



REPUBLIC OF ZAMBIA



REPORT OF THE
**AUDITOR
GENERAL**

**ON THE
ACCOUNTS
OF THE REPUBLIC**

**FOR THE FINANCIAL YEAR
ENDED 31ST DECEMBER 2021**



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Financial Year Ended 31st December 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 to submit the Report of the Auditor General on the Accounts of the Republic of Zambia for the financial year ended 31st December 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.

The main function of my Office is to audit the accounts of Ministries, Provinces and Agencies (MPAs) and other institutions financed from public funds. In this regard, this report covers MPAs that appeared in the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021. I conducted audits on the institutions to examine whether the funds appropriated by Parliament or raised by Government and disbursed had been accounted for.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) which are the standards relevant for the audit of Public Sector entities.

The audit findings mentioned in this Report are those which were not resolved during the audit process and those which were highlighted in the previous reports but had not been resolved 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 rendered to my office during the audits.



Dr. Dick Chellah Sichembe

AUDITOR GENERAL

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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.

During the audit process, there were various levels at which the Office interacted and communicated with Controlling Officers whose accounts were audited. The purpose of this interaction was to provide an opportunity for the Controlling Officers to clarify and take corrective action on the findings of the audits.

The audit findings mentioned in this Report are those which were not resolved during the audit of accounts for the financial year ended 31st December 2021 and outstanding matters as reported in the Treasury Minute (Action Taken Report) for the period 2012 to 2019 from the Ministry of Finance.

In addition, the Report contains audit recommendations which are aimed at addressing various findings observed during the audit process.

Some of the findings raised in this Report are:

1. Revenue

a. Zambia Revenue Authority

i. Failure to Reconcile and Collect Tax Arrears - K85.78 billion

A review of records at Zambia Revenue Authority (ZRA) carried out in March 2022 revealed that tax arrears increased from K59.66 billion in 2020 to K85.78 billion as at 31st December 2021.

ii. Failure to Call Bond Cover for Unaccounted for Removals in Transit – K95,331,564

A review of records revealed that 634 Removals in Transit (RITs) with bond guarantee in amounts totalling K95,331,564 had entered but not exited the country and there was no evidence that ZRA had redeemed the bonds as at 30th June 2022. The bonds have since expired.

iii. Failure to Collect Taxes on Various Imports – K1,237,753,306

During the period under review, fourteen (14) companies that imported goods with declared Value for Duty Purposes (VDP) of K1,237,753,306 did not pay the taxes due.

iv. Declaration of Nil Return for Mineral Royalty Tax – K140,585,099

A review of records revealed that thirty one (31) mining firms declared nil returns on mineral royalties despite having exported minerals such as copper and cobalt resulting in taxes in amounts totalling K140,585,099 not being collected.

v. Irregular Refund of VAT – K3,562,136,950

A review of records relating to VAT refunds revealed that amounts totalling K3,562,136,950 were irregularly refunded to various tax payers in that the invoices used to claim were expired as they had exceeded the three (3) months allowed for claiming as stipulated in the Value Added Tax Act, Cap 331 of the Laws of Zambia.

vi. Failure to Fully Utilise Developed Modules – Tax Online

Despite ZRA paying the full contract sum of US\$3,595,351.91 for the development of the Tax Online System, the Authority had not been utilising critical developed modules such as audit, refunds, investigations and debt recovery as at 31st July 2022.

b. Ministry of Lands and Natural Resources - Failure to Collect Revenue– K64,561,657

The Ministry failed to collect revenue in amounts totalling K64,561,657 in relation to various outstanding bills during the period under review. In addition, revenue was lost as some properties were not billed (Ground Rent) – K5,106,318.

c. Ministry of Tourism and Arts – Failure to Collect Revenue – K437,888 and US\$323,364

Hunting and concession fees in amounts totalling K437,888 and US\$323,364 for the period under review had not been collected as at 31st August 2022.

d. Ministry of Mines and Minerals Development – Failure to Collect Revenue - K32,260,426

The Ministry failed to collect revenue from Annual Area Charges in amounts totalling K32,260,426 from 2,288 mining rights holders. Further, the Ministry recorded a loss of at least K12,574,651 during the period under review as it did not bill active developers of designated mining areas.

e. Ministry of Home Affairs (Immigration) – Misappropriation of Revenues K3,097,561 and US\$19,780

Revenue in amounting totalling K3,097,561 and US\$19,780 were misappropriated at Immigration HQ and Nchelenge Border Post.

2. Expenditure

a. Ministry of Infrastructure, Housing and Urban Development

i. Purchase of Office Block - Accrued Interest Claim - US\$25,000,000

The Ministry delayed paying Zamworth Construction Limited a balance of US\$907,625.83 (K17,111,498) out of the purchase price of US\$5,350,000 for the Ministry's Office block resulting in the seller claiming amounts totalling US\$25,000,000 in accrued interest. Further, as at 30th August 2022, the Ministry had not obtained title deed for the property.

ii. Construction in New Districts – Over Commitment on Contract Procurement - K1,375,923,365

The Ministry entered into 181 contracts between 2014 and 2020 resulting in an overcommitment of K1,375,923,365. Further, as at 30th June 2022, completion of 103 projects was delayed for periods ranging from 18 to 83 months. In addition, the Ministry had not recovered advance payments in amounts totalling of K4,161,077 from nine (9) contractors whose contracts had been terminated due to non-performance.

b. Ministry of Local Government

i. Over Commitment and Lack of Confirmation of Availability of Funds – Feeder Roads - K9,433,913,996.

During the financial years 2020 and 2021, the Ministry signed a total of 190 feeder road contracts in amounts totalling K9,835,013,156 against a total budget provision of K401,099,160 resulting in over commitment of K9,433,913,996.

In addition, there were forty-two (42) contracts on feeder roads that had been brought forward prior to 2020 with contract sums of K2,895,224,963 bringing the total contract sums to K12,730,238,118 as at 31st December 2021.

ii. Lusaka City Decongestion Project - Questionable Cost of Four (4) Fly Over Bridges- US\$40,243,508.84

Lusaka City Decongestion Project had a scope of works which included the construction of four (4) flyover bridges at a cost of US\$29,922,436. However, a review of payment schedules revealed that a total of US\$40,243,508.84 had been paid against the US\$29,922,436 without justification.

c. Ministry of Defence

i. Purchase of Ten Thousand (10,000) Smoke Denisons – Cover Bidding - K21,090,000

On 20th April 2021, the Ministry of Defence signed a contract with Apex Supplies at a contract sum of K21,090,000 for the supply of Smoke Denisons. However, three (3) bidders engaged in cover bidding in that the E-mail addresses and the contact numbers used were the same for all the three (3) companies.

ii. Procurement of Equipment - Failure to Deliver Equipment - K3,869,402.12 (£151,231)

Unionlet Limited was paid amounts totalling £151,231 (£56,914 on 27.01.2021 and £94,317 on 15.11.2021) to supply equipment but did not deliver the equipment, nineteen (19) months after the expected delivery date.

iii. Failure to Supply and Install Equipment – K13,880,215 (£480,462.16)

Systems Interface Limited was paid amounts totalling K13,880,215 (£480,462.16) to supply equipment but did not deliver the equipment, one hundred and four (104) weeks after the expected completion date.

iv. Procurement of Business Jet - US\$7,800,000

In 2017, the Ministry and Joint Stock Company entered into a contract at a price of US\$49,400,000 for the supply of one (1) Sukhoi Business Jet of which amounts totalling US\$7,800,000 were paid to the supplier leaving a balance of US\$41,600,000. As at 31st August 2022, the Jet had not been delivered four (4) years after the contract was signed and the amount paid was not secured.

v. Mansa Timber Processing Factory – ZNS Shandong (ZNSSACCO) - Questionable Selling Price of Exported Mukula to China - US\$2,525,942

Eighty-one (81) containers of Mukula logs sold between 2019 and 2021 were estimated less than US\$3,003,639 instead of US\$477,697 declared by the joint venture resulting in an estimated under declaration of US\$2,525,942. In addition, five (5) containers valued at US\$185,410 were unaccounted for.

d. Ministry of Finance – Head 21 (Loans and Investments)

i. Loan Facility Agreement - Funding to Konkola Copper Mines (KCM) - Failure to Collect Interest - K23,333,333

On 6th May 2021, the Government agreed to lend Konkola Copper Mines a total of US\$45,000,000 of which the government remitted K1,000,000,000 (US\$44,592,108.46).

As at 31st December 2021, interest in amounts totalling K23,333,333 and principal of K1,000,000,000 relating to the loan had not been collected from KCM.

ii. Irregularities in the Procurement of the Zambia Chancery in Turkey - US\$2,877,000

The Embassy of the Republic of Zambia in Turkey paid amounts totalling US\$6,877,000 for the purchase of a chancery to a vendor. Included in the payments were amounts totalling US\$2,877,000 paid as penalty and service fees to the buyers' lawyers. However, a review of the Contract of Sale revealed that there were no clauses supporting penalty and service payments. Further, the sale agreement signed by the Embassy was not approved by the Permanent Secretary at the Ministry Headquarters.

e. Ministry of Finance – Head 37 Cancellation of the Concession Agreement – Loss of Public Funds - US\$59,735,497.35

On 1st September 2005, Government terminated a Concession Agreement with Mpulungu Harbour Management Limited and the matter was referred for arbitration. On 30th April 2020, the High Court ruled that the Government pays Mpulungu Harbour Management Limited US\$38,729,778.93 as principal and 6% simple interest per annum from 29th December 2010 up to the date of the final award.

However, the cancellation of the concession resulted in a loss of public funds of US\$59,735,497.35 of which amounts totalling US\$23,622,646.57 (K510,000,000) had been paid to the Concessionaire as at 31st July 2022 leaving a balance of US\$36,112,850.77 (K820,845,098).

f. Ministry of Home Affairs – Contract with Lodestar International Limited – US\$2,000,000

In 2020, the London Court of International Arbitration ordered Lodestar International to pay the Republic of Zambia US\$2,000,000 in respect of the State’s legal fees and other costs in a legal matter involving the two parties. However, no demand for the amount was made by the Ministry resulting in Government losing the \$2,000,000 awarded.

g. Ministry of Health

i. Contract for the Supply and Delivery of 10,000 Oxygen Cylinders – US\$13,000,000, Failure to Establish Price Reasonableness

The Ministry procured uncompetitively 10,000 Oxygen Cylinders at contract sum of US\$13,000,000 from Accute Investments Limited in that other suppliers were not considered.

ii. Construction of King Salman Bin Abdulaziz Specialist Hospital in Lusaka District - Loan Agreement

Government acquired a loan of US\$48,000,000 to finance construction of a hospital in Lusaka against which it signed a contract of US\$146,478,535.51 with a contractor resulting in a shortfall of US\$98,478,535. Information on how the shortfall would be resolved was not availed.

iii. Construction and Equipping of 7No. X 150 Bed Capacity Infectious Disease Isolation Hospitals

On 3rd September 2020, Ministry of Health received unsolicited proposals from TFM for the construction and equipping of seven (7) hospitals at a contract price of US\$98,817,578.

The following were observed:

- **Irregular Engagement of Contractor without Specific Past Experience**

The contractor had no specific past experience in the construction and equipping of hospitals as required in the bid document.

- **Failure to Establish Price Reasonableness - Contractors Bid Offer**

There was no report availed to show that the Ministry conducted a market research to determine the price reasonableness of the offer from TFM.

- **Questionable Project Cost Estimates - US\$22,169,758**

The redesigning of the Project from 1500 to 1050 bed capacity resulted in a reduction in the estimated cost of the project by US\$22,169,758. Although the savings made were traded off with the inclusion of oxygen plants, theatres, CT-Scans, X-Ray equipment, Lab equipment among others, cost estimates for the included infrastructure and equipment were not provided making the trade-off questionable.

iv. Failure to Avail Documentation for Audit

Procurement documents such as bid documents, evaluation reports, minutes of the Ministry Procurement Committee, Invoices, Goods Received Notes (GRNs), and payment vouchers relating to various contracts for the procurement of medicines and other medical supplies costing K1,443,395,053 procured during the period under review, were not availed for audit as at 31st May 2022. Further, amounts totalling K572,637,380 paid by the Ministry were not supported with records such as updated ledgers, suppliers' statements and reconciliations.

h. Ministry of Health (Audit of Hospitals) – Non-functional Key Medical Equipment

Most Hospitals had non-functional equipment which included Computerized Tomography Scan (CT scan), X - RAY Machines, Dental X-ray Machines and the Orthopantomogram (OPG)

i. Ministry of Agriculture

i. Continued Procurement through Direct Bidding (Single Source) - US\$430,336,620.18

During the farming seasons 2021/2022, the Ministry had continued awarding contracts for inputs through direct bidding.

ii. Interest on Letters of Credit to Loans – K216,136,358 and US\$16,910,367

Letters of Credit issued in amounts totalling US\$256,193,858 during the 2021/2022 farming season were converted to term loan facilities and secured using Government bonds resulting in interest charges of K191,536,358 and US\$13,200,973.

In addition, the Government incurred amounts totalling K24,600,000 and US\$3,709,394 in arrangement and administrative fees.

iii. Questionable Payments – US\$272,812,320

As at 31st October 2021, three (3) months after the expected delivery date of 31st July 2021, the Ministry had paid between 60% to 100% of the contract sums to four (4) suppliers that had partially delivered contracted quantities in ranges of 34% to 83%.

j. Ministry of Mines and Minerals Development – Wasteful Expenditure - Zambia Mining Environmental Remediation and Improvement Project (ZMERIP) - US\$1,017,366.39

Due to lack of vigorous testing to identify children needing administration of the anti-lead poisoning drugs, 20,236 doses which were procured at cost of US\$1,017,366.39 expired resulting in wasteful expenditure.

k. Ministry of Works and Supply (In dissolution)- Purchase of Office Building US\$2,500,000

The Ministry procured a property (former Germany Embassy) at purchase price of US\$2,500,000 without considering the Government valuation report which pegged the building at US\$1,500,000.

l. Ministry of Community Development and Social Services – Food Security Pack

i. Overpayment of Suppliers - K2,613,312

The Ministry overpaid two (2) suppliers in amounts totalling K2,613,312 in respect of farming inputs supplied during the 2021/2022 farming season.

ii. Beneficiaries Using the Same National Registration Cards - K1,971,268

Farming inputs costing K1,971,268 were issued to 563 beneficiaries at different collection points in the same districts using the same National Registration Card (NRC) Numbers.

iii. Inclusion of Farmer Input Support Programme (FISP) Beneficiaries into FSP Programme – K2,934,617

355 farmers who benefited from FISP 2021/2022 farming Season in amounts totalling K1,164,269 were also issued with farming inputs in amounts totalling K2,934,617 under FISP for the same farming season thereby benefiting twice.

iv. Social Cash Transfer Scheme – Weaknesses in Payments

It was observed that amounts totalling K232,200 were irregularly paid to ineligible beneficiaries in five (5) districts while 431 beneficiaries were overpaid K567,300 due to duplication of names and NRCs. Further, one hundred and seventy seven (177) beneficiaries paid amounts totalling K615,600 had no Disability Medical Assessment Forms or Certificates.

m. Office of the President – Provincial Administration – Weaknesses in the Management of Youth Empowerment Funds

A number of weaknesses were observed in the management of Youth Empowerment Funds including Non-performing loans, uninsured loans, disbursement of loans to unregistered groups and Individuals and disbursement of loans without signed Agreements.

PART I

PREAMBLE

1 Introduction

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.

Article 212 of the Constitution requires me to, not later than nine (9) months after the end of a financial year, submit an audit report to the President and the National Assembly, on the accounts of the Republic audited in respect of the preceding financial year.

Article 250 (1) (a) to (d) mandates me to audit;

- i. The accounts of State organs, State institutions, Provincial Administration, Local Authorities and institutions financed from public funds,
- ii. The accounts that relate to the stocks, shares and stores of the Government,
- iii. Financial and value for money audits, including forensic audits and any other type of audit, in respect of a project that involves the use of public funds, and
- iv. Ascertain that money appropriated by Parliament or raised by the Government and disbursed;
 - had been applied for the purpose for which it was appropriated or raised,
 - was expended in conformity with the authority that governs it, and
 - was expended economically, efficiently and effectively.

2 Scope of Audit

The audit scope covered the accounts and records of Ministries, Provinces and Agencies (MPAs) and other institutions financed from public funds for the financial year ended 31st December 2021.

3 Audit Methodology

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

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

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

4 Constraints

i. Staff

The staffing position in the Office has been improving over the years. However, the Office has not yet attained optimum levels required to audit the Ministries, Provinces and Agencies.

ii. Transport

The Office has presence in all the ten (10) provinces in the country and the nature of the operations require travelling to all districts in the country including far flung areas with bad terrains.

During the period under review, the Office faced a challenge of inadequate and aging fleet of motor vehicles required for use in executing our mandate as most of the vehicles were procured during the period from 2007 to 2015. Consequently, this has continued to negatively impact the targeted time of completing the audit activities. Although the Office received support from government and cooperating partners to procure motor vehicles, the gap still exists.

iii. Information and Communications Technology Equipment

The Office with the support of Government and Cooperating Partners has procured ICT equipment to support its operations. However, there is still need to procure more equipment to meet the demand of the increasing staff numbers.

5 Audit and Reporting Process

The reporting process involves three (3) major stages. The first stage is where a preliminary query is issued to the Controlling Officer and is required to respond within ten (10) days. The second stage is the interim management letter where the controlling officer is given a maximum of fifteen (15) days to respond. The third stage is the final management letter (Draft Annual Report Paragraph (DARP)) where the Controlling Officer is given three (3) days to confirm the correctness of the facts presented in the management letter.

At every stage where responses received are verified as satisfactory, amendments are made accordingly.

Where the findings have not been resolved, the DARPs are consolidated in the Auditor General's Annual Report on the Accounts of the Republic for the year under review.

6 Governance

Cabinet is the supreme policy and strategic decision-making body of Government. It comprises the Republican President, Vice President and Cabinet Ministers who are appointed by the President.

The decisions of Cabinet are implemented through various portfolio ministries and provincial administrations which are headed by Ministers.

7 Management

The operations of the Ministries, Provinces and Agencies is the responsibility of a Permanent Secretary who is appointed by the President. A Ministry also oversees the operations of various Government Agencies that operate within the preserve of its mandate.

8 Information and Communications Technology

The Government operated various ICT systems to improve service delivery. The following were the major systems operated by MPAs:

Some of the ICT Systems in Use

No.	Institution	Name of System	Description/Purpose
1	Ministry of Finance	Integrated Financial Management Information Systems (IFMIS)	This is an Integrated Financial Management Information System which is used for administration of financial transactions in the MPAs.
		Payroll Management and Establishment Control System (PMEC)	The system is used for Payroll Management and Establishment Control.
		Debt Management and Financial Analysis System (DMFAS)	The system is used for debt management and is installed at the Central Bank and Ministry of Finance.
2	Ministry of Agriculture	Zambia Integrated Agriculture Management Information System (ZIAMIS)	The system is a web-based application used for the administration of the Farmer Input Support (FISP) activities.
3	Ministry of Lands	Zambia Integrated Land Management Information System (ZILMIS)	The system is used for administration of land, billing of properties for ground rent and receipting of revenue among others.
4	Ministry of Home Affairs-Passport Office	Personalised Passport System (PPS)	This is an application that is used in the production of ordinary and diplomatic passports. The application runs on Oracle database.
5	Ministry of Home Affairs-Department of Immigration	Zambia Immigration Management System (ZIMS)	The system is used for the management of immigration processes such as the facilitation of entry and exit and processing of visas.
6	Road Transport and Safety Agency	e-ZamTIS	The system is used to collect, receipt and record revenue.
7	Zambia Revenue Authority	Tax Online System	This system is used for administration of domestic taxes.

No.	Institution	Name of System	Description/Purpose
		ASYCUDA World	This system is used for administration of customs duties and taxes.
8	National Road Fund Agency	Yascn Toll Management System (Cash Management Systems)	This system is used for administration and collection of inland tolls.
		Necor Toll Management System (Cash Management Systems)	This system is used for administration and collection of inland tolls.
		Efkon Toll Management System (Cash Management Systems)	This system is used for administration and collection of inland tolls.
		e-Toll Management Information System	This is an electronic payment system used for collection of tolls.
		WBX and Axle Loop	These systems are used in the administration of toll and weighbridge fines.

PART II
PARAGRAPHS

REVENUE SECTION

9 Head: 37 Ministry of Finance - Zambia Revenue Authority - Tax Revenue

9.1 Mandate

The Zambia Revenue Authority (ZRA) is mandated with the responsibility of enforcing tax compliance and collecting taxes, related fines and penalties on behalf of Government in accordance with Section 11 of the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia.

9.2 Governance

The Authority is governed by the Board of Directors comprising nine (9) members responsible for providing strategic oversight and direction to the Institution. The tenure of office for the Board of Directors is three (3) years.

9.3 Management

The operations of the Authority is a responsibility of the Commissioner General (CG) who is appointed by the President and is assisted by four (4) Commissioners responsible for Customs, Domestic Taxes, Modernisation and Corporate Strategy and Finance.

9.4 Audit Findings

An examination of accounting and other records maintained at the ZRA Headquarters and inspection visits to selected stations revealed the following:

a Budget against Actual Collection

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a revenue provision of K59,369,222,096 was made against which amounts totalling K83,969,133,591 were collected resulting in an over collection of K24,599,911,495 translating into 41% above target. See table 1 below.

Table 1: Budget against Actual Revenue Collections

No.	Tax Description	Approved Estimate K	Actual Revenue K	Variance K
1	Company Tax	9,114,550,496	19,491,409,932	10,376,859,436
2	Individuals (self -employed)	153,005,703	190,727,023	37,721,320
3	Advance Income Tax	234,783,394	14,733,111	(220,050,283)
4	Pay As You Earn	12,867,197,154	14,971,686,792	2,104,489,638
5	Withholding Tax (Rent, Interest and Royalties)	3,779,760,034	6,525,452,006	2,745,691,972
6	Withholding Tax (Dividends)	375,781,683	636,566,237	260,784,554
7	Withholding Tax (Lump Sum Payment)	11,266,442	89,353,151	78,086,709
8	Withholding Tax (Contractors)	85,732,870	191,574,145	105,841,275
9	Property Transfer Tax	442,440,875	371,743,796	(70,697,079)
10	Mineral Royalty Tax	5,686,104,647	12,417,299,814	6,731,195,167
11	Customs Duty	3,757,985,533	4,447,618,434	689,632,901
12	Excise Duty - Motor Vehicles	318,201,525	387,002,241	68,800,716
13	Excise Duty - Soft drinks	4,157,282	-	(4,157,282)
14	Excise Duty on non alcoholic beverages	16,289,550	18,983,510	2,693,960
15	Excise Duty -Cigarettes	115,063,570	123,401,612	8,338,042
16	Excise Duty - Carbon	422,706,307	78,107,265	(344,599,042)
17	Carbon Emmission Surtax Collected by RTSA	-	53,967,751	53,967,751
18	Excise Duty -Opaque Beer	32,865,619	26,880,057	(5,985,562)
19	Excise Duty -Clear beer	810,339,140	1,065,975,045	255,635,905
20	Excise Duty -Hydro Carbon Oils	609,426,366	299,929,985	(309,496,381)
21	Excise Duty -Spirits	153,304,986	152,035,910	(1,269,076)
22	Excise Duty - Wines	29,824,912	112,441,086	82,616,174
23	Excise Duty - Cosmetics	43,090,950	59,799,844	16,708,894
24	Excise Duty - Air time	777,503,469	1,039,431,157	261,927,688
25	Export Duty - Timber	12,455,541	22,827,966	10,372,425
26	Export Duty Scrap metal	54,941	-	(54,941)
27	Export Duty - Maize	-	13,988,704	13,988,704
28	Rummage Sales	11,228,737	1,556,125	(9,672,612)
29	Export Duty - Copper Concentrates	32,079,711	35,765,956	3,686,245
30	Fines	35,716,559	54,684,416	18,967,857
31	Excise duty - Plastics	16,996,629	23,881,171	6,884,542
32	Excise duty - Gases	104	3,706,829	3,706,725
33	Excise Duty on Juices	-	1,853,158	1,853,158
34	Warehouse Rent	668,570	1,024,897	356,327
35	Surtax on Selected Goods	411,634,986	703,219,104	291,584,118
36	Accounting Fees	1,283,500	3,832,730	2,549,230
37	Excise Duty - Cement	118,992,036	71,273,843	(47,718,193)
38	Licence Fees	7,556,565	7,512,429	(44,136)
39	Excise Duty - Electricity	307,199,557	579,818,328	272,618,771
40	Fuel Levy	1,032,035,032	207,179,315	(824,855,717)
41	Export Duty - Precious minerals and anodic slimes	127,371,572	26,357,268	(101,014,304)
42	Licence - Motor vehicle	95,416,549	35,939,337	(59,477,212)
43	Motor vehicle Surtax	57,711,547	67,006,000	9,294,453
44	Excise duty - Water	336,990	848,194	511,204
45	Export duty Hides	5,592,926	309,832	(5,283,094)
46	Tourism Levy	18,902,963	18,789,580	(113,383)
47	Insurancy Premium Levy	116,901,948	143,636,310	26,734,362
48	Skills Development Levy	178,857,469	220,948,453	42,090,984
49	Other Revenue	880,884	728,515	(152,369)
50	Domestic VAT	6,081,416,860	6,540,746,577	459,329,717
51	Import VAT	10,856,547,413	12,415,578,650	1,559,031,237
	Total	59,369,222,096	83,969,133,591	24,599,911,495

b Accounting and other Irregularities

i Implementation of Tax Online II Tax Management System

On 28th January 2019, ZRA engaged the Copperbelt University (CBU) to design, develop, install, test and commission a tax administration system at a contract sum of US\$2,959,450 which was later revised to US\$3,253,876.41 after the inclusion of Value Added Tax Module.

As at 31st March 2022, amounts totalling US\$3,595,351.91 had been paid representing 110.49% of the contract sum.

However, the following were observed:

- **Irregular Engagement of CBU to Develop the Terms of Reference**

According to the Request for Proposals (RFP No. ZRA/SP/002/018) Section 2 (1.6.1(ii)) instructions to the Consultants, 'a consultant hired to prepare Terms of Reference for an assignment should not be hired for the implementation of the assignment in question.'

Contrary to the above requirement, CBU were engaged to help with the development of the terms of reference and were later awarded the contract to design, develop, install and commission the Tax administration (Tax online II) system.

- **Irregular Direct Bidding**

Section 32 (1) of the Public Procurement Act No. 12 of 2008 stipulates that the objective of direct bidding is to achieve timely and efficient procurement, where the circumstances or value of the procurement do not justify or permit the use of competition. (2) Direct bidding may be used where—

(a) the goods, works or non-consulting services are only available from a single source and no reasonable alternative or substitute exists;

(b) due to an emergency, there is urgent need for the goods, works or non-consulting services making it impractical to use other methods of procurement because of the time involved in using those methods;

(c) additional goods, works or non-consulting services must be procured from the same source because of the need for compatibility, standardisation or continuity;

(d) an existing contract could be extended for additional goods, works or non-consulting services of a similar nature and no advantage could be obtained by further competition; or

(e) the estimated value of the goods, works or non-consulting services does not exceed the prescribed threshold.

Although the Procurement Committee at ZRA awarded the tender to the Copperbelt University, the award was irregular in that there was no track record of CBU having been previously engaged in such a contract and no advertising was done to select other solution providers in the sector.

ii Failure to Fully Utilise Developed Modules

On 5th February 2021, Zambia Revenue Authority signed off a Certificate of Completion with Copperbelt University for the design, co-development, installation, testing and commissioning of a tax administration system. This was after the Project Management committee had accepted the fully developed components after testing in July 2020.

It was observed that despite ZRA paying the full contract sum of US\$3,595,351.91 the Authority had not been utilising critical developed modules such as audit, refunds, investigations and debt recovery as at 31st July 2022.

iii Uncompleted Works – ASYCUDA World Interface

Clause 6.2.2.1C of the Contract between ZRA and CBU stipulates that the Tax Online system should also be able to run payments and returns compliance on accounts and check liabilities on ASYCUDA World for all tax types and trigger offset process and provide for additional refunds for periods already paid for.

As at 30th June 2022, the system had not been able to run payments and returns compliance on accounts and check liabilities on ASYCUDA World for all tax types.

iv Failure to Relate Payments to the Tax Period

According to the user requirements clause 6.2.4 (b) the system should provide for matching of payments to liability in a specific period. A review of the payments report and customer statements on tax online II, revealed that tax payments were not being matched with specific tax periods on the system.

As a result, payments in amounts totalling K56,737,881 in respect of 1,356 taxpayers were not matched to the correct tax period, resulting in challenges in performing reconciliations for these taxpayers.

v Tax Returns Pending Approval or Validation

Taxpayers submit returns through a portal on the Tax Online System. The system is a web-based application which has features to validate returns for errors and prompts the Taxpayer whenever errors are encountered. This validation is important as it creates a tax liability against which payments are made.

A review of the tax returns revealed that 18,511 tax returns with value for tax purposes amounting to K1,449,932,255 were submitted to ZRA between January and December 2021. However, as at 30th June 2022 tax returns were still pending assessments and approvals. Consequently, neither tax liabilities had been created nor payments made. The unapproved tax returns represented 12% of the total tax returns submitted in the year ended 31st December 2021.

vi Contract for Customs Management System (CMS)

On 3rd February 2021, the Authority signed a contract with CBU for co-design, development, installation, testing and commissioning of a CMS, Border Management System and Card payment management solution at a contract price of K90,000,000 for a period of twelve (12) months from the date of signing.

As at 31st March 2022, the contractor had been paid amounts totalling K52,019,277.

However, the following were observed:

- **Irregular Award of Contract Without Clearance**

Section 32 (1) of the Public Procurement Act No. 12 of 2008 stipulates that the objective of direct bidding is to achieve timely and efficient procurement, where the circumstances or value of the procurement do not justify or permit the use of competition. (2) Direct bidding may be used where —

- the goods, works or non-consulting services are only available from a single source and no reasonable alternative or substitute exists;
- due to an emergency, there is urgent need for the goods, works or non-consulting services making it impractical to use other methods of procurement because of the time involved in using those methods;
- additional goods, works or non-consulting services must be procured from the same source because of the need for compatibility, standardization or continuity;
- an existing contract could be extended for additional goods, works or non-consulting services of a similar nature and no advantage could be obtained by further competition; or
- the estimated value of the goods, works or non-consulting services does not exceed the prescribed threshold.

However, ZRA awarded a tender to the Copperbelt University which was irregular as CBU had no track record of having been previously engaged in such a contract. Further, ZRA did not obtain a no objection from ZPPA.

- **Questionable Supply of ICT Equipment.**

Public Procurement Regulations No. 108 (2) of 2011 requires that all public procurements should be subjected to competition to enable Government get value for money on goods.

Contrary to the regulation, ZRA signed an addendum to the consultancy for CBU to procure and supply procured ICT equipment such as cameras, traffic

lights and hard disks in amounts totalling K5,010,040 to be used in the operationalisation of the Customs Management System.

Therefore, the decision to single source the supply of equipment from the CBU was questionable.

- **Questionable Suspension of the Contract**

On 20th December 2021, the Authority suspended the development of the Customs Management System (CMS) on account of unresolved issues on the Tax Online II Project.

However, the suspension was questionable in that the Authority had already signed off the Completion Certificate on the Tax Online II project and the developer had completed over 60% of the system against which amounts totalling K52,019,277 were paid.

In addition, the contract had expired and no variation order had been issued to the developer as at 31st July 2022. This exposed the Authority to costs such as liquidated damages, expired warranty and impairment loss on procured equipment.

- **Failure to Withhold and Remit Tax on Consultancy Fees**

Section 82A of the Income Tax Act Chapter 323 of the Laws of Zambia provides that withholding tax should be withheld for management or consultancy for the creation, design, development, installation or maintenance of any information technology solution.

Contrary to the Act, amounts totalling K5,461,708 were not withheld and remitted to ZRA as at 30th June 2022.

c Operational Matters

i. Declaration of Nil Return for Mineral Royalty Tax

Section 47 of the Mines and Mineral Act No. 11 of 2015 requires that:

- A person shall not import or export any mineral, ore or mineral product without a permit issued by the Director of Mines,

- A person intending to export or import any mineral, ore or mineral product shall apply for a permit to the Director of Mines in a prescribed manner and form upon payment of the prescribed fee,
- The Director of Mines shall consider the following in evaluating an application under this section for a mineral export permit,
- Mineral Analysis and Valuation Certificate issued by the Director of Geological Survey, A verification report from the Commissioner General (ZRA) of the payment of the mineral royalty in accordance with the act.

A review of records revealed that 207 tax clearance certificates were issued by ZRA in respect of thirty-one (31) mining firms which had made 383 nil declarations on mineral royalty returns.

A scrutiny of records at ZRA Customs Department and Ministry of Mines and Minerals Development (MMMD) revealed that the thirty one (31) mining companies who had filed nil declarations on mineral royalty had obtained export permits and did export minerals such as copper, manganese, Cobalt and others, worth K2,811,701,989 without paying mineral royalty taxes in amounts totalling K140,585,099 to Government. See table 2 below.

Table 2: List of Companies that Declared Nil Returns on Mineral Royalty

No.	Tax_Payer_Name	No. of Mineral Royalty Declaration in 2021	Mineral Royalty Declared to ZRA	Value of Exported Minerals in Kwacha	Possible Loss to Government K
1	Linsang Investments Company Limited	12	-	197,795,124	9,889,756
2	Ferro Alloys Corporation Limited	12	-	245,341,782	12,267,089
3	Virgin Blue Company Limited	12	-	290,222,318	14,511,116
4	Southern Africa Ferro Alloys Limited	12	-	479,486,808	23,974,340
5	Rong Xing Investments Limited	12	-	235,963,455	11,798,173
6	Plr Projects Zambia Limited	12	-	318,184,875	15,909,244
7	Chambishi Metals Plc	12	-	73,803,102	3,690,155
8	Champion Minerals Limited	12	-	269,648,527	13,482,426
9	Weixin Company Limited	12	-	25,071,511	1,253,576
10	Sable Zinc Kabwe Limited	12	-	344,482,913	17,224,146
11	Advantex Investments Limited	12	-	66,651,227	3,332,561
12	Bhavesh Overseas Zambia Limited	12	-	139,754,792	6,987,740
13	Xincheng Minerals Processing Limited	15	-	3,912,778	195,639
14	Kabundi Manganese Company Limited	12	-	53,717,233	2,685,862
15	Anshan Investment Zambia Limited	12	-	105,261	5,263
16	Crismal-Tech Mining Limited	12	-	2,351,805	117,590
17	Big Mountain Mining Zambia Limited	13	-	30,037,503	1,501,875
18	Eastern Golden Wheel Zambia Limited	12	-	9,656,198	482,810
19	Pambashe Resources Limited	12	-	2,044,476	102,224
20	Star Choice Zambia Limited	12	-	1,806,353	90,318
21	Tiana Tia Manufacturing Zambia Limited	12	-	6,704,247	335,212
22	Morlexium Minerals And Metals Limited	12	-	7,124,971	356,249
23	Supix Minerals Limited	14	-	304,570	15,229
24	Conflict Free Minerals Limited	15	-	1,317,906	65,895
25	Stone Edge Mining Zambia Limited	13	-	1,820,337	91,017
26	Starlight Lao Minerals International Limited	12	-	686,986	34,349
27	Betamin Investment Limited	12	-	3,042,720	152,136
28	Hotian Metal Company Limited	12	-	319,277	15,964
29	Roan Mineral Resources Limited	13	-	55,603	2,780
30	Mapompo Investments Limited	12	-	89,818	4,491
31	Strong Tower Mining Limited	12	-	197,512	9,876
	Total			2,811,701,989	140,585,099

ii. Questionable Mineral Royalty Returns

Mineral Royalty is a payment received as consideration for the extraction of minerals.

