



REPUBLIC OF ZAMBIA

REPORT OF THE

AUDITOR GENERAL

ON THE AUDIT OF

UTILISATION OF COVID-19 RESOURCES

FOR THE PERIOD FROM JULY 2020 TO OCTOBER 2021

OFFICE OF THE AUDITOR GENERAL

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

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

GOAL: To give assurance that at least 80% of public resources are applied towards developmental outcomes.

CORE VALUES:

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

PREFACE

It is my honour and privilege to submit the Report of the Auditor General on the audit of utilisation of COVID-19 resources for the period from July 2020 to October 2021 in accordance with Article 212 of the Constitution (Amendment) Act No. 2 of 2016, the Public Audit Act No.13 of 1994 and the Public Finance Management Act No.1 of 2018.

This report covers Ministries, Provinces and Agencies that received and utilised COVID-19 resources during the period July 2020 to October 2021. I conducted the audit in order to ascertain whether the COVID-19 resources were utilised for their intended purpose and had been properly accounted for. The audit mainly focused on procurement of medical supplies and stimulus fund.

The audit findings mentioned in this report are those which were not resolved during the audit process and remained unresolved at the time of producing this report.

I wish to take this opportunity to thank the Controlling Officers and staff in the audited entities for the support they rendered to my office during the audits.

Dr. Dick Chellah Sichembe

AUDITOR GENERAL

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1 Executive Summary

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

The main objective of the audit was to ascertain that the resources allocated for the fight against COVID-19 and the COVID-19 stimulus fund had been utilised for the intended purpose(s).

The scope of the audit covered mainly transactions from July 2020 to October 2021 at the Disaster Management and Mitigation Unit (DMMU) and Ministries responsible for Youth and Sport, Tourism and Arts, while the audit at Ministry of Health only covered transactions up to 31st December 2020. The audit also covered other institutions that had received and utilised the COVID-19 resources.

The audit findings mentioned in this Report are those which were not resolved during the audit process up until the Report was finalised for publication. In addition, the Report contains overall audit recommendations which are aimed at addressing various findings observed during the audit process.

Some of the Key audit findings raised in this Report include:

a. Disaster Management and Mitigation Unit

i. Procurement Matters

- There was no transparency or terms of reference to indicate how the suppliers that received requests for quotations were identified. In this regard, the DMMU did not provide documentation such as request for quotations and actual quotations used in the evaluation for twenty one (21) shortlisted suppliers who were awarded contracts in the sum of K224,503,250.
- Although, DMMU had obtained authority from ZPPA, the continued procurement of supplies such as face masks under emergency procurement was questionable as the activity could be planned as the various waves were predetermined.
- DMMU engaged suppliers of re-usable face masks costing K50,456,850 without any competition.
- As at 31st October 2021, DMMU had accumulated debt in amounts totalling K394,686,450 from the procurement of face masks due to the failure to confirm availability of funds before contract award.

- A review of delivery notes revealed that in some cases suppliers delivered on dates that were before the contracts were signed.
- Based on the needs assessment for schools in relation to procurement of face masks, DMMU over procured a total of 1,008,415 face masks costing K10,084,150.
- The DMMU invited requests for quotations from suppliers whose names and nature of business did not relate to medical supplies and there was no evidence that the suppliers had dealt with DMMU before on similar products and had experience in the supply of such medical supplies. See table below.

No.	Supplier	Supply	Amount K
1	Rahmid Engineering Limited	Supply of 3 ply surgical masks and KN95 face masks	8,700,000
2	Hardrock Contractors and General Suppliers	Supply & delivery of 3 ply surgical face masks	850,000
3	Carco Carpentry & Construction Company	Supply & delivery of 3 ply surgical face masks	12,740,000
4	Anita Classic Fashion Limited	Supply & delivery of 3 ply surgical face masks	19,800,000
5	Rahmid Engineering Limited	Supply of 3 ply surgical face masks	8,000,000
6	Ilanzi Construction & Industrial	Supply of 3 ply surgical face masks	5,000,000
7	Glenfield Engineering Limited	Supply of 3 ply surgical face masks	8,000,000
	Total		63,090,000

- DMMU did not avail the purchase enquiries for audit review for tenders involving six (6) suppliers who were awarded contracts worth K43,400,000 and the suppliers were awarded contracts without competition. See table below.

No.	Contract Date	Supplier	Contract Value K
1	04.01.2021	Kingsville Zambia limited	2,550,000
2	04.01.2021	Eudokia Enterprises	1,000,000
3	19.01.2021	Moremo General Dealers	2,000,000
4	26.01.2021	Gleam Suppliers Limited	1,000,000
5	26.01.2021	Hardrock General Dealers and Suppliers	2,850,000
6	26.01.2021	Emright Investment	34,000,000
	Total		43,400,000

ii. Unaccounted for Stores

As at 31st October 2021, face masks costing K7,030,570 were not accounted for. See table below.

No.	Station	Amount K
1	DMMU HQ	4,786,970
2	Lusaka Province	526,600
3	North Western Province	1,717,000
	Total	7,030,570

b. Ministry of Health

i. Procurement Matters

- Fifteen (15) months after the issuance of the ZPPA authority, the Ministry had continued to procure all COVID-19 related requirements such as face masks on an emergency basis. This act was questionable in that the procurement of COVID-19 materials could no longer be generalised as an emergency as the Ministry was able to plan for the different waves.
- Thirty four (34) suppliers were awarded seventy nine (79) contracts in amounts totalling K1,324,850,970 through use of Request for Quotations. However, there was lack of transparency in the manner in which the Ministry selected the suppliers that received the Requests for Quotations as in most cases there was no evidence that the suppliers had supplied similar products to the Ministry.
- The Ministry invited requests for quotations from suppliers whose names and nature of business did not relate to medical supplies and there was no evidence that the suppliers had dealt with the Ministry before on similar products. See table below.

No.	NAME OF SUPPLIER	ITEM DESCRIPTION	QUANTITY ORDERED	TOTAL AMOUNT K
1	Avic International Zambia Limited	3-Ply Surgical face masks	6,000,000	3,900,000
2	Wonderful Industry (Z) Limited	3-Ply Disposable Surgical Face Masks	1,000,000	12,500,000
3	Kinglong Motors Zambia Limited	3-ply Disposable Surgical Face Masks	5,000,000	65,000,000
		N-95 Face Masks	500,000	32,500,000
4	Wonderful Industry (Z) Company Limited	3-Ply Disposable Surgical Face Masks	4,000,000	40,000,000
5	Higer Bus Zambia	KN-95 Face masks	2,000,000	96,000,000
		3-Ply disposable Face masks	3,000,000	30,000,000
6	Kinglong Motors Zambia Ltd	Coverall Suits	100,000	65,000,000
	Total			344,900,000

- Cover bidding occurs when a competitor submits bids that are intended to be unsuccessful so that another collaborator can be awarded the contract. A scrutiny of the various bids submitted revealed that the Ministry had engaged in cover bidding resulting in unfair and uncompetitive procurements costing K136,715,000.

ii. Unaccounted for Stores

Stores items costing K52,872,230 were unaccounted for in that there were no receipt and disposal details.

iii. Poor Contract Management

- The Ministry awarded thirty six (36) contracts for the supply and delivery of 2,990,000 N95 face masks at a total contract sum of K214,339,700. However, suppliers delivered KN95 (Chinese Brand) face masks instead of the N95 (American Brand) that had been invoiced resulting in product substitution with an estimated loss to Government of K64,839,700.
- As at 31st October 2021, the various suppliers had not delivered items worth K81,300,576 and US\$203,964 resulting in delayed deliveries ranging from 28 to 32 weeks and there was no evidence that the Ministry had taken any action against the suppliers. In addition, in most cases the suppliers did not submit performance bonds.
- A review of delivery notes revealed that in some cases suppliers delivered on dates that were before the contracts were signed.

c. Ministry of Youth, Sport and Child Development

i. Procurement of Fuel Tankers

- Although ZPPA granted authority to direct bid the procurement of 100 fuel tanker trucks at a total cost of US\$16,704,000 was uncompetitive as the supplier was single sourced.
- The initial 50 tankers were procured at a total cost of US\$7,649,000 while the second batch of 50 were procured at a cost of US\$8,758,000 resulting in a price increment of US\$812,000.
- Ownership records (White books) for twenty six (26) fuel tanker trucks were not availed for audit.
- The procured fuel tanker trucks did not meet specifications in line with the Zambian Standards and had to be modified by the beneficiaries.
- As at 31st October 2021, the Youth Cooperatives/Groups had not received any proceeds from the operations of the fuel tanker trucks.

- Kapesika Energy and Petroleum and Mount Meru Petroleum were questionably engaged to manage the fuel trucks in that there was no competitiveness in their selection.

ii. Procurement of Second Hand Rosa Buses

- The Ministry single sourced the procurement of thirty five (35) Mitsubishi Rosa buses at a total cost of K15,215,000.
- As at 31st October 2021, the Ministry was not in possession of ownership records for twenty three (23) buses.
- The Ministry distributed the buses between September 2020 and June 2021, however, as at 31st October 2021, no loan recoveries had been made.

iii. Establishment of Milling Plants

The Ministry had paid amounts totalling K4,551,344 to four cooperatives. However, none of the loan recipients were operational and no recoveries had been made as at 31st October 2021.

iv. Establishment Plastic Recycling Plants

An amount of K4, 694,000 had been paid for procurement of plastic recycling production equipment. However, four (4) months after procurement the supplier had not delivered the equipment. Consequently, no loan recoveries had been made as at 31st October 2021.

v. Support to Micro Small and Medium Youth Enterprises

- A total of K1,425,000 was paid to eighteen (18) youth groups for purposes of procuring hammer mills. As at 31st October 2021, there was no evidence that the hammer mills had been procured and no loan repayments had been made.
- Loan agreements, repayment details and progress reports in respect of forty four (44) cooperatives that received amounts totalling K21,632,250 were not availed for audit as at 31st October 2021.
- Amounts totalling K20,550,000 were paid to five (5) Market Cooperatives to benefit 20,000 youths as marketeer's empowerment funds. However, information such as expenditure returns showing list of beneficiaries per cooperative and amounts paid were not availed for audit as at 31st October 2021.

vi. Small Scale Mining and Construction

The Ministry disbursed loans to seventeen (17) youth groups totalling K7,370,590. However, the Ministry did not avail reports for audit scrutiny to confirm whether the funds had been used for the intended purpose and as at 31st October 2021 youth groups owed amounts totalling K1,126,062 as loan repayments which had been outstanding for over five (5) months.

vii. Support to Youth with Agriculture Inputs

- North Western Provincial Administration Office paid a sum of K100,000 to two (2) beneficiaries. However, the beneficiary groups had not received the funds as at 31st October 2021, rendering the funds unaccounted.
- Muchinga Provincial Administration procured Agro Inputs at a total cost of K995,440 with a delivery period of ex-stock. However, the inputs were delivered twenty six (26) weeks late. In addition, the supplier had been paid in advance without any security.
- Beneficiaries who obtained agricultural loans in amounts totalling K5,627,578 had not made any repayments as at 31st October 2021. In addition, there was evidence at the Ministry to indicate that recoveries on the loans had commenced under the programme.
- As at 31st October 2021, amounts totalling K2,200,000 were unaccounted for in that the funds remitted in August 2021 by the Ministry had not been received by the Southern Province Administration Office.

d. Ministry of Tourism and Arts

- i. Loans in amounts totalling K2,397,130 were disbursed to nine (9) beneficiary groups whose loan applications forms were not endorsed by National Arts Council and were not approved by the IPSC.
- ii. Three (3) beneficiaries that received loans in amounts totalling K658,138 were not registered as per guidelines.
- iii. Two (2) beneficiaries who were paid loans in amounts totalling K354,712 were not paid up members of any arts association affiliated to or registered with the National Arts Council.
- iv. A review of the disbursement records revealed that;

- 111 loans totalling K22,601,425 were partially disbursed and thirteen (13) loans totalling K2,076,399 had not been disbursed twelve (12) months after the date of selection and approval.
- despite procuring equipment, tools and instruments costing K17,114,622 for various beneficiaries, as at 30th September 2021, the Commission had not disbursed the working capital in amounts totalling K3,446,925 to 111 beneficiaries who consequently could not operationalize their respective projects.
- During the period from October 2020 to August 2021, the Commission made payments to twenty (20) suppliers for the supply of various project items at a total cost of K1,095,544, 2US\$4,586, £3184 and €4,581. However, as at 31st October 2021 the items had not been delivered.

e. Recommendations

- i. The continued use of emergency in the procurement of COVID- 19 materials must be reviewed as COVID- 19 procurements can now be planned as the waves are predetermined. In addition ZPPA must avoid the issuance of blanket authority on emergency procurements.
- ii. All recipients of the empowerment funds must be made to account for the funds and officers responsible for management / monitoring must account for their actions.
- iii. The management of youth empowerment funds must be reviewed and strengthened.
- iv. A forensic audit must be conducted at Zambia Medicines and Medical Supplies Agency (ZAMMSA) to determine the authenticity of receipt and disposal records up to the point of utilisation.
- v. There is need for all the relevant investigative wings to conduct further investigations in the procurement and distribution of supplies and the award of empowerment loans and grants.
- vi. The actual youths registered to benefit from all empowerment programmes such as fuel tankers and the buses must be identified and action taken against undeserving beneficiaries.

2 Introduction

Public resources financial or otherwise are subject to audit by the Auditor General in accordance with Article 250 of the Republican 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.

Under these legislations, the Auditor General is required to audit public accounts, accounts of statutory corporations and private institutions that receive Government subsidies or subventions in any financial year.

3 Audit Objectives

The objectives of the audit were to ascertain among others whether:

- the resources, financial or otherwise allocated or received for the fight against COVID-19, were captured and correctly recorded,
- the resources allocated or received for the fight against COVID-19 had been utilised for the intended purpose(s), and
- The COVID-19 stimulus resources had been utilised for the intended purpose.

4 Audit Scope

The scope of the audit covered mainly transactions from July 2020 to October 2021 at the Disaster Management and Mitigation Unit (DMMU) and Ministries responsible for Youth and Sport, Tourism and Arts, while the audit at Ministry of Health only covered transactions up to 31st December 2020. The audit also covered other institutions that had received and utilised the COVID-19 resources including beneficiaries of the COVID- 19 stimulus package.

5 Audit Methodology

In the execution of the audit, programmes were designed to give reasonable assurance on the utilisation and management of the COVID- 19 resources.

The programmes included test checks, inspections and examination of accounting and other records maintained by the public officers entrusted with management of the resources.

To ensure optimal utilisation of resources at my disposal, a risk-based audit approach was used.

6 Disaster Management and Mitigation Unit

6.1 Mandate

The Disaster Management and Mitigation Unit (DMMU) is mandated to implement all disaster management programmes and activities in the Country.

6.2 Audit Findings

An examination of accounting and other records maintained at the Unit's Headquarters and selected stations relating to the COVID-19 for the period under review revealed the following.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2020 and 2021, a total budget provision of K940,400,000 (K450,000,000 in 2020 and K490,400,000 in 2021) were made to cater for COVID-19 operations.

In this regard, the Ministry of Finance released a total amount of K787,731,267 (K297,331,267 in 2020 and K490,400,000) as at 31st October 2021 representing 84% of the total budget. See table 1 below.

Table 1: Budget Funding and Expenditure

Years	Authorised Budget K	Releases K	Expenditure K
2020	450,000,000	297,331,267	297,331,171
2021	490,400,000	490,400,000	490,330,000
Total	940,400,000	787,731,267	787,661,171

As at 30th September 2021, a total amount of K787,661,171 had been spent.

b. Failure to Operationalise National Disaster Relief Trust Fund

In Paragraph (e) of the Interim Report of Auditor General on the Audit of Utilisation of COVID-19 Resources as at 31st July 2020, mention was made of the failure to operationalise the National Disaster Relief Trust Fund which had not been made operational, ten (10) years from the time it was established by the Act.

In their Report for the Fifth Session of the Twelfth National Assembly, the Committee recommended that the Controlling Officer operationalises the National Disaster Relief Trust Fund without any further delay.

A review of the matter as at 31st October 2021 revealed that the National Disaster Relief Trust Fund had not been operationalised.

c. Failure to Avail Expenditure Returns for Disbursed Funds to Government Institutions

According to Treasury and Financial Management Circular No. 3 dated 3rd April 2020, all institutions in receipt of funds relating to COVID-19 were required to submit Income and Expenditure Returns on all COVID-19 funds received from Treasury. During the period under review, the Disaster Management and Mitigation Unit (DMMU) disbursed funds amounting to K20,733,755 to various institutions.

However, as at 31st October 2021, only amounts totalling K18,888,729 were supported with expenditure returns while K1,845,025 had no expenditure returns

d. Questionable Use of Emergency Procurement

On 19th January 2021, the Disaster Management and Mitigation Unit requested for a “No Objection” from Zambia Public Procurement Authority (ZPPA) to deviate from using full solicitation documents and use simplified Request for Quotations (RFQs). This was in order to fast track the procurement processes so as to help the DMMU respond promptly to disasters as well as fight against the COVID-19 and disaster recovery of which ZPPA gave authority in a letter dated 26th January 2021.

Although, DMMU had obtained authority, the continued procurement of supplies such as face masks under emergency procurement was questionable as the activity could be planned as the various waves are predetermined.

e. Supply and Distribution of Reusable Face Masks

On 8th May 2020, Government directed that the Ministry of General Education (MOGE) makes available face masks for pupils in examination classes.

According to the needs assessment carried out by DMMU and MOGE, the number of face masks that were required was 4,200,000 for all schools countrywide.

In particular, the following were observed:

i. Non-Transparency in the Invitation of Suppliers for the Supply of Reusable Face Mask

During the period under review, DMMU had sent invitations to various suppliers to submit quotations for the supply of reusable face masks. However, the basis of identifying the suppliers was questionable in that the tender was not advertised and there was no evidence that the suppliers had dealt with the Unit on similar supplies.

In this regard, there was no transparency or terms of reference to indicate how the suppliers were identified rendering the procurement of face masks costing K50,456,850 irregular.

In addition, DMMU procured 10,000 reusable washable face masks which were delivered on 8th June 2020 while the Local Purchase Order (LPO) was issued on 15th June 2020.

ii. Over Procurement of Reusable Face Masks

In August 2020, DMMU ordered 5,045,685 reusable face masks for distribution to schools against the required 4,200,000 stated in the needs assessment resulting in an over procurement of 845,685 masks.

In addition, on 30th July 2020, DMMU remitted K1,627,300 to the Ministry of Youth, Sport and Child Development for the procurement of 162,730 face masks to be distributed to primary schools thereby over procuring a total of 1,008,415 face masks costing K10,084,150.

f. Failure to Avail Information

On 30th June 2020, DMMU engaged seven (7) companies to supply and deliver 307 bales of fabric at a total cost of K5,745,896 for the manufacture of reusable face masks by the Zambia Army (Mulungushi Textiles) and Zambia Correctional Services (Mukobeko Correctional Facility). The fabrics were delivered to Zambia Army and Zambia Correctional Services during the period from 3rd June to 22nd July 2020.

Section 73(1) of the Public Finance Management Act No. 1 of 2018 requires that the Auditor General and an office holder, agent or specialist consultant authorised by the Auditor General, shall in the performance of duties under the Constitution or any other law have access to all the books, records, returns, reports, other documents and financial management systems in electronic or any other form, relating to the accounts of public bodies as the Auditor General considers necessary.

Contrary to the Act,

- i. The two (2) agreements signed with Zambia Army (Mulungushi Textiles) and Zambia Correctional Services (Mukobeko Correctional Facility) for the production of reusable face masks were not availed for audit.

- ii. There was no documentation availed for audit indicating how many bales of fabric had been allocated to the two (2) institutions.
- iii. There was no documentation to show how many reusable face masks each institution was expected to be produce.
- iv. In addition, there were no expenditure returns availed for audit for the K200,000 paid to each institution.

g. Questionable Identification of Suppliers

The DMMU invited requests for quotations and awarded contracts totalling K63,090,000 to seven (7) companies whose names and nature of business does not relate to medical supplies.

It was questionable as to how the DMMU invited the companies as there was no evidence that the companies had dealt with DMMU before on similar products and had experience in the supply of such medical supplies. See table 2 below.

Table 2: Questionable Identification of Suppliers

No	Supplier	Supply	Amount K
1	Rahmid Engineering Limited	Supply of 3 ply surgical masks and KN95 face masks	8,700,000
2	Hardrock Contractors and General Suppliers	Supply & delivery of 3 ply surgical face masks	850,000
3	Carco Carpentry & Construction Company	Supply & delivery of 3 ply surgical face masks	12,740,000
4	Anita Classic Fashion Limited	Supply & delivery of 3 ply surgical face masks	19,800,000
5	Rahmid Engineering Limited	Supply of 3 ply surgical face masks	8,000,000
6	Ilanzi Construction & Industrial	Supply of 3 ply surgical face masks	5,000,000
7	Glenfield Engineering Limited	Supply of 3 ply surgical face masks	8,000,000
	Total		63,090,000

In addition, DMMU did not provide documentation such as request for quotations and actual quotations used in the evaluation for twenty one (21) shortlisted suppliers who were awarded contracts in the sum of K224,503,250. See table 3 below.

Table 3: Supplier Details

No.	Date Signed	Supplier	Details	Contract Sum K
1	22.02.2021	Moremo General Dealers	Supply of 200,000 reusable face masks for schools across the country.	2,000,000
2	22.02.2021	Eudokia Enterprises Ltd	Supply of 100,000 reusable and washable face masks for schools across the country	2,000,000
3	19.02.2021	Rahmid Engineering Limited	Supply of 600,000 3 ply surgical masks	5,700,000
4	19.02.2021	Kingville Zambia Limited	Supply and delivery of 3ply surgical face Masks	2,550,000
5	01.06.2021	Ogenachi Enterprises	Supply and delivery of 3ply surgical face Masks	15,000,000
6	22.02.2021	Bumu Applied Technologies	Supply and delivery of 100,000 3 ply surgical Masks	980,000
7	20.01.2021	Etone Zambia Limited	Supply of Nasopharyngeal swabs with viral transportation medium	51,000,000
8	22.02.2021	Gleam Supplies	Supply of reusable face masks for schools across the country	1,000,000
9	29.04.2021	Carco Carpentry & Construction Company	Supply & delivery of 3 ply disposable surgical face masks	12,740,000
10	29.04.2021	Emyright Investment Limited	Supply of 50000 disposal coveralls	34,000,000
11	01.06.2021	Divine Procure Zambia Ltd	Supply of 1,000,000 3 sugical face masks INV # 486	10,000,000
12	30.06.2021	Nash & Dot Limited	Supply&delivery of hydrogen peroxide	1,283,250
13	18.05.2021	Theion Investments	Supply of 3 ply face masks	2,500,000
14	01.06.2021	Teviem Enterprises	Supply of 1,500,000 surgical face masks	14,850,000
15	30.06.2021	Zambian Wan Hong technology Company	Supply of 500,000 surgical face masks	4,900,000
16	30.04.2021	Cornechi Enterprises	Supply of 500,000 surgical face masks	4,500,000
17	18.05.2021	Suwilo General Dealers	Supply of KN 95 face masks	20,250,000
18	22.02.2021	Emyright Investment Limited	Supply of surgical face masks	9,500,000
19	09.03.2021	WDNS Investment Limited	Supply of 3 ply surgical face masks	14,000,000
20	28.04.2021	Zambia Titan Development company	Supply of 100,000 surgical face masks	4,500,000
21	01.06.2021	Baroque Company limited	Supply of 3 ply surgical masks	11,250,000
			TOTAL AMOUNT	224,503,250

h. Irregular Engagement of Supplier

On 21st June 2020, authority was granted by the National Disaster Management Procurement Committee to procure fabric for production of reusable face masks from four (4) bidders who had been evaluated. See table 4 below.

