff (LES) were retrenched. In June 1995, one of the LES who worked as receptionist was re engaged until in July 2008 when she resigned. In May 2005, the officer had written to the Mission requesting for compensation for retrenchment but the Mission did not respond.

In this regard, in May 2009 the Mission received a Judgment from Maputo Court of Justice in which the officer was awarded K107,712,000 (US\$22,440) to be compensated by the Mission. On 28th May 2009, the Mission wrote to the Ministry to request that a legal representative visit the Mission to look at the case and six (6) other similar cases. However, as of April 2010, no action had been taken.

Head: 17/26 Ministry of Foreign Affairs-Mission Abroad - Windhoek

Unit: 02 Administration

- 25.** In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009, provisions of K3,684,940,113 in 2008 and K3,363,137,691 in 2009 were made to cater for various activities at the Mission against which K4,404,072,721 and K4,693,708,370 were released in 2008 and 2009 respectively.

An analysis of expenditure against funding revealed excess expenditure of K1,241,179,185 in 2009 and under expenditure of K751,229,630 in 2008. The excess expenditure of K1,241,179,185 was not supported by supplementary provisions.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry headquarters and a visit to the Mission carried out in May 2010 revealed the following:

a. Failure to Collect Rentals

The Mission has seven (7) properties. Six (6) houses and the Chancery. All six (6) houses were occupied by staff. The Chancery is a three storey building. The Mission occupies the second floor and part of the ground floor. The rest of the office is rented out.

However, as of May 2010, the Mission had failed to collect rentals in amounts totalling K47,859,300 (N\$77,820) due from three (3) tenants who had since vacated the building. The rentals had been outstanding from periods ranging from November 2008 to April 2010.

b. Unretired Imprest

Contrary to Financial Regulation No.96, imprest in amounts totalling K11,430,931 (N\$17,468.29) issued to three (3) officers had not been retired as of December 2010.

c. Unsupported Payments

Contrary to Financial Regulation No. 65, there were seven (7) payments in amounts totalling K30,300,776 (N\$52,193) that were unsupported in that the payment vouchers had no relevant documents such as invoices, receipts and delivery notes.

Head:	17/27	Ministry of Foreign Affairs- Mission Abroad -Brussels
Units:	2	Human Resource and Administration
Programmes:	2	General Administration
	7	Political and Economic Relations
Activities:		Various

26. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009, provisions of K6,966,713,142 and K9,699,608,731 were made respectively to cater for various activities against which amounts totalling K6,982,973,217 in 2008 and K8,356,182,676 in 2009 were released.

Accounting and Other Irregularities

A scrutiny of accounting and other records maintained at the Ministry Headquarters and the Mission conducted in May 2010 revealed the following:

a. Under Banking of Cash Collections

During the period from January to June 2008, the Mission collected amounts totalling K105,653,064 (€18,446) in respect of issuance of passports, travel documents and Visas. Out of the total amount collected, K90,313,581 (€15,771) was banked leaving a balance of K15,339,483 (€2,675) unaccounted for.

b. Expenditure

i. Failure to Enter into Contracts

During the period from February to August 2008, the Mission paid a total of K52,063,815 (€8,328) to four (4) contractors in respect of renovation works at the chancery and a rented house as shown in the table below:

Date	Payee	Amount K	Amount €	Details
1-Feb-08	AXA Therm	2,472,684	448	repairs done to heating system at Chancery
3-Apr-08	Leclerq Patrick	10,017,094	1,770	repairs done to roof
4-Apr-08	SENEC	5,262,629	954	procurement of spares for heating system
16-May-08	SENEC	5,308,238	954	maintenance of heating system
19-May-08	Leclerq Patrick	5,840,625	1,050	repairs of damages to ceiling
16-Aug-08	BTC Ltd	23,162,545	3,152	painting works at a rented house
		52,063,815	8,328	

It was however, observed that no form of contracts/agreements were entered into.

In his response dated 28th September 2010, the Controlling Officer stated that the circumstances under which all the repairs were done was urgent rendering it difficult to enter into contracts.

ii. Failure to Recover Advance

According to the Terms and Conditions of Service for the Public Service, advances paid shall be recovered within a period of six (6) months.

However contrary to the Conditions of Service, an advance of K76,433,821 (€11,000) paid to an officer in September 2009 had not been recovered as of December 2010.

c. Rehabilitations of the Official Residence - 260 Dreve Richele

- i. In January 2008, the Mission engaged Toiture Fauque to carry out rehabilitation works at the official residence at a sum of K758,788,800 (€135,498.60). The scope of works included plastering and painting, reconstructing the roof by removing and refitting the tiles and replacing gutters among others. As of May 2010, the Contractor had been paid amounts totalling K859,287,822 (€157,880) resulting in an overpayment of K100,499,022 (€22,381.4)

The following were observed:

- Although the Mission signed a purchase order with the contractor, there was no formal contract signed between the two parties. In this regard, the Mission could not take any action against the contractor when he abandoned the site in November 2008.
- Despite the contractor being paid an amount of K859,287,822 (€157,880) representing 101% of the quoted amount, a site visit revealed that the paints on the walls was peeling off, the ceiling was damaged and part of the roof was ripped off and left open resulting in water sipping through. *See pictures below:*



Paint peeling off

Damages on the ceiling



Ceiling board ripped off

- ii. In August 2009, the Mission engaged Laclerq Patrick to carry out repair works on the central heating system at a sum of K116,040,815 (€15,190). The scope of works included control of the central heating, insulation, replacing of vessels, water pump, cleaning of the ventilation filter and earthing of the gas pipe among other works. As of May 2010, the contractor had been paid a total amount of K130,224,376 (€18,625) resulting in an overpayment of K14,183,561 (€3,453).

The following were observed:

- The Embassy did not enter into any contract with the Contractor.
- As of May 2010, works were still outstanding and the contractor had abandoned the site.

Failure by the two (2) contractors to complete the rehabilitation of the official residence resulted in the Mission renting a house for the Ambassador at a cost of K22,277,367 (€3,300) per month. As of December 2009, a total of K205,896,876 (€30,550) had been paid in rentals.

Head: 17/30 Ministry of Foreign Affairs - Mission Abroad – Harare

Unit: 02 Administration

Programmes: Various

Activities: Various

27. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009, provisions of K4,384,625,910 in 2008 and K5,433,190,504 in 2009 were made to cater for various activities at the Mission against which amounts totalling K5,060,425,295 in 2008 and K3,892,835,678 in 2009 were released resulting in excess

funding of K675,799,385 in 2008 and under funding of K1,540,354,826 in 2009. The excess funding of K675,799,385 in 2008 was not supported by supplementary provision.

Accounting and Other Irregularities

An examination of accounting, stores and other records maintained at the Ministry Headquarters and the Mission carried out in May 2010 revealed the following:

a. Misappropriation of Revenue

The Mission collected revenue totalling K567,286,277 in 2008 and K550,129,970 in 2009 while the revenue returns compiled by the Mission and submitted to the Ministry Headquarters reported K357,460,416 for 2008 and K504,362,206 for 2009 resulting in under reporting of K209,825,861 for 2008 and K45,767,764 for 2009 as shown in the table below:

Year	2009 K	2008 K
Passports	164,064,000	52,972,800
VISAs	80,184,000	116,350,440
Rentals	305,881,970	397,963,037
Total	550,129,970	567,286,277
Revenue		
Returns	504,362,206	357,460,416
Under reporting	45,767,764	209,825,861

Further, out of the amounts collected, only K141,968,220 in 2008 were banked leaving a balance of K425,318,057 unaccounted for as there was no evidence of banking and no cash was found on hand.

b. Failure to Produce General Receipt Books for Audit

Contrary to Financial Regulation No. 10(n), the Mission had failed to produce ten (10) receipt books for audit as of October 2010. See details in the table below:

Documents	Range	No. of books
General Reciept	1428801-1429600	3
General Reciept	1934751-1936050	3
VISA fee Reciept Books	2620050-2620250	4
Total		10

c. Unretired Imprest

Contrary to Financial Regulations No.96, imprest in amounts totalling K561,006,391 (US\$130,967) issued to twenty (20) officers during the period under review had not been retired as of October 2010.

d. Unsupported Payments

Contrary to Financial Regulation No. 65, there were payments in amounts totalling K355,121,165 (US\$94,976.47) in 2008 and K46,077,763 (US\$9,379.41) in 2009 that had no supporting documents such as invoices, receipts and delivery notes as of October 2010.

e. Unauthorised Excess Engagement of Locally Engaged Staff

According to the Establishment register and the Foreign Service Regulations, the Mission has an establishment of seventeen (17) locally engaged staff. It was however observed that the Mission had engaged twenty one (21) locally engaged staff, four (4) above the authorised establishment. In this regard, payments of salaries to the four (4) locally engaged staff in amounts totalling K42,711,075 (US\$11,354) in 2008 and K1,630,250 (US\$350) in 2009 were irregular. It was also noted that there were no contracts of employment.

Head:	17/31	Ministry of Foreign Affairs-Missions Abroad- Berlin
Units:	2	Human Resource and Administration
Programmes:		Various
Activities:		Various

- 28.** In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009, provisions of K6,463,139,586 and K7,455,055,894 were made respectively to cater for various activities against which amounts totalling K6,390,584,859 in 2008 and K6,044,851,460 in 2009 were released.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry's headquarters and at the Mission carried out in May 2010 revealed the following:

a. Expenditure

i. Irregular Engagement of Casual Workers

During the period from January 2008 to July 2009, amounts totalling K22,006,612 (€5,782.84) were paid to four (4) people for cutting of grass and other cleaning services at the Chancery. It was however observed that three (3) of the service providers were relations to the Mission's staff and there was no evidence to suggest that the office bearers had declared interest especially that they were involved in approving the payments to their sons or dependants.

ii. Weaknesses on Accounting for Fuel

The system used by the Mission was that whenever the driver required fuel he would be issued with a card to draw fuel and later retire a print out that showed the litres of fuel drawn and the corresponding amount. It was observed that:

- The print out did not indicate the registration number of the vehicles which drew fuel.
- The fuel drawings were not recorded in the log books making it difficult to ascertain the quantities drawn by each vehicle. In this regard it was not possible to verify how fuel costing K107,587,490 (\$24,174.67) purchased during the period from January 2008 to December 2009 was utilised.

b. Properties

The Mission has two (2) properties situated at Vor Schorhor 23 Berlin-Pankow and Majakowskiring 33 13156 Berlin. An examination of records relating to the properties and inspections revealed the following;

i. Vor Schorhor 23 Berlin-Pankow



Front View



Rear View

The building which was acquired in 2001 was supposed to be used as the Chancery. However, over the years the Mission was unable to bring the building to the required state for use as a Chancery. Consequently, the Mission put up a proposal to dispose off the building and to use the proceeds to acquire a new building.

In this regard, in 2007, the Board of Survey recommended that the building be sold at K11,338,516,770 (€1,850,000) and to that effect the Ministry authorised the sale in 2008. However, as of May 2010, the building had not been sold.

Consequently, the Mission continued to incur various costs as detailed below;

- During the period under review, a total of K941,632,552 was incurred on services such as water, heating, electricity and security, out of which K781,107,233.25 (€127,445.98) had been paid leaving a balance K160,525,319 (€25,863.69) outstanding.
- It was further noted that the Mission, not being in the position to occupy its own building, was compelled to rent a building to use as a Chancery for which a total of K1,076,348,822 (€183,790.70) had been paid as rentals. This could have been avoided had the building been sold and the proceeds used to purchase its own building as planned.

An inspection of the building revealed that the building was dilapidated and inhabitable. *See pictures below:*



Dilapidated Interior

ii. Repairs on the Ambassador's Residence

During the period from March 2008 to October 2009, the Mission engaged seven (7) contractors at a total cost of K92,236,126 (€15,368) to carry out renovation works at the official residence without any form of contracts/agreements. See details in the table below:

Date	Payee	Amount K	Amount €	Details
18-Mar-08	Malerbetrieb Gunter Schimberg	9,042,553	1,700	removing mould at the residence
1-Jul-08	TOR Systems	483,836	113	repair gate at the residence
	Installation und Heizungsbau Maik	2,572,514	600	replacing defective water tap and toilet system
15-Mar-08	Malerbetrieb Gunter Schimberg	9,042,553	1,700	removing mould at the residence
6-May-08	Malerbetrieb Gunter Schimberg	10,960,848	2,270	removing mould at the residence
7-Aug-09	Von Kenne & Dietrich	54,258,443	8,147	painting the residence
31-Mar-09	Installation und Heizungsbau Maik	5,254,712	738	fixing a new door and removing of debris
21-Oct-09	Kaushal Huladduwa	310,333	50	repairs at the residence
29-Oct-09	Dar Dachfuerst	310,333	50	repairs of roof at residence
	Total	92,236,125	15,368	

Head : 17/32 **Ministry of Foreign Affairs-Mission Abroad-Geneva**

Unit: 2 **Human Resources and Administration**

Programmes: 1 **Personal Emoluments**

2 **General Administration**

6 **Utilities**

7 **Political and Economic Relations**

8 **Dismantling of Arrears**

Activities: **Various**

29. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009, provisions of K7,590,904,914 and K10,184,332,300 were made respectively to cater for various activities for the Mission against which amounts totalling K8,994,761,202 in 2008 and K7,687,649,663 in 2009 were released.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry headquarters and the Mission and a physical inspection carried out in May 2010 revealed the following:

a. Delays in Banking Revenue

Contrary to Financial Regulation No. 121, there were delays of periods ranging from two (2) to twenty six (26) days in banking amounts totalling K83,832,465 (US\$18,303.48) collected in respect of VISA fees, Travel Documents of Identity and passports during the period under review.

b. Failure to Obtain Authority for Retention of Funds

According to Financial Regulation No.36 (1), all Government Ministries, Provinces and Spending Agencies are required to surrender all unspent funds to the Treasury at the end of the financial year. Such authority is supposed to be sought from the Secretary to the Treasury for retention of funds.

Contrary to the regulation, the Mission retained an amount of K1,376,226,747 (SFr377,669.25) without authority from the Secretary to the Treasury.

c. Irregular Payment of Baggage Entitlement

According to Foreign Service Regulations and Conditions of Service No.76 (a & c), a married officer who is travelling at Government expense by air when returning to Zambia on completion of a tour of service shall be eligible for a baggage entitlement of up to the cost of transporting three hundred (2X150) kilograms, and sixty (60) kilograms in respect of each child. The baggage entitlement shall be unaccompanied.

Upon assessment of the baggage by a shipping company, a quotation is issued and based on the quotation, the Mission is supposed to make payment to the shipping company.

It was however observed that contrary to the regulation, two (2) officers who were recalled were irregularly paid amounts totalling K205,822,570 (US\$41,749). Further, there were no documents to support the basis on which the payments were made.

d. Overpayment of Subsistence Allowances

According to Foreign Service Regulation No. 60, an officer on recall shall be paid subsistence allowance for five (5) nights prior to departure, to meet hotel expenses.

A scrutiny of records revealed that four (4) recalled officers were being paid an extra two days of subsistence allowance as transit allowance. In this regard, amounts totalling K18,432,000 (US\$3,840) were overpaid.

As of December 2010, no recoveries had been effected.

e. Irregular Payment of Transit Allowances

Contrary to cabinet office circular No.3 of 1996 which states that transit allowance shall be paid at 40% of the prescribed subsistence allowances in case of fully sponsored tours or visits abroad, officers attending fully sponsored workshops were drawing full subsistence allowances. Consequently, six (6) officers attending fully sponsored workshops were overpaid amounts totalling K19,937,980 (US\$4,830).

As of December 2010, no recoveries had been effected.

f. Irregular Payment of Foreign Service Allowances

Foreign Service Regulation No.75(ii) and (iii) state that:

FSR No. 75(ii) – Where, with the approval of the Permanent Secretary, an officer goes for training away from his/her station for a period not exceeding three (3) months, he/she shall not be eligible to receive Representational, Entertainment and Extra-Accreditation Allowances.

FSR No.75(iii)- where an officer goes for training away from his/her Mission/station for a period exceeding three (3) months, he/she shall be required to take study leave and shall be recalled.

Contrary to FSR No. 75(ii), the accountant who was away from station attending a Diplomatic course in China from 17th September to 20th December 2007 was paid the allowances in amounts totalling K52,728,900 (US\$10,761) as shown in the table below:

Allowance	US\$
Representational	8,001
Entertainment	1,500
Extra Accreditation	1,260
Total	10,761

Further, contrary to FSR No. 75(iii), the officer was not recalled.

In June 2008, the Accountant appealed to the Secretary to Cabinet against forfeiture of the stated allowances. However in October 2008, the Permanent Secretary Ministry of Foreign Affairs informed the Mission that the appeal had not been accepted by the Secretary to the Cabinet, and that the amount should be recovered as an advance.

However, as of December 2010, the Ministry had not commenced the recoveries.

g. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K139,792,581 (US\$31,955.58) issued to nine (9) Officers during the period from January 2008 to December 2009 had not been retired as of December 2010.

h. Unrecovered Salary Advance

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

Records on advance payments at the Mission revealed that the Former Deputy Permanent Representative was paid K22,586,742 (SFr 6,000) in November 2008. Although the deductions had commenced while the officer was still at the mission and SFr4,500 recovered, the deductions were stopped when the officer was recalled. In this regard, as of December 2010, an amount of K6,546,200 (SFr1,500) was still outstanding.

i. Wasteful Expenditure on Non Functional Alarm System

The Mission entered into a contract with ADSI Fonti SA in September 1992 for the provision of security alarm monitoring services at the Chancery at an annual charge of K13,962,240 (SFr3,200). The contract was to be renewed every year unless terminated by either party, by giving three (3) months notice.

In September 2009, the system developed a fault and the technician who assessed the system advised the Mission that the system was no longer functional and needed replacement at a total cost of SFr 6,000.

Although the system was discovered to be non functional in September 2009, the Mission only requested for the termination of contract in March 2010. However, the supplier declined to terminate the contract as the required three (3) months notice stated in the contract terms and conditions were not adhered to.

It was further observed that the Mission was owing amounts totalling K34,905,600 (SFr8,000) broken down as follows:

Inv.2008/021	Alarm monitoring Services for 2008(50% paid)	SFr1,600
Inv.2009/159	Alarm monitoring Services for 2009	SFr3,200
Inv.2010/147	Alarm monitoring Services for 2010	SFr3,200

In their letter dated 30th March 2010, the supplier agreed to recalculate the amount due on the 2010/147 invoice on a prorata basis to be SFr1,066.65, if the recalculated total amount of SFr5,866.65 was paid by 30th April 2010.

However, the Mission failed to settle the bill before the stipulated date and consequently was required to settle the full amount of K34,905,600 (SFr8,000). The amount was settled in August 2010. In this regard, the amount of K13,962,240 (SFr3,200) paid for 2010 was wasteful since the alarm system had stopped functioning.

j. Inadequate Furniture at the Residence

Contrary to Foreign Service Regulation No.50 on Housing entitlement, it was observed that the Ambassador's rented accommodation was not furnished to standards as specified in the Foreign Service Regulations.

Head: 17/33 **Ministry of Foreign Affairs-Mission Abroad – Pretoria**

Unit: 02 **Human Resource and Administration**

Programme: **Various**

Activities: **Various**

30. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K6,993,414,949 was made to cater for various activities at the Mission against which amounts totalling K5,493,917,691 were released resulting in an under funding of K1,499,497,258.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry and a visit to the Mission in May 2010 revealed the following:

a. Understating of Revenue Collections

The Mission collects revenue in form of Visa Fees and Travel Documents of identity. In this regard, amounts totalling K1,348,234,426 were collected in 2009 according to the actual receipts. However, the returns submitted to the Ministry Headquarters showed that the Mission collected K1,205,148,933 resulting in an understatement of K143,085,493.

b. Unsupported Payments

Contrary to Financial Regulation No. 65, there were seventeen (17) payments in amounts totalling K55,241,582 (ZAR37,808) that were unsupported in that the payment vouchers were not supported by relevant documents such as invoices, receipts and delivery notes.

c. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K23,168,882 (ZAR36,231.68) purchased during the period under review.

Head :	17/36	Ministry of Foreign Affairs-Mission Abroad-Paris
Unit:	2	Human Resources and Administration
Programmes:	1	Personal Emoluments
	3	General Administration
	6	Utilities
	7	Political and Economic Relations
	8	Dismantling of Arrears
Activities:		Various

31. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009, provisions of K6,294,738,951 and K6,939,712,455 were made respectively to cater for various activities for the Mission against which amounts totalling K6,824,796,339 in 2008 and K5,915,706,580 in 2009 were released.

Accounting and Other Irregularities

An examination of accounting and other records carried out in May 2010 at the Ministry headquarters and a visit to the Mission revealed the following:

a. Utilization of Revenue without Authority

According to existing arrangements, transfer of funds from the Revenue to an Operational Account can only be made upon written authority from the Ministry Headquarters. The Ministry in turn deducts the equivalent amount from the Mission's funding.

It was however observed that amounts totalling K27,988,748 (€5,331.19) were transferred to the Operational account during the period from September 2008 to July 2009 without authority.

As of July 2010, the amounts had not been deducted from the remittances to the Mission by the Ministry Headquarters.

b. Failure to Obtain Authority for Retention of Funds

According to Financial Regulation No.36 (1), all Government Ministries, Provinces and Spending Agencies are required to surrender all unspent funds to the Treasury at the end of the financial year. However should there be need to retain the funds,

authority is supposed to be sought from the Secretary to the Treasury for retention of funds.

Contrary to the regulation, the Mission retained an amount of K49,776,698 (€8,742.34) without Treasury Authority.

c. Irregular Payment of Baggage Entitlement

According to Foreign Service Regulations and Conditions of Service No. 76 (a & c), a married Officer who is travelling at Government expense by air when returning to Zambia on completion of a tour of service shall be eligible for a baggage entitlement of up to the cost of transporting three hundred (2X150) kilograms, and sixty kilograms in respect of each child. The baggage entitlement shall be unaccompanied.

Upon assessment of the baggage by a shipping company, a quotation is issued and based on the quotation, the Mission is supposed to make payment to the shipping company.

It was however observed that contrary to the regulations, two (2) recalled and two (2) transferred officers were directly paid amounts totalling K253,609,987 (€53,678) instead of paying the shipping company. There were no documents to support the basis on which the officers were paid.

d. Failure to Recover Insurance Payments Made on Behalf of Officers

According to Foreign Service Regulations No.80, in addition to the actual cost of transporting the baggage of an officer on transfer or recall, government shall pay packing and handling charges, and fifty (50) percent of the insurance cover.

In February 2008 and August 2009, the Mission paid amounts totalling €5,976.13 as full insurance cover for (3) officers' baggage.

As of July 2010, the fifty (50) percent amounting to K17,622,081(€2,988.07) had not been recovered from the Officers.

e. Irregular Payment of Transit Allowances

During the period under review, the Mission irregularly paid amounts totalling K5,786,990 (US\$1,115) as transit allowance to three (3) officers in that no authority was obtained from the Controlling Officer.

f. Unretired Imprest

Contrary to Financial Regulation No.96, imprest in amounts totalling K31,206,792 (€4,845.53) issued to three (3) officers during the period from September 2008 to July 2009 had not been retired as of July 2010.

g. Unrecovered Salary Advances

Contrary to Terms and Conditions of Service for Public Service, salary advances in amounts totalling K45,614,276 (€7,688) were paid to two (2) officers during the period April 2008 to September 2009. However, as of September 2010, recoveries had not been effected.

h. Payment of Utility Bills

According to Foreign Service Regulation No.53(ii) Government shall pay sixty (60) percent of heating for all officers and eighty (80) percent of electricity and water for Heads of Missions.

It was however observed that heating, electricity and water bills totalling K231,419,650 (€33,887.78) had been paid to the service providers in full by the Mission on behalf of the Ambassador out of which an amount of K74,947,903 (€10,974.80) was to be paid by the Ambassador. However, only a total of K10,716,072 (€1,569.18) had been recovered leaving amounts totalling K64,231,831(€ 9,405.62) not recovered as of July 2010.

i. Furniture not Inscribed with GRZ Numbers

Contrary to Public Stores Regulation No.154, various Mission furniture and equipment costing K273,980,410 (€48,658.80) had no identification marks.

It was further observed that furniture left behind by the former Ambassador was still at the residence. It was therefore, not possible to distinguish between his personal property and that which was for the Government as none was labelled.

j. Properties Management

The Mission has two (2) properties; the Chancery and the Ambassador's residence.

A physical inspection of the properties conducted in May 2010 revealed the following:

i. The Chancery -18 Avenue De Tourville, 75007 Paris

The property needs a face-lift as the frontage has never been painted since the property was purchased in 2007. Further, the heating system in the building was not working.

ii. The Official Residence Plot No. 51- Ronte De Montesron

The basement needed maintenance as paint was peeling off the walls and on the stairs leading to the basement as shown in the pictures below:



Paint peeling off the basement walls



Cracked Stairs leading to the basement

It was also observed that the carpets on the stairs leading to the 1st Floor were worn out and needed replacement as shown in the picture below:



Worn out carpet on the stairs

In addition, the ceiling board and the bathroom in the Guest wing needed repairs as water was seeping through one of the rooms, thereby making the paint peel off the wall.



Painting peeling off in the bathroom guest wing



Damaged ceiling board in the Guest wing

Head :	17/37	Ministry of Foreign Affairs-Mission Abroad-Rome
Unit:	2	Human Resources and Administration
Programmes:	1	Personal Emoluments
	2	General Administration
	6	Utilities
	7	Political and Economic Relations
	8	Dismantling of Arrears
Activities:		Various

32. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009 provisions of K5,472,121,191 and K7,239,123,334 were made respectively to cater for various activities at the Mission. The Mission received K6,069,562,566 in 2008 and K5,271,010,507 in 2009 resulting in overfunding of K597,441,375 in 2008 and under funding of K1,968,112,827 in 2009.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry headquarters and the Mission and a physical inspection carried out in May 2010 revealed the following:

a. Delays in Banking Revenue

Financial Regulation No. 121 states that subject to the written direction of the Secretary to the Treasury in respect of the operation of any fund or working account established pursuant to Section twenty five of the Act, all moneys received by any accounting officer shall be deposited not later than the next business day following the day of receipt.

Contrary to the Financial Regulation No.121, there were delays for periods ranging from two (2) to forty seven (47) days in banking revenue amounting to K94,285,033 (€14,779.55) collected in respect of VISA fees, Travel Documents of Identity and Passports during the period under review.

b. Failure to Obtain Authority for Retention of Funds

According to Financial Regulation No.36 (1), all Government Ministries, Provinces and Spending Agencies are required to surrender all unspent funds to the Treasury at

the end of the financial year. Authority is supposed to be sought from the Secretary to the Treasury for retention of funds.

Contrary to the regulations, the Mission retained funds amounting to K1,645,690,458 (€171,581 and US\$146,817) in 2009 without authority from the Secretary to the Treasury.

c. Overpaid Telephone Allowances

According to the provisions of the Foreign Service Regulation and Conditions of Service, Heads of Missions and Minister-Counsellor are to be paid US\$350 and US\$200 respectively as allowances for their residential and mobile phones.

Contrary to the regulations, the Mission was paying the Head of Mission and the Minister-Counsellor allowances of US\$450 and US\$250 respectively resulting in overpayments of K18,996,400 (US\$4,250) during the period August 2007 to May 2010. The payment of K18,996,400 (US\$4,250) in excess of the officers' entitlement was irregular and as of August 2010, the amounts had not been recovered.

d. Unutilised Funds

In May 2009, the Ministry Headquarters remitted K108,886,989 (US\$21,350.39) for the rehabilitation of the swimming pool at the residence

However, it was observed that the rehabilitations had not been done as of May 2010. Inquiries from management at the Mission revealed that renovations could not start as no authority had been given by Ministry Headquarters at the time funds were remitted. As of May 2010, the cost of the rehabilitation works had increased to K224,910,000 (US\$44,100).

It was not clear what authority was being awaited for from the Ministry headquarters when the funds were released by the same.

e. Unclaimed Rental Security Deposits

The Mission rented accommodation for some of its diplomatic staff. Landlords required to be paid in advance security deposit equivalent to three (3) months rentals.

In June 2008, an amount of K38,160,006 (€7,200) was paid as security deposit for an apartment the Mission was renting for the First Secretary Economics and Trade.

In October 2009, the First Secretary vacated the premises. Upon vacating the apartment, the landlord was supposed to refund the security deposit. However, as of August 2010, the security deposit had not been refunded.

Although in her response dated 17th August 2010, the Controlling Officer stated that an amount of €2,000 had been recovered, there was no documentary evidence provided for audit.

f. Furniture not Inscribed with GRZ Numbers

Contrary to Public Stores Regulation No. 154, various Mission furniture and equipment costing K320,071,568 had no identification marks.

Head:	17/38	Ministry of Foreign Affairs, Missions Abroad – Tripoli
Unit:	2	Human Resource and Administration
Programmes:	1	Personal Emoluments
	2	General Administration
	6	Utilities
	7	Political and Economic Relations
Activities:		Various

33. During the financial year ended 31st December 2009, a total provision of K5,524,534,204 was made in the Estimates of Revenue and Expenditure for the Tripoli Mission to cater for Personal Emoluments, General Administration, Utilities and Political and Economic Relations against which amounts totalling K9,525,065,563 were released as shown in the table below:

	Authorised Provision K	Releases K
Personal Emoluments	5,267,222,395	9,367,549,788
General Administration	162,400,580	108,267,050
Utilities	53,000,000	30,427,481
Political and Economic Relations	41,911,229	18,821,244
	5,524,534,204	9,525,065,563

Accounting and Other Irregularities

An examination of the accounting and other records maintained at the Ministry Headquarters and the Mission carried out in April 2010 revealed the following:

Failure to Obtain Authority for Retention of Funds

According to existing Government procedures, all Government Ministries and Spending Agencies are required to surrender all unspent funds at the close of the financial year. Any retention of funds by the Ministries and Spending Agencies is supposed to be authorised by the Secretary to the Treasury.

It was observed that contrary to the procedure, the Mission retained amounts of K1,209,531,800 (US\$311,735 and Dina 3,513) in 2007, K650,075,432 (USD151,004 and Dina4,582) in 2008 and K557,281,296 (USD 106,392 and Dina 179) in 2009 without authority from the Secretary to the Treasury.

Head: 26/ Ministry of Information and Broadcasting Services

01 Headquarters

02 Zambia News and Information Services (ZANIS)

03 Press and Planning

Units: Various

Programmes: Various

Activities: Various

34. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, provisions totalling K30,100,685,981 were made to cater for various activities under the Ministry Headquarters, ZANIS and Press and Planning Departments, against which amounts totalling K23,040,698,261 were released as shown below:

Head	Department	Budget K	Funding K	Under Funding K
26/01	Headquarters	5,668,055,687	4,666,881,949	1,001,173,738
26/02	ZANIS	9,215,790,167	7,239,378,631	1,976,411,536
26/03	Press & Planning	15,216,840,126	11,134,437,680	4,082,402,446
	Total	30,100,685,980	23,040,698,260	7,059,987,720

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters and ZANIS carried out in August 2010 revealed the following:

a. Unsupported Payments

Contrary to Financial Regulation No.52, there were ninety seven (97) payment vouchers in amounts totalling K1,521,416,621 which had no supporting documents such as quotations, invoices, Local Purchase Orders and receipts.

b. Loans and Advances

- i.** Contrary to the Terms and Conditions of Service, recoveries of loans and salary advances amounting to K273,400,000 (Loans-K240,500,000, advances-K32,900,000) paid to forty four (44) officers during the period under review had not commenced as of December 2010.
- ii.** Three (3) officers who resigned in July and August 2009 had outstanding balances on loans and advances totalling K65,215,530. As of December 2010, the amounts had not been recovered.

c. Weaknesses in Management of Imprest

i. Unapproved Imprest Forms

Imprests in amounts totalling K529,415,000 involving twenty seven (27) transactions was paid to five (5) officers from accounts and procurement units without application for imprest forms being approved by the Heads of Department (HOD).

ii. Unretired Imprest

Contrary to Financial Regulation No.96 (1), imprest in amounts totalling K384,388,349 involving forty nine (49) transactions issued to twenty one (21) officers during the period under review had not been retired as of December 2010.

Further, there were subsequent imprests amounting to K421,113,750 issued to fourteen (14) officers contrary to Financial Regulation No.91(1).

iii. Questionable Retirements

Contrary to Financial Regulation No.96, imprest in amounts totalling K115,299,752 involving twenty nine (29) transactions issued to eighteen (18) officers during the period under review had questionable retirements in that some supporting documents contained errors and alterations while others lacked details. Therefore, it was not possible to ascertain whether the imprest was used for the intended purpose.

iv. Non Submission of Retirement Details

Financial Regulation No.93 requires that a record of the issue and retirement of all imprest be kept in a register of imprest (Accounts form 17). Contrary to this provision, imprest in amounts totalling K37,975,000 issued to three (3) officers during the period under review and indicated on the Financial Statements as retired by 31st December 2009, was not retired.

d. Weaknesses in Management of Stores

i. Undelivered Stores

Assorted stores items costing K39,110,000 procured from two (2) Suppliers and paid for in December 2009 had not been received as of December 2010.

ii. Goods without Receipt and Disposal Details

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details for goods costing K76,048,000 purchased during the period under review.

iii. Inflated Prices

A scrutiny of accounting records revealed that the Ministry procured six (6) External USB Hard Drives 500GB at total cost of K33,300,000 which was apparently at inflated prices in comparison to the prevailing market prices of K5,370,000 for similar items from other suppliers resulting in a difference of K27,930,000 over and above the market price as tabled below:

	Unit Price K	Quantity	Total Amount K
Computer Components			
Price charged by Keltec Suppliers	5,550,000	6	33,300,000
Prevailing Market Prices (Computer Planet & Computer Express)	895,000	6	5,370,000
Difference			27,930,000

e. Questionable Fuel Drawings

A scrutiny of fuel vouchers and retirement details revealed that fuel costing K11,361,235 was purportedly drawn by vehicles which were out on tour during the period in question thereby rendering the drawings questionable.

f. Inventory Not Inscribed With GRZ numbers

Contrary to Public Stores Regulations No.154, assorted office furniture and equipment valued K178,597,839 had no GRZ identification numbers.

g. Misapplication of Funds

During the period under review, amounts totalling K1,169,219,676 were released for the procurement of FM transmitters (K812,600,000) for the Districts and maintenance of the transmitters (K356,619,676).

It was however observed that the funds were applied on training, issuance of imprest and payment of allowances. Consequently, the transmitters were not procured.

h. Wasteful Expenditure

i. Misuse of Telephone Facilities

A total of K103,514,797 was paid to ZAMTEL for telephone services rendered in April and June 2009 at Headquarters.

A scrutiny of the bills revealed that out of the total amount paid, K47,814,044 which was 46% related to the Deputy Minister's line. Further, there was no register maintained for numbers called thereby making it not possible to ascertain whether the calls were official or personal.

ii. Contract with Coppernet Solutions

In paragraph 25 (c) of the Auditor General's Report for the year ended 31st December 2007, mention was made of the failure to utilise the BGAN wireless communication equipment procured at a cost of K393,364,679.

A review carried out in August 2010 disclosed that, although K167,652,750 had been spent on training end users, the equipment was still not being utilised as of October 2010, rendering the expenditure spent on training wasteful.

i. Failure to take Disciplinary Action

A vehicle registration number ABM 6529 which was purchased in May 2008 at a total cost of K82,534,000 and allocated to ZANIS Itezhi tezhi was driven by an officer without a Certificate of Competence on 22nd November 2009 contrary to the Terms and Conditions of Service No.71 (a).

A physical inspection in August 2010 revealed that the engine had ceased and required repairs amounting to K40,596,138.

Although the Controlling Officer in his response dated 1st October 2010, stated that disciplinary action was taken against the officer, no evidence was provided for audit.

j. Decentralisation of the Printing Press-Poor Planning

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009, provisions of K2,000,000,000 and K6,000,000,000 respectively were made for procurement of printing press, against which amounts totalling K1,000,000,000 for 2008 and K4,000,000,000 for 2009 were released.