A scrutiny of a sample of mineral royalty returns submitted to the Authority revealed that there were four submissions which had negative amounts. Contrary to the Act ZRA approved four (4) returns with amounts totalling K403,559 with negative balances indicating a need for a refund.

iii. Irregularities in the Management of Turnover Tax (TOT)

Turnover Tax (TOT) is a tax that is charged on gross sales/turnover (i.e., earnings, income, revenue, takings, yield and proceeds). A person conducting any business with annual sales of K800,000 or less is supposed to pay turnover tax. However, any

person with annual sales of more than K800,000 is supposed to register for income tax.

Payment for TOT is due by the 14th of the subsequent month in which the sales are made. The following were observed:

- **Failure to Enforce Taxpayer Compliance-Turnover Tax**

A comparison of TOT tax register and returns list of TOT registered clients revealed that 66,178 taxpayers did not file returns despite their account status being active on the system.

- **Failure to Graduate Taxpayers to Income Tax**

Contrary to the Act, five (5) taxpayers who had been registered for turnover tax had gross annual turnover above the registration for income tax threshold of K800,000 but were not migrated to income tax category. See table 3 below.

Table 3: Companies with Annual Turnover in Excess of K800,000

No.	Company	Annual Gross Revenue K
1	Exolic Corporation Limited	2,143,601
2	Farmers Africa (Zambia) Limited	1,329,954
3	Magobbo Can Growers Trust	1,101,620
4	Mildred Siampwaya	4,012,879
5	Petauke Explorers Radio Station	869,694
	Total	9,457,748

As at the time of audit, the taxpayers had not been graduated to the income tax regime.

iv. Failure to Reconcile Tax Arrears

In Paragraph 1 of the Report of the Auditor General for the audit of Accounts for the financial year ended 31st December 2020, mention was made of the inefficiencies by the Authority in pursuing tax debtors which resulted in domestic tax arrears increasing from K47,804 million in 2019 to K59,659 million in 2020.

A review of records at ZRA carried out in March 2022 revealed that the debt arrears had worsened and since escalated to K85,780 million as at 31st December 2021.

v. Irregular Refund of VAT

Section (4) of The Value Added Tax Act No. 44 of 2016 states that, “Input tax may not be deducted or credited after a period of three (3) months from the date of the relevant tax invoice or other evidence referred to in sub-section (3), except in such circumstances as may be allowed by administrative rules made by the Commissioner – General.”

A review of records relating to VAT refunds revealed that amounts totalling K3,562,136,950 were irregularly refunded to various tax payers in that the invoices used were expired as they dated more than six (6) years in some cases.

vi. Failure to Update VAT Account Statements

Clause 24.2 of the ZRA Return and Payment Manual of 2020 stipulates that the process involves checking whether the returns and payments are sitting in the correct periods on the taxpayer’s account statement. The process further involved requesting the taxpayer to submit missing returns and pay outstanding liabilities or reassigning the approved refunds to offset the outstanding liabilities in periods where the taxpayer owes.

A review of twenty-eight (28) taxpayers’ statement of accounts revealed that although ZRA had made refunds in amounts totalling K881,931,955 to the respective companies, their account statements had not been updated as at 31st March 2022.

vii. Failure to Call Bond Cover for Unaccounted for Removals in Transit

In the Report of the Auditor General for 2020 mention was made of the 173 RITs with guaranteed amounts totalling K25,289,698 which had entered the country during the period from January to December 2019 but had not exited the country and had not been accounted for.

In their Report for the First Session of The Twelfth National Assembly, the Public Accounts Committee expressed displeasure that the Authority was still grappling with effects of poor internal controls such that to date, it was unable to account for Removals in Transit. In view of this, the Committee urged the Secretary to the

Treasury to ensure that measures, such as Customs Validation System and Electronic Cargo Tracking System, are fully implemented and operationalised without delay.

A review of records conducted in March 2022 revealed that the matter had not improved in that 634 RITs with guaranteed amounts totalling K95,331,564 had entered the country through various ports destined to exit at seventeen (17) Customs Border Control, for the period from January to December 2021 but had not exited the country. However, there was no evidence that ZRA had redeemed the bonds as at 30th June 2022. See table 4 below.

Table 4: Unaccounted for Transits

No.	Station	No of Transaction	Guaranteed Amount K
1	Chirundu	73	42,623,228
2	Kariba	3	77,040
3	Kashiba	25	1,600,798
4	Kasumbalesa	111	20,729,205
5	Katima Mulilo	1	80,587
6	Kazungula	4	669,390
7	Kipushi	2	357,593
8	Lusaka Port Office	44	6,912,489
9	Lusaka International Airport	2	44,428
10	Livingstone Port Office	1	91,555
11	Mokambo	236	9,078,429
12	Mpulungu	7	188,176
13	Mwami Border Post	3	74,725
14	Nakonde	15	8,956,781
15	Nchelenge	2	433,205
16	Ndola Airport	1	83,799
17	Sakanya	104	3,330,136
	Total	634	95,331,564

viii. Loss of Tax Revenue Due to Expired Temporary Importation Permits (TIPs)

A review of TIPs for the period under review revealed that ten (10) TIPs that had expired were registered with RTSA. In this regard, the Government lost amounts totalling K1,729,443 in uncollected taxes. See table 5 below.

Table 5: Motor Vehicle Temporal Imports Registered with RTSA

No.	RTSA Reg No.	Year	Make	Revenue Loss K
1	BLA7850ZM	2021	Ford Ranger	182,181
2	BAT6642ZM	2012	Toyota Hilux	39,337
3	BAR7953ZM	2020	Toyota Hilux	267,996
4	AUB1726ZM	2018	FAW Truck	47,278
5	AEB3632ZM	2020	Crane Truck	19,947
6	AEB3389ZM	2017	Mitsubishi L200	173,992
7	AEB3419ZM	2017	Mitsubishi L200	106,934
8	AEB3388ZM	2017	Mitsubishi L200	173,992
9	AEB3605ZM	2012	Renault Truck	358,893
10	AEB3498ZM	2012	Crane Truck	358,893
Total				1,729,443

ix. Failure to Collect Taxes on Various Imports

According to the Customs and Excise Act Cap 322, all entries submitted for registration through ASYCUDA World should be assessed and payments made within five (5) days of assessment

A review of entries relating to Kazungula, Victoria Falls, Nakonde and Katimamulilo border posts revealed that fourteen (14) companies imported goods and registered 2,810 entries with declaration value of K1,237,753,306 from 1st January to 31st December 2021. However, as at 31st March 2022, the taxes had not been paid. See table 6 below.

Table 6: List of Companies that did not Pay Taxes due on Imports

No.	Importer Name	No. of Transactions	Value for Duty Purposes K
1	Asf Zambia Hotel Holding Limited	28	6,366,096
2	Trade Kings Limited	1010	367,515,289
3	Swiss Bake Limited	117	55,559,388
4	Dairy Gold Limited	383	205,160,457
5	Big Tree Beverages Limited	865	453,514,393
6	Bedok Ventures Limited	78	491,459
7	Quamech Engineering Services Limite	12	199,179
8	Zoncor Investment Limited	3	382,934
9	Ministry of Water Development Sanit	3	1,901,445
10	Awanji Trading Limited	26	2,010,300
11	International Commercial (Pty) Ltd	7	1,214,465.98
12	Cormac Cogan Plant Sales	17	2,985,430.01
13	Solar Skye Trading Pty Ltd	34	1,737,595.18
14	Mount Meru Petroleum Zambia Limited	227	138,714,875.82
Total		2,810	1,237,753,306

10 Head: 37 Ministry of Finance

Non Tax Revenue

10.1 Mandate

The Ministry of Finance is charged with the responsibility of economic management to foster sustainable national development

10.2 Findings

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

a Budget against Actual Collections

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K1,173,603,600 was made for revenue collection against which amounts totalling K6,467,235,216 were collected resulting in over collection of K5,293,631,616. See table 1 below.

Table 1: Estimates against Actual Collections

No.	Revenue Type	Approved Estimates K	Actual Collections K	Variance K
1	Interest on loans to Institutions	83,712,287	118,054,009	34,341,722
2	Commission on 3rd party Micro- Finance	98,610,183	34,938,040	(63,672,143)
3	Dividends	982,896,490	6,302,658,017	5,319,761,527
4	COVID 19 Donation	-	3,004,600	3,004,600
5	Rent of Government premises	-	180,000	180,000
6	Proceed from sale of properties	384,403	1,889,983	1,505,580
7	Money Lenders Licence	2,327,963	1,566,000	(761,963)
8	Capital Market Tribunal	-	26,825	26,825
9	Debt to Government	1,476,188	1,214,352	(261,836)
10	Betting and Lotteries Control Board	3,055,968	3,678,471	622,503
11	Miscellaneous	1,140,118	24,920	(1,115,198)
	Total	1,173,603,600	6,467,235,217	5,293,631,617

A further analysis of revenue collections revealed that the over collection was largely attributed to dividends.

b Accounting Irregularities

i Non-Performing Loans for On – Lent Facility

A review of the loan register provided for audit revealed that, the government had acquired loans from international financing institutions to facilitate on-lending to eighteen (18) State Owned Entities (SOEs).

An examination of the on-Lent Loan Portfolio and the Loan Agreements carried out in April 2022 revealed that thirty (30) SOEs on the loan register were non-performing in that there was no evidence of repayments to government of interest and principal during the period under review resulting in government failing to collect revenue in amounts totalling K936,028,708.

ii Loss of Revenue – Money Lenders

Section 4 of the Money Lenders Act Chapter 398 of the Laws of Zambia stipulates that a person or business intending to operate as a money lender should first obtain a certificate from the Subordinate Court of the First Class and thereafter obtain a licence from Ministry of Finance at a fee of K3,000 before operating as a money lender.

A review of transactions relating to the financial year ended 31stDecember 2021 revealed that out of 614 money lenders who got certificates from Subordinate Courts across the country, 483 paid for the licences leaving a balance of 131 who did not pay for licences at the Ministry of Finance resulting in uncollected revenue in amounts totalling K393,000.

iii Failure to Constitute an Inspections Committee for Valuation of Pool Houses

Guideline No. 8.1.2 of the Sale of Pool Houses Handbook provided for the establishment of an Inspection Committee whose functions were to ascertain the total number of Government pool houses to be sold; the number of VIP houses; Checking on the alterations or extension's, wall fences, boreholes underground and overhead tanks and other structures; checking for serious structural defects and obtaining occupiers details.

Contrary to the Guideline, Management failed to constitute an Inspection Committee to value sixty six (66) Government houses which were sold in 2021 in amounts totalling K1,265,009. In addition, Cabinet authority to sell the houses was not availed for audit.

iv Lack of a Betting Control and Licencing Board

Section 3 (1) of the Betting Control Act, Chapter 166 of the Laws of Zambia stipulates that there shall be established a board to be known as the Betting Control and Licencing Board.

Contrary to the Act, there was no board appointed for the period under review.

v Failure to Submit Annual Audited Financial Statements – Betting Companies

Section 23 of the Betting Control Act Chapter No. 166 of the Laws of Zambia states that, “Board may at any time and shall, not less frequently than once in every twelve months, require a licence bookmaker to submit to the Board a properly audited statement of the bookmaker’s account in addition to the quarterly statement of accounts.”

Contrary to the Act, ten (10) betting companies were non-compliant in that they did not submit audited financial statements. See table 2 below.

Table 2: Non – Compliant Betting Companies

No.	Companies
1	Farthing Zambia Sports Betting Ltd
2	Supabet Ltd
3	Elephant Bet Ltd
4	Premier Betting Ltd
5	Betani Sports Betting Zambia Ltd
6	Gametech Zambia Ltd
7	Online Hq Solutions
8	Platinum Bet Zambia Ltd
9	Fido Sports Betting
10	Pleasure Sports Innovation Ltd

vi Failure to Provide Security Bonds

Section 8 (1) of the Betting Control Act Chapter 166 of the Laws of Zambia states that, “in every case where a licence is issued under this Act, the Board shall impose as a condition thereto the requirement that the application shall furnish

the Board with security by means of a fidelity bond or such other security as the Board may approve to a sum of not less than four thousand kwacha.”

A comparison of the list of Bookmakers against the list of security bonds received by the Ministry of Finance revealed that seventy eight (78) betting companies failed to furnish Ministry of Finance with security bonds thereby exposing the public to risk of loss without indemnity.

vii Failure to Collect Penalty Fees from Betting Companies

Section 16 of the Betting Control Act Chapter No. 166 of the Laws of Zambia states that, “Any person who shall permit upon any licenced betting premises the playing of any game of chance shall be guilty of an offence and shall be liable to a fine not exceeding one hundred and fifty penalty units.”

However, a physical inspection of betting companies conducted in Lusaka revealed that Livesport Betting and Slots, Gal Sports Betting and Forte bet were operating game of chance machines and were not charged any penalties for contravening the Law.

In addition, Forte bet was operating in close proximity to a place licenced for the sale and consumption of alcohol contrary to Section 7 (3) of the Betting Control Act Chapter No. 166 of the Laws of Zambia which states that, “In considering the suitability of premises in accordance with the provision to subsection (2), the Board shall take into account the desirability of keeping such premises at a proper and sufficient distance from premises licenced for the sale and consumption of liquor.”

11 Head: 15 Ministry of Home Affairs – Department of Immigration
Fees and Charges

11.1 Mandate

The Department undertakes the control of all border areas and regulating of entry and exits at all ports of entry; regulating of the migration of any person to Zambia while promoting economic growth; ensuring that businesses in Zambia may employ foreigners who possess scarce skills on the Zambian labour market; enabling exceptionally skilled or qualified people for vacation and holidays in Zambia; facilitating the movement of students and academic staff for study, teaching and research; assisting in the prosecution of any offence and administering of statutory fees under the Immigration and Deportation Act No. 18 of 2010.

11.2 Audit Finding

An examination of accounting and other records maintained at Department of Immigration and a visit to selected stations revealed the following:

a. Budget Against Actual Collections

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K357,824,559 was made out of which revenue in amounts totalling K759,064,029 was collected resulting in an over collection of K401,239,470.

b. Irregularities in the Management of Revenue

i Misappropriation of Revenues – Immigration Headquarters

Section 134 (1) of the Public Finance Management (General) Regulations of 2020 stipulates that an office holder who collects revenue is required to bring to account, on a daily basis the total collections received.

Contrary to the regulation, a review of the internal audit report dated 29th July 2021 and inquiries with management revealed that revenue in amounts totalling K3,148,250 was misappropriated by a cashier at Immigration Headquarters during the period from 1st January to 11th June 2021.

Further, inquiries revealed that out of the K3,148,250 misappropriated, amounts totalling K1,892,000 had been paid back during the period from 3rd February to 4th June 2021 leaving a balance of K1,256,250. As at 31st July 2022, the amount misappropriated had not been recovered.

In addition, during the period from 18th June to 15th July 2021 the same officer obtained funds from the safe in amounts totalling K397,835 of which K250,000 had been recovered leaving an outstanding amount of K147,835.

ii Misappropriation of Revenues – Nchelenge Border Post

An examination of the bank statements and the monthly revenue returns for the period from 1st January 2012 to 31st December 2021 revealed that amounts totalling US\$19,780 and K1,693,476 were collected from Visa fees, border passes and permits.

Although the amounts collected were purported to have been banked, they did not reflect on the bank statements for the revenue transit account.

Further inquiries revealed that the responsible officer had forged the bank date stamp which he was using to generate fake deposit slips.

iii Unclaimed Interest on Delayed Transfer of Revenue to Control 99

The Service Level Agreement (SLA) between the Government and commercial banks stipulates that funds in the revenue transit account held at commercial banks should be transferred to Control 99 on Tuesdays, Fridays and the last working day of each month and that any delays should attract a penalty of 10% simple interest, calculated on the overnight balance remaining on the account. A scrutiny of bank statements revealed that there were delays ranging from 3 to 5 days in remittances of revenues in amounts totalling K4,087,362 by commercial banks to Control 99 at the Bank of Zambia.

Consequently, accrued interest in amounts totalling K785,990 had not been claimed from the commercial banks as at 31st July 2022.

iv 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 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, Management failed to provide the following documents for audit:

- The revenue records for the period from January to June 2021
- Fraud reports and disciplinary files for the period between 2021 (January-December) and June 2022 for revenue related cases
- Employment permits issued during the period under review indicating the skills set for which permits were issued at Nchelenge Border Post:
- General Revenue Cash books, deposit slips and bank generated deposit confirmation slips for the following range:
 - 1313001-1313100,
 - 1313101-1313200,
 - 0342701-0342800, and
 - 0892401-0892500.
- The monthly returns for January and December 2020, February to August 2015, October to December 2012, January to December 2016, 2017, 2018, 2019 and January 2021 and accompanying bank statements.

12 Head: 51 Ministry of Transport and Logistics
Road Transport and Safety Agency (RTSA)
Road Traffic Collections

12.1 Mandate

The Road Transport and Safety Agency (RTSA) is a statutory body under the Ministry of Transport and Logistics whose responsibility is to provide a system of Road Safety and Traffic management in the country.

In respect of revenue collections RTSA draws its mandate from the Road Traffic Act No. 11 of 2002.

12.2 Audit findings

An examination of accounting and other records maintained at RTSA Headquarters and a visit to selected stations revealed the following:

a Budget against Actual Collections - Under Collection of Revenue

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K597,944,842 was made against which amounts totalling K525,627,783 were collected resulting in an under collection of K72,317,059.

b Unaccounted for Revenue – Chingola and Silverest Stations

Section 129 (1) of the Public Finance Management (General) Regulations No. 1 of 2020 stipulates that an office holder shall not use public revenue for personal use whether temporarily or otherwise.

Contrary to the regulation, amounts totalling K1,820,643 were collected on various dates during the period from January 2020 to December 2021 at Chingola and Silverest stations in respect of road traffic collections out of which K1,460,468 was deposited leaving a balance of K360,175 unaccounted for in that neither cash was found on hand nor deposit slips as at 31st August 2022. See table 1 below.

Table 1: Unaccounted for Revenue

No.	Station	Year	Collected Amount K	Amount Deposited K	Unaccounted for Revenue K
1	Silverest	2021	145,086	60,456	84,630
2	Chingola	2021	816,139	636,526	179,613
		2020	859,418	763,486	95,932
	Total		1,820,643	1,460,468	360,175

c Delayed Banking – Silverest

Section 28 (2) of the Public Finance Management Act No. 1 of 2018 stipulates that subject to any express direction of the Secretary to the Treasury in respect of the operation of any Fund or working account, all monies received by an accounting officer or any office holder responsible for the collection of money shall be deposited into the Consolidated Fund not later than the next business day following the day of receipt, unless otherwise directed by the Secretary to the Treasury.

Contrary to the Act, it was observed that there were delays in banking of revenue collected at Silverest Station in amounts totalling K78,514 ranging from five (5) to twenty (20) days involving (7) seven transactions despite the banking facilities being within a radius of 5 km from the stations.

d Weakness in Management of Road Service Licence for Public Service Vehicles

The RTSA Licensing Procedure Manual of 2021, Road Service Licence (RSL) is a licence that authorises the holder to convey passengers or goods for hire and reward. Further, Section 102 (1) of the Road Traffic Act No.11 of 2002 states that, “no person shall use or cause or permit to be used any vehicle for the purpose of standing or plying for hire or as a public service vehicle for the carriage of persons unless there is in force in relation to such vehicle a Road Service licence authorizing such use.”

Contrary to the Act, a review of accounting and other records revealed the following:

i Failure to Collect RSL Fees from Buses Operating in the Stations

During the period from January to December 2021, sixty two (62) buses in Lusaka province, operated without paying RSL fees resulting in revenue loss of K32,823.

ii Loss of Revenue - Taxis Operating Under Yango and Ulendo

Online taxi service providers did not meet the required specifications for a public service provider as specified in Road Traffic Act No. 11 of 2002 Section 102 (1)

A review of 269 (171 Yango and 98 Ulendo) motor vehicles, revealed that revenue in amounts totalling K139,342 was not collected in that vehicles operating under the above operators did not pay for RSLs.

Further, although the above motor vehicles operated as public service vehicles, they were not registered with RTSA (regulator) as Taxis.

e Failure to Fill Key Fields on the Motor Vehicle Database

A complete and reliable motor vehicle database should have the following key fields completed to ease identification of motor vehicles and owners: national registration number, motor vehicle registration number, model, make, engine capacity, first registration date among others.

However, a review of the motor vehicle database revealed that there were one hundred and forty six (146) motors vehicles with wrong cylinder capacity, unknown model and make.

13 Head: 85 Ministry of Lands and Natural Resources

Non Tax Revenue

13.1 Mandate

The Ministry is mandated to administer land and manage natural resources by promoting sustainable land use and climate resilient low emission systems.

13.2 Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected District Offices for the financial year ended 31st December 2021, revealed the following:

a Budget against Actual Collection - Under Collection of Revenue

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a revenue provision of K392,736,832 was made against which amounts totalling K277,884,773 were collected resulting in an under collection of

K114,852,059 contrary to Section 29 (2) (b) of the Public Finance Management Act No. 1 of 2018 which stipulates that every Controlling Officer shall be responsible for attainment of revenue targets as provided in the annual estimates of revenue and expenditure. See table 1 below.

Table 1: Budget against Actual Collection

No.	Type of Revenue	Estimates K	Actual K	Variance K
1	Forestry Revenue	60,600,053	109,382,013	48,781,960
2	Document and Registration Fees	39,734,657	42,166,584	2,431,927
3	Survey Fees	11,241,319	8,828,819	(2,412,500)
4	Consent Fees	3,409,440	3,177,942	(231,498)
5	Consideration Fees	218,475,201	62,952,825	(155,522,376)
6	Preparation Fees	1,619,450	6,938,140	5,318,690
7	Interest on Late Payments	2,980,660	7,527,403	4,546,743
8	Ground Rent	54,676,052	33,301,268	(21,374,784)
9	Miscellaneous	-	3,609,778	3,609,778
	Total	392,736,832	277,884,772	(114,852,060)

b Accounting Irregularities

i. Failure to Collect Revenue on Issued Bills, Demand Notices and Local Authorities

A review of the Zambia Integrated Lands Management Information System (ZILMIS) database availed for audit, revealed that the Ministry had failed to collect revenue in amounts totalling K64,561,657 in relation to various outstanding bills during the period under review. See table 2 below.

Table 2: Uncollected Revenue on Issued Bills

No.	Description	Balance Brought forward K	Amounts Paid K	Owing Amount K
1	Outstanding Client bills	5,259,830	2,261,051	2,998,779
2	Client bills with Zero Payment	61,387,621	-	61,387,621
3	Local Authorities	175,257	-	175,257
	Total	66,822,708	2,261,051	64,561,657

As at 30th June 2022, the Ministry had not collected the outstanding amount and did not avail for audit purpose, a debt recovery plan for the amounts owed by various clients.

ii. **Failure to Attain Revenue Collections Target**

• **Strategic Objective 1 – Improve Land Administration**

A review of the strategic plan 2019 to 2021 under objective 1 the Ministry was to issue 5.02 million certificates of titles by 31st December 2021. See table 3 below.

Table 3: Strategic Objective No. 1 – Improve Land Administration

Strategic Objective No.	Description	Target	Intended Results
1	Improve Land Administration	80% of projected Revenue Collected by 2021	Increased revenue collections
		5.02 million Certificates of Titles issued by 2021	Increased registered properties (increased Ground Rent)

However, the Ministry had failed to issue the set target of 5,020,000 certificates of title as only 101,396 certificates had been issued as at 31st December 2021, resulting in a shortfall of 4,918,604 certificates of title.

This had adversely affected the projected increase in ground rent and other associated revenue collections for the Ministry.

• **Contract for National Land Titling Programme with Medici Land Governance Ltd and World Bank**

In Paragraph 38.2 b (i) of the Report of the Auditor General on the Accounts of the Republic for the financial year ended 31st December 2020, mention was made of the slow rate of issuance of titles.

The projected revenue collections from the project in the first year ending 17th August 2021 were amounts totalling K1,356,812,713 (consisting of MEDICI's fees K420,865,385 and Governments retained earnings K935,947,328) from issuing of 500,000 (325,000 low cost, 105,000 medium cost, 45,000 high cost and 25,000 commercial cost) titles.

In response, the Controlling Officer submitted that during the execution a number of challenges emerged which hindered the expected progress.

In their Report for the First Session of the Thirteenth National Assembly, the Public Accounts Committee urged the Controlling Officer to ensure that the issuance of Certificates of Title was expedited without any further delay.

A review of financial records relating to the project revealed that as at 31st July 2022, from the projected collections of K1,356,812,713, only amounts totalling K33,261,195 were collected leaving a balance of K1,323,551,518 (481,885 Certificates of Title). The deficit represented 97.55% of the projected amount.

- **Undercharging on Conveyance Licences – Kalomo and Pemba District Forestry Offices**

Part I (G) (30 and 31) of the Forest (Amendment) Regulations of 2013 outlines conveyance fee unit in the country for charcoal and firewood to be 45 fee units per 50kg bag and 45 fee units per m³ respectively.

A review of conveyance licences availed for audit by Kalomo and Pemba Forestry Offices revealed that the two (2) district offices had underestimated charcoal quantities conveyed within and outside the districts in amounts totalling K53,635 resulting in revenue loss to Government. See table 4 below.

**Table 4: Undercharging on Conveyance Licences
– Kalomo and Pemba Forestry Offices**

No.	District	Receipt Book Range	Unit Amount K	Amount Received K	Under Collection K
1	Kalomo	412201-412250	13,770	9,450	(4,320)
		319701-319750	15,086	8,635	(6,452)
		412501-412550	11,036	6,379	(4,658)
		412251-412300	13,986	9,729	(4,258)
2	Pemba	406601-406650	18,790	10,765	(8,025)
		415301-415350	19,976	11,526	(8,450)
		415401-415450	29,791	16,747	(13,044)
		415451-415500	10,422	5,994	(4,428)
Total			132,857	79,222	(53,635)

c Irregularities in Billing of Property

i Demand Notices with Zero Amount Billed

A review of the billing system revealed that 146 demand notices were generated with zero values on the amount due. As at 30th June 2022, management had not provided an explanation for the demand notices generated with zero value.

ii Loss of Revenue Due to Unbilled Properties (Ground Rent)

A comparison of properties that have been allocated a status on the system against the demand notices issued in the year under review revealed that 54,689 properties were not billed for ground rent.

Further analysis revealed that out of the 54,689 properties, 34,326 properties were not billed for two (2) or more years in amounts totalling K2,842,193.

iii Properties Billed with Credit Balances

During the period under review, 608 demand notices in amounts totalling K152,517 were irregularly issued to clients with credit balances ranging from K6.40 to K38,337.

Managements' response to preliminary inquiry on the matter was that credit balances may arise due to reversals and cancellation. However, a scrutiny of the notices revealed that there were neither reversals nor cancellations associated with the 608 demand notices.

iv Failure to Cancel Unpaid for Invitation to Treat

According to the Ministry of Lands procedure for issuance of Offer Letters, an applicant should tender in an application which is created on the system. Upon application approval by the Commissioner of Lands, the fees as outlined in the Invitation to Treat (ITT) issued to the applicant, should be paid within ninety (90) days from date of issuance and only then can an offer letter be issued. ITTs not paid for within ninety (90) days automatically expire and are to be offered to other applicants.

A scrutiny of ITTs issued during the year under review revealed that 2,195 ITTs had not been paid for by the clients to whom they were offered and were not cancelled as at 30th June 2022 for days ranging from 92 to 271 days.

14 Head: 33 Ministry of Commerce, Trade and Industry
Zambia Compulsory Standards Agency (ZCSA)
Non Tax Revenue

14.1 Mandate

The Zambia Compulsory Standards Agency is a statutory body under the Ministry of Commerce, Trade and Industry established by the Compulsory Standards Act No. 3 of 2017 for the administration and maintenance of compulsory standards for the purpose of public health, safety and environmental protection.

14.2 Audit Findings

An examination of financial and other records maintained at ZCSA Headquarters and selected stations revealed the following:

a. Budget against Actual Revenue Collections

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K122,441,236 was made for revenue collections against which amounts totalling K251,100,651 were collected resulting in an over collection of K128,659,415.

b. Governance Issues – Lack of Board of Directors

The Zambia Compulsory Standards Agency was established through the Compulsory Standards Act No. 3 of 2017 and commenced operations on 1st January 2018.

The Act provides for a Board for the Agency consisting of the following part-time members appointed by the Minister of Commerce Trade and Industry; a representative of the Ministry responsible for industry; a representative of the Attorney- General; and five persons with experience and knowledge in matters relevant to the named Act.

However, it was observed that from inception the Agency had operated without the Board of Directors and as at 30th June 2022, the Board was not in place.

c. Failure to Collect Prescribed Fees – Import of Tyres

Section 5 of the Compulsory Standards Act No. 3 of 2017 states that, “The Agency may, in the implementation of its functions under this Act— (a) Enter into agreements with conformity assessment service providers to inspect, test or analyse samples on behalf of the Agency.” Section 5 subsection 3 (c) further states that “The Agency may— determine fees for the testing and analysis of samples.”

Further, the Standards (Compulsory Standard) (Fees) Regulations of 2012 sets out fees that are payable by an importer or manufacturer of a product to which compulsory standards apply.

Contrary to the Act, a review of import data revealed that testing fees in amounts totalling K4,133,400 were charged but not collected in respect of 1,245 batches of imported pneumatic tyres resulting in a loss of revenue to Government. See table 1 below.

Table 1: Batch Pneumatic Tyre Imports

No.	Border Office	No.of Batch Imports	Unit Price K	Total Payable K	Total Paid K	Variance K
1	Livingstone & Victoria Falls	10	3,320	33,200	-	(33,200)
2	Nakonde	290	3,320	962,800	-	(962,800)
3	Kazungula	10	3,320	33,200	-	(33,200)
4	Chirundu	874	3,320	2,901,680	-	(2,901,680)
5	Mwami	5	3,320	16,600	-	(16,600)
6	Chanida	44	3,320	146,080	-	(146,080)
7	Katima mulilo	12	3,320	39,840	-	(39,840)
	Total	1,245		4,133,400	-	(4,133,400)

d. Unaccounted for Revenue

Section 134(1) of the Public Finance Management (General) Regulations No. 1 of 2020 states that, “an office holder who collects revenue is required to bring to account, on a daily basis the total collections received.”

Contrary to the regulation, amounts totalling K6,688,869 were collected at Kazungula border stations in respect of standards inspection fees out of which K6,406,585 was

deposited leaving a balance of K282,284 unaccounted for in that no cash was found on hand nor at bank.

15 Head: 68 Ministry of Tourism and Arts

Non Tax Revenue

15.1 Mandate

The Ministry of Tourism and Arts (MOTA) is mandated to provide sustainable development of the tourism industry in the country. In respect of revenue collection, the Ministry draws its mandate from the National Arts Council of Zambia Act No. 31 of 1994, Zambia Wildlife Act No.14 of 2015 and the Tourism and Hospitality Act No. 13 of 2015.

15.2 Audit Findings

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

a Budget and Actual Collections

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total revenue provision of K131,045,838 was made against which amounts totalling K153,605,618 were collected resulting in an over collection of K20,951,067. See table 1 below.

Table 1: Budget and Actual Collections

Sub-Head	Revenue Type	Estimated K	Actual K	Variance K
122030	Casino Licence Fees	3,042,896	1,675,535	(1,367,361)
122031	Tourism Enterprise	1,317,663	1,472,902	155,239
123032	Hunting and Park	126,614,154	148,777,343	22,163,189
123300	Hotel Managers Registration	20,000	1,196,430	1,176,430
129990	Miscellaneous	51,125	483,408	432,283
	Total	131,045,838	153,605,618	20,951,067

b Management of Concessions – Department of National Parks and Wildlife

The Department of National Parks and Wildlife under the Ministry of Tourism and Arts has one revenue stream which is hunting and park fees. This revenue stream consists of four (4) subcomponents namely; concession fees, animal fees, park entry and other fees.

The Department is spread across the country and its major revenue regional management units are South Luangwa Area Management Unit (Mfuwe), Chongwe Region (Lower Zambezi), Southern Region (Mosi Oa-Tunya) and Central (Kafue National Park). The Department also manages safari hunting/photographic tourism concessions in various game management areas (GMA) and has a total of forty eight (48) revenue points across the country.

The following were observed:

i Failure to Renew Concession Agreement

A review of records revealed that five (5) operators in the Kafue National Park namely; Lubungu Safaris, Mawimbi Safaris, Kafwala Safaris, Mukambi Plains Bush Camp and Mukambi Fig Tree Bush Camp whose tourism concession agreements expired for periods of over five (5) years were still pending approval though they continued to operate as at 31st July 2022.

ii Weaknesses in the Monitoring and Management of Hotel Managers and Tourism concession

A review of financial and other records revealed that there were weaknesses in the monitoring and management of Hotel Managers, Tourism concession fees and Casino fees. In particular, the following were observed:

• Failure to Collect Revenue

In Paragraph five (5) of the Report of the Auditor General on Accounts of the Republic for the financial year ended 31st December 2020, mention was made on the failure by the Ministry to collect revenue in amounts totalling K219,118 and US\$485,581 in respect of Tourism and Hunting Concession fees, Tourism Development Credit Facility (TDCF) and Hotel Manager registration fees.

A review of records relating to uncollected revenue in July 2022 revealed that the outstanding amounts had increased to K11,520,990 and US\$323,364. See table 2 below.

Table 2: Failure to Collect Revenue

No.	Type of Fees	Amounts Outstanding	
		K	US\$
1	Tourism Development Credit Facility	9,111,901	-
2	Hunting and Tourism Concession fees	1,258,589	323,364
3	Hotel Manager registration fees	1,113,000	-
4	Casinos fees	37,500	-
	Total	11,520,990	323,364

Further, included in the outstanding amount of K9,111,901 in respect of Tourism Development Credit Facility (TDCF) were amounts totalling K4,337,275 owed by thirty three (33) beneficiaries who had never made any payments towards servicing the loans. In addition, fourteen (14) title deeds which were submitted as collateral for loans in amounts totalling K2,229,782 were missing. As at 31st August 2022, the missing title deeds had not been presented for audit.