Table 4: Evaluated Companies

No.	Supplier	Unit Price/meter K
1	Safiques Trading	66
2	Mwangas Enterprises	55
3	Al Taqwa Investment Limited	29
4	Madina sales Limited	20

However, DMMU procured 6,000 metres of fabric at a cost of K330,000 from Arcades Agencies Limited which was not amongst the evaluated bidders. As at 31st October 2021, the supplier had been paid in full.

Further, there was no documentary evidence availed for audit to show that the fabrics which were supplied by Arcades Agencies Limited had been delivered.

i. Uncompetitive Procurement - Lusaka Provincial Administration

Lusaka Provincial Administration procured face masks from forty eight (48) suppliers at a total cost of K4,006,040.

However, the procurement was uncompetitive in that all the forty eight (48) suppliers that were invited, were the only ones shortlisted and given contracts without evaluating them against any other companies.

j. Uncompetitive Procurement - Northern Province

During the period under review, Northern Provincial Administration single sourced seventeen (17) suppliers of various Covid 19 related supplies at a cost of K1,456,760.

k. Award of Contract for Supply and Delivery of Nasopharyngeal Swabs

On 20th January 2021, DMMU entered into a Contract with Etone Zambia Limited for the supply and delivery of 1,000,000 Nasopharyngeal Swabs with Viral Transport Medium (VTM) at a contract sum of K51,000,000 VAT Inclusive with a delivery period of two (2) weeks.

As at 12th February 2021, the supplier had delivered a total of 1,000,000 Nasopharyngeal Swabs with Viral Transport Medium (VTM) to the Zambia Medicines and Medical Supplies Agency (ZAMMSA) and K35,679,600 had been paid to the supplier leaving a balance of K15,320,400. See table 5 below.

Table 5: Schedule of Payments and Delivery

Date of Receipt at ZAMMSA	Goods Received / Manifest No.	Quany Received	Date of Payment	Amount Paid K
28/01/2021/30/01/2021	0000004287/ 0000004300	199,600	04/02/2021	10,179,600
02/02/2021	0000004319	200,000	28/04/2021	10,200,000
05/02/2021	0000004400	100,000	06/04/2021	5,100,000
11/2/2021	0000004424	200,000	11/8/2021	10,200,000
Total Amount Paid				35,679,600
12/2/2021	0000004422	300,400	Outstanding	15,320,400
Contract Qty and Sum		1,000,000		51,000,000

The following were however observed:

i. Questionable Shortlisting of Bidders

Public Procurement Regulation No. 51(4) of 2011 states that, “A Procurement Unit shall record the names of the bidders included on a shortlist and the reasons for their inclusion, which shortlist shall be kept as part of the procurement record”.

Although the tender was for supply and delivery of medical equipment, two (2) of the seven (7) companies that were shortlisted to bid had names that suggested they were construction companies namely Carco Carpentry and Construction Company and Tracon Construction and General Trading Limited making the shortlisting questionable.

ii. Questionable Constitution of the Evaluation Committee

Public Procurement Regulation No. 64(4) of 2011 states that, “The members of an evaluation committee shall have the skills, knowledge and experience relevant to the procurement requirement, which may include (a) the technical skills relevant to the procurement requirement (b) end-user representation (c) procurement and contracting skills (d) Financial management or analysis skills; and (e) Legal expertise”.

Contrary to this regulation, there was no documentary evidence to show that the members who sat on the evaluation committee possessed technical skills in Nasopharyngeal Swabs.

iii. Failure to Pay the Supplier

DMMU stated in the invitation for bids that they had received funds from the Government of the Republic of Zambia and intended to apply the proceeds of these funds to payments under the contract for the tender for Urgent Supply and Delivery of 1,000,000 Nasopharyngeal Swabs with Viral Transport Medium (VTM).

However, the supplier had not been paid an outstanding amount of K15,320,400 as at 31st October 2021, despite the supplier having fully executed the contract.

1. Failure to Avail Solicitation Documents

Regulation No. 18 (1) of the Public Procurement Regulations of 2011, provides that a procuring entity shall keep records relating to the procurement proceedings which records shall be open to inspection by the Authority, which includes records arising from

the procurement process, records relating to contracts management, all records of the Procurement Committee, any record of the Controlling Officer or the Chief Executive Officer which relate to the procurement process, contracts management and the administrative review process; and any other.

However, the Disaster Management and Mitigation Unit did not avail the purchase enquiries for audit review for tenders involving six (6) suppliers who were awarded contracts worth K43,400,000. See table 6 below.

Table 6: Failure to Provide Purchase Enquiries

No.	Contract Date	Details	Supplier	Contract Value K
1	04.01.2021	face masks	Kingsville Zambia limited	2,550,000
2	04.01.2021	face masks	Eudokia Enterprises	1,000,000
3	19.01.2021	face masks	Moremo General Dealers	2,000,000
4	26.01.2021	face masks	Gleam Suppliers Limited	1,000,000
5	26.01.2021	face masks	Hardrock General Dealers and Suppliers	2,850,000
6	26.01.2021	face masks	Emright Investment	34,000,000
	Total			43,400,000

Although the procurement Unit made recommendations to the National Disaster Management Procurement Committee to award the tenders to the lowest evaluated bidders, there was no documentary evidence to show that an evaluation committee had been constituted for the tenders involving suppliers in table 6 above, as the recommendations to the National Disaster Management Procurement Committee were done by the purchasing and supplies office and approved by the head of the procurement Unit.

m. Award of Contract for Supply and Delivery of Reusable Face Masks Lot 2

On 22nd February 2021, the Disaster Management and Mitigation Unit entered into a contract with Eudokia Enterprises Limited for the supply and delivery of 100,000 reusable face masks Lot 2 at a contract sum of K1,000,000 VAT Exclusive with a delivery period of two (2) weeks

On 11th February 2021, the supplier delivered 100,000 reusable face masks to the Disaster Management and Mitigation Unit Headquarters and the supplier was paid in full on 25th February 2021.

The following were observed:

i. Questionable Shortlisting of Bidders

Although the tender was for supply and delivery of reusable face masks, one of the three (3) companies that were shortlisted to bid, namely KDC Media was in the advertising business making the shortlisting questionable. See table 7 below.

Table 7: Bidders for Masks

No.	Bidder	Bid Sum K	Delivery Period
1	KDC Media	1,100,000	2 weeks
2	Eudokia Enterprises Limited	1,000,000	2 weeks
3	Roman Works Service	1,300,000	2 weeks

ii. Delivery Before Contract Signing

The supplier delivered and invoiced 1,000,000 reusable face masks on 11th February 2021, on delivery note No. 333 and invoice No. 43 which was eleven (11) days before the contract signing date of 22nd February 2021.

The Disaster Management and Mitigation Unit confirmed receipt of 1,000,000 reusable face masks on 19th February 2021 on Goods Received Note No. 207 which was three (3) days before the date of signing the contract.

n. Contract for the Supply and Delivery of 200,000 Reusable Face Masks - Lot 1

On 22nd February 2021, DMMU entered into a contract with Moremo General Dealers for the supply and delivery of 200,000 reusable face masks Lot 1 at a contract sum of K2,000,000 VAT Exclusive with a delivery period of two (2) weeks.

On 25th February 2021, the supplier was paid the full contract sum of K2,000,000.

The following were observed:

i. Engagement of Supplier before Incorporation of Company

A search conducted at Patents and Companies Registration Agency revealed that Moremo General Dealers was incorporated on 26th March 2021 thirty two (32) days after the contract was signed on 22nd February 2021.

ii. Delivery of Supplies before Contract Date

On 11th February 2021, the supplier delivered 200,000 reusable face masks on Delivery Note No. 3 costing K2,000,000 which was eleven (11) days before the

contract date of 22nd February 2021. The Disaster Management and Mitigation Unit confirmed receipt of 200,000 reusable face masks on 19th February 2021 on Goods Received Note No. 208 which was three (3) days before the contract date.

o. Delivery Prior to Signing of Contract - Supply and Delivery of Surgical Face Masks

On the 22nd February 2021, DMMU contracted Hardrock Contractors and General Supplies Limited for the supply and delivery of 300,000, 3-ply face masks at a contract sum of K2,850,000 for COVID-19.

A review of the Medical Stores Goods Receipts Report and the Delivery Note attached revealed that the goods were delivered to DMMU and the then Medical Stores Limited on 11th and 12th February 2021 respectively.

However, the contract with Hardrock Contractors and General Supplies was signed on 22nd February 2021 which was ten (10) days after delivery.

p. Supply and Delivery of Hydrogen Peroxide

On 30th March 2021, Disaster Management and Mitigation Unit engaged Nash & Dot for the supply and delivery of 600 by 25 liters of Hydrogen Peroxide at a contract sum of K1,283,250.

The following were observed:

i. Delivery Before Contract Signing

Disaster Management and Mitigation Unit signed a contract with Nash & Dot on 30th March 2021.

However, a review of the Goods Received Note revealed that the goods were delivered and received by DMMU on the 23rd March 2021, which was seven (7) days before signing of the contract.

Therefore, the delivery of goods before the supplier was engaged is questionable.

ii. Irregular Selection of Supplier

Nash & Dot submitted the ZRA tax clearance on 19th February 2021, two (2) days after the date of bid acceptance. In addition, the Evaluation report revealed that Nash & Dot was only evaluated at the Commercial stage and was not evaluated at the Preliminary and Technical stages despite the company being awarded the contract.

q. Outstanding Debt Arising from Supply and Delivery of Face Masks

Regulation 31 (1) of the Public Procurement regulations states that, “A Procurement Unit shall ensure that adequate funds are budgeted prior to initiating procurement proceedings, considering all costs involved in the procurement.

Contrary to the regulation, during the period between 1st January 2021 and 31st July 2021, the Disaster Management and Mitigation Unit accumulated a total amount of K394,686,450 in outstanding debt arising from supply and delivery of face masks by different suppliers due to failure to confirm availability of funds.

r. Unaccounted For Face Masks

Public Stores Regulation No. 16 states that, “Every stores officer or any other officer having in his charge any public stores or other articles of public property must keep and maintain records of the receipt and issue of such public stores”.

Contrary to the regulation, reusable face masks costing K7,030,570 procured for COVID-19 related activities by DMMU between 1st June and 31st July 2020 had no disposal details. See table 8 below.

Table 8: Unaccounted for Stores

No.	Station	Amount K
1	DMMU HQ	4,786,970
2	Lusaka Province	526,600
3	North Western Province	1,717,000
	Total	7,030,570

s. Northern Province – DMMU Provincial Office

During the period under review, DMMU Northern Province office received amounts totalling K2,653,544 to cater for various disaster management activities such as rehabilitation and construction of schools, procurement of relief food, procurement of face masks and office operations among others.

In addition, amounts totalling K151,935 meant for payments of rehabilitation works were brought forward from 2019 bringing the total funds available to K2,805,479.

As at 31st December 2020, amounts totalling K1,547,775 had been spent leaving a balance of K1,257,704.47.

The following were observed:

i. Uncompetitive Procurements – Cover Bidding

According to the Certified Fraud Examiner’s Manual, cover bidding occurs when a competitor submits bids that are intended to be unsuccessful so that another conspirator can win the contract.

An examination of accounting records and contracts in respect of the fight against the COVID-19 pandemic maintained at the Provincial Administration under DMMU revealed practices of cover bidding in relation to two (2) contracts totalling K300,000 as detailed below.

- **Award of Contract for the Supply and Delivery of 10,000 Face Masks**

On 2nd June 2020, the Provincial Procurement Committee awarded a contract to Chidram Suppliers and General Dealers for the supply of 10,000 face masks at a cost of K100,000. In this regard, the Local Purchase Order (LPO) was issued on 2nd June 2020 and Chidram supplied the masks and was paid in full.

However, the scrutiny of the quotations submitted revealed that the three (3) bids, shared at least the same contact person, contact phone number and same director resulting in cover bidding.

- **Award of Contract for the Supply and Delivery of 20,000 Face Masks**

The Provincial Procurement Committee awarded a contract to Chinazi Enterprises Limited for the supply of 20,000 face masks at a contract sum of K200,000. In this regard, the Local Purchase Order (LPO) was issued on 2nd June 2020 and Chinazi supplied the masks and was paid in full.

However, a scrutiny of the quotations submitted revealed that out of the three (3) bids, two companies (Yamba General Dealers and Tajman Trading) had the same director according to the PACRA resulting in cover bidding.

7 Ministry of Health

7.1 Mandate

The Ministry of Health is mandated to provide effective, quality healthcare services to the citizens.

7.2 Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected stations for the period July 2020 to December 2020, revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2020, a total provision of K1,767,700,288 for pharmaceutical services was made against which amounts totalling K1,369,700,288 were released to cater for COVID-19 related activities and other medical supplies thereby resulting in underfunding of K398,000,000 on this budget line.

In addition, amounts totalling K84,374,273 were credited to the Emergency Account thereby bringing the total available funds relating to COVID-19 to K1,454,074,561 . See table 1 below.

Table 1: Total Available Funds

No.	Source	Amount K
1	Treasury	1,369,700,288
2	DMMU	83,744,000
3	Various	630,273
	Total	1,454,074,561

As at 31st December 2020, amounts totalling K1,369,700,288 had been spent.

b. Procurement Matters

On 13th March 2020, the Permanent Secretary (Administration) requested for a “No Objection” to deviate from using full solicitation documents in furtherance of the Country’s resolve to decisively respond to the COVID-19 Pandemic from the Zambia Public Procurement Authority (ZPPA) of which on 14th April 2020, ZPPA granted a “No Objection”.

Consequently, the Ministry proceeded to engage suppliers of various materials and equipment in relation to the fight against Covid -19.

The following were observed:

i. Questionable Continued Use of Authority from ZPPA

The Ministry was granted authority by ZPPA to use direct bidding towards the procurement of COVID-19 related requirements due to the urgency at the time.

However, fifteen (15) months after the issuance of the authority, the Ministry had continued to procure all COVID-19 related requirements on an emergency basis. This act was questionable in that the procurement of COVID-19 materials was no longer an emergency as the Ministry was able to plan for the different waves.

ii. Lack of Transparency in the Invitation for Request for Quotations

During the period under review, the Ministry of Health had sent invitations to various suppliers to submit quotations for the supply of COVID-19 related requirements totalling K3,121,946,338.

A further analysis of the awarded contracts revealed that thirty four (34) suppliers were awarded seventy nine (79) contracts in amounts totalling K1,324,850,970. In some cases the same suppliers were awarded between two (2) and four (4) contracts each.

However, there was lack of transparency in the invitation for submission of requests for quotations, as in some cases there was no evidence that the said suppliers had dealt with the Ministry before the outbreak of the COVID-19.

iii. Questionable Identification of Suppliers

The Ministry of Health invited requests for quotations from companies whose names and nature of business does not relate to medical supplies. It was questionable as to how the Ministry invited the companies as there was no evidence that the companies had dealt with the Ministry before on similar products and had experience in the supply of such medical supplies. See table 2 below

Table 2: Questionable Identification of Suppliers

No.	NAME OF SUPPLIER	CONTRACT NO.	ITEM DESCRIPTION	QUANTITY ORDERED	TOTAL AMOUNT K
1	Avic International Zambia Limited	MOH/SP/COVID – 19 /002/20-46	3-Ply Surgical face masks	6,000,000	3,900,000
2	Wonderful Industry (Z) Limited	MOH/SP/COVID-19 /002/20-107	3-Ply Disposable Surgical Face Masks	1,000,000	12,500,000
3	Kinglong Motors Zambia Limited	MOH/SP/COVID-19 /002/20-115	3-ply Disposable Surgical Face Masks	5,000,000	65,000,000
			N-95 Face Masks	500,000	32,500,000
4	Wonderful Industry (Z) Company Limited	MOH/SP/COVID-19 /002/20-160	3-Ply Disposable Surgical Face Masks	4,000,000	40,000,000
5	Higer Bus Zambia	MOH/SP/COVID-19 /002/20-176	KN-95 Face masks	2,000,000	96,000,000
			3-Ply disposable Face masks	3,000,000	30,000,000
6	Kinglong Motors Zambia Ltd	MOH/SP/COVID-19 /002/20-201	Coverall Suits	100,000	65,000,000
	Total				344,900,000

iv. Supply and delivery of KN-95 Face Masks and 3-ply Disposable Surgical Face Masks

Table 3 shows twelve (12) selected contracts signed between 30th July and 30th September 2020, in amounts totalling K210,200,000 for the supply and delivery of KN-95 face masks and 3-ply disposable surgical face masks. As of October 2021, amounts totalling K44,200,000 had been paid to the suppliers. See table 3 below.

Table 3: Contracts for supply of Covid-19 Materials

No.	Supplier	Quantity	Contract Sum K	Contract Date	Amount Paid K	Description
1	Yepsanda Fire Services Limited	500,000	6,500,000	30/07/2020		3ply disposable surgical face masks
2	Afrifin Solutions	15,000	750,000	01/09/2020		KN 95
3	Tashlub Investments Limited	15,000	750,000	01/09/2020	15,000	KN 95
4	Munteco Ltd	20,000	1,000,000	02/09/2020	20,000	KN 95
5	Calvery Solution Limited	20,000	1,000,000	02/09/2020	20,000	KN 95
6	Benmart Logistics Limited	20,000	1,000,000	02/09/2020	20,000	KN 95
6	Black Thor Limited	150,000	7,500,000	25/08/2020		KN 95
7	Falcon Industries Limited	5,000,000	55,000,000	08/09/2020		3ply disposable surgical face masks
		100,000				
9	Dazzling Dental Clinic and Medicare	500,000	10,400,000	07/09/2020		3ply disposable surgical face masks
		100,000				
10	Hebrizy Construction and General Dealers Limited	6,000	300,000	26/08/2020		N 95
11	Greenside Suppliers			14/09/2020		
12	Higer Bus Zambia Limited	2,000,000	126,000,000	30/09/2020		N 95
		3,000,000				
	Total		210,200,000			

The following were observed:

- Failure to Provide Performance Security Documents**

Regulation No. 127(1) of the Public Procurement Regulations of 2011 states that, “A procuring entity shall request a performance security for all contracts

for goods, works and non-consulting services with a value greater than five hundred thousand Kwacha, (Un-rebased) to secure the supplier’s obligation to fulfil the contract”.

Further, Clause 8.1 of the General Conditions of Contract states that if required as specified in the SCC, the Supplier shall, within fourteen (14) days of contract award, provide a security for the due performance in the amount specified in the SCC. Clause 8.1 of the SCC states that performance security shall be for an amount equal to ten (10) percent of the total contract price.

Contrary to the above provisions, ten (10) suppliers out of the twelve (12) did not provide Performance Securities for the contracts. See table 4 below.

Table 4: Contracts without Performance Security

No.	Supplier	Description	Contract Amount K
1	Afrifin Solutions	KN 95	750,000
2	Tashlub Investments Limited	KN 95	750,000
3	Munteco Ltd	KN 95	1,000,000
4	Benmart Logistics Limited	KN 95	1,000,000
4	Calvery Solution Limited	KN 95	1,000,000
6	Black Thor Limited	KN 95	7,500,000
7	Dazzling Dental Clinic and Medicare	3ply disposable surgical face masks KN 95	10,400,000
8	Falcon Industries Limited	3ply disposable surgical face masks KN 95	55,000,000
9	Higer Bus Zambia Limited	N 95 3ply disposable surgical face masks	126,000,000
10	Yepsanda Fire Services Limited	3ply disposable surgical face masks	6,500,000
	Total		209,900,000

- **Failure to Claim Liquidated Damages**

Special Contract Conditions (SCC) No. 22.1 provided for the charging of liquidated damages of half (0.5) percent per week and maximum not exceeding ten (10) percent of the contract price for none or delayed delivery.

Although five (5) suppliers delayed the delivery of the face masks by periods ranging between seventeen (17) and thirty four (34) days, the Ministry did not claim liquidated damages as at 31st October 2021. See table 5 below.

Table 5: Unclaimed Liquidated Damages

No.	Supplier	Description	Contract Amount K
1	Afrifin Solutions	KN 95	750,000
2	Tashlub Investments Limited	KN 95	750,000
3	Munteco Ltd	KN 95	1,000,000
4	Benmart Logistics Limited	KN 95	1,000,000
5	Calvery Solution Limited	KN 95	1,000,000
Total			4,500,000

- Irregular Bid Responsiveness**

A review of the Ministry Procurement Committee Minutes of the meetings held between 25th August and 4th September 2020 revealed that the Ministry issued three (3) purchase enquiries to nine (9) suppliers for the supply and delivery of face masks with submission deadlines. See table 6 below.

Table 6: Dates for Meetings and Purchase Inquiries

Bid No.	Date of MPC meeting	Date of Inquiry	Deadline for Submission of Qoutations	No. of Suppliers
1	25.08.2020		07.08.2020	3
2	25.08.2020	07.08.2020	10.08.2020	3
3	04.09.2020	14.08.2020	17.08.2020	3
Total				9

One of the Instructions to Bidders on the purchase inquiries was that bidders needed to submit valid Zambia Revenue Authority (ZRA) Value Added Tax (VAT) Registration and Tax Clearance Certificates.

After conducting evaluations at all the three (3) evaluation stages, the Procurement Committee granted authority to the Director – Clinical Care Services to award contracts to three (3) suppliers in amounts totalling K13,250,000. See table 7 below.

Table 7: Contracts Awarded

No.	Bidder	Amount K
1	Black Thor Ltd	7,500,000
2	Greenside Suppliers & Investments Ltd	5,000,000
3	Tashlub Investments Ltd	750,000
Total		13,250,000

However, a review of supporting documents submitted by the bidders revealed that the qualification of the three (3) bidders was questionable in that the Tax Clearance Certificates submitted by the bidders were issued after the closing dates for submission of quotations and therefore could not have met the criteria at preliminary evaluation. See table 8 below.

Table 8: Tax Clearance Certificate Issue Dates

No.	Supplier	Deadline for Submission of Quotations	Tax Clearance Certificate Issue Date
1	Tashlub Investments Limited	07.08.2020	12.08.2020
2	Black Thor Limited	10.08.2020	12.08.2020
3	Greenside Suppliers & Investments Ltd	17.08.2020	03.09.2020

- **Questionable Change of Delivery Terms**

According to the Instructions to Bidders, the delivery periods were ex-stock. However, a review of the contracts delivery terms revealed that the delivery terms for two (2) suppliers had been changed to delivery within fourteen (14) and fifteen (15) days.

However, no justification was provided for changing the terms. The change of the delivery terms in the contracts was questionable as the bidders were evaluated based on ex stock. See table 9 below.