In November 2008 and December 2009, the Ministry engaged Top Motors Limited to supply and install printing presses at Zambia News and Information Services (ZANIS) Offices at a total cost of K6,345,332,854 (US\$1,361,200) in Chipata (K2,937,477,778 (US\$625,000)) and Kasama (K3,407,855,076 (US\$736,200)).

Although the supplier had been paid in full and the equipment for both stations had been delivered as of August 2010, it was not installed as the buildings where it was supposed to be housed had not been completed. Consequently, the Ministry procured two (2) containers at the cost of K48,780,125 to store the equipment.

Head:	29/	Ministry of Local Government and Housing
	01	Headquarters
	03	Chalimbana Local Government Training Institute
	05	Local Government Administration Department
	06	Housing and Infrastructure Development Department
	07	Government Valuation Department
	08	House of Chiefs
Units:		Various
Programmes:		Various
Activities:		Various

35. In the Estimates of Revenue and Expenditure for the Financial Year ended 31st December 2009, a total provision of K257,796,796,024 was made to cater for various activities at the Ministry and the whole amount was released.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry headquarters and visits to Masaiti, Kitwe, Mongu, Kaoma, Serenje, Nakonde and Mpika carried out in May 2010 revealed the following:

a. Unretired Imprest

Contrary to Financial Regulation No.96, imprests in an amounts totalling K442,736,328 issued to thirty-two (32) officers during the period under review had not been retired as of December 2010.

Further, thirty two (32) officers were issued with subsequent imprest in amounts totalling K1,258,642,388 before retiring previous imprest contrary to Financial Regulation No.91(i).

b. Inadequate Maintenance of Fuel Records

The Ministry paid amounts totalling K652,266,261 to ten (10) filling stations for the supply of fuel. However, the Ministry did not maintain any fuel registers and in this regard, it was not possible to verify how the fuel paid for was utilised.

c. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of assorted stores items costing K442,900,109 procured during the year under review.

d. Construction of a Multi-purpose Hall – Chalimbana

The project commenced in 2005, and the contract was awarded to Dennis Mining and Construction at a contract sum of K303,850,164 by the Ministry. Out of the total contract sum, the contractor was paid K202,015,824 for the construction works. The works were to be executed within sixteen (16) weeks. However, in 2007 the contractor abandoned the site due to delayed payments.

In March 2009, the Ministry engaged Datong Construction to complete the construction of the Multi-purpose Hall which had been abandoned by Dennis Mining and Construction in 2007. Datong Construction was engaged at a contract sum of K279,890,600 with a completion period of five (5) weeks. The works to be executed included internal plastering, fitting of windows, door frames, ceiling, roofing and partitions in the toilets. As of May 2010, the contractor had been paid in full.

However, the following were observed:

- i.** According to ZPPA Circular No.1 of 2009, the use of less competitive procurement methods other than open bidding/selection will require authorization by the ZPPA. Contrary to the Circular, the Ministry did not follow tender procedures in that the contractor, Datong Construction was single sourced.
- ii.** Further, it was observed that the construction of a multi-purpose hall at Chalimbana was not budgeted for in the 2009 Estimates of Revenue and Expenditure resulting in the Ministry using funds amounting to K279,890,600 meant for student hostels. Consequently, as of October 2010, no works had commenced on the construction of students hostels.
- iii.** Due to the delays in completing the project, the costs had escalated from K303,850,164 when the project started in 2005 to K481,906,424 in 2009.

Although, the project was completed and the contractor paid in full, a physical inspection at the project site in May 2010 revealed the following:

- i.** The roof was leaking (by the stage side) and the ceiling had curved in,

- ii. The floor had some holes and was patched up using pieces of planks,
- iii. There were cracks developing in most parts on the floor as can be evidenced in the pictures below:



Cracked floor

Curving in ceiling board

e. Construction and Improvement of the Drainage Network-Kanyama

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K20,000,000,000 was made for capital grants for the construction and improvement of drainage network in Kanyama and the whole amount was released. An amount of K10,138,574,360 was retained at the Ministry Headquarters while K9,861,425,640 was disbursed to Lusaka City Council for the drainage in Kanyama Compound.

In this regard, in December 2009, the Ministry engaged Pet – Gyb Limited on behalf of Lusaka City Council for the construction and improvement of the Drainage Network in Kanyama, at a contract sum of K9,861,425,640. The works were to be executed within a period of six (6) months from commencement date and the works involved among others the following:

- Excavation and opening of new drainage,
- Construction of culvert pipes,
- Construction of concrete slabs as access points and
- Desilting of culverts

The contractor took possession of the site on 3rd December 2009.

An examination of accounting and other documents related to the project revealed that:

i. Delayed Implementation of the Project

Despite the Ministry receiving K833,333,333 in January 2009 to commence the implementation of the construction and improvement of the drainage network in Kanyama, no activity was undertaken until July 2009 when the Ministry sought authority from ZPPA to engage a contractor. The delay resulted in the contractor being engaged in December 2009 when the rain season had already started thereby making it difficult for the contractor to progress with the works.

ii. Misapplication of Funds

Out of the total amount of K10,138,574,360 retained at the Ministry, a total of K1,081,788,477 was applied on the payment of union subscription fees to Zambia Congress of Trade Union (K1,000,000,000) and Zambia United Local Authorities Workers Union (K81,788,477) which was not related to the purpose for which the funds were appropriated.

iii. Irregular Investment of the Funds

Records reviewed at the Lusaka City Council revealed that out of the K9,861,425,640 received from the Ministry in December 2009, an amount of K8,000,000,000 was transferred from the Lusaka City Council Roads Board Account to a 24 hour call account held at Zanaco Bank - Civic Center Branch without authority from the Secretary to the Treasury. This was contrary to Financial Regulation No.146 which requires that funds which are not immediately required for any other purposes should be determined and invested as directed by the Secretary to the Treasury.

As at 7th April 2010, the account had earned a gross interest of K56,164,116.

iv. Progress on the project

Although the contractor took possession of the site on 3rd December 2009, only 36% of the works had been done as of October 2010 and the contractor had been paid a total sum of K4,061,765,078

f. Purchase of Motor Vehicles for Chiefs

In 2008, the Ministry initiated a car loan scheme for their Royal Highnesses. In this regard, the Ministry procured and distributed two hundred and eight (208) motor vehicles costing K9,597,399,715 to chiefs across the country.

However, as of December 2010, no recoveries had commenced on the car loans.

g. Markets and Bus Stations Fund-Lack of Expenditure Returns

In the estimates of Revenue and Expenditure for 2009, an amount of K500,000,000 was provided and released for the construction and rehabilitation of markets and bus stations.

Out of K500,000,000 released, K382,184,102 was disbursed to nine (9) councils for rehabilitation of markets and bus stations, while K50,833,333 was in the bank account as at 31st December 2009. The balance of K66,982,565 was not accounted for in that there were no expenditure details made available for audit.

Further, the nine (9) councils that received the funds did not submit expenditure returns to the Ministry.

h. Grants in Lieu of Rates

In the Estimates of Revenue and Expenditure for the year ended 31st December 2009, a provision of K20,000,000,000 was made to cater for grants to the Councils and the whole amount was released. The Funds were to be used on Service delivery and valuation fees for those Councils whose Valuation Rolls were due for updating.

Out of K1,100,000,000 disbursed to five (5) Local Authorities, amounts totalling K698,595,404 were misapplied while K245,384,596 was unaccounted for as shown in the table below:

Council	Amounts Received K	Misapplied Funds K	Unaccounted for Funds K	Remarks
Serenje	200,000,000	200,000,000	-	Funds applied on salaries and allowances
Nakonde	200,000,000	-	150,000,000	Records not availed for audit
Isoka	200,000,000	104,615,404	95,384,596	Funds applied on salaries, allowances and building materials. Records for K95,384,596 were not availed for audit.
Mongu	350,000,000	243,980,000	-	Funds applied on salaries
Masaiti	150,000,000	150,000,000	-	Funds applied on salaries and allowances
Total	1,100,000,000	698,595,404	245,384,596	

i. Recurrent Grants to Local Authorities

The Government provided for and released a total amount of K50,000,000,000 for recurrent grants to Councils in 2009.

In accordance with the guidelines, the funds were to be distributed to the Councils and utilized as follows: 30% for administrative costs and supplementation on salaries; and 70% for service provision.

In addition, the guidelines require all Councils to submit duly signed utilization reports and supporting documents to the Ministry Headquarters. A review of records however revealed that out of the K50,000,000,000 released, only K40,000,000,000 was released to Local Authorities leaving a balance of K10,000,000,000 which was utilised at the Ministry Headquarters.

Out of K3,300,000,000 disbursed to six (6) Local Authorities, amounts totalling K1,870,353,483 were misapplied, K85,609,010 was unaccounted for while K94,377,977 was unvouched as shown in the table below:

Council	Amount Received K	Amount Misapplied K	Unaccounted for K	Unvouched Expenditure K	Remarks
Isoka	480,000,000	335,254,487	-	-	Missapplied on salaries and administrative expenses
Mpika	580,000,000	365,211,696	-	-	Missapplied on salaries and administrative expenses
Mpika				94,337,977	Nine (9) payment vouchers inadequately supported by cash receipts, invoices and GRNs.
Nakonde	580,000,000	246,002,255	-	-	Missapplied on salaries and administrative expenses
Serenje	480,000,000	323,412,129	-	-	Missapplied on salaries and administrative expenses
		-	13,466,028	-	No expenditure details availed for audit.
Mongu	600,000,000	347,857,018	-	-	Missapplied on salaries and administrative expenses
	-	-	72,142,982	-	No expenditure details availed for audit.
Masaiti	580,000,000	252,615,898	-	-	Missapplied on salaries and administrative expenses
Totals	3,300,000,000	1,870,353,483	85,609,010	94,337,977	

j. Firefighting Equipment

In 2009, the Ministry was funded K3,995,000,000 to procure firefighting equipment. A review of records revealed that the whole amount was applied on unrelated activities such as procurement of motor vehicles, imprest for workshops and other administrative expenses. Consequently, as of December 2010, the equipment had not been procured.

Head: 37 Ministry of Finance and National Planning

Units: Various

Programmes: Various

Activities: Various

36. In the Estimates of Revenue and Expenditure for 2009, a provision of K1,285,380,605,738 was made to cater for various activities at the Ministry Headquarters against which amounts totalling K666,991,179,080 were released as shown in the table below:

Head	Budget K	Releases K
Human Resources and Administration	412,344,443,313	450,518,513,251
Budget Office	7,308,844,656	6,545,564,062
Centralised Computer Services	12,893,278,118	1,942,316,380
Financial Management and Accounting	808,975,124,861	175,536,250,648
Investment and Debt Management	6,401,104,889	4,498,991,296
Internal Audit	5,782,071,392	4,248,721,086
Economic Management	8,665,350,785	6,562,173,023
National Planning	14,249,218,044	10,044,770,133
Monitoring and Evaluation	5,480,467,581	4,200,170,680
National Policy and Programme Implementation	3,280,702,099	2,893,708,521
Total	1,285,380,605,738	666,991,179,080

Accounting and Other Irregularities

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

a. Unsupported Payments

Contrary to Financial Regulations No. 45 and 52, there were fifty-one (51) payment vouchers in amounts totalling K2,503,964,429 that were not supported by documents such as acquittal sheets, invoices and receipts.

b. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K753,203,720 issued to twenty three (23) officers during the period under review had not been retired as of December 2010.

Further, contrary to the Financial Regulation No. 91, imprests in amounts totalling K1,393,427,750 were issued to officers who had outstanding imprest amounting to K396,720,000.

c. Revolving Fund

A review of the records pertaining to the Revolving Fund Account indicated that there was a budget provision of K958,941,158 out of which K840,650,542 was released. However, the following were observed:

i. Irregular Transfer of Funds to the Revolving Fund

Amounts totalling K6,253,542,738 were irregularly transferred to the Revolving Fund Account from Control 37 (K1,423,542,738), Salaries account (K610,000,000) and the Leaders' Revolving Account (K4,220,000,000).

ii. Unrecovered Loans and Advances

Contrary to the Terms and Conditions of Service, recoveries in respect of K1,091,450,000 paid out as loans (K1,005,000,000) and advances (K86,450,000) during the period under review had not commenced as of December 2010.

d. Outstanding Bills

In paragraph 39 of the report of the Auditor General in the accounts for 2005, mention was made of, among other things, the non construction of the Mbesuma bridge in Northern Province.

In their report of the First Session of the Tenth National Assembly, the Public Accounts Committee observed, among other things, that no construction of any part of the bridge had been done.

During the period under review, a total provision of K186,488,795,572 was made for dismantling of arrears. Included in this figure, is K143,801,192,296.48 relating to disputed claims by two (2) companies as shown in the table below:

Contractor	Details	US \$	K	Date Claimed
NCC Phoenix Contractors	Kashikishi-Lunchinda Road	17,134,756.60	72,095,637,323.48	December, 2005
JJ Lowe Limited	Kashikishi-Lunchinda Road		70,258,336,658.00	December, 2005
JJ Lowe Limited	Mbesuma Bridge(Chambeshi)		1,447,218,315.00	December, 2005
Total			143,801,192,296.48	

It was not clear why these were still indicated as outstanding bills when the contractors had not provided any services as observed in the Auditor General's report for 2005.

Head: 37/07 Ministry of Finance and National Planning-Financial Management and Accounting

10 Public Expenditure Management and Financial Accountability Reform

Programme: 7 Public Expenditure Management and Financial Accountability

Activities: 03 Integrated Financial Management Information System (IFMIS) Project Implementation

37. The Integrated Financial Management Information Systems (IFMIS) project was aimed at improving the acquisition, allocation, utilisation and conservation of the public financial

resources through the use of automated and integrated financial systems. The implementation of the IFMIS was a central component of the Public Expenditure and Financial Accountability (PEMFA) Programmes. PEMFA was part of the Public Service Reform Programme launched by Government in 1993. The IFMIS project was being implemented by the Ministry of Finance and National Planning.

In November 2006, the Government signed a contract with Soluziona S.A (Spain) for the supply, installation and implementation of IFMIS at a contract sum of K109,565,340,885 (US\$23,367,708). The contract period was thirty six (36) months commencing January 2007 and ending December 2009.

On 16th October 2008, an amendment agreement to the IFMIS contract was made due to the takeover of Soluziona S.A (Spain) by Indra Sistemas S.A. In June 2009, the contract duration was revised to fifty nine (59) months.

According to the Project Charter, the project was supervised by the Technical Steering Committee, which was chaired by the Permanent Secretary - Financial Management and Administration (FMA) in the Ministry of Finance and National Planning and comprised eighteen (18) members.

The Steering Committee was assisted by five (5) work groups with specific terms of reference. The work groups provided an avenue for the participation of key Government stakeholders in the implementation of IFMIS. The work groups were:

- Accounting Application Work Group
- Debt Management Work Group
- Audit and Security Work Group
- IT Work Group
- Training and Change Management Work Group

The Permanent Secretary (FMA) appointed the Project Manager and was member of the steering committee. The Project Manager was responsible for the day to day operations of the development and implementation of the computerised financial management information system. The Project Manager was assisted by six (6) component managers namely:

- Manager IT
- Manager Accounting
- Manager Budget
- Manager Audit and Security
- Manager Training and Change Management
- Manager Quality Assurance

The Project Manager and component managers were appointed on a renewable three-year contract term.

In addition to the above, ninety four (94) officers from various Ministries, Provinces and Spending Agencies (MPSAs) were attached to the project to assist the component managers and ensure smooth implementation of the project.

Weaknesses in the Implementation of IFMIS

The audit covered project activities from inception in January 2006 to April 2010 and was conducted at Ministry of Finance and National Planning, which was the pilot site and six (6) rollout sites namely; Ministries of Education, Foreign Affairs, Works and Supply, Communication and provincial sites in Chipata and Solwezi.

A review of Project Initiation Document (PID), contracts, minutes of the Technical Steering Committee and work groups, consultants' reports, implementation plans and other relevant documents maintained at the PEMFA Secretariat and project revealed the following:

a. Lack of IT Strategic Plan

According to the best practices (Control Objectives for Information and related Technologies – CoBIT), any organisation that embraces information technology (IT) as a business solution should have an IT Strategic Plan and an Information Communication Technology (ICT) Policy that are in line with the business strategy and priorities.

It was observed that, although the IFMIS as a project had strategic documents, such as IFMIS Project Charter, Inception Reports and the my SAP ERP, the Ministry as a whole had been operating for more than three (3) years without the ICT strategic plan.

b. Technical Steering Committee

The Terms of Reference for the IFMIS Technical Steering Committee, among others, were to:

- Spearhead the implementation of IFMIS
- Monitor the IFMIS procurement and contracting arrangements and approve recommendations of necessary changes in procedures and implementation arrangements in the light of experience
- Hold meetings regularly (at least on a monthly basis) with an agenda prepared by the chairman of the Technical Committee

The following were however observed:

i. High Turnover of Key Personnel

As of February 2010, the IFMIS project had changed three (3) Project Managers. The first Manager managed the project from January 2005 to August 2008, the second manager managed the project from September 2008 to December 2009 and the current one has been managing the project since December 2009.

ii. Work Groups

▪ **Accounting Application Work Group -Failure to Complete Interfaces on Time**

The Terms of Reference for this group included IFMIS interfacing with commercial banks, Payroll Management and Expenditure Control (PMEC), Zambia Revenue Authority (ZRA) and Bank of Zambia (BoZ); and manage transition to partial accrual accounting. The interfaces were to be completed by 4th April 2009.

Although interface with PMEC, BoZ, Zanaco Bank, DMFAS and ZRA had started, only the BoZ interface had been completed and tested as of June 2010.

It was also observed that the transition from cash basis to partial accrual accounting had not been initiated.

▪ **IT Workgroup-Inadequate Institutional Arrangements for Sustainability of the IFMIS**

According to the project document, IFMIS would be taken over by Centralised Computer Services Department (CCSD) after being commissioned. It was however, observed that the department did not have adequate institutional arrangements to support the structural changes that would arise from the implementation of IFMIS. For example, the IFMIS infrastructure extends to all MPSAs countrywide while CCSD is a department within the Ministry of Finance and National Planning without representation in the MPSAs.

Management acknowledged the gap between the ideal institutional arrangement to sustain IFMIS in the long run and the current CCSD structure. Further, management indicated that CCSD was undergoing

repositioning within the context of MoFNP strategic planning and restructuring programme.

- **Training and Change Management Workgroup**

The workgroup was responsible for the development and implementation of all IFMIS communication sensitization strategies as well as the development, maintenance and distribution of IFMIS communication materials; and change management, training of users and sensitization.

As of February 2010, the change management concept had not been incorporated as an activity within the IFMIS implementation plan. It was noted that change management issues were among factors which had adversely affected the project implementation process. These included lack of ownership by stakeholders, inadequate capacity by Government to support the IFMIS post implementation, lack of commitment by Government attached staff, delayed alignment of the current Government organization structure to the new processes and system brought about by the IFMIS project.

c. Contract Execution

According to Article 54(3) of the Constitution of Zambia, an agreement, contract, treaty, convention or document by whatever name called, to which Government is a party or in respect of which the Government has an interest, shall not be concluded without the legal advice of the Attorney General, except in such cases and subject to such conditions as Parliament may by law prescribe and the General Condition of Contract requires that all contracts entered on behalf of and for the Government of the Republic of Zambia must be submitted to Attorney General for scrutiny.

According to Section 245 of the Companies Act, a foreign company must be registered with Patents and Companies Registration Office before commencing business in Zambia.

It was also a contractual requirement that all changes made to the contract must be communicated to the Government through the Ministry of Finance and National Planning.

Contrary to the above the following were observed.

- On 15th November 2006, Government and Soluziona S.A signed a contract for the supply, installation and implementation of IFMIS at a contract sum of

K109,565,340,885 (US\$23,367,708) for the duration of thirty-six (36) months (3) years. At the time of signing the contract, Soluziona S.A was not registered with Patents and Companies Registration Office (PACRO); in this regard, Soluziona S.A had no legal existence and should therefore not have conducted any business in Zambia.

- The SAP Licence and Maintenance Agreement signed between Systems Applications Products (Africa) (Proprietary) Limited and Soluziona (Indra) S.A signed on 23rd November 2006 for which Soluziona S.A (Spain) entered into on behalf of Government of the Republic of Zambia – Ministry of Finance and National Planning for user licences for a contract sum of K9,038,193,917.50 (US\$1,927,634) were not submitted to the Attorney General Chambers for legal advice.
- On 1st October 2007, Soluziona S.A merged with Indra Sistemas, S.A and all business undertakings and obligations were transferred to Indra Sistemas, S.A. The change of ownership was not communicated to Government. The change in the legal status from Soluziona S.A to Indra Sistemas, S.A was not amended in the contract and this action rendered the original contract unenforceable, however, Indra Sistemas S.A was permitted to continue with IFMIS implementation till May 2008 when the project went into recess which ended in February 2009.

d. Poor Management of Contracts

According to Article 54 (3) of the Constitution of Zambia, an agreement, contract, treaty, convention or document by whatever name called, to which Government is a party or in respect of which the Government has an interest, shall not be concluded without the legal advice of the Attorney General, except in such cases and subject to such conditions as Parliament may by law prescribe and the General Condition of Contract requires that all contracts entered on behalf of and for the Government of the Republic of Zambia must be submitted to Attorney General for scrutiny.

Further, an instruction should be given by the purchaser for any works that varies with the original works according to the General Condition of Contract (GCC) 1.1. In addition, Special Conditions of Contract related to GCC 23.1 Government was entitled to claim liquated damages from the contractor at the rate of 0.5% of final contract price per day or 10% of the final contract price, whichever is lesser.

The following were however observed:

i. Disaster Recovery Centre Contract

In 2007, the Ministry of Finance and National Planning engaged a contractor for the preparation of the Disaster Recovery Site and five (5) IFMIS pilot sites at a contract price of K1,282,015,111 and for a duration of twenty six (26) weeks starting on 23rd January 2007 and completing on 24th July 2007.

The following were observed:

- The contract was not submitted to the Attorney General's Chambers for legal advice.
- As of February 2010, the contractor had not completed the works resulting into time overrun of 130 weeks. In this regard, Government should have claimed liquidated damages of K128,201,511 which was 10% of the final contract price of K1,282,015,111.

ii. Refurbishment of Data Centre

On 27th February 2007, Ministry of Finance and National Planning engaged J.K. Contractors Limited to carry out alterations and refurbishment of the Data Centre at the Ministry of Finance and National Planning at a contract sum of K724,534,633 for a duration of eight (8) weeks starting on 13th March 2007 and ending on 8th May 2007.

The following were observed:

- The contract was not submitted to the Attorney General's Chambers for legal advice.
- Although J.K Contractors were paid K638,849,779, the works carried out were not satisfactory. In this regard, another contractor was engaged to carry out the same works at a cost of K1,874,054,812. The payment of K638,849,779 to J.K Contractors was therefore wasteful expenditure.

iii. Behrens Limited

On 20th January 2009, the Ministry of Finance and National Planning and Behrens Limited of Lusaka signed a contract for the completion of rehabilitation works and installation of air conditioning units for the Data Centre at a contract sum of K1,874,054,812.

However, the contract was not submitted to the Attorney General's Chambers for legal advice.

e. Lack of Integration of PMEC and IFMIS

In accordance with Section 3.6.2.1 number 67 (Links to Other Systems) of the General Conditions of Contract, modules of the IFMIS must be capable of interfacing/integrating with developed systems of Government. IFMIS was a SAP application with all the modules including the Human Resource and Payroll, similarly, PMEC runs an Human Resource module on SAP. In view of this, the integration of IFMIS and PMEC should have been incorporated in the implementation plan to avoid duplication of effort and wasteful expenditure by the Government.

The servers at IFMIS had the capacity, in terms of processing and storage, to host PMEC operations and other Government business applications. Moreover, the servers were scalable, implying that they could be upgraded for more processing power or storage capacity as load increased.

However, PMEC entered into a contract with EPI-USE Africa (Pty) of South Africa at a contract sum of K18,510,720,814 (US\$3,947,901) for the supply, delivery, installation and commissioning of the functional upgrade of the Payroll Management and Establishment Control (PMEC) on 21st September 2009 ignoring the capacity of IT equipment at IFMIS.

f. Lack of the Business Continuity Plan (BCP)

According to best practice under Information Systems Audit and Control Association (ISACA), an organisation that uses IT systems for their operations should have a Business Continuity Plan (BCP) in order to mitigate the risk of un-foreseen eventualities. Contrary to the best practice, IFMIS did not have a BCP in place.

g. Disclosure of Disaster Recovery Site Location to the General Public

Best practice requires that the location of the disaster recovery sites for complex and sensitive systems such as the IFMIS should be kept secret and confidential.

A review of procurement documents for the works at the Disaster Recovery Site revealed that the location of the site was exposed to the public.

h. Poor Management of Warranties on the IFMIS Equipment

Subsection (xi) of Section (e) of Part A, of the General Condition of Contract stated that, "Defect Liability Period" (also referred to as the "Warranty Period") meant the period of validity of the warranties given by the Supplier commencing at date of the Operational Acceptance Certificate of the System or Subsystem(s), during which the

Supplier was responsible for defects with respect to the System (or the relevant Subsystem[s]) as provided in GCC Clause 29 (Defect Liability).

The list of expired warranties submitted by Indra Sistemas, S.A. reflected that the warranty period on the equipment was one (1) year, during which time Technical Maintenance and Support on Servers charges were not supposed to be charged.

The servers were delivered on 22nd May 2008 with a one (1) year warranty period starting in June 2008 and ending in May 2009. It was however observed that amounts totalling K443,555,750 (US\$94,600) were paid to Indra Sistemas, S.A for Technical Maintenance and Support on Servers during the warranty period. In this regard, the payment made to Indra Sistemas, S.A was irregular.

i. Irregularities Found at Roll Out Sites

A physical inspection carried out in March 2010 of IFMIS IT equipment in Lusaka, Chipata and Solwezi revealed the following:

i. Lusaka -Failure to Meet General Network Requirements

According to Section 3.2.2.8 (M) of the IFMIS contract, the supplier was to put in place a star-wired structured cabling for voice, power and data at the first phase (pilot) and second phase (rollout) sites necessary only for the IFMIS installation and provide a detailed description of the data communication components. In addition, auxiliary equipment required to support the proposed Local Area Network (LAN) was to be indicated in the documents. Further, the network platform was to be based on the current generation of LAN equipment.

Contrary to the above provisions of the contract, the following were observed:

▪ Use of old Network Infrastructure for Local Area Network Installation

There was no new network structures installed at the five (5) rollout sites. In this regard, the supplier used old existing network infrastructure which ranged between categories 5 and 5e instead of category 6.

▪ Failure to meet Local, Metropolitan and Wide Area Network Requirements

According to the contract, the supplier was required to provide physical security for the Local Area Network/Metropolitan Area Network

equipment like lockable cages and secure cabinets and the power trunking and cabling should have had two power sockets per each network point and two network points for each computer.

It was however observed that a new network and power trunking and cabling at the five (5) rollout sites as required by the contract were not installed, instead the old infrastructure was used.

ii. Solwezi

- Of the twenty (20) offices in Solwezi at the Provincial Administration Office and Education, eighteen (18) offices did not have two power sockets per each network point and two network points for each computer.
- There were no generator sets as backup in case of power failure.

iii. Chipata

- Out of twenty (20) offices, nineteen (19) offices did not have two power sockets per each network point and two network points for each computer.
- There were no generator sets as backup in case of power failure.

Head: 37 Ministry of Finance and National Planning
Department: 9 Central Statistical Office
Unit: Various
Programme: Various
Activities: Various

38. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a total provision of K52,868,228,783 was made to cater for various activities at Central Statistical Office (CSO), against which amounts totalling K38,610,016,656 were released.

Accounting and Other Irregularities

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

a. Construction of Office Building

In paragraphs 48 of the Auditor General’s Report on the accounts for the year ended 31st December 2008, mention was made of the delays in the completion of the CSO six storey office building whose completion had been extended by a period of eighty-five (85) months, from June 2003 to June 2010.

In their Report for the Fourth Session of the Tenth National Assembly, the Public Accounts Committee observed that the delays in completing the construction of the building had been very costly to the State and urged the Secretary to the Treasury to urgently provide adequate funds to complete the building and avoid further cost escalations.

A review of the situation in 2010 showed that as of December 2010, the works had not been completed and that the contractor had since applied for another extension of time to November 2011 which will bring the total cost to K57,969,849,089 from the revised cost of K35,969,849,089.

It was observed that the delays were due to poor funding which had resulted in CSO failing to settle on time certified claims from the contractor. Consequently, as of December 2010, the contractor had claimed interest in amounts totalling K3,303,794,283 on delayed payments.

b. Unvouched Expenditure

i. Unsupported Payments

Contrary to Financial Regulations No. 45 and 52, there were one hundred and fifty-four (154) payment vouchers in amounts totalling K1,038,374,887 from four (4) stations as shown in the table below that were not supported by documents such as acquittal sheets, invoices and receipts.

Station	No. of Vouchers	Amount K
Headquarters	147	1,011,892,387
Ndola	3	20,475,000
Solwezi	3	4,032,500
Chipata	1	1,975,000
Total	154	1,038,374,887

ii. Missing Payment Vouchers

Contrary to Financial Regulation No. 65, seventy-four (74) payment vouchers in amounts totalling K795,740,144 under headquarters were not availed for audit.

c. Unretired Imprest

Contrary to Financial Regulation No. 96, imprests in amounts totalling K1,498,490,527 involving 310 transactions issued to various officers in five (5) stations shown in the table below had not been retired as of December 2010.

Station	No. Of Transactions	Amount K
Headquarters	294	1,351,888,596
Solwezi	6	6,900,000
Livingstone	1	676,931
Mongu	2	77,280,000
Chipata	7	61,745,000
Total	310	1,498,490,527

d. Unaccounted for Fuel

Contrary to Public Stores Regulation No. 16, fuel costing K119,397,003 purchased by four (4) stations as shown in the table below had no receipt and disposal details.

Station	No. of Transactions	Amount K
Mongu	9	47,750,000
Chipata	10	30,910,000
Solwezi	8	33,925,000
Livingstone	3	6,812,003
Total	30	119,397,003

e. Failure to Follow Procurement Procedures

Contrary to Procurement Procedures that require that three (3) quotations should be obtained in order to provide competitiveness, goods and services worth K303,809,454 involving forty-eight (48) transactions at headquarters were single sourced.

Head:	45/	Ministry of Community Development and Social Services
	01	Headquarters
	02	Social Welfare
	03	Community Development
	04	Cultural Services
	05	Planning and Information
Units:		Various
Programmes:		Various
Activities:		Various

- 39.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K75,903,536,136 was made to cater for various activities at the Ministry against which amounts totalling K70,487,423,780 were released.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry headquarters and visits to Kabwe, Kapiri Mposhi, Ndola, Kitwe, Kalulushi, Mufulira, Kasama, Mbala, Mpulungu and Nakonde in May 2010 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 K202,798,058 procured from various suppliers during the period under review. The instances of unaccounted for stores had increased by 317% from an amount of K48,548,000 in 2008 indicating that the Ministry has not addressed the weaknesses which were highlighted in my previous report.

b. Workshops

During the period under review, a total amount of K101,845,800 was paid to various lodges for workshops. It was however observed that the payments were not supported by bills or invoices, authority from Cabinet Office to hold the workshops, reports on the workshops upon completion and list of participants attending the workshops. In this regard, it was difficult to ascertain the validity of the payments and whether the workshops achieved the intended objectives.

c. Unretired Imprest

Contrary to Financial Regulation No.96, imprest in amounts totalling K467,963,139 issued to twenty five (25) officers were unretired as of December 2010.

d. Unaccounted for Fuel

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details for fuel costing K694,562,742 procured during the period under review by four (4) departments.

e. Non Recovery of Salary Advances and Household Loans

Contrary to the Terms and Conditions of Service for the Public Service, recoveries in respect of salary advances in amounts totalling K21,750,000 paid to six (6) officers and household loans in amounts totalling K40,000,000 paid to two (2) officers during the period under review had not been effected as of December 2010.

f. Public Welfare Assistance Scheme (PWAS)

The Public Welfare Assistance Scheme (PWAS) is a social assistance programme aimed at alleviating the problems of the poorest and most vulnerable people in Zambia. The objectives of the programme are:

- To assist the most vulnerable in society fulfil their basic needs such as health, education, food and shelter.
- To promote community capacity to develop local and externally supported initiatives to overcome the problems of extreme poverty and vulnerability.

During the period under review, the Ministry received a total amount of K6,700,000,000 for activities under PWAS. According to the guidelines, 93% of the funding received should be disbursed to the districts and provinces and 7% retained at Headquarters for administration. In this regard, out of the total funding of K6,700,000,000, a total of K6,030,000,000 should have been disbursed to the Provinces and Districts leaving a balance of K469,000,000 at Headquarters.

The following were however observed:

- i. Contrary to the guidelines, the Ministry disbursed a total of K4,862,578,173 (73%) to the provincial and district offices, while a total of K1,837,421,827 (27%) was utilised at headquarters on monitoring (K1,168,987,270) and purchase of goods and services (K668,434,557).

- ii. In 2009, thirty nine thousand five hundred and eight seven (39,587) beneficiaries were assisted while in 2008 fifty seven thousand two hundred and twenty five (57,225) were assisted to meet their basic needs by either social support of food, clothing, education and health amongst others.

Although the number of beneficiaries reduced by 17,368 (31%) in 2009, funding for the programme increased by 56% from K4,292,630,548 in 2008 to K6,700,000,000 in 2009. It is not clear why the number of beneficiaries reduced when funding to the programme increased.

iii. Non Submission of Returns

According to the guidelines, the District Social Welfare Offices were to submit monthly financial returns to the Ministry Headquarters. However, no returns were submitted for the K4,862,578,173 which was disbursed in the year under review.

g. Repatriation of Clients

During the period under review, a total of K121,085,000 was spent by the nine (9) districts on repatriation of 717 clients to various destinations as shown in the table below:

District	Amount spent K	Number of clients
Ndola	10,220,000	79
Kitwe	25,250,000	138
Kalulushi	500,000	5
Mufulira	16,500,000	56
Kasama	22,555,000	181
Mpulungu	12,001,000	-
Nakonde	7,307,500	47
Kabwe	14,100,000	62
Kapiri mposhi	12,652,000	148
Total	121,085,500	717

According to the current procedures, before a client is repatriated, a case record was built showing the circumstances leading to repatriation. However, no case records were presented in Ndola, Kitwe, Kalulushi, Kasama, Mpulungu, Nakonde, Kabwe

and Kapiri Mposhi making it difficult to ascertain the circumstances under which the beneficiaries were repatriated.

In addition, in July 2009, the District Social Welfare Officer (Kitwe), was issued with an imprest of K6,000,000 for the repair of a motor vehicle (GRZ 842 BX). The money was later handed over to the Provincial Social Welfare Officer in Ndola to pay the garage. As of December 2010, the motor vehicle had not been repaired and the funds had not been retired.

h. Community Self-Help Activities

The Community Self-Help programme enables individuals, groups, institutions or society to define, articulate, engage and actualise their vision of developmental goals by building on their own resources and ideas and making strategic use of other available resources and ideas that can be organically applied to their situation.

In order to support communities undertaking various self help projects, the Ministry had a budget provision of K1,500,000,000 against which a total amount of K1,005,208,333 was released leaving a balance of K494,791,667. The amount released was 67% of the total budget.

An amount of K757,581,000 was disbursed to fifty-five (55) community self help activities spread across the country leaving a balance of K247,627,333 which was utilised at Headquarters.

An examination of accounting and other related records pertaining to community self-help activities revealed the following:

- i.** Out of the total amount of K757,581,000 which was disbursed to fifty-five (55) Community Self help groups for the implementation of various projects, an amount of K378,581,000 disbursed to twenty-three (23) projects had no expenditure returns making it difficult to ascertain how the funds were utilised.
- ii.** A total of K30,000,000 was disbursed to the Permanent Secretary's Office in Southern Province in June 2009 to facilitate construction of office blocks for the Ministry in Namwala and Siavonga Districts. As of March, 2010 the funds had not been released to the districts and works had not commenced.