16 Head: 14 Ministry of Mines and Minerals Development

Non Tax Revenue

16.1 Mandate

The Ministry of Mines and Minerals Development (MMMD) is mandated to develop and manage minerals in a sustainable manner for the benefit of the country. In respect of Revenue collections, the Ministry draws its mandate from Mines and Minerals Development Act No. 11 of 2015.

16.2 Audit Findings

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

a Budget Against Actual Collections

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2020 and 2021, a total provision of K105,714,397 (K51,236,183 and K54,478,214 for 2020 and 2021) were made against which amounts totalling K108,507,322 (K53,823,713 and K54,683,609) were collected, resulting in a total over collection of K2,792,925 (K2,587,530 and K205,395 for 2020 and 2021) respectively. See table 1 below.

Table 1: Budget against Actual Collections

No.	Details	2020 Approved Estimate K	2021 Approved Estimate K	2020 Actual Collection K	2021 Actual Collection K	2020 Variance K	2021 Variance K	Total Variance K
1	Mining Licence	47,980,384	50,711,718	49,251,975	49,120,482	1,271,591	(1,591,236)	(319,645)
2	Fees and Surface Rental Charges	1,071,440	1,107,869	1,004,710	1,024,884	(66,730)	(82,985)	(149,715)
3	Miscellaneous	2,184,359	2,658,627	3,567,028	4,538,243	1,382,669	1,879,616	3,262,285
	Total	51,236,183	54,478,214	53,823,713	54,683,609	2,587,530	205,395	2,792,925

b Operational Matters

i Failure to Collect Outstanding Area Charges

Section 72 (1) (e) of the Mines and Minerals Development Act No. 11 of 2015 states that, “Subject to the other provisions of this Act, the Committee may suspend or revoke a mining right if the holder fails to pay annual area charges,” Further, schedule 57 (4) of Statutory Instrument No. 7 of 2016 states that ‘a holder of an exploration licence, mining licence, or mineral processing licence who defaults on payment of the area charges commits an offence and is liable, upon conviction to a fine not exceeding five hundred thousand penalty units’.

Contrary to the Act, the Ministry had failed to collect annual area charges in amounts totalling K32,260,426 from 2,288 mining rights holders. It was further revealed that the amounts had been outstanding for periods ranging from 111 to 474 days.

Furthermore, the Ministry had not suspended or revoked mining licences for the 2,288 right holders who had failed to pay annual area charges as at 30th June 2022.

ii Failure to Bill Active Developers

The Mines and Minerals Development Act No. 11 of 2015 requires that all mining rights holders on the Cadastre System are billed for area charges and correct amounts paid.

However, a review of the Cadastre database for the period under review revealed that 905 active developers were not billed for annual area charges and did not pay the required amount. In this regard, the Ministry recorded a minimum loss in amounts totalling K12,574,651 for the financial year ended 2021. See table 2 below.

Table 2: Active Developers not Billed

No.	Rights	Transactions	Minimum Revenue Loss K
1	Large Scale Exploration Licence	163	10,262,081
2	Small Scale Mining Licence	119	205,834
3	Mineral Processing Licence	28	52,821
4	Large Scale Mining Licence	22	1,866,206
5	Small Scale Exploration Licence	177	165,728
6	Artisanal mining Rights	393	10,329
7	Small Scale Gold Licence	1	1,511
8	Large Scale Gold Licence	2	10,141
	Total	905	12,574,651

iii Failure to Collect Area Charges

Section 77 (2) of the Mines and Minerals Development Act No. 11 of 2015 provides that the annual area charge should be payable on the grant of the mining right or mineral processing licence, and thereafter annually on the anniversary thereof until the termination of the mining right or mineral processing licence.

A test check of ten (10) developers whose licences expired in December 2021 after operating for a period of four (4) years, revealed that management failed to collect area charges in amounts totalling K1,102,560.

17 Head: 11 Zambia Police Service - Ministry of Home Affairs

Programme: 2011 Tax Revenue

17.1 Mandate

The Zambia Police Service is charged with the responsibility of providing and maintaining internal security to promote sustainable social-economic development in the Country. In respect of revenue collections, the Service draws its mandate from Article 193 of the Constitution of the Republic of Zambia (Amendment) Act No.2 of 2016 and the Zambia Police Act Chapter 107.

17.2 Audit Findings

An examination of accounting and other records maintained at Zambia Police Headquarters and selected Police revealed the following;

a Budget Against Actual Collections

In the estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total revenue provision of K70,030,773 was made out of which amounts totalling K75,920,224 were collected resulting in an over collection of K5,889,451 representing 8.4% above the target. See table 1 below.

Table 1: Budget against Actual Revenue Collections

No.	Details	Budgeted Amounts K	Actual Collections K	Variance K
1	Admission of Guilty fine	55,009,554	56,362,792	1,353,238
2	Speed fines - RTSA	-	836,749	836,749
3	Firearm Licence	229,274	224,075	(5,199)
4	Interpol	5,538,829	6,412,667	873,838
5	Police Report	2,523,427	50	(2,523,377)
6	Finger Prints	5,370,920	6,097,171	726,251
7	Other fees	1,358,769	5,986,720	4,627,951
	Totals	70,030,773	75,920,224	5,889,451

b Accounting and Other Irregularities

i Unauthorized Award of Contract

Section 107 (2) and (3) of the Public Finance Management (General) Regulations of 2020 stipulates that any receipt form obtainable from the Strong room Superintendent at Ministry of Finance shall be printed by a printer authorised by the Secretary to the

Treasury and shall be received and kept by the strong room superintendent. The Financial Regulation also directs that an office holder shall not make arrangements for the printing or alteration of a receipt form without the written authority of the Secretary to the Treasury.

Contrary to the Act, Zambia Police awarded a contract for the printing and supply of accountable documents to Bubujara Electronic and General Dealers at a cost of K480,000 without authority from the Secretary to the Treasury

ii Accounting Irregularities in the Management of Revenues-Loss of Revenues Through Undercharging of Traffic Fines

A comparison of traffic offences reports (i.e. charge sheets), admissions of guilty and the fee schedules revealed that sixty four (64) offenders were charged for various traffic offences at lower rates than the prescribed rates on the fee chart. As a result, only amounts totalling K27,900 were collected instead of amounts totalling K427,050 resulting in loss of K399,150.

iii Failure to Maintain a Register of Accountable Documents for Traffic Department – Headquarters

Section 110 (1) of the Public Finance Management (General) Regulations of 2020 stipulates that an office holder who is required to keep receipt forms shall maintain a register of accountable documents in Accounts Form V in which the receipt and issuance of the receipt form is entered within the same day on the receipt or issuance of the receipt form.

Contrary to the Regulation, the traffic department at Headquarters did not maintain a register of accountable documents making it difficult to ascertain the issuance and accountability of accountable documents.

18 Head: 64 Ministry of Works and Supply (in Dissolution)

Non Tax Revenue

18.1 Mandate

The Ministry of Works and Supply's principal functions as provided for in the Government Gazette Notice No. 836 of 2016 included, Control of Government Transport, Evaluation of Government Property, Government Fleet Management, Government Housing Policy, Government Printing and Gazetting, Insurance of Government Property, Office Accommodation and Maintenance Services, Preventive Maintenance Policy and State Functions.

18.2 Audit Findings

An examination of accounting and other related records revealed the following:

a Budget against Actual Revenue Collections

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2021, revenue provisions in amounts totalling K26,309,333 was made against which amounts totalling K23,443,693 were collected resulting in a total under collection of K2,865,640 respectively. See table 1 below.

Table 1: Budget and Collections

No	Details	Budget Estimates K	Actual Collection K	Variance K
1	Registration fees	60,000	595,700	535,700
2	Real Estate Consultancy fees	428,500	-	(428,500)
3	Govt transport management fees	2,505,000	73,700	(2,431,300)
4	Valuation fees	1,437,500	140,300	(1,297,200)
5	Other fees	90,000	5,260	(84,740)
6	Rent of Govt properties	1,875,000	35,060	(1,839,940)
7	Proceed from Sale of GRZ properties	480,000	146,965	(333,035)
8	Proceed from Sale of GRZ vehicles	5,259,983	5,751,282	491,299
9	Esco	7,291,300	975,854	(6,315,446)
10	Printing Supplies	5,863,650	15,398,289	9,534,639
11	Flower sales	230,000	13,555	(216,445)
12	Office Equipment and Maintenance Service	480,000	267,828	(212,172)
13	Misuse of Govt vehicles	302,400	33,400	(269,000)
14	Damage of Government Property	6,000	6,500	500
	Total	26,309,333	23,443,693	(2,865,640)

b Accounting Irregularities

i Failure to Collect Revenue from Rentals

During the period under review, tenants who occupied fifty three (53) Government properties had unpaid rentals in amounts totalling K983,400. The rentals were outstanding for periods ranging from five (5) to twenty four (24) months and no action had been taken by the Ministry. See table 2 below.

Table 2: Uncollected Revenue from Rentals

No.	Province	No. of Properties	Amount K	Status
1	Lusaka	10	767,400	No Lease Agreement
2	Mazabuka	6	27,500	No Lease Agreement
3	Choma	18	67,400	No Lease Agreement
4	Livingstone	16	113,900	No Lease Agreement
5	Kasama	3	7,200	No Lease Agreement
	Total	53	983,400	

ii Management of Receivables - Contract with Sandridge Associates Limited

On 16th August 2021, the Ministry of Works and Supply awarded a contract to Sandridge Associates Limited for the provision of property management services at the New Government Complex at a contract sum of K301,215 VAT exclusive for a period of two (2) years. The property manager was responsible for the following:

- To demand and collect rentals due from the tenants and to have the same remitted directly to the Ministry of Works and Supply.
- To collect service charges which were to be deposited in the service charge account maintained by the property manager and payments from the same account shall be approved by the Property manager.
- To settle water, refuse collection, security and sanitation and Electricity bills in common areas.
- to maintain the value of the complex and its physical condition.

Contrary to the terms of contract, the property manager had not collected amounts totalling K3,124,606 (Government institutions - K2,848,495 and private institutions - K276,111) in service charges.

iii Sale of Personal to Holder Motor Vehicles

Cabinet Circular No. 6 of 2001 stipulates that officers allocated Personal to Holder Motor vehicles are permitted to buy their respective vehicles on retirement, death or after the life span of the vehicle which is five years whichever comes first. However, as at 31st July 2022, the offer period of ninety (90) days had elapsed and twenty three (23) officers who were offered to buy their Personal to Holder Vehicles during the period from January 2020 to December 2021 with a sale amount totalling K1,410,666 had not paid for the motor vehicles.

iv Failure to Collect Revenue from Printing Services

A review of financial and other records revealed that six (6) institutions owed Government Printers amounts totalling K542,140 for printing services. As at 30th June 2022, the amounts had not been settled. See table 3 below.

Table 3: Institutions Owning for Printing Services Rendered

No.	Name Of Client	Amount Owing K
1	Ministry of Health-Ndeke House	486,750
2	Ministry Of Finance	25,290
3	Ministry of Tourism and Arts	13,000
4	Ministry of Agriculture	1,600
5	WWF - Zambia Country Office	2,000
6	Ministry of Housing & Infrastructure Dev	13,500
	Total	542,140

v Unaccounted for Revenue Collections – Mazabuka

Section 134 (1) of the Public Finance Management (General) Regulations No. 1 of 2020 stipulates that an office holder who collects revenue is required to bring to account, on a daily basis the total collections received.

Contrary to the regulation, amounts totalling K103,200 from rental of Government properties was not accounted for in that there was neither deposit slips nor cash on hand.

EXPENDITURE SECTION

19 Head: 11 Zambia Police Service – Ministry of Home Affairs

19.1 Mandate

The Zambia Police Service is charged with the responsibility of providing and maintaining internal security in order to promote sustainable, social economic development in the country.

19.2 Audit Findings

An examination of accounting and other records maintained at Zambia Police Headquarters and selected stations for the period under review revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K1,988,404,907 was made to cater for various activities against which amounts totalling K1,857,441,310 were released resulting in an under funding of K130,963,597.

Although the Service was underfunded, as at 31st December 2021 amounts totalling K1,856,897,732 had been spent leaving a balance of K543,578.

b. Operational Matters

i Disbursement of Election Funds to Divisions

During the year under review, amounts totalling K68,172,245 were disbursed to the Zambia Police Service for the purpose of conducting election operations and other special operations.

The following were observed:

- **Questionable Signatures for Payment of Election Funds to Individual Officers**

In August 2021, two (2) cashiers withdrew funds in amounts totalling K2,908,500 for the purpose of payment of out-of-pocket allowances for policing the 2021 General Elections. See table 1 below.

Table 1: Election Funds

No.	Payee	Date of Withdrawal of Funds	Purpose	Amount Withdrawn K
1	Chabamba Emmmanuel	10.08.2021	Policing of 2021 General elections	727,125
2	Chikoyo Hitler	10.08.2021	Policing of 2021 General elections	727,125
3	Chikoyo Hitler	11.08.2021	Policing of 2021 General elections	1,454,250
				2,908,500

A review of the acquittal sheets availed revealed that a total of 417 officers who were paid amounts totalling K431,825 appended different signatures on different acquittals despite their names, National Registration Card (NRC) numbers and Service numbers being the same thereby rendering the acquittals questionable.

ii Contract Management – Procurement of Goods and Services

A review of supplier’s contracts and other supporting documentation revealed the following:

- **Contract for the Supply and Delivery of Various Police Uniforms and Equipment for Zambia Police**

On 4th August 2016, the Ministry of Home Affairs entered into a contract with Mikalile Trading Company Ltd of Hong Kong for the supply and delivery of various Police Uniforms and Equipment at a contract sum of US\$59,997,107 with a delivery period of six (6) to eight (8) weeks.

As at 31st December 2021, amounts totalling US\$34,312,422 had been paid to the supplier.

- **Supplier Credit Agreement**

Following the non-availability of funds after signing of the contract, on 27th June 2019, the Ministry of Finance signed a Supplier Credit Agreement with Mikalile Trading Company Ltd of Hong Kong at a sum of US\$69,896,630.23 that included interest of US\$8,909,570 and arrangement fees of US\$989,952.

The terms of the credit agreement were as follows:

- The Purchaser shall make the first payment of 25% (US\$17,474,157.56) of total loan three (3) months after delivery of the goods amounting to 40% of the contract sum.
- The balance of the contract price of US\$52,422,472.67 was to be effected in six (6) months (bi- annual) instalments, the first such payment being due and payable on the last business day of the month in which the Effective date occurs.

The following were observed:

- ⊙ **Awarding of Contract Before Confirmation of Funds**

Section 54 (2) (d) of the Public Procurement Act No. 12 of 2008, requires that no contract, purchase order, letter of bid acceptance or other communication in any form conveying acceptance of a bid or award of contract should be issued prior to among others confirmation that funding is available.

Contrary to the Act, there was no confirmation of the availability of the funds at the time of entering into the contract in 2016.

Consequently, the failure to confirm availability of funds led to the signing of the Supplier Credit Agreement which resulted in the government incurring additional costs of US\$9,899,522.73 in respect of interest charges and arrangement fees.

- ⊙ **Delivery of Equipment Outside the Contract Period**

Although, the contract provided that the equipment was to be delivered between six (6) to eight (8) weeks, a review of delivery notes revealed

that out of the delivered equipment costing US\$58,288,814, equipment valued at US\$57,477,439.88 was delivered between thirty nine (39) and forty two (42) months after the expected delivery date.

In addition, various equipment costing US\$1,708,294 had not been delivered as at 31st July 2022 and the Ministry had not taken any action. See table 2 below.

Table 2: Equipment Delivered

No.	Details	Value of Contracted Equipment for delivery US\$	Value of Items Delivered US\$	Value of Items Not Delivered US\$
1	Police Uniforms	11,250,340	11,250,340	-
2	Riot Gear and Equipment	48,746,767	47,038,474	1,708,294
	Total	59,997,107	58,288,814	1,708,294

c. Infrastructure Development

During the period under review, Zambia Police Service had twenty (20) infrastructure projects with a sum of K262,095,507.

A review of records and a physical verification of selected projects revealed the following:

i Failure to Settle Interim Payment Certificates

Clause 43.1 of the General Conditions of Contract provides that Payments shall be adjusted for deductions for advance payments and retention. The Client shall pay the contractor the amounts certified by the Project Manager within twenty eight (28) days of the date of each certificate.

A review of records revealed that Zambia Police Service had a total of ten (10) outstanding Interim Payment Certificates in amounts totalling K33,170,698 that had been outstanding as far back as 2015. See table 3 below.

Table 3: Unpaid Interim Payment Certificates

No.	Name	Projects	IPC No	Date	Amount K
1	Zamchin Construction Company	Forensic Laboratory	1	07.07.2015	23,028,588
2	Golden Horse Investments ltd	Banquet Hall at Chelstone	1	11.06.2015	3,332,455
3	Pavesi Marketing & G.Dealers	Zambezi West Police Post	1	16.04.2016	1,029,697
4	Floyven Investment limited	Luanshya Academy	2	18.09.2017	845,487
5	Zamchin Construction Company	Chibombo Police Station	3	2/11/2018	693,056
6	JM J Traders Limited	Muyombe Police Post	4	13/12/2018	241,345
7	Eldamain Business Solution	Construction Of Lealui Police Post	2	02/01/2019	659,591
8	Zamchin Construction Company	Chibombo Police Station	4	15/07/2019	1,626,660
9	Messers Walltech Enterprises Ltd	Police Houses Serenje	4	30/04/2020	993,201
10	Fresino Enterprises Limited	Zambezi East Police Post	4	02/12/2019	720,617
	Total				33,170,698

In addition, the Service had signed three (3) contracts at the sum of K175,924,004 between 2015 and 2016 which had not commenced as at 30th June 2022 due to non-payment of advance payments in amounts totalling K27,390,741. See table 5 below.

Table 4: Contracts that had not Commenced

No.	Name of Contractor	Project	Location	Certificate Number	Date Issued	Contract Amount K
1	Zamchin Construction Company	Forensic Laboratory	Lusaka	1	7/7/2015	115,142,939
2	Golden Horse Investments Limited	Banquet Hall- Chelstone	Lusaka	1	6/11/2015	16,662,276
3	Pavesi Marketing and General Dealers	Zambezi West Police Post	Zambezi	1	4/16/2016	44,118,789
		Total				175,924,004

ii Delayed Completion of Projects

A review of records revealed that fifteen (15) contracts were delayed by periods ranging from three (3) months to five (5) years after the expected completion period. See table 6 below for 5 selected projects.

Table 5: Delayed Completion of Projects

No.	Contractor	Project Name	Start and revised end date	Planned completion	% of work done	Contract Sum K	Amounts Paid to Date K	Amount Owed to Contractor K	Observation/ Status
1.	Datong Contruction Ltd	Construction of Serenje Police	14.06.2013	July 2015	60%	33,986,336.00	8,357,927.00	25,628,409.00	The initial completion date was repeatedly revised from July 2015 to 19 th March 2022. Despite the extensions of time the project was at 60% complete as at 30 th June 2022 six (6) months after the expected completion date. As at 30 th June 2022, the contractor was owed amounts totalling K25,628,409 and the works had stalled. due to lack of payments. The 10% performance bond was not availed for audit
2.	Waltech	Construction of 16 low and 40 medium cost houses	20.02.2014	December 2015	70%	36,223,223.97	13,913,990.42	993,201.13	Although the contract was signed on 20 th February 2014 with an expected initial completion date of December

No.	Contractor	Project Name	Start and revised end date	Planned completion	% of work done	Contract Sum K	Amounts Paid to Date K	Amount Owed to Contractor K	Observation/ Status
3.	Zamchin	Construction of Chibombo Police	April, 2014	31.12.2014	70%	8,779,941.63	3,423,879.57	2,319,716.12	<p>2015, as at 31st July 2022, the project was at 70% complete.</p> <p>The Contractor was owed an amount of K993,201 in respect of IPC No. 04 which had been outstanding for over twenty seven(27) months.</p> <p>As at 30th June 2022, the works had stalled.</p> <p>The contract had repeatedly been revised from the initial completion date of December 2014 to September 2021. The project was at 70% complete.</p> <p>The Contractor was owed an amount of K2,319,716 which had been outstanding for over thirty six (36) months and works had stalled.</p>

No.	Contractor	Project Name	Start and revised end date	Planned completion	% of work done	Contract Sum K	Amounts Paid to Date K	Amount Owed to Contractor K	Observation/ Status
4.	Mwamona Construction	Construction of Liteta Police Post	2014	21.04.2015	90%	5,337,125.78	4,814,001.79	-	The contract had repeatedly been revised from the initial completion date of April 2015 to September 2021 As at 30 th June 2022, the works had stalled and the contractor was not on site.
5.	J&M Traders	Construction of Muyombe Police Post	13.08.2013	12.07.2015	45%	2,499,766.22	1,009,751.07	241,344.66	The contractor was owed an amount of K241,344 which had been outstanding for over forty-two (42) months and as at 30 th June 2021, works had stalled

20 Head: 14 Ministry of Mines and Minerals Development

20.1 Departments: Zambia Mining Environmental Remediation and Improvement Project (ZMERIP)

20.2 Project Background

On 29th May 2017, the Government of the Republic of Zambia signed a loan financing agreement with the International Development Association (IDA) of US\$65,600,000 to finance the Zambia Mining Environmental Remediation and Improvement Project (ZMERIP).

The project implementation period was five (5) years commencing on 29th May 2017 and ending on 30th June 2022.

The objective of the Project was to reduce environmental health risks in local populations associated with the mining sector in critically polluted areas of Chingola, Kitwe, Mufulira and Kabwe districts and improve capacity of key institutions for risk management.

The project was divided into four (4) components as follows:

i. Component 1: Remediation of Contaminated Hotspots and Improvement of Environmental Infrastructure (US\$29.6 million)

The component was to finance specific remediation activities and associated environmental infrastructure in Kabwe, Chingola, Kitwe and Mufulira districts. Activities under this component included identification, characterisation and remediation of known hotspots of contamination in sites that are in proximity to the communities.

ii. Component 2: Enhancing Institutional Capacity to Strengthen Environmental Governance and Compliance (US\$13.5 million)

Through this component, the environmental governance of the mining sector and environmental agency would be strengthened using a variety of interventions, including policy support and capacity building. Implementing agencies included Mines Safety Department (MSD), Radiation Protection Agency (RPA) and Zambia Environmental Management Agency (ZEMA).

iii. Component 3: Reducing Environmental Health Risks through Localised Interventions (US\$18.5 million)

This component was intended to support the Local Authorities in Kabwe, Kitwe, Mufulira and Chingola districts in relation to environmental services such as waste management, clean drinking water, and medical interventions for children and women exposed to lead contamination and agricultural soil productivity due to acidic exposure from sulphur dioxide emission from past copper smelting operations.

iv. Component 4: Project Management, Monitoring and Evaluation (US\$4 million)

The component covered the cost of project management, implementation and supervision of project activities, administration of procurement and financial management, monitoring and evaluation, and safeguards compliance monitoring.

The component covered operating costs of a unified Project Coordination Unit (PCU) established under the Ministry of Mines and Minerals Development and three (3) Project Implementation Units (PIUs) set up under the Mine Safety Department (MSD), Kabwe Municipal Council and the Zambia Environmental Management Agency (ZEMA) respectively.

20.3 Governance

The ZMERIP Project was coordinated by a Project Steering Committee (PSC) which comprised of the following:

- i. The Permanent Secretary - Ministry of Mines and Minerals Development (Chairperson),
- ii. The Permanent Secretary - Ministry of Finance and National Planning - Economic Management and Finance
- iii. The Permanent Secretary - Ministry of Health -Technical Services,
- iv. The Permanent Secretary - Ministry of Local Government and Rural Development,
- v. The Permanent Secretary - Ministry of Tourism,
- vi. The Permanent Secretary - Ministry of Water Development and Sanitation,

- vii. The Director General - Zambia Environmental Management Agency (ZEMA),
- viii. The Chief Executive Officer - Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH) and
- ix. The Town Clerk - Kabwe Municipal Council.

20.4 Source of Funds

The project was financed by a loan of US\$65,600,000 from the International Development Association (IDA) in 2017.

20.5 Audit Findings

An examination of accounting and other records maintained at the Project Coordination Unit and Project Implementation Units for the period under review revealed the following.

a. Budgeted and Income - Under Absorption of Funds

During the financial year ended 31st December 2021, a budget of K377,533,247 (US\$19,870,171) was made to cater for various project activities against which amounts totalling K140,723,756 (US\$6,682,741) were funded resulting in a variance of K236,809,491 (US\$13,187,430) at the three (3) implementing units. See table 1 below.

Table 1: Implementing Units Budgeted Amounts against Actual Releases

No.	Entity	Budgeted for Amounts		Actual Releases		Variance	
		K	US\$	K	US\$	K	US\$
1	PCU	188,983,741	9,946,513	71,799,446	4,199,540	117,184,295	5,746,973
2	KABWE	126,125,006	6,638,158	49,069,319	1,402,010	77,055,687	5,236,149
3	ZEMA	62,424,500	3,285,500	19,854,991	1,081,192	42,569,509	2,204,308
	TOTAL	377,533,247	19,870,171	140,723,756	6,682,741	236,809,491	13,187,430

As at 31st December 2021, amounts totalling K61,341,342 (US\$2,980,671.80) had been spent, representing an absorption rate of 45% of the released funds.

b. Failure to Fully Recover Advance Payments

On 20th January 2020, Zambia Mining Environmental Remediation and Implementation Project (ZMERIP) - Kabwe Municipal Council (KMC) engaged SMR Construction Limited for purposes of siting, drilling and installation of thirteen (13)

solar powered system boreholes at selected hotspot schools in Kabwe District at a contract sum of K2,762,954 inclusive of Withholding Tax and Value Added Tax for a duration of nine (9) weeks effective from the date of making the advance payment.

Clause 41.2.1 of the Special Conditions of the Contracts provided that an advance payment of US\$19,726.91 should be made within ten (10) days of submitting the advance payment guarantee by the contractor.

In this regard, on 11th February 2020 an advance payment of K690,738 was made to the contractor for mobilisation upon submission of the advance payment bond that was to expire on 27th December 2020.

However, due to delays in submitting a satisfactory Environmental and Social Management Plan by the Contractor, the contract duration expired on 20th March 2020 before works could commence. As such, the Contractor was required to pay back the advance payment. Alternatively, Kabwe Municipal Council could evoke the advance payment bond clause.

As at 30th June 2022, amounts totalling K554,738 had been recovered by the Project leaving a balance of K136,000.

c. Failure to Implement Engineering Intervention on the Kabwe Canal

Clauses 23 and 24 of the Project Appraisal Document required that ZMERIP Kabwe PIU carries out remediation of contaminated hotspots and improvement of environmental infrastructure. The priority areas that were identified for immediate engineering interventions included the Kabwe Canal, which is a conduit for storm water containing hazardous material and waste from the local mining areas that passed through densely populated residential areas.

However, as at 30th June 2022, remediation of contaminated hotspots and improvement of environmental infrastructure on the Kabwe Canal Project had not commenced despite the availability of funds.

d. Failure to Close Tailing Dump and Overburden Dump

The Project Appraisal Document under Subcomponent 1.2 provided for the rehabilitation and closure of Tailing Dump (TD 10) and Overburden Dump (OB 54) and mine closure on the Copperbelt Province at a total cost of US\$18,600,000. The overspill effect of the closure was targeted at exploiting collaborations with private mining companies in legacy clean-up operations.

However, as at 30th June 2022, the project had only finalised the engineering designs while the environmental impact assessments had not been finalised. Further, the civil works for the Overburden Dump (OB 54) had been put on hold due to budgetary constraints despite the Project having only utilised US\$2,181,281.96 out of a total allocation of US\$18,600,000.

e. Wasteful Expenditure

On 19th May 2019, Zambia Mining and Environmental Remediation Project through its Kabwe PIU entered into a contract with United Nations International Children's Emergency Fund (UNICEF) for the procurement of anti-lead poisoning drugs at a contract sum of US\$2,500,000. The drugs were meant to be administered to children found with lead in their blood stream which was at a level considered poisonous.

The supplier was paid in advance a total of US\$2,500,000 and the delivery of the drugs was supposed to be based on requests made by Kabwe PIU office in line with the absorption of the drugs.

Between 2nd October 2019 and 29th September 2021, UNICEF had supplied Anti Lead Poisoning drugs and issued invoices valued at US\$1,522,713.80 leaving a balance of US\$977,286.20 for drugs yet to be supplied.

However, due to lack of vigorous testing to identify children needing administration of the drugs, 20,236 doses costing US\$1,017,366.39 that had remained had since expired awaiting disposal resulting in wasteful expenditure.

21 Head: 15/01 Ministry of Home Affairs and Internal Security

21.1 Mandate

The Ministry of Home Affairs is charged with the responsibility of providing and maintaining internal security in order to promote sustainable social-economic development for the people of Zambia.

21.2 Audit findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected stations for the financial year ended 31st December 2021 revealed the following:

a Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2021, the Ministry of Home Affairs had a total provision of K240,912,725 against which amounts totalling K230,301,715 were released, resulting in an underfunding of K10,611,010.

Out of the K230,301,715 funded, the Ministry spent amounts totalling K210,279,982 leaving a balance of K20,021,733 as at 31st December 2021.

b Contract for Handling of Motor Vehicles – Mika Motors

On 20th March 2020, the Ministry of Home Affairs, using direct bidding method, entered into a contract with Mika Motors Zambia Ltd for the provision of port handling services for 387 motor vehicles supplied by Poly Technologies. The contract sum was US\$1,189,531 with a contract period of five (5) months.

The contract was revised on 29th April and 8th July 2020 to include the movement of the vehicles from Dar es Salaam to Nakonde at the revised contract price of US\$1,579,086.

The following were however observed:

i Questionable Change of Principal Address

On 29th April 2020, the contract was amended to change the company address to Mika Motors, Hong Kong, China under Addendum No. 1.

The change of address from Zambia to China meant that the Ministry was dealing with an overseas company.

In addition, section 4 (1) (2) of the Public Procurement Act No. 12 of 2008 requires that a procuring entity, before entering into any international agreement relating to procurement, should obtain the approval of Zambia Public Procurement Authority (ZPPA), and the advice of the Attorney General and that any agreement purportedly entered without the approval of the Attorney General is void.

Contrary to the Act, there was no approval by the Attorney General for the contract entered into with the international company. As at 31st July 2022, no explanation was given for the change.

ii Uncompetitive Procurement

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

The Ministry's engagement of Mika Motors was uncompetitive in that the company was single sourced.

iii Award of Contract to Ineligible Bidder

Clause 5.3 of the bidding data sheet required bidders to submit certificates of company registration, valid tax clearance certificates and valid Zambia Revenue Authority (ZRA) documentation.

However, a review of the original bid document submitted by Mika Motors revealed that the certificate of incorporation and tax clearance certificates attached were for Mikalile Trading and not Mika Motors Ltd consequently rendering the bidder's eligibility as non-responsive.

Section 5(b) of the bid data sheet provided that the experience required of the bidder included, as a minimum, that in the previous five (5) years, the bidder had performed at least two (2) running clearing contracts (under consideration).

Further, the bidder was to submit information of the contract value, description of services performed, purchaser's name and address.

However, the evidence of experience that was submitted was for Mikalile Trading and not Mika Motors. Further, the experience was in relation to contracts for the supply of furniture, tyres equipment and batteries and not clearing services.

In this regard, the consideration of the bidder as responsive was questionable in that it did not meet the criteria of having performed similar services.

c Contract for Design and Construction of 2,350 Housing Units for Security Wings – Ministry of Home Affairs – AVIC International

On 23rd December 2014, the Ministry of Home affairs engaged AVIC International Holding Corporation to design and construct 2,350 housing units for security wings at a contract sum of US\$323,073,845. The contract commenced in July 2017 and had a duration of forty-two (42) months, ending December 2019.

The scope of works included design and construction of housing units comprising low, medium and high cost. See table 1 below.

Table 1: Housing Category

No.	Category of Houses	Quantity
1	Low Cost	997
2	Medium Cost	1,238
3	High Cost	115
	Total	2,350

At the time of audit, the construction of the 2,350 housing units had been completed.

Financing of the Contract Agreement

In order to finance the construction of the 2,350 houses for security wings the Government entered into credit agreements with two (2) lenders namely; Industrial Commercial Bank (ICB) of China and Minsheng Bank of China.

- **Industrial Commercial Bank of China**

ICB of China was to provide US\$268,959,364 representing 85% of the required loan amount. The conditions were:

- Loan tenure eleven (11) years including four (4) year grace period.
- The repayment of the loan was to be made in a total of twenty-four (24) equal semi-annual instalments.
- Government was to repay a total amount of US\$328,699,613 consisting of US\$59,740,250 in interest and US\$268,959,364 as principal amounts.
- **China Minsheng Bank**

China Minsheng Bank was to provide the remaining 15% of the loan amounting to \$48,461,077 under the following conditions:

- Loan tenure was four (4) years including one year and six (6) months grace period.
- The repayment of the loan was to be made in six (6) equal semi-annual instalments.
- Government was to repay a total amount of US\$51,985,222 which includes US\$3,524,145 in interest and US\$48,461,077 as principal amounts.

The following were observed:

i. Questionable Selection of Bidder

Procurement Regulation No. 47 (3) of 2011 requires that evaluation committee should prepare a record of its evaluation of applications clearly stating which applicants the committee determines as qualified and the reasons why any applicants may be determined not to be qualified.

Contrary to the Act, there was no evidence that an evaluation was conducted and a report produced resulting in government incurring uncompetitive contract sum of US\$323,073,844.79.

ii. Awarding of Contract Before Confirmation of Funds

Section 54 (2) (d) of the Public Procurement Act No. 12 of 2008 requires that no contract, purchase order, letter of bid acceptance or other communication in any

form conveying acceptance of a bid or award of contract should be issued prior to among others confirmation that funding is available.

Contrary to the Act, there was no confirmation of the availability of the funds at the time of entering into the contract.

Consequently, the failure to confirm availability of funds led to the signing of the Supplier Credit Agreement which resulted in the government incurring additional costs of US\$63,264,394 in respect of interest charges.

iii. Default on Loan Repayment

A review of the financing agreement and loan account statement revealed the following:

- **China Minsheng Bank Loan (15% of Total Cost)**

A review of the Loan Account Statement and Amortisation schedule revealed that the final repayment was due on 20th January 2021. As at 30th July 2022, principal repayments amounting to US\$19,980,699 and interest payments of US\$1,573,878 had not been paid.

- **Industrial Commercial Bank (85% of Total Cost)**

As at 21st November 2021, interest amounting to US\$15,147,818 had been paid while principal repayments in amounts totalling US\$50,429,881 (K567,391,631) which had fallen due from 21st June 2020 to 21st June 2021 had not been paid, four (4) to sixteen (16) months from the due date.

As at 30th November 2021, a total amount of US\$268,959,364 had been disbursed by the financiers.

d Failure to Recover Costs and Reimbursable Expenses – Contract with Lodestar International Limited

On 4th September 2012, the Ministry of Home Affairs signed a contract with Lodestar International, LCC Company of the United States of America (USA) for the construction of 12,700 housing units for uniformed officers at a total contract value of US\$556,300,000.