Table 9: Change of Delivery Terms

No.	Supplier	Delivery terms per purchase Inquiry	Delivery terms per Contract	Contract Amount K
1	Greenside Suppliers and Investments Limited	Ex-stock	15 days	5,000,000
2	Dazzling Dental clinic and Medicare Ltd	Ex-stock	14 days	10,400,000

- **Cover Bidding – Unfair and Uncompetitive Procurements**

According to the Certified Fraud Examiner’s Manual, cover bidding occurs when a competitor submits bids that are intended to be unsuccessful so that another conspirator can win the contract.

On 4th September 2020, the Ministry of Health Procurement Evaluation Committee through its Ministerial Procurement Committee (MPC) Paper No. 309 of 2020 evaluated three (3) bids for the Supply and Delivery of KN 95 Face Masks.

The Procurement and Evaluation Committee recommended the award of the contract to Greenside Suppliers and Investments Limited which was the lowest bidder at a contract sum of K5,000,000.

However, a scrutiny of the bids received revealed that two (2) out of the three (3) bidders shared the same details. Particularly the following were the same:

- Mobile number,
- Email address, and
- Post Box number.

See table 10 below.

Table 10: Suppliers with Complementary Bids

No.	Bidder	Bid Amount K
1	FMC Farms Ltd	7,000,000
2	Simuliya Trading Ltd	9,000,000

- **Hebrizy Construction and General Dealers Limited**

Clause 12.1 of the General Conditions of Contract states that delivery of the Goods shall be made by the supplier in accordance with the terms specified in the schedule of requirements.

According to the quantities as per schedule of requirement in the contract, the supplier was to deliver a total of 6,000 N-95 Face masks which is an American brand.

However, a review of Delivery Note No. 015 revealed that the supplier delivered KN-95 Face Masks instead of N-95 Face Masks thereby resulting in the substitution of the product.

v. Contract for the Supply and Delivery of Personal Protective Equipment - N-95 Respiratory Face Masks

On 20th March 2020, the Ministry issued an enquiry to Emerald International Limited through Direct Bidding Procurement method for a quotation for the supply and delivery of 50,000 face masks.

On 25th March 2020, the Ministry and Emerald International Limited signed a contract for the Supply and Delivery of Personal Protective Equipment (N-95 Respiratory Face Masks) to support response towards COVID-19 at a contract sum of US\$250,000 VAT exclusive with a delivery period of 7 – 10 days.

The supplier delivered 50,000 N-95 face masks costing US\$250,000. See table 11 below.

Table 11: Delivered Face Masks

No.	Delivery Date	Delivery Note	Quantity Delivered	Unit Price US\$	Total US\$
1	23.03.2020	EI-005	7,980	5	39,900
2	28.03.2020	EI-006	21,295	5	106,475
3	06.04.2020	EI-009	20,725	5	103,625
	Total		50,000		250,000

As at 31st October 2021, the supplier had been paid amounts totalling US\$211,479 (K3,478,605) representing 85% of the contract sum. See table 12 below.

Table 12: Details of Payments to Supplier

No.	Date	Details	Amount US\$	Amount K
1	06.04.2020	25% Advance Payment	62,500	722,500
2	05.05.2020	Supply of COVID-19 Commodities	148,979	2,756,105
	Total		211,479	3,478,605

The following were observed:

- **Questionable Identification of Supplier**

A review of records at PACRA revealed that the nature of business of the supplier was Non Specialised Wholesale Trade. Therefore, it was questionable as to how the Ministry sent requests for quotation to Emerald International Limited in that there was no evidence that the supplier had dealt with the Ministry before on similar products.

- **Lack of Competition in the Procurement of Masks**

Regulation 39(4) of the Public Procurement Regulations 2011 states that where an emergency situation affects the choice of procurement method, the procuring entity shall not automatically exclude competitive methods of

procurement but shall obtain competition to the maximum extent practical in the circumstances.

Contrary to regulation, Emerald International Limited was single sourced to supply and deliver 50,000 face masks and therefore the price of US\$250,000 was uncompetitive.

- **Delivery of Goods before Signing of Contract**

The Ministry issued the Purchase Order on 25th March 2020 after the contract was signed.

However, a review of delivery note No. EI-005 issued by the supplier revealed that the supplier delivered 7,980 N-95 face masks costing US\$39,900 to Zambia Medicines and Medical Supplies Agency (ZAMMSA) on 23rd March 2020 which was two (2) days before the contract was signed thereby raising concern in transparency and contract management.

vi. Contract for the Supply and Delivery of COVID-19 PCR Test Kits and Humidifiers

On 23rd April 2020, the Ministry and Emerald International Limited signed a contract for the supply and delivery of 150,000 COVID-19 PCR Test Kits and sixty (60) Humidifiers at a contract sum of US\$4,530,000 VAT exclusive with a delivery period of Ex-Stock of 7 – 10 days.

The supplier delivered sixty (60) humidifiers and 55,008 COVID-19 RNA-PCR test kits costing US\$2,155,200. See table 13 below.

Table 13: Supplied Equipment

No	Delivery date	Delivery Note No.	Quantity Delivered	Details	Unit price US\$	Total US\$
1	02.05.2020	EL-011	60	Humidifiers	13,000	780,000
2	24.09.2020	EL-015	55,008	COVID-19 RNA-PCR Test kits	25	1,375,200
Total						2,155,200

A review of payment vouchers revealed that the supplier was paid an amount of US\$456,558.96 (K8,430,498.10) on 24th August 2020.

The following were observed:

- **Questionable Identification of Supplier**

A review of records at PACRA revealed that the nature of business of the supplier was Non Specialised Wholesale Trade. Therefore, it was questionable on how the Ministry sent requests for quotation to Emerald International Limited in that there was no evidence that the supplier had dealt with the Ministry before on similar products and had experience in the supply of such medical test kits.

- **Uncompetitive Procurement**

Regulation 39(4) of the Public Procurement Regulations, 2011 states that, “Where an emergency situation affects the choice of procurement method, the procuring entity shall not automatically exclude competitive methods of procurement but shall obtain competition to the maximum extent practical in the circumstances”.

Contrary to regulation, Emerald International Limited was single sourced for the supply and delivery of COVID-19 Test Kits and humidifiers and therefore the price of US\$4,530,000 was uncompetitive.

- **Undelivered Goods**

The contract provided for a delivery period of Ex-Stock of 7 – 10 days. However, Emerald International Limited only delivered 55,008 COVID-19 Test Kits to Zambia Medicines and Medical Supplies Agency (ZAMMSA) on 24th September 2020 which was more than (4) months after the expected delivery date. As at 31st October 2021, the balance of 94,992 test kits costing US\$2,374,800 had not been delivered despite the contract being awarded on the basis that it was ex-stock of 7-10 days. See table 14 below.

Table 14: Undelivered Test Kits

Description	Quantity Ordered	Quantity Delivered	Undelivered	Unit Price US\$	Total US\$
COVID-19 Test Kits PCR	150,000	55,008	94,992	25	2,374,800
VAT @ 16%					Exclusive
Cost of Undelivered Items					2,374,800

In addition, the non-delivery of the supplies more than seventeen (17) months after the award defeats the purpose of an emergency procurement. Further,

there was no evidence that a due diligence had been conducted that the supplier was able to fulfil the procurement.

vii. Contract for the Supply and Delivery of Surgical Face Mask

On 16th July 2020, the Ministry and Fest Electrical and Hardware signed a contract for the Supply and Delivery of 2,000,000 x 3-Ply Disposable Surgical Face Masks and 300,000 x N-95 face masks to Support the Preparedness and Response towards COVID-19 at a contract sum of K45,500,000 VAT exclusive with a delivery period of 7 days from 16th July 2020 to 23rd July 2020.

On 19th August 2020, the supplier delivered 2,000,000 3-ply disposable surgical face masks and 300,000 KN-95 face masks through Delivery Note No. 001 valued at K45,500,000

As of October 2021, the supplier had been paid in full.

The following were observed:

- **Questionable Identification of Supplier**

The company name implies that they are suppliers of electrical and hardware. In this regard, it was questionable as to how the Ministry invited the company on a contract for the supply of 3-ply disposable surgical face masks and 300,000 KN-95 face masks.

In addition, there was no evidence that the supplier had dealt with the Ministry before on similar products and had experience in the supply of such medical supplies.

- **Failure to Claim Liquidated Damages**

Special Contract Conditions (SCC) No. 26.1, provided for the charging of liquidated damages up to 10 percent of the Contract price for none or delayed delivery.

Although the supplier delayed the delivery of the face masks by twenty eight (28) days in that the supplier delivered the face masks on 19th August 2020 instead of the agreed delivery date of 23rd July 2020, the Ministry had not claimed liquidated damages.

- **Failure to Pay Supplier**

According to Clause 16 of the Special Conditions of the Contract, the Ministry was required to pay the Supplier within thirty (30) days of submission of documents specified in the General Conditions of Contract (GCC) Clause 11 (delivery and documents) by cheque or direct bank transfer to the Supplier's nominated bank account upon submission of documents specified in GCC Clause 11.

A review of payment vouchers and delivery documents revealed that the supplier submitted the documents specified in GCC Clause 11 on 18th August 2020. However, the Supplier had not been paid amounts totalling K20,000,000 as of October 2021, thirteen (13) months after submission of Invoice No. 002 dated 18th August 2020.

As at 31st October 2021, there was no evidence that the supplier had made follow up on the payment.

viii. Supply and Delivery of Specialised Medical Equipment

On 8th April 2020, the Ministry engaged Nsochita General Contractors and Suppliers Limited to supply and deliver specialised medical equipment at a contract sum of K9,344,400 with a delivery period of sixty (60) days. Among the specialised medical equipment to be supplied included ten (10) SynoVent E5 ventilators. The supplier completed the deliveries on 13th July 2020.

On 7th April 2020, the Ministry issued another enquiry to Nsochita General Contractors through Direct Bidding Procurement method for a quotation for the supply and delivery of twenty five (25) adult ventilators and twenty five (25) child/neonatal ventilator to support response towards COVID-19. The ventilators were to be delivered within 30-45 days after the issue of the purchase order.

According to the Ministry Procurement Committee, the justification for Direct Bidding the supplier was that the items to be procured were additional goods and that there was need for compatibility, standardisation and continuity.

In this regard, on 21st April 2020, the Ministry signed a contract with Nsochita General Contractors and Suppliers Limited to supply and deliver Specialised Medical Equipment at a contract sum of K20,750,000 VAT exclusive, with a delivery period of 30-45 days. See table 15 below.

Table 15: Schedule of Requirements

No.	Description	Qty	Unit Price K	Total
1	Ventilator (synovent E5) device, Trolley and w/accessories and spares for adults	25	460,000	11,500,000
2	Ventilator (synovent E5) device, Trolley and w/accessories and spares for children	25	370,000	9,250,000
		50		20,750,000

On 10th July 2020, the Ministry signed an Addendum to the contract to amend the specifications to the following. See table 16 below.

Table 16: Amended Requirements

No.	Description	Qty	Delivery Note No.	Unit Price K	Total K
1	Adult Sepray OH-70 HFNC Oxygen Therapy Ventilators	25	210	328,571	8,214,286
2	Adult Sepray OH-70 HFNC Oxygen Therapy Ventilators	10	215	328,571	3,285,714
3	Pediatric Sepray OH-70 HFNC Oxygen Therapy Ventilators	25	210	370,000	9,250,000
		60			20,750,000

A review of Delivery Note No 210 and 215 dated 2nd June and 4th August 2020 respectively revealed that the supplier delivered the goods as per amendment.

Consequently, on 13th August 2020, the supplier was paid an amount of K15,562,500 leaving a balance of K5,187,500 as of October 2021.

The following were observed:

- **Questionable Justification for Direct Bidding the Supplier**

Public Procurement Regulation No.39(3) states that, “a recommendation to use an emergency situation as the criterion for determining the choice of procurement shall include a comprehensive justification for its use, stating the reasons giving rise to the emergency situation”.

The justification advanced for single sourcing Nsochita General Contractors and Suppliers Limited was continuity and standardization in that the company had previously supplied 10 Ventilators (SynoVent E5 for adults and child/neonatal).

A review of procurement and other related records revealed the following:

- The supplier had not made the deliveries to justify the re-order at the time the decision to single source was made on 7th April 2020. See table 17 below.

Table 17: Dates of Deliveries

No.	Date Delivered	Description	Qty	Delivery Note No.
1	09.04.2020	Ventilator (synovent E5) device, Trolley and w/accessories and spares for adults /Child	2	197
2	21.04.2020	Ventilator (synovent E5) device, Trolley and w/accessories and spares for Adults	1	370
3	13.07.2020	Ventilator (synovent E5) device, Trolley and w/accessories and spares for adults /Child	7	200

- There was no other evidence to suggest or indicate that the Supplier had previously made similar supplies to the Ministry.
- The costing of the Ventilators was not subjected to competition in that there was an increase in pricing between the two (2) contracts. See table 18 below.

Table 18: Price Changes

Description	MOH/19/002/20-04 dated 26 March 2020 K	MOH/19/002/20-24 dated 21 April 2020 K	Difference K
Ventilator (synovent E5) device, Trolley and w/accessories and spares for adults	375,000	460,000	85,000
Ventilator (synovent E5) device, Trolley and w/accessories and spares for child	285,000	370,000	85,000

- **Issuance of Addendum on an Expired Contract**

On 10th July 2020, the Ministry signed an Addendum to the initial contract to amend the specifications from 25 adult ventilators and 25 child/neonatal ventilators to the 60 Adult Supray OH-70 Ventilators.

Section 58 of the Public Procurement Act No. 11 of 2008 states that all amendments to a contract shall require prior authorisation of the appropriate approval's authority and the Attorney General.

Further, Regulation 149(3) of the Public Procurement Regulations, 2011 states that a Procurement Unit shall obtain the prior authorisation of the approval's authority before the issue of any contract amendment.

However, the Ministry amended the specifications of the Ventilators without getting approval from the Ministry Procurement Committee and the Attorney General.

A further review of the addendum to the contract revealed that 79 days had elapsed from the date of the initial contract signing thereby terminating the initial Contract by default in that the maximum delivery time schedule of not more than 45 days had elapsed.

ix. Supply and Delivery of Laboratory Consumables

On 20th May 2020, the Ministry entered into a contract with FOBs Scientific (Z) Limited for the supply and delivery of Laboratory Consumables at a contract sum of K919,640 VAT exclusive, with a delivery period of ex – stock. See table 19 below.

Table 19: Laboratory Consumables

No.	Description	Qty	Unit Price K	Total K
1	Pipette Tip, Filtered 1000 ul(1000s)	117	3,320	388,440
2	Pipette Tip, Filtered 20 ul(960s)	160	3,320	531,200
				919,640

As of November 2020, the supplier had been paid in full.

The following were observed:

- **Questionable Survey of Suppliers**

On 27th April 2020, the Ministry issued purchase enquiries to two (2) prospective bidders namely Kansma Investment and FOBs Scientific Limited. The enquiries were said to be restricted to the two (2) suppliers because they were found to be with the items ex-stock.

However, it was observed that there was no survey report to indicate that a survey was done on other suppliers, therefore raising concern on the reasons advanced of restricting to two (2) suppliers.

- **Questionable Identification of Supplier**

A review of records at PACRA revealed that the nature of business of the supplier was Retail sale of electrical household appliances, furniture, lighting equipment and other household articles in specialized stores.

Therefore, it was questionable on how the Ministry sent requests for quotation to FOBS Scientific Limited in that there was no evidence that the supplier had dealt with the Ministry before on similar products and had experience in the supply of such specialised medical equipment.

- **Questionable Justification for Direct Selection**

Regulation No. 39(4) of the Public Procurement Regulations of 2011 states that where an emergency situation affects the choice of procurement method, the procuring entity shall not automatically exclude competitive methods of procurement but shall obtain competition to the maximum extent practical in the circumstances.

According to the minutes of the MPC Paper No.159 of 2020 dated 29th April 2020, the justification advanced for limiting the sourcing to two (2) suppliers by the procurement committee was that the market had been surveyed in order to find who could supply and only Kansma Investments and FOBS Scientific Limited were found with the items ex-stock. Considering the date when the contract was signed, the supplier should have delivered by 21st May 2020.

However, a review of Delivery Note No. 1451 revealed that the supplier only made a partial delivery of the items to Zambia Medicines and Medical Supplies Agency (ZAMMSA) on 4th June 2020 which was two (2) weeks after signing the contract when the committee had indicated that the supplier had all the items available at the time of procurement.

- **Irregular Payment of Supplier**

According to General Condition of Contract (GCC) 16.3, the supplier was to be paid promptly by the purchaser but in any case not later than sixty (60) days after submission of an invoice or claim by the Supplier.

The supplier delivered 217 Pipette Tip on 4th June 2020 out of the contracted quantity of 277 pipettes leaving a balance of 60 undelivered as of May 2021.

However, the supplier was paid the full invoice amount of K919,640 on 24th November 2020 despite not having fully delivered.

x. Supply and Delivery of Specialised Medical Equipment

On 26th March 2020, the Ministry engaged Nsochita General Contractors and Suppliers Limited to supply and deliver Specialised Medical Equipment at a contract sum of K9,344,400 VAT inclusive, with a delivery period of 60 days.

As of December 2020, the supplier had been paid amounts totalling K10,900,500. See the table 20 below.

Table 20: Payments Schedule

Date	Amount K
08.05.2020	2,366,100
08.05.2020	5,162,400
08.05.2020	1,107,000
31.07.2020	2,265,000
Total	10,900,500

The following were observed:

- **Failure to Provide Pre-evaluation Information**

According to the purchase enquiry, the bidders were supposed to submit evidence of Warranty, After Sale Support and Manufacturers Authorisations, among others.

However, a review of the bid documents revealed that the supplier did not submit the above required documentation but proceeded to the next stage of evaluation.

- **Failure to Conduct Technical Evaluation**

Public Procurement Regulation No. 70(1) states that an evaluation committee shall conduct a technical evaluation by comparing each bid to the technical requirements of the statement of requirements in the solicitation document, to determine whether the bids are substantially responsive.

Contrary to the regulation, the evaluation committee did not conduct a technical evaluation even though the supply and delivery was for Specialised Medical Equipment thereby raising concern on the ability of the supplier to

provide the correct specialised medical equipment. Further, there was no evidence that the supplier had supplied similar products before to the Ministry.

- **Questionable Identification of Supplier**

A review of records at PACRA revealed that the nature of business of the supplier was *Other Retail Sale not in stores, stalls or markets and construction of buildings*.

Therefore, it was questionable how the Ministry sent requests for quotation to Nsochita General Contractors and Suppliers Limited in that there was no evidence of the supplier trading in specialised medical equipment.

- **Failure to Claim Liquidated Damages**

Special Contract Conditions (SCC 26.1) provided for the charging of liquidated damages up to 10 percent of the Contract price for non or delayed delivery.

According to the quantities as per schedule of requirement in the contract, the supplier was to among other things, deliver a total of twenty (20) Concentrator 02 (New Life Intensity) 10L, 230V, 50Hz and accessories.

Although the supplier had not completed delivery as 31st May 2021, the Ministry had not claimed liquidated damages as provided for in the contract.

- **Payment for Undelivered Equipment**

The General Conditions of Contract (GCC 11.1) states that delivery of the Goods shall be made by the Supplier in accordance with the terms specified in the schedule of requirements. The terms specified under the contract was that delivery was to be made 60 days after signing of the contract on 26th March 2020.

According to the quantities as per schedule of requirement in the contract, the supplier was to among other things, deliver a total of twenty (20) Concentrator 02 (New Life Intensity) 10L, 230V, 50Hz and accessories.

However, a review of Delivery Note Nos. 197, 198 and 200 revealed that although the supplier had invoiced and been paid in full, a total of eighteen (18) Concentrator 02 (New Life Intensity) 10L, 230V, 50Hz and accessories valued at K810,000 had not been delivered.

In addition, the supplier had been overpaid by K1,556,100 as reported in the Auditor General’s Report for the financial year ended 31st December 2020, under paragraph 22 thus bringing the total overpayment to K2,366,100.

xi. Overpayment due to Product Substitution

During the period under review, the Ministry awarded thirty six (36) contracts for the supply and delivery of 2,990,000 N95 face masks at a total contract sum of K214,339,700 with an average unit price of K70.

However, a review of records such as delivery notes and invoices revealed that the suppliers delivered a total of 2,990,000 KN95 (Chinese Brand) face masks instead of the N95 (American Brand) that had been invoiced resulting in product substitution.

A test check of the prices of KN95 facemasks which had been submitted by other suppliers to the Ministry revealed a maximum unit price of K50. In this regard, the KN95 face masks supplied should have cost an estimated amount of K149,500,000 resulting in an estimated loss to Government of K64,839,700.

xii. Contract for Supply and Delivery of Portable Immune Analysers (WIZ-A1010) with Covid Testing Reagents

On 20th November 2020, the National Coordinator Pathology and Laboratory Services requested for authority from the Permanent Secretary – Administration to procure thirty (30) Real-Time Polymerase Chain Reaction Machines (Portable Immune Analysers) to enable improved COVID-19 laboratory service delivery. The request was approved by the Permanent Secretary on the same day.

In this regard, the Ministry using simplified bidding issued purchase enquiries for quotations to three (3) suppliers. On 24th November 2020, the suppliers responded with bids. See table 21 below.

Table 21: Bids Received and Evaluated

No.	Bidding Company	Bid Sum K
1	Boffar Machinery Equipment (Z) Ltd	35,280,000
2	Global Trading Limited	37,044,000
3	Wonderful Industry Zambia Company Limited	36,000,000

In this regard, on 4th December 2020, the Ministry signed a contract with Boffar Machinery Equipment Zambia Limited to supply and deliver thirty (30) portable immune analysers and 300,000 COVID-19 testing reagents at a contract sum of K122,280,000 VAT exclusive, with a delivery period of two (2) weeks.

The supplier delivered the real time polymerase chain reaction machines and the portable immune analysers as shown in table 22 below.

Table 22: Delivery Schedule

Date	Description	Delivery Note	Quantity	Value Supplied K
06.12.2020	Portable Immune Anlysers(WIZ-A1010)	BM01010	10	11,760,000
	Covid-19 Testing Reagents		50,000	14,500,000
08.12.2020	Portable Immune Anlysers(WIZ-A1010)	BM01011	12	14,112,000
10.12.2020	Portable Immune Anlysers(WIZ-A1010)	BM01012	8	9,408,000
16.12.2020	Covid-19 Testing Reagents	BM01013	50,000	14,500,000
21.12.2020	Covid-19 Testing Reagents	BM01014	50,000	14,500,000
28.12.2020	Covid-19 Testing Reagents	BM01014	150,000	43,500,000
	Total			122,280,000

As at 31st October 2021, the supplier had been paid amounts totalling K80,000,000 leaving a balance of K42,280,000.

The following were observed:

- **Questionable Identification of Supplier**

A review of records at PACRA revealed that the nature of business of the supplier was other manufacturing and other retail sale not in stores, stalls or markets.

Therefore, it was questionable on how the Ministry sent requests for quotation to Boffar Machinery Equipment Zambia Limited in that there was no evidence of the supplier trading in specialised medical equipment.

- **Cover Bidding – Unfair and Uncompetitive Procurements**

Cover bidding occurs when a competitor submits bids that are intended to be unsuccessful so that another conspirator can win the contract.