Although in his response dated 30th June 2010 the Controlling Officer stated that a reminder had been sent to the Permanent Secretary's Office in Southern

Province to release the funds, as of December 2010 the funds had not been released.

i. Arts and Cultural Infrastructure

During the period under review, amounts totalling K719,756,824 were disbursed to six (6) provinces through the respective provincial administrations to cater for the rehabilitation and construction of cultural villages as shown below:

Province	Amount K
Northern	6,000,000
Eastern	120,000,000
Central	50,000,000
Southern	383,756,824
Copperbelt	100,000,000
Lusaka	60,000,000
Total	719,756,824

It was observed however that no expenditure returns were submitted to the Ministry Headquarters making it not possible to ascertain how the funds were utilised.

j. Food Security Pack Programme (FSP)

The Food Security Pack Programme for vulnerable but viable farmers was initiated by Government in 2000 to assist farming households who had suffered the negative effects of reduced access to inputs and market due to economic liberalization and erosion of resource base due to recurring drought and floods.

The objective of the programme is to empower the targeted vulnerable but viable farming households to be self sustaining through improved productivity and household food security and thereby contribute to poverty reduction.

The Ministry received a total funding of K10,000,000,000 which was the budgeted amount to implement the programme. K746,360,000 was disbursed to the districts to facilitate implementation of the programme, K5,427,083,036 was remitted to the Programme Against Malnutrition (PAM) who implemented the programme on behalf of the Ministry in three (3) Provinces (Luapula, Lusaka and Southern Province) while K3,826,556,664 was utilised at Headquarters on Purchase of farming inputs (K1,122,663,437) monitoring (K920,605,833) and purchase of goods and services (K1,783,287,394).

A review of relevant records at the Ministry Headquarters revealed the following:

- i. Contrary to the Appropriation Act of 2009, amounts totalling K409,000,000 meant for the FSP were applied on the purchase of a motor vehicle for the Minister.
- ii. Four (4) contracts in amounts totalling K1,122,663,437 were awarded to three suppliers for the supply of various inputs in November 2009 which were distributed to 2,600 vulnerable but viable farmers who were identified in Northern, Northwestern, Copperbelt, Eastern, Western and Central Provinces. The contracts were awarded as shown below:

Supplier	Input	Quantity	Contract Price K	Total K
Kamano Seed Co.	Sorghum	50x2kg's	549,876	549,876
	Cowpeas	520x2.5Kg's	8,970,982	8,970,982
	Beans	780x7.5Kg's	55,562,496	55,562,496
	Groundnuts	780x10Kg's	66,285,083	66,285,083
Total				131,368,437
Zamseed	Maize seed MM604	2,500X10Kg's	210,375,000	210,375,000
	Maize seed GV 412	50X10Kg's	3,600,000	3,600,000
	Pearl Millet	50x1Kg	270,000	270,000
Total				214,245,000
Zambian Fertilizer	Urea	130mt	361,400,000	361,400,000
	D. Compound	127.5 mt	382,400,000	382,400,000
				743,900,000
NOCAD	Soya beans	6.5 mt	33,150,000	33,150,000
Grand Total				1,122,663,437

The system was that the beneficiaries of the inputs were to benefit from the programme for two farming seasons after which they would be weaned and expected to provide their own food, after harvesting they were required to pay back the inputs in kind.

A visit to selected districts and enquiries made in Northern, Copperbelt and Central Provinces revealed the following:

- The inputs procured were determined at headquarters, this resulted into some inputs like cowpeas not being appreciated by the beneficiaries.
- Inputs for the farming season 2008/09 were delivered late.
- The maize variety MM604 which was purchased did not perform well in the valley districts like Mbala and Mpulungu.

- The two (2) bags of fertilizer given to each beneficiary in all the districts, one urea and one Compound D, were not adequate for a 10Kg bag of maize seed which required two bags each of D Compound and Urea.

k. Street Children Programme

The Government ratified the United Nations Convention on the Rights of the Child (CRC) on 6th December 1991. It was against this background that the Government, through the Ministry of Community Development and Social Services embarked on the development of the Child Protection guidelines for efficient and effective programming at all levels.

In this regard, an amount of K4,000,000,000 was released in 2009 for street children for paying monthly grants to street children committees, Non Governmental Organisations (NGO's) providing services to street children and empowerment of families of reintegrated children.

A review of relevant records maintained at Headquarters revealed the following:

i. Disbursement of Funds

According to the Minister's briefs and the Annual Work Plan, the Ministry was to disburse the whole amount of K4,000,000,000 to provinces and districts. It was however observed that only K1,753,541,645 was disbursed leaving a balance of K2,246,458,355 at the Ministry headquarters, representing 56% of the total funds released.

Records examined revealed that K2,090,963,961 was applied at headquarters on various activities not related to Street Children programme contrary to the appropriation Act of 2009 as shown in the table below:

No.	Details	Amount K
1	Goods and services	1,162,755,251
2	Imprest	270,221,000
3	DWAC	67,570,000
4	Other institutions & NGOs	590,417,710
Total		2,090,963,961

No variation of funds had been done as of December 2010.

In addition, an amount of K155,494,394 was paid to Toyota Zambia for the purchase of a motor vehicle in December 2009 for Social Welfare Department. It was however observed that there was no budget provision in the Estimates of Revenue and Expenditure to procure a motor vehicle and no authority was sought from the Secretary to the Treasury to vary the funds, contrary to Appropriation Act of 2009.

As a result of the misapplication, the department only managed to remove 849 street kids against the targeted number of 2,500 street kids.

ii. Unaccounted for Funds - Kapiri Mposhi

In November 2009, the District office received an amount of K18,285,000 to hold a workshop on effective implementation of the child protection programme. It was observed however that only an amount of K2,385,000 had expenditure details of transport refund to the workshop participants leaving a balance of K15,700,000 unaccounted for.

Head: 46/01 Ministry of Health

Units: Various

Programmes: Various

Activities : Various

40. In the Estimates of Revenue and Expenditure for the year ended 31st December 2009, a provision of K1,819,864,979,085 was made to cater for various activities at the Ministry against which amounts totalling K1,296,470,362,777 were released resulting in under funding of K628,541,879,349.

Accounting and Other Irregularities

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

Mirror Account

a. Unsupported Payments for Various Workshops

Payments in amounts totalling K448,026,440 involving seventeen (17) transactions were paid to various lodges without the lists of participants, reports; selection criteria. Further, there was no authority obtained from the Secretary to the Cabinet to hold the workshops.

b. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, stores procurements in amounts totalling K373,693,900 on twelve (12) transactions had no receipt and disposal records.

c. Unaccounted for Support to Institutions Funds

During the period under review, amounts totalling K211,819,500 involving six (6) transactions were paid to various institutions for programme and activity support. It was however, noted that there were no expenditure returns presented for audit scrutiny to account for the expenditure.

d. Purchase of Drugs

Contrary to Public Stores Regulation No.16, drugs and other medical supplies costing K445,520,535 procured during the period from February to September 2009 had no record of receipt and distribution at Medical Stores Limited.

e. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K990,238,628 issued to various officers during the period under review had not been retired as of 31st December 2010.

Expanded Basket

a. Unvouched Expenditure

Contrary to Financial Regulations No. 52 and 65, one hundred and ninety (190) payments in amounts totalling K1,493,311,323 were unvouched in that the vouchers were either missing or not supported by relevant documents such as receipts, invoices and local purchase orders among others as shown in the table below:

Station	2009				Total	
	Missing		Unsupported			
	No.	K	No.	K	No.	K
Chongwe DHO	15	34,523,000	29	80,485,012	44	115,008,012
Kafue DHO	-	-	8	63,690,000	8	63,690,000
Lusaka DHO	6	28,053,911	12	88,074,475	18	116,128,386
Samfya DHO	2	8,000,000	3	11,087,400	5	19,087,400
Nchelenge DHO	7	80,860,000	14	69,495,105	21	150,355,105
Solwezi DHO	7	72,457,817	2	3,400,000	9	75,857,817
Kasempa DHO	-	-	4	23,200,000	4	23,200,000
Kaoma DHO	5	86,341,000	-	-	5	86,341,000
Mongu PHO	-	-	7	56,014,201	7	56,014,201
Ndola PHO	-	-	16	297,144,700	16	297,144,700
Luanshya DHO	-	-	3	5,317,500	3	5,317,500
Kitwe DHO	10	68,844,000	34	172,139,284	44	240,983,284
Chipata PHO	-	-	4	234,355,918	4	234,355,918
Chipata DHO	2	9,828,000	-	-	2	9,828,000
Total	54	388,907,728	136	1,104,403,595	190	1,493,311,323

b. Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items costing K2,053,819,614 procured during the period under review as shown in the table below:

Station	2009
	K
Headquarters	700,680,000
Kafue PHO	74,840,000
Lusaka DHO	412,590,862
Mbala DHO	95,773,941
Mpika DHO	58,497,948
Samfya DHO	17,100,000
Nchelenge DHO	28,947,780
Kasempa DHO	10,450,000
Mwinilunga DHO	181,607,710
Mongu DHO	144,105,388
Lufwanyama DHO	5,409,000
Luanshya DHO	104,270,200
Kitwe DHO	25,329,585
Chipata DHO	58,773,700
Petauke DHO	135,443,500
Total	2,053,819,614

c. Workshops

The Ministry of Health, paid a total of K5,794,403,806 to various lodges for seminars, workshops and conferences without seeking Cabinet Authority. Details are in the table below:

Station	2009
	K
Headquarters	257,263,740
Lusaka Province	49,822,900
Chongwe DHO	33,927,000
Kafue DHO	16,582,000
Lusaka DHO	99,929,500
Mbala DHO	33,842,000
Mansa PHO	3,019,579,036
Samfya DHO	75,620,000
Kabwe PHO	1,340,331,450
Chibombo DHO	36,507,500
Kapiri Mposhi DHO	109,573,000
Chipata PHO	493,581,130
Chipata DHO	205,546,550
Lundazi DHO	22,298,000
Total	5,794,403,806

d. Drugs Without Disposal Details

Contrary to Public Stores Regulation No. 16, drugs and other medical supplies costing K5,406,298,725 procured during the period from February to September 2009 had no record of receipt and distribution at Medical Stores Limited.

e. Unretired Imprest

Contrary to Financial Regulation No. 96, imprests in amounts totalling K1,159,702,698 issued to various officers during the period under review had not been retired as of 31st December 2010. Details are in the table below:

Station	2009
	Amount K
Chongwe DHO	8,720,000
Kafue DHO	20,025,400
Lusaka DHO	87,974,000
Mbala DHO	30,450,000
Chinsali DHO	18,825,000
Samfya DHO	275,541,160
Nchelenge DHO	382,545,338
Solwezi PHO	15,543,980
Solwezi DHO	45,566,700
Kasempa DHO	5,535,000
Kaoma DHO	38,724,000
Senanga DHO	66,358,000
Kabwe PHO	26,980,000
Ndola PHO	44,527,000
Lufwanyama DHO	20,538,000
Luanshya DHO	25,263,000
Kitwe DHO	23,860,000
Chipata DHO	22,726,120
Total	1,159,702,698

f. Failure to Recover Advances

Advances in amounts totalling K40,046,000 paid to various officers at four (4) stations as shown in the table below were not being recovered as at 31st December 2010.

Station	2009
	Amount K
Kafue DHO	6,600,000
Solwezi DHO	11,096,000
Mongu PHO	12,300,000
Luanshya DHO	10,050,000
Total	40,046,000

g. Failure to Remit Taxes

PAYE deductions amounting to K553,307,938 at two stations shown in the table below were not remitted to Zambia Revenue Authority as of December 2010.

Station	Amount K
Mansa PHO	543,059,926
Nchelenge DHO	10,248,012
Total	553,307,938

h. Irregular Payment of Salaries

Payments in amounts totalling K1,096,238,030 were made in respect of salaries for staff recruited by the District without Public Service Management Division (PSMD) and Treasury Authorities.

Station	Amount K
Lusaka DHO	978,617,158
Nchelenge DHO	70,504,442
Lufwanyama DHO	28,087,681
Luanshya DHO	19,028,749
Total	1,096,238,030

i. Failure to Produce Tour Reports

During the period under review, amounts totalling K68,864,200 were paid as subsistence and lunch allowances to officers at two (2) stations to undertake various assignments. Contrary to Government instructions which require the preparation of reports on completion of the assignments no reports were produced for audit verification to confirm performance of the assignments.

Station	No. of Transactions	Amount K
Mbala DHO	21	68,864,200
Nchelenge DHO	65	161,458,000
Total	86	230,322,200

j. Irregular Payments

- i.** A total amount of K11,411,500 involving thirteen (13) transactions was used to purchase talk time for the District Health Officer and senior management staff at Chinsali District Hospital.
- ii.** Salary and tuition advances in amounts totalling K111,300,000 were paid to officers from the basket account instead of the loan revolving fund

account at Mongu Provincial Health Office. As of 31st December 2010 the funds had not been reimbursed.

k. Consultancy services - Lusaka District Health Office

A total amount of K47,000,000 involving four (4) transactions was paid for consultancy activities. However, minutes of the meetings held for the selection of the consultants, certificates of completion, manuals and reports generated thereof were not availed for audit.

l. Misapplication of funds - Livingstone Provincial Health Office

A payment of K22,257,949 was made from RDC account in February 2009 to National Pensions Scheme Authority (NAPSA) as penalties on outstanding contribution to the Authority for the period from 2005 to 2007. This was contrary to Appropriation Act of 2009. The Management could not provide a valid explanation on the lapse of remitting the contributions.

m. Failure to Obtain Tender Authority - Senanga District Health Office

The District Health Office Tender had a threshold of K15 million during the period under review. It was however observed that four (4) payment vouchers in amounts totalling K71,416,000 were made without obtaining the tender authority. See table below:

Date	Payee	Cheque No.	Amount K
1-Nov-08	Kashuwa	302	16,184,000
7-Jan-09	Kashuwa Enterprise	621	16,184,000
16-Mar-09	Kashuwa Enterprise	788	16,184,000
16-Mar-09	Kashuwa Enterprise	901	22,864,000
Total			71,416,000

n. Infrastructure

i. Lukolongo Rural Health Post

In 2008, the Ministry released K350,000,000 for the construction of Lukolongo Rural Health Post. On 29th April 2008 Lusaka Provincial Health Office entered into a contract with Kumila Enterprises Limited for the construction of Lukolongo Rural Health Post in Kafue District, at a contract price of K401,783,500 and a works completion period of 15 weeks.

A review of accounts records at the District Health Office revealed that the contractor had been paid a total of K348,300,000 as of July 2010, leaving a balance of K53,483,500.

A site visit in July 2010, over one year after the proposed completion period revealed that though the structures had been erected, the roof for the health post was blown as shown in the picture below and the following works were outstanding:



*Damaged roof at incomplete
Lukolongo Rural Health Post*

Health Post

- Construction of the spoon drain
- Plastering in and outside
- Fixing Air Vents
- Fascia boards had not been put
- Floor in and outside not yet done
- Window sills
- Sockets not yet fitted
- Inside main door

Latrine

- Plastering in and out
- Fixing of Door frames

- Wiring and fixing of pipes
- Floor not yet done

Staff House

- Floor not done
- Construction of spoon drain
- Wiring
- Plastering in and out
- Putting of fascia boards
- Air vents not yet fitted
- One broken window pane not yet replaced

It was also noted that the contractor was not on site at the time of the visit.

ii. Kabweza Rural Health Post

On 29th December 2007, Lusaka Provincial Health Office entered into a contract with Edal General Dealers for the construction of Kabweza Rural Health Post in Kafue District, at a contract price of K367,096,437 within a completion period of 18 weeks.

A review of accounting records at the District Health Office revealed that the contractor had been paid a total of K331,929,239 as of July 2010.

A site visit in July 2010, (2) two years after the proposed completion period revealed that the structures had been erected and are almost ready for use except for the following outstanding works:

Health Post

- Poor quality paint was used and it had peeled off
- Wiring not yet completed
- Spoon Drain not yet done
- The floor had cracks

Staff House

- Spoon drain not yet done
- Wiring not yet completed
- Fascia boards not yet fixed
- The floor had cracks

Latrine

- Plastering in and out not done

- Fixing of Door frames not fitted
- Wiring and fixing of pipes not completed
- Floor not yet done
- Air vents not yet fitted
- One window frame not fitted

Head:	51/	Ministry of Communication and Transport
	01	Headquarters
	02	Civil Aviation Department
	03	Meteorological Department
	04	Maritime and Inland Waterways Department
	05	Communication Department
Units:		Various
Programmes:		Various
Activities:		Various

41. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K106,620,779,122 was made to cater for various activities at the Ministry against which a total amount of K97,134,657,486 was released.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry headquarters and visits to Kabwe, Chipata, Sinda, Solwezi, Kasama, Kalulushi, Mpulungu and Kasaba Bay carried out in April 2010 revealed the following:

a. Unvouched Expenditure

Contrary to Financial Regulations No. 45 and 52, there were one hundred and eight (108) payments in amounts totalling K501,347,994 which were unvouched in that the payment vouchers were either missing, unsupported/inadequately supported or unacquitted.

It was noted in this regard that the unvouched expenditure figures increased from K395,914,095 in 2008 to K501,347,994 in 2009 indicating that the Ministry was not addressing its problems.

b. Failure to Follow Tender Procedures

Two payments amounting to K78,000,000 were made to Data Zone in August 2009 to facilitate payment for the purchase of ten (10) desk top computers in respect of the 4th CTO conference that was scheduled for the period 24th to 27th August 2009.

It was observed that the amount was split into two to avoid tender procedures and that the computers were single sourced.

c. Staff Secondment and Double Payment of Salary

A Senior Operations Officer was seconded to the Zambia Flying Doctor Services (ZFDS) as a Pilot on 6th November 2008 by the Ministry without seeking Public Service Commission authority contrary to Public Service Regulations. It was observed in this regard that during the period the officer was working for the Zambia Flying doctor Service, she continued to draw a salary from the Government and was paid a total of K20,475,574 during the period from November 2008 to October 2009.

In addition, the officer drew a salary of K37,928,445 and housing allowance of K18,964,222 from the Zambia Flying Doctor Service during the same period contrary to the terms and conditions of secondment.

d. Misapplication of Funds

Contrary to the Appropriation Act for 2009, a total amount of K148,382,578 from the RDCs account was applied on activities such as payment of commutation of leave days, leave terminal benefits and long service bonus.

Head:	64/	Ministry of Works and Supply
	01	Headquarters
	02	Buildings Department
	04	Government Printers Department
	05	Office Equipment Department
Units:		Various
Programmes:		Various
Activities:		Various

42. In the Estimates of Revenue and Expenditure for the year ended 31st December 2009, a total provision of K167,623,882,240 was made to cater for various activities against which a total of K152,745,219,588 was released resulting in a shortfall of K14,878,662,652.

Accounting and Other Irregularities

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

a. Unretired Imprest

Contrary to Financial Regulation No.96, imprest in amounts totalling K151,366,612 issued to nineteen (19) officers during the period under review had not been retired as of December 2010.

b. Officers with Deductions More than the Gross Pay

Contrary to Public Service Management Division Circular No. B. 19 of 2007, which states that the net pay, after deductions, should not be less than 40% of the basic salary, sixty three (63) officers had their net pay below 40% and four (4) officers had no take home pay as they had more deductions than their earnings on their pay slips.

c. Irregularities in Procurement of a GTO Print Master

In October 2009, the Ministry engaged Heidelberg Graphic System Southern Africa to supply a printing equipment at a contract sum of K1,276,706,025 (€171,500). The equipment was to be delivered within a period of fourteen (14) to sixteen (16) weeks

from the date of awarding the contract. The terms of the contract included among others delivery and installation of the machine.

As of October 2009, the supplier had been paid in full.

However, there were irregularities in the manner the contract was awarded in that:

- The Ministry flouted the public procurement procedures in that the supplier was single sourced and did not seek authority from the Zambia Public Procurement Authority (ZPPA) contrary to circular number one (1) of 2009 which requires a Government Ministry or any other spending Agency to obtain authority from the ZPPA when using the less competitive methods other than open or selective bidding.

The Controlling Officer responded that direct bidding (single sourcing) may be used where additional goods, works or services must be procured from the same source because of need for compatibility. However, this situation does not exclude or exempt the Ministry from obtaining authority from ZPPA when single sourcing goods or services.

- The supplier delivered the equipment in May 2010 instead of February 2010. It was not clear why the Ministry did not enforce the liquidated damages (5% of the contract price) clause as provided in the contract entered into with the supplier.

d. Failure to Report Accidents to Standing Accidents Board

In February 2009, a Mitsubishi Pajero registration No. GRZ 345 CB purchased in August 2008 at a cost of K182,160,000 was involved in a road accident along Mumbwa road.

According to the police report, the driver was charged with careless driving. However, the accident had not been reported to the Standing Accidents Board as of December 2010.

e. Rehabilitation of House No.441, Kaleya Road

According to Zambia Public Procurement Authority (ZPPA) Circular No. 1 of 2009, any matter of uncompetitive bidding, that is, single sourcing should be referred to ZPPA for authorisation. It was observed however, that contrary to the Circular, in October 2008, the Ministry single sourced Messrs Kitchen Designers to rehabilitate house No.441 Kaleya road at a sum of K2,108,519,124 without referring the matter to ZPPA.

f. Second President's Residential House

In order to facilitate the construction of the house, a provision of K1,000,000,000 was made in the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009 against which K225,000,000 was released leaving a balance of K775,000,000.

A scrutiny of records revealed that out of the total funds released, a total of K165,848,000 was misapplied on imprest (K11,078,000), conferencing (K60,000,000) and allowances (K94,770,000).

As of December 2010, the balance of K59,125,000 was in the bank account and no works had been done on the Second Republican President's house.

g. Third President's Residential House

In the of Estimates of Revenue and Expenditure for the year ended 31st December 2009, a provision of K1,000,000,0000 was made for the construction of a dwelling house for the Third President against which K500,000,000 was released.

A scrutiny of records revealed that a total of K267,901,622 was misapplied on unrelated activities such as imprest, procurement of fuel and payment of allowances. As of November 2010, the balance of K232,098,378 was in the bank account and no works had been done on the Third Republican President's house.

h. Rehabilitation of Independence Stadium

In Paragraph 55(a) of the Auditor General's report on the accounts for the financial year ended 2008, mention was made on the misapplication of funds meant for the rehabilitation of Independence Stadium.

A follow up made in 2009 revealed that a total of K3,000,000,000 was provided for the rehabilitation of the Stadium against which K2,000,000,000 was released. It was noted however, that out of the total funds released, K934,243,000 was varied towards the construction of Ndola stadium while K550,000,000 was misapplied on payment of loans to various officials in the Ministry. No authority was obtained from the Secretary to the Treasury to vary funds from the capital project to paying loans.

As of December 2010, no works had been done at the Independence Stadium and the balance of K515,757,575 was in the bank account.

i. Construction of Ndola Stadium

In 2008, Government requested for assistance from the Government of the People's Republic of China (the PRC) to construct an ultra modern stadium in Ndola. In this regard, the PRC granted Zambia a concessionary loan of US\$68 million to build a 40,100 seater stadium in Ndola.

As of December 2010, the project had commenced and works were in progress. However, the loan agreement was not provided for audit. It was therefore not possible to ascertain the terms of the agreement.

j. Construction of a Mausoleum

Following the demise of the late Republican President, the Government decided to construct a mausoleum at his final resting place that would also cater for other Presidents. In this regard, a provision of K1,000,000,000 was made for the construction of a Mausoleum and the full amount was released.

In March 2010, the Ministry was still conducting feasibility studies on the construction of the mausoleum. A review of records made available for audit revealed that a total of K1,436,822,051 had been spent as of December 2009 as detailed below:

Details	Amount K
Imprest	570,000,000
Allowances	423,250,000
Fuel	15,000,000
Installation of booster pump	29,040,000
Accommodation	20,000,000
Stationery	1,100,000
Construction of burial site	377,732,051
Total	1,436,122,051

The following were observed:

▪ **Over Expenditure**

It was observed that the Ministry incurred K436,822,051 over and above the authorised provision. Out of the excess expenditure of K436,822,051, an

amount of K267,901,621 was diverted from the Third President's house vote while the source to the balance of K168,920,429 was not explained.

▪ **Lack of Authority to Form Committee**

According to regulations, sitting allowances were to be paid to committees listed in Cabinet Office Circular No.2 of 2000; any committee constituted by the Permanent Secretary not listed in the circular should have prior authority of the Secretary to the Cabinet. However, it was observed that no authority was obtained from the Secretary to the Cabinet for allowances amounting to K423,250,000 paid as sitting allowances to members of the Mausoleum committee during the period under review. In this regard, the payment of K423,250,000 as allowances was irregular.

k. Construction of Nakonde Border Facilities

During the period under review, a provision of K10,000,000,000 was made in the Estimates of Revenue and Expenditure against which K7,839,999,999 was released for the construction of proposed infrastructure at Nakonde Border, leaving a balance of K2,160,000,001.

In this regard, the Ministry awarded the contract for the construction of new border infrastructure to Messrs China Jiangxi Construction Limited in September 2008 at a contract sum of K30,614,093,120, with a completion period of 105 weeks commencing on 20th March 2009 and ending on 24th March 2011.

According to the contract, the contractor was to undertake the following works:

- Construction of infrastructure at existing buildings to cater for passengers and light commercial traffic.
- Freight terminal to cater for heavy goods vehicles, car imports and other commercial goods.

An examination of accounting records revealed that as of March 2010, a total of K8,712,818,624 had been paid to the contractor.

In March 2010, due to budgetary constraints, the Secretary to the Treasury instructed the Ministry of Works and Supply to suspend the works, settle outstanding bills and certificates already issued to avoid penalties. The following were however observed;

- A total certified amount of K5,716,823,566 to the Contractor remained outstanding as of June 2010.

- A site visit revealed that the Ministry did not comply with the directive to suspend the works in that as of June 2010, the works were still ongoing as shown in the pictures below.



According to his response dated 10th August 2010, the Controlling Officer stated that the Ministry could not suspend works in compliance with the Secretary to the Treasury's directive because of contractual obligations and procedures that must be followed before a contract can be suspended.

Head: 65 Ministry of Science, Technology and Vocational Training

Units: Various

Programmes: Various

Activities: Various

- 43.** In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K120,182,978,027 was made to cater for various activities in the Ministry, against which amounts totalling K103,102,303,209 were released resulting in an under funding of K17,080,674,818.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry carried out in May 2010 revealed the following:

a. Unretired Imprests

Contrary to Financial Regulation No. 96, imprests in amounts totalling K97,190,200 issued to fourteen (14) officers during the period under review had not been retired as of November 2010.

b. Missing Payment Vouchers

Contrary to Financial Regulation No.45, there were twenty five (25) payments in amounts totalling K377,485,980 made during the period under review which were unvouched in that the payment vouchers were missing.

c. Unsupported Payments

Contrary to Financial Regulation No. 52, there were four (4) payments in amounts totalling K28,254,760 which had no supporting documents such as acquittals sheets, invoices and receipts.

d. Management of Scholarships

During the period under review, the Ministry disbursed amounts totalling K831,280,100 to the Missions in China and USA in respect of payment of allowances to twenty nine (29) students studying in those countries.

It was however, observed that there were no acquittal sheets to show the acknowledgement of receipt of the allowances by the students. In this regard, it was difficult to ascertain whether the allowances were paid to the students.

e. Management of Grants Released to Subsector Institutions

The Ministry supports thirty (30) institutions by releasing funds in form of grants for their operations. The institutions were in turn expected to submit the expenditure returns showing the utilization of the grants to the Ministry before subsequent grants were made. During the period under review, a total of K38,421,000,000 was disbursed to the thirty (30) institutions.

A scrutiny of records however, revealed that there were no expenditure returns submitted to the Ministry Headquarters.

A visit to selected institutions in Lusaka, Southern, Eastern, Western, Copperbelt and Northwestern Provinces which received a total amount of K24,851,185,453 revealed the following:

i. National Institute of Scientific Research (NISIR)

A total of K14,500,000,000 was released to the institute during the period under review for operations. The following were however observed:

- **Non Remittance of Withholding Tax**

Contrary to the Income Tax Act, withholding tax amounting to K57,363,000 in respect of rentals paid on behalf of staff for the period June 2005 to June 2010, although deducted, was not remitted to Zambia Revenue Authority.

- **Unaccounted for Stores**

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items costing K50,448,500 procured during the period under review.

- ii. **Kaoma Trades Training Institute**

During the period under review, a total amount of K358,581,000 in respect of grants (K330,145,000) and bursaries (K28,436,000) was received by the Institute.

It was however observed that NAPSA contributions in amounts totalling K12,890,000 in respect of eight (8) members of staff, although deducted from the officers' salaries, were not remitted to National Pension Scheme Authority.

- iii. **Solwezi Trades Training Institute**

A total of K565,500,000 was received by the Institute during the year under review. The following were however observed:

- **Unsupported Payments**

Contrary to Financial Regulation No.52, there were eight (8) payments in amounts totalling K21,807,000 that had no supporting documents such as LPOs, receipts and invoices.

- **Failure to Follow Tender Procedures**

In 2009, the Institute engaged Static Construction and General Dealers to carry out landscaping at the premises at a sum of K18,500,000. It was however observed that the contractor was engaged without following tender procedures.

Head: 65/01 Ministry of Science, Technology and Vocational Training

Units: Various

Programmes: 8 Rehabilitation of Training Institutions (PRP)
12 Construction of TEVET Institutions (PRP)

Activities: Various

44. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K36,500,000,000 was made to cater for the Rehabilitation of Training Institutions and the Construction of TEVET Institutions, against which a total amount of K29,440,000,000 was released as shown in the table below:

Programme	Provision K	Releases K
Rehabilitation of Training Institutions	17,400,000,000	10,600,000,000
Construction of TEVET Institutions	19,100,000,000	18,840,000,000
Total	36,500,000,000	29,440,000,000

Accounting and Other Irregularities

A review of accounting, contracts and other records maintained at the Ministry Headquarters and a visit to selected Provinces revealed the following:

a. Unretired Imprest

Contrary to Financial Regulation No.96, imprest in amounts totalling K458,580,500 issued to thirty-nine (39) officers during the period under review had not been retired as of December 2010.

b. Misapplication of Funds

A total of K586,596,349 was applied on activities not related to PRP programmes such as payment of examination fees, conference facilities and purchase of air tickets, among others.

c. Management of Contracts

During the years 2008 and 2009, the Ministry engaged various contractors to undertake rehabilitation works at twelve (12) colleges at a total contract sum of K52,741,968,079. The works included, among others construction of hostel blocks, classrooms blocks, libraries, workshops and staff houses.

The details of the projects are shown in the table below:

Project Title	Name of Contractor	Contract Period /Start date	Contract Sum K	Amount Paid K	Remarks
Rehabilitation of Kasiya College- Choma	Ndiwanga Ltd	35 weeks/ June 2009	3,952,107,400	632,082,141	A physical inspection in June 2010 revealed that: -Works on the Administration block and library had not commenced. -The male hostels were at roof level -St. Mary's hostel had been roofed while the ceiling was partly done and plumbing had not commenced. -The works on the dining hall and kitchen were 60% complete
Rehabilitation of Choma TTI	Nelkan Industrial Construction Ltd	36 weeks/ May 2009	6,407,277,516	2,438,973,700	A physical inspection carried out in June 2010 on the works done revealed the following: -The roof of the dining room was leaking. -Eight (8) new pillar taps which were fitted in the gents ablution block of Edmund Rice Hostel were missing and no loss report was prepared as of June 2010. -There was no storage facility of the old materials being replaced by the contractor and there was no record maintained. This made it difficult to ascertain how the old materials removed were being accounted for.
Construction of 2 Hostel blocks at Solwezi TTI	Zamlinny Ltd	78 weeks/ October 2008	11,861,510,890	3,197,061,700	A physical inspection in June 2010 revealed that works on the double storey hostels had reached roof level.
Conversion of canteen into 23 student hostels at Gemstone Processing and Lapidary Training Centre in Ndola	Zamchin Construction Ltd	52 weeks/ October 2008	2,154,738,414	1,345,437,897	A physical inspection in June 2010 revealed that although works were completed, there were defects such as leakages, damaged ceiling boards, defective ball valves to cisterns, broken toilet covers and geyser switches not working.
Construction of classroom block,workshop & 2 hostels for Mongu TTI	Woodlands Investments	40 weeks/ september 2008	2,752,363,320	882,380,860	A physical inspection in June 2010 revealed that the classroom block and library had not been completed
Construction of classroom block, Library 1 X 1 & 1 x 3 hostels and staff houses at Kaoma TTI	Zamchin Construction Ltd	36 weeks/ September 2008	5,448,382,620	2,883,836,659	A physical inspection in June 2010 revealed that while works on 3 classroom blocks, library and staff houses had been completed, power was connected using ordinary cables instead armored cables.
Construction of 1 x3 staff houses, Library & completion of classroom block & ablution block at Ukwimi TTI in Petauke	Heros Construction & General	50 weeks/ september 2008	2,154,783,410	940,569,208	A physical inspection in June 2010 revealed that while works on 3 classroom blocks, library and the ablution had been completed, works on 3 staff houses had not been completed
Construction of Administration block and associated works at Ukwimi TTI in Petauke	Pro Fab Zambia Ltd	21 weeks/ October 2007	1,012,316,692	481,075,351	A physical inspection in June 2010 revealed that although works on the administration block were completed in 2009, air conditioners, toilet handles on cisterns and fluorescent tubes were not working. -Airconditioners were not installed to a high wall and not caged in Y16 metal bars as specified in contract and window panes and doors were not fitted with grill gates. -The corridor floor was also cracked.
Cleaning of borehole and installation of water tank at Kaoma TTI	Europa Drilling		66,082,141	66,081,141	A physical inspection in June 2010 revealed that the tank which was erected had started leaking.
Total			41,572,388,586	15,535,062,099	

Head:	68/	Ministry of Tourism, Environment and Natural Resources
	01	Headquarters
	02	Forestry Department
	03	Zambia Forestry College
	04	Planning and Information Department
	05	Tourism Development Department
	06	Environment and Natural Resources Department
Units:		Various
Programmes:		Various
Activities		Various

45. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K169,031,926,257 was made to cater for activities of the Ministry, against which a total of K105,123,355,896 was released.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters carried out in September 2010, and visits to Copperbelt, Luapula, Southern and Western provinces revealed the following:

a. Unsupported Payments

Contrary to Financial Regulation No. 52, ten (10) payment vouchers in amounts totalling K65,745,634 were unsupported by documents such as receipts, invoices and Local Purchase Orders.

b. Unretired Imprest

Contrary to Financial Regulation No. 96, imprests in amounts totalling K530,065,330 issued to thirty eight (38) officers had not been retired as of December 2010.

c. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K410,927,523 and fuel costing K115,810,000 procured during the period under review.

d. Non Submission of Returns

i. World Tourism Day

A total of K71,511,784 remitted to the various Provincial Accounting Units to host World Tourism Day had no expenditure returns making it difficult to ascertain how the funds were utilised.

ii. Plantation Expansion Promotion

In 2009, the Ministry received a total of K641,564,791 for the establishment of seven hundred (700) hectares of regional and local supply plantations in the country and disbursed a total of K513,460,000 to all provinces as shown in the table below:

Province	Amount K
Lusaka	47,460,000
Southern	82,000,000
Copperbelt	104,000,000
Central	67,000,000
Luapula	40,000,000
Western	37,000,000
Northwestern	27,000,000
Eastern	67,000,000
Northern	42,000,000
Total	513,460,000

However, no expenditure returns were availed for audit making it difficult to ascertain how the funds were utilized.

e. Unrecovered Household Loans and Advances

Contrary to the Terms and Conditions of Service for the Public Service which requires recoveries of loans and advances to be effected a month after payment, recoveries in respect of salary advances in amounts totalling K40,100,000 paid to thirty-three (33) officers and household loans amounting to K427,450,000 paid to fifty-seven (57) officers during the period under review had not commenced as of December 2010.

f. Investment Promotion of Kawambwa Rubber Project

During the period under review, a total of K240,819,921 was received by the Ministry for rubber Plantation in Kawambwa and Nchelenge. The purpose of the funds was to provide investment in the Kawambwa and Nchelenge rubber projects in order to expand the plantation to a minimum of five hundred (500) hectares.