In December 2014, the project was re-tendered resulting in Lodestar International suing the Republic of Zambia in the London Court of International Arbitration for breach of contract claiming losses suffered amounting to US\$224,645,395. Government engaged Messers DLA Piper UK as its legal representative.

In 2020, the court dismissed all claims by Lodestar against the Government and condemned them in costs. The Court ordered Lodestar International to pay the Government US\$2,000,000 in respect of legal fees and other costs in amounts totalling US\$197,555 in reimbursement of the Governments deposits in respect of the fund holder, the London Court of International Arbitration.

In a letter dated 5th November 2020, the Solicitor General wrote to the Ministry expressing his desire not to pursue the costs awarded by the Court in favour of Zambia against Lodestar. He stated that it would be expensive to pursue the matter considering information that Lodestar USA and Lodestar Zambia had no significant assets to enforce the award and that there was a significant risk that costs will be incurred with no significant recovery.

The decision by the Solicitor General not to pursue the costs awarded by the Tribunal in favour of Zambia against Lodestar was questionable in that no demand was made and there was no evidence that authority to forego the US\$2,000,000 by Government was granted by the Secretary to the Treasury (ST) in line with section 48 (2) (b) that empowers the ST to write off irrecoverable amounts of revenue, debts and over payments.

e Procurement Contracts Awarded without Competition

Public Procurement Regulation No. 12 (1) of 2011 requires that a procuring entity should use open bidding for all procurement of goods, works and non-consulting services, except where procurement meets the conditions for the use of limited bidding. Further, Zambia Public Procurement Authority (ZPPA) Circular No. 1 of 2013 provided that the default method for tendering for all goods, works and non-consulting services above K500,000 was Open Bidding.

Contrary to the Regulation and the Circular, the Ministry awarded six (6) contracts with a total value of K42,210,540 to four (4) suppliers without subjecting them to competition. See table 2 below.

Table 2: Contracts Awarded without Competition

No.	Supplier	Quantity	Item Description	Contract Sum K	Contract Date	Contract Period (Weeks)
1	Mikalile Trading	1,500,000	Security Pouches	17,419,140	30.04.20	12
2	International Trade Network	150	Photo Kiosks	10,237,500	06.06.20	8 to 12
3	Laketec Enterprises	1,000	Thermal photo paper	4,185,108	10.08.20	12
		400	Manual Typewriters	3,383,964	10.08.20	12
		1,000	Thermal photo paper	4,185,108	17.06.20	2
4	Ethernet Digital Solutions	280	Portable Laminators	2,799,720	10.08.20	1
				42,210,540		

22 Head: 17 Ministry of Foreign Affairs and International Cooperation

22.1 Mandate

The Ministry of Foreign Affairs is mandated to formulate and administer Zambia's Foreign Policy.

22.2 Audit Findings

An examination of accounting and other records maintained at Ministry Headquarters for the period under review revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K1,600,812,162 was made to cater for the operations of the Ministry against which amounts totalling K1,524,433,375 were released resulting in an under funding of K76,378,787.

As at 31st December 2021, amounts totalling K1,524,433,375 had been spent.

b. Failure to Collect Vehicles in the Garage

A review of motor vehicle inventory registers and a physical verification revealed that two (2) vehicles namely a Mercedes Benz car GRZ 324CJ and a Toyota Hiace bus GRZ 384CJ had been in the garage since 2016.

Enquiries with the service provider revealed that the Ministry owed amounts totalling K324,800 in respect of the Mercedes Benz GRZ 324CJ which had remained outstanding since 2016 and storage fees for the Toyota Hiace which had not been repaired.

However, there were no records at the Ministry to indicate how much was owed to the garage for the two (2) vehicles. A further review of records revealed that the Ministry had paid K24,281 on 27th December 2018 for the Toyota Hiace.

c. Infrastructure Development

i. Mortgage Finance Credit Facility - Unfavourable Interest Rate in the Agreement

In Paragraph 18(c)(ii) of the Report of the Auditor General on the Accounts of the Republic for the financial year ended 31st December 2019, mention was made on the mortgage financing facility from Atlas Mara Bank for the purpose of construction and purchase of properties in missions abroad of which on 29th June 2018, the Bank disbursed funds amounting to K199,000,000 into Ministry of Foreign Affairs bank account after deducting arrangement fees of K1,000,000.

Section 51(3) of the Public Procurement Act No. 12 of 2008 prohibits the use of compound interest in any negotiation or contract.

Contrary to the Act, the interest rate in the credit facility was that interest accrued daily on the outstanding balance. This amounted to compound interest.

Consequently, as at 31st December 2021, interest in amounts totalling K215,177,448 had been paid on the facility which was over 100% of the facility four (4) years after the loan was contracted.

In addition, during the same period, K37,500,000 was paid towards the principal.

ii. Project Status of the Works

In Paragraph 13(c) of the Report of the Auditor General on the Accounts of the Republic for the financial year ended 31st December 2020, mention was made on the delayed completion and over-commitment of funds in relation to the mortgage financed projects in eleven (11) missions abroad.

In their Report for the Fifth Session of the Twelfth National Assembly, the Public Accounts Committee urged the Controlling Officer to put in place robust mechanisms to ensure full implementation of all the infrastructure projects as planned.

A review of the project status report dated 5th April 2022 revealed that the two (2) projects namely, New York and New Delhi had not commenced as at 30th April 2022 resulting in a delay of over three (3) years. Eight (8) projects were between 18% and 70% complete resulting in delays ranging from 5 months to 30 months. See table 1 below for details.

Table 1: Status of Mortgage Financed Projects

No.	Mission	Project	Contractor	Date of Signing	Duration	Expected Date of Completion	Contract Sum US\$	Amounts Paid US\$	Status
1	Harare	Rehabilitation works on the Chancery	Reliance Construction	19.02.2020	20 weeks	Dec-21	477,673	763,276	<p>Although, the initial completion date was revised four (4) times from August to December 2021, as at 31st July 2022 the project was not complete seven (7) months after the expected completion date.</p> <p>A review of the consultant report dated 29th December 2021 revealed: The contractor had no capacity and technical expertise to complete the works, The works executed did not meet the basic principles of construction technology and local by laws on safety provisions of the intended inhabitants.</p> <p>The contractor had one person who was performing the functions of surveyor, supervisor, chief operating officer, accountant, procurement manager.</p> <p>As at 31st August 2022, out of the amounts paid to the contractor no VAT claims had been made on the contract. The project had a shortfall of US\$122,303 which included an amount of US\$53,912 for the consultant.</p>
2	Harare	Rehabilitation works on four (4) residential houses	Reliance Construction	19.02.2020	24 weeks	19.07.2020	872,240		
3	Maputo	Rehabilitation works on the Chancery and associated external works	Edma Contrucoes	12.04.2019	6 months	01.06.2020	659,779	533,330	<p>Although the contract had expired in June 2020, the contractor had continued to work without a contract. Amounts totalling US\$76,026 had been claimed as VAT refund of which US\$52,869 had been received. However, the funds were not added back to the mortgage ledger. As at 31st July 2022, the mission had a balance of US\$84,903 of which US\$65,637 was 5% retention. The project had a shortfall of US\$41,531 from the initial funding.</p>
4	Windhoek	Rehabilitation works on the Chancery	Sanli Construction	02.07.2020	6 months	01.08.2020	534,369	211,896	<p>As at 31st July 2022, the project had delayed by 121 weeks. The overall progress of the chancery was at 65% while that of the residential houses ranged between 0% and 98%.</p> <p>The detailed drawings were not availed to the contractor.</p>
5	Windhoek	Rehabilitation works on Three (3) residential houses	Sanli Construction	02.07.2020	6 months	01.08.2020	480,093	50,369	
6	Addis Ababa	Construction of Chancery Building	TNT Construction	12.11.2020	18 months	01.06.2022	5,211,753	1,333,707	<p>Although the revised completion date was August 2022, the works were 40% complete. Although the construction had commenced there was no building permit obtained. As at 31st July 2022, the project had a shortfall of US\$2,740,726.</p>

No.	Mission	Project	Contractor	Date of Signing	Duration	Expected Date of Completion	Contract Sum US\$	Amounts Paid US\$	Status
7	Abuja	Rehabilitation of the four storey Chancery building	Seth James	20.06.2019	1 month and two weeks	01.08.2016	660,842	594,733	The consultant had been engaged. However, the contract was not availed for audit. The mission irregularly approved additional costs of US\$108,850 without approval and confirmation of funds; The project had delayed by over three (3) years; Payments to the contractor were withdrawn and paid as cash by the embassy staff without authority from the Secretary to the Treasury; There was no evidence that the mission had claimed VAT refunds.
8	Washington	Rehabilitation of Chancery	Shal Builders	15.08.2019	12 months	01.09.2020	2,547,629	642,953	As at 31 st July 2022, the building was at 57% complete and the works had delayed by over twelve (12) months. There was no evidence that the completion date of June 2020 had been revised. The mission had received an additional funding of US\$1,000,000 from the mission in New York.
9	New York	Rehabilitation of Chancery							As at 31 st July 2022, the project was at tendering stage three (3) years after receipt of the funds. The mission was funded US\$2,060,894 of which US\$1,000,000 was transferred to the Washington mission due to non-utilisation of funds. As at 31 st July 2022, an amount of US\$98,500 had been spent on minor renovations.
10	New Delhi	Consultancy work for demolition and preparation of designs, BoQ, Bidding documents and supervision of construction	Aadharshila designs PVT ltd	28.12.2020	7 Days	05.01.2021	233,641	122,494	Although designs had been completed, the construction works had not commenced as at 31 st July 2022.
11	Brussels	Rehabilitation of Chancery							Although the rehabilitation works were completed in July 2019, the contractor had not corrected defects involving dampness on some walls. As at 31 st July 2022, the contractor was paid VAT in amounts totalling €71,000 of which €44,000 was claimed leaving a balance of €31,000 unclaimed as the contractor had not provided documentation to the mission

d. Failure to Re-deploy Recalled Diplomats

During the period under review, thirteen (13) diplomats who were recalled from various Missions Abroad had not been redeployed as at 31st July 2022. The recalled diplomats were receiving monthly salaries in amounts totalling K1,653,698 without providing a service to government.

e. Pretoria Mission

i. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure, amounts totalling K39,152,510 were appropriated by Parliament to meet expenditure relating to personal emoluments and Recurrent Departmental Charges (RDCs) for the Zambian High Commission in Pretoria for the financial year ended 31st December 2021 against which amounts totalling K39,105,081 were funded.

In addition, the Mission had a brought forward amount of K3,698,227 bringing the total available fund to K42,803,308.

ii. Failure to Rehabilitate the High Commissioner’s Residence - Mission Properties

The Mission owned three (3) properties comprising the Chancery and two (2) residential properties of which one (1) was designated official residence of the High Commissioner as detailed in table 2 below.

Table 2: Mission Properties

No.	Description	Location	Date of Acquisition
1	Chancery	570 Ziervogel Street, Off Hamilton Street, Arcadia, Pretoria	11.09.1998
2	Official Residence	17 Suikerbos Drive, Lydiana, Silverton, Pretoria	Not known
3	First Secretary – Political	House No. 445 Aquila Street, Waterkloof Ridge, Pretoria	Not known

On 29th July 2020, a request was made by the High Commissioner to vacate the residence and move to a rented house on the basis that the residence was dilapidated and that the security in the area was compromised. In this regard, on 26th November 2020, the Permanent Secretary granted authority for a period of one (1) year.

The Mission entered into a lease agreement for the period from 1st December 2020 to 30th November 2021 at a monthly rate of US\$3,756.11 (ZAR55,000) per month. As at 28th February 2022, amounts totalling US\$52,585.54 (ZAR770,000) had been paid as rentals.

As at 31st August 2022, the house had not been renovated and remained vacant for over seventeen (17) months.

Further, the mission incurred amounts totalling ZAR96,889.48 in utility bills for the vacant official residence.

23 Head: 19 Disaster Management and Mitigation Unit

23.1 Mandate

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

23.2 Audit Findings

An examination of accounting and other records maintained at the Unit's Headquarters and selected stations for the year ended 31st December 2021 revealed the following.

a Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K70,690,294 was made to cater for operations of the Unit against which amounts totalling K57,179,033 were released. In addition, amounts totalling K967,270,540 were funded under the Emergency Account thereby bringing the total available funds to K1,024,449,573.

As at 31st December 2021, amounts totalling K1,019,472,274 had been spent leaving a balance of K4,977,299.

b Procurement of Relief White Mealie Meal from Food Reserve Agency (FRA)

In 2019 and 2020, the DMMU engaged ten (10) millers for processing, packaging, transportation and branding of maize into super roller mealie meal under a relief programme.

Below is the table for 2021 performance status report for millers who were engaged by DMMU.

Table 1: Performance Status Report for Millers

No.	MILLER	Contract Start date and End Date	Contract Sum K	Undelivered (12.KG) Bags M/Meal	Undelivered (Maize Bran)	Transportation Cost Paid K	Balance on Transportation K	Audit Observations
1	Country	Contract not Aailed	-	65,051	12,270	-	250,000	No contract signed
2	Chimanga	30.06.20 to 31.01.21	47,092,000	1,582	45,127	4,095,060	24,000,000	Contract no extended
3	FVG	Contract not Aailed	-	2,240	7,280	-	714,314	No contract signed
4	HM	Contract not Aailed	-	-	-	-	91,000	No contract signed
5	Jimbara	18.05.20 to 30.08.20	5,241,600	36,862	7,840	-	2,000,000	Contract not extended
6	MUZ	15.07.20 to 31.01.21	26,972,400	22,509	10,238	-	678,000	Contract not extended
7	Nkana	Contract not Aailed	-	13,339	-	-	588,700	No contract signed
8	Nyimba	30.08.19 to 30.05.20	16,895,200	170,964	14,286	2,486,324	2,864	Contract not extended
9	Pembe	27.09.19 to 30.06.20	67,424,000	31,360	-	-	2,864	Contract not extended
10	Superior	28.01.20 to 30.06.20	2,352,000	9,784	8,850	2,092,000	2,864	Contract not extended
	Total		165,977,200	353,691	105,891	8,673,384	28,330,606	

The following were observed:

i Lack of Competition in Engagement of Millers

Public Procurement Regulation No 46 (2) of 2020, requires that where an emergency situation affects the choice of procurement method, the procuring entity shall obtain competition and value for money to the extent possible and may be used where there is urgent need and circumstances do not justify use of open bidding.

Contrary to the regulation, there was no evidence to indicate that there was competition in the engagement of millers. See table 1 below.

In addition, six (6) contracts which had expired for periods ranging from fifteen (15) to twenty two (22) months continued to be executed without extension. See table 2 below.

Table 2: Expired Contracts without Evaluation Report

No.	Millers	Date Contract Signed	Date Contract Ended	Contract Sum K
1	Chimanga	30/6/20	31/1/21	47,092,000
2	Jimbara	18/5/20	30/8/20	5,241,600
3	MUZ Milling	15/7/20	31/1/21	26,972,400
4	Nyimba	30/8/19	30/5/20	16,895,200
5	Pembe	27/9/19	30/6/20	67,424,000
6	Superior	28/1/20	30/6/20	2,352,000
	Total			165,977,200

ii Failure to Avail Contracts

Section 73 (1) of the Public Finance Management Act No1 of 2018 provides that the Auditor General and an office holder, agent or specialist consultant authorized by the Auditor General, shall in the performance of duties under the Constitution, or any other law, have access to all 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, DMMU did not avail contracts for four (4) millers as shown in table 3 below.

Table 3: Millers without Contracts

No.	Millers	Uplifted QTY (12.5KG)	Delivered QTY (12.5KG)	Balance (12.KG) Bags	Uplifted QTY (25KG) Maize Bran	Transportation Cost K
1	Country	104,160	39,109	65,051	12,320	250,000
2	FVG	78,400	76,160	2,240	13,320	714,314
3	HM	33,600	33,600	0	8,400	91,000
4	Nkana	22,400	9,061	13,339	5,600	588,700
	Total	238,560	157,930	80,630	39,640	1,644,014

iii Questionable Warehouse Storage Charges for Donated Yellow Maize - Failure to Avail Contract

In April 2021, the Government of the People’s Republic of China donated 3,099 metric tons (61,980 x 50 kg bags) of yellow maize to the Zambian Government.

The maize was stored at a warehouse belonging to Zdenakie Limited and as at 31st July 2022 DMMU had accumulated amounts totalling K1,494,841 in respect of storage charges which had been outstanding for over twelve (12)

months. However, the contract between DMMU and Zdenakie Limited was not availed for audit.

c Management of Liabilities – Failure to Settle Obligations

As at 31st August 2022, the Unit owed various suppliers amounts totalling K620,902,710 in respect of various goods and services some of which had been outstanding for periods of over twenty four (24) months.

d Failure to Utilise Funds for Rehabilitation of Collapsed Shelters – Serenje District - Site Inspections

During the period under review, DMMU disbursed amounts totalling K23,710,661 to ten (10) provinces to undertake various activities such as rehabilitation of infrastructure, Covid monitoring and procurement of materials and operational funds.

On 26th April 2021, DMMU Headquarters disbursed amounts totalling K200,000 to DMMU Central Province for the rehabilitation of collapsed shelters at Serenje Main Market.

However, as at 31st July 2022, the funds had not been utilised on the activity.

e North Western Province

i Ikelengi District

A review of the activity report dated September 2021 on distribution of relief food in the district by PIPs revealed that DMMU had engaged Pembe Milling to mill 200 metric tonnes of maize translating into 17,920 x 12.5 kg bags of mealie meal for the district.

A review of records revealed the following:

- **Undelivered Mealie Meal**

An examination of records revealed that the miller was expected to deliver 17,920 x 12.5 kg bags of mealie meal to the District by 31st September 2021.

However, the miller only delivered 17,208 x 12.5 kg bags of mealie meal leaving a balance of 712 x 12.5 kg undelivered as at 30th June 2022, which was nine (9) months after the expected delivery date.

- **Unacquitted for Mealie Meal**

A review of records revealed that 4,657 x 12.5 kg bags of mealie meal were distributed to nine (9) wards by Life Church Networks, one of the project implementing partners. However, there were no disposal records in the form of acquittal sheets for the 4,657 x 12.5 kg bags distributed. See table 4 below.

Table 4: Unacquitted for Mealie Meal

No.	Wards	Total Distributed
1	Nyakaseya Central	582
2	Mwinyilambo	491
3	Sakazyi	442
4	Chana Chamuzhinga	434
5	Ijimbe	521
6	Mwalombi	621
7	Kafweka	496
8	Ikelenge Central	572
9	Mukangala	498
	Total	4,657

ii Mwinilunga District

A review of an activity reported dated September 2021 on the distribution of relief food in the district, revealed that DMMU engaged Pembe Milling for the milling of 200 metric tonnes of maize translating to 17,920 x 12.5 kg bags of mealie meal.

A review of records revealed the following:

- **Undelivered Mealie Meal**

An examination of records revealed that the miller was expected to deliver 17,920 x 12.5 kg bags of mealie meal to Mwinilunga District by 31st September 2021.

However, as at 31st July 2022 the miller had not delivered 8,640 x 12.5 kg bags ten (10) months after the expected delivery date.

- **Unaccounted for Mealie Meal**

A review of records revealed that 9,280 x 12.5 kg bags were distributed to twelve (12) wards by District Pastors Fellowship one of the project implementing partners.

However, there were no disposal records for 9,280 bags resulting in unaccounted for mealie meal. See table 5 below.

Table 5: Unaccounted for Mealie Meal

No.	Wards	Total Distributed	Comment
1	Kanzenze	200	No Acquittals
2	Chibwika Central	400	No Acquittals
3	Mutanyama	340	No Acquittals
4	Mulumbi	3000	No Acquittals
5	Samutemba	200	No Acquittals
6	Mwinilunga Central	400	No Acquittals
7	Kanyama Central	400	No Acquittals
8	Ntambu Central	400	No Acquittals
9	Kanongesha Central	400	No Acquittals
10	Kapidi	1570	No Acquittals
11	Kakoma	400	No Acquittals
12	Kawiko	1570	No Acquittals
	Total	9,280	

iii Luapula Province - Procurement of 1500 Raincoats for Lunga District

On 16th December 2020, DMMU procured 1500 raincoats from Detakhom Construction and General Supplies for Lunga District at the sum of K210,000 VAT inclusive with a delivery period of one (1) week.

On 19th January 2021, the supplier delivered 721 raincoats and was paid K86,896 on 10th February 2021.

In addition, on 20th January 2021, the DMMU Headquarters disbursed amounts totalling K20,589 to Luapula Regional Office to cater for distribution of raincoats in Lunga District

- As at 31st July 2022, the supplier had not delivered the balance of 780 rain coats.
- A review of records revealed that out of the 720 rain coats delivered, 250 rain coats were not accounted for in that no disposal details were availed for audit.

iv Unaccounted for Roofing Sheets Procured for Vubwi District - Eastern Province

Public Stores Regulation No. 16 which 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.”

On 27th November 2020, DMMU engaged Tashnac Enterprise to supply 1500 roofing sheets at a contract sum of K568,500 with a delivery period of seven (7) days. A scrutiny of records revealed that the supplier delivered and was paid in full. Contrary to the regulation, 1,500 roofing sheets were unaccounted for in that there were no receipt and disposal details.

v Southern Province - Unaccounted for Cement Procured for Nanga in Mazabuka District

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 records of the receipt and issue of such public stores.

On 17th December 2020, DMMU engaged Lake Tech Enterprises Limited for the supply and delivery of 2,000 bags of Dangote cement at a contract sum of K332,640 and the delivery date was not stated.

A scrutiny of records revealed that the supplier delivered and was paid in full.

Contrary to the regulation, 200 bags of cement were unaccounted for in that there were no receipt and disposal details.

24 Head: 21 Loans and Investments – Ministry of Finance and National Planning

24.1 Mandate

The Ministry of Finance and National Planning derives its mandate from Part X of the Constitution of Zambia and is charged with the responsibility of economic management to foster sustainable national development.

24.2 Audit Findings

An examination of accounting and other records for the financial year ended 31st December 2021 for Head 21-Loans and Investments maintained at the Ministry of Finance and National Planning revealed the following:

a Budget and Income

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total authorised budget provision of K22,166,995,044 was made to cater for programmes under Head 21 - Loans and Investments against which amounts totalling K20,591,900,788 were released resulting in an under funding of K1,575,094,255. The underfunding represents 7% of the total authorised provision. See table 1 below.

Table 1: Budget Funding and Expenditure

21/2101 LOANS AND INVESTMENTS, MINISTRY OF FINANCE						
No.	Description	Authorised Provision	Supplementary Provision K	Total Authorised Provision K	Expenditure K	Variance K
1	Financial Investment Management	2,067,329,017	4,067,000,000	6,134,329,017	5,840,179,998	(294,149,019)
2	Project Investment Management	8,298,498,989	200,000,000	8,498,498,989	7,214,472,777	(1,284,026,212)
3	Centralised Strategic Investment Management	3,190,032,122	4,344,134,916	7,534,167,038	7,243,652,562	(290,514,476)
	Head Total	13,555,860,128	8,611,134,916	22,166,995,044	20,298,305,337	(1,868,689,707)

As at 31st December 2021, amounts totalling K20,298,305,336 had been spent.

b Operational Matters – Financial Investment Management

Recapitalisation and Investments is the main sub-programme under the Financial Investment Management programme. The main objective of this programme is for the recapitalisation of State Owned Enterprises and provision of financing to Micro, Small and Medium Enterprises under the Citizens Economic Empowerment Fund and provision of credit support to Agri-business.

The following were however observed:

i. Questionable Facility Agreement – Funding to Konkola Copper Mines (KCM)

On 21st May 2019, Shareholders of ZCCM Investments Holdings Plc (ZCCM-IH) filed a petition in the High Court of Zambia for the winding up of Konkola Copper Mines Plc (KCM) which subsequently led to the appointment by the Court of a provisional liquidator of KCM.

Following the appointment of the Provisional Liquidator on 6th May 2021, the Government of the Republic of Zambia (as the Lender) and Konkola Copper Mines (as the Borrower) entered into a loan facility agreement of US\$45,000,000. The Secretary to Treasury signed the agreement on behalf of the Government while KCM was represented by the Liquidator.

The following are some of the salient elements of the agreement among others:

- The Borrower required the Funds as a bridging loan facility to pay for restructuring costs, electricity, statutory and other levies pending completion of the sale of equity in KCM (Smelter Co) Ltd;
- The Borrower shall pay interest on the loan at the rate of 4% per annum calculated on the outstanding balance on the basis of a three hundred and sixty (365) days year and actual days elapsed;
- Interest shall accrue daily and shall be payable monthly, on the final day of each month;
- The Borrower shall repay the loan in full on the final repayment date;

- The repayment date was six (6) months from the signature date (6th May 2021); and
- The Ministry of Finance at its discretion may monitor or verify how any amounts advanced under this agreement were used.

The agreement also stated that in the event of default, the borrower (KCM) pledged to issue shares in the Smelter Co limited to the lender (Ministry of Finance) to the value of the default amount.

A scrutiny of the payments revealed that as at 30th June 2021, a total amount of K1,000,000,000 (US\$44,592108.46) had been disbursed to Konkola Copper Mine Plc. See table 2 below.

Table 2: Disbursements to Konkola Copper Mines

Date	Description	Payments K	Exchange Rate	US\$
11.05.2021	Konkola Copper Mine	750,000,000	22.3913	33,495,152.13
01.06.2021	Konkola Copper Mine	250,000,000	22.5287	11,096,956.33
	Total	1,000,000,000		44,592,108.46

A scrutiny of the agreement and accounting records revealed the following:

- **Failure to Monitor or Verify The Utilisation of The Borrowed Funds**

The Ministry of Finance and National Planning did not provide any monitoring and evaluation (monitoring or verification) reports on the utilisation of the advanced Loan to KCM. In this regard, it could not be ascertained whether the loaned funds were utilised for the intended purpose.

- **Failure to Collect Interest on Amounts Drawn by KCM**

As at 31st December 2021, interest in amounts totalling K23,333,333 (K1,000,000,000 x 4% per annum over seven months) had accrued to Government.

As at 31st July 2022, KCM had not made any interest payments.

- **Failure to Recover the Loan**

Clause 2.1.1 of the Loan Agreement stipulates that the Borrower shall repay the loan in full on the final repayment date which shall be six (6) months from the signature date. The Loan agreement was signed on 6th May 2021 and hence became due for repayment on 5th November 2021.

However, a review of accounting and other correspondences between the two parties revealed that the Ministry had not recovered the loan as at 31st May 2022.

- **Pledging of Security of an Asset Under Sale**

A review of records revealed that that the Asset pledged by KCM as security (Smelter Co) was also listed to be sold.

Furthermore, the following documentation was not availed for audit: shareholding in KCM (Smelter Co) Ltd and proposed shareholding after the pledge to issue shares; Authority of the Konkola Copper Mines Liquidator to deal with KCM (smelter Co) Ltd; and status of the Smelter Co Ltd.

ii. Irregularities in the Procurement of the Zambia Chancery in Turkey

On 24th December 2020, the Embassy of the Republic of Zambia, acting through the then Ambassador to the Republic of Turkey (Hereinafter referred to as the Buyer) and Burhan Asaf Safak, acting on behalf of Mita Gayrimenkul Yatirim Insaat Sanayi Ve Ticaret Limited (hereinafter referred to as the Seller) entered into a sales contract for the sale and transfer of twelve (12) units of real properties at a consideration of US\$19,500,000. The terms and conditions of sale included the following among others:

- The sale transaction shall be completed with the transfer and delivery of the title deeds of the Real Properties to the Buyer;
- The buyer declares that they are not subject to Tax and Charges in accordance with the provisions of Turkish Law and Diplomatic Conditions;

- All costs and expenses related with the transfer of Real Properties at the Land Registry shall be borne by the Seller, and the Buyer shall pay its own Attorney's fee only; and
- The sale transaction will take place within the framework of provisions regarding the sale of immovable Property between Article 237 and Article 247 of the Law of Obligations and Provision in the other Laws.

In a letter dated 17th March 2022, the Permanent Secretary – Administration Ministry of Foreign Affairs and International Corporation revealed that amounts totalling US\$6,877,000 had been paid to the vendor with a balance of US\$12,623,000 still outstanding as at 31st May 2022.

The following were observed:

- **Lack of Written Advice to Sign Contract and Approval by Permanent Secretary**

Section 113 (ii) of the Foreign Service Regulations and Conditions of Service states that, “No contract shall be signed without the written advice of a qualified legal practitioner of the country in which the contract is concluded. The engagement of a legal practitioner shall be on a temporarily basis and approved by the Permanent Secretary responsible for foreign affairs.”

Although the Mission, engaged Messrs Tan Tashin Zapa to provide legal services for the purchase of the Chancery, there was no evidence that the Permanent Secretary approved the purchase of the Chancery or the engagement of Messrs Tan Tashin Zapa legal practitioners.

In this regard, it could not be ascertained whether the Permanent Secretary had authorised the contract to purchase the Chancery or the engagement of the legal practitioner.

- **Lack of Documents to Support Expenditure Details**

Section 72 (1) of the Public Finance Management (General) Regulations of 2020 stipulates that a payment voucher with supporting documents, and any

other forms which support a charge entered in the accounts, shall be filed, secured against loss, and be readily available for audit.

During the period from December 2020 to July 2021, the Zambian Embassy in Turkey, received a total of K154,300,854 (US\$7,132,563.36) and the funds were apportioned as shown in table 3 below.

Table 3: Payment Transactions without Supporting Details

No.	Date	Payee	Details	Payment US\$
			Funding	
1	11.12.2020	Tan Tashin Zapa	Legal Services	60,000
2	11.12.2020	Meral Eroglu	Agency Fees- Real Estate	195,000
3	28.12.2020	Attorney-Burhan Asaf Safak	1st Instalments-purchase price	4,868,000
4	16.07.2021	Attorney-Burhan Asaf Safak	2nd Instalments-purchase price	2,009,000
	Total			7,132,000

Contrary to the regulation, documentation such as bank instruction, bank transmission copy and the bank statement for the Zambian Embassy in Turkey and receipts from the recipients of these funds were not availed for audit.

- **Wasteful Expenditure - Irregular Payment of Penalty to Seller’s Lawyer for Delay In Completing Contract**

- A review of The Ministry of Foreign Affairs by Minute No MFA/101/16/49 dated 22nd February 2022 indicated that the seller through the lawyer had been paid a total of US\$6,877,000 broken down as follows;

- US\$ 4,000,000 - towards cost of chancery
- US\$1,077,000 - penalty fee for not fulfilling the contract and US\$1,800,000 service fee for Seller’s lawyer.

However, a review of the Contract of Sale revealed that there was no clause supporting the payments of penalty and service to the buyer’s lawyer in amounts totalling US\$2,877,000. In this regard, the payment of penalty and service fees was irregular.

- The outstanding amount of the purchase price and any other obligations and instructions to the bank and payment advice, were not provided as at 31st May 2022.

25 Head: 29 Ministry of Local Government

25.1 Mandate

The Ministry of Local Government is mandated to promote a decentralised good local governance system and facilitate delivery of quality municipal services. The Ministry also oversees the implementation of delegated functions and responsibilities by the Local Authorities.

25.2 Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected stations for the financial year ended 31st December 2021 revealed the following:

a Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K1,520,710,885 was made to cater for various activities against which amounts totalling K1,501,064,515 were released, resulting in an underfunding of K19,646,370.

Although the Ministry was underfunded, as at 31st December 2021, amounts totalling K1,501,047,188 had been spent leaving a balance of K17,327.

b Operational Matters – Infrastructure Development

During the period under review, the Ministry had 321 projects with total contract sums of K17,534,540,057 relating to construction of infrastructure in various districts out of which Interim Payment Certificates (IPC's) in amounts totalling K5,076,552,327 were issued against which amounts totalling K2,589,723,013 had been paid as at 31st December 2021.

In addition, the Ministry received funds in amounts totalling K14,000,000 from the treasury for infrastructure development and the whole amount was spent on the construction of Kapalala Market.

The following were observed:

i. Failure to Avail Information

Section 38 (1) of the Public Procurement Act No. 12 of 2008 and Section 18 (1 to 4) Public Procurement Regulation of 2011 stipulate that a procuring entity shall maintain records of all procurement proceedings.

Contrary to the Act and regulation, the Ministry did not avail documents such as updated project ledger, Interim Payment Certificates and progress reports for twelve (12) contracts with a total contract sum of K761,140,768.

ii. Markets, Bus Station and Fire Stations

There were twenty two (22) contracts signed as far back as 2014 relating to the construction of Markets, Bus Station and Fire Stations with a total contract sum of K322,134,471 which were on going during the period under review. See table 1 below.

Table 1: Summary of Contracts per Province

No.	Province	No. of Projects	Total Contract Sum K	Total Certified K	Status
1	Luapula	3	36,654,004	17,351,385	2 ongoing and 1 complete
2	Northern	1	17,983,166	10,743,027	Re-tendered but contract not signed
3	Lusaka	3	11,667,839	8,130,763	3 ongoing
4	Copperbelt	4	47,851,199	32,179,669	3 ongoing and 1 complete
5	North Western	2	3,254,479	2,782,528	1 ongoing and 1 complete
6	Southern	4	109,216,875	70,211,685	3 complete among them is consultancy and 1 re-tendered
7	Central	3	52,241,015	45,174,812	2 complete and 1 pending
8	Muchinga	2	43,265,894	11,076,249	Both re-tendered but one contract not signed
	Total	22	322,134,471	197,650,117	

A review of fourteen (14) selected projects, revealed the following:

- **Questionable Commencement of Project**

Cabinet Circular No. 15 of 2018 on measures to address fiscal and debt challenges provides that the Ministry of Finance should only fund projects that were at least 80% complete.

Contrary to the circular, in 2020 amounts totalling K14,000,000 were transferred to Ndola City Council for the commencement of construction of a new Market in Kapalala area.

Further, at the time the Ministry funded the construction of the new market, they had amounts totalling K14,759,000 in outstanding IPCs. The IPCs had accumulated to K14,797,803 in interest on overdue IPCs accrued from 2013 to 2018 in respect of eight (8) contracts relating to markets, bus station and fire stations.

- **Project Status**

A physical inspection carried out in January 2022 revealed that no building had been completed and in most cases the contractors were not on site.

Table 2 below shows the Project status on the ten (10) Projects on Markets, Bus and Sub-fire Stations as at 30th June 2022.