A scrutiny of the bids submitted revealed that out of the three (3) bids, two (2) bids for Boffar Machinery Equipment (Z) Ltd and Wonderful Industry Zambia Company Ltd shared the same details. Particularly, the two (2) bidding

companies shared the same Postal Address and were therefore, connected to each other.

Further, a search of company records at the Patents and Companies Registration Agency (PACRA) revealed that two (2) of the shareholders in Boffar Machinery Equipment (Z) Ltd were also shareholders in Wonderful Industry Zambia Company Ltd.

The acceptance of bids from two (2) connected companies was thus irregular and uncompetitive.

- **Irregular Variation of Contract**

Public Procurement Regulation No. 39 (4) requires that, “where an emergency situation affects the choice of procurement method, the procuring entity shall not automatically exclude competitive methods of procurement but shall obtain competition to the maximum extent practical in the circumstances”.

However, a review of the evaluation report revealed that despite the recommendation of the Evaluation Committee to award the contract for the supply of thirty (30) Portable Immune Analysers to Boffar Machinery Equipment (Z) Ltd at a contract price of K35,280,000, the Ministry awarded and signed the contract with Boffar Machinery Equipment (Z) Ltd at a sum of K122,280,000 for supply and delivery of thirty (30) portable immune analysers and 300,000 Covid -19 testing kits.

In this regard, the procurement of 300,000 COVID-19 testing reagents costing K87,000,000, was not subjected to competition resulting in single sourcing of the reagents.

xiii. Contract for Supply and Delivery of SAR-Cov-2 Nucleic Acid Detection Kits

On 6th August 2020, the Ministry of Health Procurement Unit using simplified bidding issued purchase enquiries for quotations to four (4) suppliers for supply and delivery of 30,000 SAR-Cov-2 Nucleic Acid Detection Kits to help in the fight against the COVID-19 pandemic and on 7th August 2020, four (4) bidders responded. See table 23 below.

Table 23: Bids Received and Evaluated

No.	Bidding Company	Bid Sum K	Total in US\$
1	Tracon Construction and General Trading Ltd	9,435,000	
2	Bumu Applied Technologies Company Limited	10,500,000	
3	Etone Health Zambia Limited	9,600,000	
4	Kingphar Company Zambia Limited		780,000

On 14th August 2020, the Ministry of Health Evaluation Committee, through its Ministerial Procurement Committee (MPC) Paper No. 433 of 2020 evaluated the four (4) bids and recommended the awarding of the contract for the supply and delivery of 30,000 SAR-Cov-2 Nucleic Acid Detection Kits to the lowest bidder, Tracon Construction and General Trading Ltd at a sum of K9,435,000 exclusive of Value Added Tax (VAT).

In this regard, on 26th August 2020, the Ministry of Health signed a contract with Tracon Construction and General Trading Ltd to supply and deliver 30,000 test kits at a sum of K9,435,000 VAT exclusive, with a delivery period of two (2) weeks.

As of October 2021, no payment had been made to the supplier.

The following were observed:

- **Questionable Identification of Supplier**

A review of records at PACRA revealed that the nature of business of the supplier was Non-specialized wholesale trade and construction of other civil engineering project.

Therefore, it was questionable how the Ministry sent requests for quotation to Tracon Construction and General Trading Ltd in that there was no evidence of the supplier trading in medical equipment.

- **Cover Bidding – Unfair and Uncompetitive Procurements**

Cover bidding occurs when a competitor submits bids that are intended to be unsuccessful so that another conspirator can win the contract.

A scrutiny of the bids submitted revealed that out of the four (4) bids, two (2) bids from Tracon Construction and General Trading and Bumu Applied Technologies Company Limited were connected to each other in that they

shared the same details. In particular, the companies shared the same Postal Address.

Further, a search of company records at the Patents and Companies Registration Agency (PACRA) revealed that, one (1) director/partner in Tracon Construction and General Trading is also a director/partner and shareholder in Bumu Applied Technologies Company Limited.

In this regard, the bid evaluation and award of the contract was both questionable and uncompetitive.

- **Delivery of Supplies before Contract Date**

Section 54 (2) (a) and (b) of the Public Procurement Act of 2008 states that “No contract, purchase order, letter of bid acceptance or other communication in any form conveying acceptance of a bid award of contract shall be issued prior to; (a) an award decision by the appropriate approvals authority and (b) publication and dispatch of the notice of best evaluated bidder”.

Contrary to the Act, it was observed that, Tracon Construction and General Trading Ltd delivered the 30,000 SAR-Cov-2 Nucleic Acid Detection test kits costing K9,435,000 on 19th August 2020, five (5) days before signing of the contract with the Ministry of Health on 26th August 2020.

xiv. Contract for Supply and Delivery of Gloves and Thermometers - Delivery of Different Specification

On 10th September 2020, the Ministry entered into a contract with Sacoza Industrial Limited for the supply and delivery of 50,000 Nitrile Inspection Gloves, 50,000 Latex Examination Gloves and 5,000 Non-Contact Electronic Thermometers at a contract sum of K32,500,000 with a delivery period of ex-stock.

The following were observed:

- **Questionable Identification of Supplier**

A review of records at PACRA revealed that the nature of business of the supplier was other manufacturing.

Therefore, it was questionable on how the Ministry sent requests for quotation to Sacoza Industrial Limited in that there was no evidence of the supplier trading in Specialised Medical Equipment.

- **Non-delivery of Nitrile Inspection Gloves**

According to the contract specifications, the supplier was required to deliver a total of 50,000 Nitrile Inspection Gloves at a unit price of K275 each and 50,000 Latex Examination Gloves at a unit price of K225.

However, the supplier delivered a total of 98,170 Latex Examination Gloves at a unit price of K225 each. See table 24 below.

Table 24: Undelivered Nitrile Inspection

Items	Unit Price K	Ordered		Delivered	
		Qty	Value (K)	Qty	Value (K)
Nitrile Inspection Gloves	275	50,000	13,750,000	-	-
Latex Examination Gloves	225	50,000	11,250,000	98,170	22,088,250
Total			25,000,000		22,088,250

As of May 2021, the Ministry had not taken any action against the supplier. Further, there was no evidence that there was a variation to the requirements and whether an invoice had been issued by the supplier.

xv. Delayed Deliveries of Medical Supplies – Various Contracts

A review of the tender records revealed that between 31st July and 27th November 2020, the Ministry entered into contracts with five (5) suppliers at a total value of K173,126,966 and one (1) supplier at a contract sum of US\$3,229,600 for the supply and delivery of personal protective equipment, laboratory commodities, testing kits, essential medicines and medical supplies for use in the fight against the Covid -19 with delivery periods ranging from Ex Stock to eight (8) weeks. See table 25 below.

Table 25: Partial Delivery of Supplies

No.	Date	Supplier	Contract No.	Details	Contract Value		Delivered		Undelivered		Delivery Period
					ZMW	USD (\$)	ZMW	USD (\$)	ZMW	USD (\$)	
1	03.09.20	Suhao Investment Limited	MoH/SP/Covid-19/002/20-164	Supply and delivery of laboratory commodities	81,806,966		35,814,900		45,992,066	-	2 Weeks
2	31.07.20	Sonergy Diagnostics Limited	MoH/SP/Covid-19/002/20-124	Supply and delivery of laboratory commodities		3,229,600		3,025,637	-	203,964	8 Weeks
3	10.09.20	Sacoza Industrial Limited	MoH/SP/Covid-19/002/20-165	Supply and delivery of 50,000 Nitrile Gloves, 50,000 Latex Gloves and 5,000 Electronic Thermometers	32,500,000		22,088,250		10,411,750	-	Ex-Stock
4	28.09.20	P&G Pharmaceuticals	MoH/SP/Covid-19/002/20-204	Supply and Delivery 72,000 Insulin Soluble 10ml vials, 96,00 Linsulin Long Acting 10mls vials, 104,000 Premixed 10mls vials	29,920,000		14,369,300		15,550,700	-	Ex-Stock
5	18.09.20	Etone Health Zambia Limited	MoH/SP/Covid-19/002/20-168	Supply and delivery of 10,000 Coverall Suits	14,700,000		14,330,000		370,000	-	10 days
6	27.11.20	Falcon Industries Limited	MoH/SP/Covid-19/002/20-235	Nasopharyngeal Swabs with Transport Media	14,200,000		5,223,940		8,976,060		Ex-Stock
					173,126,966	3,229,600	91,826,390	3,025,637	81,300,576	203,964	

As at 18th May 2021, the suppliers had not delivered items worth K81,300,576 and US\$203,964 resulting in delayed deliveries ranging from twenty eight (28) to thirty two (32) weeks. As at 30th October 2021, the suppliers had been paid amounts

totalling K20,884,835. However, there was no evidence that the Ministry had taken any action against the suppliers for the delayed deliveries.

xvi. Contract for Supply and Delivery of Specialised Medical Equipment

On 21st April 2020, the Ministry entered into a contract with MA and C Office and Industrial Suppliers Limited for the supply and delivery of fifty (50) comprehensive ICU Ventilators BIVENT and PRV (VG70), device trolleys and associated accessories and spares at a contract sum of US\$1,125,000 VAT exclusive with a delivery period of 12 to 18 weeks.

On 14th September 2020, the supplier was paid an amount of K22,916,473.

A physical verification carried out at Zambia Medicines and Medical Supplies Agency (ZAMMSA) warehouse in April 2021 revealed that the supplier delivered fifty (50) VG70 Ventilators in October 2020 some of which were distributed as shown in the table 26 below.

Table 26: Distribution of VG70 ICU Ventilators

No.	Facility	Quantity	Current Location
1	UTH Adult Hospital	15	Allocated to Main MICU, A&E
2	UTH Children Hospital	5	Paediatric ICU
3	UTH Women and New Born	5	Obstetric ICU and Neonatal ICU
	Total	25	

The following were observed:

- **Questionable Identification of Supplier**

A review of records at PACRA revealed that the nature of business of the supplier was Wholesale of electronic and telecommunications equipment and parts.

Therefore, it was questionable on how the Ministry sent requests for quotation to MA and C Office and Industrial Suppliers Limited in that there was no evidence of the supplier trading in Specialised Medical Equipment.

- **Failure to Pay the Supplier**

According to Clause 16 of the Special Conditions of the Contract, the Ministry was required to pay the Supplier within sixty (60) days of submission of documents specified in the General Conditions of Contract (GCC) Clause 11

(delivery and documents) by cheque or direct bank transfer to the Supplier's nominated bank account.

However, a review of the cash books and delivery documents revealed that the supplier completed the deliveries and submitted the documents specified in GCC Clause 11 by 13th October 2020 and as of 17th May 2021, the Supplier had not been paid any amount of the contract price of US\$1,125,000.

- **Supply of Faulty Ventilators (VG70 ICU Ventilators)**

An inspection of the ventilators supplied at the University Teaching Hospital (UTH) carried out in April 2021 revealed the following:

- **Oxygen Sensor Failure**

The twenty five (25) VG ICU Ventilators delivered to the University Teaching Hospitals had an error (fault) message of "Oxygen Sensor Failure", an indication of a faulty or expired oxygen sensor.

An Oxygen Sensor is an essential component of the Intensive Care Unit Ventilator. It measures the level of oxygen saturation being administered to a patient on ventilator support.

Inquiries made with the end-user staff in Paediatric and Obstetric Intensive Care Units at the UTH Children Hospital and Women and New Born Hospital respectively revealed that although the ventilators were currently in use, they could not measure accurately the levels of oxygen being administered to patients on ventilation.

- **Limited Functionalities**

According to the specifications, the ventilators were supposed to have standard settings for both Adults and Neonatal applications.

However, inquiries made with the end user staff from the Neonatal Intensive Care Unit (NICU) revealed that the VG 70 ICU Ventilators had no settings for administering ventilation in neonatal babies.

xvii. Unaccounted for Stores

Public Stores Regulation No. 16 requires that every stores officer or any other officer having in his charge any public stores or other articles of public property must keep and maintain record of the receipt and issue of such public stores.

- **Levy Mwanawasa Teaching Hospital**

Contrary to the regulation, stores items costing K7,875,000 procured by the Ministry of Health and distributed by Zambia Medicines and Medical Supplies Agency (ZAMMSA) to Levy Mwanawasa University Teaching Hospital were not accounted for in that there were no receipt and disposal details.

- **University Teaching Hospital (UTH)**

A comparison of the Issues Report from Zambia Medicines and Medical Supplies Agency (ZAMMSA) and stores ledgers maintained at the University Teaching Hospital revealed that there were discrepancies in quantities received by the University Teaching Hospital and the quantities issued from ZAMMSA in that although ZAMMSA records indicated that various stores items worth K1,083,193.60 were delivered to UTH Adult Hospital, there were no records to show that the stores items had been received by the Hospital as at 30th September 2021.

- **Zambia National Public Health Institute (ZNPFI)**

According to the Issues Report from ZAMMSA, various stores items costing K42,674,037 were delivered to the Zambia National Public Health Institute. However, a review of stores records at ZNPFI revealed that the stores items had not been delivered to the Institute as at 30th September 2021.

- **Chinsali Provincial Health Office**

According to the Issues Report from Zambia Medicines and Medical Supplies Agency, four (4) Ventilators costing K1,240,000 were issued to Muchinga Provincial Health Office on 10th June 2020. However, a review of stores records at the Provincial Health Office revealed that there was no record of the receipt of the Ventilators as at 30th September 2021.

8 Ministry of Tourism and Arts

8.1 Background

In June 2020, the Government launched the Presidential Arts Development and Empowerment Scheme (PADES) as a stimulus package for arts related businesses to cushion the effects of COVID-19 and to create employment opportunities for the youth in the arts sector.

The Scheme was set to be implemented as a revolving fund through which business loans would be provided to practicing artists.

The National Arts Council (NAC) under the Ministry of Tourism and Arts was selected to be the implementing agency for the scheme as it is mandated to develop and promote arts in the country whilst the Citizens Economic Empowerment Commission (CEEC) was to be the fund manager to undertake the actual disbursement of loans to approved beneficiaries and manage the recoveries.

8.2 Audit Findings

An examination of accounting and other records for the period under review maintained at the Ministry headquarters and selected stations revealed the following.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2020, a supplementary provision of K30,000,000 was made to cater for the Presidential Arts Development and Empowerment Scheme (PADES), COVID-19 stimulus package.

In this regard, on 7th August 2020, the Treasury released the whole amount of K30,000,000 to the Ministry of Tourism and Arts which in turn remitted the funds to National Arts Council (NAC).

NAC subsequently transferred K27,219,944 to Citizens Economic Empowerment Commission (CEEC) and retained the balance of K2,780,056.

As at 30th September 2021, amounts totalling K26,391,780 had been spent. See table 1 below.

Table 1: Disbursement and Expenditure

Institution	Purpose	Amount Received K	Amount Spent K	Balance K
NAC	Selection, Administration	2,780,056	2,574,659	205,397
CEEC	Business loans to beneficiaries	27,219,944	23,817,121	3,402,823
Total		30,000,000	26,391,780	3,608,220

b. National Arts Council

An examination of accounting and other records for the period August 2020 to August 2021 maintained at the National Arts Council revealed the following:

i. Failure to Follow Tender Regulations

First Schedule of the Public Procurement Regulations 2011, requires that the Controlling Officer or Chief Executive Officer approves procurements up to K50,000.

Contrary to the regulation, on 25th August 2020, the Director approved the procurement of radio and television advertising time for the Scheme costing K382,027.

ii. Unretired Accountable Imprest

Financial Regulation No. 96 (1) requires that accountable imprest should be retired immediately the purpose for which it was issued has been fulfilled.

Contrary to the regulation, imprest in amounts totalling K42,000 issued to five (5) officers to facilitate activities related to the empowerment scheme had not been retired as at 31st October, 2021.

iii. Weaknesses in the Selection Process

During the period under review, the National Arts Council received a total of 3,000 applications from all the provinces out of which only 152 proposals with a total project value of K29,999,788 were approved for financing. See table 2 below.

Table 2: No. of Approved Projects per Province

Province	Number of Approved Projects	Project Amount K	Charges Before Interest K	Total Loan K
Lusaka	40	10,743,816	988,530	11,732,346
Copperbelt	15	4,167,074	381,198	4,548,271
Central	10	1,768,644	177,417	1,946,061
Northern	11	1,480,040	159,783	1,639,823
Muchinga	11	1,024,890	125,092	1,149,982
Luapula	17	2,168,265	237,888	2,406,153
Eastern	11	1,216,991	139,791	1,356,782
Southern	10	1,577,132	162,782	1,739,914
North-Western	15	1,572,626	184,020	1,756,646
Western	12	1,554,098	169,711	1,723,809
Total	152	27,273,576	2,726,212	29,999,788

In particular, the following were observed.

- **Irregular Disbursement of Loans**

Arts Empowerment Guideline No. 6 requires that all applications are made on the prescribed loan application forms which shall be endorsed by the National Arts Council (NAC) and approved by the Independent Projects Selection Committee (IPSC).

Contrary to the guideline, loans in amounts totalling K2,397,130 were disbursed to nine (9) beneficiary groups whose loan applications forms were not endorsed by NAC and were not approved by the IPSC. See table 3 below.

Table 3: Irregularly Disbursed Loans

No.	Beneficiary	Project Description	Loan Amount K
1	Mungule Cultural Dance Group	Dance Group	352,924
4	Ideas Incorporated Limited	Film Studio	729,725
5	Ndola Theatre Limited	Theatre	81,184
6	Arch-Tech Digital Studio	Digital Arts	67,839
7	Afendi Enterprises	Visual Arts	27,165
8	Kayo Trading	Mobile PA System	864,992
9	Mize Chibolya Dance Arts MPCS	Dance Group	273,300
	Total		2,397,130

- **Selection of Non – Legal Business Entities**

Arts Empowerment Guidelines Nos 3.3.1 and 3.3.2 require applicants to be a legally incorporated entity pursuant to the provisions of the Companies Act No. 10 of 2019 or ordinarily registered under the Patents and Companies Registration Agency or the Cooperatives Act of 2017 under the Department of Cooperatives.

Contrary to the guidelines, three (3) beneficiaries that received loans in amounts totalling K658,138 were not registered as per guidelines. See table 4 below.

Table 4: Unregistered Business Entities

No.	Name of Beneficiary	Description of Project	Loan Amount K
1	Chirundu Association of Gospel Musicians	Music Studio	209,454
2	Mukumbi Chalo	Pottery	95,760
3	Mungule Cultural Dance Group	Dance Group	352,924
	Total		658,138

- **Selection of Applicants not Registered With the National Arts Council**

Arts Empowerment Guideline No. 3.2 requires that applicants were to be practicing artists and paid up members of any National Arts Association or organisation affiliated to or registered by the National Arts Council.

Contrary to the guideline, two (2) beneficiaries who were paid loans in amounts totalling K354,712 were not paid up members of any arts association affiliated to or registered with the National Arts Council. See table 5 below.

Table 5: Beneficiaries Not Registered with NAC

No.	Beneficiary	Category of Art	Loan Amount K
1	Glory Hands Events	Music Academy	258,952
2	Mukumbi Chalo	Pottery	95,760
	Total		354,712

c. Citizens Economic Empowerment Commission

An examination of accounting and other records maintained at the Citizens Economic Empowerment Commission for the period from August 2020 to August 2021 revealed the following:

i. Underfunding of Loan Disbursements

According to the Fund Management Agreement between the National Arts Council (NAC) and the Citizens Economic Empowerment Commission (CEEC), the total sum of K30,000,000 was required to meet the approved gross loan disbursement obligations which included the project amount, facility fees, insurance fees, debenture fees, PACRA and Credit Reference Bureau (CRB) search fees. See table 6 below.

Table 6: Deficit on the Approved Projects

No.	Province	Number of Approved Projects	Project Amount K	Other Charges Before Interest K	Total Loan K
1	Lusaka	40	10,743,816	988,530	11,732,346
2	Copperbelt	15	4,167,074	381,198	4,548,271
3	Central	10	1,768,644	177,417	1,946,061
4	Northern	11	1,480,040	159,783	1,639,823
5	Muchinga	11	1,024,890	125,092	1,149,982
6	Luapula	17	2,168,265	237,888	2,406,153
7	Eastern	11	1,216,991	139,791	1,356,782
8	Southern	10	1,577,132	162,782	1,739,914
9	North-Western	15	1,572,626	184,020	1,756,646
10	Western	12	1,554,098	169,711	1,723,809
	Total	152	27,273,576	2,726,212	29,999,788

However, the decision to obtain authority to retain K2,726,212 from the empowerment fund of K30,000,000 to be used on administrative expenses resulted in the fund having a deficit of K2,726,212.

As at 31st October 2021, there was no indication of how the deficit was to be financed.

ii. Failure to Disburse Funds to Approved Beneficiaries

A review of the disbursement records revealed that only twenty eight (28) loan applications approved in amounts totalling K5,321,964 had been fully disbursed, while 111 loans totalling K22,601,425 were partially disbursed and thirteen (13) loans totalling K2,076,399 had not been disbursed as at 31st October 2021, twelve (12) months after the date of selection and approval in October, 2020. See table 7 below.

Table 7: Status of Loan Disbursement

Status	No. of Loans Approved	Total Loan Approved K	Total Value Disbursed K	Total Value Undisbursed K
Fully Disbursed Loans	28	5,321,964	5,321,964	-
Partially Disbursed	111	22,601,425	19,154,500	3,446,925
Non Disbursement	13	2,076,399	-	2,076,399
Total	152	29,999,788	24,476,463	5,523,324

In addition, despite procuring equipment, tools and instruments costing K17,114,622 for various beneficiaries, as at 30th September 2021, the Commission had not disbursed the working capital in amounts totalling K3,446,925 to 111 beneficiaries who consequently could not operationalize their respective projects.

The working capital had been delayed for periods ranging from three (3) to seven (7) months.

iii. Transfer of Funds for Loan Charges

On 6th April 2021, the Commission made a transfer of K1,374,978 from the PADES - Loan Disbursement Account to PADES - Administration Account to facilitate payments for insurance, PACRA search, credit reference and debenture fees in respect of 152 loans.

The following were observed;

- **Insurance Fees**

During the period under review, an amount of K709,113 was transferred from the Disbursement Account to facilitate payment for insurance cover of disbursed loans under the Scheme.

However, as at 31st October 2021, no insurance had been procured to secure the loans disbursed under the Scheme.

- **Debenture Cover**

According to the Implementation Guideline Number 3.2.10, loans provided under the Scheme were to be secured through a lien on the assets, plant, equipment or property purchased or renovated from the loan funds.

In this regard, a standard amount of K4,100 was provided for in the Loan Facility Agreements with beneficiaries to cater for registration of debentures/liens/collateral on assets, plant and equipment procured or renovated from loan funds under the facility and a total amount of K602,700 was transferred from the PADES Loan Disbursement Account to PADES Administration Account in order to facilitate settlement of debenture cover costs.

However, as at 31st October 2021, only amounts totalling K184,000 in respect of forty five (45) projects had been paid for registration of debentures to secure loan assets leaving a balance of K438,700 for 107 projects.

iv. Undelivered Project Equipment

During the period from October 2020 to August 2021, the Commission made payments to twenty (20) suppliers for the supply of various project items at a total cost of K1,095,544, 2US\$4,586, £3184 and €4,581 .However, as at 31st October 2021 the items had not been delivered.

v. Physical Verifications

• **Magumwi Sipelu Culture Multi-Purpose Co-operative Society – Mwandu District**

On 1st November 2020, a loan facility of K280,993 was paid to Magumwi Sipelu Culture Multi-Purpose Co-operative Society of Mwandu for the purpose of establishing a traditional cultural dance troupe in Mwandu. The loan tenure was sixty (60) months from the date of the final disbursement with a monthly loan repayment of K7,824 .