A physical inspection of the plantations revealed that out of the 140 hectares of rubber plantation in Kawambwa, 35 hectares were burnt and four (4) hectares out of the seven (7) hectares planted in Nchelenge was also burnt due to lack of weeding.

g. Construction of Cultural Villages

In May 2008, the United Nations World Tourism Organization (UNWTO) and the Ministry of Tourism and Natural Resources entered into an agreement of K565,000,000 (US\$113,000) to launch a programme called Sustainable Tourism – Eliminating Poverty (STEP) whose aim was to alleviate poverty through the development of tourism projects which would provide employment and sustainable livelihoods at the local community level. The agreement was for a period of one year from date of signing the contract. The programme involved the construction of two cultural villages in Mafungautsi and Mwandi villages along the Zambezi River at a cost of US\$56,500 each.

The funding towards the construction of the cultural villages were to be released by the UNWTO in three (3) installments of an initial 50% and two subsequent releases of 25% each. The subsequent releases were to be made after submission of a report to the UNWTO after utilizing 70% of the released funds. The Ministry of Tourism was responsible for the technical and logistical support to the project which involved financing the inputs of the project coordinator.

As of June 2009, a total funding of K331,655,000 was released by the UNWTO to facilitate implementation of the project whilst the Ministry facilitated the trips undertaken to the two sites at a total cost of K104,662,000. The funds were utilised on

purchase of building materials transportation of the building materials and payment of labour.

The following were however observed:

i. Non Submission of Reports

The release of funds by the UNWTO was subject to the Ministry submitting a report on the activities that had taken place at the sites, however, since June 2009, no activities had been reported to UNWTO. Consequently, as of September 2010, only K331,655,000 had been released to the projects.

ii. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K85,100,000 issued to an officer in September 2008 for the purchase and transportation of building materials to the sites was not retired as of December 2010.

In addition, a total of K252,952,000 was drawn by two (2) officers in 2009 to purchase building materials for the two sites. It was however observed that, contrary to Public Stores Regulation No. 16, no receipt and disposal details were maintained at the Ministry and at the sites to show the materials purchased and delivered to the site.

Further, it was not clear why funds were drawn to purchase the building materials instead of paying directly to the suppliers

iii. Status of the Projects

The scope of works at both sites comprised construction of the ticket offices, boundary fences, creation of a car parks, visitor information centres, curio centres, ablution blocks, sitting shelters, auditorium/demonstration areas and walk trails.

The projects should have been completed one (1) year after signing the contract (May 2009). However, a visit to the sites in September 2010, two (2) years after signing the contract, revealed that works had not been completed in that:

▪ **Mafungautsi Cultural Village**

- The floors had not been done.
- The boundary reed fence which was constructed had collapsed.
- The car park and walk trails which were cleared were overgrown with grass as no activity was taking place at the site.
- The demonstration area and sitting shelter had not been constructed.
- The three (3) toilets at the ablution block had only been thatched, the walls were not constructed.

▪ **Mwandi Cultural Village**

- The floor was not done,
- The roof of the information centre was partly thatched while the floor was not done,
- The floor of the sitting shelter was not done,
- The ablution block and auditorium were not constructed,
- The car park and walk trail were over grown with grass as no activity was taking place.

Head: 76/01 Ministry of Sport, Youth and Child Development

Units: Various

Programmes: Various

Activities: Various

46. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a total authorised provision of K38,031,553,063 was made to cater for various activities under the Ministry Headquarters, Sports, Youth Affairs and Child Affairs Departments, against which amounts totalling K34,802,178,057 were released as shown below:

Head	Department	Budget K	Releases K	Under/(Over) Funding K
76/01	Headquarters	7,168,482,790	6,228,606,274	939,876,516
76/02	Sports Department	19,730,190,545	18,698,445,950	1,031,744,595
76/03	Youth Affairs Department	6,879,765,295	5,981,149,699	898,615,596
76/04	Child Affairs Department	4,253,115,434	3,893,976,134	359,139,300
Total		38,031,554,064	34,802,178,057	3,229,376,007

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters carried out in March 2010 revealed the following:

a. Lack of Expenditure Returns - Youth and Child Departments

The Ministry disbursed grants amounting to K340,483,336 to twelve (12) institutions under its charge. However, contrary to Financial Regulation No.8, no expenditure returns were submitted for audit.

b. Wasteful Expenditure

In December 2009, the Ministry purchased an industrial camera and editing suite from Broad Communication Ltd at a price of K244,568,208. Since the Ministry did not have an Audio Vision Unit to handle and put to good use the industrial camera and editing suite procured, the equipment had never been used and was lying idle. The expenditure incurred was therefore wasteful.

c. Unsupported Payments

Contrary to Financial Regulation No. 52, two (2) payments amounting K328,201,992 made on behalf of FAZ for food and accommodation bills incurred at two local hotels were neither supported by hotel bills nor certified by FAZ to authenticate the expenditure.

d. Failure to Follow Voluntary Medical Services Guidelines

In 2007, Government signed a two (2) year contract with Premier Services Medical Aid Society to administer the Voluntary Medical Scheme for the Public Service Employees on behalf of Government. Under this scheme, the employee and the Government were required to contribute forty (40%) and sixty (60%) percent of the subscriptions (cost) respectively. In this regard, the Ministry paid the University Teaching Hospital (UTH) a sum of K26 million in March 2009 for high cost medical scheme before the approval of the scheme by the Secretary to the Cabinet.

Contrary to the Public Service Management Division Circular No.B.1. of 2007 dated 24th January 2007 which required 40% of the total cost of the scheme to be deducted from the salaries of each employee who joined the scheme. It was observed that K10,400,000 which is 40% of K26,000,000 had not been recovered from participating employees.

e. Wasteful Expenditure-Purchase of Air-Tickets

- i.** In December 2009, the Ministry bought 17 return air-tickets at a cost of K253,485,250 for foreign based players to facilitate their participation in the Orange African Cup of Nations in Angola. After the tournament, the foreign based players were scheduled to connect to their various clubs from Johannesburg. After the National Team failed to qualify to the next stage, the Government organised transport for the players from Luanda to Lusaka. Consequently, the tickets from Luanda to Johannesburg valued at K96,568,517 could not be used rendering the expenditure wasteful. The tickets were issued by Cisongo Travel and Tour Limited which has since refused to refund the amount.
- ii.** Further, on 11th September 2009, the Ministry procured twenty one (21) air tickets valued at K299,000,000 from Cisongo Travel and Tour Limited without the approval of the Ministerial Tender Committee.

Of the twenty one (21) tickets purchased, four (4) tickets costing K24,172,000 were not used due to non issuance of Visas for the travelers. The Travel Agent refused to reimburse Government.

Head :	77/	Ministry of Defence
	01	Headquarters
	05	Defence Force Medical Services
	06	Department of Defence Intelligence
	09	Research and Planning
Units:	1	Human Resources
	3	Research and Planning
	3	Projects
	5	Procurement and Supplies
Programmes:		Various
Activities:		Various

47. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, provisions totalling K228,312,220,971 were made to cater for various activities under Ministry Headquarters, Defence Medical Services, Defence Intelligence and Research and Planning Departments, against which amounts totalling K214,447,724,664 were released, resulting in under funding of K13,864,496,307.

Accounting and Other Irregularities

An examination of accounting and other records maintained at Ministry Headquarters and a visit to selected units in April 2010 revealed the following:

a. Unretired Imprest

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

Contrary to the regulations, imprest in amounts totalling K395,330,079 involving thirty two (32) transactions issued to twenty five (25) officers during the period under review had not been retired as of August 2010. Included in the total amount outstanding were subsequent imprests amounting to K75,836,290 issued to four (4) officers.

b. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K81,255,000 procured during the period under review. In the absence of stores records, it was not possible to ascertain whether all items procured and paid for were received and used for the intended purposes.

c. Misapplication of Personal Emoluments

Contrary to the Appropriations Act of 2009, amounts totalling K171,360,000 appropriated for Personal Emoluments were in December 2009 applied on Recurrent Departmental Charges such as payment of subsistence allowances.

d. Non Recovery of Loans and Advances

Contrary to the Terms and Conditions of Service, recoveries on a loan amounting to K12,000,000 paid to an officer had not been effected as of August 2010.

e. Payments of Loans and Advances to Indebted Officers

Contrary to Public Service Management Division Circular No. B.19 of 2007, which states that the net pay after deductions, should not be below 40% of basic salary, amounts totalling K143,124,999 were paid as loans, tuition and salary advances to thirteen (13) officers who had take home pays of less than 40% of basic salary.

f. Construction of ZNS Houses

In September 2009, the Ministry of Defence signed a contract with China Geo Engineering Corporation to construct twenty (20), 3-bedroomed low cost houses and associated external works under LOT 2 at Makeni for the Zambia National Service (ZNS) at a contract price of K6,079,303,800. The contract completion period was sixty (60) weeks.

It was however observed that, although as of December 2009, the contractor had done works valued at K1,986,885,090, the Ministry had not made any payments to the contractor despite being funded in full.

As of April 2010, the contractor had abandoned the projects, citing none payment for work done.

Head:	80/1	Ministry of Education
Departments:		Various
Units:		Various
Programmes:		Various
Activities:		Various

48. During the financial year ended 31st December 2009, a total authorised provision of K2,480,565,097,355 was made in the Estimates of Revenue and Expenditure, against which a total of K2,628,425,894,649 was released.

Accounting and Other Irregularities

A examination of accounting and other records maintained at the Ministry Headquarters and visits to provincial offices carried out in March 2010 revealed the following:

a. Missing Payment Vouchers

Contrary to Financial Regulation No. 45, two hundred and thirty-five (235) payment vouchers in amounts totalling K21,880,882,613 were not presented for audit.

b. Inadequately Supported Payments

Contrary to Financial Regulation No. 52, there were seventy (70) payments amounting to K4,155,052,073 made during the year under review which had no supporting documents such as invoices, LPOs, receipts or quotations making it difficult to ascertain the validity of such transactions. It was also noted in this regard that, unsupported expenditure increased from K2,876,334,834 in 2008 to K4,155,052,073 in 2009 indicating that internal controls in the Ministry had deteriorated.

c. Unretired Imprest

Imprest totalling K2,769,371,915 involving one hundred and forty two (142) transactions issued to various officers had not been retired as of December 2010, contrary to Financial

Regulation No. 96. The unretired imprest had increased in the year under review compared to K2,025,583,355 which was unretired in 2008 indicating that there were no improvements in the management of imprest at the Ministry.

d. Mirror Account

i. Differences in Amounts on the Voucher and Backing Sheets

There were differences in amounts that were appearing on the payment vouchers and the amounts on the backing sheets involving seven (07) transactions amounting to K304,324,000. Details are in the table below:

Date	Payee	Chq. No	Amount on Payment Voucher	Amount on Backing Sheet	Difference K
12/11/09	Brethren in Christ	418148	3,468,000	5,468,000	(2,000,000)
12/11/09	Namianga Church of Christ	418169	5,146,000	9,146,000	(4,000,000)
01/06/09	Mutondo High School	415788	17,288,000	19,815,000	(2,527,000)
01/06/09	Chingola High School	415800	33,137,000	26,629,000	6,508,000
01/06/09	Roan Antelope	415814	22,758,000	25,005,000	(2,247,000)
01/06/09	Ipusikilo High School	415830	31,091,000	17,800,000	13,291,000
03/06/09	Mungwi District Education	13258	191,436,000	151,436,000	40,000,000
	Total		304,324,000	255,299,000	49,025,000

ii. Failure to Write Back Stale Cheques and Other Anomalies

According to Treasury and Financial Management Circular No. 01 of 2008 (2.3.3), all balances resulting from cancelled and stale cheques were supposed to be reversed through a credit backing sheet and a cheque drawn in favour of BOZ control account. Contrary to the provision, there were stale cheques amounting to K1,117,761,380 which were not reversed as of December 2010.

iii. Non Remittance of Unpaid Funds From Commercial Bank to Bank of Zambia

According to Treasury and Financial Management Circular No. 1 of 2008 (3.8.5) Government financial procedures when funds are transferred from the Bank of Zambia to a commercial bank and are not paid out, a red backing sheet is prepared and sent to the Bank of Zambia so that the funds are remitted back from the commercial bank to the Bank of Zambia within 5 (five) working days after cancellation. Contrary to the provision, it was observed that two (2) payments totalling K973,528,575 on backing sheets 89 dated 27th March 2009 (EFTA No. 64676 K344,819,200) and 102 dated 30th March 2009 (EFTA 64687

K628,709,375) were cancelled after the funds to facilitate their payments had already been transferred to Zanaco Bank. However, as of October 2010, the Ministry had not taken corrective action.

iv. Payments Made before Backing Sheets are Presented to Bank of Zambia

Contrary to Treasury and Financial Management Circular No. 1 of 2008 (3.8.6) which requires backing sheets to be presented to the Bank of Zambia by 12.30 hours each day accompanied with a letter of instruction to transfer funds, there were one hundred and Nine (109) cheque payments and one (1) EFTA amounting to K6,700,556,451 payable to a number of institutions which were presented to the Zanaco Bank between January and April 2009. It was however, observed that the cheques were presented and paid by the commercial banks before the backing sheets were cleared by the Bank of Zambia.

e. Irregular Engagement of Companies to Supply Goods and Services

In January 2009, the Zambia Public Procurement Authority issued Circular No. 1 of 2009 which stipulated that all procurements of goods and services, works and consulting services above K50,000,000 be subjected to authorisation by the procuring entity's tender committee. However, contrary to the requirements of the circular, the Ministry procured various goods and services, works and consulting services valued at K4,367,235,226 without authority from the Ministry's Tender Committee.

f. Unaccounted for Stores Items

Contrary to Public Stores Regulation No. 16, stores items costing K322,873,600 procured during the period under review had no receipt and disposal details.

g. Irregular Payment

In November 2009, the Ministry had a workshop at Mika Lodge for the period from 6th to 14th November 2009 for the preparation of budget briefs. The total cost for the workshop was K19,724,640 which was settled in full on cheque No. 418201 dated 12th November 2009. It was however observed that another payment was raised on cheque No. 418426 dated 8th December 2009 amounting to K9,597,260 resulting in an overpayment of K9,597,260. As of October 2010, the amount had not been recovered.

h. Revolving Fund

i. Non Maintenance of Loans and Advances Register

A review of the revolving fund account revealed that the Ministry did not maintain loans and salary advances registers making it difficult to establish the total number of officers availed advances and loans during the period under review.

ii. Advances not Fully Recovered

An examination of other records relating to advances revealed that recoveries in respect of advances in amounts totalling K13,466,666 paid to four (4) officers during the period from January to April 2009, had been prematurely stopped before the advances were fully recovered. In this regard, only amounts totalling K6,999,999 had been recovered as of October 2010 leaving a balance of K6,466,666 outstanding. There was no reason given for the stoppage.

i. Mismanagement of School Health and Nutrition Funds (SHN)

In order to procure the food supplements, the Ministry wrote to the Zambia Public Procurement Authority (ZPPA) seeking a no objection for tender document. In response, ZPPA granted a 'no objection' subject to amendments pointed out in the letter dated 9th October 2008. In this regard, the tender was floated for two weeks in the local newspaper and the following companies responded:

Company	Amount US\$
Octo Trading	756,699
Chalimbana Farms Ltd	282,102
Widge Trade	980,907.20

The bids were evaluated and Widge Trade Limited was awarded the contract on 30th January 2009 to supply 3,222,891 (100 grams) sachets of instant meal supplements at a contract sum K5,951,944,250 (US\$1,227,205). The supplements were to be delivered within a period of six (6) to eight (8) weeks effective 30th January, 2009. The terms of contract included among others:

- 100% of the contract price of the goods shipped to be paid in 30 days of receipt of the goods upon submission of claim supported by the acceptance certificate issued by the purchaser,
- Payment of local currency portion shall be made in Zambian kwacha within 30 days of presentation of claim supported by a certificate from the purchaser declaring that the goods have been delivered and that all other contracted obligations have been performed.

The sachets of meal supplements were to be delivered to DEBS offices in ten (10) districts as shown in the table below:

	District	No. of Sachets		Total Quantities	Amount US\$
		Original	Additional		
1	Mambwe	374,008	53,384	427,392	162,736.89
2	Nyimba	765,996	112,980	878,976	334,685.29
3	Lusaka	143,641	21,356	164,997	62,825.46
4	Luangwa	590,567	86,809	677,376	257,922.61
5	Siavonga	180,001	29,663	209,664	79,833.19
6	Zambezi	141,906	19,374	161,280	61,410.15
7	Chavuma	222,815	35,233	258,048	98,256.23
8	Kaoma	1,541	187	1,728	657.97
9	Mongu	242,681	39,559	282,240	107,467.75
10	Shang'ombo	139,436	21,844	161,280	61,410.15
	Total	2,802,592	420,389	3,222,981	1,227,205.69

The sachets were to be distributed to various schools under each district according to the distribution list from Headquarters.

An examination of accounting and other relevant records revealed the following:

i. Irregular Adjustment of Tender

The Ministry evaluation committee adjusted the tender amount upwards from the bid sum of US\$980,907 to US\$1,227,205 which was above the Ministry's threshold without authority from the Zambia Public Procurement Authority.

Although the Ministry had sought retrospective authority from ZPPA, this had not been granted as of October 2010.

ii. Payments made Without Acceptance Certificates

Although the supplier was paid in full, only four (4) District Education Board Secretaries (DEBS) confirmed receipt of food supplements. This was contrary to the terms of the contract which stipulated that payments would be made upon submission of claim supported by acceptance certificate issued by the purchaser.

iii. Failure to Claim Liquidated Damages

The delivery period as per contract was six (6) to eight (8) weeks effective 30th January 2009. However, the contractor delivered the food supplements in sixteen (16) weeks from 11th February to 12th June 2009 resulting in a delay in delivery time by ten (10) weeks. The Special Condition of Contract No. 13 on liquidated damages provided that ‘applicable rate for liquidated damages shall be paid at the rate of 0.5% of the contract price for delayed goods or services per week, subject to a maximum of 10% of total contract price. When 10% has been reached, the purchaser may consider cancelling the contract.’

Contrary to the special conditions of contract clause, the Ministry did not claim for liquidated damages resulting in a maximum loss of US\$122,720.56

iv. Delivery to Districts

A verification carried out in May 2010 on the distribution of the food supplements in Nyimba and Luangwa districts revealed the following:

○ **Nyimba District – DEBS Office**

Although Nyimba District confirmed receipt of 878,784 sachets, there were no records made available to show how the supplements were distributed to the schools.

Further, a test check in four (4) benefiting schools revealed that the schools did not receive the quantities of sachets as per distribution list as shown in the table below:

School	Quantity as per Head Office distribution List (Sachets)	Quantities Received (Sachets)	Variance (Sachets)	Cost of Variance US\$	Details
Mulira Basic	44,642	13,440	31,202	11,857	
Chikontha Basic	22,414	20,352	2,062	784	
Ndake Basic			-		No records
Nyimba Basic			-		No records

In addition, there were no records availed to show that the food supplements had reached the intended recipients, the school children.

o **Luangwa District – DEBS Office**

Luangwa DEBS confirmed receipt of 677,376 sachets valued at K1,248,404,550 (US\$257,403) in three batches in April (258,048), May (258,048) and June (161,280) 2009.

A test check in three (3) benefiting schools revealed that the schools did not receive the quantities of sachets as per distribution list as shown in the table below:

School	Quantity as per Head Office distribution List (Sachets)	Quantities Received (Sachets)	Variance (Sachets)	Cost of Variance US\$	Details
Kakaro Basic			-	-	No records
Kapoche Basic	35,283	39,879	(4,596)	1,746	
Chiriwe Basic	29,973	30,752	(779)	296	

In addition, there were no records availed to show that the food supplements had reached the intended recipients, the school children.

v. Failure to Follow Guidelines

Guideline No. 3.5 for School Health Nutrition, states among others that learners should be equipped with psychosocial, practical vocational and entrepreneurship life skills and that there should be stakeholders' participation in teaching life. In addition the guideline provides that communities within catchment areas are made aware of life skills.

However, there was no evidence that the Ministry undertook these activities despite imprest in amounts totalling K587,882,440 having been paid for the same.

j. Dismantling of Personnel Related Arrears

A provision of K90,691,896,554 was made in the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009 for dismantling of personnel related arrears for the Ministry, out of which amounts totalling K63,087,225,706 were released leaving a balance of K27,604,670,848 outstanding.

A review of accounting and other related records maintained at Head Office, selected Provinces and Districts revealed the following:

i. Ministry Headquarters-Unsupported Payments

Out of the K600,000,000 spent at Headquarters, payments in amounts totalling K337,066,963 to eighteen (18) officers as leave travel benefits and commutation were not supported by leave forms.

ii. Mongu DEBS

Out of the K1,268,658,934 received for dismantling of fixed band housing allowance arrears by Mongu DEBS, a total amount of K1,171,775,325 was paid directly into the beneficiaries' accounts while K41,437,851 was in the bank as at 30th April 2010. The balance of K55,445,758 was unaccounted for.

iii. Kitwe DEBS

A verification of records at Kitwe DEBS revealed that Kitwe was funded K4,358,750,000 to clear fixed band housing allowance arrears and other personal emoluments. A review of payment details revealed that only acquittal sheets for amounts totalling K1,718,710,000 were availed for audit while the balance of K2,640,040,000 had no supporting documents. In this regard, it was not possible to ascertain whether the funds were applied on the intended purpose.

k. Teachers Distress Grant

A provision of K1,500,000,000 was made in the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009 for Teachers Distress Grants, out of which amounts totalling K708,333,000 were released leaving a balance of K791,667,000 outstanding.

The following were observed:

i. Non submission of Expenditure Returns - All Provinces

The Ministry disbursed amounts totalling K700,000,000 to nine (9) Provincial Education Offices (PEOs). The PEOs were required to account for the funds by submitting quarterly expenditure returns to Headquarters. However, as of December 2010, no expenditure returns were submitted.

ii. Misapplication of Funds -Copperbelt Province

Kitwe DEBs was funded K9,500,000 for teachers' distress grants. However, the amounts were applied on unrelated activities such as orphans and vulnerable children's programmes.

l. High School Thermal Power-Luangwa High School

During the year under review, a provision of K1,841,329,989 was made in the Estimates of Revenue and Expenditure against which K1,252,403,000 was released and

K1,230,278,299 disbursed to seven (7) schools leaving a balance of K22,124,701 unspent.

An examination of accounting records at Headquarters and verification carried out in May 2010 at Luangwa High School revealed that during the period under review, the Ministry paid amounts totalling K477,669,476 to two (2) suppliers for the supply and delivery of 93,772 litres of diesel to Luangwa High School. However, contrary to Public Stores Regulation No.16, the school did not maintain any record of receipt of the fuel delivered. In this regard, it was not possible to verify whether all the fuel paid for was received.

m. Bursaries to Orphans and Vulnerable Children (OVC)

In the Estimates of Revenue and Expenditure for the year ended 31st December 2009, a provision of K6,400,000,000 was made against which amounts totalling K3,718,749,000 were released for support to Basic, High and Tertiary (Teachers colleges) resulting in under funding of K2,681,251,000.

Out of the funds released, the Ministry disbursed a total sum of K3,613,999,000 to the districts leaving a balance of K104,750,000 at Headquarters. The districts were to account for the funds by submitting expenditure returns. However, there were no expenditure returns submitted by either the PEO or the DEBS to confirm how the funds were distributed to the beneficiaries.

Head:	80/01	Ministry of Education-Headquarters
Unit:	02	University Education
Programme:	08	Bursaries Committee
Activities:		Various

49. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K113,593,753,753 was made and the whole amount was released.

Accounting and Other Irregularities

According to guidelines, Bursaries Committee administers bursaries, loan scheme, scholarships and fellowships for university students locally and abroad. In this regard, the Committee invites applications from successful school leavers in need of sponsorship. In the case for scholarships abroad, advertisements are placed in the media and candidates who meet the criteria are short listed and invited for interviews. After the interviews a final list of selected candidates is drawn.

A scrutiny of accounting and other relevant records pertaining to the award of bursaries and accounting of bursary funds carried out in November 2010, at Ministry Headquarters and Bursaries revealed the following:

a. Failure to Provide Acquittal Sheets-Russia

During the period under review, the Ministry disbursed a total of K6,164,150,000 to the Mission in Russia for payment of top up allowances to students studying in that country.

A scrutiny of the bank statements pertaining to the disbursement of students' allowances revealed that there were cash withdrawals in amounts totalling K855,150,000 (US\$171,030) that were not supported by payment vouchers and acquittal sheets.

b. Irregular Payment of Allowances-China

During the period under review, a total amount of K1,601,350,000 (US\$297,000) was disbursed to the Mission in China for payment of top up allowances to students studying in that country.

A scrutiny of records however revealed that six (6) students not approved by the Bursaries Committee were irregularly paid amounts totalling K70,000,000 (US\$14,000) in allowances.

Head: 080/01 Ministry of Education

Unit: Various

Programmes: Various

Activities: Various

50. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a total provision of K474,167,100,000 (US\$85,128,743) was made to cater for activities under the Sector Plan/ National Implementation Framework (NIF) against which amounts totalling K555,402,919,911 (US\$115,068,411) were released. Details are in the table below:

Source	Modality	Budget and Pledges		Actual Releases & Other Income	
		USD	K	USD	K
NIF					
Netherlands	Pool	18,312,388	102,000,000,000	21,804,430	108,974,401,469
Denmark	Pool	6,000,000	33,420,000,000	9,103,410	45,472,845,300
USAID	Pool	1,000,000	5,570,000,000	-	-
Ireland	Pool	18,616,355	103,693,100,000	20,017,650	101,609,461,500
World Bank		30,000,000	167,100,000,000	30,000,000	140,400,000,000
Germany		11,200,000	62,384,000,000	11,518,256	54,135,803,294
GRZ	Counterpart	-	-	20,921,253	95,754,995,299
Interest Earned		-	-	84,510	412,698,949
Other Income		-	-	1,618,902	8,642,714,100
Total		85,128,743	474,167,100,000	115,068,411	555,402,919,911

In addition, a total amount of K17,151,582,382 (US\$3,421,731) was brought forward from 2008 to cater for contract commitments made in 2008, bringing the total amount available to K572,554,502,923 (US\$118,490,142).

Disbursement of Funds

Out of the K572,554,502,923 which was made available, K413,271,614,945 was utilised at the Ministry Headquarters while the balance of K159,282,887,978 was disbursed to the provinces and districts as shown in the table below:

Grants and Capital Funding 2009				
Province	2nd Quarter Grants K	3rd Quarter Grants K	Capital K	Total K
Luapula	1,997,471,373	1,997,471,373	13,095,000,003	17,089,942,749
N. Western	2,021,962,721	2,021,962,721	10,500,000,000	14,543,925,442
Northern	3,328,402,443	3,328,402,443	20,880,000,000	27,536,804,886
Central	2,244,495,321	2,244,495,321	9,405,000,000	13,893,990,642
Copperbelt	3,553,441,466	3,553,441,466	14,305,000,000	21,411,882,932
Lusaka	1,817,725,664	1,817,725,664	3,868,266,990	7,503,718,318
Eastern	2,340,799,566	2,340,799,566	15,255,000,000	19,936,599,132
Western	1,912,401,823	1,912,401,823	12,150,000,000	15,974,803,646
Southern	3,280,360,115	3,280,360,115	14,830,500,001	21,391,220,231
Total	22,497,060,492	22,497,060,492	114,288,766,994	159,282,887,978

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters, Provincial Education Offices (PEOs), selected District Education Boards (DEBS), Colleges of Education, High and Basic schools carried out between May 2010 and November 2010 revealed that there were weaknesses in internal control systems. In particular, large sums of imprests were not retired, accounts had not been reconciled and there were misapplication/misappropriation of funds, irregular payments, inadequate monitoring of projects and supply contracts among others. In addition, preparation of financial statements was delayed and as a result the accounts were not rendered for audit on time. The following were observed:

a. Unvouched Expenditure

Contrary to Financial Regulations No. 45 and 65, there were one hundred and ninety three (193) payments in amounts totalling K916,398,667 that were unvouched in that the vouchers were either missing, unsupported or inadequately supported as shown in the table below:

Station	Missing Vouchers		Unsupported Vouchers		Inadequately Supported Vouchers		Total	
	No. of Vouchers	K	No. of Vouchers	K	No. of Vouchers	K	No. of Vouchers	K
DEBS Mazabuka	-	-	-	-	11	24,462,000	11	24,462,000
Nkrumah College	-	-	3	7,740,000	-	-	3	7,740,000
DEBS Chibombo	-	-	2	10,200,000	-	-	2	10,200,000
DEBS CHavuma	-	-	4	14,090,000	-	-	4	14,090,000
DEBS Luangwa	-	-	1	5,000,000	-	-	1	5,000,000
DEBS Chilubi	3	5,660,000	2	5,700,000	-	-	5	11,360,000
DEBS Kaputa	3	9,000,000	16	38,037,000	-	-	19	47,037,000
DEBS Shangombo	-	-	7	10,800,000	-	-	7	10,800,000
DEBS Kitwe	112	589,279,778	2	47,811,095	-	-	114	637,090,873
Mapalo Basic School	-	-	2	12,764,000	-	-	2	12,764,000
Twafweni Basic School	-	-	2	28,064,000	-	-	2	28,064,000
Butotelo Basic School	-	-	2	2,027,294	-	-	2	2,027,294
Mindolo High School	2	3,100,000	-	-	-	-	2	3,100,000
Kitwe College of Education	2	10,200,000	-	-	-	-	2	10,200,000
DEBS Chingola	-	-	2	2,182,700	-	-	2	2,182,700
Ndola Skills	-	-	2	8,127,300	-	-	2	8,127,300
Kalulu Basic School	-	-	13	82,153,500	-	-	13	82,153,500
Total	122	617,239,778	60	274,696,889	11	24,462,000	193	916,398,667

b. Misapplication of Funds

Contrary to the Appropriations Act of 2009, amounts totalling K2,087,415,640 were misapplied on activities not initially intended as detailed in the table below:

Station	Amount K	Applied on
DEBS L/Stone	50,832,968	Amounts totalling K50,832,968 were applied on administrative activities at the DEBS office, not related to the purpose for which the funds were intended. As a result, six (6) schools namely; Evergreen, Maanumbwami, Sakubita, Mapenzi, Malota and Siamatobolo did not receive the second and third quarter grants. A review of the matter in October 2010 revealed that the six (6) schools had still not received their grants.
DEBS Mazabuka	5,480,000	A total amount of K5,480,000 was applied on activities such as funeral expenses, imprest to process salaries, which were not related to the programme. As of May 2010, no reimbursements had been made to the NIF account.
DEBS Itzhi-tezhi	61,821,610	Contrary to NIF guidelines, a total amount of K61,821,610 was applied on administrative activities at the DEBS office. Consequently, sixteen (16) schools did not receive the second and third quarter grants
DEBS Namwala	32,932,509	Amounts totalling K32,932,509 were applied on administrative activities at the DEBS office, which were not related to the purpose for which the funds were intended
Nkrumah College	230,000,000	On 18 th June, 2009, the Ministry of Education released K230,000,000 to cater for payment of settling-in allowances for lecturers at the college. It was however observed that on 3 rd July, 2009, the funds were transferred from the NIF account to the Recurrent Departmental Charges (RDC) account to meet the day to day operations of the college.
DEBS Mumbwa	75,000,000	Between April and August 2009, a total amount of K75,000,000 was transferred from NIF Account to RDC account on cheque Nos. 000597 (K33,400,000) and 000360 (K11,200,000), however, as of October 2010, the funds had not been reimbursed
DEBS Chibombo	5,573,000	A total amount of K102,373,000 was transferred from NIF Account to RDC's account. As of October 2010, K96,800,000 had been reimbursed leaving a balance of K5,573,000 still outstanding.
DEBS Serenje	184,013,889	Out of total funding of K3,268,759,209, K224,013,889 was misapplied at the DEBS office. A review of the matter in October 2010 revealed that out of a total amount of K224,013,889 that was misapplied, an amount of K40,000,000 had been refunded leaving a balance of K184,013,889 still outstanding
DEBS Kapiti Mposhi	164,213,100	The DEBS office received a total amount of K836,824,000 for the procurement of textbooks. A scrutiny of records relating to the utilisation of the grants revealed that an amount of K164,213,100 was applied on administrative activities by the DEBS office. As of October 2010, the funds had not been reimbursed and the books had not been purchased.
DEBS Zambezi	14,528,000	Contrary to NIF guidelines, a total amount of K14,528,000 meant for the projects were transferred to another project which was not approved in 2009. As of October 2010 the funds had not been reimbursed.
Chafwa Makondo Basic School	9,392,000	Contrary to NIF guidelines, a total amount of K9,392,000 meant for the projects were transferred to another project which was not approved in 2009. As of October 2010 the funds had not been reimbursed.
Chozo Basic School	2,500,000	Contrary to NIF guidelines, a total amount of K2,500,000 meant for the project was lent to another school in February 2010 and as of October 2010 the funds had not been paid back
Kamona Basic School	18,331,645	An amount of K18,331,645 meant for the construction of a 1x2 classroom block at Kamona basic school was misapplied at the DEBS office. As of October 2010, the funds had not been reimbursed.
DEBS Kafue	17,000,000	A scrutiny of records at the DEBS office revealed that on 20 th July 2009 an amount of K37,000,000 was transferred from the NIF account to RDC account on cheque No.000369 and applied on other administrative activities not related to NIF. As of October 2010 only an amount of K20,000,000 had been reimbursed leaving a balance of K17,000,000.