Table 2: Project Status on selected Projects.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
		Mufulira District					
1.	Construction for Africa	Construction of a Modern Market and Bus Station at Kamuchanga in Mufulira	15,766,196.86	9,054,392.97	9,054,392.97	1/09/2014 – 29/06/2018	<p>The initial contract price had been revised from K12,721,108 to K15,776,997 resulting in an increase of K3,045,089 due to delayed completion.</p> <p>The contract was terminated in July 2019 after the contractor abandoned the site which was 85% complete.</p> <p>The Council was granted authority to complete the works on 16th July 2019 under Force account.</p> <p>The Council requested for K3,000,000 to complete the works and only K800,000 was funded in June 2020.</p> <p>As at 31st May 2022, the project had been delayed for a period of 9.5 years.</p> <p>Physical inspection of the project carried out in January 2022 revealed that the works had stalled.</p>

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
2.	PJP Associates	Consultancy Service for the Design of a Multi-Storey Market and Bus Terminus in Solwezi District	2,010,529.26	2,010,529.26	1,005,264.63	25/03/2015 – 25/09/2015	As at 31 st May 2022, amounts totalling K1,005,265 had been paid leaving a balance of K1,442,129 which included interest in amounts totalling K436,864. The consultant had fully performed. However, no contractor had been engaged seven (7) years after the design. A physical inspection on the project carried out in January 2022 revealed that the land earmarked for construction was occupied by Zambia National Service. The Ministry did not have title for the land.
3.	Horizon Properties limited	Rehabilitation and Construction of Buteko Market in Mufulira	16,997,544.81	6,715,628.97	6,715,628.97	19/02/2018 - 18/8/2021	The project progress was 35% complete nine (9) months after the revised expected completion period of August 2021. As at 31 st May 2022, the contract had expired.
4.	Tripple V Properties	Construction and Rehabilitation of	13,403,407.70	6,027,332.80	5,201,383.87	1/8/2016 to 27/3/2017	The Ministry terminated the contract on the grounds that the contract duration had expired.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
		Old Mushili Market in Ndola					<p>Project progress at the time of termination was 48%.</p> <p>The contractor took the matter to Arbitration and was awarded K6,012,398.</p> <p>As at 8th April 2021, amounts totalling K2,511,400 had been paid leaving a balance of K3,500,998 outstanding.</p> <p>Physical inspection of the project carried out in June 2022 revealed that the works were being carried out by Ndola City Council. However, the property had been vandalized in that grill doors, lighting panels, sockets in different shops were stolen.</p>
5.	Stoutone Investment Limited	Construction of a Modern Market and Bus Station at Sinazeze in Sinazongwe District	18,716,858.31	14,072,058.81	14,072,058.81	10/12/2013 to 12/08/2017	<p>The project progress was 80% complete five (5) years after the expected completion date of 12/08/2017.</p> <p>As at 31st May 2022, the contract had expired and works had stalled.</p>
6.	Stoutone Investment Limited	Construction of a Modern Market in Mungwi District	17,983,166.25	10,843,466.68	10,843,466.68	4/4/2015 to 12/09/2017	<p>The project progress was 59% complete 5 years after the revised expected completion date of 12/09/2017.</p>

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
							<p>The contractor had been paid an amount of K818,509 in respect of accrued interest</p> <p>As at 31st May 2022, the contract had expired and works had stalled.</p>
7.	Afrifwoods and development ltd	Construction of a Market in Kawambwa District (lot 2)	9,869,498.00	2,467,374.50	2,467,374.50	20/10/2020 – 20/04/2022	<p>The project progress was 70% complete two (2) months after the expected completion period of 20/04/2022.</p> <p>As at 31st May 2022, the contract had expired and the works had stalled.</p>
8.	Zhengtai Group (Zambia) ltd	Construction of Kalanga Modern Market in Mwense	3,997,714.75	558,434.41	558,434.41	6/4/2016 – 14/03/2022	<p>The initial contract of K4,232,688 expired when the works were at 70% and amounts totalling K1,976,100 were paid leaving a balance on the contract sum of K2,256,587.</p> <p>The contractor was re-engaged at a contract sum of K3,997,715 resulting in a cost increase of K1,741,128.</p> <p>The contractor had been paid amounts totalling K558,434 in respect of the new contract.</p>

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
							As at 31 st May 2022, the works were at 90% complete and the contract had expired.
9.	Venture Communications and Construction Limited	Construction of Sub-Fire station in Chilenje	3,721,197.82	2,678,791.79	2,678,791.79	14/02//2014 to 1/09//2014	The initial contract price had been revised from K2,748,300 to K3,721,198 resulting in an increase of K972,898 due to delays in completion. The project progress was 50% complete eight (8) years after the expected completion date. As at 31 st May 2022, the project had stalled
10.	Raytone Construction Limited	Construction of Sub-Fire station in Bonaventure	3,702,522.79	2,612,687.93	2,612,687.93	14/02/2014 to 1/09/2014	The initial contract price had been revised from K2,452,002 to K3,702,523 resulting in an increase of K1,250,521 due to delays in completion. The project progress was 50% complete eight (8) years after the expected completion date of 1 st September 2014. As at 31 st May 2022, the project had stalled.
			106,403,609.43	59,016,798.47	57,185,584.91		

c Feeder Road Periodic Maintenance Projects

During the period under review, the Ministry had 238 feeder road contracts with a total contract sum of K12,730,238,118 covering 9,317.85 km. See table 3 below.

Table 3: Summary of Feeder Road Contracts

Year	No. of Contracts	Length (KMs)	Contract Sum K	Total Certified Works K
Brought Forward	42	2,049.00	2,895,224,963	1,414,064,752
2020	170	6,581.05	8,817,193,410	2,107,164,963
2021	26	687.80	1,017,819,746	106,475,372
Total	238	9,317.85	12,730,238,118	3,627,705,088

The following were observed:

i Over Commitment and Lack of Confirmation of Availability of Funds

During the years 2020 and 2021, the Ministry signed a total of 190 feeder road contracts with a total contract sum of K9,835,013,156 against a total budget provision of K401,099,160 resulting in over commitment of K9,433,913,996.

In addition, the Ministry had forty two (42) projects brought forward from previous years with a contract sum of K2,895,224,963 bringing the total contract sum to K12,730,238,118.

ii Project Status-Feeder Road

Table 4 below shows the Project status on the twelve (12) projects sampled as at 31st July 2022. See table 4 below.

Table 4: Project Status on the Selected Feeder Roads

No.	Contractor	Project Name	Contract sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
1	Global Banners Limited	Periodic Maintenance of 22km of Kale Zone 4 to Musaika Farm block via Kabende School, Kasongole to Kabende Road – Mansa District of Luapula Province.	43,455,855.67	4,345,585.67	1,379,310.34	6/11/2020 – 5/11/2021	<p>The project had been delayed for a period of 6 months after the expected completion date of 5th November 2021.</p> <p>The project was 10% complete, contract had expired and works had stalled.</p> <p>Out of the certified amount of K4,345,587 only amounts totalling K1,379,310 had been paid leaving a balance of K2,966,275 outstanding for a period of over 6 months.</p> <p>Physical inspection carried out in January 2022 revealed that a stretch of 10 km was graded, however, embankment in swampy areas had not been done.</p> <p>The top soil had not been removed in readiness for road formation.</p>

No.	Contractor	Project Name	Contract sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
2	G and G National Wide (Z) Ltd	Periodic Maintenance of 45km of Chabanya Farm Block to Buyoka to Harbour to M13 Roads – Kawambwa District of Luapula Province.	49,447,989.88	4,944,798.99	4,262,758	12/10/2020 – 11/10/2021	<p>The project had been delayed for a period of 7 months after the expected completion date of 11th October 2021.</p> <p>The project was 10% complete, contract had expired and works had stalled.</p> <p>Out of the certified amount of K4,944,799 only amounts totalling K4,262,758 were paid leaving a balance of K682,041 outstanding for a period of over seven (7) months.</p> <p>Physical inspection carried out in January 2022 revealed that only a stretch of 12.4 km of clearing and grabbing had been done.</p> <p>Although Contractor was on site, the contract expired in October 2021, therefore contractor was working without a contract.</p>
3	Tonlex Investments Limited	Periodic maintenance of 55Km Mukubwe Ngabwe Feeder Road in Ngabwe District of Central Province	56,668,367.64	19,761,684	14,095,296.91	20/04/2020 – 20/06/2021	<p>The project had been delayed for a period of eleven (11) months after the expected completion date of 20th June 2021.</p> <p>The project was 33% complete, contract had expired and works had stalled.</p> <p>Out of the certified amount of K19,761,684 amounts totalling K14,095,297 had been paid leaving a balance of K5,666,387 outstanding for a period of over eleven (11) months.</p>

No.	Contractor	Project Name	Contract sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
4	Big Five Investments	Rehabilitation of 59km Silverest-Airport to Chinkuli	88,042,521	39,365,880	7,589,873		<p>The project was 45% complete, contract had expired and works had stalled.</p> <p>Out of the certified amount of K39,365,880 amounts totalling K7,589,873 had been paid leaving a balance of K31,775,907 outstanding.</p> <p>The BoQ included the procurement of 2 brand new double cab 4 x 4 Toyota Hilux for supervision of works at a cost of K8million (K4 million per unit). The contractor procured and handed over the vehicles to the Ministry on 31st May 2021. The cost of K4million per unit was questionable in that one (1) unit from Toyota Zambia was costing K1,223,684 which was lower by K2,776,316 for the vehicle.</p> <p>On 8th June 2021 the Ministry approved IPC number 1 amounting to K30,351,628 which included payment for two Toyota Hilux motor vehicles at a total cost of K8,000,000.</p> <p>As at 30th June 2022, there was no evidence of adjustment to the price for the motor vehicles.</p>

No.	Contractor	Project Name	Contract sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
5	Supercone Zambia Limited	Periodic maintenance of 42Km Kwilimuna Butikila Feeder Road in Mpongwe District of Copperbelt Province	48,621,689.43	9,949,555.88	3,879,310	14/08/2020 - 14/09/2021	<p>The project had been delayed for a period of 8 months after the expected completion date of 14th September 2021.</p> <p>The project was 10% complete, contract expired and works stalled.</p> <p>Out of the certified amount of K9,949,556 amounts totalling K3,879,310 had been paid leaving a balance of K6,070,246 outstanding for a period of over eight (8) months.</p> <p>Out of the certified amount of K42,764,005 amounts totalling K20,672,414 were paid leaving a balance of K22,091,591.</p>
6	Chilamata Engineering and Construction Limited	Periodic Maintenance of 46kms Chapa Kaputu Nshindaila ChunguRoads - Lupososhi District of Northern Province	57,108,663.19	5,710,866	-	14/10/2020 - 14/10/2021	<p>The project had been delayed for a period of 8 months after the expected completion date of 14th October 2021.</p> <p>The project was 10% complete, contract expired and works stalled.</p> <p>Physical inspection carried out in January 2022 revealed that only 6 km of grabbing was worked on.</p>

No.	Contractor	Project Name	Contract sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
7	Miema Construction and General Dealers/Professional Engineering Contractors Limited	Rehabilitation of 95km of the Chama – Chikwa Roads in Chama District of Muchinga Province	131,251,717	21,036,845	17,121,321	3/07/2018 – 3/9/2019	<p>The project was delayed for a period of 2 years 8 months after the expected completion date of 3rd September 2019.</p> <p>The project was 16% complete, contract expired and works stalled.</p> <p>Out of the certified amount of K21,036,845 amounts totalling K17,121,321 were paid leaving a balance of K3,915,524 outstanding for a period of over 2 years eight (8) months.</p>
8	Continental Labour Based Road Contractors Limited	Periodic Maintenance of 52.2km of the Musele-Katuta-Sobing Roads in Luwingu District of Northern Province Contract no. MLGH/W/23/12	367,114,878.20	73,090,345.20	13,015,555.30	25/08/2015 – Dec 2021	<p>The initial contract price had been revised from K64,114,878 to K367,114,878 resulting in an increase of K302,248,210 due to delays.</p> <p>The kilometres were increased from 52.2 km to 112.2 kms resulting in an increase of 60kms.</p> <p>The project progress was 16% complete.</p> <p>Out of the certified amount of K73,090,345 amounts totalling K13,015,553 were paid leaving a balance of K60,074,790 outstanding for a period of over six (6) months.</p> <p>Physical inspection carried out in January 2022 revealed that only two (2) bridges out of 4 were constructed. On the initial 52.2km only 36.1km had second layer gravel dumped but not</p>

No.	Contractor	Project Name	Contract sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
9	Carmwin Investments Limited	Periodic Maintenance of 42kms of Chibofwe Kasakalabwe Fikonkota - Luwingu District Northern Province Contract No. MLGH/W/45/26/2020	66,885,061.25	24,620,104.63	21,256,684.56	6/10/2020 - 7/04/2022	<p>compacted. Only bush clearing and grabbing had been done on the 60 kms.</p> <p>Although Contractor was on site, the contract expired in December 2021, therefore contractor was working without a contract.</p> <p>The project was 37% complete, contract expired and works stalled.</p> <p>Out of the certified amount of K24,620,105 amounts totalling K21,256,685 were paid leaving a balance of K3,363,420 outstanding.</p> <p>Physical inspection carried out in January 2022 revealed that only 2 km of road formation with base layer and 10 km of clearing and grabbing was done. Contractor was on site.</p>
10	Mercury Lines Ltd	Rehabilitation of 10km Ngwerere Kasenga Road, Chongwe	12,807,073	1,280,707	2,208,116	11/01/2021 - 11/05/2021	<p>The project delayed for a period of over 1 year after the expected completion date of 11th May 2021.</p> <p>The project was 10% complete, contract expired and works stalled.</p> <p>The advance claim of K1,280,707 was issued, however, the Ministry paid amounts totalling K2,208,116 resulting in an increase of K927,409. The payment of K927,409 is</p>

No.	Contractor	Project Name	Contract sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
11	Pittscon Zambia Ltd	Rehabilitation of 50.80km Kabwale Road	62,329,581	6,232,958	5,129,310.35	5/11/2021 - 11/11/2022	questionable and there was no evidence that the contractor had performed any work. Further, despite the works commencing on 11 th January 2021 only one (1) interim payment certificate had been issued with no progress report 1 year after commencement of the project. The project was 10% complete, contract expired and works stalled. Out of the certified amount of K6,232,958 amounts totalling K5,129,310 were paid leaving a balance of K1,103,648. Physical inspection carried out in January 2022 revealed that out of the 50.8 km only 10 km of clearing, grubbing, road formation and 5 km of graveling was done. Contractor was not on site.
12	Jotech Mining Logistics	Rehabilitation of 32km Chobela T2 Lufwanyama- Chilimankond e Road, Mpika District	40,568,511	4,056,851	-	7/10/2020 - 4/10/2021	The project was delayed for a period of over 8 months after the expected completion date of 4 th October 2021. The project was 10% complete, the contract expired and works stalled. Advance payment of K4,056,851 was issued and not paid.
	Total		1,024,301,908.26	214,396,181.37	89,937,535.46		

iii Physical Verification

A physical inspection carried out in January 2022 revealed that no road had been completed and in most cases the contractors were not on site.

d Urban Roads Upgrade Projects

During the period under review, there were forty nine (49) contracts for rehabilitation of selected urban roads to bituminous standards at a contract sum of K4,248,373,069. See table 5 below.

Table 5: Summary of Urban Roads Projects in each Province

Province	No. of Projects	Total Kms	Contract Sum K	Amount Certified K
Eastern	6	91.20	612,203,588	246,837,988
Central	5	87.62	536,187,347	120,870,014
North West	6	80.67	818,757,296	183,248,536
Western	3	35.34	448,419,619	55,318,898
Luapula	4	73.75	454,977,913	119,425,392
Lusaka	17	-	149,627,348	22,160,838
Northern	1	9.00	50,477,816	39,252,325
Muchinga	4	76.65	748,383,300	237,404,490
Southern	3	62.00	429,338,842	86,325,560
Total	49	516.23	4,248,373,069	1,110,844,041

A review of eleven (11) contracts for rehabilitation and four (4) consultancy contracts revealed the following: See table 6 below.

Table 6: Project Status on the Selected Urban Roads

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
1.	Datong Construction Limited	Rehabilitation and upgrading of 15.7 kms to bituminous standard of selected urban roads in Mufumbwe	126,372,085.74	22,507,839.72	19,674,222.05	4/1/2015 – 21/10/2019	<p>As at 21st October 2019, the contract had expired, however, no documents were availed for audit to establish the status of the project as at 30th June 2022.</p> <p>Due to delays the initial contract closed and a new contract was signed in August 2018 with a revised contract sum of K126,372,085 resulting in an increase of K11,615,638.</p> <p>Despite the consultant raising concern on the slow pace of the contractor the Ministry did not take any action.</p> <p>Although the earlier contract included 2 motor vehicles the Ministry questionably added two (2) motor vehicles at a contract price of K1.7m.</p> <p>Although the contract provided for the handover of vehicles to the client at the end of contract, the vehicles had not been</p>

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
							<p>handed over 38 months after the expiry of the earlier contract.</p> <p>The BOQ provided an amount of K2,450,000 for consumables for three (3) vehicles of which the contractor was paid in full through certificate number 4 when they only had two (2) vehicles.</p> <p>On 28th March 2019, the contractor issued a claim of K3,446,823 in respect of accrued interest. The interest had accumulated over a period ranging from 89 days to 357 days as at 9th January 2019.</p> <p>The contractor was owing Government K1,227,393 after closure of the first contract. However, no documentary evidence was provided to show that the overpaid amount on the first contract was deducted from the subsequent Interim Payment Certificate of the new contract or the contractor refunded the overpaid amount.</p>

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
2.	Gomes Haulage Limited/ Helmet Engineering and Construction Limited	Rehabilitation and upgrading of 9.37Km of selected urban roads to bituminous standards in Sesheke District of Western Province	108,575,278.37	5,507,423.64	4,507,423.64	21/01/2016 to 31/12/2018	As at 30 th June 2022, the project was delayed by 3 years 6 months from the revised completion date of 31 st December 2018. Although the contractor issued IPC number 1 in the sum of K5,507,424 and was paid K4,507,424 there was no evidence that the contractor performed any work. Only one (1) interim payment certificate was availed and no progress report on the works done was issued sixty six (66) months after commencement of the project. On 1 st January 2019, the contract expired, however, no documents were availed for audit to establish the status of the project as at 30 th June 2022.
3.	Shachitari Contractors Limited	Upgrade approximately 15.6km Selected Urban Roads in Mumbwa	144,273,775.74	85,868,801.68	57,861,555.31	4 th February 2015 to 3 rd August, 2017	In August 2017 variation order number 1 was issued to revise the contract sum upwards to K144,273,775.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
		District of Central Province					<p>A review of a progress report dated October 2021 revealed that the project status was 64.17% complete and the contract expired on 3rd August 2017. There were no documents available for audit to establish the status of the project as at 30th June 2022.</p> <p>At the time of expiry of the contract, amounts totalling K85,868,802 were certified and K57,861,555 paid leaving a balance of K28,007,246. The balance had been outstanding since March 2017.</p>
4.	Nakangea Construction Limited	Rehabilitation of 16.1km in Mwimilunga District of North Western Province	115,739,492.90	78,564,372.98	15,167,422.91	11/06/2018 - 11/08/2019	<p>As at 30th June 2022, the project completion delayed by over 2 years from the revised completion date of 11th August 2019.</p> <p>A review of a progress report dated October 2021 revealed that the project status was 74.19% complete and the contract expired on 3rd August 2017. There were no documents available for</p>

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
							<p>audit to establish the status of the project as at 30th June 2022.</p> <p>Amounts totalling K78,564,373 were certified and amounts K15,167,423 were paid leaving a balance of K63,396,950.</p>
5.	Lumandwe Resources limited	Rehabilitation of approximately 15.04km, 25km and 38.5km of Lusaka Urban Roads in Lusaka Province	878,151,546.86	388,312,016	233,897,630	15/12/2016 - to 14/02/2022	<p>The initial contract price was revised from K379,773,688 to K396,716,895 resulting in an increase of K16,943,207 due to delays. The initial contract which commenced in 2016 had a completion period of 14th September 2019. The contract expired when 26.2 kms was completed and opened to traffic. However, amounts paid on the initial contract were not availed for audit.</p> <p>On 30th September 2020, a new contract was awarded to the contractor at a contract sum of K543,441,638 which was revised to K878,151,546 on variation order number 1 dated 19th April 2021 resulting in an increase of K334,709,908</p>

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
							<p>Amounts totalling K388,312,016 were certified and amounts totalling K233,987,630 were paid leaving a balance of K154,414,385.</p> <p>There were no documents availed for audit to establish the status of the project as at 30th June 2022.</p>
6.	Build Trust Construction Limited	Rehabilitation and upgrading of selected urban roads (15km) to bituminous standard in Sinda District in Eastern Province.	113,828,644	57,192,371	57,192,371	1/06/2015 – 7/10/2019	<p>The initial contract price was revised from K95,533,521 to K123,936,231 resulting in an increase of K28,402,692.</p> <p>Although the completion period was extended for 6 months the works were not completed and the contract expired on 2nd February 2017.</p> <p>On 7th August 2018 a new contract was awarded to the contractor at a contract sum of K113,828,644 with a contract period of 14 months.</p> <p>Although the contractor was awarded a new contract, the project had</p>

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
							<p>not been completed over 3 years after the second contract expired.</p> <p>Amounts totalling K57,192,371 were certified and paid. However, there were no records on the amounts paid on the initial contract and the progress made availed for audit as at 30th June 2022.</p>
7.	<p>AVEX Technical Works limited</p>	<p>Rehabilitation and upgrading of selected urban roads (18km) to bituminous standard in Chadiza district in Eastern province.</p>	<p>119,907,027.72</p>	<p>41,629,401.74</p>	<p>34,212,039.38</p>	<p>18th November 2013 to 31st December 2018</p>	<p>As at 30th June 2022, only 2.5 km of road works were completed and opened to traffic after the revised completion date of 31st December 2018 resulting in a delay of 4 years.</p> <p>The initial contract price was revised from K102,474,929 to K119,097,027 resulting in an increase of K17,482,098</p> <p>Amounts totalling K41,629,402 were certified and K34,212,039 paid leaving a balance of K7,417,362.</p> <p>Although the contract was signed on 4th November 2013 with a completion period</p>

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
							of 12 months, the works only commenced one year later on 4 th October 2014.
8.	Wah Kong Enterprises/Starwatt Investments Joint Venture	Contract for Rehabilitation and Upgrading of 20.02 KM Urban Roads in Mkushi District Central Province	123,142,060.36	26,933,581.40	26,933,581.40	27 th November 2017 to 31 st December 2021	As at 30 th June 2022, only 1.5km of road works were completed and opened to traffic after the revised completion date from 26 th January 2019 to 31 st December 2021 resulting in a delay of 6 months. Amounts totalling K26,933,581 were certified and paid A review of a letter dated 17 th December 2018, from the project consultant revealed that only one key employee instead of 8 was employed by the contractor one (1) year into the contract contrary to clause 9.1 of the conditions of the contract
9.	Kailjee Construction Limited	Rehabilitation, Periodic and Routine Maintenance of Selected Urban Roads – 26.1kms Urban Roads	526,944,829.31	187,106,006.23	74,842,402.49	2 nd June 2017 to 10 th March 2021	The initial contract was signed on 22 nd May 2017 with a completion date of 2 nd December 2018 and the contract sum was K294,310,645. Amounts totalling K155,700,322 were certified and

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
		in Chinsali District of Muchinga Province Contract No. MLGH/W/29/001/17					<p>K151,668,679 was paid leaving a balance of K4,031,643.</p> <p>The physical progress as at 30th June 2020 was 40% complete and the contract expired on 2nd December 2018.</p> <p>4 IPCs (8, 9 7 &10) in amounts totalling K34,120,996 were issued after 2nd December 2018 when the first contract had expired.</p> <p>On 11th December 2020 a new contract with a contract sum of K590,157,827 was signed with the contractor.</p> <p>As at 30th June 2022, a total of 17km of road works were completed and opened to traffic.</p> <p>Amounts totalling K187,106,006 were certified and K74,842,402 was paid leaving a balance of K112,263,604.</p>

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
10.	Unik Construction Limited	Rehabilitation of 20 km of Selected Urban Roads in Kawambwa District of Luapula Province Contract No. MLGH/W/039/13/18	87,494,820.62	11,050,144.01		14 th September 2014 to 24 th October 2019	<p>The initial contract was signed on 14th September 2014 with a completion date of 14th September 2015 and the contract price was K72,580,360. The contract expired when the physical progress was 19% completion.</p> <p>However, no documents were availed for audit showing amounts certified and paid on the initial contract.</p> <p>Due to delays in the initial contract, a new contract was signed on 24th August 2018 with a contract sum of K87,494,821.</p> <p>Amounts totalling K11,050,144 were certified on the new contract and no records were availed for audit on the amounts paid.</p> <p>A physical verification conducted in January 2022 revealed that out of the 20.60 km the contractor only completed 2.6 km.</p>

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
							One of the roads called Chipata with a stretch of 0.2 km had developed pot holes and had a damaged edge beam.
11.	Unik Construction Limited	Rehabilitation of 15 km of Selected Urban Roads in Nchelenge District of Luapula Province Contract No. MLGH/W/038/13	69,053,940.21	10,827,155.73	3,452,652.01	11 th August 2014 to 31 st December 2019	The initial contract expired on 14 th September 2015 when the physical progress was 16% complete. Amounts totalling K10,827,156 were certified and K3,452,652 was paid leaving a balance of K7,374,504 as at 30 th June 2022.
Consultancy							
1.	Kaplum and Associates Limited	Consulting Services for Design and Supervision of 15.6km of Selected Urban Roads to Bituminous Standard of Mumbwa District in Central Province Zambia	30,758,089.59	21,345,121.33	20,451,921.33	7/04/2015 – 31/12/2018	The consultancy services were revised from an end date of April 2016 to October 2018 due to delayed completion of the road project. Consequently, the consultancy fee increased from K7,902,954 to K30,758,089 representing an increase of K22,855,135. At the time of expiry of the initial contract the works were at 32.84%

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
							<p>resulting in wasteful expenditure as the contract entered into was a time related contract.</p> <p>Following the expiry of the contract in 2018 the Ministry single sourced the consultancy at a fee of K28,211,200 to continue on the project and added a new road project (Chisomo Road in Serenje District).</p> <p>As at 31st October 2021, the consultant had issued claims in amounts totalling K21,345,121 on the new contract of which K20,451,921 was paid leaving a balance of K893,200.</p> <p>As at 30th June 2022, consultancy fees of K20,451,921 representing 72.5% were paid while the physical progress on the main project was 64.2% complete</p>
2.	Bari Zambia Limited in Association	Consultancy Services for Design, Supervision	19,945,400	7,750,942	7,750,942	14/02/2014 – 31/12/2017	The initial consultancy was revised three (3) times from an initial end date of July 2015 to December 2017. Consequently,

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
	with Kaplum & Associates Limited	and Upgrading of Approximately 20.5Km Solwezi District, 15.7Km Mufumbwe District, 9.27Km Kasempa District and 5.7Km Kabompo District Urban Roads to Bituminous Standards in North Western Province					the contract sum increased from K7,292,398 to K17,697,250 due to delayed completion of the main project. Following the expiry of the contract in 2017, the Ministry single sourced the consultancy at a fee of K19,945,400 to continue on the project. The approvals from the Attorney General and ZPPA for the consultancy contract were not availed for audit. As at 30 th June 2022, the consultant was paid K7,750,942. However, the progress on the main contract could not be established as the status reports were not availed for audit.
3.	Allione Consulting Engineers Limited	Consultancy Services for Design, Supervision and Upgrading of Approximately 28Km Mansa District, 15Km Mwense District and 22Km Samfya District	24,637,664	21,001,615	16,290,100.80	29/01/2014 – 17/12/2017	The initial consultancy was revised three times from an initial end date of 29 th July 2015 to 17 th December 2017. Consequently, the contract sum increased from K12,987,784 to K24,637,664 due to delayed completion of the main project.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
		Urban Roads to Bituminous Standards in Luapula Province					Following the expiry of the contract on 24 th June 2016, the Ministry single sourced the consultancy at a fee of K24,637,664 to continue the project. As at 30 th June 2022, the consultant had been paid K16,290,101.
4.	LNH Consulting Services Ltd in association with BNC Consult Limited	Consultancy Services for Design, Supervision and Upgrading of 15kms Kapingi Mposhi, 31kms Serenje, and 20kms Mkushi Urban Roads in Central Province	22,425,270.80	21,947,122.71	21,226,722.11	5 th February 2014 to 17 th December 2017	The initial consultancy was revised three (3) times from an initial end date of 5 th February 2015 to 17 th December 2017 Consequently the contract sum increased from K9,608,918 to K22,425,278 due to delayed completion of the main project. As at 30 th June 2022, consultancy fees of K21,226,722 representing 99% were paid when the physical progress on the main project was 72% complete. A review of the letter dated 27 th November 2017 revealed that Fee Note No. 28 in amounts totalling K720,401 was issued and paid when there were no works on site during that period.

e **Lusaka Roads Decongestion Project**

i **Design and Construction of Lusaka City Decongestion Project on Engineering Procurement and Construction (EPC) basis.**

On 29th May 2016, the Ministry of Local Government engaged AFCON Infrastructure Limited for the design and construction of the Lusaka City decongestion project at a contract sum of US\$289,105,667 Duty and VAT exclusive with a contract completion period of thirty six (36) months.

The contract came into effect on 3th April 2017 after signing of the Loan Agreement for US\$245,740,000 between Ministry responsible for Finance and EXIM Bank of India, which represented 85% of the project cost. The balance of US\$43,365,667 (15%) was to be paid by the Government of the Republic of Zambia.

The general description of the project works was as shown in table 7 below.

Table 7: Summary of Scope of Works

No.	Description	Original Length(km)	Revised Length(km)
A	Rehabilitation/Upgradation of two lane roads	91.4	61
B	Introduction of bidirectional dedicated bus lanes	29.3	25.3
C	Additional roads	-	9
	Total Length of Road (A+B+C)	120.7	95.3
D1	At Grade junction (Surrounding road + approach road)	5	5
D2	Grade separator in one direction (Flyover + approaches)	4	4
	Unit	Sqft	Sqft
	Office Building for Ministry of Local Government and parking facilities	35,000	66,500

As at 30th September 2021, the contractor had been paid in full.

However, the following were observed:

- **Non Transparency in the Selection of Contractor**

Although a no objection to single source AFCON Infrastructure Limited was obtained from ZPPA, there was no documentation availed for audit as to why

other companies were not requested to submit proposals on the project resulting in non-transparency in the awarding of the contract.

Consequently, the project cost of US\$289,105,667 and the loan terms were not subjected to competition.

In addition, in a letter dated 4th January 2016 the Solicitor General raised the following:

- How the selection of the firm to execute the project was done and whether other companies were invited to submit proposals for the project.
- Whether all tender procedures were followed, on the backdrop of Regulation 3 of the Public Procurement Regulations Statutory Instrument (SI) No. 63 of 2011, which requires transparency and competition, inter alia, in public procurement.
- Why open bidding was not used pursuant to regulation 11 of the Public Procurement Regulations and whether the use of direct bidding for the project meets the requirements under the regulations, in particular the permitted threshold for direct bidding under regulation 17.

ii Inclusion of the Ministry of Local Government Office Building in the Lusaka City Decongestion Project and Provision Sum

A review of the feasibility study report dated May 2016 revealed that the objective of the project was to decongest Lusaka City. The cost estimation as per the feasibility study report were as shown in table 8 below.

Table 8: Cost Estimates for Lusaka City Decongestion Project

No.	Description of Work	Scope of Work	Cost in US\$
1	New 2 Lane Road in KM	68.8	104,232,000
2	Strengthening of Existing 2 Lane Road in Km	4.7	6,345,000
3	Widening of Existing 2 Lane to 4 Lane Road in Km	17.9	41,448,000
4	Strengthening of Existing Bus Lane Road in Km	4.9	6,860,000
5	Widening of Bus Lane Road (2 to 4 & 4 to 6 Lane) in Km	24.4	76,714,000
	Total Length	120.7	
6	Junction improvement - At Grade level in Nos.	5	8,966,667
7	Junction improvement - With Flyover in Nos.	4	29,040,000
8	Street Lighting	51.9Km + 9 Nos.Junction	2,500,000
9	Provisional Sum		13,000,000
	Total		289,105,667

However, the Ministry included the construction of the office building at a cost of US\$5,782,113.34 (35,000 sq. feet) which was later revised to US\$10,986,015 (66,500 sq. feet). The inclusion of the building resulted in the following.

- Uncompetitive construction cost of US\$10,986,015.
- Reduction of the scope of works relating to decongestion such as reduction from the 120.7 km to 95.2 km representing 21.13% in the total length of road.

As at 31st December 2021, the building had been completed and the contractor was paid in full.

iii Failure to Secure Title Deeds

Section 41(4) of the Public Finance Management Act No. 1 of 2018 requires Controlling Officers to ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, title deed for a parcel of land on which the office building was located had not been secured as at 31st July 2022.

In addition, the Ministry did not provide evidence that it had insured the new office building.

iv Questionable Contractor’s Overhead Costs

A review of addendum No. 2 and progress report dated 10th September 2021 revealed that the project costing had been revised to include amounts totalling US\$5,119,681.85 as contractor’s overheads.

The basis of the inclusion and supporting documents to validate the overheads were not availed for audit.

v Questionable Cost of the Four (4) Junction Improvement with Fly Over Bridges

The scope of works included the construction of flyover bridges at roundabouts namely Makeni, Kabwe, Arcades and Munali at a cost of US\$29,922,436.54. The Kabwe roundabout flyover bridge was later replaced with the Longacres roundabout flyover bridge through addendum No. 3 dated April 2021.

The following were observed:

- There was no break down on the cost of each individual bridge in the initial contract resulting in questionable price of US\$29,922,436.54 (10.35% of the contract sum).
- A review of the schedule of payments revealed that the cost of the four (4) bridges was revised to US\$40,243,508.84 resulting in an increase by amounts totalling US\$10,321,072.30. There was no documentation availed for audit to support the price increase. See table 9 below.

Table 9: Summary of cost for the Fly over Bridges

No.	Site of Flyover Bridge	Amount US\$
1	Longacre Roundabout Flyover	10,118,698.35
2	Makeni Roundabout Flyover	11,564,226.68
3	Arcades Roundabout Flyover	9,482,665.87
4	Munali Roundabout Flyover	9,077,917.94
	Total	40,243,508.84

25.3 Rating Valuation Tribunal

25.4 Establishment

The Rating Valuation Tribunal was established under the Rating Act No.21 of 2018. The Rating Valuation Tribunal consists of the following part-time members appointed by the Minister — (a) a Chairperson who is qualified to be Judge of the High Court; (b) a Vice-Chairperson who is a practitioner of not less than seven years' experience; (c) a representative of the Attorney General's Chambers; (d) two registered Valuation Surveyors in private practice of not less than five years' experience; (e) a representative from the Ministry responsible for local government; (f) one representative from the Ministry responsible for finance; (g) a representative from the Ministry responsible for lands; (h) a representative of an association of rate payers; and (i) one registered valuation surveyor from the Ministry responsible for valuation survey.

25.5 Functions

The Tribunal is mandated to carry out valuation rolls and valuation tribunals for estimation of revenue to be collected from property under the charge of Local Authorities in accordance with the Rating Act No. 21 of 2018.

25.6 Management

The Department responsible for Local Government Administration provides the necessary secretarial services to the Rating Valuation Tribunal for the performance of its functions under the Act.