As at 30th September 2021, amounts totalling K234,750 had been paid for the purchase of a Toyota Coaster bus and assorted musical instruments and equipment. See table 8 below.

Table 8: Breakdown of Disbursements

No.	Payee	Date	Amount K	Details
1	New City Savers Enterprises	08.01.21	74,750	Musical Instruments and Equipment
2	Andrew Sibungu Transport	23.02.21	160,000	Purchase of a Toyota Coaster Bus
Total			234,750	

The following were observed.

- On 8th February 2021, an amount of K74,750 was transferred to New City Savers Enterprises Ltd as payment for supply of assorted musical instruments and equipment to Magumwi Sipelu Culture Multi-Purpose Co-operative for the approved project.

A review of documents revealed that the payment to the supplier of equipment was questionable in that the supplier was the chairperson of Magumwi Sipelu Culture Multi-Purpose Co-operative and did not declare interest.

As at 31st October 2021, nine (9) months after receipt of the funds, the supplier had not delivered the equipment and no action was taken against the supplier.

- A scrutiny of the Motor Vehicle Registration Certificate revealed that the vehicle procured for the project was more than fifteen (15) years old in that its year of make was 1991 and was first registered with the Road Transport and Safety Agency (RSTA) on 25th October 2006.

A physical verification carried out on 29th September 2021, revealed that the bus had broken down and was at a garage in Livingstone awaiting repairs.

- **Questionable Projects**

On 1st November 2020, a loan facility of K95,760 was issued to Mr. Mukumbi Chalo for the purpose of establishing a crafts pottery in Lukulu. The loan tenure was forty eight (48) months from the date of the final disbursement with a monthly loan repayment of K2,666

On 17th March 2021, an amount of K55,080 was paid to a local supplier for the supply of equipment and hardware for the construction of the crafts pottery. See table 9 below.

Table 9: Procurement of Project Items.

Date	Supplier	Payment K	Items	Qty	Unit Price K	Total K
17.03.21	Sudzam Hardware and General Dealers	55,080.00	Potters Wheel	1	13,000	13,000
			Kiln	1	10,000	10,000
			Plastic Papers	50	10	500
			Plastic Containers	5	300	1,500
			Pan Bricks	5000	2	7,500
			Squares	8	120	960
			Cement	10	140	1,120
			Clay soil	5	1,000	5,000
			Oxycat	1	5,000	5,000
			Oxen	2	5,000	10,000
			Rims of paper	5	100	500
Total						55,080

A scrutiny of monitoring reports and inquiries made with the District Cultural Officer for Lukulu revealed that the project was non-existent and the beneficiaries were unknown. Consequently, the procured equipment costing K55,080 which had been collected by Mr. Mukumbi Chalo was not accounted for.

In addition, four (4) projects that had been funded loan amounts totalling K428,165 could not be traced in that their whereabouts were unknown. See table 10 below.

Table 10: Untraced Project Beneficiaries

No.	Province	District	Name of Beneficiary	Amount Disbursed K
1	Northern	Kasama	Northern Film and Arts Association	176,500
2	Northern	Kasama	Kasama Blessings Studios	129,700
3	Eastern	Chadiza	Triangle Clan Studio (Imani Mwilizi)	52,800
4	Central	Kabwe	Shalawambe Band	69,165
Total				428,165

Further, there was no evidence to indicate that action had been taken by the Ministry.

- **Komboni Talent Hub: Setting Up of Film Studio – Lusaka District**

On 13th November 2020, a loan facility of K397,040 was issued to Komboni Talent Hub for procurement of filming equipment and rehabilitation of a structure to be used as a film studio in Lilanda township. The loan tenure was sixty (60) months from the date of the final disbursement with a monthly loan repayment of K8,969.

As at 30th September 2021, amounts totalling K336,000 had been paid for the supply of studio equipment and for construction and rehabilitation of the structure. See table 11 below.

Table 11: Payments on the Komboni Talent Hub Project

No.	Payee	Date	Details	Amount K
1	Sowers General Dealers	09.12.20	Purchase of assorted filming equipment	180,000
2	Tumba Enterprises	30.01.21	Rehabilitation of Studio Structure	156,000
Total				336,000

A review of documents on the beneficiary file revealed the following:

- **Lack of a Bill of Quantities and Certification of Works**

According to the proposal, the beneficiary was to apply part of the funds to rehabilitate and transform a council structure on Stand/Plot No. 402B Lilanda into a film studio and talent hub centre.

In this regard, on 30th January 2021, an amount of K156,000 was paid to Tumba Enterprises to undertake the rehabilitation works.

However, there was no contract agreement and Bill of Quantities that detailed the exact scope and specifications of works expected to be executed by the contractor to justify the payment of K156,000 from the loan funds.

Further, there was no certification of works prepared by an engineer to confirm the quality and value of works done by the contractor.

A physical verification could not be undertaken as neither the contractor nor the beneficiaries were found on site.

- **Partial Securing of Loan**

A scrutiny of the confirmation statement for assets captured and registered for purposes of collateral in the PACRA's Movable Property Registry System revealed that only movable equipment had been captured, leaving the value of K156,000 of the total loan in respect of the renovation works on the project unsecured.

As at 31st October 2021, the beneficiary had not commenced servicing the loan.

- **Ideas Incorporated Company Limited - Construction of Film Studio**

On 9th November 2020, a loan facility of K729,847 (Project Amount - K674,178 and charges and other costs - K55,669) was paid to Ideas Incorporated Limited for the purpose of establishing a film studio in Kalulushi. The loan tenure was seventy two (72) months from January 2021 with a monthly loan repayment of K13,518.

In this regard, on 26th November 2020, CEEC paid an amount of K674,178 to Poise Enterprises Ltd for the construction of a film studio block being full disbursement of the project amount.

A scrutiny of the beneficiary file and related documentation revealed the following:

- **Unsecured Loan**

According to the Section 9.1 of the Scheme Guidelines, the loan was to be secured through a lien on assets; plant, equipment or property purchased or renovated from the loan funds.

However, as at 31st October 2021, the loan remained unsecured as the beneficiary did not provide any collateral.

- **Failure to Commence Recovery of the Loan**

According to the loan agreement and term sheet, the repayment of the loan was to commence on 26th January 2021, after a grace period of two (2) months.

However, as at 31st October 2021, nine (9) months after the expected first monthly repayment, no payment had been received and the Commission had not put the beneficiary on a loan recovery plan in accordance with Section 9.2 of the Scheme.

- **Uncertified Funded Works**

There was no completion certificate prepared by a supervising engineer to confirm the quality and value of construction works done by the contractor from the loan funds.

- **Ombwe Enterprises – Establishment of a Music Studio**

On 4th November 2020, a loan facility of K143,711 was provided to Ombwe Enterprises of Isoka District for the purpose procuring equipment to set up a musical studio. The loan tenure was forty eight (48) months commencing after a grace period of (6) months from the date of the final disbursement (working capital) with a monthly loan repayment of K4,007.

In this regard, amounts totalling K129,350 were disbursed for the supply of studio equipment and a motor vehicle. See table 12 below.

Table 12: Payments to Suppliers

No.	Payee	Date	Details	Amount K
1	AA Electronics	26.11.20	Purchase of assorted studio equipment	68,000
2	Fast Mobile Centre	26.11.20	Purchase of assorted studio equipment	8,350
3	Fastone Kalulu	09.12.20	Purchase of motor vehicle	53,000
Total				129,350

The following were observed:

- **Questionable Purchase of Motor Vehicle**

A review of the minutes of the Evaluation Committee revealed that the Committee excluded from the proposal the purchase of a motor vehicle, studio rentals and salaries for a security guard.

Contrary to the Committee's decision, a payment of K53,000 was made to Fastone Kalulu on 10th December 2020 for the purchase of a motor vehicle.

- **Registration of Project Vehicle in Private Name**

According to Clause Number 3.1.1.10 of the NAC/CEEC Fund Management Agreement, assets, plant, equipment and property purchased or renovated from the loan funds, shall remain in absolute ownership of the National Arts Council (NAC) and shall not be used for purposes unrelated to the Agreement without prior written authority.

Contrary to the above, it was observed that the vehicle was not registered in the name of the National Arts Council or the Commission but in the name of an individual.

Further, it was observed that the vehicle was old in that the year of make was 2001 and was first registered with the Road Transport and Safety Agency (RTSA) on 5th June 2006.

As at 31st October 2021, the project had not been implemented and servicing of the loan had not commenced.

- **Hlupeko Printers – Lusaka District**

On 6th November 2020, a loan facility of K248,552 was provided to Hlupeko Printers for the purpose of establishing an arts printing studio. The loan tenure was forty eight (48) months commencing after a grace period of six (6) months from the date of the final disbursement (working capital) with a monthly loan repayment of K6,921.

On 14th December 2020, CEEC paid Startrade Business Solution an amount of K174,000 for the supply of various printing equipment. See table 13 below.

Table 13: Procured Printing Equipment

No.	Item as per Quotation	Qty	Price per Quotation and Paid for K	Unreceived Items K
1	Banner Flex Printing Machine	1	48,000	-
2	Embroidery Machine SP 600	1	22,000	22,000
3	Heat Press Machine	1	9,000	
4	Brother MFC/27500M Printer	1	9,500	9,500
5	Cutting Machine	2	18,000	18,000
6	Embroidery Machine Starter	2	4,000	4,000
7	Embroidery Machine Canon	2	8,000	8,000
8	Photocopy Machine	1	9,517	9,517
9	Label Printer	1	4,000	4,000
10	Acer Aspire Desktop	1	13,206	
11	HP Laptops	3	15,000	15,000
12	Laminator	1	2,000	2,000
13	Perforating Machine	1	3,200	3,200
14	Binding Machine	1	4,574	4,574
15	Paper Cutter	1	4,003	4,003
	Total		174,000	103,794

In particular, the following were observed:

- The Banner Flex Printing Machine which was quoted at K48,000 was received at an amount of K100,000,
- On the quotation, one (1) full set Acer Aspire Desktop was to be supplied at a cost of K13,206. Instead, two (2) separate Lenovo processors were received at K9,600 each, two (2) separate monitors (one LG and one Dell) received at K6,000 each, two (2) computer mouse and keyboards were also received separately at unit prices of K150 and K200 respectively,
- A plotter cutter which was received at K30,000 was not on the quotation for items being procured,
- Two (2) PVC tents received at K1,050 were not on the quotation, and
- Twelve (12) items quoted at a total cost of K103,794 on the quotation were not supplied.

As at 31st October 2021, the project had started operating but the servicing of the loan had not commenced.

- **Unauthorised Variation and Irregular Withdrawal of Loan Funds**

- **Zam Graphic Studio - Zambezi District**

On 4th November 2020, a loan facility of K100,064 was provided to Zam Graphic Studio of Zambezi district for the purpose of establishing an arts printing studio. The loan tenure was forty eight (48) months commencing after a grace period of one (1) month from the date of the final disbursement (working capital) with monthly loan repayment of K2,534.

In this regard, on 26th January 2021, amounts totalling K81,450 were disbursed through payments to two (2) suppliers to purchase equipment and instruments for the project. See table 14 below.

Table 14: Payment to Suppliers

No.	Payee	Date	Purpose	Amount K
1	Kanjess Enterprises	26.01.21	Photo printers, Computers and Copier	37,900
2	Ibox Solutions	26.01.21	Genset, Computer, Photopaper and Ink	26,100
3	Sowers General Dealers	26.01.21	2 Cameras	17,450
	Total			81,450

However, a scrutiny of the beneficiary file and correspondence revealed that on 4th November 2020, the Director of Zam Graphic Studio, the beneficiary, communicated to the Commission stating that they had varied an item (generator set) costing K4,500 by withdrawing cash from the supplier.

However, no authority was granted for the variation and no records were availed to account for the cash amount of K4,500 withdrawn from the supplier.

As at 30th September 2021, the project was being implemented but no repayments had been made.

- **Fraudulent Withdrawal of Cash: Priers General - Monze District**

On 10th November 2020, a loan facility of K113,686 was provided to Priers General of Monze for the purpose of establishing a crafts pottery. The loan tenure was forty six (46) months commencing after a grace period of six (6) months from the date of the final disbursement (working capital) with a monthly loan repayment of K3,166.

On 26th November 2020, Sajo Auto Spares was paid K80,000 for the supply of a kiln and potter's wheel.

However, a scrutiny of the monitoring and evaluation report revealed that Priors General, irregularly withdrew the K80,000 from the supplier.

As at 31st October 2021, the funds were not accounted for and the project had not been implemented.

- **Failure to Avail Equipment: Eastern Rhythms Multi-Purpose Cooperative Society - Chipata**

On 6th November 2020, a loan facility of K138,940 was provided to Eastern Rhythms Multipurpose Cooperative Society of Chipata for the purpose of purchasing musical instruments for hiring out. The loan tenure was forty eight (48) months commencing after a grace period of six (6) months from the date of the final disbursement (working capital) with a monthly loan repayment of K3,869.

In this regard, on 27th November 2020, amounts totalling K92,358 were disbursed through payments to two (2) suppliers to purchase equipment and instruments for the project. See table 15 below.

Table 15: Purchase of Equipment

No.	Payee	Date	Details	Amount K
1	Best Provider Enterprises	27.11.20	Musical Equipment	76,858
2	Al-Barakah and Trading Ltd	27.11.20	Generator	15,500
	Total			92,358

The amount for working capital of K46,582 had not been paid as at 31st October 2021.

At the time of audit verification, the equipment could not be verified as the Group had claimed that the equipment had been hired by a client. However, no documentation was provided by the co-operative as proof that the equipment had been hired out.

- **Unaccounted for Equipment: Fyakushala Music Promotion - Chinsali District**

On 2nd November 2020, a loan facility of K139,876 was provided to Fyakushala Music Promotion for the purpose of establishing a music and film studio. The loan tenure was forty eighty (48) months commencing after a grace period of (6) months from the date of the final disbursement (working capital) with a monthly loan repayment of K3,895.

In this regard, on 4th November 2020 and 29th April 2021, amounts totalling K116,000 were disbursed through payments to two (2) suppliers for the supply of equipment and instruments for the project. See table 16 below:

Table 16: Purchase of Equipment

No.	Payee	Date	Details	Amount K
1	Jecam General Dealers	04.12.20	Studio Equipment	73,700
2	Mali Mainza General Dealers	29.04.21	Studio Equipment	42,300
Total				116,000

A physical verification of the equipment revealed the following:

- Equipment costing K39,300 could not be accounted for in that it was not available for physical inspection and there was no documentation to indicate that it had been supplied. See table 17 below.

Table 17: Unaccounted for Equipment

No.	Description	Qty Paid for	Qty Verified	Qty Unaccounted for	Unit Price K	Total Cost K
1	Sun reflector	2	1	1	900	900
2	Diffusers	2	0	2	800	1,600
3	80mm camera lens	3	1	2	3,500	7,000
4	Video lights	2	0	2	4,800	9,600
5	Lighting umbrella	4	0	4	300	1,200
6	Canon camera 5D	2	1	1	8,000	8,000
7	Care IPC	2	0	2	5,500	11,000
Total						39,300

- As at 31st October 2021, the group had not collected equipment costing K33,000 from the supplier, Mali Mainza General Dealers six months (6) months after it was procured and paid for. See table 18 below

Table 18: Uncollected Equipment from Mali Mainza General Dealers

No.	Description	Qty Paid for	Unit Price K	Total Cost K
1	Lighting umbrella	1	500	500
2	Printer	1	7,000	7,000
3	Genset	1	9,500	9,500
4	Still camera	1	15,000	15,000
5	Fire extinguisher	1	1,000	1,000
Total				33,000

- **Poor Storage of Equipment**

A physical inspection revealed that part of the procured equipment was stored at the Chairman’s residence. See picture below.

Equipment Stored at the Chairman’s Residence



Computers and drone camera kept on the floor

- vi. **Unauthorised Relocation of Projects**

According to the Arts Empowerment Guidelines Section 5.1.1, the selection of a qualifying applicant should consider whether a project will be based in either rural or urban areas to benefit a large number of artists and impact communities and societies within the district or location of project operation as stated in the proposal.

A physical verification carried out in September 2021, revealed that four (4) project beneficiaries who had received loans in amounts totalling K428,165 had relocated from their initial districts (locations) of operation without notifying the National Arts Council (NAC) or the Citizens Economic Empowerment Commission (CEEC). Consequently, these beneficiaries could not be traced and therefore, there was no assurance that the communities and societies in those districts would benefit from the scheme. In addition, the beneficiaries had not started servicing the loans as at 31st October 2021. See table 19 below:

Table 19: Relocated Project Beneficiaries

No.	Province	District	Name of Beneficiary	Amount Disbursed K
1	Northern	Kasama	Northern Film and Arts Association	176,500
2	Northern	Kasama	Kasama Blessings Studios	129,700
3	Eastern	Chadiza	Triangle Clan Studio (Imani Mwilizi)	52,800
4	Central	Kabwe	Shalawambe Band	69,165
Total				428,165

It was therefore not possible to verify the procured equipment and rendering the existence of the projects questionable.

vii. Failure to Commence Recovery of Disbursed Loans

According to the Scheme Guideline No. 4, beneficiary entities were to repay the loans in monthly repayments as stipulated in the loan agreement and term sheets.

The following were observed;

○ **Outstanding Repayments on Fully Disbursed Loans**

A review of disbursement records revealed that loan repayments totalling K309,685 in respect of thirteen (13) loans in amounts totalling K2,976,710 which were fully disbursed during the period under review were outstanding for periods ranging from three (3) to nine (9) months as at 31st October 2021. See table 20 below.

Table 20: Failure to Commence Recovery of Loans

No.	Beneficiary	Loan Amount K	Accumulated Repayment Due K	Period Elapsed from Repayment Due Date
1	Mungule Cultural Dance Group	352,924	58,613	8
2	Distro Kuomboka Band	339,427	50,978	9
3	Gopes Media & Technology Limited	191,126	29,756	8
4	Ideas Incorporated Limited	729,725	94,626	9
5	Ndola Theatre Limited	81,184	8,201	5
6	Arch-Tech Digital Studio	67,839	13,247	5
7	Afendi Enterprises	27,165	3,238	4
8	Mize Chibolya Dance Arts MPCS	273,300	7,602	3
9	Peter Malanda Band	227,570	12,673	4
10	Shakarongo Music	359,481	8,151	3
11	Ombwe's Enterprise	143,411	8,014	2
12	Mucho Music Production	152,358	12,727	5
13	Ras Jacks Art	31,200	1,859	3
	Total	2,976,710	309,685	

○ **Failure to Commence Recoveries Due to Incomplete Disbursement**

As at 31st October 2021, there were 124 approved projects with a balance of K5,523,324 that had not been fully funded. In this regard, recoveries could not commence resulting in a delay of three (3) to nine (9) months as at 31st August 2021. See table 21 below.

Table 21: Partially and Undisbursed Loans

Status	Number of Loans	Total Value Approved K	Total Value Disbursed K	Total Value Undisbursed K
Partially and non-disbursed	124	24,677,824	19,154,500	5,523,324
Total	124	24,677,824	19,154,500	5,523,324

9 Ministry of Youth, Sport and Child Development

9.1 Background

The Government through the Ministry of Youth, Sport and Child Development developed the National Youth Policy of 2015, which provides policy guidance on the implementation of youth development programmes. The Policy and its Implementation Plan outlined various policy measures and activities to be undertaken by Government in collaboration with various stakeholders aimed at facilitating wealth and employment creation among the youths in Zambia.

The youth continue to face a number of challenges such as limited access to education and skills development, limited access to factors of production, including finance and limited employment and empowerment opportunities among others which were worsened by the COVID-19 pandemic.

In this regard, in August 2020, the Government through the Ministry of Youth Sport and Child Development launched the Multi-Sectorial COVID-19 Youth Empowerment Stimulus Programme targeting 160,000 youths in various empowerment programmes as shown in table 1 below.

Table 1: Youth Empowerment Programmes and Activities

No.	Program	Targeted Youth Beneficiaries
1	Timber and Honey Value chain	10,000
2	Plastic Recycling Plants	7,000
3	Establishment of Milling Plants	1,000
4	Youth Internship Programme	9,000
5	Support to Micro, small & Medium Youth Enterprises Marketeers	55,000
6	Small Scale Mining & Contractors	3,500
7	Empowerment of Youth through the Agricultural Value Chain.	5,000
8	General Agriculture & Resettlement of Youth with Agriculture Schemes	1,000
9	Pave Zambia Youth Empowerment Programmes	500
10	Support to Youth with Agriculture Inputs	60,000
11	Youth Innovations	1,000
12	Skills Training (ZNS) Resource Centre	2,000 2,000
14	Support to Youth in Transport Sector	3,000
	Total	160,000

9.2 Structure for Management of Multi-Sectoral COVID-19 Stimulus Fund

According to the Multi-Sectoral Guidelines issued by the Ministry, management of the youth empowerment programme was vested in the following Committees;

a. The National Appraisal Committee

The National Appraisal Committee chaired by the Permanent Secretary was responsible for screening and approval of applications, approval of budgets and work plans and assessment of the project's performance by obtaining feedback from the monitoring and evaluation committee.

b. Monitoring and Evaluation Committee

The Monitoring and Evaluation Committee was responsible for monitoring, policy and fiduciary trusteeship of the projects.

c. Provincial Development Coordinating Committee

The Provincial Development Coordinating Committee was responsible for sensitising the communities on the projects, capacity building in project proposal writing, collecting, screening and submitting to the National Appraisal Committee Project Application Forms and undertaking of due diligence.

9.3 Audit Scope and Limitations

The report covered the audit of Multi – Sectoral Youth Empowerment Programme (YEP) under the Ministry of Youth, Sport and Child Development and Provincial Administration Offices for the period August 2020 to October 2021.

There was a limitation in the physical verifications of some places of operations for youth beneficiaries due to wrong information such as telephone numbers and physical locations of beneficiaries.

9.4 Audit Findings

A review of records relating to Youth Empowerment COVID-19 stimulus fund maintained at the Ministry headquarters and selected Provincial Offices and beneficiary groups revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2020 and 2021, a total budget provision of K580,000,000 (K470,000,000 in 2020 and

K110,000,000 in 2021) was made to cater for youth empowerment funds. In this regard, the Ministry of Finance released a total amount of K580,000,000 (K470,000,000 in 2020 and K110,000,000 in 2021) representing 100 % of the total budget.

As at 31st October 2021, a total amount of K576,162,857 had been spent leaving a balance of K3,837,143. See table 2 below.