DEBS Kafue	31,088,588	In 2008, an amount of K766,888,600 was received by the district from the Ministry of Education for the procurement of text books for various schools. However, expenditure totalled K735,800,012 leaving a balance of K31,088,588 which was misapplied at the DEBS office. As of October 2010 the misapplied K31,088,588 had not been reimbursed.
DEBS Luangwa	5,020,000	Contrary to NIF guidelines, an amount of K5,020,000 on cheque No. 707818 dated 26 th July 2009, was applied on the payment of wages and salaries to PTA employees.
DEBS Chilubi	147,142,857	The K147,142,857 received was for the construction of four (4) double and four (4) single VIP latrines at Chinkundu, Mpupo, Bulilo and Mbombela. It was however observed that the funds were not remitted to the schools as they were used at the DEBS office.
DEBS Chilubi	105,000,000	On 24 th December, 2009, a total amount of K105,000,000 was paid to the Zambia Educational Publishing House on cheques Nos. 000192 (K90,000,000) and 000193 (K15,000,000) for the purchase of textbooks, an activity that was not budgeted for. As of October 2010, the funds had not been reimbursed.
DEBS Kaputa	24,553,812	Between December, 2009 and March 2010, a total amount of K24,553,812 was spent on activities such as procurement of building materials for 2008 projects and text books, which were not budgeted for in 2009. As of October 2010, the funds had not been reimbursed
PEO Mongu	5,491,000	A scrutiny of records relating to the utilisation of the grants revealed that contrary to NIF guidelines, amounts totalling K5,491,000 were applied on activities not related to National Implementation Framework such as, Settling-In-Allowances and school fees. As at 31 st December 2009, the funds had not been reimbursed
DEBS Shangombo	359,740,491	Out of K1,923,928,571 received, amounts totalling K1,234,188,080 were applied on infrastructure development while K359,740,491 was applied on activities not related to infrastructure, contrary to NIF guidelines.
DEBS Shangombo	184,334,570	Out of K247,380,340 grants released to the DEBS office, it was observed that only K63,045,770 was disbursed to forty-four (44) schools leaving a balance of K184,334,570 which was misapplied at the DEBS office. As of October 2010, the money had not been reimbursed.
DEBS Senanga	14,135,682	Contrary to NIF guidelines, amounts totalling K14,135,682 were applied on payment of allowances and other personal emoluments, the activities not related to NIF. As of October 2010, the funds had not been reimbursed
Mindolo High School	8,995,320	Contrary to NIF guidelines, the total amount of K8,995,320 involving three (3) transactions were applied on payment of utility bills and wages to board employees, activities not related to NIF
Kitwe College of Education	120,662,443	Contrary to NIF guidelines, a total amount of K120,662,443 involving nineteen (19) transactions were applied on payment of utility bills and wages to board employees, an activity not related to NIF.
Copperbelt College of Education	131,640,344	Contrary to NIF guidelines, amounts totalling K131,640,344 involving twenty-nine (29) transactions were applied on payment of utility bills and sitting allowances, activities not related to NIF.
DEBS Lufwanyama	7,561,000	Contrary to NIF guidelines, four (4) payments in amounts totaling K7,561,000 were misapplied on administrative activities.
DEBS Chingola	2,490,000	Contrary to the NIF guidelines, a total amount of K2,490,000 was spent on payment for overtime and funeral expenses
Chingola Training Skills Centre	13,825,000	Contrary to NIF guidelines, payments totalling K13,825,000 were used on administrative activities. As of October 2010 the funds had not been refunded
DEBS Kalulushi	24,480,000	A scrutiny of records relating to the utilisation of the funds revealed that contrary to NIF guidelines, four (4) payments in amounts totalling K24,480,000 were misapplied on payments for sports activities and allowances.
Kalulushi High School	4,070,000	A scrutiny of records relating to the utilisation of the grants revealed that contrary to the NIF guidelines, amounts totalling K4,070,000 were spent on payments for salaries for board workers.
Ndola DEBS	21,315,812	Contrary to NIF guidelines, sixteen (16) payments in amounts totalling K21,315,812 were misapplied on unrelated activities such as payment of sitting allowances, utility bills, internet bills and overtime
Chipukusu Middle Basic School	4,250,000	A scrutiny of records relating to the utilisation of the grants revealed that contrary to NIF guidelines, four (4) payments in amounts totalling K4,250,000 were misapplied on wages
Total	2,087,415,640	

c. Unretired Imprest

Contrary to Financial Regulation No. 96, imprests in amounts totalling K2,524,689,590 issued to one hundred and seventy four (174) officers at Headquarters and sixteen (16) DEBS offices during the period under review had not been retired as of December 2010 as shown in the table below:

STATION	No. of OFFICERS	AMOUNT K
Headquarters	73	2,023,641,860
DEBS Solwezi	5	7,763,428
DEBS Kabompo	16	72,090,606
DEBS Chavuma	2	5,065,000
DEBS Zambezi	2	14,880,000
DEBS Mwinilunga	10	55,014,760
DEBS Mungwi	9	113,381,040
DEBS Mpulungu	6	24,298,980
DEBS Chilubi	8	31,273,300
DEBS Kaputa	6	37,577,500
PEO Mongu	6	14,486,336
DEBS Mongu	4	9,461,780
DEBS Shangombo	14	32,349,000
DEBS Kawambwa	2	12,375,000
DEBS Kitwe	10	69,431,000
DEBS Ndola	1	1,600,000
Total	174	2,524,689,590

Contrary to Financial Regulation No. 91, additional imprest in amounts totalling K490,403,920 were issued to eight (8) officers who had not retired previous imprest amounting to K207,717,000.

Further, retirement of imprests by forty (40) officers in amounts totalling K62,490,495 was irregular in that the receipts submitted by the officers were either altered or were not authentic/genuine.

d. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details for stores items costing K1,149,124,906 as detailed in the table below purchased during the period under review.

STATION	AMOUNT K
Headquarters	571,031,277
Highlands Basic School	95,173,500
Kyapatala Basic School	6,496,000
Ntindi Basic School	25,294,000
DEBS Kaputa	106,232,500
DEBS Samfya	86,368,585
Samfya High School	9,057,000
DEBS Kitwe	57,000,000
Butotelo Basic School	2,027,094
Kitwe College of Education	5,500,000
Copperbelt College of Education	27,890,500
DEBS Chingola	51,921,250
Kabundi High School	3,674,000
Chati East Basic School	48,340,000
New Kaniki Basic School	48,619,200
Kalulu Basic School	4,500,000
Total	1,149,124,906

e. Management of Contracts

During the year under review, the Ministry awarded contracts for civil works, supply and delivery of equipment, furniture for schools and other educational materials throughout the country. A scrutiny of records relating to selected contracts revealed the following:

i. Civil Works

▪ Advance Payments in Excess of Contract Provisions

According to the conditions of the contracts signed with seven (7) contractors involving eleven (11) contracts in amounts totalling K139,150,347,794, the

contractors were to be paid 10% of the contract sum in advance. It was observed that contrary to the terms of the contracts, the contractors were paid advances totalling K36,901,375,859 instead of K13,915,034,779 resulting in excess payments of K22,986,341,080 as shown in the table below:

Contractor	Details	Contract Sum	Advance Paid	10% Advance	Excess
China Jiangxi	Construction of Computer Block	379,013,812	360,063,121	37,901,381	322,161,740
Gabmans Electrical	Two Basic schools Lundazi	5,652,411,845	1,695,723,553	565,241,185	1,130,482,369
Hua-Jiang	Namwala Basic School	8,296,960,000	2,489,088,000	829,696,000	1,659,392,000
Hua-Jiang	Construction of Chavuma High School	27,165,709,000	8,149,712,700	2,716,570,900	5,433,141,800
Hua-Jiang	Construction of Mpongwe B Basic School	7,923,231,000	2,376,969,300	792,323,100	1,584,646,200
Hua-Jiang	Construction of Mushindano Technical High School	23,846,962,000	7,153,840,215	2,384,696,200	4,769,144,015
Hua-Jiang	Construction of Munyumbwe High School in Gwembe	24,101,337,500	7,230,401,250	2,410,133,750	4,820,267,500
African Brothers	Construction of Basic Schools in Katete and Chipata	5,486,295,120	1,645,888,536	548,629,512	1,097,259,024
Datong Construction	Construction of Kanyama Central Basic School	5,197,036,517	1,102,328,014	519,703,652	582,624,362
Zaminliny	Construction of Two Basic Schools in Chongwe	4,351,520,900	1,305,456,270	435,152,090	870,304,180
Covec	Construction of Batoka High School	26,749,870,100	3,391,904,900	2,674,987,010	716,917,890
Total		139,150,347,794	36,901,375,859	13,915,034,779	22,986,341,080

The excess payments show that the internal controls pertaining to the management of contracts were weak.

Eastern Province

▪ **Construction of Basic Schools**

In December 2008, the Ministry entered into a contract with China Gansu Engineering for the construction of three (3) basic schools namely; Nyimba East Basic School in Nyimba, Seya Basic School in Katete and Kazwanya Basic School in Chipata at a contract sum of K8,074,974,400. The contract was for a duration of fifty (50) weeks starting on 6th February 2009 and ending on 21st January 2010.

A physical inspection of the schools carried out in October 2010 revealed that although construction of the schools had been completed and the schools handed over to the DEBS, the structure at Seya Basic School had defects in that cracks had developed on the floors, walls, and aprons, while the solar panels were malfunctioning. It was also noted that air vents had not been fitted to the buildings.

Southern Province

▪ **Niko Girls Technical Boarding High School**

On 30th March 2009, the Ministry entered into a contract with African Brothers Corporation for the construction of Niko Girls Technical Boarding High School at the contract sum of K32,369,328,000. The contract start date was 14th April 2009 and the intended completion date was 11th April 2011.

According to article 51 of the contract, the employer was required to make advance payment to the contractor upon provision by the contractor of an unconditional bank guarantee in a form and by a bank acceptable to the employer in amounts and currencies equal to the advance payment. However, contrary to the contract, the Ministry made an advance payment of K3,236,932,800 to African Brothers before the contractor provided the bank guarantee.

- **Construction of Basic Schools**

On 15th December 2008, the Ministry entered into a contract with African Brothers for the construction of three (3) basic schools namely; Agro Flora basic school in Mazabuka and Nahila and Simalundu basic schools in Kalomo District at a contract sum of K9,857,320,000. The contract was for a duration of forty-eight (48) weeks starting 6th February 2009 and ending 7th January 2010.

A physical inspection of the Schools carried out in October 2010 revealed that although construction of the schools had been completed and handed over to the DEBS, the structures at Nahila and Agro Flora Basic School had defects which included cracks on the floors, walls and VIP latrines, while electrical sockets were non-functional.

- **Construction of Namwala Central Basic School**

In April 2008, the Ministry awarded a contract to Hua-Jiang Investments Limited for the construction of the Namwala Basic School at a contract sum of K8,296,960,000. The contract was for a period of 48 weeks starting from 1st April 2008 to 25th May 2009. The works included construction of 4no. 1x3 classroom blocks, 1no. home economics block, 1no. 1x2 laboratory block, 1no. boys ablution block, 1no. girls ablution block, 10no. staff houses and external works. As of October 2010, the contractor had been paid a total amount of K5,090,013,400.

A physical inspection of the school carried out in October 2010, revealed that the Project was in its final completion with the following works still outstanding; fitting of burglar bars, grill gates, doors, locks and meter boxes, construction of sewer lines, manholes and soak away, among others. It was further observed that the project had delayed for more than one year.

- **Construction of Basic Schools at Kaunga and Kooma**

On 15th December 2008, the Ministry entered into a contract with African Brothers Corporation Limited for the construction of two (2) Basic schools at Kaunga and Kooma at a contract sum of K6,529,680,000. The contract was for duration of forty-eight (48) weeks commencing on 6th February 2009 and

ending on 7th January 2010. As of May 2010, the contractor had been paid a total amount of K3,774,757,404.76 leaving a balance of K2,754,922,595.

A physical inspection of the schools carried out in October 2010 revealed that construction of the schools had been completed and in use. However, the following defects were observed:

- **Kaunga Basic School**

The solar system installed at the school was not functioning properly in that the inverter in one of the staff houses was faulty while the voltage in the classroom blocks was fluctuating causing damage to bulbs.

- **Kooma Basic School**

The superstructure of three (3) VIP toilets for the classroom block had started separating from the sub-structures and the apron and as a result the toilet had almost collapsed.

- **Kabanga Basic School – Over Payment to Contractor**

On 20th November 2007, the Ministry entered into a contract with African Brothers Corporation for the construction of Kabanga Basic School in Itezhi Itezhi at the contract sum of K2,569,547,560. The contract start date was 16th April 2008 and the intended completion date was 15th January 2009.

According to the contract, the scope of works consisted the construction of the following; one (1) 1x3 classroom block, one (1) 1x2 classroom block, five (5) staff houses, five (5) out door kitchens and eight (8) double VIP pit latrines.

Although the contract amount was K2,569,547,560, a total of K3,252,227,493 was paid to the contractor resulting in an overpayment of K682,679,933 as tabulated below.

Date	Cheque/ EFTA	Certified Amount K	Amount Paid K
19-Feb-08		770,864,268	770,864,268
24-Sep-08	116	494,275,574	494,275,574
5-Dec-08	174	816,928,824	816,928,824
13-Jan-09	64732	929,210,012	929,210,012
19-Feb-09	64758	168,108,796	168,108,796
		72,840,018	72,840,018
Total Payments		3,252,227,492	3,252,227,492
Contract sum			2,569,547,560
Overpayment			682,679,932

It was further observed that there were no variations to the scope of works to justify the overpayment. As of December 2010, the contractor had not refunded the Ministry.

▪ **Sinandabwe Basic School**

On 20th November, 2007, the Ministry entered into a contract with African Brothers Corporation for the construction of Sinandabwe Basic School in Itezhi Itezhi at the contract sum of K2,541,047,560. The contract start date was 8th May 2008 and the intended completion date was 3rd February 2009.

According to the contract, the scope of works consisted the following; one (1) 1x3 classroom block, one (1) 1x2 classroom block, five (5) staff houses, five (5) outdoor kitchens and eight (8) double VIP pit latrines

It was observed that a total of K3,232,146,557 was paid against a contract sum of K2,541,047,560 resulting in an overpayment of K691,098,997 as shown in the table below:

Date	Cheque/ EFTA	Certified Amount K	Amount Paid K
19-Feb-08		762,314,268	762,314,268
24-Sep-08	118	426,167,610	426,167,610
5-Dec-08	175	780,656,604	780,656,604
13-Jan-09	64734	984,535,244	984,535,244
19-Feb-09	13128	278,472,831	278,472,831
Total Payments		3,232,146,557	3,232,146,557
Contract sum			2,541,047,560
Overpayment			691,098,997

- **Construction of Kapiri Mposhi Day High School - Central Province**

In 2008, the Ministry entered into a contract with Zaminliny Investments Limited for the construction of Kapiri Mposhi Day High school at a contract price of K14,667,018,433. The contract was for a duration of one hundred and four (104) weeks starting on 21st July 2008 and ending August 2010.

The works included construction of eighteen (18) staff houses, two (2) Head/Deputy Headmasters' houses, one (1) tuck shop, four (4) 1x3 classroom blocks, one (1) classroom area female ablution block, one (1) classroom area males' ablution block, one (1) library/resource block, two (2) 1x2 science laboratory blocks, one (1) home economics block, one (1) sick bay, one (1) assembly/sports hall, one (1) administration block and external works.

As of October 2010, the contractor had been paid K5,607,274,888 comprising advance payments (K1,466,701,843) and certified works (K4,140,573,045).

A physical inspection of the school carried out in October 2010 revealed that all the structures except for the assembly hall had been roofed. It was however, observed that five (5) staff houses, one (1) classroom block and assembly hall had developed cracks.

- **Construction of Chavuma Boarding High School-North Western Province**

On 1st April 2008, the Ministry awarded a contract to Hua Jiang Investment for the construction of Chavuma Boarding High School in North-Western Province at a contract sum of K27,165,709,000. The contract was for a period of twenty- nine (29) months starting in April 2008 and ending in September 2010. The works included construction of an administration block, twenty (20) staff houses, four (4) classroom blocks, two (2) classroom ablution blocks (2) girls ablution blocks, two (2) boys ablution blocks, four (4) girls dormitory blocks, four (4) boys dormitory block, two science laboratory blocks, one domestic science block, kitchen/store, dining hall, library and resource centre, sick bay, assembly hall and tuck shop. As of October 2010, the contractor had been paid K13,657,378,497.

A physical inspection of the project carried out in October 2010 revealed that most of the structures were either at gable level or had been roofed. However, carpentry, plumbing, electrical installations, painting and other external works were still outstanding.

Lusaka Province

- **Kabanana High School**

On 24th September 2008, the Ministry entered into a contract with Associated Electrical Sales and Contractors Limited for the construction of the school at a contract price of K11,892,255,500. The contract was for duration of seventy two (72) weeks ending in October 2010. The works included construction of an administration block, twenty (20) staff houses, four (4) 1x3 classroom blocks, an ablution block, an assembly hall, two (2) laboratories, a library, a tuckshop, sick bay, home economics block and a borehole. As of October, 2010, the contractor had been paid K4,977,003,743.

A physical inspection of the school carried out in October 2010 revealed that most of structures were at gable level with the rest of the works still outstanding.

- **Construction of a Library, a Lecture Theatre, and Two Double Storey Lecture Room Blocks- ZAMISE**

On 14th May 2009, the Ministry entered into a contract with Yangts Jiang Enterprises Limited for the construction of a library, lecture theatre, and two double storey lecture rooms at a contract price of K14,713,918,300. The contract was for duration of sixty (60) weeks ending December 2010. As of October 2010, the contractor had been paid a total amount of K6,651,549,892.

A physical inspection of the school carried out in October 2010 revealed that two (2) lecture rooms and library had been roofed, while the lecture theatre was at sub structure level.

- **Construction of a Strong Room - Examinations Council of Zambia**

On 4th March 2009, the Ministry engaged Apollo Enterprises to construct a three storey strong room at the Examinations Council of Zambia at a contract price of K7,622,316,198. The contract was for a duration of forty five (45) weeks starting on 1st April 2009 and ending 23rd February 2010. As of October 2010, the contractor had been paid a total amount of K5,984,499,795.

A physical inspection of the project carried out in October 2010 revealed that although the contractor had completed the works, the floors and walls had developed cracks while the fire alarm system was not functional. As of December 2010, the defects had not been rectified.

- **Construction of Basic Schools - Chongwe District**

On 9th January 2008, the Ministry entered into a contract with Zaminliny Investment Limited for the construction of two (2) basic schools namely; Chomba and Shikabeta basic schools in Chongwe District at a contract sum of K4,351,520,900. The contract was to commence on 19th February 2008 and end on 30th June 2009. As of October 2010, the contractor had been paid a total amount of K4,037,597,480.

A physical inspection of the projects at the schools revealed that although the schools had been completed and handed over, cracks had developed on the walls and verandas while some window handles had fallen off.

Luapula Province

▪ Construction of Mponde Day High School

On 24th September 2008, the Ministry entered into a contract with Zamchin Construction Company Limited for the construction of the school at a contract price of K16,722,771,379. The contract was for a duration of twenty-two (22) months ending in May 2010. The works included the construction of four (4) 1x3 classroom blocks, two (2) laboratory blocks, one (1) administration block, one (1) assembly hall, two (2) sick bays, one (1) tuck shop, two (2) ablution blocks, twenty (20) staff houses, one (1) home economics block, one (1) library/resource block.

As of October 2010, the contractor had been paid amounts totalling K5,158,513,342.

A physical inspection of the project carried out in October 2010 revealed that most of the structures had been roofed and framed. However, fitting of ceiling boards, plastering and painting were still outstanding.

▪ Construction of Lukwesa Day High School Phase 1

In March 2008, the Ministry entered into a contract with Apollo Enterprises Limited for the construction of Phase I Lukwesa Day High School in Luapula Province at a contract sum of K23,054,991,519. The Contractor commenced works on 1st April 2008 and was expected to be completed on 28th September 2009.

According to the contract, the scope of works consisted construction of: eighteen (18) senior staff houses, two (2) headmaster/deputy headmasters house, one (1) tuck shop, four (4) 1x3 classroom blocks, one (1) classroom area ablution block for girls, one (1) classroom area ablution block for boys, one (1) library and resource centre, two (2) 1x2 science laboratory block, one (1) 1x3 home economics block, one (1) sick bay, one (1) assembly/sports hall, one (1) administrative block and borehole drilling, water tank and stand and plumbing installations and external works. The contractor completed the works on 23rd September 2009 and was paid amounts totalling K24,444,784,369.

It was observed however that the payment of K24,444,784,366 was K1,389,792,847 in excess of the contract price. It was not clear why the

certified works were more than the contract price as there were no variations to the contract.

ii. Contracts for the Supply of School Desks

▪ Undelivered School Desks - Central Province

In March 2009, Setrec and Wood Processing Limited was paid K120,000,000 to supply desks to the DEBS office in Mumbwa. However, as of December 2010, eighteen (18) months after the payment, the desks had not been supplied.

▪ Supply of Double Seater School Desks - Luapula Province

On 30th June 2009, the Ministry entered into a contract with Octo Trading for the supply, delivery and assembly of 4,351 double seater school desks in Luapula Province at a contract price of K754,724,460 (US\$213,199).

An examination of records revealed that the contract signed between the Ministry and the supplier did not provide for penalties in case of breach of contract. A physical inspection of desks at Mwense, Kawambwa and Samfya DEBS offices revealed that 3,560 desks supplied to Mwense (945), Kawambwa (1,118) and Samfya (1,497) were not assembled although the contractor was paid in full. As of December 2010, no action had been taken by the Ministry against the contractor.

▪ Non Delivery of Desks -Copperbelt Province

On 10th December 2008, the Ministry entered into a contract with Apex Suppliers for the supply, delivery and assembly of double seater school desks to various districts on the Copperbelt Province at a contract price of K981,159,000.

It was however, observed that although the contractor was paid in full in April 2009, twenty-seven (27) double seater desks costing K6,777,000 had not been delivered to the schools in Luanshya (18) and Ndola (9). As of

December 2010, no action had been taken by the Ministry against the contractor.

iii. Delay in the Supply and Delivery of Free Education Materials- Copperbelt Province

On 14th August 2009, the Ministry awarded a contract to Premium Way International of the United Kingdom for the supply and delivery of free education materials to the selected schools throughout the country, at a contract price of US\$1,325,422.42

The school materials were to be delivered within a period of ten (10) to fourteen (14) weeks from the date of the contract. The procurement arrangement was that the Ministry of Education was to raise a “Letter of Credit” with CITI Bank in favour of Premium Way International whose funds were only to be paid to the supplier upon presentation of Bills of Lading and commercial invoice for the goods to be supplied.

On shipment of the goods, 90% of the invoice value was to be paid to the supplier and 10% after the goods had been delivered to schools and acknowledged as received by respective head teachers after inspection. In this regard, on 20th November 2009 the Ministry raised a letter of Credit on Payment Order No. 052 for US\$1,325,422.42.

A scrutiny of procurement records and enquiries revealed that the school materials had not been delivered as of October 2010, eleven (11) months after signing the contract, contrary to the terms of the contract.

f. Construction of Classroom Blocks

According to the National Infrastructure Action plan for 2009, the Ministry planned to construct 925 classroom blocks at basic schools at green sites (275), brown sites (208) and other schools (442) throughout the country as shown in the table below:

National Infrastructure Targets			
Province	Green Sites	Brown Sites	Other Schools
Lusaka	7	2	21
Copperbelt	68	39	4
Central	19	15	30
Luapula	31	25	48
Northern	45	28	96
Southern	32	26	62
North-Western	9	21	65
Eastern	33	24	58
Western	31	28	58
Total	275	208	442

Key

Green site-Site where a new school is being built
Brown site-Site where there is an existing school

The scope of the works included among other things, the construction 1x3 and 1x2 classroom blocks (CRBs), staff houses and VIP latrines among others. A physical verification of selected projects revealed that various projects had not been completed as shown in the table below:

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
Eastern	Lundazi	Egichkeni Basic School	120,000,000	7,200,000	61,309,000	Construction of 1*2 CRB	A physical inspection of the project carried out in October, 2010 revealed that the classroom block had not been completed. However, flooring, fixing of window stays and painting were outstanding.
	Nyimba	Ghosite Basic School	180,000,000	4,692,000	136,935,750	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed. However, floor screeding, painting, glazing and construction of dish drains were still outstanding.
	Katate	Chamakaza Basic School	180,000,000		179,509,150	Construction of two 1*3 CRB	A 1x3 classroom block was constructed at the site at total cost of K179,509,150. A visit to the site in October 2010, revealed that although the school had opened, it had no toilet facilities. In addition, the school had no desks. Consequently, the pupils were sitting on the floor.
	Chama	Manda Hill Basic School	180,000,000	5,292,000	79,505,600	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that construction of the classroom block had only reached ring beam with the rest of the works still outstanding.
Southern	Livingstone	Linda Basic School	180,000,000	12,290,480	177,469,908	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with the following works still outstanding: glazing, painting, construction of spoon drain and fitting of doors.

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
		Highlands Basic School	180,000,000	13,608,000	165,430,600	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with the following works still outstanding; glazing, painting, construction of spoon drain and fitting of doors.
		Zambezi Sawmills Basic School	120,000,000	12,060,000	103,139,000	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with the following works still outstanding; glazing, painting, construction of spoon drain and fitting of doors.
	Choma	Mutanga Basic School	180,000,000	5,027,400	74,243,000	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed, the following works still outstanding; glazing, painting, construction of spoon drain and fitting of doors.
		Mutama River Basic School	180,000,000	12,236,000	173,358,000	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed, plastering, glazing, painting, fitting of doors, drainage flooring and shelving had not been done.
		Sivuwa Basic School	120,000,000	11,970,000	96,703,200	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that although construction of the classroom block had been completed, cracks had developed on the floors and the spoon drain.
	Mazabuka	Chizika Basic School	180,000,000	18,324,800	82,000,000	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed, flooring, glazing, drainage, painting and carpentry works had not been done.
		Upper Kaleya Basic School	180,000,000	13,608,000	151,392,000	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the the classroom block had been roofed with the following works still outstanding; drainage, door fittings and painting. It was further observed that the floor in one of the classrooms had developed cracks.
		Hillside Basic Scholl	180,000,000	13,608,000	153,154,500	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed, the following works were still outstanding; construction of drainage and fitting of doors. It was further observed that the floor in the two classrooms had developed cracks.
		Nanga Special School	180,000,000	13,608,000	160,900,000	Construction of two 1*3 CRB	A physical inspection of the project carried out in October, 2010, revealed that although construction of the classroom block had reached roof level, the following works were outstanding; glazing, painting, flooring, construction of spoon drain, fitting of doors and construction of window sills.
		Chijanwa Basic School	120,000,000	9,720,000	104,280,000	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed, the following works still were outstanding; drainage, door fittings and painting.

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
	Sinazongwe	Mulobezi Basic School	180,000,000	5,027,000	146,614,000	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been completed although the following were observed: - The contractor fitted 13 cracked glass panes on the classroom block - The drainage was poorly constructed as it was too shallow contrary to the specifications, - A crack had developed in the classroom block.
	Monze	Hamusonde Basic School	125,000,000	-	76,165,500	Construction of two 1*3 CRB	It was observed that the community was slow in mobilising upfront materials such as bricks, sand and crushed stones which resulted in delays in completion of the project. A physical inspection of the project carried out in October 2010, revealed that the classroom block was at gable level with the following works outstanding: roofing, plastering, iron mongering, fitting of doors and window frames, glazing and construction of drainages.
		Njola East Basic School	90,000,000	5,292,000	75,861,500	Construction of two 1*3 CRB	It was also observed that the community was slow in mobilising upfront materials such as bricks, sand and crushed stones, which resulted in delays in completion of the project. A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed, plastering, beam filling, painting, construction of drainages and glazing had not been done.
	Itezhi-tezhi	Kakuse Basic School	180,000,000	5,292,000	149,986,750	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom had been roofed and plastered outside, internal plastering, glazing and painting had not been done.
	Kalomo	Mbole Basic School	180,000,000	13,356,000	134,980,853	Construction of two 1*3 CRB	It was observed that the community was slow in mobilising upfront materials such as sand and crushed stones resulting in delayed completion of the project. A physical inspection of the project carried out in October 2010, revealed that the classroom block was at gable level and the contractor was not on site.
		Kanchele Community School	180,000,000	5,292,000	157,936,767	Construction of two 1*3 CRB	It was also observed that the community was slow in mobilising upfront materials such as bricks, sand and crushed stones, resulting in slow progress on the project. A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed and plastered while painting, glazing and construction of drainages had not been done.
	Namwala	Ndema Basic School	180,000,000	-	73,989,332	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed, metal works, plastering, flooring, glazing and painting were still outstanding.
		Simanje Basic School	180,000,000	5,292,000	127,789,500	Construction of two 1*3 CRB	It was observed that the community was slow in mobilising upfront materials such as bricks, sand and crushed stones resulting in slow progress on the project. A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed and plastered, inside glazing, plastering outside and construction of drainages were still outstanding.
	Kazungula	Namapande Community School	180,000,000	5,027,000	155,187,500	Construction of two 1*3 CRB	It was observed that the community was slow in mobilising upfront materials such as bricks, sand and crushed stones, resulting in delay and completion of the project. A physical inspection of the project carried out in October 2010, revealed that the construction of the classroom block had not been completed and the contractor was not on site.

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
Central	Mumbwa	Nachibila Basic School	180,000,000	9,576,000	104,763,650	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed, painting, glazing, floor screeding and fitting of air vents had not been done.
	Chibombo	Kaminembe Basic School	180,000,000	5,027,400	106,098,482	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed, flooring, glazing, carpentry works, drainage construction and painting were outstanding.
		Mwapula Basic School	180,000,000	16,203,600	116,271,685	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed, plastering, flooring, glazing and fitting of doors and locks were still outstanding.
		Nachiyaba Basic School	180,000,000	16,039,600	116,146,600	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed and plastered, painting and glazing were outstanding.
		Mashikili Basic School	135,000,000	11,490,000	79,710,500	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed, glazing, fitting of peg stays, window handles and doors were still outstanding.
	Serenje	Fikondo Basic School	180,000,000	13,608,000	120,640,900	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed, glazing, fitting of notice boards and painting were still outstanding.
		Mutale Basic School	180,000,000	5,292,000	116,162,000	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the the classroom block had been roofed with the following works still outstanding; plastering, painting and glazing.
		Kabwe Kupela Basic School	180,000,000	10,080,000	114,402,500	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been roofed, plastering, glazing, painting and fitting of door frames and doors were still outstanding.
	Kapiri Mposhi	Lubuto Community School	180,000,000	5,027,400	104,836,750	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with the following works still outstanding; painting, plastering, glazing and fitting of doors and door frames.
		Muhungushi Community School	180,000,000	5,027,400	96,287,080	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with the following works still outstanding; plastering, painting, glazing, flooring, spoon drains and fitting of window handles and peg stays.

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
		Chibobo Community School	180,000,000	-	115,801,000	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the project was slow in that construction of the classroom block had only reached slab level with the rest of the works still outstanding
North Western	Kabompo	Nkulwashi Basic School	120,000,000	9,540,000	76,066,000	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with the following works still outstanding; construction of spoon drain, painting, glazing, fitting of doors, shelves and locks.
		Chikenge Basic School	120,000,000	3,780,000	73,535,000	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with the following works still outstanding; construction of spoon drain, painting, glazing, fitting of doors, shelves and locks.
		Wazanga Basic School	120,000,000	4,788,000	80,508,616	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the construction of the classroom block had reached gable level with the following works still outstanding; roofing, plastering, construction of spoon drain, painting, glazing, fitting of doors, shelves and locks.
		Biyeko Basic School	242,285,714	7,068,000	141,887,000	construction of a 1x2 CRB, one (1) staff house and three (3) VIP toilets.	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed and painted with glazing still outstanding. It was also, observed that although the spoon drains had been constructed, they were falling apart.
	Chavuma	Mbalango Basic School	120,000,000	3,780,000	77,168,000	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the construction of the classroom block had been roofed with the rest of the works still outstanding. However the contractor was not on site
		Moses Luneta Basic School	120,000,000	9,720,000	88,331,000	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with the following works outstanding; painting, glazing and fixing of grill door
		Chinwandumba Basic School	120,000,000	7,115,000	78,169,400	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with the following works outstanding; fitting of doors and shelves, painting, glazing, fixing of grill door and construction of spoondrain.
	Zambezi	Nyakulenga Basic School	120,000,000	7,680,000	89,291,000	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with doors and some window frames fitted. However, the following works were outstanding; plastering, painting, glazing among others.
		Chozo Basic School	120,000,000	8,260,000	96,006,000	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been partly roofed with the following works outstanding; plastering, painting, glazing among others.

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
	Mwinilunga	Kamona Basic School	120,000,000	3,780,000	66,559,771	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed and plastered internally with the following works outstanding: external plating, floor screed, construction of spoon drains, painting, glazing and fitting of doors and shelves.
		Kasenga Basic School	180,000,000	5,292,000	132,429,840	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block was at gable level with the following works outstanding: roofing, beam filling, plastering, floor screed, construction of spoon drains, painting, glazing and fitting of doors and shelves.
Lusaka	Lusaka	Mutambe Basic School	180,000,000	13,358,600	159,131,979	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had been roofed and plastered with the following works still outstanding: construction of drainage, apron, rough casting, glazing and fixing of doors.
		Kapwelyomba Basic School	180,000,000	9,788,000	155,106,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had been roofed with the following works still outstanding: fitting of doors, glazing and painting.
		Matero East Basic School	180,000,000	16,476,000	148,607,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had been roofed with the following works still outstanding: glazing, painting, fitting of doors, rough casting and construction of drainage and apron.
	Chongwe	Twatasha ZNS Basic School	360,000,000	15,372,000	284,361,006	Construction of two 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the two (2) classroom blocks had been roofed and plastered with the following works still outstanding: glazing, painting and fitting of doors and air vents.
		Bundabunda Basic School	180,000,000	-	128,253,705	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block was at wall plate level with the rest of the works still outstanding.
	Kafue	Westwood Basic School	180,000,000	5,292,000	111,442,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the construction of the classroom block had only reached ring beam level with the rest of the works still outstanding.
Northern	Nakonde	Nega Basic School	180,000,000	13,188,000	130,486,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had been roofed with the following works still outstanding: painting, rough casting, fixing window frame handles and peg stays, glazing and construction of drainage. The contractor was still on site and had exceeded the stipulated seven months period by six (6) months and it was also evident in this regard that the project will be delayed further.
		Mikuwa Basic School	180,000,000	13,608,000	117,803,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed although painting and glazing had not been completed.

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
	Mpika	Kambe Basic School	180,000,000	13,356,000	143,500,500	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been partially roofed with the rest of the works still outstanding
		Kabale Basic School	120,000,000	9,720,000	83,310,500	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the laboratory had been roofed. However, laboratory fittings such as; sinks, gas taps, water taps, electrical sockets and shelves had not been done
		Mpika Basic School	120,000,000	12,060,000	97,232,000	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the laboratory fittings such as sinks, gas taps, water taps, electrical sockets and shelves had not been done.
	Luwingu	Kabale Basic School	180,000,000	5,262,000	108,002,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with the following works outstanding; painting and glazing
		Chifumo Basic School	180,000,000	5,292,000	94,473,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had reached gable level with the rest of the works still outstanding.
		Sokontwe Basic School	180,000,000	5,292,000	85,683,600	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with the following works outstanding; painting and glazing
		Mushitu Wambo Basic School	180,000,000	-	69,817,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that only excavation of the foundation had been done and the project has since stalled
		Mushitu Wambo Basic School	53,642,857	2,400,000	9,485,000	construction of a staff house and two (2) VIP toilets.	A physical inspection of the project revealed that the construction of the house had not commenced.
		Nsombo B Basic School	180,000,000	-	92,340,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the structure was at gable level with the rest of the works still outstanding.
		Nsombo B Basic School	47,500,000	-	46,559,000	construction of a staff house and two (2) VIP toilets.	A physical inspection of the project revealed that the VIP latrines had been completed while the house was at slab level.

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
		Matafwali Basic School	120,000,000	12,060,000	54,757,000	Construction of 1*2 CRB	A physical inspection of the project carried out in May 2010, revealed that the classroom block had been roofed. However, fitting of boards, construction of verandah floor, ramps, drainage and aprons and fixing of peg stays were still outstanding.
	Kasama	Twiluke Basic School	120,000,000	-	52,402,000	Construction of 1*2 CRB	A scrutiny of records relating to the project at Twiluke Basic School revealed that the DEBS received K180,000,000 for construction of a 1x3 classroom block at Twiluke basic school. However, contrary to the infrastructure operational plan for 2009, the DEBS remitted K120,000,000 for construction of a 1x2 classroom block instead of a 1x3 classroom block as approved in the operational plan. There was no satisfactory explanation given for the deviation from the approved plan. A physical inspection of the project carried out in October 2010, revealed that only foundation trenches had been dug.
	Mpulungu	Mupata Basic School	180,000,000	5,292,000	119,490,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that construction of the classroom block had reached window level and the rest of the works were outstanding.
		Mungula Basic School	180,000,000	10,080,000	141,354,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed although glazing, shelving and painting were outstanding.
	Mporokoso	Chimika Basic School	180,000,000	16,884,000	162,563,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that cracks had manifested in the three (3) rooms and verandah.
		Luli Basic School	180,000,000	16,884,000	160,493,500	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been completed, no window handles/peg stays had been fitted while cracks had manifested in the classrooms.
		Luli Basic School	49,047,619	-	25,555,000	Construction of 3 VIP latrines	A physical inspection of the projects carried out in October 2010, revealed that only the pits had been dug at the sites for all the three (3) VIP latrines.
		Kawikisha Basic School	180,000,000	16,884,000	165,595,500	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had following works outstanding: painting, glazing, fitting of handles and peg stays. However cracks in classroom have manifested.
		Kabange Middle Basic School	180,000,000	10,080,000	140,450,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with the following works outstanding: plastering, beam filling and fitting of door frames.
		Lumbe Middle Basic School	120,000,000	11,720,000	97,211,500	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with glazing and construction of drainages had been partly done. Furthermore, huge cracks extending to the wall had developed and no window handles and peg-stays were fitted and the rest of the works were outstanding.