25.7 Sources of Funds for the Rating Valuation Tribunal

Section 36 of the Rating Act No. 21 of 2018 provides that the expenses and costs of the Tribunal shall be paid out of funds appropriated by Parliament for the performance of the Tribunal's functions under this Act.

25.8 Audit Findings

An examination of accounting and other records for the period under review revealed the following:

a Budget, Funding and Expenditure

During the financial years ended 31st December 2020 and 2021, the Rating Valuation Tribunal received funds from Councils amounting to K1,429,755. In addition, the Tribunal had an opening balance of K953,089, bringing the total available funds to K2,382,844 out of which amounts totalling K2,158,914 were spent leaving a balance of K223,929 as at 31st December 2021. See table 1 below.

Table 1: Tribunal Funding and Expenditure

No.	Detail	Amount K
1	Opening balance	953,089
2	2020 Contributions from Councils	1,429,755
	Sub total	2,382,844
3	2020 expenditure	1,640,115
4	2021 expenditure	518,800
	Sub total	2,158,915
	Balance of funds	223,929

The following were observed:

i. Transfer of Funds from Councils Without Authority

A review of minutes dated 23rd November 2020 revealed that the Principal Local Government Officer requested for funds totalling K1,557,850 from eight (8) councils out of which K1,094,100 was transferred to the Tribunal account without authority from the Controlling Officer.

ii. Irregular Approvals

Section 11(1) of the Public Financial Management Act No. 1 of 2018 stipulates that a controlling officer is responsible for planning and controlling of revenue collection and expenditure of public funds appropriated under that controlling officer's control.

Contrary to the Act, a review of documents revealed that the Senior Valuation Officer working as Assistant Secretary to the Tribunal was seeking approvals from the Director of Local Government Administration who then authorised

expenditure without delegated authority from the Controlling Officer. As at 31st December 2020 amounts totalling K1,729,406 were spent.

In addition, the Public Procurement Act No. 12 of 2008 provides that the Head of Department approves payments up to K10,000.

However, the Director Local Government Administration authorised twelve (12) payments in amounts totalling K184,944 which were above the K10,000 threshold.

iii. Lack of Cash Book and Bank Reconciliation Statements

Financial Regulation No. 145 stipulates that Controlling Officers should maintain cash books for bank accounts at the Bank of Zambia and commercial banks. Each cash book should show in detail all the transactions on receipts and payments. The cash book should be reconciled to the bank statements on a monthly basis.

Contrary to the regulation, the Ministry of Local Government did not maintain cash books for the Tribunal Account held at Investrust Bank despite spending amounts totalling K2,158,915. Consequently, bank reconciliation statements were not prepared.

iv. Unvouched Expenditure

Financial Regulation No. 45 (1) (b) and 59 (c) requires that all payments be vouched on a general payment voucher (Accounts Form 5) and that Cheque signatories should be responsible for ensuring that the relevant payment voucher is duly completed.

Contrary to the regulation, thirty six (36) payments in amounts totalling K1,729,406 were made without preparing payment vouchers. Further out of the unvouched expenditure, amounts totalling K163,641 involving three (3) transaction had no expenditure details.

v. Questionable Retirement of Accountable Imprest

On 1st December 2020, accountable imprest in amounts totalling K60,450 was issued to the Tribunal Assistant Secretary for the purpose of facilitating the valuation role for Petauke and Katete Town Councils.

The officer attached questionable acquittal sheets with amounts totalling K27,600 signed between 24th and 29th December 2020 which dates were before the imprest was issued

vi. Unaccounted for Funds

Between 16th January and 7th February 2020, the Tribunal Assistant Secretary, was paid amounts totalling K189,900 as accountable imprest. However, as at 31st July 2022, amounts totalling K95,400 were not accounted for and no cash was found at hand.

vii. Questionable Claim of Outstanding Sitting Allowances.

On 17th May 2021, the Director Local Government Administration wrote to the Permanent Secretary for authority to pay outstanding payments in amounts totalling K630,953 for the Rating Valuation Tribunal held from 19th to 31st December 2020. In this regard, amounts totalling K518,800 were paid to thirty (30) members of the Tribunal on 9th June 2021.

However, the claim and payment were questionable in that there were no supporting documents such as attendance lists and minutes.

In addition, included in the payment were twelve (12) members of staff who were paid amounts totalling K75,600 without authority.

26 Head: 37 Ministry of Finance

26.1 Mandate

The Ministry of Finance is charged with the responsibility of economic management to foster sustainable national development.

26.2 Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters for the financial year ended 31st December 2021 revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total authorised provision of K9,691,863,579 was made to cater for various activities against which amounts totalling K9,568,465,882 were released resulting in an underfunding of K123,397,697.

Although the Ministry was underfunded, amounts totalling that K8,794,172,910 had been spent leaving a balance of K774,292,973.

b. Cancellation of the Concession Agreement – Loss of Public Funds

On 27th July 2000, the Government of the Republic of Zambia entered into a Concession Agreement with Mpulungu Harbour Management Limited for the operation of the Harbour in Northern Province for a period of 25 years with effect from 1st September 2000.

On 1st September 2005, the Government terminated the Concession Agreement and the matter was referred for arbitration. Subsequently an Arbitral Award of US\$38,729,778.93 was given in favour of Mpulungu Harbour Management Limited of which the Government unsuccessfully appealed.

On 30th April 2020, the High Court ruled that the Government pays Mpulungu Harbour Management Limited US\$38,729,778.93 as principal and 6% simple interest per annum from 29th December 2010 up to the date of the final award.

As at 25th June 2020, the outstanding amount had increased to US\$59,735,497.35 out of which as at 31st July 2022 amounts totalling US\$23,622,646.57 (K510,000,000) had been paid to the Concessionaire leaving a balance of US\$36,112,850.77 (K820,845,098). See table 1 below.

The decision to cancel the concession resulted in loss of public funds.

Table 1: Debt Management for Mpulungu Harbour Limited- Status as at 3rd June 2021

Date	Debt in US\$ & as per Court Order	Litigation Debt in ZMW as per Court Order	Payment K	Payment in Dollar Equivalent US\$)	Balance K	Balance US\$
07.10.2020	59,735,497.35	1,216,214,726.05	80,000,000	3,929,273.08	1,136,214,726.05	55,806,224.27
03.11.2020	55,806,224.27	1,171,930,709.58	80,000,000	3,809,523.81	1,091,930,709.58	51,996,700.46
25.01.2021	51,996,700.46	1,111,689,455.75	150,000,000	7,015,902.71	961,689,455.75	44,980,797.75
21.04.2021	44,980,797.74	1,006,625,272.69	100,000,000	4,468,474.91	906,625,272.69	40,512,322.83
03.06.2021	40,512,322.83	920,845,098.01	100,000,000	4,399,472.06	820,845,098.01	36,112,850.77
	Total		510,000,000	23,622,646.57		

c. Administrative Issues - Usage of Government Property

During the period under review, Dana Oil Corporation Limited was operating from a Government Stores property in Chipata since 2014 without a lease agreement. In addition, there was no evidence that the Corporation was paying rentals.

27 Head: 45 Ministry of Community Development and Social Services

27.1 Mandate

The Ministry of Community Development and Social Services is mandated to provide and facilitate for the provision of equitable social protection services to communities in order to contribute to sustainable human development.

27.2 Food Security Pack

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K1,100,000,000 was made to cater for Food Security Pack (FSP) activities against which amounts totalling K1,057,384,444 were released out of which a total of K1,054,033,455 was spent on procurement of farming inputs and administration.

The Food Security Pack (FSP) Programme targets the vulnerable but viable farming households and provides them with farming inputs to ensure household food security and nutrition at household and community level.

The beneficiaries are required to pay back 10% of their produce in kind which promotes communities' food security grain banks. Once collected the district offices are empowered to sell and deposit the funds in the recovery accounts and the funds are applied on empowering vulnerable households.

27.3 Audit Findings

An examination of accounting and other records at the Ministry Headquarters and selected stations for the period under review revealed the following:

a Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K4,193,346,928 was made to cater for the operations of the Ministry against which amounts totalling K3,749,629,703 were released resulting in underfunding of K443,717,225.

Although, the Ministry was underfunded during the period under review, amounts totalling K3,745,919,193 had been spent leaving a balance of K3,710,510.

b Inspection of Food Security Pack Programme at Provincial and District Level

A review of records relating to selected provincial and district offices revealed the following:

i Questionable Use of Limited Bidding Method of Procurement

During the period under review the Ministry split the procurement of seed inputs into nine (9) lots and shortlisted seven (7) suppliers to tender using limited bidding method of procurement.

The Ministry used urgency as justification for using limited bidding.

However, the procurement of farming inputs using limited bidding was questionable in that the procurement should have been planned as this was an annual activity.

Consequently, the Ministry awarded eight (8) suppliers contracts in amounts totalling K968,948,383. See table 1 below.

Table 1: Award of Contract using Limited Bidding

No.	Supplier	Contract Date	Contract Sum K
1	Altaka Corporation Limited	09.04.21	93,405,000
2	Nyimba Investments Limited	14.04.21	303,349,363
3	PowerTimes Enterprises Limited	09.04.21	50,164,662
4	Better Changes Enterprises	12.05.21	6,216,000
5	Pros On Cash Trading Limited	09.04.21	214,555,500
			172,017,000
6	Stewards Globe Limited	09.06.21	8,558,208
7	Zambezi Ranching and Cropping	13.05.21	105,055,650
8	Zambia Seed Company Limited	12.05.2021	15,627,000
	Total		968,948,383

ii Questionable Awards

A review of the evaluation report dated April 2021 revealed that there was a condition in the bid document that each bidder was free to bid for all the nine (9) lots, but a maximum number of three (3) lots were to be awarded per bidder.

Contrary to the condition, Zambezi Ranching and Cropping Limited was questionably awarded six (6) lots in amounts totalling K105,055,650. In addition, Zambezi Ranching was the only bidder on Lots 1, 2, 3, 4, 5 and 7B, resulting in an uncompetitive contract sum of K105,055,650.

iii Overpayment of Suppliers of Farming Inputs

Section 50 (1) the Public Finance Management Regulations of 2020 provides that a person signing a payment voucher or document should certify the accuracy, authenticity and validity of the payment.

Contrary to the regulation, the Ministry overpaid two (2) suppliers in amounts totalling K2,613,312 in respect of farming inputs supplied during the 2021/2022 farming season. See table 2 below.

Table 2: Overpaid Suppliers of Farming Inputs

Contract Date	Amount K	Contract Sum K	Over Payment K
12/5/2021	107,435,900	105,055,650	2,380,250
5/12/2021	15,860,062	15,627,000	233,062
Total	123,295,962	120,682,650	2,613,312

As at 31st July 2022 the overpayments had not been recovered from the suppliers.

iv Undistributed Farming Inputs to Beneficiaries

During the period under review, five (5) districts in Western Province received farming inputs such as Urea, Compound D fertilizer, soya beans, maize and groundnuts seeds costing K4,871,877 for the 2021/2022 farming season which had not been distributed to beneficiaries as at 31st July 2022.

v Women Empowerment Program- Un-disbursed Funds to Women Clubs

During the period under review the Ministry received amounts totalling K18,863,765 to carter for support activities for Women Empowerment Programmes which had two (2) categories namely grants to women clubs and micro-credit to women (Micro-credit commonly known as Village Banking).

In this regard, the Ministry disbursed a total of K18,726,315 to provincial and district offices for onward disbursement to women clubs and for micro-credit to women.

A review of records at the Copperbelt Provincial Office revealed that the province received a total of K2,176,891 out of which amounts totalling K1,876,891 were disbursed to Kitwe and Masaiti districts leaving a balance of K300,000 undisbursed ten (10) months after the grant was received by the province.

- **Beneficiaries Using the Same National Registration Cards**

Section 2.6.7 of the Food Security Pack Programme Guidelines requires the District Community Development Office to process data captured during the self-registration and process it to generate a report for selected beneficiaries. The report contains all the vital information about the beneficiaries to ensure there is no duplication of details.

However, farming inputs costing K1,971,268 were issued to 563 beneficiaries at different collection points in the same districts using the same National Registration Card (NRC) Numbers. See Table 3 below.

Table 3: Beneficiaries Using the same NRC Numbers

No.	Name of District	No. of Beneficiaries with same NRC	Cost K
1	Ndola	107	372,574
2	Kitwe	57	198,474
3	Masaiti	241	839,162
4	Kabwe	42	146,244
5	Serenje	103	358,646
6	Mkushi	4	13,928
7	Chifunabuli	4	15,803
8	Sikongo	2	6,757
9	Choma	3	19,680
	Total	563	1,971,268

In addition, 238 beneficiaries who received farming inputs costing K251,160 shared the same National Registration Card number and collected inputs from two (2) different districts.

- **Unapproved Beneficiaries – Western Province**

A scrutiny of food security pack beneficiary registers maintained at two (2) stations in Western Province revealed that sixty-nine (69) beneficiaries who acquitted for 11,730kgs of farming inputs costing K233,872 were not on the approved list of beneficiaries for the 2021/2022 farming season. As at 31st July 2022, the inputs had not been recovered from the individuals. See table 4 below.

Table 4: Unapproved Beneficiaries

Station	No. of Beneficiaries	Kgs	Amount K
Limulunga DSWO	55	9,350	185,826
Sikongo DSWO	14	2,380	48,046
Total	69	11,730	233,872

- **Un-acquitted Inputs – Western Province**

A review of the beneficiary register at Sikongo DCDO revealed that 8,840 kgs of farming inputs costing K175,717 meant for fifty-two (52) beneficiaries were unacquitted.

- **Irregular Inclusion of Farmer Input Support Programme (FISP) Beneficiaries into FSP Programme – Choma**

A review of records revealed that 355 farmers who benefited from FSP in the 2021/2022 farming season in amounts totalling K1,164,269 under the Ministry of Community Development and Social Services were also issued with farming inputs (fertiliser and seeds) in amounts totalling K2,934,617 under FISP a programme at the Ministry of Agriculture for the same farming season thereby benefiting twice.

27.4 The Social Cash Transfer Scheme

The Government through the Ministry of Community Development and Social Services has been implementing the Social Cash Transfer Scheme (SCT) in all the districts across the country with the objective of reducing extreme poverty and vulnerability at household level.

Chapter 1.2.1 of the Social Cash Transfer Guidelines provides that the major objective of the programme was to contribute towards reduction of extreme poverty and the intergenerational transfer of poverty. Further, the programme aimed to contribute towards the increase in the number of households having a second meal per day and promote household food security. The beneficiaries were in two (2) categories namely; the vulnerable and the disabled who received K300 or K600 per payment cycle respectively. In this regard, the beneficiaries were entitled to social cash payments every two (2) months to assist in poverty alleviation.

During the period under review, the Ministry had a total of 973,323 (able-bodied 844,223 and disabled 129,100) Social Cash Transfer beneficiaries.

27.5 Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected districts for the financial year ended 31st December 2021 revealed the following:

a Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K2,758,352,968 was made to cater for the implementation of Social Cash Transfer programmes against which amounts totalling K2,414,097,582 were released resulting in an underfunding of K344,255,386.

As at 31st December 2021, the Ministry had spent the whole amount.

b Inspection of Social Cash Transfer Scheme at Provincial and District Level

A review of records relating to selected provincial and district offices revealed the following:

i Delay in Disbursing Social Cash Funds

During the period under review, three (3) district offices namely; Kabwe, Kapiri Mposhi and Ndola received amounts totalling K49,975,869 for the purpose of paying beneficiaries on the Social Cash Transfer Programme. The funds were for the bi-monthly payments for January to February to November to December 2021 and the funds should have been paid to the beneficiaries by the end of the year.

As at 31st December 2021, amounts totalling K48,392,645 had been disbursed leaving a balance of K1,583,224 undisbursed. See table 1 below.

Table 1: Failure to Disburse Social Cash Funds

No.	Name of District	Amount Funded K	Amount Disbursed K	Un-utilised Funds K
1	Kabwe	8,041,569	7,908,375	133,194
2	Kapiri-Mposhi	16,772,400	16,508,130	264,270
3	Ndola	25,161,900	23,976,140	1,185,760
	Total	49,975,869	48,392,645	1,583,224

As at 31st July 2022, the funds had still not been disbursed.

ii Irregular Payment to Ineligible Beneficiaries

Section 6.3.4 of the Social Cash Transfer Implementation Guideline requires a household to be removed from the programme because they no longer meet the eligibility criteria for the programme. In this case the household has to be removed from the programme and linked or referred to other social protection interventions.

However, a review of records revealed that 101 beneficiaries who should have been archived in 2021 were still on the Social Cash Transfer Register/Database. Consequently, amounts totalling K232,200 were irregularly paid to ineligible beneficiaries in five (5) districts. See table 2 below.

Table 2: Ineligible Beneficiaries on the Database

No.	Name of District	No. of Beneficiaries	Amount Collected K
1	Kabwe	52	117,000
2	Ndola	6	10,800
3	Kitwe	38	91,800
4	Kalulushi	5	12,600
	Total	101	232,200

iii Double Payments to Beneficiaries

Social Cash Transfer Guideline No. 6.3.3.1 stipulates that if a beneficiary shares the same National Registration Card (NRC) number with another beneficiary, such a matter should be reported to the DSWO for verification to identify legitimate beneficiaries and remove those that are not eligible for the programme.

Contrary to the guidelines, 431 beneficiaries who were entitled to be paid amounts totalling K567,300 were instead paid K1,134,600 due to duplication of names and NRCs, resulting in an overpayment of K567,300. See table 3 below.

Table 3: Beneficiaries Sharing the Same National Registration Card Number

No.	District	No. of Beneficiaries	Amount Paid K	Entitlement K	Overpayment K
1	Mongu	45	141,000	70,500	70,500
2	Nkeyema	30	102,000	51,000	51,000
3	Kaoma	73	228,000	114,000	114,000
4	Kasenengwa	7	21,000	10,500	10,500
5	Kapiri-Mposhi	166	403,200	201,600	201,600
6	Kitwe	56	131,400	65,700	65,700
7	Kalulushi	2	3,600	1,800	1,800
8	Ndola	52	104,400	52,200	52,200
	Total	431	1,134,600	567,300	567,300

In addition, a comparison of the Social Cash Transfer beneficiary registers for six (6) districts revealed that sixty eight (68) beneficiaries appeared on two (2) district registers and were paid amounts totalling K136,800 resulting in an overpayment of K68,400. See table 4 below.

Table 4: Beneficiaries who Received SCT Funds in two (2) Districts

No.	Name of Districts	No. of Beneficiaries	Amount Paid K	Entitled Amount K	Overpayment K
1	Kabwe/Kapiri-Mposhi	26	50,400	25,200	25,200
2	Ndola/Kitwe	10	18,000	9,000	9,000
3	Kalulushi/Kitwe	32	68,400	34,200	34,200
	Total	68	136,800	68,400	68,400

As at 31st July 2022, the overpayments had not been recovered.

iv **Beneficiaries without National Registration Cards**

Section B (7) of Chapter 4 of the Social Cash Transfer Guideline stipulates that payments should, whenever possible, be collected by the registered recipient in person. In instances where the recipient is unable to collect the funds due to sickness or is not present at the time of payment period, the deputy shall collect the money on behalf of the recipient.

In addition, Section B of Chapter 3 of the Social Cash Transfer Guidelines requires that when a household member does not possess a National Registration Card (NRC) he/she should have a sworn affidavit as long as their deputy recipient has the NRC in order to be eligible for SCT programme.

Contrary to the guidelines, amounts totalling K366,000 were paid to 236 beneficiaries who did not have NRCs for either the beneficiaries or their deputies. See table 5 below.

Table 5: Beneficiaries without National Registration Cards (NRCs)

No.	District	No. of beneficiaries	Amount K
1	Kaoma	167	262,500
2	Mongu	69	103,500
	Total	236	366,000

v **Payments Not Supported by Disability or Medical Certificates**

Section 3.1 (B2) of the Social Cash Transfer Guidelines of 2018 stipulates that the purpose of the eligibility criteria is to enable the Programme to reach its intended target groups which are the vulnerable and incapacitated households. The Social Cash Transfer Programme identifies the following as incapacitated households; Household with a member or members with severe disability; this is a household that has a member or members with severe disability as indicated by the Disability Medical Assessment Form, signed by a medical practitioner.

However, a review of the beneficiary register in the disability category extracted from the Management Information System (MIS) maintained by the Ministry revealed that 196 beneficiaries had no Disability Medical Assessment Forms or Certificates.

In this regard, the amounts totalling K672,600 paid to the beneficiaries was irregular. See table 6 below.

Table 6: Payments Not Supported by Disability or Medical Certificates

No.	District	No. of Beneficiaries	Rate K	No. of Payment Cycles	Amount K
1	Kalulushi	4	600	6	14,400
2	Kapiri Mposhi	112	600	6	403,200
3	Kabwe	25	600	6	90,000
4	Kasenengwa	36	600	5	108,000
5	Chinsali	19	600	5	57,000
	Total	196			672,600

vi Transfers to Beneficiaries with Same NRC Numbers

Section 6.3.3.1 of the Social Cash Transfer Implementation Guideline requires that if a beneficiary shares the same National Registration Card (NRC) number with another beneficiary, such a matter should be reported to the DSWO for verification to identify legitimate beneficiaries and remove those that are not eligible for the programme. Further, such names of beneficiaries who are ineligible should be submitted to the Ministry Headquarters for archiving.

Contrary to the guideline, thirty nine (39) beneficiaries at three (3) stations who were paid amounts totalling K19,800 were sharing the same NRC numbers. See table 7 below.

Table 7: Transfers to Beneficiaries with Same NRC Numbers

No.	Province	Station	No. of Beneficiaries	Amount K
1	Western	Limulunga DSWO	6	9,000
2	Luapula	Samfya DSWO	10	3,300
3	Northern	Mungwi DSWO	23	7,500
		Total	39	19,800

vii Failure to Remove Beneficiaries from the Register

The Social Cash Transfer Guideline No. 4.2 of 2018 requires that a beneficiary must be removed from the programme when the child household head attains the age of 19 years, dissolves by death or household members separate, beneficiaries relocate and duplicated beneficiaries.

Contrary to the guidelines, the Ministry paid amounts totalling K329,000 to 769 beneficiaries who were ineligible in that they had either relocated to other districts, were deceased or had married. As at 31st July 2022, the names of the beneficiaries had still not been removed from the register and no recoveries were made by the Ministry. See table 8 below.

Table 8: Failure to Remove Beneficiaries from the Register

Province	Station	No. of Beneficiaries	Amount K
Western	Nalolo DSWO	63	19,700
	Limulunga DSWO	399	148,500
	Sikongo DSWO	227	87,900
Southern	Choma DSWO	33	57,300
Northern	Kasama DSWO	16	6,000
	Lunte DSWO	31	9,600
	Total	769	329,000

viii Beneficiaries Wrongly Classified as Disabled

According to payment rates for Social Cash Transfer, disabled beneficiaries were entitled to a rate of K600 and a rate of K300 for able bodied during the period under review.

An examination of the register revealed that sixty three (63) beneficiaries were wrongly classified as disabled on the system and as a result amounts totalling K113,400 were overpaid to wrongly classified beneficiaries. See table 9 below.

Table 9: Beneficiaries Wrongly Classified as Disabled

No.	Name of District	No. of Beneficiaries	Amount Collected K	Entitled Amount K	Overpayment K
1	Ndola	11	39,600	19,800	19,800
2	Kalulushi	52	187,200	93,600	93,600
	Total	63	226,800	113,400	113,400

c Accounting Irregularities**i Unsupported Payments**

Public Finance Management Regulation No.55 (a) of 2020 requires that a signatory ensures that original documents such as invoices, salary sheets and claim forms are attached to the payment voucher.

Contrary to the Regulation, three (3) payments in amounts totalling K59,924 were not supported with relevant documentation such as beneficiary acquittals, receipts and activity reports.

In addition, two (2) payments in amounts totalling K46,200 were processed at Nalolo DSWO without approval by the responsible officers.

ii Unacquitted Funds

Section 5.4 (g) of the Social Cash Transfer Guidelines of 2018 provides that Pay Point Managers (PPM) should retire the funds by submitting signed and certified payment lists including a PPM's report.

Contrary to the guideline, amounts totalling K204,590 paid to thirty two (32) pay point managers were not acquitted by the Community Welfare Assistance Committee members and registered beneficiaries as at 31st July 2022. See table 10 below.

Table 10: Un – acquitted for Funds

Province	Station	No. of PPM	Amount K
Lusaka	Luangwa DSWO	2	38,800
Western	Nalolo DSWO	23	4,640
North Western	Solwezi DSWO	7	161,150
Total		32	204,590

28 Head: 46 Ministry of Health

28.1 Mandate

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

28.2 Audit Findings

An examination of accounting and other records for the financial year ended 31st December 2021 maintained at the Ministry Headquarters and selected stations revealed the following:

a. Budget, Funding and Expenditure

In the Estimate of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K12,384,067,958 was made to cater for various activities

against which amounts totalling K8,696,877,188 were released, resulting in an underfunding of K3,687,190,770. See table 1 below.

Table 1: Budget and Funding

No.	Programme	Budget K	Funding K	Underfunding K
1	Hospital Services	5,189,450,855	3,406,602,252	1,782,848,603
2	Primary Health Services	6,215,794,411	4,311,452,354	1,904,342,057
3	Human Resources Development	125,898,699	125,898,681	18
4	Central Technical Services	423,966	423,965	1
5	Management and Support Services	852,500,027	852,499,936	91
	Total	12,384,067,958	8,696,877,188	3,687,190,770

As at 31st December 2021, amounts totalling K8,582,829,545 had been spent.

b. Operational Matters

i. Under Funding on Key Programme

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K1,616,722,416 was made to cater for the procurement of medical equipment and health infrastructure.

However, as at 31st December 2021, only amounts totalling K60,827,026 being 4% of budgeted amount had been released resulting in an underfunding of K1,555,895,390. See table 2 below.

Table 2: Under Funding on Key Programmes

No.	Programme	Provision K	Funding K	Underfunding K
1	Hospital Services	1,550,745,082	44,000,000	1,506,745,082
2	Primary Health Services	59,700,308	10,550,000	49,150,308
3	Central Technical Services	3,046,291	3,046,291	-
4	Management and Support Services	3,230,735	3,230,735	-
	Total	1,616,722,416	60,827,026	1,555,895,390

The underfunding had adverse effects on the ability for most health facilities to deliver health services in that the minimum standards with respect to the required medical equipment, infrastructure and medical personnel were not met as illustrated in table 3 below.

Table 3: Status of Service Delivery in Selected Hospitals

Level of Care	Name of Health Facility	Service not Available
Level One Hospital	Kalomo District Hospital	Theatre,X-Ray,Specialised Nurses
	Kapiri Mposhi District Hospital	Hemocue Device,CT Scan,CD4 Counter,Anaesthetic Machine
	Mkushi District Hospital	Ultra Sound,CT Scan
	Liteta District Hospital	Indoor Patient Department,High Dependant Unit,Microscope,Infant Incubator,CT Scan,Suction Machine,Anaesthetic Machine,Autoclave Machine,Laundry Equipment
	Thompson District Hospital	Infant Incubator,Specialised Nurses
Level Two Hospital	Choma General Hospital	CT Scan,Endoscope Unit,Renal Services
	Kalindawalo General Hospital	CT Scan and Renal Services
Level Three Hospital	Livingstone General Hospital	Endoscope Unit
	Kitwe Central Hospital	CT Scan not functional

As a result of lack of health services and equipment at the hospitals, a total number of 262 referrals were approved for treatment abroad between January 2019 and June 2022, out of which only eighty five (85) were evacuated for treatment. The waiting period ranged from two (2) to forty two (42) months.

In this regard, amounts totalling K78,834,666 were incurred out of which K55,124,694 was paid leaving a balance of K23,709,972 as at 30th June 2022. See table 4 below.

Table 4: Payments for Treatment Abroad

Year	Amount K
2019	6,960,568
2020	12,223,612
2021	35,940,513
Total	55,124,694

ii. Failure to Fully Utilise Funds

During the period under review, a budget provision of K4,537,663,185, was made to cater for activities related to Child Health and Nutrition, Pharmaceutical services, Clinical Care Excellence and Health Information Management System, out of which amounts totalling K2,690,915,675, were released.

However, it was observed that out of the released funds, amounts totalling K2,584,415,634 were spent, leaving a balance of K106,500,041 as at 31st December 2021.

In this regard, the Ministry did not fully implement all planned Clinical Care and Outreach services and the procurement of essential drugs and medical equipment. See table 5 below.

Table 5: Unutilised Funds

NO.	PROGRAMME	FUNDING K	EXPENDITURE K	UNUTILISED K
1	Child Health and Nutrition	4,608,378	121,062	4,487,316
2	Pharmaceutical Services	2,413,345,102	2,378,277,842	35,067,260
3	Clinical Care Excellence	67,957,533	47,283,985	20,673,548
4	Health Information Management System	205,004,662	158,732,745	46,271,917
	Total	2,690,915,675	2,584,415,634	106,500,041

iii. Failure to Maintain Financial Records - Medical Supplies

A review of financial records revealed that between 2015 and 2021, the Ministry entered into twenty eight (28) framework contracts covering periods of between two (2) to five (5) years for the supply of drugs, blood commodities, COVID 19 materials and other medical supplies.

During the year 2021, the Ministry made payments in amounts totalling K1,119,653,001 to suppliers of medical supplies and COVID 19 materials.

However, amounts totalling K572,637,380 paid by the Ministry were not supported with records such as updated ledgers, suppliers statements and reconciliations.

c. Procurement Matters

During the period under review, the Ministry entered into contracts with various suppliers of drugs, blood safety commodities, Covid 19 materials and other medical supplies.

However, the following were observed:

i. Failure to Avail Documentation for Audit

Section 73 (1) of the Public Finance Management Act No. 1 of 2018 provides that the Auditor General and an office holder, agent or specialist consultant authorized by the Auditor General, shall in the performance of duties under the Constitution, or any other law, have access to all 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 provision, procurement documents such as bid documents, evaluation reports, minutes of the Ministry Procurement Committee, Invoices, Goods Received Notes (GRNs), and payment vouchers relating to various contracts for the procurement of medicines and other medical supplies costing K1,443,395,053 procured during the period under review, were not availed for audit as at 31st August 2022.

As a result, there was limitation in the audit scope in that it was not possible to establish whether procurement procedures were adhered to when engaging suppliers of various medical supplies.

ii. Contract for the Supply and Delivery of Personal Protective Equipment - N95 Respiratory Face Masks

On 14th July 2020, the Ministry entered into a contract with King Long Motors Zambia Limited for the supply and delivery of personal protective equipment (500,000 N95 Respiratory Face Masks at K65 each and 5,000,000 3 – Ply disposable surgical face masks at K13 each) to support the response towards COVID-19, at a contract sum of K97,500,000 (VAT exclusive) with a delivery period of fourteen (14) days, ex – stock.

The supplier delivered 5,000,000 3 Ply and 500,000 KN 95 face masks costing K97,500,000 and as at 31st March 2022, the Supplier had been paid amounts totalling K65,000,000, leaving a balance of K32,500,000.

In paragraph 7 of the Report of the Auditor General on the Audit of Utilisation of Covid 19 Resources for the period from July 2020 to October 2021 mention was made of the questionable identification of the supplier in that there was no evidence that the company had dealt with the Ministry before on similar products and had experience in the supply of medical supplies.

A further review of documentation relating to the contract revealed the following.

- **Product Substitution**

Although the contract was for the supply of N95 at K65 each, the supplier delivered KN95 at a price of K50 each resulting in product substitution and there was no revision in price. In this regard, a test check of the prices of KN95 which had been substituted by the supplier was found to be up to a maximum of K50. This resulted in an estimated loss to Government of K7,500,000 on the face masks.

- **Failure to Request for Pharmaceutical Licences for the Supply of Medical or Allied Substances**

Section 33(1) of the Medicines and Allied Substances Act of 2013 stipulates that a person should not manufacture, distribute or deal in any medicine or allied substances without a pharmaceutical licence. Allied substances include acaricides, cosmetics, disinfectants, food supplements, feed additives and supplements, medical and surgical sundries, medical devices and condoms.

However, a review of the Ministry Procurement Committee (MPC) Paper No. 227 of 2020 revealed that the bidders were not requested to submit Pharmaceutical Licences. Consequently, King Long Motors Zambia Limited was awarded the contract to supply and distribute medical supplies without the prerequisite licence.

In this regard, the failure by the Ministry to include in their request to bidders the requirement for the licence was irregular.

- **Failure to Conduct a Technical Evaluation**

Regulation No. 70 of the Public Procurement Regulations of 2011 provides 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.

- **Failure to Provide Provisional Product Testing and Acceptance**

Clause 9.1 of the Special Conditions of Contract required that the supplier furnish samples of the 3 ply disposable face mask and the N95 face mask for approval by the Ministry prior to supplying in bulk.

However, the supplier did not furnish the Ministry with samples of the product for approval.

- iii. **Failure to Install Supplied Equipment - Carter Mart and Web International Limited**

On 21st January 2016, the Ministry entered into a contract with Web International Limited, for the supply, delivery and installation of kitchen and laundry equipment at a contract sum of US\$402,740 with a delivery period of 8 to 12 weeks.

On 6th May 2021, the supplier was paid amounts totalling K9,060,746 (US\$402,740).

Despite the supplier being paid in full, as at 31st July 2022, the equipment had not been installed at three (3) Districts Hospitals namely Mwense, Milenge and Lundazi.

- d. **Management of Stores and Medical Supplies**

- i. **Contract for the Supply and Delivery of 10,000 Ready Filled Oxygen Cylinders**

On 28th June 2021, the Ministry entered into a contract with Accute Investments Limited for the supply and delivery of 10,000 ready filled oxygen cylinders to support the management of Covid - 19, at a contract sum of US\$13,000,000 (K295,100,000)

VAT exclusive, with a delivery period of seven (7) days from 28th June 2021 to 7th July 2021.

As at 31st August 2022, the supplier had been paid in full.

The following were observed:

- **Pre-solicitation, Solicitation and Evaluation**

On 5th May 2021, Accute Investments Limited wrote a letter to the Permanent Secretary soliciting for business to supply and deliver gas cylinders to the Ministry owing to the high demand of the commodity due to the Covid 19 Pandemic.

On 24th June 2021, the Director for Clinical Care and Diagnostic Services requested for authority from the Permanent Secretary (Administration) to procure 10,000 ready-filled oxygen cylinders to support the management of Covid-19 cases.

On the same day, the Permanent Secretary (Administration) approved the request and the Ministry sent out purchase enquiries for quotations to five (5) suppliers with a deadline for submission of quotations of 10:30 hours on 25th June 2021. See table 6 below.