Table 2: Budget, Funding and Expenditure

No.	Programme	Adjusted Estimate K	Expenditure as of October 2021 K	(Over)/ Under Expenditure K
1	Timber and Honey	15,000,000	6,857,535	8,142,465
2	Plastic Recycling Plants	30,069,930	33,177,671	(3,107,741)
3	Establishment of Milling Plants	20,000,000	4,551,344	15,448,656
4	Youth Internships	117,000,000	97,399,657	19,600,343
5	Small scale minning and Constructions	20,000,000	7,370,590	12,629,410
6	Support to Micro small and Medium Youth skills	81,000,000	163,282,168	(82,282,168)
7	General Agriculture and Resettlement of Youth in Youth Resettlement Schemes	5,000,000	1,105,000	3,895,000
8	Support to Youth with Agriculture inputs	30,000,000	29,785,722	214,278
9	Youth Innovations	10,000,000	4,944,091	5,055,909
10	Skills training programs (ZNS Plus 23 Youth Resource	19,000,000	17,256,694	1,743,306
11	Pave Zambia Youth Empowerment Programe	5,000,000	-	5,000,000
12	Procurement of new paving and brick making machines	17,000,000	-	17,000,000
13	Support to Youths in the transport Sector	194,930,070	194,627,241	302,829
14	Development of robust and comprehensive communication	2,500,000	2,498,150	1,850
15	Youth In Sports	9,000,000	7,038,984	1,961,016
16	Administrative Costs	4,500,000	6,268,009	(1,768,009)
	TOTAL	580,000,000	576,162,857	3,837,143

As can be seen from table 2, the Ministry over spent on some budget lines such as Administrative Costs - K1,768,009, Plastic Recycling Plants - K3,107,741 and support to micro small and medium youth skills - K82,282,168, without authority to vary the funds.

b. Failure to Develop Communication Strategy

The Ministry was required to develop a robust and comprehensive communication strategy by December 2020, which was to publicise all government youth empowerment programmes. In this regard, a budget provision of K2,500,000 was made and funded.

The Ministry spent amounts totalling K2,498,150 on activities such as meetings, workshops, allowances and administrative activities. However, no communication strategy had been developed as at 31st October 2021.

c. Support to Youth in the Transport Sector

The Ministry planned to provide small second-hand buses and mechanical horses and fuel tankers to youths in the transport sector on a loan basis. The aim of the programme was to empower the youths who wished to venture in the transport sector.

The following were observed:

i. Procurement of Mechanical Horses and Fuel Tankers

During the period under review, the Ministry procured a total of 100 mechanical horses and fuel tankers for onward distribution to various youth groups. As at 31st October 2021, amounts totalling K180,233,603 had been paid towards the purchase of 100 mechanical horses and fuel tankers. See table 3 below.

Table 3: Payments for the Mechanical Horses and Fuel Tankers

No.	Payee	Date	Details	Amount K	Amount US\$
1	Kinglong Motors Ltd	11.11.2020	50% Payment for 50 Fuel Tankers	84,227,203	4,037,737
2	Kinglong Motors Ltd	17.06.2021	50% Payment for 20 Fuel Tankers	40,000,000	1,769,129
3	Kinglong Motors Ltd	12.07.2021	50% Payment for 30 Fuel Tankers	56,006,400	2,468,330
	Total			180,233,603	

- **Failure to Assess the Capacity of the Youths**

There was no evidence that the Ministry had undertaken a needs assessment to ascertain the ability of the youth groups to operate and engage in the business of operating fuel tankers.

In addition, at the time of procurement of the mechanical horses and fuel tankers the preparedness of the beneficiary youth Cooperatives/Groups to run the business of the transportation of petroleum products was questionable in that most of the groups comprised youths who had no experience or capacity to manage the specialised trucks and to source petroleum products to transport.

- **Purchase of Mechanical Horses and Fuel Tankers without Authority from Secretary to the Cabinet Office**

On 13th April 2021, the Permanent Secretary, Ministry of Youth, Sport and Child Development requested for authority from the Secretary to the Cabinet to procure twenty five (25) mechanical horses and fuel tankers. Consequently, on 20th April 2021, authority was granted by the Secretary to the Cabinet for the procurement of the twenty five (25) mechanical horses and fuel tankers.

However, the Ministry procured 100 mechanical horses and fuel tankers resulting in excess procurement of seventy five (75) mechanical horses and fuel tankers without authority from the Secretary to the Cabinet.

- **Procurement of Mechanical Horses and Fuel Tankers - Phase One (1)**

On 9th September 2020, the Ministry signed a contract with Kinglong Motors (Z) Limited at a contract sum of US\$7,946,000 (mechanical horses - US\$4,002,000 and fuel tankers - US\$3,944,000) for the supply and delivery of fifty (50) mechanical horses and fuel tankers.

The contract provided for advance payment of 50% of the contract price which was to be paid by the Ministry and the balance of 50% was to be paid by the beneficiary youth groups or cooperatives within twelve (12) months after receipt of the trucks.

As at 31st October 2021, the Ministry had paid amounts totalling US\$3,973,000 (K84,227,202) being 50% advance payment.

The following were observed:

- **Uncompetitive Procurement of Fuel Tankers**

Public Procurement Regulation No. 39 (5) requires that, where an emergency situation affects the choice of procurement method, the procuring entity shall not automatically exclude competitive methods of procurement but shall obtain competition to the maximum extent practical in the circumstances.

On 15th September 2020, the Ministry sought for authority from the Zambia Public Procurement Authority (ZPPA) to direct bid Kinglong Motors (Z) Limited for the supply of fifty (50) mechanical horses and fuel tankers at a cost of US\$7,946,000 in order to accelerate the implementation of the empowerment programme.

Although authority was granted by ZPPA in a letter dated 16th September 2020, the price of US\$7,946,000 was uncompetitive as the supplier was single sourced.

- **Wasteful Expenditure – Change in Invoice Amount**

Following the signing of the contract with Kinglong Motors (Z) Ltd on 10th October 2020, the supplier issued Tax Invoice No. 18115 dated 26th October 2020 being 50% advance payment for supply and delivery of fifty (50) mechanical horses and fuel tankers in the sum of K82,241,000 (US\$3,973,000).

However, on 9th November 2020, Kinglong Motors (Z) Ltd revised the amount on tax invoice No. 18118 to K84,227,202 as 50% advance payment.

Consequently, the Ministry paid the revised invoice amount of K84,227,202 resulting in wasteful expenditure of K1,986,202 due to the Ministry's failure to pay the initial invoice despite the availability of funds.

- **Non Remittance of 50% Balance**

The contract with Kinglong Motors (Z) Ltd provided advance payment of 50% of the contract price to be paid by the Ministry and the balance of 50% to be paid by the beneficiary youth group or cooperatives within twelve (12) months after receipt of the goods.

However, although the trucks were received in April 2021 as at 31st October 2021, seven (7) months after the receipt of the trucks no funds had been remitted towards the 50% balance and no loan repayments had been made by the youth groups.

- **Failure to Avail Ownership Records for Mechanical Horses and Fuel Tanker**

Ownership records (White books) for twenty six (26) mechanical horses and fuel tankers were not availed for audit. See table 4 below.

Table 4: Trucks without Ownership Records

No.	Name of Cooperative	District	OMC	Missing White Book
1	Gishy Multi-Purpose	Lusaka	Kapesika	Both Horse and Trailer
2	Elitios General Dealers	Kabwe	Kapesika	Both Horse and Trailer
3	Croydon Eney Zambia Ltd	Lusaka	Kapesika	Trailer
4	Maybach Contractors and General Dealers	Lusaka	Kapesika	Both Horse and Trailer
5	Twababonse Multi-purpose Cooperative	Lusaka	Kapesika	Horse
6	BE Creative Multipurpose Cooperative Society	Kasama	Kapesika	Both Horse and Trailer
7	Energy Youth Multi-purpose Cooperative Society Ltd	Shibuyunji	Kapesika	Both Horse and Trailer
8	Tonse Pamodzi Multi-purpose Cooperfative	Mpika	Mount Meru	Both Horse and Trailer
9	Tili Tonse 23 Youth Multi-purpose Cooperative	Lusaka	Mount Meru	Both Horse and Trailer
10	Reagkam General Dealers	Chingola	Mount Meru	Both Horse and Trailer
11	Diven Hand Youth Cooperative	Lusaka	Mount Meru	Both Horse and Trailer
12	Mungi Company Limited	Lusaka	Mount Meru	Both Horse and Trailer
13	Chimfwembe Enterprises	Lusaka	Mount Meru	Both Horse and Trailer
14	Sky E.T Energy Limited	Lusaka	Mount Meru	Both Horse and Trailer

○ **Questionable Award of a Fuel Tanker Truck loan to Gishy Multi-purpose Cooperative**

In Paragraph 30 of the Report of the Auditor General’s on the Accounts of the Republic for the financial year ended 31st December 2020, mention was made of thirteen (13) beneficiary groups that failed to repay loans which were allocated to them under the Higer Buses Empowerment Scheme – Phase Two (2) by the Ministry in January 2019.

In particular, one (1) of the beneficiary groups, Gishy Multi-purpose Cooperative which was empowered with a Higer Bus Registration No. BAD 4251 had been operating for nine (9) months and was owing amounts totalling K450,000.

However, a review of records revealed that Gishy Multi-purpose Cooperative was also awarded a mechanical horse and fuel tanker loan facility. The awarding of a mechanical horse and fuel tanker loan facility to the cooperative by the Ministry despite it not making any repayment on its previous higer buses loan was questionable. In addition, there was no evidence availed to show that a due diligence was carried by the Ministry prior to awarding of the loan facility.

○ **Delivery of Fuel Tanker Trucks with Specifications Contrary to Zambian Standards**

The Zambian Standard ZS 371 prescribes specifications for road tank vehicles that transport flammable liquids to ensure that petroleum

products being conveyed in Zambia are transported in such a manner that is in conformity to the relevant Zambian Standards.

The Ministry procured trucks from Kinglong Motors (Z) Ltd with specifications contrary to Zambian Standards on road tank vehicles for petroleum based flammable liquids and transportation of petroleum products.

As a result, additional modifications had to be made to the fuel tanker trucks to make them operational and meet the relevant Zambian Standards for transportation of petroleum products. The details of the additional cost of modifications were not availed for audit.

In particular, the following were observed:

- **Mudguards**

ZS 371 No.5948 6.8.6 states that, “all tyres of the horse and the trailer shall be fitted with effective mudguards covering at least the full width of the tyres on the wheel position”.

Contrary to the standard, all fifty (50) fuel tanker trucks supplied had no effective mudguards on the tyres of the horse to protect the fuel tank trailer. See pictures below.



Fuel tank trailer not protected by mudguards from the rear horse wheels

- **Battery Master Switch**

ZS 371 No. 6.8.14.3 (a) required that the vehicle had to be fitted with a master switch comprising, “A four (4) pole isolating switch for breaking the electrical circuits shall be placed as close to the battery as is practicable. It shall be protected against inadvertent operation

and shall be easily operated by someone standing next to the vehicle”.

Contrary to the standards, all fifty (50) fuel tanker trucks supplied had a two (2) pole isolating switch for breaking the electrical circuits.

- **Offloading Valves**

The offloading valves on all the fifty (50) fuel tanker trucks supplied had three (3) inch valves which were small contrary to the four (4) inch valves required for the Zambian Transportation of Petroleum Products industry.

It was further observed that the offloading pipes were two (2) inches instead of four (4) inches and made of plastic which were meant for water and not fuel which are made of non-reactive material and wire coded.

- **Omitted Components**

All fifty (50) fuel tanker trucks supplied did not have the following spare parts;

- ⊙ No earth cables on the fifth (5th) wheel of the horse
- ⊙ No provision for ABS System from the horse
- ⊙ Wheel nut indicators on the fuel tanker trucks without wheel studs
- ⊙ No stickers on the fuel tank trailers for earth points, offloading and pressure for tyres.
- ⊙ Colour coding on the fuel tank trailers

- **Failure to Benefit Youth Groups**

The Ministry signed loan agreements with fifty (50) Youth Cooperatives/Groups that were awarded the mechanical horses and fuel tankers. However, it was observed that as at 31st October 2021, the Youth Cooperatives/Groups had not received proceeds from the operations of the trucks by the OMCs except for the three (3) youth groups that were managing the trucks on their own.

- **Questionable Allocation of Fuel Trucks to Limited Companies**

A review of the beneficiary list revealed that two (2) mechanical horses and fuel tankers were allocated to two (2) limited companies as opposed to youth groups/ cooperatives resulting in questionable allocation.

Further, it was observed that the two (2) beneficiaries had also supplied COVID – 19 related materials under the Ministry of Health as shown in table 5 below.

Table 5: Questionable Allocation of Trucks

No.	NAME OF SUPPLIER	CONTRACT NO.	ITEM DESCRIPTION	QUANTITY ORDERED	TOTAL K
1	Croydon Energy Zambia Limited	MOH/SP/COVID – 19/002/20-50	3-Ply Surgical face masks	200,000	2,600,000
2	Ambrose Contractors Ltd	MOH/SP/COVID – 19/002/20-91	Surgical Gowns, Extra Large	10,000	1,517,200
	TOTAL				4,117,200

- **Execution of MOUs without Clearance from the Attorney General**

The Ministry entered into a Memorandum of Understanding (MOU) with Kinglong Motors (Z) Limited where the Ministry formalised and affirmed its commitment to empower the youths through Kinglong Motors (Z) Limited by loaning them the fuel tanker trucks. The Ministry further entered into another MOU with Kapesika Energy and Petroleum Limited where the parties agreed to formalise and affirm their commitment to the transportation of petroleum products under the Youth Multi-Sectoral Empowerment Programme to empower the youths of the Republic of Zambia through the transportation of petroleum products.

It was however, observed that the two (2) MOUs were not cleared by the Attorney General.

- **Management of Fuel Tankers - Kapesika Energy and Petroleum Limited**

On 11th June 2021, the Ministry signed a Memorandum of Understanding (MoU) with Kapesika Energy and Petroleum for the management of thirty (30) fuel trucks following a recommendation from the Ministry of Energy dated 27th May 2021. The MoU was for a period of five (5) years effective 11th June 2021.

However, the following were observed:

- **Questionable Engagement of Kapesika Energy and Petroleum Limited**

A review of the 2021 Energy Regulation Board (ERB) updated mechanical horses and fuel tankers list revealed that Kapesika Energy and Petroleum Limited had no trucks licensed and authorised by ERB to load and transport petroleum products at the time it was recommended to manage the fuel tanker trucks on 27th May 2021.

- **Questionable Remittance of Funds**

As at 31st October 2021, Kapesika Petroleum and Energy Limited had made three (3) remittances to the Ministry in amounts totalling K2,274,374 from operating the thirty (30) fuel tanker trucks. See table 6 below.

Table 6: Remittances by Kapesika Petroleum and Energy Limited

Date	Description	Amount K
30/07/2021	First Remittance	1,000,000
10/9/2021	Second Remittance	274,374
2/10/2021	Third Remittance	1,000,000
Total		2,274,374

Although, the funds were remitted to the Ministry between 30th July 2021 and 2nd October 2021, the correctness of the amounts remitted was not verified by the Ministry and therefore was questionable. In addition, no funds had been paid to the youth groups.

- **Questionable Discount Rates**

A review of Article 1.4 of the MoU with Kapesika Energy and Petroleum Limited (the OMC) provided that the OMC was to charge market penetration discount of up to 50% of the prevailing market rate per load provided the company endeavored to obtain the best rates where circumstances allowed.

However, the basis of the discount of up to 50% was questionable in that there was no report to indicate that there would be sufficient funds to repay the loans, empower the youths and also pay the balance on the mechanical

horses and fuel tankers. Further, the clause for the discount was questionable in that Kapesika Energy and Petroleum was transporting its own fuel to the market.

○ **Failure to Avail Information to the Ministry of Finance**

On 28th September 2021, the Permanent Secretary wrote to the Secretary to the Treasury requesting for clearance to distribute part of the remitted funds by Kapesika Petroleum and Energy Limited amounting to K1,274,374 to the beneficiary youth cooperatives and Kinglong Motors (Z) Limited.

However, on 6th October 2021, the Ministry of Finance wrote back to the Permanent Secretary informing him that their request for the clearance of the funds for onward distribution to the beneficiary youth cooperatives and Kinglong Motors (Z) Limited was rejected pending the Permanent Secretary’s submission of the MOU that the Ministry signed with Kapesika Petroleum and Energy Limited with all the relevant supporting documentation such as Committee Paper, Evaluation Report, Budget Line (Detailed), Due Diligence Report and Minutes (where available) for review to the Ministry of Finance in line with the Treasury and Financial Management Circular No. 11 of 2018.

However, as at 31st October 2021, there was no evidence that the Ministry had submitted the requested information to the Ministry of Finance.

● **Manangement of Fuel Tankers - Mount Meru Petroleum Zambia Limited**

A review of the list of beneficiary cooperatives for mechanical horses and fuel tankers revealed that seventeen (17) youth groups had their trucks under the management of Mount Meru Petroleum Zambia Limited. The agreements between Mount Meru and the youth groups were for an initial period of six (6) months at the following applicable rates.

See table 7 below.

Table 7: Applicable Transport Rates and Destinations

Loading	Destination	Rate in USD/M3
Dar Es Salaam Tanzania	Zambia	125
Beira	Zambia	110

The following were observed:

○ **Questionable Signing of the Agreement.**

- ⊙ Beneficiary Youth Groups entered into individual contracts for the transportation of petroleum products with Mount Meru Petroleum Zambia Limited.

However, there was no documentation at the Ministry to indicate how Mount Meru Petroleum Zambia Limited was identified to run the trucks on behalf of the seventeen (17) youth groups.

- ⊙ The agreements signed between the beneficiaries and Mount Meru Petroleum Zambia Limited had no mention of the Ministry thereby weakening the Ministry's control over the monitoring of the operations of the trucks.
- ⊙ There was no cost benefit analysis conducted by the Ministry to establish whether the rates indicated in the contract were competitive, adequate to support the loan repayments both to the Ministry and supplier of the trucks and sufficient to cater for running costs.
- ⊙ The agreements did not have a clause to indicate the minimum amount of business that would be provided by Mount Meru and also did not have a provision for youth groups to source business from other OMCs in the absence of business at Mount Meru.

Further, the agreements provided for labelling of the trucks with the Mount Meru logo at a questionable one off fee of K1,000.

- ⊙ There was no evidence that the agreements were reviewed by the Ministry to ensure that the interest of the Government (such as repayment of the loan) and that of the Youth groups was protected.

○ **Failure to Remit Funds**

Mount Meru Petroleum Zambia Limited had not made any remittances to the Ministry and the Youth Groups despite the trucks being in operation both locally and internationally as at 31st October 2021.

In addition, the truck with Registration No. BBA 5053 though under Mount Meru Petroleum Zambia Limited was not being monitored by the GPS system to track its movements.

- **Non Operationalisation of two (2) Mechanical Horses and Fuel Tankers**

Two (2) Fuel Tanker Trucks belonging to Chimfwembe Enterprises Youth Club and Zithu Enterprise were parked at the Mount Meru Chinika Industrial Area Depot and were not operational. The two (2) Beneficiary Youth Groups had not signed fuel transportation contracts with Mount Meru Petroleum Zambia Limited, despite the trucks being parked at Mount Meru's premises. Further, the two (2) trucks were not registered with Energy Regulations Board (ERB) and required additional works and modifications to be operational.

However, the Ministry had not made any follow ups on the two (2) trucks as at 31st October 2021.

- **Failure to Report Theft to the Police.**

A battery was stolen from one (1) Fuel Tanker Truck belonging to Chimfwembe Enterprises Youth Club which was parked at Mount Meru Chinika Industrial Area Depot. However, there was no police report and no replacement of the battery had been made as at 31st October 2021.

- **Management of Fuel Tankers by Youth Groups**

The Ministry allocated three (3) fuel tanker trucks directly to three (3) Beneficiary Youth Groups namely Lubinda Logistics and Innovation, Ndola Youth Skills Africa Cooperative and Hands on the Plough Youths. However, there was no criteria provided by the Ministry on how the three (3) beneficiary youth groups were identified and allowed to operate the fuel tankers.

In addition, Ndola Youth Skills Africa Cooperative engaged Simell Carriers and Logistics Zambia Limited to operate their fuel tanker truck on their behalf without a signed agreement and authority from the Ministry.

As at 31st October 2021, there was no evidence that the three (3) beneficiary youth groups had remitted any funds to the Ministry.

Further, there were no lists of youths that were benefiting from proceeds of the three (3) fuel tanker trucks allocated to Lubinda Logistics and Innovation, Ndola Youth Skills Africa Cooperative and Hands on the Plough Youths.

○ **Questionable Registration of Two (2) Fuel Tanker Trucks in the name of One (1) Cooperative**

An examination of the mechanical horses and fuel tanker Trucks ownership records (white books) revealed that two (2) trucks were registered in the name of one (1) beneficiary youth cooperative – Lagom Multi-Purpose Cooperative Society. However, there was no explanation availed for audit as to why Lagom Multi-Purpose Cooperative Society Ltd was given two (2) trucks. See table 8 below.

Table 8: Two (2) Fuel Tanker Trucks registered in the name of one (1) Cooperative

No.	Description	Engine No.	Reg No.	Name of Copperative	Society No.
1	Shacman Truck Horse	1420K096894	BAR 9734 ZM	LagomMulti-purpose Cooperative Society Ltd	420180048250
2	Tanker Trailer		BAR 9649 ZM	LagomMulti-purpose Cooperative Society Ltd	420180048250
3	Shacman Truck Horse	1420K096906	BBA 4983 ZM	LagomMulti-purpose C	420180048250
4	Tanker Trailer		BBA 5053 ZM	LagomMulti-purpose Cooperative Society Ltd	420180048250

- **Procurement of Mechanical Horses and Fuel Tankers - Phase Two (2)**

On 13th April 2021, the Ministry requested for authority to direct bid Kinglong Motors (Z) Limited for the supply and delivery of fifty (50) mechanical horses and fuel tankers. On 16th April 2021 the Zambia Public Procurement Authority (ZPPA) gave a “No Objection” to direct bid at a sum of US\$4,379,000 VAT Inclusive.

In this regard, on 4th May 2021, the Ministry signed a contract with Kinglong Motors (Z) Limited at a sum of US\$8,758,000 of which 50% (US\$4,379,000) advance was to be paid by the Ministry and the balance of US\$4,379,000 by the youth beneficiaries twelve (12) months after receipt of the trucks. The delivery period was four (4) weeks.

The supplier was paid K96,006,400 (US\$4,379,000) on 5th May 2021 by the Ministry.

The following were observed:

- **Questionable Contract Sum**

A review of the “No Objection” from ZPPA dated 16th April 2021, revealed that authority was granted to direct bid Kinglong Motors (Z) Limited for the supply and delivery fifty (50) mechanical horses and fuel tankers at a VAT inclusive sum of US\$4,379,000.

However, the fifty (50) mechanical horses and fuel tankers were costing US\$8,758,000 VAT Inclusive. The amount of US\$4,379,000 indicated in the ‘No Objection’ was for 50% of the contract sum.

- **Undelivered Fuel Tanker Trucks**

The contract required the supplier to deliver the fuel trucks within a period of four (4) weeks.

Contrary to the contract agreement, the supplier had not delivered the fuel tankers as at 31st October 2021, twenty (20) weeks after the

supplier had been paid the advance payment and no action had been taken by the Ministry.

○ **Uncompetitive Procurement**

Although ZPPA granted authority to direct bid, the pricing of the fuel tankers of US\$8,758,000 was uncompetitive as the supplier was single sourced.

