



REPUBLIC OF ZAMBIA
OFFICE OF THE AUDITOR GENERAL

**PRESS BRIEFING REMARKS BY THE AUDITOR GENERAL DR. DICK
CHELLAH SICHEMBE HELD ON THURSDAY 30TH SEPTEMBER, 2021 IN THE
OAG CONFERENCE ROOM AT 10:00**

Deputy Auditor General - Audits,

Deputy Auditor General - Corporate Services Division,

Directors present,

Members of the Press, May I simply say

Ladies and Gentlemen

It gives me great pleasure to address you, Members of the Press and through you, the general public on whose behalf we conduct our audit work. From the onset, let me appreciate the collaboration we have had especially in making the public aware about accountability of public resources when the Report is out and during the parliamentary committee sittings.

This Press briefing is held in the spirit of sharing the salient issues on the Report of the Auditor General on the Accounts of the Republic for the financial year ended 31st December 2020 and the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2019 which are now public documents. It will also be an opportunity for you to clarify matters in the report as well as other areas of public interest.

Ladies and Gentlemen, the Office exists to audit all public resources in the Republic and give an assurance that there is prudence, transparency and accountability in the management and utilization of the resources for the benefit of the citizen which is consistent with the Office's vision.

Article 212 of the Constitution of Zambia (Amendment) Act No. 2 of 2016 provides that I shall not later than nine months after the end of a financial year submit an audit report to the President and National Assembly on accounts of the Republic audited in respect of the preceding financial year.

In view of the foregoing, I am delighted to inform you that I successfully met this constitutional requirement yesterday 29th September, 2021 and wish to brief you on the key findings in the Reports.

Ladies and Gentlemen, the Report of the Auditor General on the Accounts of the Republic for the financial year ended 31st December 2020 generally reveals evident financial irregularities in Ministries, Provinces and Agencies (MPAs), in that, the irregularities that have increased out-number the irregularities that have reduced during the period under review, thus negating the strides made in the management of public resources.

Major Findings - Report of the Auditor General on the Accounts of the Republic for the financial year ended 31st December 2020

The major findings in the Report of the Auditor General on the Accounts of the Republic for the financial year ended 31st December 2020 are summarized below:

Ladies and Gentlemen, the irregularities that have seen an upward trend include Wasteful expenditure; Failure to follow procurement procedures; Unvouched expenditure; Unaccounted for revenue;

Unaccounted for funds; Unretired accountable imprest; Irregular payments; Failure to recover loans; and Non submission of expenditure returns.

The largest irregularity amount in the report is Wasteful Expenditure which increased from K3.7 million in 2019 to K1.4 billion in 2020 representing an increase of 378%. This irregularity involves Ministries of Finance - Head 21 (K856 million in payment of interest and penalties incurred on a contract between Food Reserve Agency and Advanced African Solutions); Housing and Infrastructure (K362 million in payment of accrued interest and transfer of Property Tax); Transport and Communication (K153 million); General Education (K32 million); Fisheries and Livestock (K9 million); Water Development Sanitation and Environment Protection (K4 million) among others.

Wasteful expenditure is expenditure incurred where Government does not derive any benefit or obtains goods and services at exorbitant prices or cost. The implication of Wasteful expenditure is that deserving sectors of the economy are deprived of the much-needed resource. Going forward, the Office through its Forensic and Investigations Unit will actively follow up such matters to their logical conclusion to understand the motive behind such expenditures. Where it is evident that an offence was committed arising from the wasteful expenditure, the Office will engage Law Enforcement Agencies whom we have established Memoranda of Understanding to take up the matter.

Ladies and Gentlemen, the Report has also cited the second largest irregularity amount as Failure to follow procurement procedures in

amounts totaling K234 million. This irregularity increased from K504, 500 in 2019 to K234 million in 2020 representing 463% increment. The huge jump is of great concern to us as an Office as it is a clear indication of non-compliance to the Zambia Public Procurement Act and disregard of Procurement guidelines in the purchase of various goods and services.

Further, the third matter of great concern which has seen an upward trend is Unvouched expenditure which increased from K1.5 million in 2019 to K28 million in 2020. Unvouched expenditure is when payment vouchers are not availed for audit because they are either missing or are availed for audit but are inadequately supported. This irregularity is worrying as it may be a means of concealing wrong doing in MPAs. Ministry of Finance accounts for the significant part of this irregularity in amounts totaling K25 million. The Office will further look into this irregularity through its Forensic and Investigations Audit Unit.

Also of great concern in the Report is Failure to Recover Loans issued through Empowerment Programmes especially in the Ministry of Youth, Sport and Child Development in amounts totaling K83 million. This irregularity deprives other would beneficiaries from accessing the loans as the money would be tied to non-performing beneficiaries thereby frustrating a well-intended Government Empowerment Programme.

Ladies and Gentlemen, the upward trend shown in the Report is attributed to Poor supervision, Failure to consult the Attorney General when entering into contracts and Poor contract management.