Table 6: Bids Received and Evaluated

No.	Name of Bidder	Bid Sum K	Date of Response	Remark
1	Accute Investment Limited	295,100,000	24.06.2021	Bid received
2	Afrox Zambia	4,363,800	25.06.2021	Bid received
3	Ogaz Zambia Limited	-		No Bid Received
4	Delta Gas Zambia Limited	-		No Bid Received
5	Continental Oxygen	-		No Bid Received

As can be seen from the table above, Accute Investments Limited responded to the purchase enquiry on 24th June 2021 raising concern on the transparency of the process as the company had already proposed to supply gas cylinders. Further, the deadline of 10:30 hours the following day for submission of quotations was questionable in that it did not allow the other suppliers sufficient time.

Afrox Zambia Limited responded to the purchase enquiry on 25th June 2021 and was disqualified at preliminary evaluation stage on account that their quote was only for refilling and rental of cylinders.

Further, a review of records revealed that Accute Investments Limited engaged two (2) companies namely OGAZ Zambia Limited and Chingases to fill up the oxygen cylinders. OGAZ Zambia Limited was one of the companies that was invited but did not respond.

- **Delivery and Distribution of Oxygen Cylinders to Health Facilities**

- **Delayed Delivery**

According to the contract, delivery was to be completed within seven (7) days, from 28th June 2021, the date of the contract.

However, a scrutiny of delivery notes revealed that the supplier delivered 8,000 oxygen cylinders on 6th August 2021, while 2,000 cylinders were delivered on 19th August 2021, thirty (30) days and forty three (43) days, after the expected date of delivery of 7th July 2021.

- **Failure to Subject the Oxygen and Oxygen Cylinders to Testing, Inspection and Certification by ZABS**

In the instructions to the bidders, the oxygen and oxygen cylinders were to be in conformity with the Zambia Bureau of Standards (ZABS) Medical Oxygen Standards and for the purpose of obtaining additional standards, bidders were guided to contact the Director General at ZABS for purposes of inspecting and certification of the consignment.

However, the Ministry stated that ZABS could not be engaged as they had no capacity to perform quality management procedures.

Subsequently, the tests were performed by the manufacturer rendering the entire process of testing questionable.

- **Unaccounted for Oxygen Cylinders – Chililabombwe District**

A review of the distribution schedule, revealed that 200 oxygen cylinders were distributed to Chililabombwe District Health Office (100) and Kakoso level 1 Hospital (100).

However, a physical verification conducted in May 2022, revealed that 140 cylinders were received by the Chililabombwe District Health Office while the balance of 60 oxygen cylinders costing K17,700,000 were unaccounted for.

- ii. **Contract for the Construction and Equipping Infectious Disease Isolation Hospitals**

On 3rd September 2020, the Ministry of Health received an unsolicited proposal from TFM Holdings Limited of South Africa (TFM) for the Construction and Equipping of seven (7) prefabricated hospitals at a total cost of US\$98,817,578. See table 7 below

Table 7: Unsolicited Proposal

Hospital Type	Number of Hospitals	Total Beds	Price per Hospital US\$	Total US\$
150 Beds	5	750	11,724,528	58,622,640
375 Beds	2	750	20,097,469	40,194,938
		1,500		98,817,578

In October 2020, following a request from the Ministry, the ZPPA granted a “No Objection” to direct bid TFM. In addition, the Ministry was directed to conduct a market research to determine the price reasonableness of the offer from TFM and negotiate with them should the offer depart significantly from the prevailing market rates to ensure value for money.

On 6th November 2020, a solicitation document dated 6th November 2020 was issued of which TFM submitted a bid valued at US\$99,950,463. However, the procurement was put on hold.

On 14th June 2021, a committee was reconstituted and TFM were asked to extend the bid validity for a further 90 days effective 17th June 2021 as the earlier one had expired. The Committee recommended that TFM be awarded the contract at a revised contract sum of US\$98,700,000.

In this regard, on 4th May 2022, the Ministry engaged TFM for the establishment of 7 x 150 bed capacity Infectious Disease Hospitals in Zambia at a contract price of US\$98,700,000 with a completion period of twenty four (24) months.

The following was observed:

- **Irregular Engagement of Contractor without Specific Past Experience**

According to Clause 2.4.2 – Specific Experience - of the Bidding Documents issued on 6th November 2020 by the Ministry, the bidder was required to have participated as a contractor or a subcontractor, in at least two (2) contracts within the last three (3) years, each with a value of at least 100% of the tender value, that have been successfully and substantially completed and that are similar to the proposed works – with similarity being based on physical size and complexity.

Contrary to the specified requirements, a scrutiny of the bid document dated 11th December 2020 revealed that the contractor had no specific past experience in the construction of hospitals of the required magnitude and complexity as the experience stated in the bid document related to the supply and installation of a clinic, training facilities, ablution blocks and classrooms for private schools whose value and complexity was less than what was required by the Ministry.

- **Questionable Justification for Direct Bidding**

Section 32(1) of the Public Procurement Act No.12 of 2008 stipulates that the objective of direct bidding shall be to achieve timely and efficient procurement, where the circumstances or value do not justify or permit the use of competition.

On 13th October 2020, the Ministry requested for a “No Objection” from ZPPA to direct bid TFM of South Africa on the basis that other methods of procurement may not be suitable in response to the Covid - 19 pandemic.

Although ZPPA granted a “No Objection” to the Ministry to direct bid the contractor, the justification which was provided by the Ministry was questionable.

- **Failure to Establish Price Reasonableness - Contractors Bid Offer**

On 30th October 2020, the ZPPA granted a “No Objection” to the Ministry to direct bid TFM Holdings Limited of South Africa (TFM). In addition, the Ministry was directed to conduct market research to determine the price reasonableness of the offer and negotiate with the Contractor should it depart significantly from the prevailing market rates to ensure value for money.

Contrary to the directive, there was no report availed to show that the Ministry conducted a market research to determine the price reasonableness of the offer from the contractor.

- **Irregular Tax Exemption**

According to the 2022 Budget Call Circular – Tax Provisions in Contracts and Agreements, Controlling Officers had no authority to commit Government to any tax exemptions.

Contrary to the circular, the contract document and the proposal from the contractor revealed that the prices quoted excluded Value Added Tax (VAT), Import or other duties, clearing and Taxes, Licensing and Registration Costs and Stamp Duty.

- **Irregularities in the Scope of Negotiations**

A review of the negotiation report dated 5th August 2021 revealed the following:

- **Questionable Project Cost Estimates**

The negotiations materially altered the terms and condition of the proposed contract in that there was a reduction in bed space capacity from the 1500 bed capacity (5 x 150 and 2 x 375) to 1050 bed capacity (7 x 150).

In addition, it was observed that the redesign from the 5 x 375 and 2 x 150 Bed capacity to 7 x 150 Bed capacity hospitals significantly reduced the estimated cost of the project by US\$22,169,758. See table 8 below.

Table 8: Revised Cost Estimates

No.	Hospital Type	Number of Hospitals	Price per Hospital US\$	Total US\$
Cost Estimates in the Bid Document				
1	150 Beds	5	8,633,795	43,168,975
2	375 Beds	2	19,718,674	39,437,348
3	Other Costs			17,344,139
4	Bid Cost			99,950,462
Cost Estimates after Negotiations				
5	150 Beds	7	8,633,795	60,436,565
6	Other Costs			17,344,139
7	Cost after Negotiation			77,780,704
	Difference			22,169,758

Although the savings made were traded off with the inclusion of oxygen plants, theatres, CT-Scans, X-Ray and Laboratory equipment among others, cost estimates for the included infrastructure and equipment were not provided making the trade-off questionable as the contract was only reduced by US\$1,250,462 when compared to the bid sum before negotiation and the contract sum.

○ **Irregular Application of Compound Interest on Unpaid Certificates**

Section 68 (3) of the Public Procurement Act No. 8 of 2020 stipulates that the use of compound interest in any negotiation or contract is prohibited.

Contrary to the Act, Clause 40.2 of the contract required that if an amount certified was increased in a later certificate or as a result of an award by the adjudicator or an arbitrator, the contractor should be paid interest upon the delayed payment and the interest was to be calculated from the date upon which the increased amount would have been certified in the absence of dispute.

e. Failure to Settle Obligations

As at 31st July 2022, the Ministry owed amounts totalling K2,530,171,993 in respect of suppliers of medical equipment, drugs and other related supplies some of which had been outstanding from as far back as 2000.

As at 31st July 2022, management had not come up with a payment plan to dismantle the outstanding obligations.

f. Infrastructure Development

During the period under review, the Ministry had various projects with a total contract sum of K14,653,224,771 relating to the construction of health facilities in various districts.

In this regard, the Ministry received amounts totalling K60,827,026 from the treasury out of which K58,162,828 had been spent as at 31st December 2021.

An examination of records and physical inspections of selected projects revealed the following:

i. Delayed Completion of Projects

During the period from 2014 to 2021, the Ministry had 182 projects which had completion periods ranging from twelve (12) to 208 weeks.

As at 31st July 2022, fifty one (51) projects had been completed while 131 were incomplete with completion stages ranging between 10% and 95%. In some cases projects had been abandoned while some projects had delayed by periods ranging from one (1) month to eleven (11) years.

ii. Status of Projects Under Construction

Table 10 shows the summary of the project status on ninety five (95) selected projects as at 30th April 2022.

Table 9: Summary of the Project Status on the Ninety Five (95) Construction Projects

	Type of Infrastructure under Construction	Period Delayed	% Completion	Status/Remarks
1	District Hospitals (35)	3 months to 6 Years	5% - 95%	<ul style="list-style-type: none"> • Eight (8) projects stalled. • Twenty one (21) were still ongoing though the contractors were not on site. • Six (6) contracts were terminated and no new contractor was engaged.
2	Health Posts (13)	1 to 9 Years	55% - 95%	<ul style="list-style-type: none"> • Six (6) projects stalled. • Seven (7) projects were still on going.
3	Staff Houses (11)	1 to 10 Years	25% - 98%	<ul style="list-style-type: none"> • Four (4) projects stalled. • Seven (7) projects were still on going. • From the stalled projects, two (2) contractors abandoned the sites and were requesting revision of contract sums.
4	Office Blocks (6)	1 to 11 Years	60% - 98%	<ul style="list-style-type: none"> • Three (3) projects stalled. • The 1st Phase completed on two (2) contracts. Awaiting funding for the 2nd Phase. • One (1) project was still on going and the contractor was on site • Only one (1) of the six (6) office blocks were operational.
5	Other Works – Construction of Maternity Wards, Mortuaries, Water Improvements, Renovations etc. (30)	1 month to 6 Years	5% - 95%	<ul style="list-style-type: none"> • Eleven (11) projects stalled. • Seventeen (17) were still on going and the contractors were on site. • One (1) contract was abandoned by the contractor and the contract was terminated.

In addition, the following were observed:

- **Construction of King Salman Bin Abdulaziz Specialist Hospital in Lusaka District - Loan Agreement**

On 10th January 2018, the Government of the Republic of Zambia, through the Ministry of Finance, signed a Loan Agreement with the Saudi Fund for Development (SFD) for SAR375,000,000(US\$100,000,000) to finance the construction and equipping of the 800 bed capacity, King Salman Bin Abdul Aziz Specialized Hospital in Lusaka District.

The terms and conditions of the loan included the following:

- A loan repayment grace period of ten (10) years.
- The maturity period for the repayment of the loan was thirty (30) years.
- The Borrower to pay a loan charge at the rate of one percent (1%) per annum, on the principal amount of the Loan withdrawn and outstanding from time to time.
- The loan charge and other charges to be payable, semi-annually-15 May and 15th November, each year.
- The closing date to be 31st December 2022, or such later date as the Fund shall establish.

See table 11 below.

Table 10: Allocation of Proceeds of the Loan

Category	Amount of the Loan Allocated	
	SR	US \$
Civil Works	180,000,000	48,000,000
Medical Equipment	138,750,000	37,000,000
Furniture and Non - Medical Equipment	15,000,000	4,000,000
Consultancy Services	15,000,000	4,000,000
Contingency	26,250,000	7,000,000
Total	375,000,000	100,000,000

As at 31st July 2022, the Fund had disbursed amounts totalling US\$40,103,812.28 (SAR150,389,295.82) and the Government had accumulated interest totalling US\$195,190.64 (SAR 731,964.92)

A review of documents, such as contracts, addenda and progress report, among others revealed the following:

○ **Contract for Consultancy Services for Design and Supervision**

On 9th August 2018, the Ministry of Health entered into a contract with Dar Engineering of Saudi Arabia in association with A+ Urban Technics Limited (Zambia), Nkonki & Associates (Zambia) and BCHOD Consulting Engineering (Zambia) to provide consultancy services for the design and supervision of the hospital at contract sums of US\$1,035,769 and K8,850,974.

On 2nd April 2020, an addendum was signed to convert the initial contract sum of K8,850,974 to the dollar amount of US\$887,746.66 bringing the total contract sum to US\$1,923,515.66.

As at 31st May 2022, the consultant had been paid amounts totalling US\$1,057,934.

However, the following were observed:

⊙ **Failure to Avail Tender Evaluation Reports on the Award of Contract to the Supervising Consultant**

Section 18 (1) of the Public Procurement Act No. 12 of 2008 states that “a procurement entity shall keep the records relating to the proceedings which records shall be open to inspection by the Authority.”

However, as at 31st July 2022, the tender documents had not been availed for audit. As a result, it was not possible to ascertain the competitiveness of the tender evaluation process in the engagement of the Consultant.

⊙ **Questionable Conversion of Contract Currency**

On 2nd April 2020, an addendum was signed to convert the kwacha contract sum of K8,850,974 to the dollar equivalent amount of US\$887,746.66.

The conversion rate used was K9.97 to US\$1. However, a review of the exchange rate at the time of conversion was K18.5 to US\$1 resulting in a loss to Government in that had the rate of K18.5 been used the amount converted was to be US\$478,431 and not US\$887,746.66.

The conversion was questionable in that it resulted in a loss of US\$409,316 to Government.

However, there was no justification for using a different rate other than the prevailing rate at the time of conversion.

○ **Contract for Construction Works**

On 2nd April 2020, the Ministry of Health entered into a contract with Zhong Ding International Engineering Company of Saudi Arabia in Joint Venture with Wah Kong Enterprises (Zambia) Limited for the construction of an 800 bed capacity King Salman Bin Abdul-Aziz Specialist Hospital in Lusaka District, at a contract sum of US\$126,274,599.58 exclusive of Value Added Tax (VAT), with a contract duration of thirty six (36) months.

On 12th July 2021, an addendum was signed to include the Value Added Tax (VAT) component which revised the contract sum to US\$146,478,535.51.

As at 31st May 2022, funds in amounts totalling US\$38,500,700 had been paid to the contractor leaving a balance of US\$107,977,835.50.

However, the following were observed.

⊙ **Failure to Avail Tender Evaluation Reports on the Award of Contracts to the Contractor.**

Section 18 (1) of the Public Procurement Act No. 12 of 2008 states that “a procurement entity shall keep the records relating to the proceedings which records shall be open to inspection by the Authority.”

However, as at 31st July 2022, the tender documents had not been availed for audit.

⊙ **Awarding of Contract without Confirmation of Availability of Funds**

Section 54 (2) (d) of the Public Procurement Act No. 12 of 2008, states that “no contract, purchase order, letter of bid acceptance or other communication in any form conveying acceptance of a bid or award of contract should be issued prior to among other things, confirmation that funding is available.”

A review of records revealed that the revised contract of US\$146,478,535.51 was beyond the US\$48,000,000 that was provided for civil works.

As at 31st May 2022, there was no evidence that the Government had secured additional funds or that the loan categories had been revised.

⊙ **Failure to Adhere to Payment Terms**

Clause No. 40 of the contract states that “the Employer shall pay the Contractor the amounts certified by the Project Manager, within sixty (60) days of the date of each certificate.”

As at 31st July 2022, amounts totalling US\$43,545,374.18 (K714,144,137) had been certified out of which amounts totalling US\$38,500,698.99 (K631,411,464) had been paid

leaving a balance of US\$5,044,675.19 (K82,732,673) which had been outstanding for periods of over 150 days.

⊙ **Project Status**

A review of the progress report dated 30th June 2022 prepared by the consultant revealed that the project status was at 34% completion stage.

• **Wasteful Expenditure - University Teaching Hospital (UTH)**

On 20th December 2012, the Ministry engaged Spectrum Architectural Consultants to undertake a conditional technical survey, development of design proposals and supervision of construction for the modernisation of the University Teaching Hospital (UTH), at a contract sum of K6,362,030 inclusive of Value Added Tax (VAT).

As at 31st March 2022, the consultant had been paid amounts totalling K4,919,219 leaving a balance of K1,442,811 and the contract was at 95% complete.

A review of the consultant's report dated 6th June 2018 revealed inadequacies in the initial structural design which resulted in additional expenditure in amounts totalling K13,128,205.

In a letter dated 10th October 2018, ZPPA advised the Ministry to seek legal guidance of the Attorney General with regards to recovery of damages from the consultant for developing a defective structural design.

In response the Controlling Officer stated that the matter of professional negligence by the consultant was reported to the Zambia Institute of Architects and the Engineering Institute of Zambia.

As at 31st July 2022, there was no evidence that the Ministry sought legal guidance from the Attorney General as guided by ZPPA.

g. Unsupported Payments

Public Finance Management Regulation No. 55 (a) of 2020 requires that a signatory ensures that original documents such as invoices, salary sheets and claim forms are attached to the payment voucher.

Contrary to the Regulation, payments in amounts totalling K1,891,024 were not supported with relevant documentation such as invoices, minutes of the Procurement Committee (MPC) and authorities among others.

29 Head: 46 Ministry of Health

Departments: Provincial Health Offices

District Health Offices

29.1 Mandate

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

29.2 Audit Findings

An examination of accounting and other records for the financial year ended 31st December 2021 carried out at the Provincial Health Offices (PHOs), selected District Health Offices (DHOs) and Hospitals and physical verifications of projects revealed the following:

a. Budget, Funding and Expenditure

In the Estimate of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K7,361,549,177 was made to cater for operations of provincial and district offices against which amounts totalling K6,545,362,848 were released resulting in an underfunding of K816,186,329.

In addition, there were other receipts amounting to K441,402,309 from user fees bringing the total funds available to K6,986,770,157.

As at 31st December 2021, amounts totalling K6,735,293,594 had been spent leaving a balance of K251,476,563.

b. Operational Matters

i. Clinical Care and Diagnostics Services

The Zambia Medicines and Medical Supplies Agency (ZAMMSA) Act No. 9 of 2019 stipulates that the functions of ZAMMSA among others are to procure, store and distribute medicines and medical supplies and ensure timely availability of medicines and medical supplies in public health facilities.

During the period under review, ZAMMSA procured and delivered various drugs and medical supplies to various facilities in the provinces.

However, the following were observed:

- **Unaccounted for Drugs and Medical Supplies – Mushindamo DHO-North Western Province**

Public Stores Regulations No. 16 stipulates 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, various drugs and medical supplies costing K60,226 received from ZAMMSA had not been accounted for in that there were no disposal details such as stock control cards and supply vouchers.

- **Expired Drugs**

A scrutiny of stock records and drug labels maintained at sixteen (16) stations revealed that drugs costing K2,613,546 expired during the period under review. See table 1 below.

Table1: Expired Drugs

No.	Province	Station	Amount K
1	Eastern	Petauke DHO	10,148
2		Lundazi Urban Clinic	633
3	North western	Mushindamo DHO	63,737
4		Mufumbwe DHO	1,622
5		Kabombo Hub	784,126
6	Luapula	Chembe DHO	436,985
7		Milenge DHO	136,098
8		Mwansabombwe DHO	62,122
9	Southern	Monze DHO	57,775
10		Namwala DHO	282,156
11	Lusaka	Lusaka PHO	208,030
12		Lusaka DHO	199,602
13		Chongwa DHO	242,240
14		Kafue DHO	52,100
15		Chilanga DHO	65,099
16		Luangwa DHO	11,073
	Total		2,613,546

As at 31st July 2022, the expired drugs had not been destroyed.

ii. Procurement of Goods and Services – Irregular Cash withdrawals

The Ministry of Finance Treasury and Financial Circular No.1 of 2021 guided controlling officers that no cash should be withdrawn for payments of subsistence allowances, fuel refunds and any other allowances as these should be paid directly into the beneficiary's account.

Contrary to the circular, amounts totalling K4,038,610 involving 223 transactions were paid as imprest to cater for payment of daily substance allowance and fuel to ninety eight (98) officers at seventeen (17) stations instead of paying directly into the beneficiaries' bank accounts. See table 2 below.

Table 2: Cash irregularly withdraw

No.	Province	Station	No. of Transactions	No. of Officers	Amount K
1	Eastern	Lumezi DHO	16	6	273,844
2		Sinda DHO	8	7	145,040
3		Petauke DHO	1	1	18,800
4		Kasenengwa DHO	1	1	5,090
5		Nyimba DHO	4	3	50,700
6	Central	Itezhi-tezhi DHO	3	2	33,060
7		Chitambo DHO	1	1	30,810
8	Northern	Senga Hill DHO	7	2	139,160
9		Lupososhi DHO	5	3	51,560
10		Luwingu DHO	2	2	47,960
11	Western	PHO-Mongu	14	8	518,813
12		Mongu DHO	81	28	1,861,730
13		Mulobezi DHO	20	5	184,080
14		Mwandi DHO	25	4	237,620
15		Lukulu DHO	12	8	68,132
16		Mitete DHO	12	10	54,161
17		Sioma DHO	11	7	318,050
		Totals	223	98	4,038,610

c. Accounting Irregularities**i. Unaccounted for Funds – Sioma DHO – Western Province**

During the period from January to September 2021, a total amount of K1,108,420 was drawn as accountable imprest by an Accounts Assistant to facilitate payment of daily subsistence allowance (DSA) to officers to carry out various activities. Out of the amounts drawn, K617,570 was applied on payment of DSA to officers and cash refunds leaving a balance of K490,850 unaccounted for as at 31st July 2022.

ii. Payments Made Without Raising Vouchers – Northern Province

The Public Finance Management Regulation No. 53 of 2020 states that, “an office holder processing a manual or electronic payment shall indicate on the payment voucher the authority against which expenditure is being incurred, the warrant number, the memorandum or minute and the written law authorising the expenditure”. Further, Regulation No. 17 (1) requires that the main cash book, ledgers and payment vouchers are maintained.

Contrary to the regulations, amounts totalling K1,048,307 were spent at two (2) stations without raising payment vouchers and it was therefore not possible to

ascertain whether the payments were duly authorized. It was further observed that no cashbooks were maintained by the two (2) stations during the period under review. See table 3 below.

Table 3: Payments without Payment Vouchers

No.	Station	No. of Transactions	Amount K
1	Lupososhi-DHO	124	893,567
2	Chilubi-DHO	30	154,740
	Total	154	1,048,307

d. Infrastructure Development

i. Construction of Boundary Fence – Chipata District

On 18th September 2019, Solus General Dealers was engaged to construct a boundary wall fence on the premises of Mchini Health Post at a contract sum of K274,000 for a duration of six (6) weeks. The scope of works included foundation excavation, concrete work, block work, internal plastering and structure steel works, among others.

The contractor took possession of the site on 30th September 2019 and as at 31st December 2021, the contractor had been paid amounts totalling K185,105.

A physical inspection of the site carried out in July 2022 revealed that the project had stalled, twenty-six (26) months after the expected completion date and the contractor was not on site. The outstanding works included structural steel works and internal plastering.

ii. Delayed Completion of Projects – Southern Province

• Kazungula District Hospital Phase I

In Paragraph 35 (a) of the Auditor General’s Report on the audit of accounts for the Republic for the financial year ended 31st December 2017, mention was made on the engagement of Mercury Lines (Z) LTD on 5th December 2014 for the construction of Kazungula District Hospital Phase I at a contract sum of K11,772,951. The completion period was thirty (30)

months commencing February 2015 to August 2017 and was later revised to 19th February 2019.

As at 31st August 2017, the contractor had been paid amounts totalling K8,801,997 for works done.

In their report for the Third Session of the Twelfth National Assembly, the Committee urged the Controlling Officer to put extra effort to ensure that the project is completed without any further delay and that the contractual rights of the Government are fully exercised where applicable.

A review of the status of the project and a scrutiny of records carried out in February 2022 revealed that the contractor had been paid an additional amount of K1,381,199 bringing the total amount paid to K10,183,196 leaving a balance of K1,589,755.

A physical inspection of the project revealed that as at 31st July 2022, the contractor was not on site and the project had delayed by over three (3) years.

e. Management of Assets

i. Failure to Change Ownership of Property – Ndola DHO – Copperbelt Province

On 3rd June 2000, Ndola District Health Office was granted authority via Minute No. CBP/53/11/26 to purchase property, House No. 1307 in Ndola. The contract/agreement of sale was executed on 14th November 2001 and an amount of K33,000 (K33,000,000 unrebased) was paid and the certificate of title was surrendered to the office.

However, as at 31st July 2022, twenty (20) years after the purchase of the property, change of ownership had not been done.

ii. Missing Motor Vehicle Engine

A physical inspection conducted at Mongu PHO revealed that a Mitsubishi Pajero vehicle registration No. GRZ 958 CL had been cannibalised in that the engine was missing and the matter was not reported to the police. See picture below.



Motor vehicle with Missing engine - GRZ 958 CL

iii. Unrepaired Motor Vehicle – Kazungula DHO – Southern Province

On 18th June 2021, motor vehicle Ambulance Toyota registration No. GRZ 162 CP was involved in a road traffic accident. However, the motor vehicle was not insured at the time of the accident and as at 31st July 2022, the vehicle remained unrepaired. See pictures below.



Unrepaired Vehicles

iv. Delayed Motor Insurance Compensation – Nyimba DHO

On 29th September 2019, Toyota Land Cruiser Reg. No ALM 2642 (Ambulance) belonging to Nyimba DHO was involved in a road traffic accident and was extensively damaged. See picture below.



Extensively Damaged Ambulance marooned at Nyimba DHO

At the time of the accident, the ambulance was comprehensively insured with ZSIC General Insurance. In this regard, on 31st December 2021, the District Health Office claimed for compensation from the Insurance Company. However, it is not clear why the DHO took two (2) years to make a claim when it is faced with transport challenges. As at 31st July 2022, the claim had not been honoured.

f. Management of Stores

i. Failure to account for Stores – Western Province

Public Stores Regulations No. 16 stipulates 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, stores items costing K2,350,595 (General stores – K2,344,359 and Fuel K6,236) procured during the period under review at six (6) stations had not been accounted for in that they lacked receipt and disposal details. See table 4 below.

Table 4: Unaccounted for Stores

No.	Station	No. of Transactions	General Stores Amount K	Fuel Amount K	Total K
1	PHO - Mongu	51	936,136	-	936,136
2	Mongu DHO	23	672,977	6,236	679,213
3	Mulobezi DHO	32	285,529	-	285,529
4	Mwanda DHO	11	69,525	-	69,525
5	Lukulu DHO	23	77,166	-	77,166
6	Mitete DHO	29	303,027	-	303,027
	Total	169	2,344,359	6,236	2,350,595

ii. Fuel Drawn by Vehicles not on the Stations Fleet – Central Province

During the period under review, fuel costing K113,203 was irregularly drawn from the fuel accounts at three (3) stations by thirty five (35) motor vehicles not part of the respective stations’ fleets. See table 5 below.

Table 5: Fuel Irregularly Drawn

No.	Station	Number of Vehicles	Amount K
1	Serenje DHO	19	61,869
2	Kapiri Mposhi DHO	14	49,837
3	Luano DHO	2	1,497
	Total	35	113,203

g. Management of Liabilities – Failure to settle Outstanding Bills

A review of records revealed that as at 31st December 2021, twenty-six (26) stations had outstanding bills in amounts totalling K385,436,724 owed to suppliers of goods and services, other personal emoluments and utility bills. See table 6 below.

Table 6: Outstanding Bills

No.	Province	Station	Utility/Suppliers Amount K	Personnel Emoluments Amount K	Total K
1	Eastern	Nyimba DHO	305,644	-	305,644
2		Petauke DHO	131,788	-	131,788
3	Northern	Senga Hill DHO	-	1,264,393	1,264,393
4	Luapula	Chienge DHO	1,859,628	-	1,859,628
5		Milenge DHO	285,183	2,654,898	2,940,081
6		Mwansabombwe	1,410,707	-	1,410,707
7	Copperbelt	PHO - Ndola	-	23,238,425	23,238,425
8		Ndola DHO	379,586	-	379,586
9		Kalulushi DHO	263,034	-	263,034
10	Southern	Choma - PHO	-	46,573,018	46,573,018
11		Gwembe DHO	-	2,123,938	2,123,938
12		Kalomo DHO	-	389,785	389,785
13		Kazungula DHO	50,356	-	50,356
14		Monze DHO	-	4,281,125	4,281,125
15		Namwala DHO	329,048	3,627,227	3,956,275
16	Muchinga	Lavushimanda DHO	-	323,922	323,922
17		Isoka DHO	11,660	1,712,376	1,724,036
18		Mpika DHO	-	6,301,877	6,301,877
19	Lusaka	Lusaka PHO	143,800,000	29,400,000	173,200,000
20	Western	Mongu PHO	-	-	41,850,866
21		Mongu DHO	-	-	64,377,010
22		Mulobezi DHO	-	-	2,256,947
23		Mwandi DHO	-	-	1,115,030
24		Lukulu DHO	-	-	3,431,968
25		Mitete DHO	-	-	906,831
26		Sioma DHO	-	-	780,454
		Total	148,826,634	121,890,984	385,436,724

As at 31st July, 2022 the position had not changed.

30 Head: 46 Ministry of Health - Hospitals

30.1 Mandate

The mandate of the Hospital is to provide access to curative and rehabilitative quality health care services to all Zambians at Tertiary level.

30.2 Audit Findings

An examination of accounting and other records for the financial year ended 31st December 2021 carried out at various hospitals revealed the following:

a. Budget, Funding and Expenditure

During the period under review, a provision of K110,033,731 was made to cater for operations at fifteen (15) Hospitals against which amounts totalling K123,064,840 were received resulting in an overfunding of K13,031,109.

In addition, amounts totalling K14,065,813 were brought forward from the year 2020, bringing the total funds available to K137,130,653. See table 1 below.

Table 1: Budget and Funding

No.	Institution	Budget K	Income K	Variance K	Opening Balance K	Total Available Funds K
1	Levy Mwanawasa University Hospital	26,655,138	23,614,369	(3,040,769)	4,542,646	28,157,015
2	Kitwe Teaching Hospital	23,289,976	38,399,213	15,109,237	4,552,921	42,952,134
3	Kabwe General Hospital	9,191,735	8,668,791	(522,944)	435,639	9,104,430
4	Kasama General Hospital	8,017,048	8,519,513	502,465	436,865	8,956,378
5	Lawanika General Hospital	7,981,529	6,760,125	(1,221,404)	531,039	7,291,164
6	Mansa General Hospital	4,615,376	3,315,240	(1,300,136)	936,400	4,251,640
7	Mazabuka General Hospital	3,021,680	2,777,587	(244,093)	385,286	3,162,873
8	Nchanga North General Hospital	6,470,118	7,896,599	1,426,481	343,945	8,240,544
9	Senanga General Hospital	2,050,635	2,495,267	444,632	273,107	2,768,374
10	Solwezi General Hospital	12,147,511	13,469,780	1,322,269	876,123	14,345,903
11	Chiengi District Hospital	1,218,423	1,218,423	-	172,541	1,390,964
12	Chilonga District Hospital	1,965,614	2,276,412	310,798	246,553	2,522,966
13	Mongu District Hospital	381,092	372,202	(8,890)	33,660	405,862
14	Mpulungu District Hospital	1,177,209	1,268,092	90,883	111,674	1,379,766
15	Serenje District Hospital	1,850,648	2,013,228	162,580	187,414	2,200,642
	Total	110,033,731	123,064,840	13,031,109	14,065,813	137,130,653

b. Levy Mwanawasa University Teaching Hospital

i. Operational Matters

Levy Mwanawasa University Teaching Hospital is a Class A Level 3 health facility which is required to provide the following levels of care; Outpatient

Department, Internal Medicine, Surgery, Paediatrics and Child Health; Obstetrics and Gynaecology, Pharmacy, Diagnostics and Imagery, Oncology, Emergency Services, Blood Bank, Rehabilitation, Psychiatry, Environmental Health, Biomedical Engineering, Support Services.

According to the National Health Care Standard of 2020 Levy Mwanawasa University Teaching Hospital is required to have an approved internship and Specialty Training Programme (STP) site and attached (linkage) to a Health Professions Council of Zambia (HPCZ) recognised Medical University.

An inspection and review of records of selected units at the hospital carried out in May 2022 revealed the following:

- **Pharmacy - Undelivered Laboratory Supplies**

A review of a shipment report obtained from ZAMMSA revealed that laboratory supplies costing K59,450 (LumiraDX SARS-COV-2Ag Test Strip Kit (48) – K18,257 and Sysmex XN 550-check L3, 8x3ml – K41,193) were delivered on order Nos. LAB110521D01 dated 18th May 2021 and LAB300921D11 dated 1st October 2021 respectively to Levy Mwanawasa Hospital.

However, the Goods Received Notes (GRN) were not availed for audit verification. Inquiries made with management revealed that the items were not received.

- **Support Services**

- **Inadequate staffing-Failure to meet the 80% employment threshold**

The National Health Care Standard No. 2.3.2 stipulates that the facility shall have a projected staff establishment that should be reasonable for the scope of service and that the facility shall work toward meeting at least 80% of its staff establishment at a minimum.

However, the hospital had a staff establishment of 3,455 out of which only 1,262 were filled resulting in 2,193 positions unfilled. The filled positions represented 37% of the total establishment. Inquiries made with management revealed that from the time the hospital was upgraded in June 2017, the key positions in all departments were not upgraded to suit the requirement of a third level University Teaching Hospital.

- **Non - Functional Incinerator**

The hospital had three (3) incinerators out of which two (2) were malfunctioning. Consequently, not all waste could be incinerated resulting in some waste piling up. See pictures below.



Malfunctional incinerator



Undisposed off waste

- **Laboratory services - Failure to Operate a Chemistry Analyser Programmed in Chinese**

Although the hospital had a Mindray BS-480 - chemistry analyser machine used for carrying out liver and kidney tests, inquiries with management revealed that the machine was not in use as the manual was written and the machine programmed in Chinese language.

- ii. **Management of Assets - Failure to Secure Title Deeds**

Section 41 (4) of the Public Finance Management Act No. 1 of 2018 requires that controlling officers ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, the Hospital had not secured a title deed for a parcel of land at which the Hospital was located.

iii. Procurement of Goods and Services

- **Circumvention of Procurement Procedures**

Section 12 (1) of the Public Procurement Act No. 8 of 2020 stipulates that a procuring entity should not structure a single procurement as two or more procurements. In addition, Section 58 (3) stipulates that a procuring entity should not split procurement requirements with the intention of avoiding a particular method of procurement, where that requirement could be procured as a single contract.

Contrary to the Act, amounts totalling K3,209,732 were paid to suppliers by splitting payments in order to avoid the threshold of the Senior Medical Superintendent of K30,000 thereby circumventing procurement procedures.

- **Uncompetitive Procurements**

Section 108 (2) of the Public Procurement Regulation of 2011, stipulates that the Procurement Unit should include sufficient bidders in a short list of bidders to ensure efficient competition, but in any case, should obtain not less than three (3) quotations.