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
	Chitubi	Lufubashi Basic School	180,000,000	Although building materials had been purchased, the total amount spent on the project could not be ascertained due to poor record keeping.		Construction of 1*3 CRB	However, as of October 2010, works had not commenced. It was also observed that although the bill of quantities had indicated that only IT4 roofing sheets costing K24,112,000 were required, the DEBS office purchased one hundred and eighty-four (184) roofing sheets costing K48,224,000 resulting into excess procurement of the roofing sheets costing of K24,112,000. The over procurement was not explained.
	Kaputa	Kasaba Bay Basic School	180,000,000	4,762,800	121,290,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block was at slab level and the contractor was not on site and the project had stalled
		Kaleulu Middle Basic School	180,000,000	4,862,800	159,042,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block was at slab level and the contractor was not on site and the project has since stalled due to non availability of upfront materials.
	Isoka	Mukwiza Basic School	180,000,000	5,292,000	118,481,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed. However, plastering, painting, flooring, spoon drain, glazing, fitting doors and one grillgate, shelving in the store room, rough casting, fitting of chalk and notice boards had not been done.
		Temwani Basic School	180,000,000	16,884,000	120,810,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed and plastered with the following works outstanding: painting, glazing, shelving in the store room, fixing of peg stays and window frame handles and fitting of air vents in one classroom
	Chinsali	Mulopa Basic School	180,000,000	-	112,935,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that construction of classroom block was at slab level.
		Muombo Basic School	180,000,000	5,292,000	127,779,500	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed and window and door frames were fitted. However, the following works were still outstanding: plastering, glazing, construction of spoon drains, painting, flooring, beam filling and fitting of locks and doors.
		Lumpene Basic School	180,000,000	5,292,000	180,600,500	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had reached gable level with the rest of the works still outstanding.
Western	Mongu	Nalwei Basic School	120,000,000	7,200,000	76,785,000	Construction of 1*2 CRB	However, it was observed that all payments pertaining to the project, were made without raising payment vouchers contrary to Financial Regulation No. 45(b). A physical inspection of the project carried out in October 2010, revealed that the 1 x2 classroom block had been roofed, with the rest of the works outstanding and cracks had already developed on the floor and walls.
		Simulombe Basic School	180,000,000	10,080,000	107,204,000	Construction of 1*3 CRB	However, it was observed that all payments pertaining to the project, were made without raising payment vouchers contrary to Financial Regulation No. 45(b). A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had been completed, cracks had developed on the window sills, walls and floors.

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
		Mandanga Basic School	169,785,000	5,292,000	70,944,000	Construction of 1*3 CRB	Although K180,000,000 was allocated to the school, the DEBS office released a total amount of for K169,785,000 for the construction of a 1x3 classroom block at the school contrary to the NIF guidelines. However, it was observed that all payments pertaining to the project, were made without raising payment vouchers, contrary to Financial Regulation No. 45(b). A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had reached gable level with the rest of works still outstanding.
		Imwiko Basic School	177,300,000	10,080,000	78,610,000	Construction of 1*3 CRB	Although K180,000,000 was allocated to the school, the DEBS office released a total amount of for K177,300,000 the construction of a 1x3 classroom block at the school contrary to the NIF guidelines. A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had been roofed with the following works still outstanding: flooring, glazing, window sills, construction of drainages and verandah, painting and fitting of doors.
	Shangombo	Mboiwa Basic School	82,601,000	5,928,000	76,673,000	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010 revealed that nine (9) months after the receipt of the funds no works had commenced. The basis for payment of K5,928,000 for wages and labour on the project that had not commenced was highly questionable.
		Shangombo Basic School	183,928,571	-	48,500,000	construction of staff houses and VIP toilets.	A physical inspection conducted at Shangombo Basic School revealed that as of October 2010, nine (9) months after the receipt of the funds, the construction works had not commenced
	Sesheke	Kaale Basic School	180,000,000	10,080,000	122,717,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had been roofed with the following works still outstanding: flooring, construction of drainages, painting glazing and plastering.
		Mutemwa Basic School	180,000,000	10,080,000	120,062,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had been roofed and plastered with the following works still outstanding: painting, fitting of grill gates and construction of drainages.
		Namakombwe Basic School	180,000,000	10,080,000	156,594,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that classroom block been roofed and plastered with the following works still outstanding: flooring, painting, construction of drainages, fitting of grill gates and mending of cracks on the floor and walls which had developed.
		Namuzingu Basic School	180,000,000	5,292,000	116,781,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had been roofed with the following works still outstanding: flooring, painting, construction of drainages, fitting of grill gates and shelving.
	Kaoma	Kanshinzi Basic School	179,450,000	-	117,627,250	Construction of 1*3 CRB	A physical inspection conducted at Kanshinzi green site revealed that as of October 2010, revealed that the structure had reached ring beam level with the the rest of the works outstanding.
		Kakumba Basic School	179,450,000	-	78,732,500	Construction of 1*3 CRB	A physical inspection conducted on the construction works in October 2010, revealed that the structure was at gable level with the the rest of the works outstanding.

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
		Kalukundwe Basic School	120,000,000	2,394,000	75,149,000	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the 1x2 classroom block had been roofed and plastered with the following works outstanding: painting and glazing. However, cracks had developed on the window sills and floors.
		Kahare Basic School	120,000,000	9,234,000	77,302,000	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that the 1x2 classroom block had been roofed and plastered with the following works outstanding: painting and glazing. However, cracks had developed on the window sills and floors.
	Senanga	Lubosi Basic School	180,000,000	-	93,372,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had been roofed with the following works outstanding: plastering, casting of the floor screed, painting and glazing.
		Lubosi Basic School	40,000,000	3,990,000	29,391,000	construction of staff houses and VIP toilets.	Out of K80,000,000 that was allocated for the construction of a staff house, the DEBS office released K40,000,000 leaving a balance of K40,000,000 contrary to NIF guidelines. A physical inspection conducted at Lubosi Basic School in October 2010 revealed that the staff house had only reached ring beam level, with rest of the works still outstanding.
		Suunda Basic School	180,000,000	19,076,000	105,621,500	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had been completed and cracks had developed on both the internal and external walls.
		Suunda Basic School	40,000,000	3,990,000	29,543,000	construction of staff houses and VIP toilets.	Out of K80,000,000 that was allocated for the construction of a staff house, the DEBS office released K40,000,000 leaving a balance of K40,000,000 contrary to NIF guidelines. A physical inspection conducted at Lubosi Basic School in October 2010 revealed that the staff house had only reached ring beam level, with rest of the works still outstanding.
Luapula	Mwense	Ponga Basic School	180,000,000	5,165,000	127,984,400	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed and painted with the following works still outstanding: construction of drainages, fitting of window handles and peg stays
		Musonda Falls Basic School	116,000,000	6,735,500	88,805,500	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been completed and was in use, multiple cracks indicating poor workmanship had developed on the floors.
		Kabundafyela Basic School	116,000,000	9,148,500	87,613,500	Construction of 1*2 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been completed and in use, multiple cracks had developed on the floors.
		Nsakaluba Basic School	176,000,000	19,400,000	146,216,400	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that although the classroom block had been completed and was in use, multiple cracks had developed on the floors.

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
	Kawambwa	Koselela Basic School	175,000,000	5,838,000	128,040,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block been completed and in use, cracks had developed on drainages, floors/and verander.
		Cirus Basic School	180,000,000	20,107,480	149,550,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been completed and in use, cracks had developed on aprons and floors. It was however observed that the fixing of the spider trusses was poorly done as they were tied with wires instead of being welded
	Nchelenge	Mulonda Basic School	180,000,000	13,608,000	113,883,500	Construction of 1*3 CRB	Included in the total amount of K158,006,500 was an amount of K20,190,000 which was paid by the school for upfront materials due to failure by the community to mobilise bricks, sand and stones, contrary to NIF guidelines. It was further observed that on 16 th March, 2010, the DEBS office had borrowed an amount of K2,500,000 from the school, which had not been reimbursed as of October 2010. A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed and painted with the following works still outstanding: construction of drainages and ramps and fitting of doors in offices.
		Mofwe Basic School	180,000,000	10,080,000	114,522,400	Construction of 1*3 CRB	Included in the total amount of K137,696,900 was an amount of K9,094,500 which was paid by the school for upfront materials due to failure by the community to mobilise the materials, contrary to NIF guidelines. A physical inspection of the project carried out in October 2010, revealed that the classroom block had reached gable level with the rest of the works still outstanding.
		Kabuta Basic School	180,000,000	13,608,000	130,468,400	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block been roofed and painted with the following works still outstanding: construction of ramps, drainages and aprons.
		Kampampi Basic School	180,000,000	10,084,000	126,270,400	Construction of 1*3 CRB	Included in the total amount of K168,895,400 was the amount of K28,945,000 which was paid by the school on purchase of upfront materials, contrary to NIF guidelines. A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed and painted with the following works still outstanding: construction of ramps, drainages and aprons.
	Chiengi	Mwabu Basic School	180,000,000	5,030,000	159,078,400	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been completed and cracks had manifested on the floors.
	Samfya	Miloke Basic School	180,000,000	9,788,000	117,223,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been roofed with the following works still outstanding: flooring, painting, construction of drainages and ramps.
		Katola Basic School	180,000,000	19,704,000	150,715,500	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010, revealed that the classroom block had been completed, cracks had developed on the floors and aprons.
Copperbelt	Kitwe	Misenga Basic School	159,833,333	9,800,000	150,031,938	Construction of 1*3 CRB	Although K180,000,000 was allocated to the school, the DEBS office released a total amount of K159,833,333 for the construction of a 1x3 classroom block, contrary to the NIF guidelines. A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had been roofed with the following works still outstanding: plastering, floor screed, glazing, painting, fitting of doors and shelves and construction of spoon drains

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
		Nsansa Basic School	159,833,333	11,100,000	147,946,696	Construction of 1*3 CRB	Although K180,000,000 was allocated to the school, the DEBS office released a total amount of K159,833,333 for the construction of a 1x3 classroom block, contrary to the NIF guidelines. A physical inspection of the project carried out in October 2010, revealed that the 1 x3 classroom block had been roofed with the following works still outstanding; fitting of window frames, doors and shelves, plastering, floor screed, painting and construction of spoon drains.
		Mwansa Basic School	159,833,333	5,000,000	141,433,333	Construction of 1*3 CRB	Although K180,000,000 was allocated to the school, the DEBS office released a total amount of K159,833,333 for the construction of a 1x3 classroom block at the school contrary to the NIF guidelines. A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had reached gable level with the rest of the works still outstanding.
		Mapalo Basic School	159,833,333	9,400,000	141,244,608	Construction of 1*3 CRB	Although K180,000,000 was allocated to the school, the DEBS office released a total amount of K159,833,333 for the construction of a 1x3 classroom block at the school contrary to the NIF guidelines. A physical inspection of the project carried out in October 2010, revealed that the 1x3 classroom block had been roofed with the following works still outstanding; painting, floor screed, fitting of shelves, door and window frames, construction of drainages and beam filling.
		Lupili Basic School	159,833,333	-	154,420,702	Construction of 1*3 CRB	Although K180,000,000 was allocated to the school, the DEBS office released a total amount of K159,833,333 for the construction of a 1x3 classroom block, contrary to the NIF guidelines. A physical inspection of the project carried out in October 2010, revealed that classroom block had reached gable level with the rest of the works still outstanding.
		Twafweni Basic School	180,000,000	12,500,000	163,669,786	Construction of 1*3 CRB	A physical inspection of the project carried out in May 2010, revealed that the 1x3classroom block had been roofed and plastered with the following works outstanding; painting, glazing, construction of spoon drains, fitting of doors and shelves.
		Riverside Basic School	180,000,000	12,200,000	144,857,786	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010 revealed that classroom block had been roofed and plastered with the following works still outstanding; construction of drainages, glazing and fitting of doors and shelves.
		Kapoto Basic School	180,000,000	13,411,000	165,742,420	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010 revealed that classroom block had been roofed with the following works still outstanding; fitting of doors, glazing and painting.
		Lufwanyama Basic School	180,000,000	12,556,000	147,444,000	Construction of 1*3 CRB	Although the classroom block had reached roof level, the workmanship was poor in that the ring beam was thicker than the bricks used. It was further observed that the type of the burnt bricks used were not of the same size. A physical inspection of the project carried out in October 2010 revealed that the classroom block had been roofed and the following works are outstanding; glazing, painting, construction of spoon drains, fitting of doors and shelves, with the rest of the works outstanding.
		Kansoka Middle Basic School	180,000,000	9,988,000	158,012,200	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010 revealed that the classroom block had been roofed, framed and plastered with the following works outstanding; construction of spoon drain, floor screed, painting, glazing and fitting of doors and shelves.
		Twatota Middle Basic School	180,000,000	5,200,000	152,175,286	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010 revealed that the classroom block was at gable level with the rest of the works outstanding.

Province	District	Station	Amount Received K	Amount Paid to Contractor K	Amount Spent on Materials K	Scope of Works	Remarks
		Kamene Central Basic School	180,000,000	13,356,000	165,380,719	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010 revealed that the classroom block had been roofed with doors and window frames fitted while plastering was in progress. The outstanding works include painting, glazing, construction of spoon drain, floor screed and fitting of doors and shelves.
		Chobe Basic School	180,000,000	13,600,000	95,354,926	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010 revealed that the classroom block had been roofed, plastered, with most of the works done while painting was in progress. The outstanding work is the construction of spoon drain.
	Ndola	Twatema Basic School	180,000,000	The total amount spent on the project could not be ascertained due to non availability of documents.		Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010 revealed that the classroom block has been roofed with the following works still outstanding; painting, glazing, construction of spoon drains and fitting of doors and shelves.
		Ndola Main Basic School	180,000,000	11,088,000	123,912,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010 revealed that the classroom block has been roofed and plastered with the following works still outstanding; rough casting, painting, glazing and fitting of doors.
	Luanshya	Mansansa West Basic School	180,000,000	5,292,000	169,049,520	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010 revealed that the classroom block had been roofed and door and window frames fixed with the following works have not been done; painting, glazing, construction of verandah floor screed and fitting of doors and shelves.
		Kalulu basic School	180,000,000	20,592,000	154,463,000	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010 revealed that the classroom block had been roofed and plastered with the following works still outstanding; fitting of doors and shelves, glazing, construction of spoon drain and painting.
		Kamirenda Basic School	180,000,000	15,792,000	171,125,692	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010 revealed that the classroom block had been roofed and the outstanding works are; glazing, fitting a grill door, construction of spoon drain and fitting of doors
		Maposa Basic School	180,000,000	15,080,000	163,722,922	Construction of 1*3 CRB	A physical inspection of the project carried out in October 2010 revealed that the classroom block had been roofed and plastered with the following works still outstanding; floor screed, glazing, fitting of doors and shelves, painting, construction of spoon drain and fitting of one grill door.

Head: 80/ Ministry of Education
08 Regional Headquarters – Lusaka

Programme: Various

Activity: Various

51. In the Estimates of Revenue and Expenditure for the year ended 31st December 2009, a total budget provision of K717,307,056 was made to cater for various activities out of which K341,938,403 was released leaving a balance of K375,368,653.

In addition, the department received other funds in amounts totalling K3,393,021,542, bringing the total available funds to K3,734,959,945 as shown in the table below;

Funding Details	Amount K
Book procurement	1,401,432,000
Infrastructure	920,256,742
UNICEF	144,836,800
Other funds	926,496,000
Total	3,393,021,542

Accounting Irregularities

An examination of accounting and other records maintained at Lusaka Provincial Education Office carried out in April 2010 revealed the following:

a. Unretired Imprest

Contrary to Financial Regulation No. 96 (1), imprests in amounts totalling K170,990,192 issued to fourteen (14) officers during the period January to December 2009 had not been retired as of December 2010.

b. Misapplication of Funds

Contrary to the Appropriations Act of 2009, amounts totalling K50,229,976 meant for payment of leave terminals, commutation and long service bonus were applied on unrelated activities such as settling of phone bills, motor vehicle insurance, repairs of motor vehicles and procurement of office equipment.

c. Non – Remittance of Pay As You Earn Deductions

Contrary to the Income Tax Act, amounts totalling K102,147,684 deducted as Pay As You Earn (PAYE) in 2009 from officers in three (3) districts namely; Chongwe (K17,906,887), Kafue (K42,207,272) and Luangwa (K42,033,525) DEBS offices, were not remitted to Zambia Revenue Authority (ZRA) as of October 2010.

d. Procurement of Books for High Schools

In January 2009, Provincial Education Office received funds in amounts totalling K1,401,432,000 and disbursed these to various high schools in the province for procurement of textbooks.

A scrutiny of accounting records at eight (8) selected high schools which received K662,784,400, revealed that K394,306,800 was spent leaving a balance of K268,477,200 as of April 2010 as shown in the table below;

High School	Amount Funded K	Amount Spent K	Balance K
Chongwe	83,337,600	83,334,600	3,000
Mukamambo	30,643,200	28,447,000	2,196,200
Parklands	69,880,000	58,258,000	11,622,000
Chilenje	45,187,200	0	45,187,200
Olympia	50,204,800	0	50,204,800
Kamulanga	75,494,400	42,284,300	33,210,100
Libala	137,094,400	79,646,000	57,448,400
Arakan	170,942,400	159,165,500	11,776,900
Total	662,784,000	394,306,800	268,477,200

It was further observed that, out of K83,334,600 spent by Chongwe High School, K56,828,600 was misapplied on unrelated activities. As of December 2010, amounts totalling K268,477,200 were still available in the schools.

Head:	80/	Ministry of Education
	24	Regional Headquarters – Western Province
	25	Basic Schools
	26	High Schools
	27	Teacher Education
Programmes:		Personal Emoluments
Activities:		Various

52. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009, provisions of K115,142,782,024 and K146,360,424,873 were made respectively to cater for Personal Emoluments in the province, against which amounts totalling K123,831,483,143 in 2008 and K151,911,338,778 in 2009 were released. In addition, amounts totalling K2,909,150,000 in 2008 and K3,983,440,000 in 2009 were received to cater for housing allowances and fixed band housing allowances as shown below:

Year	Personal Emoluments	Housing Allowances	Fixed band Housing Allowances	Total K
2008	123,831,483,143	2,909,150,000	-	126,740,633,143
2009	151,911,338,778	-	3,983,440,000	155,894,778,778
Total				282,635,411,921

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Provincial Education Office carried out in July 2010 revealed the following:

a. Unvouched Expenditure

i. Unsupported Payment Vouchers

Contrary to Financial Regulation No. 45, payment vouchers in amounts totalling K14,916,620,884 (K10,510,263,928 in 2008 and K4,406,356,956 in 2009) involving one hundred and thirty one (131) transactions were not supported with relevant documentation such as schedules, acquittal sheets and receipts.

ii. Missing Payment Vouchers

Contrary to Financial Regulation No.65, forty six (46) payment vouchers in amounts totalling K2,603,432,709 (K2,547,762,583 in 2008 and K55,670,126 in 2009) in respect of leave terminal benefits, long service bonus among others, were not availed for audit as of December 2010.

b. Misapplication of Funds

Contrary to the Appropriation Act of 2009, amounts totalling K414,669,558 were applied on activities not related to personal emoluments such as workshops, sports activities, servicing of motor vehicles, university tuition fees and hotel accommodation among others.

c. Unretired Imprest

Contrary to Financial Regulation No. 96, imprests in amounts totalling K17,777,626 issued to three (3) officers at Senanga DEBS (K9,424,098), Sesheke DEBS (K5,700,000) and Kalabo DEBS (K2,653,528) meant for payment of salaries and housing allowances for teachers had not been retired as of November 2010. It was therefore not clear as to whether the imprest had been used for the intended purpose.

d. Double Payments of Long Service Bonus

During the period from February to August 2008, the Provincial Education Office paid seven (7) officers long service bonus totalling K48,398,520. However, it was observed that other amounts totalling K46,174,040 were also paid to the same officers resulting in double payments.

In his response dated 26th August 2010, the Provincial Education Officer stated that the affected officers had been asked to refund excess funds paid to them failure to which recoveries could be effected from their salaries and repatriation payments.

However, as of December 2010, the officers had not refunded the amounts and the recoveries had not commenced.

e. Non Remittance of Tax

- i.** Tax in amounts totalling K555,741,714 in respect of commuted leave and terminal benefits among others, deducted during the period from August to December 2008 had not been remitted to Zambia Revenue Authority (ZRA) as of December 2010.

- ii.** Although tax in amounts totalling K132,240,105 in respect of leave terminal benefits were deducted during the period from May to November 2009, only amounts totalling K47,352,234 had been remitted to the Zambia Revenue Authority leaving a balance of K84,887,870. As of December 2010, the balance had not been remitted ZRA.

Head: 80/30 Ministry of Education – High Schools – Eastern Province

Unit: Various

Programmes: Various

Activity: Various

53. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2008 and 2009, provisions of K31,812,392,119 and K39,206,309,845 were made respectively under General Administration to cater for various programmes and activities at High Schools in Eastern Province.

In 2008 and 2009, seven (7) Boarding High Schools received grants in amounts totalling K1,142,063,475 and K749,033,285 respectively as shown below:

	NAME OF HIGH SCHOOL	GRANTS RECEIVED K	
		2008	2009
1	Lundazi Boarding	164,728,304	107,189,849
2	Petauke Boarding	273,231,444	163,669,647
3	Chadiza Boarding	184,684,269	147,098,559
4	Kafumbwe Boarding	109,700,828	51,764,744
5	Katete Boarding	109,700,828	51,764,744
6	Nyimba Boarding	165,310,749	160,041,622
7	Mambwe Boarding	134,705,045	67,502,111
	Total	1,142,061,467	749,033,285

In addition, each of the schools had generated funds through user fees and Parents and Teachers Association (PTA) activities.

Accounting Irregularities

An examination of accounting and other records maintained at the schools carried out in April 2010 revealed the following:

a. Lundazi Boarding High School

i. Use of Private Printed Receipt Books

Contrary to Financial Regulation No.100(1), which states that receipt forms shall be obtainable from the Strong Room Superintendent at the Ministry responsible for finance, it was observed that during the period under review, a total amount of K2,588,010,400 in respect of boarding and user fees was collected using eighty eight (88) privately printed receipt books.

It was further observed that out of the total amount of K2,588,010,400 collected, K2,583,303,140 was banked resulting in an under banking of K4,707,260.

ii. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K6,110,000 issued to two (2) officers in March and August 2008 had not been retired as of December 2010.

iii. Failure to Follow Tender Procedures

During the period March 2008 to September 2009, various items costing K255,547,500 were purchased without obtaining three (3) competitive quotations, contrary to procurement guidelines.

iv. Irregularities in the Purchase of a Minibus

In November 2007, the school engaged Kazonga Enterprises to purchase and deliver a second hand bus from Japan at a total cost of K97,000,000. The amount included clearance and handling fees of K2,400,000. Although the bus was delivered the following irregularities were observed:

▪ **Failure to Follow Tender Procedures**

There was no tender authority obtained from the Provincial Tender Committee to purchase the minibus contrary to procurement guidelines.

▪ **Irregular Claim for Clearance and Handling Fees**

Although an amount of K2,400,000 was paid to the supplier in January 2008, as cost of clearance and handling fees, it was observed that the headmaster who had accompanied the supplier to bring the minibus from Dar es Salaam was also paid K5,375,000 (US\$2,500) as handling and clearing fees for the same bus in May 2008.

▪ **Questionable Payment**

In January 2008, the school paid an amount of K50,000,000 to a PTA member which was purported to have been borrowed by the school to finalise the payment for the purchase of the bus. However, there was no documentation to show how the school got into the arrangement.

▪ **Failure to Reimburse Funds**

In December 2008, the Head Teachers Association borrowed the school minibus for use during the school Inter - Provincial ball games in Kasama. Whilst en-route to Kasama, the bus developed a fault and was taken to Hazida

Motors for repairs, for which a total amount of K40,154,226 was paid by the school in January 2009. According to the agreement between the school and the Head Teachers Association, the Association was to refund the amount of K40,154,226 to the school. However, as of August 2010, the funds had not been reimbursed.

b. Petauke Boarding High School

i. Use of Private Printed Receipt Books

Contrary to Financial Regulation No.100(1), it was observed that during the period under review, a total amount of K1,615,973,500 in respect of boarding and user fees was collected using fifteen (15) privately printed receipt books.

ii. Stores Items Without Receipt and Disposal Details

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of various stores items costing K234,229,700 purchased during the period under review.

iii. Payment of Tuition Fees for Members of Staff Without Approval

According to the sponsorship/scholarship policy of the Ministry of Education, teachers who wish to go for further studies could be sponsored by High School Education Boards but their study leave should be approved by the Provincial Education Office (PEO) prior to sponsorship. It was however observed that between January 2008 and September 2009, the school paid a total amount of K16,553,500 to the University of Zambia on behalf of three (3) teachers without approval from the PEO.

iv. Under Banking of School Fees

During the period under review, a total amount of K2,142,602,100 was collected in respect boarding and user fees out of which K1,771,836,194 was banked resulting into an under banking of K370,765,906.

Although it was explained that the under banking was as a result of funds spent before banking, only expenditure details for K345,644,690 were availed for audit, leaving a balance of K25,121,216 unaccounted for.

c. Chadiza Boarding Secondary School

i. Use of Private Printed Receipt Books

Contrary to Financial Regulation No.100(1), it was observed that during the period under review, a total amount of K607,258,000 in respect of boarding and user fees was collected using nine (9) privately printed receipt books.

ii. Failure to Follow Tender Procedures

Contrary to procurement guidelines, in October 2008, the school purchased a second hand minibus costing K105,000,00 without authority from the Provincial Tender Committee.

d. Kafumbwe Boarding High School - Failure to Obtain Competitive Quotations

Contrary to procurement guidelines, four (4) items costing K36,106,000 were purchased without obtaining competitive quotations.

e. Katete Boarding High School - Failure to Obtain Competitive Quotations

Contrary to Procurement Guidelines, various items costing K40,255,000 were purchased without obtaining three (3) competitive quotations.

f. Nyimba Boarding High School - Under Banking of Fees

During the period under review, a total amount of K1,760,316,500 was collected in respect of boarding and user fees out of which K1,692,309,240 was banked resulting into an under banking of K68,007,260.

g. Mambwe Boarding High School - Unsupported Payments

Contrary to Financial Regulation No. 52, there were eleven (11) payments in amounts totalling K28,102,000 made during the period April to December 2008 which had no supporting documents such as invoices, receipts, local purchase orders, among others.

Head:	85/	Ministry of Lands
	01	Human Resource and Administration
	02	Lands and Deeds Department
	03	Lands Department
	04	Survey department
Unit:		Various
Programmes:		Various
Activities:		Various

54. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K34,107,228,442 was made to cater for various activities at the Ministry, against which K35,461,362,892 was released.

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Ministry carried in September 2010 revealed the following:

a. Inadequately Supported Payments

Contrary to Financial Regulation No.45, there were fifty-four (54) payment vouchers in amounts totalling K1,295,129,308 which were inadequately supported by documents such as invoices, receipts and acquittal sheets.

b. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprests in amounts totalling K1,441,954,260 issued to twenty-four (24) officers during the period under review had not been retired as of November 2010.

c. Irregular payments

Contrary to Circular No. B.3 of 2005 which provides for meal allowance to resident students at universities and colleges at the rate of K10,000 per day, the Ministry irregularly paid a sum of K26,560,000 to three (3) officers who were attending various courses at the rate of K145,000 per day for days ranging from 6 to 48 days.

It was also observed that the Ministry had paid tuition fees and exam fees to two (2) officers in the sum of K19,517,000 as opposed to paying the tuition and exam providers. As of December 2010, there were no receipts to support the payments.

d. Contract for Aerial Photography Service Provision

In September 2009, the Ministry paid Photomap International amounts totalling K384,699,000 for the provision of aerial photograph services.

According to the quotation, the Ministry was to pay in two installments, 50% upon receiving the order and the remaining 50% upon delivery. It was however observed that contrary to the payment conditions, the Ministry paid 100% upfront. However, as of December 2010, the service had not been provided.

Head:	89	Ministry of Agriculture and Cooperatives
Units:		Various
Programmes:		Various
Activities:		Various

55. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K77,783,705,793 was made to cater for various activities at the Ministry Headquarters and seven (7) other departments, against which amounts totalling K78,138,614,607 were released resulting in an over funding of K354,908,814 as shown in the table below:

Head	Department	Budget K	Funding K	(Under)/over Funding K
89/1	Headquarters	12,552,981,713	11,280,863,014	(1,272,118,699)
89/2	HRA	5,986,090,229	5,311,734,790	(674,355,439)
89/3	Policy & Planning	14,797,539,349	13,830,899,135	(966,640,214)
89/4	Agriculture	15,058,459,592	14,824,586,767	(233,872,825)
89/6	Veterinary	19,918,672,680	24,259,217,333	4,340,544,653
89/9	Agribusiness	2,401,575,350	1,999,975,798	(401,599,552)
89/10	Cooperatives	1,882,507,752	1,793,373,210	(89,134,542)
89/12	NAIS	5,185,879,128	4,837,964,560	(347,914,568)
Total		77,783,705,793	78,138,614,607	354,908,814

Accounting and Other Irregularities

An examination of accounting and other records maintained by the Ministry Headquarters carried out in August 2010 revealed the following:

a. Unvouched Expenditure

Contrary to Financial Regulation No. 45, there were two hundred and thirty-eight (238) payments in amounts totalling K1,116,573,577 that were unvouched in that the payment vouchers were either missing, unacquitted, or inadequately supported by receipts, LPOs, among others.

b. Unretired Imprest

Contrary to Financial Regulation No. 96, imprests in amounts totalling K723,900,695 issued to fifty five (55) officers during the period under review had not been retired as of December 2010.

c. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K1,004,861,377 procured during the period under review.

d. Unremitted Tax

During the period under review, amounts totalling K5,831,306,365 were deducted from the officers' salaries as PAYE, out of which K3,858,702,271 was remitted to Zambia Revenue Authority (ZRA) leaving a balance of K1,558,953,261.

e. Recovery of Loans

A total amount of K1,395,817,300 was paid to two hundred and forty two (242) officers as loans during the period under review. However, as of December 2010, there was no evidence that recoveries had been effected.

f. Officers with Deductions More than the Gross Pay

Contrary to Public Service Management Division Circular No. B.19 of 2007, which states that the net pay after deductions should not be less than 40% of the basic salary, a total of K241,561,000 was paid in respect of loans and advances to fifty two (52) officers whose net pays were negative. It was therefore not clear how the loans and advances were being serviced.

Head:	90	Office of the President–Lusaka Province
Unit:	1	Human Resource and Administration
Programme:	1	Personal Emoluments
Activity:	01	Salaries Division I
	02	Salaries Division II
	03	Salaries Division III
	04	Wages
	05	Other Emoluments

56. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K12,268,355,353 was made for personal emoluments, against which K13,471,898,337 was released resulting in an excess funding of K1,203,542,984 which was not supported by supplementary provision.

Accounting Irregularities

An examination of accounting and other records carried out in March 2010 revealed the following:

a. Missing Payment Vouchers

Contrary to Financial Regulation No. 65 (1), fourteen (14) payment vouchers in amounts totalling K182,912,198 were not availed for audit as of December 2010.

b. Unsupported Payments

Contrary to Financial Regulation No. 45 (1), fifty seven (57) payment vouchers in amounts totalling K481,123,145 made for payments of salaries and other third party payments during the period under review lacked supporting documents such as salary schedules and acquittal sheets.

c. Misapplication of Funds

Contrary to the Appropriation Act of 2009, amounts totalling K146,056,116 were applied on activities not related to personal emoluments (PEs) such as imprest, salary advances, purchase of coffins and funeral grants.

d. Unremitted Third Party Payments

Contrary to Financial Regulation No.75 which stipulates that Ministries, Provinces and Spending Agencies shall ensure that third party payments are made in full and cheques distributed to the beneficiaries on a monthly basis, amounts totalling K39,034,047 owed to third parties for the period from January to July 2009 had not been remitted to the beneficiaries as of October 2010.

e. Non Remittance of Tax

Contrary to Income Tax Act, Pay As You Earn (PAYE) in amounts totalling K111,135,476 comprising deductions from payments of long service bonus and commutation of leave days had not been remitted to Zambia Revenue Authority (ZRA) as of October 2010.

Head:	90	Office of the President – Lusaka Province
Department:		Various
Programme:		Various
Activity:		Various

57. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K16,447,919,423 was made against which a total of K13,461,717,737 was released.

Accounting and Other Irregularities

An examination of accounting and other records carried out in March 2010 revealed the following:

a. Missing Payment Vouchers

Contrary to Financial Regulation No. 65 (1), forty-seven (47) payment vouchers in amounts totalling K253,553,634 were not produced for audit.

b. Inadequately Supported Payments

Contrary to Financial Regulation No. 52, one hundred and thirty six (136) payments in amounts totalling K356,610,848 were inadequately supported by relevant documents such as receipts, competitive quotations, purchase orders and invoices among others.

c. Unretired Imprest

Contrary to Financial Regulation No. 96, imprests in amounts totalling K253,133,801 issued to fifty four (54) officers had not been retired as of December 2010.

d. Misapplication of funds

In 2009, the Provincial Administration was funded K137,500,000 towards the dismantling of rental arrears amounting to K474,764,400 owed to Bank of Zambia. The arrears were in respect of office rentals accrued for using old BOZ building between January 2004 and December 2005.

It was however observed that no payments were made towards the dismantling of rental arrears and the whole amount was applied on payment of meal allowances and tuition fees.

e. Unaccounted for stores

Contrary to Public Stores Regulation No. 16, stores items and fuel costing K751,621,805 (stores items-K489,973,728, fuel-K261,648,077) procured during the period under review had no receipt and disposal details.

f. Undelivered Stores Items-Chongwe District

Building materials costing K36,159,999 procured from Light Steel Roof Company in December 2009 had not been delivered as of December 2010.

Head: 93 Office of the President, Northern Province-Headquarters

Programme: 2 General Administration

Activities: Various

58. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K12,296,478,657 was made to cater for Recurrent Departmental Charges (RDCs) against which K11,005,242,764 was released resulting in an under funding of K1,291,235,893.

Accounting Irregularities

An examination of accounting and other records maintained at Provincial Administration carried out in February 2010 revealed weaknesses in internal controls in that there were cases of misapplication of funds, irregular payments, unretired imprest, failure to reconcile the account, unaccounted for stores, among other issues. In particular, the following were observed:

a. Misapplication of Funds

Amounts totalling K687,927,196 released for settling of outstanding bills were applied on unrelated activities in that there were irregularly transferred to the General Deposit and Poverty Reduction (PRP) bank accounts as refunds to the borrowings made to finance administrative operations in 2008. Consequently, outstanding bills for 2008 in amounts

totalling K687,927,196 had not been settled as of December 2010.

b. Irregular Payment of Fuel Allowance

In paragraph 78 (a) of the Auditor General's Report on the accounts for the financial year ended 31st December 2008, mention was made of an irregular payment of a total amount of K34,027,160 as fuel allowances to the Acting Deputy Permanent Secretary though he was not entitled.

In their Fifth Report for the Fourth Session of the National Assembly, the Public Accounts Committee (PAC) recommended that the practice be stopped and that sanctions be applied on the officers concerned.

A review of the records for the financial year ending 31st December 2009 revealed that the Acting Deputy Permanent Secretary further received a total amount of K23,351,040 as fuel allowances during the year under review.

As of December 2010, a total amount of K57,378,200 comprising K34,027,160 for 2008 and K23,351,040 for 2009 had not been recovered from the officer.

c. Unsupported Payments

Contrary to Financial Regulation No. 52, nineteen (19) payment vouchers in amounts totalling K72,740,184 were not supported by the relevant documents such as invoices, receipts and delivery notes, among others.

d. Unaccounted for Funds

A total provision of K1,019,696,450 was made for the procurement of motor vehicles and a total amount of K1,017,696,450 was released.

Out of the funds released, a total amount of K838,950,000 was spent on the procurement of seven (7) motor vehicles while K18,588,086 was in the bank as at 31st December 2009. The balance of K160,158,364 was not accounted for.

e. Imprest

Contrary to Financial Regulation No.96(1), imprest in amounts totalling K281,785,233 involving fifty one (51) transactions issued to twenty eight (28) officers had not been retired as of December 2010.

It was further observed that additional imprests amounting to K198,529,570 were issued to six (6) officers who had not retired previous imprests issued to them, contrary to Financial Regulation No.91(1).

f. Unaccounted for Stores and Other Items

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of tyres bought and other non stores items such as mealie meal and blankets all costing K115,370,000 procured in October 2009. It was not clear why mealie meal and blankets were procured as part of stores items.