On the other hand, the report has also highlighted irregularities that have shown a downward trend which is commendable and these are Misapplication of funds from K7 million to K531, 047; Unaccounted for stores from K56 million to K4 million and Undelivered materials from K24 million to K4 million. We believe, if MPAs implement the audit recommendations and adhere to financial and procurement regulations, this trajectory though not entirely satisfactory could be seen in other areas too and we implore controlling officers to take keen interest in reducing their audit queries.

Ladies and Gentlemen, on the Revenue side, the Report has also highlighted Tax arrears which has increased from K48 billion in 2019 to 60 billion in 2020. Tax arrears are unpaid or uncollected assessed taxes by ZRA owed to Government by various tax payers. This means that various government programs were negatively affected due to non-availability of funds as the Treasury did not receive the funds from ZRA in form of taxes.

Further, loss of revenue as a result of Expired Customs Importation Permits of K62 million.

Other Revenue irregularities include Unaccounted for Removals in Transit (RITs) in amounts totaling K25 million and Failure to collect Tax on Assessed Imports of K13 million.

Major Findings - Report of the Auditor General on the Accounts of Parastatal Bodies and other Statutory Institutions for the financial year ended 31st December 2019

Ladies and Gentlemen, the reason why Parastatal Bodies and Statutory Institutions exist is to stimulate industries and economic growth among others.

The findings of the Report of the Auditor General on the Accounts of Parastatal Bodies and other Statutory Institutions for the financial year ended 31st December 2019 generally reveals poor financial performance of Parastatal Bodies and Statutory Institutions are summarized below:

The report highlights Failure to Collect Funds in amounts totalling K16.6 billion as the largest irregularity, followed by Failure to settle/Remit Statutory Obligations K1 billion during the period under review.

The Failure to Collect Funds which includes penalties amounting to K13.1 billion was due to entities such as National Pensions Scheme Authority (NAPSA), Local Authorities Superannuation Fund (LASF), Energy Regulation Board (ERB) and Zambia Postal Services Corporation (ZAMPOST) failing to collect and remit employee contributions from several employers (K3.5 billion) and rentals.

The institutions that failed to collect funds involve National Pension Scheme Authority (NAPSA) in amounts totalling K16.2 billion; Local Authorities Superannuation Fund (LASF) amounting to K205 million;

and Energy Regulation Board - Management of Energy Funds amounting to K92 million among others. The implication of this irregularity in the case of NAPSA and LASF is the potential inability to pay workers their dues when they retire from employment.

In the case of the Energy Funds, Government is deprived of these funds as they are supposed to go into the Treasury and support Government operations.

The Failure to Settle/Remit Statutory Obligations involved six (6) institutions with the largest amount of K988 million being attributed to Zambia Postal Services Corporation Limited.

These obligations are statutory contributions deducted from several employees of various entities. However, the funds were not remitted to the Zambia Revenue Authority (ZRA) and National Pensions Scheme Authority (NAPSA) among others. The outstanding obligations include penalties amounting to K742.7million.

The implication of not remitting the funds include increased costs to the entities due to penalties and delay in paying employees pensions when they retire.

The areas that have seen an upward trend from 2018 to 2019, are Wasteful expenditure from K246, 705 to K47 million; Unsupported payments from K4 million to K41 million and Unretired imprest from K337, 197 to K578, 342.

Others are Failure to Recover Loans from K2 million to K129 million; Irregular Payments from K5 million to K18 million; Questionable

payments from K1.2 million to K5 million; and Failure to follow procurement procedures from K189, 330 to K3.2 million.

Other key findings in this Report include the following: Weaknesses in corporate governance; Failure to produce financial statements; Poor financial management and operational performance; Poor management of Pension Funds; Poor returns on investment; Poor management of loans; Failure to recover pension debt; Poor management of Power Purchase Agreements and Energy Funds; Poor management of contracts; and Failure to adhere to applicable Government policies.

Some of the parastatal bodies and Statutory Institutions that have been cited include ZESCO Limited, National Pension Scheme Authority (NAPSA), Development Bank of Zambia, INDENI, and Energy Regulation Board (ERB).

The Report of the Auditor General on the Accounts of the Republic for the financial year ended 31st December 2020 and the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2019 were produced in accordance with the Constitution of Zambia (Amendment) Act No. 2 of 2016, the Public Audit Act No. 13 of 1994 and the Public Finance Management Act No.1 of 2018.

The audits was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) which are the standards relevant for the audit of Public Sector entities and are issued by the International Organisation for Supreme Audit Institutions (INTOSAI) to which the Office of the Auditor General is a member.

Ladies and Gentlemen, the nation may wish to know that during the audit process, the Office interacted and communicated with Controlling Officers so as to provide an opportunity for them to clarify and take corrective action on the findings of the audits by so doing demonstrate the value and benefits of the Supreme Audit Institution (SAI).

The Reports contain the audit findings that were not resolved during the audit process and no corrective actions were undertaken as at 31st March 2021 for the Report of the Auditor General on Accounts of Parastatal Bodies and Statutory Institutions for the financial year ended 31st December 2019 and 31st August 2021 for the Report of the Auditor General on the Accounts of the Republic for the financial year ended 31st December 2020.

For further details, I wish to refer you to the two published reports. I also implore you to feel free to engage my Office on all audit matters.

I thank you and may God bless you all.