In addition, it was observed that the initial fifty (50) tankers under phase one were procured at a total cost of US\$7,649,000 while the second batch were procured at US\$8,758,000 resulting in a price increment of US\$812,000 when compared to the initial procurement.

ii. Procurement of Second Hand Small Buses

A scrutiny of procurement and payment details revealed that between September 2020 and June 2021 the Ministry procured thirty five (35) second hand Rosa buses at a cost of K15,215,000 from five (5) suppliers. See table 9 below.

Table 9: Payments to the Suppliers of Buses

No.	Supplier	No of Buses	Unit Price K	Total K
1	Glomsco Suppliers	2	350,000	700,000
2	Kupet Motors	1	415,000	415,000
		2	450,000	900,000
3	Hudson Gondwe	4	400,000	1,600,000
		3	450,000	1,350,000
4	Trucks and Auto Import and Trading	2	450,000	900,000
5	Bwinjimfumu Motor Association	1	350,000	350,000
		20	450,000	9,000,000
	Total	35		15,215,000

Following the procurement, the Ministry signed loan agreements with thirty five (35) youth groups on the following terms among others;

- ✓ The beneficiaries were to service the loan at 10% interest rate for a period of thirty six (36) months
- ✓ Transfer of ownership of the equipment and machinery to the beneficiary group upon servicing the loan in full.

- ✓ Defaulters of loan repayment were to be reported and listed on the Credit Reference Bureau.
- ✓ The monthly repayments ranged from K10,946 to K13,750 depending on the loan amount.

The following were observed;

- **Questionable Pricing of Buses**

A review of the minutes of the Procurement Committee dated 9th February 2021, revealed that on 12th October 2020, the Ministry awarded the contract to supply and deliver forty (40) second hand buses to Rockwood Training Strategies at a total cost of K13,800,000 (Unit cost K345,000). Further, the minutes revealed that the Director of Youth recommended to the Procurement Unit that the contract be cancelled on the basis that the procurement system had been compromised resulting in the Ministerial Procurement Committee cancelling the contract.

In this regard, the Ministry single sourced the procurement of initial eight (8) buses at a cost of between K350,000 and K415,000 each. See table 9 above.

Further, on 13th April 2021, the Director of Youth wrote to the Head Procurement among other items indicating that the unit cost of the Rosa buses was now at K450,000 each. In this regard, the Ministry procured twenty seven (27) buses at a total cost of K12,150,000 based on the proposed price by the Director.

The decision by the Director of Youth to propose a uniform price of K450,000 for each bus was questionable as there was no tender process followed.

- **Questionable Useful Life of Buses Procured**

The Ministry did not specify the minimum age for the buses that were to be procured. In this regard, an examination of records for twelve (12) buses

revealed that the age of the buses ranged between fifteen (15) and twenty nine (29) years, thereby raising concern on the viability of the buses to meet the loan repayment period of thirty six (36) months.

- **Lack of Ownership Records**

Although the Ministry procured thirty five (35) second hand buses, as at 31st October 2021, the Ministry was not in possession of ownership records for twenty three (23) buses. Further, it was observed that the buses had no Ministry Empowerment Logos.

- **Failure to Commence Recoveries**

The Ministry distributed the buses between September 2020 and June 2021 to thirty five (35) youth groups.

However, as at 31st October 2021, no loan recoveries had been made.

- **Questionable Release of a Rosa Bus - Serenje District**

The Ministry procured a Rosa bus on behalf of Limucas Youth Club of Serenje District. The following were observed:

- The bus was collected by Esau Jere who belonged to another Youth Club which was registered under a similar youth group name.

Consequently, on 9th September 2021, the Serenje District Commissioner reported the matter to the police who subsequently impounded the bus on 12th September 2021.

The bus was registered in the name of Bernard Chikuse of House number 505/252, Bauleni compound, Lusaka who was not a member of the group.

- As at 31st October 2021, the bus was still parked at the Police station awaiting conclusion of the investigations. Further, there was no evidence that the Ministry had followed up the matter. See picture below.



Impounded bus parked at Serenje police station

d. Establishment of Milling Plants

The Ministry had a budget of K20,000,000 for the establishment of milling plants to benefit over 1,000 youths. As at 31st October 2021, amounts totalling K4,551,344 had been spent.

In particular the following were observed:

i. Ubwali Milling

On 22nd February 2021, a loan facility of K4,000,000 was issued to Ubwali Milling for the purpose of acquisition of milling equipment, acquisition of maize, bagging and packaging machines, one (1) truck and to meet all operational costs. The milling plant was to produce mealie meal, poultry and piggery feed.

The loan tenure was thirty six (36) months with a monthly loan repayment of K122,222.

On 16th March 2021, an amount of K987,944 was transferred to Ubwali Milling as startup capital to purchase equipment for the milling plant.

However, as at 31st October 2021, the equipment had not been procured nine (9) months after disbursement and no loan repayments had been made.

ii. Wachikuku Multi-Purpose Cooperative

On 3rd November 2020, a loan facility of K3,345,440 was issued to Wachikuku Multi-Purpose Cooperative for the purpose of acquisition of milling equipment, purchase of maize and distribution vehicles. The loan tenure was thirty six (36) months with a monthly loan repayment amount of K102,221.

As at 31st October 2021, amounts totalling K3,345,400 had been paid for the pre-operational cost (purchase of maize and a delivery truck) and maize milling machine. See table 10 below.

Table 10: Breakdown of Disbursements

No.	Payee	Date	Details	Amount K
1	Wachikuku	17.12.20	pre - operational cost	842,000
2	Kazusi Limited	25.06.21	Procurement of maize milling machine	2,503,400
Total				3,345,400

A review of documentation revealed that the cooperative procured 150 tons of maize from Better Changes Enterprises Limited at a cost of K300,000. In addition, on 25th June 2021, an amount of K2,503,400 was paid to Kazusi Limited for supply, delivery and installation of a milling plant.

However, as at 31st October 2021, the plant and machinery had not been delivered rendering the procurement of maize questionable. Further, as at 31st October 2021, the whereabouts of the maize was not known. Consequently, no repayment of the loan had been made.

iii. Big Mind Youth Cooperative

On 26th February 2021, a loan facility of K3,500,000 was issued to Big Mind Youth Cooperative for the purpose of establishing a milling plant for processing of maize meal and wheat flour products.

It was observed that as at 31st October 2021, the cooperative had only been paid K980,000 as operational costs of the milling plant leaving a balance of K2,520,000 undisbursed nine (9) months after the loan was approved. Consequently, no repayment of the loan had been made.

e. Establishment of Plastic Recycling Plants

The programme was expected to create employment of at least 6,000 youth as plastic collectors, 300 aggregators and 700 direct employees of the operators of the recycling plants.

The Ministry had a budget provision of K33,177,671 out of which K7,847,600 had been spent as at 31st October 2021. See table 11 below.

Table 11: Breakdown of Disbursements

No.	Payee	Date	Details	Amount K
1	The Book Hut	04.09.2020	3 bailing machines	470,400
2	The Book Hut	04.09.2020	3 weighing scales	88,200
3	Recyclemania trading Limited	19.11.2020	Construction works and recycling recycling waste materials	1,000,000
4	Katangwila trading Limited	30.03.2021	1 hino truck	440,000
5	Bwiniji Mfumu Motors	30.03.2021	1 hino truck	295,000
6	Jan Japan Zambia Limited	30.03.2021	2 hino trucks	860,000
7	King -Huo Supply	05.06.2021	Plastic production equipment	4,694,000
Total				7,847,600

On 12th November 2020, a loan facility of K6,920,000 was issued to Recyclemania Trading Limited for the purpose of establishment of a recycling plant in Lusaka. The loan tenure was five (5) years and four (4) months from the date of the final disbursement with a monthly loan repayment of K120,000.

A scrutiny of disbursement schedules revealed that between 19th November 2020 and 6th May 2021, the Ministry had paid amounts totalling K5,694,000 towards the loan. See table 12 below.

Table 12: Breakdown of Loan Disbursements

No.	Payee	Date	Details	Amount K
1	King -Huo Supply	6.5.2021	plastic production equipment	4,694,000
2	Recyclemania trading Limited	19.11.21	construction works and recycling recycling waste materials	1,000,000
Total				5,694,000

The following were observed:

i. Delayed Operationalisation of the Plastic Recycling Plant

On 19th November 2020, the Ministry made a partial payment of K1,000,000 towards the loan to cater for the construction of the shed (K300,000), construction of an office and ablution block (K50,000), water reticulation systems (K100,000), purchase recyclable plastic waste materials (K400,000) and a contingency fund (K150,000).

However, as at 31st October 2021, eleven (11) months after receipt of the funds works had not been completed and purchase of recyclable plastic waste materials had not commenced.

ii. Undelivered Plastic Recycling Equipment

On 6th May 2021, King Hou was paid an amount of K4,694,000 to supply and deliver plastic recycling production equipment. As at 31st October 2021, four (4) months after receipt of the funds the supplier had not delivered the recycling production equipment.

iii. Delayed Disbursement of Loan Balance

As of October 2021, the Ministry had not disbursed the balance of K1,226,000 from the loan facility twelve (12) months after the initial disbursement and consequently no loan repayment had been made.

iv. Procurement of Machines – Undelivered Machines

On 4th September 2020, the Ministry paid amounts totalling K558,600 to Book Hut for the supply and delivery of three (3) bailing machines at a cost of K470,400 (US\$24,000) and three (3) weighing in scales at a cost of K88,200 (US\$4,500). See table 13 below.

Table 13: Undelivered Machines

No.	Supplier	Date	Details	Amount K
1	The Book Hut	04.09.2020	3 bailing machines	470,400
2	The Book Hut	04.09.2020	3 weighing scales	88,200
	Total			558,600

As at 31st October 2021, twelve (12) months after payment the bailing and weighing machines had not been delivered. In his response dated 18th November 2021, the Controlling Officer stated that the bailing machines and weighing scales were still at the supplier’s premises for stock keeping awaiting training of the youth beneficiary groups on how to operate the machines according to the purchase agreement.

However, there was no explanation as to why the Ministry had not facilitated the training of the youth groups.

f. Youth Innovations

Youth Innovation programme was aimed at promoting the development and application of scientific and technological innovations by the youths in relation to employment and wealth creation. The Treasury disbursed an amount of K10,000,000 to the Ministry as Youth Innovation Funds targeting 1,000 youths.

On 3rd November 2020, the Ministry signed loan agreements with nine (9) youth exhibitors and innovators of which the Ministry disbursed loans in amount totalling K672,000 to the nine (9) youth groups in various innovation activities such as fish farming, shoe manufacturing, electric machines, and chicken incubators among others. See table 14 below.

Table 14: Disbursement Schedule

Date	Beneficiary	Principal Amount K	Expected Amount K	Monthly Repayment K	Cummulative repayment K	Amount Paid K
30.11.20	Kifuba Resource	100,000	110,000	3,056	12,222	-
30.11.20	Muka Youth	42,000	46,200	1,283	5,133	-
30.11.20	Funimos Investment	60,000	66,000	1,833	7,333	-
30.11.20	Achita Bwanji Youth	100,000	110,000	3,056	12,222	-
30.11.20	Zed Next Industries	100,000	110,000	3,056	12,222	-
30.11.20	Agri-Aqua Visinary	60,000	66,000	1,833	7,333	-
30.11.20	Young Innovators	100,000	110,000	3,056	12,222	-
30.11.20	Chingola Youth Skill	30,000	33,000	917	3,667	-
30.11.20	Luchindashi Youth	80,000	88,000	2,444	9,778	-
	Total	672,000	739,200	20,534	82,133	-

However, as at 31st October 2021, the nine (9) youth groups owed amounts totalling K82,133 as loan repayments which had been outstanding for over four (4) months. Further, the Ministry did not avail reports for audit scrutiny to verify whether the funds had been used for the intended purpose.

g. Support to Micro Small and Medium Youth Enterprises

The programme was set up to provide capital to micro, small and medium enterprises to boost their businesses on loan basis. The programme was to benefit over 55,000

youths and had a budget provision of K81,000,000 against which amounts totalling K163,282,168 were spent resulting in over expenditure of K82,282,168.

The following were observed:

i. Undistributed Reusable Face Masks

A scrutiny of payment records revealed that between 21st August 2020 and 29th January 2021, the Ministry procured 521,218 reusable face masks at a total cost of K5,212,180 from sixty three (63) suppliers.

A physical stock count of the face masks carried out in October 2021 revealed that 287,500 reusable face masks had not been distributed ten (10) months after procurement.

ii. Failure to Commence Recoveries - Small Scale Cooperatives in Milling Programme

Between September 2020 and March 2021, a total of K 1,425,000 was paid to eighteen (18) youth groups for purposes of procuring hammer mills in Eastern Province. The loan amounts ranged between K30,000 and K90,000.

As at 31st October 2021, there was no evidence that the hammer mills had been procured and no loan repayments had been made.

iii. Failure to Provide Information for Audit

Section 73 (1) of the Public Finance Management Act No 1 of 2018, requires that the Auditor General and an office holder, agent or specialist consultant authorised by the Auditor General, shall in the performance of duties under the Constitution, or any other law; have access to all the books, records, returns and other documents and financial management systems, in electronic or any other form, relating to accounts of the Public bodies as the Auditor General Considers necessary.

Contrary to the Act, information that was required for audit and requested for through issuance of an audit query dated 22nd October 2021 were not availed for audit as at 31st October 2021. The information requested included Loan

agreements, repayment details and progress reports in respect of forty four (44) cooperatives that received amounts totalling K21,632,250. See table 15 below.

Table 15: Lack of Information on Disbursed Funds

No.	Date	Cooperative	Amount K
1	24.12.2020	Youth Time Multi Cooperative	1,600,000
2	24.12.2020	Tikuza Multi Purpose	1,800,000
3	23.03.2021	Telecommunications	600,000
4	05.12.2021	Sochem Multipurpose	1,000,000
5	05.12.2021	Taizya Transport And Logistics	2,500,000
6	14.05.2021	Tipunzile Youth Multi Purpose	800,000
7	14.05.2021	New Mania Pamodzi Multi Purpose	990,000
8	14.05.2021	Auto World Limited	600,000
9	14.05.2021	Atala Youth Club	350,000
10	17.05.2021	Focus Well Youth Cooperative	400,000
11	17.05.2021	Sepa Youth Club	500,000
12	19.05.2021	Choma Lubono Youth Mpc Society	900,000
13	20.05.2021	Nkanonka Multipurpose	350,000
14	20.05.2021	Lubuto Travl And Tours	200,000
15	20.05.2021	Ktn General Dealers	340,000
16	20.05.2021	Markin Ethans General Dealers	280,000
17	21.05.2021	Kayjo Enterprise	200,000
18	21.05.2021	Isoka Boat Youth Club	250,000
19	01.04.2021	Drum Café	800,000
20	24.05.2021	Mukonge Natural Resource Service	425,000
21	24.05.2021	Shamibring Youth Cooperative	250,000
22	24.05.2021	Proachi Frieght Ltd	120,000
23	24.05.2021	Chimwas General Trading	250,250
24	24.05.2021	Lenganji Multi Purpose Cooperative	150,000
25	24.05.2021	Isoka Youth Association	200,000
26	26.05.2021	Twizilila Multi Purpose	170,000
27	26.05.2021	Lake Tanganyika Fisheries	700,000
28	26.05.2021	Zakudya Zathu Youth Club	200,000
29	26.05.2021	Insight Capital Limited	200,000
30	27.05.2021	Talco Trading Limited	550,000
31	28.05.2021	Glacier Suppliers Ltd	650,000
32	31.05.2021	Tulokeshenipo Youth	150,000
33	31.05.2021	Vwaks F.K.General Dealers	212,000
34	06.01.2021	Luanshya Proactive Youth	200,000
35	06.01.2021	Gammag Enterproses	250,000
36	06.01.2021	Tulubuke Multipurpose	250,000
37	06.03.2021	Nevek General Dealers	300,000
38	18.03.2021	Tiswell Milling	80,000
39	06.08.2021	Tinville Youth Group	600,000
40	06.08.2021	Mulondoma Cooperative	315,000
41	06.08.2021	Otunya Youth Forum	250,000
42	06.09.2021	Chibinde Youth Club	180,000
43	06.09.2021	Omwa Printers And General Dealers	320,000
44	06.09.2021	United Youth Club	200,000
	Total		21,632,250

In addition, between 7th May and 11th May 2021, amounts totalling K20,550,000 were disbursed to five (5) cooperatives to benefit 20,000 youths as marketeer's empowerment funds as follows.

- i. Eastern Marketeers Multi-Purpose Cooperatives Society (K3,000,000)
- ii. Copperbelt Youth Marketeers Cooperative (K8,500,000)
- iii. Lusaka Youth Marketeers Cooperative (K8,500,000)
- iv. HEP Initiative Marketeer Cooperative (K300,000)
- v. Nalikwanda Youth Marketeers Cooperative (K250,000)

However, information such as expenditure returns showing list of beneficiaries per cooperative and amounts paid were not availed for audit as at 31st October 2021.

Further, the Lusaka Provincial Administration Office did not avail for audit the following:

- Minutes of the National Appraisal Committee for the loan application and approval of loans disbursed to two (2) cooperatives. See table 16 below.

Table 16: Failure to Provide Information on Cooperatives

No.	Borrower	Business Venture	Contract Date	Loan Amount K
1	Kabegeo Engineering Company Limited	Livestock Farming	19.02.2021	100,000
2	Youth in Farming	Poultry	19.02.2021	100,000
	Total			200,000

- Loan Agreements forms for the cooperatives listed in table 17 below.

Table 17: Loan Agreement Forms not Provided

No.	Borrower	Business Venture	Loan Amount K
1	Kratos Youth Club	Acquaculture	100,000
2	Agri- Fantasy Youth	Acquaculture	200,000
3	Yada Youth Club	Poultry	100,000
4	Estoria General Dealers	General Dealing	100,000
5	Wana Youth Cooperative	Dairy Farming	50,000
	Total		550,000

- Project location information for seven (7) youth groups. See table 18 below.

Table 18: Project Sites not located

No.	Borrower	Business Venture	Loan Amount K
1	Kabegeo Engineering Company Limited	Livestock Farming	100,000
2	Youth in Farming	Poultry	100,000
3	Kratos Youth Club	Acquaculture	100,000
4	Agri- Fantasy Youth	Acquaculture	200,000
5	Yada Youth Club	Poultry	100,000
6	Estoria General Dealers	General Dealing	100,000
7	Wana Youth Cooperative	Dairy Farming	50,000
	Total		750,000

- During the period under review, the Ministry procured various motor vehicles and equipment at a total cost of K7,879,000 for youth empowerment under mining and plastic recycling programmes. See table 19 below.

Table 19: Unaccounted for Procurements

Date	Supplier	Details	Amount K
19.03.2021	Jan JAPAN	Nissan Hino	860,000
03.11.2021	Delta Auto	Excavator (1) and Grader (1)	5,829,000
14.04.2021	RCM business	Tipper Truck	750,000
19.03.2021	Zani Mwanza	Tipper Truck	440,000
	Total		7,879,000

However, as at 31st October 2021, the following information was not availed for audit in relation to the above procurements;

- Documentation relating to procurement,
 - Beneficiaries and the loan agreement,
 - Repayment plan /how much has been recovered,
 - Ownership records /inclusion in the Ministry asset register, and
 - Allocation and Distribution.
- iv. Change of Business Undertakings After Cash Disbursements – Luapula and Northern Provinces**

A review of ten (10) beneficiaries in Luapula and Northern Provinces revealed that they changed their business undertakings from what was approved by the

Ministry after being funded. The change of businesses was not approved by the Ministry. See table 20 below.

Table 20: Change of Business Undertakings

No.	Beneficiary	District	Original Business Applied for	Business Undertaken	Amount Applied for K	Amount Received K
Luapula Province						
1	Kapaso Creative Cooperative	Mansa	Mining	Timber trading	1,000,000	320,000
2	Brilliant Innovation Generations	Mansa	Waste Recycle	Funeral services	400,000	100,000
3	Mutende Rcz Youth Enterprise	Mansa	Ict	Built a shop	50,000	40,000
4	Spark Link Cooperative Union	Mansa	Transport	Retail business	1,250,000	300,000
5	Tatwafilwapo youth development	Mansa	Tailoring	Carpentry, Salon shop	95,000	40,000
Northern Province						
6	Focus Well Youth Cooperative	Kasama	Cement	Rice, millet and beans	400,000	400,000
7	Blacky Digital House	Kasama	Computer repair	Farming	150,000	70,000
8	Tubuluke Multipurpose Co-operative	Kasama	Poultry	Trading - Baenas & maize		250,000
9	P. Chikweti Industries	Kasama	Block making	Retail - rice & beans	410,000	110,000
10	Talwaka Lumo Youth Enterprise	Kasama	Crop production	Retail - maize	150,000	70,000
Total					3,905,000	1,700,000

v. Physical Inspection of Selected Cooperatives

A physical verification of selected Beneficiary Youth Groups conducted in September 2021 revealed the following:

Table 21: Physical inspections and Observations from Various Youth Beneficiaries

Province	District	Name of Beneficiary	Amount K	Type of Business /Equipment	Observation/Findings
	Ndola	Innovation Youth Club 2021	1,000,000	Radio Studio	The group confirmed receiving K1,000,000 from the amount of K2,000,000 applied. The remaining balance was to buy them the radio equipment but as at 30 th September 2021, the Ministry had not purchased the radio equipment. Consequently, the group ventured into car hire business without authority from the Ministry.

	Ndola	Time to Shine Youth Group	1,000,000	Aquaculture	The beneficiary applied for K1,900,000 but was given K1,000,000 leaving a balance of K900, 000. As of September, 2021, the beneficiary had acquired land, constructed fish ponds, constructed a chicken run, drilled a borehole installed a solar pump. However, as of 31 st October, 2021 the beneficiary group had not made any u repayments towards the loan.
	Ndola	Kansenshi Youth Cooperative	900,000	Mobile money banking	As at 31 st October, 2021 the group could not be traced.
	Kasempa	Northwestern Leather Cluster Youth Group	1,000,000	Leather Cluster	Records at the Ministry revealed that the cooperative was paid an amount of K1,000,000 to commence the leather cluster of making shoes in the district. As at 30 th September 2021, the project had not commenced and inquiries made with the group revealed that funds had not been received from the Ministry.
	Kasempa	Jireh Force Security	100,000	Production of mineral water	The group confirmed receipt of K100,000 for the production of mineral water in the Province. At the time of inspections in September 2021, the cooperative had not started repaying back to the Ministry.
	Kasempa	Kyandashi Cooperative	50,000	Agriculture	Although the amount had been received it had not been utilized and group had not commenced repaying

					the loan amount as of 31 st October 2021.
	Choma	Richmore Electronics	120,000	Electronics and General Dealers	<p>The group received K120,000. During verifications carried out on 1st October 2021, the group submitted that the loan money was shared equally among the four (4) members to invest in the electronics and general dealers business.</p> <p>No payment had been made by the Group towards repayment of the loan as of 31st October 2021.</p>
	Choma	Musokotwane Compassion Mission Zambia	300,000	Goat Rearing	<p>The Cooperative received K300,000 for Goat Rearing. However, they submitted that they had varied the project from <u>goat rearing</u> to <u>piggery</u> due to increased cost of the goats on the market. No authority was obtained to vary the project.</p> <p>The group had not commenced repaying the loan amount.</p>
Western	Mongu	Stanbridge College of Technology Sciences and Applied Arts Limited	350,000	Health Care Skills Development	<p>Beneficiary received an amount of K350,000 in the month of May 2021.</p> <p>The Beneficiary utilised the money on construction of an Administration Block for the College and purchase of nursing tools, equipment, & furniture such as chairs, cabinets, hospital beds and mattresses, skeletal models for the school.</p> <p>As of 31st October 2021, the school had not started operating and no loan repayments had been made.</p>

	Mongu	Babanca Multipurpose	150,000	Agriculture	As of 31 st October 2021, the Beneficiary had acquired land and ordered 500 chicks. Construction of a chicken run was also underway. No loan repayment had been made.
	Mongu	Qwaanu 24/7 Solutions	100,000	Skills Development	The Beneficiary confirmed receiving a K100,000 for skills development. It was however, not clear as to the nature of skills development the group was engaged in and funded. As of September 2021, the group had indicated that a farm and a car had been procured. However, there were no records such as sale agreements and ownership records availed for audit
	Mongu	Clouds Computers Ltd	150,000	ICT Services	The Group opened a TEVETA-affiliated computer school to teach computers and has employed 2 people a secretary and a tutor. They also procured 6 desktops, 1 industrial printer, 1 colour printer and stationery. As of September 2021, the school was operational. The cooperative had not started repaying the loan.
	Mongu	Mayalusi Enterprises	100,000	Agriculture	Mayalusi Enterprises went into partnership with Hot Spurs Business, bought and constructed a 1x2 Block chicken run without consulting the Ministry.