It was also observed that this irregular purchase was done by the Senior Executive Officer who was paid imprests in amounts totalling K115,370,000 (K30,000,000 on 9th October 2009 and K85,370,000 on 27th October 2009).

g. Unaccounted for Fuel

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details for fuel and lubricants costing K297,525,397 in that fuel coupon books and registers were not maintained.

It was therefore difficult to ascertain how the fuel was utilised and accounted for.

h. Questionable Fuel Drawings

During the period under review, fuel costing K58,244,651 was drawn and used on vehicles that did not belong to Provincial Administration Office.

Head: 93/52 Office of the President - Northern Province-District Administration

Programme: 2 General Administration

Activities: 01 Office Administration

02 Supervision and monitoring

03 Procurement of motor vehicles

04 Senior Citizens and Veterans Affairs

59. A total provision of K2,078,432,170 was made in the Estimates of Revenue and Expenditure for the year ended 31st December 2009 to cater for Offices of District Commissioners under General Administration and the whole amount was released.

Accounting and Other Irregularities

An examination of accounting and other records relating to the management of RDC Accounts in five (05) districts namely; Kasama, Mpika, Chinsali, Nakonde and Luwingu revealed weaknesses in internal controls in that there were lack of segregation of duties, supervision and monitoring of district accounting personnel by Provincial Administration. Consequently, records were not updated, procurement procedures were not followed, accounts were not reconciled, imprest was not retired and stores records were poorly maintained. In particular the following were observed:

a. Kasama District Commissioner's Office

The Office received K153,676,148 to cater for general administration. A review of the relevant records maintained at the District Commissioner's Office revealed the following weaknesses:

i. Lack of Segregation of Duties

There was lack of segregation of duties in that the Administrative Officer was manning both the accounts and stores offices. Further, contrary to Financial Regulation No.138, the RDC account was not reconciled during the period under review.

ii. Unsupported Payments

Payments amounting to K7,647,000 involving five (5) transactions were not supported by relevant documents such as invoices, goods received notes and delivery notes contrary to Financial Regulation No.52.

iii. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items costing K3,183,000 procured during the period from April to June 2009.

iv. Unretired Imprest

Contrary to Financial Regulation No.96(1), imprest in amounts totalling K34,980,000 issued to two (2) officers during the period under review had not been retired as of December 2010.

b. Mpika District Commissioner's Office

During the financial year ended 31st December 2009, the Office of the Permanent Secretary disbursed a total of K132,758,406 to Mpika District Administration. A review of records maintained at DC's office revealed the following:

i. Unvouched Expenditure

Payments in amounts totalling K55,329,267 involving sixty-one (61) transactions were unvouched in that the payment vouchers were either missing (K3,217,200) or unsupported (K52,112,067) contrary to Financial Regulations No.65(1) and 52.

ii. Lack of Segregation of Duties

There was lack of segregation of duties in that the Administrative Officer was manning both the accounts and stores offices.

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 K34,627,427 procured during the period under review.

iv. Imprest

▪ **Failure to Update the Imprest Register**

It was observed that the register was not regularly updated in that all the imprest issued to officers during the period under review amounting to K105,997,153 involving eighty-five (85) transactions were not recorded.

▪ **Unretired Imprest**

A scrutiny of primary imprest records revealed that out of the total imprest K105,997,153, imprest in amounts totalling K52,050,293 issued to various officers had not been retired as of December 2010, Contrary to Financial Regulation No. 96.

Further, imprest in amounts totalling K27,813,270 were issued to three (3) officers who had not retired previous imprests contrary to Financial Regulation No.91 (1 and 2).

v. Failure to Produce Supervision and Monitoring Reports

During the year under review, amounts totalling K6,445,000 were paid to thirteen (13) officers to enable them conduct monitoring and inspections of projects. However, it was observed that monitoring reports were not produced for audit making it not possible to ascertain whether the activities were actually undertaken.

c. Nakonde District Commissioner's Office

During the financial year ended 31st December 2009, Nakonde District Commissioner received a total amount of K134,628,585 to cater for general administration .

A review of 2009 accounting and other records maintained at the DC's office revealed the following:

i. Unsupported Payments

Payments amounting to K16,717,376 involving thirty three (33) transactions were not supported by relevant documents such as invoices, goods received notes and delivery notes contrary to Financial Regulation No.45(2).

ii. Lack of Segregation of Duties

There was lack of segregation of duties in that the Accounts Officer was manning both the accounts and stores units.

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 K18,408,175 procured during the period under review.

iv. Unretired Imprest

Contrary to Financial Regulation No.96(1), imprest in amounts totalling K4,273,000 issued to four (4) officers had not been retired as of December 2010.

d. Luwingu District Commissioner's Office

The Luwingu District Commissioner received a total amount of K89,639,081 to cater for General administration.

The following were observed:

i. Lack of Segregation of Duties

It was observed that during the period under review, the accounting unit was manned by an office orderly who was also manning the stores office. In addition to the lack of segregation of duties, the competence of such a lowly qualified officer to manage funds totalling K89,639,081 was questionable.

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 K16,187,656 procured during the period under review.

iii. Unsupported Payments

Payments amounting to K41,012,000 involving thirty six (36) transactions were not supported by relevant documents such as invoices, goods received and delivery notes, contrary to Financial Regulation No.52.

iv. Unretired Imprest

Contrary to Financial Regulation No.96, imprest in amounts totalling K2,850,000 issued to two (2) officers during the period from August to September 2009 had not been retired as of December 2010.

Head: 94 Office of The President –Western Province
Programme: 2 General Administration
Activities: Various

60. During the financial years ended 31st December 2008 and 2009, the Provincial Administration had a total provision of K23,468,880,128 to cater for Recurrent Departmental Charges (RDCs) against which a total amount of K22,288,290,078 was released as shown in the table below:

Year	Budget K	Releases K	Variance K
2008	11,288,646,846	10,799,988,491	488,658,355
2009	12,180,233,282	11,488,301,587	691,931,695
Total	23,468,880,128	22,288,290,078	1,180,590,050

Accounting Irregularities

An examination of accounting and other records maintained at the Provincial Administration carried out in March 2010 revealed the following:

a. Unsupported Payments

Contrary to Financial Regulation No.45, payments in amounts totalling K423,857,062 (K154,857,234 in 2008 and K268,999,827 in 2009) were not supported with relevant documents such as cash sale receipts, invoices, competitive quotations, bills and contract documents.

b. Missing Payment Vouchers

Contrary to Financial Regulation No. 65(1), sixteen (16) payment vouchers in amounts totalling K168,336,915 were not produced for audit as of October 2010.

Included in the sixteen (16) payment vouchers, were three (3) payments in amounts totalling K72,930,000 which were issued as imprest to two (2) officers to enable them carry out official duties in the Districts.

However, test checks of records and confirmation with the respective districts revealed that the officers did not actually travel to the districts and in this regard the imprest was irregularly paid and therefore recoverable.

c. Misapplication of Funds

- i.** Funds in amounts totalling K2,024,737,667 meant for RDCs in 2008 were irregularly transferred to PRP (K2,013,397,307) and General Deposit Accounts (K11,340,360) as reimbursements for funds misapplied in 2007 under the two (2) accounts.
- ii.** Funds in amounts totalling K282,254,986 meant for RDCs in 2009 were irregularly transferred to General Deposit Accounts as reimbursements for funds borrowed in 2007.
- iii.** Funds in amounts totalling K29,240,000 meant for other activities were in April 2009 misapplied on the payment of an outstanding arrear from 2008 in respect of the purchase of thirty four (34) men's suits which were bought for the heads of department for the funeral of the late President Mwanawasa. However, the rationale behind the purchase of suits was not satisfactorily explained since all expenses related to the presidential funeral were met by Cabinet Office in Lusaka.
- iv.** Out of a total provision of K12,180,233,282, amount totalling K6,224,881,039 were made for twenty two (22) departments to cater for General Administration. However, a scrutiny of the ledgers and cash flow registers disclosed that, although amounts totalling K5,450,495,397 had been released, only K4,530,554,310 was released by the Provincial Administration to the twenty two (22) departments while the balance amounting to K1,019,146,099 was utilised at the Provincial Administration. Consequently, planned activities in the affected departments could not be undertaken.

d. Irregular Payments

i. Payment of Insurance Cover for Private Motor Vehicles

In January 2008, the Provincial Administration paid K18,000,000 to the Zambia State Insurance Corporation (ZISC) as insurance cover for ten (10) motor vehicles for the District Commissioners' offices covering the period January to June 2008. It was however observed that the payment included K2,650,530 which related to insurance cover for 3 Mitsubishi Colt vehicles, (GRZ 282BP, GRZ338BP & GRZ302BP) which were sold to the respective District Commissioners for Kaoma, Lukulu and Mongu in November 2007.

ii. Payment for Accommodation - Kuomboka Ceremony

In April 2009, a payment of K16,500,000 was made to Hollywood Motel to settle an outstanding bill in respect of accommodation for visitors who attended the Kuomboka Ceremony in 2008. However, a scrutiny of records revealed that the payment was made without a supporting list of names of the actual guests that were lodged at the motel.

iii. Payment for the Servicing of Computers

Amounts totalling K48,650,000 were paid to two (2) local suppliers for the servicing of computers at the Provincial Accounting Control Unit. It was however, observed that there was no documentation to indicate the works done.

e. Irregularities in the Payment and Retirement of Imprest

i. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K1,458,821,657 (K585,328,617 for 2008 and K873,493,039 for 2009) issued to various officers had not been retired as of December 2010.

ii. Questionable Payment of Imprest

- The Provincial Administration irregularly paid subsistence allowances and imprest in amounts totalling K15,425,000 to five (5) officers to enable them travel to their respective constituencies to vote in the 2008 Presidential by elections.

- During the period July to December 2008, the former Acting Principal Accountant and an Assistant Accountant were paid imprest in amounts totalling K42,317,500 to enable them travel to Livingstone for the submission of old documents and making consultations on the packaging materials for some records that were previously submitted to the National Archives of Zambia as shown in the table below:

Payee	Cheq. No	Date	Amount K
Acting Principal Accountant	063379	25.07.08	15,000,000
Acting Principal Accountant	061993	28.10.08	10,217,500
Assistant Accountant	063451	16.12.08	17,100,000
Total			42,317,500

It was however, not clear why such large amounts of imprest were issued to the officers for only submitting old documents and making consultations at the National Archives.

iii. Irregular Retirement of Imprest

- The former Permanent Secretary was paid accountable imprest in amounts totalling K87,989,500 during the period from January to September 2009 for trips to Lusaka.

According to the retirement details made available for audit, a total amount of K46,670,000 was spent on accommodation and meals at two (2) lodges. However, there were no bills attached to support the retirement as of October 2010.

Further, inquiries with one of the lodges revealed that the officer had requested for and was given with blank receipts making the retirement questionable.

- The former Acting Principal Accountant was issued with accountable imprests totalling K19,331,000 between March and August 2009 to enable him travel to Lusaka for a workshop and follow up on his transfer at the Ministry of Finance and National Planning.

According to the retirement details made available for audit, a total amount of K16,855,000 was spent on accommodation and meals at a lodge in Lusaka. However, confirmation with the lodge concerned revealed that the receipts were not issued by the lodge.

As of October 2010, no action had been taken against the officer.

f. Failure to Produce Supervision and Monitoring Reports

During the year under review, amounts totalling K11,935,000 were paid to two (2) officers to enable them conduct monitoring and inspections of projects. However, it was observed that monitoring reports were not produced for audit making it not possible to ascertain whether the activities were actually undertaken.

g. Unaccounted for Stores

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of stores items costing K675,761,150 (K163,806,925 in 2008 and K511,954,225 in 2009) purchased during the period under review.

h. Weaknesses in Fuel Usage

During the period from February 2008 to October 2009, the Provincial Administration made payments in amounts totalling K3,571,678,331 to BP Mongu Service Station for fuel and lubricants drawn by the various departments.

A scrutiny of fuel requisitions, invoices and other records for departments revealed weaknesses in control over use of fuel. In particular the following were observed:

i. Fuel Drawn by Unidentified Vehicles

There were 5,213.71 litres of petrol and 5,581.25 litres of diesel costing K77,027,345 (K40,287,905 for 2008 and K36,739,441 for 2009) drawn from government fuel accounts without indicating details of the vehicle registration numbers. In this regard, it was not possible to ascertain how the fuel was utilised.

ii. Drawing of Both Diesel and Petrol by One Vehicle

Officers from various departments made questionable drawings of fuel costing K168,186,516 (2,179.10 litres petrol and 5,916.18 litres diesel costing K65,465,292 for 2008 and 5,776.11 litres petrol and 9,575.51 litres diesel costing K102,721,225 in 2009) in that, a requisition voucher for one vehicle indicated both petrol and diesel.

iii. Petrol Drawn by Diesel Propelled Vehicles

Fourteen thousand six hundred and sixty one (14,661.35) litres of petrol costing K100,910,581 were drawn by various departments in 2008 and 2009. A scrutiny of requisitions and invoices however, revealed that the vehicles indicated on the requisitions were actually diesel propelled. In this regard, the authenticity of the drawings was questionable.

iv. Unauthorised Fuel Drawing by GRZ Vehicles not belonging to Provincial Administration.

During the period under review, officers from the Provincial Administration drew fuel costing K42,655,082 purportedly for several Government vehicles not belonging to the Provincial Administration without authority from the Controlling Officer.

v. Fuel Drawn by Non Runner Vehicles

During the period under review, 7,612.63 litres of petrol costing K64,557,732 were purportedly drawn by five (5) non runner vehicles. It was therefore not clear how the fuel was utilised.

vi. Questionable Fuel Drawings

- During the period from January to August 2008, sixteen (16) officers from various departments drew 2,626.34 litres of petrol and 20 litres of diesel costing K22,284,774 purportedly to be used on a government speed boat. According to the existing arrangement, the speed boat can only move during special occasions and on instructions from the Permanent Secretary. However, no written authority by the Permanent Secretary was produced to confirm that he had authorised the use of the speed boat.

Included in the same amount was fuel costing K6,668,387 (710.12 litres petrol and 20 litres diesel) drawn from the account maintained by the resettlement department. It was not clear how the resettlement department had to draw fuel for the speed boat when resettlement schemes were concentrated in areas reachable only by road.

- During the period from February 2008 to January 2009, four (4) officers from the Resettlement Department and another officer from the Provincial Accounting Control Unit (PACU) drew a total of 910 litres of petrol costing K7,580,989 purportedly for vehicle registration numbers GRZ 302BP and GRZ 282BP from fuel accounts maintained by the respective departments. However, a review of the register of government vehicles and further inquiries made revealed that the two (2) vehicles were sold in November 2007.

Enquiries with the current owners of the vehicles revealed that they never released the vehicles for use on any government activity during the year under review.

Head: 94 Office of the President – Western Province
Programme: General Deposit Account
Activities: Various

61. The Provincial Administration maintains a General Deposit Account into which third party funds are deposited. The funding to the account includes amounts that various departments under Provincial Administration receive from their respective ministries' headquarters for specific purposes.

During the financial years ended 31st December 2008 and 2009 a total amount of K3,662,728,307 (K2,013,364,126 for 2008 and K1,649,364,181 for 2009) was received for various activities such as wages for chiefs' retainers, facilitation of presidential visits in the province and reconstruction of the Sesheke District Forestry Office Block among others.

Irregularities in the Administration of the General Deposit Account

An examination of accounting and other related records maintained at Provincial Administration carried out in February 2010 revealed the following:

a. Missing Payment Vouchers

Contrary to Financial Regulation No.65(1), two (2) payment vouchers in amounts totalling K33,075,000 were not produced for audit as of October 2010. It was therefore not possible to establish the purpose for which the payments were made.

b. Inadequately Supported Payments

Contrary to Financial Regulation No.45(2), four (4) payments in amounts totalling K26,560,103 were not adequately supported with relevant documentation such as invoices and receipts.

c. Unretired Imprest

Contrary to Financial Regulation No. 96, imprests in amounts totalling K775,662,394 issued to thirty five (35) officers during the years 2008 and 2009 had not been retired as of December 2010.

Included in the unretired imprest, was an amount of K8,050,000 issued to the cashier as accountable imprest to facilitate payment for servicing of a motor vehicle (GRZ 888 BX) belonging to the Provincial Accounting Control Unit (PACU) at an unnamed garage in Lusaka. The basis on which the imprest of K8,050,000 was issued to the cashier could not be ascertained as there were no invoices/bills from the garage.

Head:	94/01	Office of the President – Western Province - Headquarters
Unit:	1	Provincial Administration
Programme:	12	Rehabilitation and Construction of Schools
Activity:	01	Procurement of Materials and Services

62. In the Estimates of Revenue and Expenditure for the year ended 31st December 2009, a provision of K300,000,000 was made to cater for the procurement of school requisites for all the basic schools in the province and the whole amount was released. In addition, the

programme had funds from the previous year amounting to K62,716,032 bringing the total funds available for the activity to K362,716,032.

Undistributed Educational Materials

An examination of pertinent records maintained at Provincial Accounting Control Unit (PACU) carried out in February 2010 revealed that, in April 2009 Provincial Administration procured education materials meant for distribution to basic schools at a cost of K265,000,000. Due to lack of records, it was not possible to ascertain how the balance of K97,716,032 was utilised.

Further, although the materials were delivered on 14th April 2009, as of June 2010, the materials were still in a store room at Provincial Procurement and Supplies Unit, fourteen (14) months after the delivery, thereby depriving the schools of the required materials.

Head: 94/01 Office of the President –Western Province-Headquarters

Units: Various

Programme: Revolving Fund Account

Activities: Various

63. In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2007 to 2009, a total provision of K2,786,400,000 was made to cater for loans and salary advances against which a total amount of K3,518,315,123 was transferred from the RDC account to the Revolving Fund Account. In addition, recoveries amounting to K752,376,983 were made and amounts totalling K22,495,708 were brought forward from the previous years, bringing total funds available for the three (3) years to K4,293,187,814 as detailed below:

Year	Provision	Transfers	Recoveries	B/Forward	Total Funds
2007	1,203,590,000	1,418,396,167	154,047,589	9,279,869	1,581,723,625
2008	985,810,000	913,600,000	298,391,716	3,514,071	1,215,505,787
2009	597,000,000	1,186,318,956	299,937,678	9,701,768	1,495,958,402
Total	2,786,400,000	3,518,315,123	752,376,983	22,495,708	4,293,187,814

Irregularities in the Payment and Recoveries of Loans and Advances

An examination of accounting and other records maintained at the Provincial Accounting Control Unit (PACU) carried out in February 2010, revealed lack of control in the payment of loans and advances in that in certain cases recoveries were not effected while in some cases officers whose take home pay was less than 40% of their gross pay were paid loans and advances contrary to the Terms and Conditions of Service. In particular, the following were observed:

a. Loans

Contrary to the Terms and Conditions of Service, recoveries in respect of loans amounting to K1,773,657,195 paid to one hundred and sixteen (116) officers during the period from January 2007 to December 2009 had not been effected as of October 2010. Included in the K1,773,657,195 was an amount of K477,530,000 paid to officers who had since had since left the Administration.

It was further observed that out of the one hundred and sixteen (116) officers who were paid loans, twenty (20) officers had take home pays which were less than 40% of their gross.

b. Salary Advances

Recoveries in respect of salary advances in amounts totalling K224,223,333 paid to one hundred and eighteen (118) officers during the period January 2007 and December 2009 had not been effected as of October 2010.

c. Unrecovered Advances Against Housing Allowances

Amounts totalling K4,000,000 paid in 2008 to four (4) officers as advances against housing allowances had not been recovered as of October 2010.

Head:	94/01	Office of the President –Western Province
Programmes:	8	Improvement to Health Services (PRP)
	11	Mongu Township Electrification (PRP)
Activities:	01	Construction of Health Posts
	01	Installation of Township Street Lights

64. During the financial years ended 31st December 2005 to 2009, total provisions of K4,177,664,996 were made in the Estimates of Revenue and Expenditure against which total amounts of K2,575,664,996 were released. The funds were for the construction of health posts and installation of township street lights.

Non Operational Health Posts and Misapplication Of Funds

An examination of payment records, tender documents and other pertinent records including site visits made in March 2010 revealed the following:

a. Construction of Health Posts

During the period from 2005 to 2009, the Provincial Administration constructed twenty three (23) health posts at a total cost of K3,742,055,111. It was observed however that although the health posts had been completed and handed over to the Districts Health offices, a verification carried out in October 2010 revealed that they were not operational. Details are in the table below:

District	Health Post	Year of completion
Mongu	Namengo	2006
	Nasange	2006
	Ikabako	2006
	Sibongo	2006
Lukulu	Lukau	2008
	Kawaya	2008
	Kasheke	2008
	Lubosi	2008
	Lwanchuma	2008
	Nyala	2005
	Matala	2006
	Namayula	2005
Kaoma	Mulwa	2006
	Kabilamwandi	2007
Sesheke	Lumbe	2006
	Mulauli	2007
	Situlu	2006
	Senjamba	2007
Senanga	Liangati	2008
	Lui	2005
	Mapungu	2008
Shangombo	Liabango	2006
	Siwelewele	2006

Enquiries with the District health offices revealed that the health posts were not operational due to lack of equipment, staff and water.

b. Misapplication of Funds Meant for Installation of Street Lights

Although the project to implement street lighting in Mongu was completed in 2008, the Provincial Administration budgeted K200,000,000 for the same project in 2009. However, contrary to the Appropriation Act of 2009, the funds were applied on unrelated activities such as travel expenses on foreign trips, training, NCC meetings and parliamentary business among others.

Head	94/07	Office of the President – Western Province-Rural Roads
Unit	01	Rural Roads
Programme	07	Road Rehabilitations (Feeder Roads)
Activity	01	Grading of Feeder Roads

65. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K2,000,000,000 was made to cater for the grading of feeder roads under Poverty Reduction Programmes (PRPs) and the whole amount was released.

Irregularities in Accounting for PRP Funds

An examination of pertinent records maintained at the Provincial Administration carried out in February 2010 revealed weaknesses in accounting for funds and in particular the following were observed:

a. Misappropriation of Funds

Amounts totalling K433,124,178 were misappropriated by twenty-eight (28) officers at the Provincial Accounting Control Unit and the Rural Roads Unit (RRU) during the period under review as shown in the table below:

No.	Type of Misappropriation	Amount K
1	Payments authorised by use of forged signatures	246,994,444
2	Subsistence allowance for trips not undertaken	40,791,667
3	Payments to ghost workers	17,325,000
4	Payments authorised by a retired officer for trips not undertaken	24,685,000
5	Payments of subsistence allowance authorised by the Senior Human Resource Officer for trips not undertaken	12,375,000
6	Double claims of subsistence allowances	1,995,000
7	Purported payments of wages to casual workers	45,960,000
8	Purported payments of imprest for Road condition survey	42,998,067
		433,124,178

b. Missing Payment Vouchers

Contrary to Financial Regulation No.65(1), eight (8) payment vouchers in amounts totalling K52,232,000 were not produced for audit. The vouchers were in respect of payment of imprest (K34,457,000), subsistence allowance (K9,625,000) and purchase of stationery (K8,150,000).

c. Payments of Wages

i. Missing Acquittal Sheets

Two (2) payments in amounts totalling K22,060,000 in respect of wages for casual workers that had participated in various projects were made to a roads officer in December 2009 and March 2010. However it was observed that, the payments were not supported with acquittal sheets.

ii. Failure to Sign Contracts

There were no contracts signed between the Rural Road Unit and the casual workers that were engaged on the projects undertaken by the Unit during the year under review. Consequently, a total amount of K86,405,000 paid to casual workers was questionable.

d. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K173,280,569 issued to ten (10) officers during the year under review had not been retired as of December 2010.

e. Undelivered Stores Items

During the period July to September 2009, the RRU paid a total amount of K11,850,000 to three (3) suppliers to supply stationery. However, as of November 2010, the items had not been supplied and no refund had been obtained from the suppliers.

f. Site Inspections

During the period under review, ten (10) road projects were done, out of which six (6) were inspected. The following were the observations:

i. Lukulu-Mbanga Road

The Provincial Rural Roads Unit targeted to construct and rehabilitate a stretch of 10km of the 38km road at an estimated cost of K230,055,640. The projected duration of the works was sixty (60) days and works commenced on 5th July 2009 and ended on 5th September 2009. The works involved gravelling, opening of side drains and formation of the road to camber. However the following were observed:

- Although the cost estimates for the project was K230,055,640, it was not possible to ascertain the actual total expenditure incurred on the works due to poor record keeping at RRU.
- Although works on the project were completed on 5th September, 2009, the site attendant issued 1,356 litres of Diesel costing K8,331,264 for operations on 6th September, 2009 and 7th September, 2009 without proper explanation.
- Fuel costing K59,177,456 issued to the site by main stores had no receipt and disposal details.

ii. Namushakende-Nalikwanda Road

The Unit targeted to construct and rehabilitate a stretch of 33km of the 60km road at an estimated cost of K1,312,316,720. The projected duration of the works was ninety (90) days and works commenced on 24th November, 2008 and ended on 6th February 2009. The works involved spot-improvement which also involved gravelling, light and heavy grading and construction of mitre drains on both sides of the road. However, due to poor record keeping, it was not possible to verify the utilisation of fuel costing K204,790,054 purportedly used on the project.

iii. Sesheke – Kalongola Road

The Rural Roads Unit targeted to construct and rehabilitate a stretch of 10km of the 195km road at an estimated cost of K132,919,000. The projected duration of the works was thirty (30) days and works commenced on 6th October 2009 and ended on 5th November 2009. The works involved spot-

improvement which also involved gravelling, opening of side drains, cutting of mitre drains and formation of the road to camber.

A physical inspection carried out in March 2010 revealed that although the works were completed on schedule, parts of the road were damaged. *See picture below.*



*Part of the poorly done 10km stretch
on the Kalongola – Sesheke Road*

iv. Senanga-Liangati Feeder Road

The Unit targeted to construct and rehabilitate the entire 4.5km stretch of road at an estimated cost of K384,253,120. The projected duration of the works was sixty (60) days and the works commenced on 22nd June 2009 and ended on 31st August 2009. The works involved removing of overburden debris and stumps, dumping and leveling of gravel, watering and compacting, opening of side drains and vegetation control.

A scrutiny of records revealed that the works had been completed. However, the receipt and disposal details for fuel worth K112,268,791 issued to the site by main stores were missing in the fuel site book thus making it difficult to ascertain how the fuel was accounted for.

v. Kalabo-Sihole Road

During the period from September to November 2009, fuel and lubricants costing K28,616,640 were drawn by vehicles and other equipment purportedly for use on the Kalabo-Sihole road project. However, enquiries with the

officers at RRU revealed that the Project was not in the plan for 2009 and was not implemented.

Head:	94/42	Office of the President – Western Province
		Resettlement Department
Unit:	1	Resettlement Unit
Programme:	7	Infrastructure Development
Activity:	5	Infrastructure Demarcation in Resettlement Areas

In paragraphs 83 and 84 of the Auditor General's report on the accounts for the financial year ended 31 December, 2008, mention was made of the irregularities in accounting for the PRP funds for Infrastructure development. In particular, mention was made of irregular issuance and questionable retirement of imprest.

A review of accounting and other records maintained at Provincial Administration for the financial year ended 31st December 2009 revealed that the situation had not improved in that imprest had continued not being accounted for.

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K1,010,000,000 was made to cater for infrastructure development in the resettlement areas and the whole amount was released.

Irregularities in Accounting for PRP Funds

An examination of accounting and other records maintained at Provincial Administration and physical inspections carried out in March 2010 revealed the following:

a. Unaccounted for Funds

Out of a total amount of K1,010,000,000 budgeted for and released for the programme, expenditure of K945,512,004 was incurred leaving a balance of K64,487,996. A scrutiny of the bank statements for the Poverty Reduction Programme (PRP) account revealed that as at 31st December 2009, there was only K2,104,494 in the account. The difference of K62,383,502 was not supported by expenditure records and was therefore unaccounted for.

b. Misapplication of Funds

Contrary to the Appropriation Act of 2009, out of the total expenditure of K945,512,004, amounts totalling K335,045,508 appropriated for infrastructure development in resettlement areas were applied on purchase of a motor vehicle, motor cycles and training.

c. Questionable Payments

- i. In March 2009, the Provincial Administration paid K25,000,000 to a local transporter, for services purportedly rendered to the Department of Resettlement.

However, there were no details of the services rendered and the payment voucher was not produced for audit.

- ii. In January 2009, the Chief Technical Officer was issued with imprest of K9,950,000 to facilitate Crop Forecasting exercise in Kalumwange Resettlement for (10) nights.

However, enquiries with the Scheme Advisor revealed that the officer did not undertake the trip and therefore the imprest issued to the officer was recoverable.

- iii. In February 2009, the Scheme Manager at the province was issued with imprest of K17,840,000 to facilitate payment of wages to twenty three (23) casual workers purported to have been involved in the demarcation and access road clearing exercise in Shambalamina Resettlement Scheme from 28th October to 30th November, 2008.

The payment was however, questionable in that according to the Acting Senior Land Husbandry Officer from the Ministry of Agriculture who led the team involved in the demarcation and access road clearing exercise in Shambalamina Resettlement Scheme, the work was undertaken once in 2008 from 26th September to 8th October 2008 and that all the persons involved were paid in full. The imprest had not been retired as of December 2010.

- iv. A driver claimed and was paid subsistence allowance and lunch allowance totalling K4,450,000 in April 2009 for purportedly having travelled to Kalumwange for sixteen (16) nights from 2nd to 18th January, 2009.

The payment was however questionable in that the actual purpose of the trip and the details of officers he purported to have taken to Kalumwange could not be ascertained.

- v. In April 2009, three (3) officers (Scheme Manager, Chief Technical Officer and Technical Officer) and a driver claimed and were paid subsistence and lunch allowances in amounts totalling K18,480,000 for six (6) nights (25th–31st December 2008) and for ten (10) nights (13th - 23rd January 2009).

The payments were intended for travelling to Lombelombe in Kaoma to assess the possibility of extending Lombelombe Resettlement Scheme and for plot repossession exercise.

However, enquiries revealed that the officers did not undertake the trip and therefore the imprest issued was recoverable.

- vi. On 30th April 2009, an amount of K12,500,000 was purportedly made to Colour Combinations, a Lusaka based supplier, on cheque No. 004412 for the purchase of fifty (50) branded golf T-shirts and fifty (50) caps at unit prices of K200,000 and K50,000 respectively for participants at the annual review workshop held in Mongu under the Resettlement Department.

However, enquiries made with the proprietor of the company revealed that the company had never sold golf T-shirts and caps at unit prices of K200,000 and K50,000 respectively. In addition, the proprietor could neither confirm nor deny the receipt of the K12,500,000.

d. Questionable Retirement of Imprest

- i. The Scheme Manager was issued with imprest of K42,551,200 in April 2009 to facilitate plot demarcation in Shambalamina Resettlement Scheme for twenty (20) nights as shown below:

	Number of Nights	Rate K	Total K
4 Officers	20	285,000	22,800,000
1 ZANA Officer	20	285,000	5,700,000
1 driver	20	275,000	5,500,000
Fuel-300l per week			5,529,600
Fuel for travel			921,600
Fuel (petrol for generator)			2,100,000
Total			42,551,200

According to the retirement details, the exercise took place from 5th to 25th April, 2009, for twenty (20) nights and the following were the retirement details:

Retirement Details	Amount K
Subsistence allowance	33,450,000
Tyre mending	550,000
Fuel	7,629,600
Unaccounted for	921,600
Total	42,551,200

It was however observed that the details on both fuel cash sale receipts and cash sale receipt for tyre mending and carrier welding were written by the Scheme Manager. Therefore, the retirement details for the K42,551,200 was questionable.

- ii. The Scheme Manager for the province was issued with imprest of K43,472,800 on 30th April 2009 to facilitate plot demarcations in Shambalamina Resettlement Scheme for twenty (20) nights as shown below:

	Number of Nights	Rate K	Total K
4 Officers	20	285,000	22,800,000
1 Zawa Officer	20	285,000	5,700,000
1 driver	20	275,000	5,500,000
Fuel- 300lrs/weeks x4 weeks x 6144ltr			7,372,800
Fuel for generator 2 x 50 ltrs x 3 @K7000			2,100,000
Total			43,472,800

The retirement details indicated that the exercise took place from 26th April to 16th May 2009 (20 nights) and that an amount of K34,000,000 was paid as subsistence allowances for five (5) officers and a driver and K9,492,800 on fuel (1,228.8 litres diesel and 334.9 litres petrol) on cash sale receipt No.16933 dated 26th April 2009.

It was however, observed that the cash sale receipt No. 16933 dated 26th April 2009 for fuel costing K9,472,800 was written by the Scheme Manager and that the driver's signature on the claim form (Accounts Form 44 A) was not genuine as he denied ever signing the form. Further, enquiries revealed that officers did not actually undertake the trip and no payments were made to them. In this regard, the retirement details of K43,472,800 were questionable.

- iii. The Scheme Advisor was issued with imprest of K11,100,000 on 8th May 2009, to facilitate for the payment of subsistence allowances to a station handyman and watchmen at Kalumwange Resettlement Scheme who purportedly worked on the demarcation and reopening of outer boundaries of phase II from 7th to 17th April 2009 (10 nights) .

It was observed that the wage sheet was not acquitted and that all the claim forms (Accounts form 44 A) were filled in and signed as claimant by the Scheme Advisor.

e. Unretired Imprest

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

It was however observed that contrary to the Regulation, imprest in amounts totalling K206,714,000 involving eighteen (18) transactions issued to eleven (11) officers during the year under review had not been retired as of March 2010.

f. Wasteful Expenditure

The Shambalamina Resettlement Scheme in Kaoma district was acquired by the Department of Resettlement in 2008 from the Litoya Royal Establishment. On 24th July 2009 the Royal Establishment wrote a letter to the Provincial Lands Resettlement Officer informing him that the Resettlement Scheme had been repossessed as the land had been gazetted as a game management area.

However, according to the statutory instrument No.43 of 2007 the piece of land was declared a game management area on 21st June 2009. As of 24th July 2009 the

Department of Resettlement had spent amounts totalling K228,277,280 on the scheme. The expenditure incurred was therefore a waste of public funds.

g. Completion of Construction of a Clinic

i. Failure to prepare Bill of Quantities

A total amount of K169,744,898 involving eight (8) transactions was spent between January and November 2009 on the procurement of building materials, transportation and payment of wages as shown below:

Payee	Cheque No	Date	Amount K	Details
Besh M.Chinene	004258	09.01.09	18,044,000	Wages for casual wokers
Florence Manjari H/ware&Gen dealers	004340	02.04.09	7,103,898	Purchase of building materials
Florence Manjari H/ware & Gen Dealers	004355	07.04.09	3,500,000	Transportation of b/materials
Mataba Pitsawer	004466	15.05.09	39,044,000	Purchase of building materials
Bismack Mulima Wamulume	004685	17.08.09	25,025,000	Wages for casual workers
Papama Hardware and General Dealers	004838	23.09.09	45,178,000	Purchase of building materials
Besh M.Chinene	004753	08.09.09	1,680,000	Excess nights spent while paying casual workers
Mbanga Kaluwe	004882	05.11.09	30,170,000	wages to Construction workers at Lunyati Clinic
			169,744,898	

However, it was observed that there was no bill of quantities and the construction works were not certified by the Provincial Building Engineer. In the absence of the bill of quantities and stage completion certificates the basis of expenditure of K169,74,898 incurred was questionable.

ii. Unverified Building Materials

Contrary to Public Stores Regulation No. 16, Stores records for building materials costing K91,375,898 for a clinic at Kalumwange Resettlement Scheme were not availed for audit.

iii. Physical Inspection of the Project

A physical inspection of the project in March 2010 revealed that fixing of the window catchers and painting of the fascia boards on the clinic block, maternity block and general ward and two staff houses had not been done, two VIP double toilets for staff houses had been constructed but flooring, plastering external walls

and painting had not been done. Two staff houses were still at foundation level, one double toilet VIP for patients was at slab level while on the other one only a pit had been dug and construction of the staff toilet had not commenced.