					As of September 2021, the chicken run had been roofed but the rearing of chickens had not commenced.
	Mongu	Hot Spurs Business Venture	100,000	Production and Marketing of Tilapia Fish	Hot spurs Business changed the type of business from fish farming to poultry without authority from the Ministry. As of September 2021, the chicken run had been roofed but the rearing of chickens had not commenced.
	Mongu	Preakaz Restraunt	300,000	Restaurant	The beneficiary confirmed receiving an amount of K300,000 in the month of April 2021 for starting up of a restaurant business. However, as at 31 st October 2021, the restaurant business had not been set up by the beneficiary.
	Mongu	New Creations Pub and Restaurant	335,880	Piggery	Beneficiary confirmed receiving an amount of K335,880 in the month of May 2021 for poultry and piggery. The project of keeping pigs & chickens had commenced and though no loan repayments had been made.
	Mongu	Alichiwi Feela Enterprises	30,000	Poultry	Beneficiary confirmed receiving an amount of K29,680 instead of a K30,000. Although the project had commenced, the business applied for had been varied from poultry to fish farming without the authority of the Ministry.

	Sesheke	Chinene Kulya General Dealers	90,000	Skills Development (Metal Pottery)	As at 1 October 2021, the business was operational and no loan repayments had been made as the group claimed not to have bank details from the Ministry in which to deposit the repayments.
Western	Sesheke	Pilutelele Multipurpose Youth Group	100,000	Agriculture	The Beneficiary confirmed receiving the K100,000. As at 31 st October 2021, the beneficiary procured a piece of land on which a chicken run had been constructed. No loan repayments had been made as the group claimed not to have bank details from the Ministry in which to deposit the repayments.
Western	Sesheke	Angads Enterprises	100,000.00	Agriculture	The beneficiary confirmed receiving the K100,000. As of September 2021, the Group had implemented the project of poultry business The beneficiary submitted stated that they were ready to start loan repayments and were awaiting for the bank details from the Ministry of Youth.
Western	Sesheke	Nalwange Arts and Crafts	57,890	Arts and Crafts	Beneficiary confirmed receiving the K57,890. The Group had as of September 2021, used the money to buy painting and craving materials such as brushes and colours. The group was ready to start paying back the loan but was awaiting the

					account details from Ministry of Youth in which to deposit the funds.
Western	Sesheke	Goes By Luck Business Venture	100,000	Mobile Money Transfer & Accessories	<p>The Beneficiary confirmed receiving the K100,000 and had invested the same in the mobile money transfer business.</p> <p>The Group purchased 3 Airtel mobile money booths and had commenced operations. No loan repayments had been made as the group claimed not to have bank details from the Ministry in which to deposit the repayments.</p>
Western	Sioma	Destiny Professional College.	97,000	Skills Development	<p>The Beneficiary confirmed receiving an amount of K97, 000 to set up a skills development college.</p> <p>As of September, 2021, the Group had purchased 6 computers, 1 printer, 1 projector and 1 office chair for the school.</p> <p>Items not purchased includes 40 ball racks (desks), 4 office chairs, 1 office table and 1 bookshelf.</p> <p>The school was scheduled to commence in January 2022 after approval by TEVETA.</p>
Western	Nkeyema	Muyacent General Dealers	150,000	Poultry	As of September 2021, the Beneficiary group had not yet received the loan funds for the approved project despite the project being approved and loan agreement loan agreement signed.

h. Timber and Honey Value Chain

The programme focus was to spur job creation through processing of timber, furniture production, bee keeping and honey production targeting up to 10,000 youth beneficiaries. The programme had a budget provision of K15,000,000 out of which amounts totalling K6,857,535 had been spent as at 31st October 2021.

The following were observed;

i. Procurement of Pine Round Wood

- **Undistributed Pine Round Wood**

On 10th December 2020, the Ministry issued a local purchase order to Zambia Forestry and Forest Industries (ZAFFICO) to procure 4,800m³ pine round wood at a total cost of K4,407,740 inclusive of VAT with a delivery date of 18th December 2020.

However, as at 31st October 2021, 100m³ of pine round wood had not been allocated to youth groups despite the Ministry having paid in full on 15th December 2020.

- **Failure to Commence Recoveries**

The Ministry paid six (6) cooperatives loans in amounts totalling K415,690 in March 2021, for purchase of materials to use in the timber production business. However, as at 31st October 2021, none of the six (6) cooperatives had commenced repayment of the loans which became due in June 2021. See table 22 below

Table 22: Loan disbursed and outstanding for Cooperatives for Pinewood

No.	Cooperative	Date Paid	Month Due	Amount Received K	Loan amount to be repaid K	Monthly Repayment K	As at 31st August 21 outstanding K
1	Chifubu Youth Cooperative – Ndola	3/8/2021	June	60,000	66,000	1,833	9,167
2	Twapia Marketeers Youth Cooperative – Ndola	3/8/2021	June	72,500	79,750	2,215	11,076
3	New Chimwemwe – Ndola	3/8/2021	June	72,700	79,970	12,221	61,107
4	Clear Water – Ndola	3/8/2021	June	72,700	79,970	12,221	61,107
5	Future Bright – Ndola	4/8/2021	July	50,000	55,000	1,528	7,639
6	Lwamisamba Wood Processing - Western Province	3/5/2021	June	50,000	55,000	1,518	7,639
	Total			377,900	415,690	31,537	157,735

ii. Procurement of Wood Mizers - Questionable Procurement

A review of minutes of the eighth (8th) Senior Management Meeting revealed that the Head Procurement informed the meeting that the Ministry Procurement Committee, on 12th October 2020 awarded the Procurement of twenty (20) Wood Mizers (portable saw mills) at a cost of K602,040 each from Global Trading. However, the then Chairperson (Permanent Secretary) wondered why on 15th August 2020 during the launch of the Multisectoral Youth Empowerment Programmes, Wood Mizers were quoted at a price of K60,000 each while the Ministry Procurement Committee awarded a bidder to supply wood mizers at a price of K602,000 each.

In response, the Head of Procurement informed the meeting that the wood mizer costing K60,000 had no specifications and no one knew what kind of wood mizer it was of which the Permanent Secretary indicated that if both wood mizers had the same specifications of LT15, he expected them to run the same. Consequently, the procurement committee cancelled the contract.

However, a scrutiny of payments revealed that between 11th March 2021 and 15th July 2021, the Ministry single sourced Boad Meb Investments Limited to supply eleven (11) wood mizers at a sum of K3,163,800. There was an increase in the price from K60,000 each stated at the launch to K252,000 and K330,000. The increase was questionable in that there was no competitiveness.

In addition, it was observed that Boad Meb Investments had failed at technical evaluation stage in relation to the evaluation conducted on 12th October 2020. Further, the distribution list of the beneficiaries was not availed for audit.

i. Pave Zambia Youth Empowerment Programme – Failure to Implement

The Government released amounts totalling K17,000,000 on 25th February 2021, to procure new paving and block making machines to support youths under the Pave Zambia youth empowerment programme. The programme was to empower 500 youths.

However, as at 31st October 2021, the Ministry had not implemented the programme despite the availability of funds.

j. Small Scale Mining and Construction

The programme aimed at targeting 2,200 youths through the provision of capital for mining and construction. The Ministry was funded K20,000,000 against which amounts totalling K7,370,590 were spent as at 31st October 2021.

Between 15th December 2020 and 27th May 2021, the Ministry disbursed loans to seventeen (17) youth groups ranging from K40,000 to K5,025,000. See table 23 below.

Table 23: Disbursement Schedule

No.	Date	Beneficiary	Principal Amount K	Expected Amount K	Monthly Repayment K	Cummulative repayment K	Amount Recovered K
1	11.03.2021	Delta Auto (North rise Engineering)	5,829,000	6,411,900	178,108	890,542	-
2	15.05.2020	Femox Metal Fabrication and Construction	50,000	55,000	1,528	7,639	-
3	04.02.2021	Chipyola Twikatane Mining Cooperation	70,000	77,000	2,139	10,694	-
4	04.02.2021	Sasare Gold Mining Cooperative	70,000	77,000	2,139	10,694	-
5	07.03.2021	Ndola Construction Cooperative	200,000	220,000	6,111	30,556	-
6	17.03.2021	Belco & Stead Construction	50,000	55,000	1,528	7,639	-
7	09.04.2021	Wakochi Construction Supplies	85,000	93,500	2,597	12,986	-
8	09.04.2021	Belco & Stead Construction	80,000	88,000	2,444	12,222	-
9	23.04.2021	Chobela Youth Mining Multipurpose	50,000	55,000	1,528	7,639	-
10	10.05.2021	Lemap Agri Business and Construction	17,590	19,349	537	2,687	
11	20.05.2021	Mezashi Construction Company Limited	490,000	539,000	14,972	74,861	
12	21.05.2021	Fresh Point Construction	89,000	97,900	2,719	13,597	
13	06.05.2021	Butemwe Youth Construction General Dealers	50,000	55,000	1,528	7,639	
14	19.03.2021	Lilato Construction	70,000	77,000	2,139	10,694	
15	27.05.2021	Pendos Constructors	70,000	77,000	2,139	10,694	
16	27.05.2021	Good Hope Construction	60,000	66,000	1,833	9,167	
17	27.05.2021	Chasol Construction	40,000	44,000	1,222	6,111	
		Total	7,370,590	8,107,649		1,126,062	-

As at 31st October 2021, the seventeen (17) youth groups owed amounts totalling K1,126,062 as loan repayments which had been outstanding for over five (5) months. Further, the Ministry did not avail reports for audit scrutiny to verify whether the funds had been used for the intended purpose.

k. Community Sporting Empowerment Programme - Undistributed Sports Equipment

The Ministry of Youth, Sport and Child Development was funded amounts totalling K9,000,000 for the procurement of sporting equipment as well as undertaking sporting activities in communities. It was envisaged that the youth with talent will be identified

through the Provincial Sports Offices and will be empowered with sports related empowerment.

As at 30th October 2021 amounts totalling K7,038,984 had been spent leaving a balance of K1,961,015.

Between 19th March 2021 and 27th April 2021, the Ministry procured various sports items costing K6,200,781 to be distributed in all the 156 constituencies. See table 24 below.

Table 24: Status on Delivered and Distribution of Sport Equipment

Province	Constituencies	Football Jerseys	Net ball Jerseys	Footballs	Netballs	Trophies (Medium & large)	Whistles	Undistributed
Western	19	95	76	57	57	20	27	
Luapula	15	75	60	45	45	30	45	
Northern	13	115	100	75	75	26	39	
Muchinga	10	55	44	33	33	22	33	
Copperbelt	22	50	48	50	20	10	50	
Northwestern	12	60	52	36	36	24	36	
Lusaka	13	70	87	39	39	26	39	
Central	16	105	16	72	69	36	51	
Eastern	18	20	12	12	12	8	12	
Southern	18	5	2	3	3	2	3	
Quantity Received		936	604	604	468	312	604	3528
Quantity issued		650	487	422	389	222	335	2505
Quantity not distributed		286	117	182	79	90	269	1023

However, a physical inspection conducted at the Ministry in October 2021 revealed that 1,023 sports equipment valued at K1,606,763 had not been distributed to the constituencies seventeen (17) months after procurement.

In addition, there were no returns to indicate the recipients in respect of the 2,505 sports equipment that were distributed to the various constituencies.

i. Support to Youth with Agriculture Inputs

The programme was aimed at providing agriculture inputs to youths engaged in agriculture and other agro related activities. The programme was to support between 20,000 and 60,000 youths with demonstrated capacity to engage in agriculture.

The Ministry was funded K30,000,000 out of which K29,794,722 had been disbursed to various Provincial Administration Offices. See table 25 below.

Table 25: Disbursements to Provinces

No.	Province	Amount K
1	Copperbelt	3,120,000
2	Central	3,112,500
3	Southern	2,200,000
4	Eastern	3,116,250
5	Western	2,855,000
6	NorthWestern	2,855,000
7	Muchinga	3,110,000
8	Lusaka	3,120,000
9	Luapula	3,455,972
10	Northern	2,850,000
	Total	29,794,722

The following were observed:

i. Failure to Insure Agriculture Loans

Guideline No. 11.5 (VII) of the Multi-Sectorial Youth Empowerment Programme states that, “The loan shall be comprehensively insured by the borrower”.

Contrary to the guideline, a test check of Agricultural loans in amounts totalling K12,327,116 paid to 579 cooperatives and youth groups were not insured during the period under review. See table 26 below.

Table 26: Uninsured Agriculture Loans

No.	Institution	No. of Cooperatives	Loan Amount K
1	Northwestern Province Department of Youth Development	206	4,437,690
2	Copperbelt Province Department of Youth Development	129	1,889,578
3	Lusaka Province Department of Youth Development	29	3,000,000
4	Eastern Province Department of Youth Development	215	2,999,848
	Total	579	12,327,116

ii. Payment of Agriculture Loans in Excess of Maximum Authorised Amounts – Northwestern Province

Guideline No. 11.0 of the Multi-Sectorial Youth Empowerment Programme on the use of funds for the agriculture support component of the youth empowerment programme states that, “each youth group or youth co-operative would receive a maximum amount of K30,000 per group”.

Contrary to the above guideline, the North-Western, Provincial Administration paid a sum of K1,944,690 to thirty four (34) cooperatives and youth groups loans above the authorised threshold ranging between 40,000 and 140,000 without authority.

iii. Unaccounted for Funds – North Western Province

Between 6th and 23rd August 2021, the North Western Provincial Administration Office paid a sum of K100,000 to two (2) beneficiaries.

However, the beneficiary groups had not received the funds as at 31st October 2021 two (2) months after the purported disbursement.

iv. Late Delivery of Farming Inputs – Muchinga Province

On 18th December 2020, the Muchinga Provincial Administration engaged Mulo E.B General Dealers on three (3) contracts to supply and deliver Agro inputs to three (3) Districts at a contract sum of K995,440 with a delivery period of Ex-stock.

However, a review of delivery notes revealed that farming inputs costing K995,440 were delivered to the three (3) Districts on 15th July 2021 resulting in late delivery of twenty six (26) weeks. See table 27 below.

Table 27: Late Delivery of Farming Inputs

No.	Supplier	Details	Amount K	Date Paid	Delivery Date	Period Delayed
1	Mulo E.B General Dealers	Agro Inputs and materials	332,790	12/24/2020	7/15/2021	26 weeks
2	Mulo E.B General Dealers	Agro Inputs and materials	332,780	12/24/2020	7/15/2021	26 weeks
3	Mulo E.B General Dealers	Agro Inputs and materials	329,870	12/24/2020	7/15/2021	26 weeks
	Total		995,440			

In addition, the supplier was paid in advance without any security.

v. Delayed Disbursement of Agriculture loans

The Ministry of Youth, Sport and Child Development disbursed amounts totalling K8,732,893 between 7th July 2020 and 30th July 2021 to four (4) Provinces to fund agriculture projects.

However, as at 31st October 2021, the disbursement of funds to beneficiaries had been delayed for periods ranging from two (2) to fourteen (14) months after the funds were released to the provinces. See table 28 below.

Table 28: Delayed Disbursement of Agriculture Loans

No.	Institution	Amount Received K	Date Funds Received	Date Funds Disbursed	Period Delayed
1	Northwestern Province Department of Youth Development	2,855,000	10/11/2020	4/3/2021	4 months
2	Northwestern Province Department of Youth Development	557,142	6/11/2020	Not yet Disbursed	11 months
3	Eastern Province Department of Youth Development	3,000,000	30/07/2021	Not yet Disbursed	2 months
4	Lusaka Province Department of Youth Development	2,320,751	30/07/2020	Not yet Disbursed	14 Months
	Total	8,732,893			

vi. Delayed Repayment of Agriculture Loans

Guideline No. 11.5 (I) of the Multi-Sectorial Youth Empowerment Programme on the use of funds for the agriculture support component of the youth empowerment programme states that, “The agriculture support is not a grant or handout; the project will run on a loan basis for a period of 12 to 36 months. Therefore, beneficiaries will be required to pay back the loan so that funds from the youth farmer paybacks can be extended to other youths wanting to venture into agriculture activities”.

Contrary to the Guideline, a total of 296 beneficiaries who obtained agricultural loans in amounts totalling K5,627,578 had not made any repayments as at 31st October 2021. See table 29 below.

Table 29: Delayed Repayment of Loans

No.	Institution	No. of Beneficiaries	Loan Amount K	Expected Repayment Date
1	Copperbelt Province Department of Youth Development	105	1,889,578	30.09. 2021
2	Northwestern Province Department of Youth Development	169	2,443,000	30.06.2021
5	Eastern Province Department of Youth Development	22	1,295,000	30.07.2021
	Total	296	5,627,578	

Further, there was no evidence at the Ministry to indicate that recoveries on the loans had commenced under the programme.

vii. Funding not Received for Youth Empowerment – Southern Province

An examination of records at Ministry of Youth and Sport Headquarters in Lusaka revealed that amounts totalling K2,200,000 were disbursed on 8th August 2021 to the Southern Province Administration Office to cater for activities under the Youth Empowerment Programme. See table 30 below.

Table 30: Funding not Received for Youth Empowerment

Programme/Activity	Amount K
Logistical Support	200,000
Administration of Youth Funds	2,000,000
Total	2,200,000

However, as at 31st October 2021, the funds amounting to K2,200,000 in respect of administration of youth funds and logistical support had not been received by the Southern Province Administration Office.

viii. Failure to Distribute Inputs – Isoka District

During the period under review, agro inputs in amounts totalling K66,600 were delivered to the District Commissioner’s office in Isoka to cater for agro inputs and materials. However, the agro inputs had not been disbursed to the beneficiaries as at 31st October 2021. See table 31 below.

Table 31: Undistributed Inputs

No.	Description	Qty	Unit Price K	Amount K
1	Rice seed	175	300	52,500
2	Onion seed	80	80	6,400
3	Nimbecidine	10	80	800
4	Fungicide	10	400	4,000
5	Lime	29	100	2,900
	Total			66,600

ix. Questionable Award of Loan - Youth in Farming

Clause 3.1 (iv) of the Guidelines of the Multi-Sectoral Youth Empowerment Programme states that, “Project application forms should be accompanied by the following documents: A copy of a valid certificate of company, organization, group, cooperative, enterprise or club registered with PACRA, Registrar of NGOs, Persons with Disabilities Act, Registrar of Cooperatives, National Construction Council (NCC), National Youth Development Council (NYDC) and other legal registration bodies; Vocational and/or academic certificates (where applicable); and Green National Registration Card of all project members,”

Contrary to the guidelines, a beneficiary cooperative, Youth in Farming, received a loan of K100,000 without providing the required documents.

x. Agriculture Support Administrative Funds- North Western Province

- **Excess Expenditure on Agricultural Support Administrative Funds**

During the period under review, amounts totalling K205,000 were released as administrative funds. However, amounts totalling K292,376 were spent on administrative activities resulting in an over expenditure of K87,376.

- **Failure to Avail Activity Reports**

Imprest in amounts totalling K115,604 was issued to various officers in two (2) provinces to carry out activities such as monitoring and inspection of youth projects.

However, no activity reports were availed for audit to confirm whether the activities were undertaken. See table 32 below.

Table 32: Failure to Avail Activity Reports

No.	Province	No. of Officers Paid	Amount Paid K
1	North Western	8	114,604
2	Western	1	1,000
	Total	9	115,604

m. Youth Internship and Apprenticeship

The programme aimed at empowering 9000 youths who were graduates from colleges, universities, out of school youths and the youths that had never been to school as interns and apprentices for a period of not less than fifteen (15) months. The Ministry was funded K117,000,000 against which amounts totalling K91,399,656 had been spent.

However, as of 31st October 2021, a total of 6,923 interns and apprentices had been recruited against the planned 9,000 youths. In addition, in October 2021, the internship programme closed prematurely instead of closing on 31st December 2021, with outstanding planned activities such as tracking, appraising, issuance of certificate of completion to interns and apprentices.

n. Youth Resettlement Schemes

The programme targeted 1,000 youths and aimed at providing land free of charge and start up kits to the youths through agriculture and agri business. The programme was funded K5,000,000 against which amounts totalling K1,105,000 were spent as at 31st October 2021. See table 33 below.

Table 33: Disbursement Schedule

Date	Cooperative	Loan Amount K	Monthly Repayment K
24.5.21	Fish Supplier Center	30,000	917
24.5.21	Nakonde Poultry	30,000	917
26.5.21	Lake Tanganyika Fisheries	700,000	21,389
26.5.21	Evaroot Agro Dealers	40,000	1,222
27.5.21	Central Farmers Group	70,000	2,139
2.6.21	J-Chilie General Suppliers	200,000	6,111
9.6.21	Masase Youth Farmers	35,000	1,069
	Total	1,105,000	33,764

However, as at 31st October 2021, the seven (7) youth groups had not commenced loan repayments and the Ministry did not avail reports for audit scrutiny to verify whether the funds had been used for the intended purpose.

10 Recommendations

- i. The continued use of emergency in the procurement of COVID- 19 materials must be reviewed as COVID-19 procurements can now be planned as the waves are predetermined. In addition ZPPA must avoid the issuance of blanket authority on emergency procurements,
- ii. All recipients of the empowerment funds must be made to account for the funds and officers responsible for management / monitoring must account for their actions,
- iii. The management of youth empowerment funds must be reviewed and strengthened,
- iv. A forensic audit must be conducted at Zambia Medicines and Medical Supplies Agency (ZAMMSA) to determine the authenticity of receipt and disposal records up to the point of utilisation,
- v. There is need for all the relevant investigative wings to conduct further investigations in the procurement and distribution of supplies and the award of empowerment loans and grants, and
- vi. The actual youths registered to benefit from all empowerment programmes such as fuel tankers and the buses must be identified and action taken against undeserving beneficiaries.