Head:	95	Office of the President – Eastern Province
Unit:	01	Headquarters
Programme:	1	Personal Emoluments
Activities:	01	Salaries Division I
	02	Salaries Division II
	03	Salaries Division III
	04	Wages
	05	Other Emoluments

66. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K12,553,595,051 was made to cater for personal emoluments at the Provincial Administration against which amounts totalling K12,561,729,602 were released.

Weaknesses in Accounting for Salaries

An examination of accounting and other related records maintained at the Provincial Administration carried out in February 2010 revealed the following:

a. Payment of Salaries to Deceased Officers

According to Section 35(f) of the Terms and Conditions of Service for the Public Service, a responsible officer shall terminate the payment of salary upon the death of an officer. However, contrary to the Terms and Conditions of Service for the Public Service, seven (7) officers who died between 2002 and 2009 were still being paid their monthly salaries. In this regard, between January 2009 and February 2010, amounts totalling K87,614,086 were paid to the seven (7) deceased officers.

b. Payment of Salaries to Officers who Stopped Reporting for Work

In 2007, the Ministry of Energy and Water Development was restructured. It was however observed two (2) officers who did not take up their appointments were still drawing full salaries. In this regard, as of February 2010, amounts totalling K83,419,714 were drawn by the officers.

Head:	96	Office of the President – Luapula Province
Unit:	1	Provincial Administration
Programme:	2	General Administration
Activities:		Various

67. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K8,240,638,750 was made to cater for general administration against which amounts totalling K7,905,610,841 were released.

Accounting and Other Irregularities

An examination of the accounting and other records maintained at the provincial administration carried out in January 2010 revealed the following:

a. Unvouched Expenditure

Contrary to Financial Regulations No. 45 and 52, there were one hundred and thirty nine (139) payments in amounts totalling K557,486,340 which were unvouched in that payment vouchers were either missing (55) or unsupported (84) with relevant documentation such as receipts, invoices, acquittal sheets, among others.

b. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprests in amounts totalling K1,835,838,573 issued to two hundred and fifty two (252) officers during the period under review had not been retired as of December 2010.

c. Purchase of a Generator

In September 2009, the Provincial Administration procured a 30KV Diesel Generator at a cost of K69,800,000 without following procedures in that no tender authority was obtained.

In addition, although the generator was procured in September 2009, as of November 2010, it was not being utilised and was unsecured. *See picture below:*



Unutilised Generator

d. Stores

i. Lack of Receipt and Disposal Details

Contrary to Public Stores Regulation No.16, stores items and fuel costing K470,659,261 procured during the period under review had no receipt and disposal details.

ii. Undelivered Office Equipment

During the period from March to June 2009, four (4) payments in amounts totalling K18,932,645 were made to purchase three (3) laptops, computer accessories and one (1) digital camera. However, as of October 2010, the items had not been delivered.

e. District Commissioners' Offices

Amounts totalling K872,161,253 were released to cater for General Administration activities at the seven (7) District Commissioners' Offices.

An examination of accounting and other records maintained at the District Administration Offices revealed cases of missing or unsupported payment vouchers, unretired imprest and unaccounted for stores as shown in the table below:

District	Missing Vouchers		Unretired Imprest		Unsupported Payments		Unaccounted for Stores K
	Number	Amount K	Number	Amount K	Number	Amount K	
Mansa	1	9,181,796	-	-	2	6,319,046.93	-
Kawambwa	-	-	2	3,245,000	2	8,171,222.67	10,438,450
Chiengi	-	-	2	45,260,000	-	-	11,406,000
Milenge	-	-	-	-	3	5,400,000.00	7,485,000
Mwense	-	-	11	47,250,000	2	4,100,000.00	32,400,000
Total	1	9,181,796	15	95,755,000	9	23,990,269.60	61,729,450.00

As of December 2010, the issues had not been resolved.

Head: 96/1 Office of the President – Luapula Province -Headquarters

Unit: 1 Provincial Administration

Programme: 10 Tourism Developments – (PRP)

Activities: Various

68. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009 a provision of K666,555,000 was made to cater for Tourism Development out of which K666,550,443 was released as shown below:

Activity	Description	Provision K	Releases K
1	Tourism Marketing	75,000,000	75,000,000
2	Training local Tour Guides	24,000,000	23,999,999
3	Holding Cultural Nights	150,000,000	150,000,000
4	Hosting Luapula Tourism Week	347,000,000	346,994,445
5	Provincial and District Preparations	70,555,000	70,555,999
	Total	666,555,000	666,550,443

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Provincial Administration carried out in January 2010 revealed the following:

a. Non Preparation of a Work Plan

It was observed that the Provincial Administration had not prepared an annual work plan outlining how the planned activities were going to be implemented.

b. Activity 1 – Tourism Marketing

The activity had a provision of K75,000,000 and the funds were released in full and the following were observed:

i. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K37,280,000 issued to five (5) officers had not been retired as of December 2010.

ii. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, procurements costing K19,065,000 had no record of receipt and disposal.

c. Activities 2 to 5

The activities had a total provision of K591,555,000 and the funds were released in full. However the following were observed:

i. Misapplication of Funds/Unaccounted for funds

Out of the K591,555,000 released, K35,510,000 was spent on tourism activities whilst K369,238,500 was misapplied in that it was spent on activities not related to tourism programme such as patching the trunk road from Mansa to Kashikishi (K241,175,000) and traditional ceremonies (K128,063,500) which were funded. The balance of K186,806,500 was not accounted for in that it was neither in the bank nor was there cash on hand.

ii. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K279,128,500 issued to various officers was not retired as of December 2010.

**Head: 96/03 Office of the President-Luapula Province-
Rural Roads Unit**

Unit: 1 Human Resource and Administration

Programme: 7 Road Infrastructure

Activity: Various

69. In the Estimates of Revenue and Expenditure for the year ended 31st December 2009, a provision of K1,828,245,000 was made for Road Rehabilitation Programme in the province against which K1,832,649,450 was released as shown in the table below:

District	Provision K	Released K
Mansa District	327,520,000	573,567,683
Samfya District	145,955,000	145,955,000
Kawambwa District	327,520,000	327,520,000
Chienge District	327,520,000	302,450,282
Milenge District	327,520,000	232,850,030
Mwense District	186,105,000	125,153,227
Nchelenge District	186,105,000	125,153,227
Total	1,828,245,000	1,832,649,449

Weaknesses in the Implementation of Rural Roads Projects

An examination of accounting and other records maintained at Provincial Administration and visits to selected districts carried out in January 2010 revealed the following:

a. Misapplication of Funds

Out of the total of K1,832,649,450 released for rural roads, only K802,202,420 was used on rural roads in the approved work plan . The K1,014,072,181 was used on unplanned road works.

The balance of K16,374,849 was transferred from Capital to the RDCs account without authority from the Secretary to the Treasury.

Consequently, out of the twenty (20) roads planned for, only five (5) were done.

b. Undelivered Culverts

In October 2009, the Rural Roads Unit procured 30 x 900mm concrete culverts from a local supplier at a sum of K36,000,000 for the construction of Chabilikila- Nachondwa embankment in Nchelenge District.

It was however revealed that, out of the expected thirty (30) culverts, only twenty (20) were delivered. In addition, out of the twenty (20) delivered, only six (6) were used. An inspection of the fourteen (14) culverts which were not used carried out in February 2010 revealed that only five (5) were in good condition while nine (9) had cracks.

c. Unretired Imprest

Contrary to Financial Regulation No.96, imprest in amounts totalling K410,526,660 issued to fifty (50) officers under the Road Rehabilitation Programme had not been retired as of December 2010. The amounts outstanding in imprest is far more than the amounts that were released for Samfya (K145,955,000), Mwense (K125,153,227) and Nchelenge (K125,153,227).

Head: 96/09 Office of the President-Luapula Province-Buildings Department

Unit: 1 Human Resources and Administration

Programme: 7 Maintenance of VIP Houses

8 Maintenance and Rehabilitation of Government Buildings

9 Construction of Government Infrastructure

Activities: Various

70. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a provision of K1,709,111,339 was made to cater for Maintenance of VIP Houses (K250,000,000), Rehabilitation of Government Buildings (K399,111,339) and Construction of Government Infrastructure (K1,060,000,000) against which K573,820,720 was released as shown below:

Programme	Budget K	Released K	Balance K
Maintenance of VIP Houses	250,000,000	250,000,000	-
Maintenance and Rehabilitation of Government Buildings	399,111,339	213,820,720	185,290,619
Construction of Government Infrastructure	1,060,000,000	110,000,000	950,000,000
Total	1,709,111,339	573,820,720	1,135,290,619

Accounting and Other Irregularities

An examination of accounting and other records maintained at the Provincial Administration and Buildings Departments carried out in January 2010 revealed the following:

a. Non Utilisation of Funds

Although K130,000,000 was released in May 2009 for the completion of the wall fence (K30,000,000) and rehabilitation of the house (K100,000,000) at the official residence of the provincial minister, no works had commenced as of October 2010.

b. Lack of Receipt and Disposal Details

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details for building materials costing K116,547,600 procured for the rehabilitation works at the residences of the District Commissioner and Permanent Secretary.

c. Construction of Government Infrastructure

i. Non Release of Funds

A provision of K1,060,000,000 was made for the construction of government infrastructure against which K110,000,000 was released leaving a balance of K950,000,000 as shown in the table below:

Activity	Budget K	Released K	Balance K
Construction of Nchelenge Community Development offices	50,000,000	50,000,000	-
Construction of Cultural Village in Mansa	150,000,000	-	150,000,000
Construction of Houses in Chienge	400,000,000	-	400,000,000
Construction of Houses in Milenge	400,000,000	-	400,000,000
Construction of Provincial Administration Ablution Block	40,000,000	40,000,000	-
Construction of District Commissioner's Ablution Block	20,000,000	20,000,000	-
Total	1,060,000,000	110,000,000	950,000,000

ii. Construction of Nchelenge Community Development Offices

A provision of K50,000,000 was made for the construction of the community development office and the whole amount was released.

In January 2009, the Provincial Administration engaged Peloc General Dealers and Contractors to construct the foundation box and cast the slab for the community development offices at a contact sum of K49,851,087 for a duration of four (4) weeks commencing 31st January 2009.

Although as of April 2010, the contractor had been paid amounts totalling K47,358,532, the slab had not been cast and the contractor had abandoned the site.

iii. Construction of Provincial Administration Ablution Block-Excess Expenditure

A provision of K40,000,000 was made for the construction of the ablution block and the whole amount was released.

A contract was subsequently awarded to Markford General Works at a contract sum of K48,666,320. The completion date was fixed to end of March 2009. It was observed however that, a total amount of K45,768,165 had been paid to the contractor while K3,605,500 was spent on purchase of materials bringing the total expenditure to K49,373,665. This resulted in excess expenditure of K9,373,665.

Head:	98	Office of the President-Southern Province
Programmes:	1	Personal Emoluments
Activities:	01	Salaries Division 1
	02	Salaries Division 2
	03	Salaries Division 3
	04	Wages
	05	Other Emoluments

71. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2009, a total provision of K15,448,808,120 was made to cater for Personal Emoluments in the Province against which amounts totalling K16,588,206,868 were released resulting in an overfunding of K1,139,398,748.

Weaknesses in Accounting for Personal Emoluments

An examination of accounting and other records maintained at Provincial Administration Office carried out in June 2010 revealed the following:

a. Misapplication of Funds

Contrary to the Appropriation Act of 2009, amounts totalling K411,599,588 were applied on activities not related to Personal Emoluments such as special and accountable

imprest (K225,824,300), statutory allowances for the Minister and Permanent Secretary (K24,646,300), sitting allowances (K2,310,000), administrative expenses (K35,643,129), salary advances (K22,175,859) and household and car loans (K101,000,000). Consequently, eligible payments such as long service bonuses and leave terminal benefits amounting to K1,253,825,251 had not been made and remained outstanding as of 31st December 2009.

b. Irregular Transfers of Funds to the Revolving Fund Account

Records examined in respect of the revolving fund account revealed that between 19th January and 31st December 2009, the Provincial Administration transferred a total amount of K548,437,816 from the salaries account to the revolving fund against the total amount of K156,945,306 which was recovered from loans and advances during the same period. This resulted in an excess transfer of K391,492,509 from the salaries account to the revolving fund account.

c. Non Remittance of Tax

Contrary to the Income Tax Act, Pay As You Earn (PAYE) in amounts totalling K124,093,529, deducted from long service bonuses (K57,806,318), terminal benefits (K18,144,395) and commutation of leave days (K48,142,817), had not been remitted to Zambia Revenue Authority (ZRA) as of October 2010.

d. Inadequately Supported Payments

Contrary to Financial Regulation No.52, payments in amounts totalling K860,062,922 involving seventy-one (71) transactions were inadequately supported with relevant documents such as acquittal sheets and salary schedules.

e. Missing Payment Vouchers

Contrary to Financial Regulation No.65, six (6) payment vouchers in amounts totalling K52,205,709 were not produced for audit as of October 2010.

Head: 98 Office of the President –Southern Province

Programme: Various

Activities: Various

72. In the Estimates of Revenue and Expenditure for the financial year ended 31st December, 2009, a total provisions of K8,018,863,849 was made to cater for General Administration in the province against which amounts totalling K7,181,866,612 were released leaving a balance of K836,997,237.

Accounting Irregularities

An examination of accounting and other related records maintained at the Provincial Administration carried out in February 2010 revealed the following:

a. Unvouched Expenditure

Contrary to Financial Regulations No.45 and 52, forty-two (42) payment vouchers in amounts totalling K116,889,101 raised during the period under review were unvouched in that they were either unsupported or inadequately supported with relevant documents such as quotations, invoices, receipts and acquittal sheets.

Further, six (6) payment vouchers in amounts totalling K12,530,000 made between January and November 2009 were not produced for audit as October 2010 contrary to Financial Regulation No.65(1).

b. Imprest

i. Unretired Imprest

Contrary to Financial Regulation No.96(1), imprests in amounts totalling K1,091,581,704 issued to one hundred and seventy-seven (177) officers during the period under review had not been retired as of October 2010.

Included in the unretired imprest were amounts totalling K180,777,349 which were issued to thirty-two (32) officers to undertake various official trips such as board of survey and monitoring projects. However, no reports or minutes regarding these trips were availed for audit scrutiny. As a result it was difficult to ascertain whether or not the trips were actually undertaken.

ii. Subsequent Imprest

Contrary to Financial Regulation No.91(1) and (2), imprests in amounts totalling K583,068,370 were issued to fifty-eight (58) officers who had not retired previous imprest.

c. Stores Items 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 K372,275,140.

Head: 98/01 Office of the President –Southern Province- Headquarters

Programmes: Various

Activities: Various

73. The General Deposit Account is used to keep funds received by the Provincial Accounting Control Unit (PACU) on behalf of various departments under their charge from parent ministries and departments. The funds are disbursed to the PACU to enable the departments carry out specific activities on behalf of the ministries and spending agencies. Such funds are accompanied by specific instructions on their use and programme and activity codes to be charged. Once spent, PACU was required to submit expenditure returns including progress reports to the Ministries and Spending Agencies. In addition, PACU was supposed to issue receipts and maintain ledgers to record movement of the funds.

For the financial year 2009, amounts totalling K2,090,305,181.83 were deposited into the General Deposit Account. The funds were for various activities such as the Construction of the Border Post (K500,000,000), Presidential visits (K230,845,540), Construction of Maramba Cultural Village (K383,756,824) and Painting Community Buildings (K30,000,000) which were to be under taken in the province during the year under review.

Accounting Irregularities on the General Deposit Account (GDA)

An examination of records pertaining to the General Deposit account maintained at the Provincial Administration Office carried out in March 2010 revealed the following:

a. Failure to Update Ledgers

It was observed that although PACU maintained ledgers, they were not updated. In this regard, it was not possible to verify the movement of the funds.

b. Misapplication of Funds

Amounts totalling K490,946,280 involving one hundred and eighteen (118) transactions were applied on activities not related to the purposes for which the funds were released such as travelling expenses (K18,000,000), statutory allowances (K5,613,200), staff loans (K17,000,000), imprest (K141,868,000), among others. As a result, eligible activities such as construction of Namafulo border post in Sinazongwe, rehabilitation of Community Development offices in Namwala and Siavonga were not done.

c. Unvouched Expenditure

Contrary to Financial Regulations No. 45 and 52, seven (7) payments in amounts totalling K143,051,796 were unvouched in that they were either unsupported or inadequately supported with relevant documents such as quotations, invoices, acquittal sheets among others.

d. Unretired Imprest

Contrary to Financial Regulation No. 96(1), imprest in amounts totalling K392,364,820 issued to thirty-nine (39) officers during the period under review had not been retired as of December 2010.

It was also observed that imprest in amounts totalling K488,264,000 was issued to thirty (30) officers who had outstanding imprest contrary to Financial Regulation No. 91(1) and (2).

**RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE WHICH
HAVE EITHER NOT BEEN IMPLEMENTED OR HAVE BEEN PARTLY
IMPLEMENTED**

74. In 1992, the Public Accounts Committee resolved to appoint a Committee of officials from the Ministry of Finance and Economic Development, National Assembly and Office of the Auditor to deal exclusively with the outstanding issues on a continuous basis.

Since the establishment of the Committee, good progress has been made in clearing of the outstanding issues. Therefore, in order to resolve the outstanding issues on time, there is need for the Controlling Officers to respond promptly to the observations and implement recommendations of the Public Accounts Committee on time.

The Appendix to this Report therefore summarises the status of the unresolved issues as at 31st December 2010 for which necessary remedial action is required. This forms part of the report of the Auditor General for the financial year ended 31st December 2009.

**AUDIT HOUSE
HAILE SELASSIE AVENUE
LUSAKA
31st December 2010**

**ANNA O CHIFUNGULA FCCA, FZICA
AUDITOR GENERAL
REPUBLIC OF ZAMBIA**

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIRST SESSION OF THE EIGHT NATIONAL ASSEMBLY

Report of the Auditor General on the Accounts for the Financial year ended 31st December 1994

Para 30 (40) Management Programme – Fertilizer Purchase – on the Current position on the matter.

Para 54 (64) Irregularities in the purchase and Distribution of mattresses Whether the amount of K30,488,497,000 has since been recovered.

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE SECOND SESSION OF THE EIGHTH NATIONAL ASSEMBLY

Report of the Auditor General on the Accounts for the Financial year ended 31st December 1996

Para 31 (36) Commodity Grant - As to whether the investigations by the task force have since been concluded.

Para 32 (37) 1996 Investment and Debt Management Unit – As to whether Investigations into the matter have been concluded by the Task Force.

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE THIRD SESSION OF THE EIGHTH NATIONAL ASSEMBLY

Report of the Auditor General on the Accounts for the Financial year ended 31st December 1997

Para 62 (56) Debtors - As regards the outcome from the investigations by the Task Force on Corruption

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
FOR THE FIRST SESSION OF THE NINTH NATIONAL ASSEMBLY**

***Report of the Auditor General on the Accounts for the Financial year ended 31st
December 2000***

*Para 53 (64) Accounting irregularities –Progress made on the matters in (i)
and (ii)*

*Para 78 (88) Repairs of the Nalusanga Gate to kaoma Strip – As regards the
advice from the Ministry of Justice on the matter regarding
liquidation of the performance bond..*

*Para 102 (114) Rehabilitation of Chienge – Kaputa Road
As regards the outcome of the court case.*

Para 130 (142) Guarantees – the regards the outcome of the investigations.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
FOR THE THIRD SESSION OF THE NINTH NATIONAL ASSEMBLY**

***Report of the Auditor General on the Accounts for the Financial year ended 31st
December, 2001***

Para 22 (24) Repairs to GRZ 556 BK – On the latest position on the matter.

Para 24 (26) The Trust Restriction Act – on the latest position on the matter.

*Para 30 (32) Non-Deduction and Remittance of withholding Tax – As regards
Progress made on the matter.*

Para 31 (33) Non recovery of Salary advances – On the progress made.

*Para 35 (37) Passages account - as regards the latest position on the
Issues in (f)*

*Para 40 (45) District Education Office – Chipata – As regards progress made
on the matters raised.*

Para 46 (50) District Education Office – Chama - As to whether the amount of K107,201,550.00 has since been recovered.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
FOR THE THIRD SESSION OF THE NINTH NATIONAL ASSEMBLY**

***Report of the Auditor General on the Accounts for the Financial year ended 31st
December, 2002***

Para 19 (23) Accounts – Progress made on the issues raised.

Para 28 (32) Review of Internal Audit Report – As regards the latest position on the matter.

Para 29 (33) Construction of a Boundary Wall fence at the Former Speaker’s Lodge – As regards the outcome of the court case involving the former Clerk of the National Assembly

Para 37 (41) Accounting irregularities – As regards the current position on the matter

Para 39 (43) Properties – As to whether the house at plot 262 Kgali close has been demolished and a new one constructed.

Para 51 (55) Construction and Rehabilitation of Markets - on progress made on the matter.

Para 52 (56) Rehabilitation and Improvements of Lusaka Roads-Progress made on the matter.

Para 52 (62) Misapplication of funds and other Irregularities – progress made on the matters raised.

Para 61 (65) funds of the Institute – Latest position on the matters raised.

Para 85 (94) District Education Office-Lundazi – As to whether the matters raised in the paragraph have been addressed.

Para 110 (120) District Education Office-Kasempa – As to whether the works have since been completed.

Para 128 (138) District Education Office- Mazabuka-As to whether the works on the remaining house have been completed.

Para 130 (142) Guarantees – As regards the latest position on the matter.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
FOR THE FOURTH SESSION OF THE NINTH NATIONAL ASSEMBLY**

***Report of the Auditor General on the Accounts for the Financial year ended 31st
December, 2003***

Para 11 (16) ZRA Revenue Collection - On the progress made on the matters raised (d)

Para 12 (17) Misappropriation of Revenue Collections and other Accounting irregularities – current position on the matters raised.

Para 20 (20) Weakness in Accounting for Mission funds – as to whether the renovations works have been completed and verified.

Para 21 (26) Accounting irregularities – As to whether the Zambian Government has since purchased the building to be used as a Chancery

Para 25 (28) Accounting and other irregularities – current position raised on the matter.

Para 25 (30) Revenue on the sale of Government Pool Houses – whether the matter has been disposed off by the court (e)

Para 27 (32) Accounting irregularities – As regards progress made on the matter raised in (e)

Para 38 (43) Accounting irregularities – current position on the matters raised.

- Para 40 (45) Headquarters
(a) Unretired imprest – As regards progress on the matter and on other raised.*
- Para 41 (46) Kasama District Education Office – Progress made to address the issues raised (c), (ii)*
- Para 45 (50) District Education Office – Luwingu – As regards latest position on the matter raised.*
- Para 48 (53) District Education Office – Luangwa - As regards the latest Position made in addressing the matter raised in (a-c)*
- Para 49 (54) Construction of the District Board Secretary’s Office – Luangwa- As regards progress made on the unaccounted for amount of K49,157,000.00*
- Para 50 (55) District Education Office – Kafue- As regards progress made on the matters raised.*
- Para 55 (60) District Education Office – Chibombo – As regards the latest Position on the items in (a)*
- Para 59 (64) District Education Office – Sesheke – As to whether the reconciliation between the Ministry of Education and Zambia Publishing house concerning the 1,925 books has been done.*
- Para 61 (66) District Education Board – Chama - As to whether the reconciliation on the remaining 6,070 books have been done.*
- Para 62 (67) District Education Board – Mambwe – on the latest position on the matters raised*
- Para 64 (69) District Education Office – Kalulushi – As to whether the construction works have been completed*
- Para 70 (75) District Education Office – Mansa – As regards the latest position on the matters raised in (a) – (c)*

- Para 71 (76) District Office – Samfya – As regards the current position on the construction works.*
- Para 73 (78) Basic Schools – the current position on the matter raised.*
- Para 75 (80) Unretired Imprest K64,709,400.00 – Progress on the matter.*
- Para 76 (81) Unauthorised Loans – As regards the current position on the matter.*
- Para 78 (38) Misapplication of funds and other accounting irregularities-As regards the current position on the matters raised.*
- Para 79 (84) Failure to collect Hire Fees and other Accounting irregularities - As regards the current position on the matter raised*
- Para 80 (85) Accounting irregularities – The current position on the matter raised (a), (e)*
- Para 81 (86) Weakness in the management of Debt Stock – As regards progress made on the matters raised in (ii)*

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIFTH SESSION OF THE NINTH NATIONAL ASSEMBLY

Report of the Auditor General on the Accounts for the Financial year ended 31st December, 2004

- Para 16 (14) Revenue Collections – Lusaka Port Office – AS regards progress in the matter raised (a) i, ii, (d), (e) i, ii.*
- Para 17 (15) Other ports and stations – whether the matters raised in (iv) and (vi) have been resolved.*
- Para 19 (17) Weakness and irregularities in Accounting for Revenue - On the latest position on the matters raised.*
- Para 19 (20) Local Bank Accounts – Regarding the recovery of funds from the Union Bank*

- Para 24 (22) Regarding the outcome of the court case and other matters raised in (a), (b), (c), and (d)*
- Para 20 (18) Provincial and District Offices – Latest position on the matter raised in b, d, e.*
- Para 22 (20) Weakness and Irregularities in Accounting for Revenue – Whether the issues raised have since been addressed..*
- Para 25 (23) Weaknesses in Internal controls and poor Record Keeping – Progress on the matter raised.*
- Para 26 (24) Weaknesses in Procurement of Goods and Services and other Irregularities – Progress on the matter raised.*
- Para 30 (28) Accounting and other irregularities – progress made in resolving the matter raised in (a), (b), (c)*
- Para 32 (30) Unsupported expenditure – on progress made in resolving the matters raised.*
- Para 33 (31) Non-adherence to Tender Procedures – the current position on the matter raised.*
- Para 35 (33) Sector Plan Implementation – As regards the current position on the Unretired imprest.*
- Para 41 (39) Outstanding Loans (K184,253,333.00) – Regarding the latest position on the matter.*
- Para 43 (41) Consideration on Issue Arising from the inspection Tour of Missions Abroad – As regards progress to address the issues raised.*
- Para 45 (45) Rehabilitation of feeder roads Road Rehabilitation – current position on the matter raised.*

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
FOR THE FIRST SESSION OF TENTH NATIONAL ASSEMBLY**

***Report of the Auditor General on the Accounts for the Financial year ended 31st December
2005***

Para 9 (9) Revenue Collections – ZRA – As regards progress on matters raised.

Para 10 (10) Accounting irregularities - current position as the matter raised

Para 13 (13) Weaknesses and irregularities in Accounting for revenue

Para 14 (14) Weakness and irregularities in Accounting for Revenue – Progress made in resolving the outstanding matters raised

Para 15 (15) Irregularities in Accounting for Rental Collection – Progress made on the matter raised

Para 20 (20) Irregularities in Accounting for weigh Bridge Charges- Kafulafuta – As to whether the amount of K446,187,000.00 has since been reimbursed.

Para 22 (22) Weaknesses in the administration of Personal emoluments and other irregularities – As to whether the Controlling Officer has reported progress in matters raised in (a) and (j)

Para 24 (24) Accounting and other irregularities – Regarding progress made on the matters raised.

Para 28 (28) Weaknesses in Accounting for Special Imprest and other irregularities – Regarding the latest position on the matters raised

Para 33 (33) Accounting and other irregularities- Regarding the current position on the matters raised.

- Para 34 (34) Accounting and other irregularities – As to whether the matters raised in (b) have been addressed..*
- Para 36 (36) Accounting and other irregularities – As regards progress on the cases reported to Zambia Police and other matters.*
- Para 37 (37) Government Communication Flights-As regards progress made on the matters raised.*
- Para 38 (38) Delays in the completion of the Zambia Transport Information system (ZAMTIS) project – As regards progress on the matter*
- Para 40 (40) Weakness in Accounting for Sector Plan Support Funds – As regards progress on the construction works and the current position on the other matters raised.*
- Para 41 (41) Provincial Offices – Current position on the matters raised*
- Para 44 (44) Weakness in Control Over Bank Accounts- As regards the latest position on the matters raised.*
- Para 45 (45) Rehabilitation of feeder roads – As regards the latest position on the matters raised.*
- Para 46 (46) Failure to implement Poverty Reduction and other Irregularities- On the progress made in order to address the matters raised in (a) and (b)*
- Para 47 (47) Wasteful expenditure and other irregularities – As regards the Current position on the matters raised.*
- Para 51 (51) Misappropriation of Personal Emoluments and other irregularities regarding the current position on the matters raised in (e)*
- Para 52 (52) Accounting and other irregularities – As to whether verification has since been done (b) –(f)*
- Para 41 (45) Provincial Office – Grants to the Provinces – on the outcome of Police investigations in (b) and (c) and the latest position on the other matters*

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
FOR THE SECOND SESSION OF TENTH NATIONAL ASSEMBLY**

***Report of the Auditor General on the Accounts for the Financial year ended 31st December
2006***

- Para 23 (21) Weaknesses and Irregularities in the management of Lands Management Information System (LIMS) and Accounting for Revenue – Progress made in addressing the matters raised.*
- Para 24 (22) Weakness in Accounting for revenue – As regards efforts made to trace the documents in respect of the vehicles under query and other progress on the queries raised.*
- Para 49 (47) Irregularities in Accounting for Grants – Progress made on the matters raised (a) – (d).*
- Para 65 (63) Accounting and other irregularities – As regards the latest position on the matters raised (f)*
- Para 66 (64) Weaknesses in Accounting for funds and other irregularities whether the matters raised have since been addressed*
- Para 56 (54) Accounting irregularities - On progress made in resolving the issues raised.*
- Para 57 (55) Irregular Transfer of funds – Progress made to resolve the matters raised.*
- Para 58 (56) Accounting and other irregularities – Progress made to resolve the issues raised*
- Para 49 (47) Irregularities in Accounting for Grants – Progress made on the matters raised (a) – (d).*
- Para 62 (60) Accounting in irregularities – Government funded Programs and activities - As regards the current position on the matters raised in (a) – (g)*
- Para 63 (61) Weaknesses in Accounting for Sector Plan Implementation Funds – on the progress made to address the issues raised*

- Para 64 (62) Accounting irregularities - On the measures taken to address the issues raised.*
- Para 76 (74) Irregularities in Accounting for Personal Emoluments – As to whether the matters raised have since been addressed.*
- Para 78 (76) Accounting weaknesses – PRP Funds - Progress made to resolve the matters raised (a) – (d).*
- Para 79 (77) Road Rehabilitation Irregularities on Contract Management - Progress made on the matters.*
- Para 80 (78) Accounting irregularities On the current position of Police investigation.*
- Para 81 (75) Misapplication of funds -As regards the latest position on the matter.*
- Para 89 (87) Irregularities in the Procurement of Cattle – Progress made on items (a) and (b)*
- Para 90 (88) Rehabilitation and Construction of Dams-As regards progress made on the issues raised in (a) and (b)*
- Para 72 (70) Irregularities in the Management of Personal and other emoluments –As regards progress made on the matters raised (b) and (c).*
- Para 73 (71) Construction of Health Posts/Rehabilitation of Health Facilities - progress made on the matter.*
- Para 75 (74) Weaknesses in Administration of Funds – As regards measures put in place to resolve the issues raised (a) and (b).*
- Para 84 (82) Accounting irregularities -As regards progress made on the matter.*
- Para 83 (81) Accounting and other Irregularities - regarding the current position on the matter.*

Para 88 (86) Accounting irregularities – regarding the current position on the matters (b) – (c)

TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FOURTH SESSION OF THE TENTH NATIONAL ASSEMBLY.

Report of the Auditor General on the Accounts for the Financial Year ended 31st December 2007.

Para 7(8) Revenue Collections-Current position on the matters raised in (c)-(f).

Para 8(9) Accounting and other irregularities-Whether the queries raised in (a)-(c) have since been addressed.

Para 9(10) Irregularities in Accounting for Revenue-Current position on matters raised in (a) and (c).

Para 10(11) Weaknesses in Accounting for Revenue-Latest position on issues raised.

Para 11(12) Irregularities in Accounting for Revenue Collections-As regards the current position on the matters raised.

Para 12(13) Irregularities in Accounting for Revenue Collections- As regards the current position on the matters raised.

Para 14(15) Irregularities in Accounting for Revenue-Current position the issue raised.

Para 15(16) Weakness and Irregularities in the Zambia Transport and Information System (ZAMTIS)-Progress made in addressing the issues raised.

Para 16(17) Weakness in Accounting for Revenue-As to whether the recorded loss of K63, 288,400 has been recovered.

Para 17(18) Irregularities in Accounting for Revenue-The current position on the matters raised in (a) to (d).

Para 18(19) Weakness in Accounting for Personal Emoluments, Loans and other irregularities-Latest position on the outstanding matters.

Para 19(20) Weakness in Accounting for Personal Emoluments, Loans and other irregularities-Latest position on the outstanding matters.

Para 20(21) Accounting and other Irregularities-Latest position on the outstanding matters.

- Para 21(22) Poor Contract Management-Construction of AMCO house, Kitwe- Progress made in addressing the issues raised.*
- Para 22(24) Accounting and other Irregularities- Current position the issues raised.*
- Para 24(28) Accounting Irregularities- Current position the issues raised.*
- Para 25(29) Accounting and other Irregularities- Latest position on the outstanding matters.*
- Para 26(30) Accounting and other Irregularities- Progress made in addressing the issues raised.*
- Para 27(31) Irregularities in Accounting for DHMT funds-As to whether the issues raised have been addressed.*
- Para 28(32) Weaknesses in Accounting for Funds-the current position on the matters raised.*
- Para 30(34) Delays in the construction of the District hospital- the current position on the matters raised.*
- Para 32(36) Weaknesses in Accounting for PRP funds-- Latest position on the outstanding matters.*
- Para 34(38) Weaknesses in Accounting for Bursary Scheme- Progress made in addressing the issues raised.*
- Para 35(39) Accounting and other irregularities-current position on issues raised in c-h.*
- Para 36(40) Accounting and Other irregularities in Sector Plan implementation- Progress made in addressing the issues raised.*
- Para 37(41) Weaknesses in Accounting for funds and stores- current position on issues raised.*
- Para 38(42) Irregular Purchase of a house and other irregularities-Whether the issues have since been addressed.*
- Para 39(43) Weaknesses in Accounting and other Irregularities-Current position on (a) to (d)*
- Para 40(44) Weaknesses in Accounting for funds and other irregularities-whether the queries have been addressed.*
- Para 41(45) Weakness in Accounting for Irrigation and Land Husbandry Programmes (RIF)-RPP-The current position on issues raised in (d).*
- Para 43(47) Accounting and other irregularities-Whether the issues raised in (b) to (d) have since been addressed.*

- Para 44(48) Accounting and other Irregularities-Latest position on the matters raised.*
- Para 45(49) Weaknesses in Accounting for PRP funds-whether the issues raised in (b)-(d) have been addressed.*
- Para 46(50) Monitoring and Evaluation, Construction of staff house for provincial staff-whether the queries have been addressed.*
- Para 47(51) Irregularities in Accounting for High School requisites -latest position on the court case.*
- Para 48(52) Accounting and Other irregularities-Current position on item (a)*
- Para 49(53) Weaknesses in Accounting for PRP funds-Progress made on the matter*
- Para 50(54) Failure to complete projects-Progress made to complete all the outstanding projects*
- Para 51(58) Accounting and other irregularities-Whether the issues raised in (a)-(c) have been addressed.*
- Para 52(59) Failure to Execute Rehabilitation works-Whether the works at Chisale Day School have been completed.*
- Para 53(60) Weaknesses in Accounting for Recurrent Departmental charges-The current position on items (c) and (h).*
- Para 55(62) Irregularities in Accounting for Building materials –whether the issues raised in (c) have been addressed.*
- Para 56(63) Weaknesses in Accounting for PRP funds- The current position on issues raised.*
- Para 57(64) Weaknesses in Accounting for Building Materials and Failure to complete projects (Teachers houses)-whether the issues raised in (a) I, ii, iii c and d have been addressed.*
- Para 58(65) Weaknesses in Accounting for Building Materials and Failure to complete projects-Progress made in addressing issues raised in (b) to (i).*
- Para 61(68) Accounting and other irregularities-current position on the matters raised.*