Contrary to the regulation, food staffs costing K188,397 were procured without obtaining competitive quotations.

iv. Accounting Irregularities

- **Unapproved Payments**

Public Finance Management (General) Regulation No. 54 (1) of 2020 stipulates that where a hard copy payment voucher is used, the original of a payment voucher should be signed by a warrant holder, sub warrant holder or by any other authorized office holder.

Contrary to the regulation, thirty-seven (37) payments in amounts totalling K741,645 were processed without approval by the responsible officers.

- **Payments Made without Raising Vouchers**

Public Finance Management (General) Regulation No. 55 (c), 56(2) and 57 of 2020 stipulates that a Controlling Officer shall ensure that a payment is made to a person entitled to receive the payment and where an unauthorised payment is made, the office holder shall be held responsible and shall be surcharged with the amount paid and that a signatory should ensure that the relevant payment voucher is duly completed.

Contrary to the regulation, twelve (12) payments in amounts totalling K222,600 were processed without raising payment vouchers.

- **Missing Payment Vouchers**

The Public Finance Management (General) Regulation No. 72 (1) of 2020 stipulates that a payment voucher with supporting documents, and any other forms which support a charge entered in the accounts, should be filed, secured against loss, and be readily available for audit.

Contrary to the regulation, thirty five (35) payment vouchers in amounts totalling K473,768 processed during the period under review were not availed for audit.

- **Unsupported Payments**

Public Finance Management (General) Regulation No. 46 of 2020 stipulates that a payment voucher relating to purchases should be supported by a purchase order, the supplier's invoice and proof of delivery or performance.

Contrary to the regulation, thirty three (33) payments in amounts totalling K613,679 were not supported with documents such as goods received notes, goods issue notes, memos, receipts and quotations among others.

c. Kitwe Teaching Hospital

i. Operational Matters

Kitwe Teaching Hospital is a Class A Level 3 health facility which is required to provide the following levels of care Outpatient Department, Internal Medicine, Surgery, Paediatrics and Child Health; Obstetrics and Gynaecology, Pharmacy, Diagnostics and Imagery, Oncology, Emergency Services, Blood Bank, Rehabilitation, Psychiatry, Environmental Health, Biomedical Engineering and Support Services.

In addition to being a level 3 facility, Kitwe Teaching Hospital is a University Teaching Hospital which according to the National Health Care Standard of 2020 is required have an approved internship and Specialty Training Programme (STP) site and attached (linkage) to a Health Professions Council of Zambia (HPCZ) recognised Medical University.

An inspection and review of records of selected units at the hospital carried out in July 2022 revealed the following:

● **Diagnostics and Imagery**

Diagnostics and Imagery level of care mainly has two (2) units namely Laboratory and Medical Imaging Services. The Laboratory unit under Teaching Hospitals is required to have subunits such as haematology, parasitology, microbiology, Ultrasound, X-Ray Imaging, Mammography Service, Computerised Tomography Scan (CT scan), Magnetic Resonance Imaging (MRI) among others.

The following were observed:

○ **Laboratory Services - Lack of Storage Space**

There was inadequate storage space at the laboratory storeroom for both the equipment and medical supplies resulting in storing of items in the corridors of the laboratory. It was further observed that the supplies were stored on the floor and not on the pellets.

- **Medical Imaging Services**
 - ⊙ **Non-functional Computerized Tomography Scan (CT scan)**
The hospital's CT scan unit has not been functional since 2019.
 - ⊙ **Lack of key Medical Imaging Services/Procedures**
The National Health Care Standard No. 1.2.2 read together with Standard 6 require various medical imaging services or procedures to be in place for a Tertiary Hospital.
Contrary to the standard, the Hospital did not have the following equipment:
 - ⊙ **Magnetic Resonance Imaging (MRI)**- the machine is used to carry out tests that produce very clear images of the organs and structures inside the body for diagnostic purposes.
 - ⊙ **Mammography** – the equipment is used for screening for cancer of the breast and any other breast condition using X-rays before women experience cancer symptoms.
 - ⊙ **Cath Lab** – the machine is used to undertake Cardiac catheterization, an X-ray procedure used to examine how well the heart is functioning.
 - ⊙ **Dexan Scan** – the equipment is used to carry out bone scans.
 - ⊙ **Non- Functional X-RAY Machines**
 - ⊙ **Dysfunctional Fluoroscopy Component-Analog X-Ray Machine 1**
The machine was old and no longer performs fluoroscopy procedures. A fluoroscopy procedure is an imaging technique that gathers real-time moving images using a fluoroscope of internal structures of patients.
 - ⊙ **Digital X-Ray Machine 2 – Lack of a Printer**
National Health care standard 6.3.6 requires the Radio Imaging processing system for an X-ray to have a digital enabled system with an x-ray image printer.

Contrary to the standard, the digital X-ray machine did not have a printer.

- **Psychiatry (Mental Health Services) Section**

The National health Care Standard No. 11 of 2020 outlines the minimum requirements a Teaching Hospital facility should comply with, such as ensuring the provision for the seclusion of violent patients by building a well reinforced accommodation and where the Mental Health Hospital is part of a larger health facility to ensure it is secured with a separate perimeter fence. The fence must be a minimum of three (3) metres in height; the ceiling must be very high (minimum of 3 metres) with no latching points to prevent suicide. Electrical fittings should be vandal proof among other requirements.

Standard 11.1.2 further stipulates that the mental health section is required to be adequately staffed with appropriately qualified full-time personnel notably a Psychiatrist; Psychologist; Clinical Officer Psychiatrist; Registered Mental Health Nurses; General Doctors, nurses, paramedical and support staff.

However, the following were observed:

- **Lack of Key Mental Health Staff**

The Hospital mental health section did not have any Psychiatrist, Psychologist or a Clinical officer Psychiatrist and only had three (3) registered Mental health Nurses.

- **Poor State of the Mental Health Facility**

The Hospital mental health facility was housed in an old three (3) bedroomed house which was dilapidated. In particular, the following were observed:

- ⊙ The facility was not secured in a perimeter wall fence,
- ⊙ There was no provision for the seclusion of violent patients, and
- ⊙ The hospital had no provision for inpatient psychiatric services.

- **Non-functional Electroencephalogram (EEG) Machine**
The EEG machine is a key basic equipment required for use in psychiatry. However, the EEG machine was not functional.
- **Neonatal Health Care Services - Lack of Resuscitating/Respiratory Support Equipment**
The Neonatal Intensive Care Unit had no Continuous Positive Airway Pressure (CPAP) used for respiratory support in premature infants. Further, there were only seven (7) incubators which were shared by three (3) to four (4) infants due to their inadequacy.
- **Support Services**
 - **Lack of Oxygen Plant**
The Medical Equipment Standard Lists stipulates that the Hospital must have an Oxygen Plant to enable effective and efficient supply of oxygen for patients.
Contrary to the Standard, the Hospital operated without an oxygen plant. Consequently, the Hospital spent a total amount of K963,775 during the period under review in respect of subsistence allowances and fuel to transport oxygen cylinders from Mansa, Ndola and Lusaka to Kitwe.
 - **Mortuary Unit**
The National Health Care Standards No. 23.3 (1-17) of 2020 stipulates that the Mortuary should have among other things, adequate disinfectants, perimeter fence with two gates: mourners' entry/exit gate and the internal gate into the hospital, adequate functional temperature regulated mortuary units, floor made of terrazzo, appropriate boots, gloves, and clean uniform for the Mortuary attendants. In addition, the mortuary should have a roofed corridor connected to the wards with windows and fixtures in a good state of repair. Further, Medical Equipment Standard List for Level 3

Hospitals requires that the Mortuary facility has a capacity of 300 body trays.

However, the following were observed:

⊙ **Lack of adequate Mortuary units**

The Hospital Mortuary had sixty-four (64) mortuary trays resulting in a deficit of 236 trays.

⊙ **Failure to Maintain the Mortuary Building and Equipment**

One (1) of the washing bays had no taps and part of the ceiling board was stained and damaged due to leakages.

ii. Outpatient Department (OPD)

The National Health Care Standard 2020 No. 3.3 requires the Outpatient Services under Teaching Hospitals to have units such as Casualty, Emergency Ward and Dental services. Further, the facility should have a treatment room where medication, dressings and injections are carried out.

However, the following were observed:

● **Dental Surgery Services - Lack of Adequate Functional Equipment**

The National Health Care Standard 2020 No. 8.2.2 stipulates that the facility should provide a room which should have a functional dental chair, complete with a functional compressor and lamp, high-speed and slow-speed hand pieces, ultrasonic scaler, a suction unit with a patent drainage system and an optional oral camera system.

Further, the room should be equipped with a functional distiller or access/availability of distilled water, and it should be equipped with, BP machine and thermometer to carry out Dental Surgery Services. However, the following were observed:

⊙ **Non-Functional Dental X-ray Machines**

Dental X-ray machines help dentists to diagnose the problems in the teeth and jaws. The Hospital had three (3) Dental X-ray machines out of which two (2) were not functional.

⊙ **The Orthopantomogram (OPG)**

The OPG is the panoramic scanning dental X-ray of upper and lower jaws. The facility had one (1) machine which had been out of service since 2019.

⊙ **Lack of Key Dental Instruments**

The unit lacked key dental instruments such as distal and mesial Cryer elevators, the straight elevators and Coup land elevators, and left and right James Warwick elevators, the right and left angled apex double elevators which are instruments used in dental extractions.

iii. Management of Medical Schemes

● **Failure to Collect Medical Fees-Partnership for Medical Services with the Community (PAMSCO) Medical Scheme**

The Hospital offers premium health services through the Out-Patient Department called PAMSCO situated in the Central Business District of Kitwe. The facility is an addition to the high-cost facility at the main hospital.

The scheme offers premium services to the community at a prepaid fee and the revenue raised is used to supplement Government funding mainly by stocking of essential medicines and surgical supplies, rehabilitation of old dilapidated infrastructure, environmental health and the procurement of laboratory consumables.

During the period under review, the Hospital failed to collect amounts totalling K1,273,185 from sixty two (62) corporate clients.

In addition, there were no signed service level agreements availed for audit to ascertain the conditions management agreed upon with clients in situations of non-payment.

● **Failure to Comply with NHIMA Guidelines**

During the period under review, Kitwe Teaching Hospital provided medical services to patients registered under the NHIMA scheme. It was however

observed that NHIMA rejected claims in amounts totalling K300,818 for various reasons such as stale claims, billing of services not on the NHIMA package, missing pre-authorization codes and diagnosis.

iv. Management of Liabilities - Failure to Settle Outstanding Bills

As at 31st August 2022, the Hospital had outstanding obligations in amounts totalling K24,257,452 in respect of personnel related and other obligations for supply of goods and services, some dating as far back as 2008.

d. Kabwe General Hospital

i. Operational Matters

Kabwe General Hospital is a Class A Level 2 health facility which is required to provide the following levels of care; Outpatient Department, Internal Medicine, Surgery, Paediatrics and Child Health; Obstetrics and Gynaecology, Pharmacy, Diagnostics and Imagery, Emergency Services, Blood Bank, Psychiatry, Environmental Health and Support Services.

In order to operate effectively, each of these levels of care consist of various units and subunits such as clinics, wards and intensive care units.

An inspection and review of records of selected units at the hospital carried out in May 2022 revealed the following:

- **Failure to Upgrade the Hospital to a Level 3 Facility**

The Ministry of Health Approved Structure report of February 2018 Paragraph 8.2 stipulates that Level 2 Hospitals are Facilities at a Provincial level intended to cater for a catchment area of 200,000 to 800,000 people while level 3 hospitals are designed to cater for a catchment population of more than 800,000 people.

Contrary to the requirement, Kabwe General Hospital had not been upgraded to a level 3 facility despite having a population of 1,375,710 as per 2010 National Census.

- **Pharmacy**
 - **Undelivered Drugs**

Drugs and medical supplies costing K32,656 dispatched from ZAMMSA during the period under review were not received by the hospital as at 31st August 2022.
 - **Wasteful Expenditure - Expired Drugs**

A scrutiny of stock records and drug labels revealed that drugs costing K485,003 expired during the period from June 2021 to March 2022.
- **Diagnostics and Imagery**
 - **Non-functional Electrolyte Analyser-Bio-Chemistry Section**

The machine is used to conduct electrolytes tests required in the management of cases such as renal failure, cardiac diseases and meningitis.

It was however observed that the electrolyte analyzer and the fridge used for the sample storage were not functional.
 - **Haematology Section – Lack of Equipment for Diagnosis of Diseases**

Equipment for diagnosis of diseases of the blood namely Haematology analyser (XT 1800i) and Cluster of Differentiation 4 (CD4) were not functional.
- **Blood Bank Services**
 - **Non-Operational Blood Screening Machine**

The blood screening machine is used to detect indications of infection in order to prevent the release of infected blood and blood components. It is also used to carry out blood cells count, blood types and checking the presence of antibodies among others.

However, it was observed that the machine had not been functional since 2019. As a result, donated blood was taken to Ndola or Lusaka for screening.

- **Non-functional Blood Storage Refrigerators**

Out of eleven (11) refrigerators at the Hospital, only three (3) were working while eight (8) refrigerators were non – functional.

- **Environmental Health and Safety**

The National Health Care Standard No. 23 of 2020 on Environmental Health and Safety require a facility to ensure a licenced staff is engaged to manage environmental, health and safety services as well as a designated person overseeing Infection Prevention and Control (IPC) activities such as Food Safety, Waste Management, Noise Levels, Water Quality and Fire Prevention Control.

A review of records and physical inspections carried out in May 2022 revealed the following:

- **Dilapidated Sewerage Infrastructure**

The sewer system network at Kabwe General Hospital was originally designed with an on-site waste treatment plant. However, the waste treatment plant was not functional in that the sewer pipes were vandalized, blocked and had malfunctioning valves.

Further, the two (2) sewer pumps were not functional due to vandalised and obsolete equipment such as valves and pipes.

- **Irregular Discharge of Sewage Waste**

Sections 63 (c) and 64 of the Public Health Act Chapter 295 of the Laws of Zambia on the disposal of sewage requires that sewage filter installations, or other works for the treatment, reception or disposal of

sewage be sufficiently covered over, adequately ventilated and protected.

Contrary to the Act, the hospital was discharging raw or untreated sewerage waste through an open drainage into the water pond located at Kabwe Golf Club resulting in contamination of the environment.

- **Maternity (Delivery Ward) Services**

The National Health Care Standard No. 18 requires a hospital to maintain a maternity section which should have among other things, adequate staff, adequate infrastructure, equipment and supplies, post-natal care of mothers and infection prevention and control.

A physical inspection carried out in May 2022 in the wards and units of the hospital revealed the following:

- **Inadequate Medical Equipment**

The medical equipment at the ward was either not functional or inadequate as shown in tables 2 and 3 below.

Table 2: Inadequate Equipment

No.	Equipment	Availability	Current Status/	Ideal State/ Required	Implication
1	Autoclaving Machine	1	Not Functioning	1	The autoclave is used to sterilise the equipments that are used on expectant mothers - Therefore, infection prevention is compromised.
2	Penguin Suckers	1	Inadequate	20	Compromise resuscitation of babies who aspirate during delivery
3	Foetoscope	1	Inadequate	30	Delayed prompt delivery of maternal services . Each midwife is supposed to have a fetoscope.
4	Suctioning Machine	1	Inadequate	5	Delayed management of mothers and babies can led to loss of life.
5	Resuscitaire	1	Inadequate with Malfunctioning light	5	Provision of warmth to the babies is not adequate as one resuscitaire should accomodate one baby.
6	Vacuum Extractor	4	2 - Functioning. 2 - Malfunctioning. Inadequate	8	Delayed prompt intervention of second stage of labour (delivery of baby)

Table 3: Inadequate Equipment - Special Care Baby Unit

No.	Equipment	Availability	Current Status/	Ideal State/ Required	Implication
1	Incubators	3	Inadequate	20	Inquiries made revealed that infection prevention is compromised since babies share the incubators most of the time.
2	Continuous Positive Airway Pressure Machine	Nil	-	3	The equipment is used to help babies with breathing problems - Difficult in treating of respiratory distress syndrome in babies.
3	Small Suctioning Machine	1	Suctioning machine being used is meant for adults.	2	Inquiries made revealed that using Suctioning machines meant for adults on babies may have negative connotations on babies.
4	Resuscitaire	Nil	-	1	Resuscitation of babies is delayed.

ii. Accounting Irregularities

• **Uncollected Revenue – Medical Schemes (Corporate Clients)**

Public Finance Management (General) Regulation No. 10 (2) (C) of 2020, requires a revenue collector to report to a controlling officer or accounting authority a failure by a public body to collect revenue.

Contrary to the regulation, amounts totalling K174,945 in respect of medical bills by six (6) institutions under the High Cost Social Health Scheme had not been collected as at 31st August 2022.

• **Unpaid and Rejected Claims Under NHIMA Scheme**

Section 38 of the National Health Insurance Act No. 2 of 2018 requires an accredited health care provider to manage the patient records system and ensure accurate and expedient, submission of claims in accordance with prescribed procedures.

A review of the National Health Insurance Scheme registers, claims and reconciliations revealed that the hospital processed 5,232 transactions out of which claims amounting to K3,754,594 were made.

However, only amounts totalling K2,481,519 were paid while K766,996 was withheld as cap amortization by NHIMA leaving a balance of K506,079 which was not paid by NHIMA resulting in loss of revenue.

iii. Management of Assets

- **Poor State of Ambulances**

During the period under review, the Hospital had five (5) ambulances of which three (3) were non-runners. See pictures below.



GRZ 196 – Non runner



GRZ 146 - Non runner



GRZ 114 Non runner

- **Theft of Institutional Assets**

The Public Finance Management Act of 2018 No. 41 (1) stipulates that a controlling officer is responsible for the management of public assets and stores of the Head of Expenditure.

However, a review of the asset register, security reports provided for audit and inquiries with management revealed that during the period under review, the hospital lost various items through theft. The items included three (3) laptop computers whose value could not be ascertained, a CX23 microscope (valued at K36,000), BP machine, syphilis and pregnancy test kits (valued at K27,373) and thirteen (13) unvalued motor vehicle batteries.

Further, there was no evidence that the cases were reported to police.

iv. Management of Liabilities

- **Failure to Settle Outstanding Bills**

As at 31st August 2022, the Hospital had outstanding bills in amounts totalling K2,230,470 in respect of utility bills and supplies of goods and services some dating as far back as 2019. See table 4 below.

Table 4: Outstanding Bills

No.	Details	Amount K
1	Utilities	2,044,112
2	Medical Supplies	90,621
3	Other (Food Stuff, General Stores)	95,737
	Total	2,230,470

- **Failure to Settle Staff Obligations**

As at 31st August 2022, the hospital owed former and existing employees amounts totalling K8,845,398 in respect of settling in allowances, terminal benefits and salary arrears among others. See table 5 below.

Table 5: Unsettled Staff Obligations

No.	Details	Amount K
1	Settling in Allowances	2,972,089
2	Long Service Bonus	3,896,975
3	Salary Arrears	213,500
4	Terminal Benefits	1,087,490
5	Loading and Offloading Allowances	117,499
6	Leave Travel Benefits	516,507
7	Leave Travel Benefits	41,338
	Total	8,845,398

e. Kasama General Hospital

i. Operational Matters

Kasama General Hospital is a Class A Level 2 health facility which is required to provide the following levels of care; Outpatient Department, Internal Medicine, Surgery, Paediatrics and Child Health; Obstetrics and Gynaecology, Pharmacy, Diagnostics and Imagery, Emergency Services, Blood Bank, Psychiatry, Environmental Health and Support Services.

In order to operate effectively, each of these levels of care consist of various units and subunits such as clinics, wards and intensive care units.

An inspection and review of records of selected units at the hospital carried out in May 2022 revealed the following:

- **Delayed Completion of Rehabilitation of Patients' Ward**

On 21st September 2020, Kasama General Hospital engaged Crambus General Dealers to rehabilitate one of the old buildings at the hospital and convert it into a Psychiatry ward at a contract sum of K213,062 with a delivery period of two (2) months.

The contractor was expected to start works on 21st September 2020, with a completion date of 21st November 2020.

The scope of works included demolition of the old building and removal of debris, extending foundation, slab, super structure, roofing, painting, glazing, plumbing and electricals. As at 31st July 2022, the contractor had been paid a total amount of K211,607 leaving a balance of K1,456 as retention fees.

A physical inspection carried out in August 2022 revealed that although the structure had been roofed and the contractor was on site, the project had delayed for over twenty (20) months and there was no evidence that the contract had been extended.

The following works were still outstanding:

- fitting of window panes;
- painting;
- construction of drainage; and
- fitting of ceiling board.

- **Pharmacy**

- **Failure to Retain Prescriptions - Dispensary**

The National Health Care Standard No. 4.2.2 requires the dispensary of the Class A level 2 facility to have a written prescriber's policy and retain the prescriptions for at least two (2) years.

Contrary to the standard, the Hospital had no prescriber's policy in place. In addition, the facility did not retain any prescriptions for the drugs dispensed in the past two (2) years and therefore, it was not possible to establish whether, the drugs were supplied to the patients.

- **Lack of Storage Facility – Laboratory and Bulk Stores**

The laboratory and bulk stores for both equipment and medical supplies did not have adequate shelves resulting in some of the medical supplies being piled up to the roof and walkways. See pictures below.



Piled medical supplies boxes

- **Lack of Key Equipment – Environmental Health**

The Medical Equipment Standard List for 2nd Level Hospitals outlines equipment for the Environment, Health and Safety department.

Contrary to the standard, the Environmental Health and Safety Department did not have twenty two (22) key equipment which included sound detector apparatus/ noise level meter, scales (volumetric measurement vessels), B2P micro magic water tester, meat inspection kit, rodent control apparatus and smoke detectors.

- **Support Services**

- **Failure to Establish an Oxygen Plant**

The Medical Equipment Standard List for Second level Hospitals stipulates that the Hospital must have an Oxygen Plant to enable effective and efficient supply of oxygen for patient use.

Contrary to the Standard, Kasama General Hospital operated without an oxygen plant. Consequently, the Hospital spent a total amount of K40,381 during the year under review in subsistence allowances and fuel to transport oxygen cylinders from Mansa and Lusaka.

- **Poor State of Ambulances**

The hospital had two (2) ambulances which were in a poor condition. It was further observed that one (1) ambulance registration No. GRZ 932 was packed at a garage in Lusaka while the other one registration No. GRZ 931 was hardly functional due to constant break downs. See picture below.



Broken down Ambulance
parked at the ambulance bay

- **Lack of Adequate Mortuary Units**

The Medical Equipment Standard Lists for 2nd level Hospitals states that the Hospital must have a capacity of 100 mortuary units.

Contrary to the Standard, the Hospital only had twelve (12) mortuary units. It was further observed that one (1) of the two (2) compressors for the mortuary units had broken down and had neither been repaired nor replaced as at 31st July 2022.

- **Poor Medical Records Management**

The hospital did not have adequate space and shelves for storage of medical records resulting in poor management of medical records. Further, it was observed that some patient records had been destroyed by termites. See pictures below.



Medical records destroyed by termites

ii. Rehabilitation Services

- **Poor State of the Physiotherapy Unit**

The equipment in the unit was in poor condition and it was observed that sixty-nine (69) key equipment, among them the ultrasound therapy equipment, interferential therapy combination; interrupted direct current; microwave therapy equipment; infrared radiation equipment required for the proper functioning of the unit were not available.

- **Lack of a Prosthetics and Orthotics Section**

The hospital Rehabilitation unit did not have a prosthetic and orthotics section to assist patients who may need artificial aids or devices.

iii. Blood bank Services

- **Lack of Vital Blood Transfusion Equipment**

The Centre lacked vital machinery and equipment which included HemoCue HB 301 Machine (measures the blood levels of the donor) and Blood Weighing Machine (weighing blood). Consequently, the hospital was unable to carry out key testing procedures such as Apheresis and Individual Donor Nucleic acid testing.

- **Non - Functional ICT blood Transfusion Management System**

The Smart-Donor software had been non-functional for more than three years. As a result, the centre had not implemented any ICT platform such as Blood Safety Information System (BSIS) that would provide solutions to

and improve the management of the blood transfusion processes as outlined in the national health strategic plan.

iv. Failure to Provide Medical Equipment/Instruments - Medical Wards

The National Health Care Standard No. 16.2.1 of 2020 stipulates that medical wards should have adequate equipment and supplies for handling medicals. Further, the Medical Equipment Standard List for 2nd Level Hospitals outlines equipment required for a medical ward.

The following were observed:

- **Female Medical Ward**

The ward did not have forty-two (42) lifesaving equipment such as a cardiac table, defibrillator, oxygen cylinder with inhalation set or oxygen concentrator, pulse oximeter, patient monitor and infusion pumps. It was also observed that linen was inadequate and stained and the plumbing fittings in the toilets were broken down leading to water leakages.

- **Maternity Ward**

The ward did not have requisite equipment such as suction units, oxygen units, resuscitaire, vacuum delivery set (including vacuum extractor machine), Doppler, foetal scope, cardiac table, oxygen supply, High dependency unit and BP machines. It was also observed that newly born babies were sharing resuscitative and phototherapy machines instead of one machine per infant.

In addition, out of eight (8) heaters, only two (2) were functional, thereby exposing the pre-mature babies to hypothermia and possible death while oxygen concentrators meant for one baby were improvised to supply several babies.

v. Failure to Collect Revenue - Medical Fees

Public Finance Management (General) Regulation No. 10 (2) (C) of 2020 requires a revenue collector to report to a controlling officer or accounting authority a failure by a public body to collect revenue.

Contrary the regulation, amounts totalling K162,089 in respect of medical bills owed by nineteen (19) companies under the High Cost Social Health Scheme had not been collected as at 31st July 2022.

f. Lewanika General Hospital

i. Operational Matters

Lewanika General Hospital is a Class A Level 2 health facility which is required to provide the following levels of care; Outpatient Department, Internal Medicine, Surgery, Paediatrics and Child Health; Obstetrics and Gynaecology, Pharmacy, Diagnostics and Imagery, Emergency Services, Blood Bank, Psychiatry, Environmental Health and Support Services.

In order to operate effectively, each of these levels of care consist of various units and subunits such as clinics, wards and intensive care units.

An inspection and review of records of selected units at the hospital carried out in April 2022 revealed the following:

- **Paediatrics and Child Health**

- **Lack of Mattresses in the Wards**

- The Male and Female TB wards and the Male and Paediatric Intensive Care units had thirty- nine (39) bed spaces out of which only three (3) beds had mattresses. See table 6 below.

Table 6: Lack of Mattresses

No.	Ward	Number of Beds	Number of Mattresses Available	No. of shortages of Mattresses
1	Male Intensive Care Unit	8	0	8
2	Paediatric Intensive Care Unit	8	0	8
3	Male TB Ward	10	1	9
4	Female TB Ward	13	2	11
Total		39	3	36

- **Support Services**

- **Failure to Maintain Medical Equipment**

Medical equipment for the hospital which included slit lamp, fundus camera, washing machine and visual field analyser had broken down and was not isolated and labelled as out of service.

- **Failure to Maintain the Kitchen Unit**

The kitchen was in a deplorable state in that the ceiling board and the concrete table were worn out. See pictures below.



Worn out ceiling board



Worn out Kitchen concrete table

- **Failure to Maintain Old Administration Block**

The hospital premises had an Old Administration Block which was dilapidated in that the building had cracks, collapsed walls and blown off roof.

ii. Accounting Irregularities

- **Failure to Maintain a General Revenue Cashbook**

Public Finance Management (General) Regulation No. 133 (1) of 2020 stipulates that an office holder who collects revenue should keep a General Revenue Cash Book in Accounts Form VI set out in the Schedule which should be updated daily or immediately revenue is received or collected.

Contrary to the regulation, the hospital did not maintain a daily revenue cash book for the period under review. Consequently, the completeness of revenue collected in amounts totalling K1,405,376 could not be validated.

- **Delayed Banking**

Public Finance Management Regulation No. 128 (1) of 2020 stipulates that an office holder who receives or collects revenue should deposit the revenue not later than the next business day following the day of receipt of revenue.

Contrary to the regulation, there were delays of periods ranging from two (2) to thirty four (34) days in banking revenue in amounts totalling K811,676 collected during the period under review.

- **Casualisation of Labour**

The Employment Act No. 3 of 2019 stipulates that a body corporate that engages a casual employee for a job that is permanent in nature commits an offence and is liable upon conviction.

Contrary to the Act, the Hospital employed fourteen (14) casual workers for jobs that were permanent in nature during the period under review. The workers were paid amounts totalling K165,173 for the period they were employed on a casual basis.

iii. Lack of Title Deeds for Properties

Section 41 (4) of the Public Finance Management Act No. 1 of 2018 requires that controlling officers ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, the Ministry had not secured a title deed for a parcel of land on which the Hospital is located.

iv. Failure to Settle Outstanding Bills

As at 31st August 2022, the hospital had outstanding obligations in amounts totalling K9,388,917 in respect of personnel related and other obligations for supply of goods and services, some dating as far back as 2012.

g. Mansa General Hospital

i. Operational Matters.

Mansa General Hospital is a Class A Level 2 health facility which is required to provide the following levels of care; Outpatient Department, Internal Medicine, Surgery, Paediatrics and Child Health; Obstetrics and Gynaecology, Pharmacy, Diagnostics and Imagery, Emergency Services, Blood Bank, Psychiatry, Environmental Health and Support Services.

In order to operate effectively, each of these levels of care consist of various units and subunits such as clinics, wards and intensive care units.

An inspection and review of records of selected units at the hospital carried out in May 2022 revealed the following:

- **Failure to Upgrade the Hospital to a Level 3 Facility**

The Ministry of Health approved structure report of February 2018 Paragraph 8.2 states that Level 2 hospitals are facilities at a provincial level intended to cater for a catchment area of 200,000 to 800,000 people while level 3 hospitals are designed to cater for a catchment population of more than 800,000 people.

Contrary to the requirement, Mansa General Hospital had not been upgraded to a level 3 facility despite the 2010 Census showing that Luapula Province had a total population of 1,127,453 with a 3.4% growth rate. In this regard, the projected population for the Province for the year 2021 stood at 1,549,114 which was more than the maximum catchment population of 800,000 people for a General Hospital.

- **Pharmacy**

The National Health Care Standards No. 4 of 2020 require level 2 hospitals Pharmaceutical services to include units such as Dispensary, Bulk store (Drugs and Medical Supplies) and Drug Preparation room.

A scrutiny of records and physical inspection carried out in May 2022 revealed the following:

- **Lack of Adequate Storage Space for Drugs-Bulk Stores**

The bulk stores did not have adequate space and some boxes of various medical supplies were being kept in the laundry room. Consequently, the drugs were exposed to unfavourable storage conditions that could cause damage or reduction in shelf life of essential medicine.

- **Failure to Stock Essential Medicines**

The National Health Care Standards No. 22.6.7 of 2020 requires the hospital to stock appropriate and adequate mandatory essential medicines. The Zambia Essential Medicines List guides on the essential medicines that should be stocked by the hospital.

However, a review of stock out reports revealed that the hospital had a stockout of 323 different types of essential medicines which ran out every month through out the year.

An inquiry with management revealed that despite the hospital placing orders with the ZAMMSA on time, the medicines were not delivered.

- **Diagnostics and Imagery**

- **Failure to Repair Computerised Tomography (CT) Scan**

The CT scan for the hospital had been non-functional from November 2021. As at 31st July 2022, the machine had not been repaired and consequently, the hospital was unable to provide scanning services to patients.

- **Failure to Repair a Mammogram Imaging Machine**

The radiology department did not have a functional mammogram imaging machine which is an essential tool in the diagnosis of breast cancer. Inquiries with management revealed that the machine became non-functional as a result of damaged control console.

It was also revealed that the broken-down control console was taken by a biomedical team from the Ministry Headquarters for possible replacement. However, as at 31st July 2022, the control console had not been replaced and the machine remained non-operational.

- **Support Services**

- **Non-Functional Oxygen Plant**

The hospital operated an oxygen plant that supplied oxygen to the whole of Luapula and Northern Provinces.

The plant stopped functioning in April 2022 and required servicing in order to operate. It was further revealed that the plant was last serviced in November 2021 and was due for service in April 2022. However, the service could not be undertaken as the contract with the service provider was terminated in December 2021.

As at 31st August 2022, the plant remained non-functional.

- **Failure to Maintain Mortuary Units**

The National Health Care Standard No. 23.3.8 of 2020 requires the hospital to have adequate functional mortuary units. In addition, the Medical Equipment Standard List for a level 2 hospital requires mortuary units of such facilities to have a capacity of 100 bodies.

However, a physical inspection of the mortuary revealed that the hospital had five (5) mortuary units (fridges). Out of the five (5) mortuary units, only two (2) with a capacity of fifteen (15) bodies were working.

As a result, a shelf in one of the units meant to accommodate one (1) body was used to accommodate two (2) or three (3) bodies.

- ii. **Management of Assets**

- **Failure to Collect Receivables**

Amounts totalling K538,287 that accrued from as far back as 2016 in respect of medical bills by twenty-one (21) institutions under the High Cost Social Health Scheme had not been collected as at 31st July 2022.

- **Failure to Secure Title Deed for Properties**

Section 41(4) of the Public Finance Management Act No. 1 of 2018 requires Controlling Officers to ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, the hospital did not secure the title deed for the parcel of land on which the hospital is located.

- iii. **Failure to Settle Outstanding Bills**

As at 31st December 2021, the hospital had outstanding obligations in amounts totalling K12,241,498 in respect of personnel related and other obligations for supply of goods and services, some dating as far back as 2003.

h. Mazabuka General Hospital

i. Operational Matters

Mazabuka General Hospital is a Class A Level 2 health facility which is required to provide the following levels of care; Outpatient Department, Internal Medicine, Surgery, Paediatrics and Child Health; Obstetrics and Gynaecology, Pharmacy, Diagnostics and Imagery, Emergency Services, Blood Bank, Psychiatry, Environmental Health and Support Services.

In order to operate effectively, each of these levels of care consist of various units and subunits such as clinics, wards and intensive care units.

An inspection and review of records of selected units at the hospital carried out in May 2022 revealed the following:

- **Diagnostics and Imagery**

- **Lack of Radiology Licence**

Section 21 (1) of the Ionising Radiation Protection Act No. 19 of 2011 stipulates that any person who intends to use radioactive material or other sources of dangerous ionizing radiation should apply to the Radiation Protection Authority Board for an appropriate licence to use radioactive material.

Contrary to the Act, the hospital did not obtain a licence for its radiology sub unit to utilise radioactive material.

- **Lack of Safety Measures for Staff at the Radiology Department**

The National Health Care Standard No. 6.1.4 requires that there be two (2) radiation badges available for each radiography staff (including those operating dental x-ray) which must be taken for reading every two (2) months at the Radiation Protection Authority in Lusaka after which the officers are required to be issued with another set of badges.

Contrary to the standard, there were no badge readings undertaken for the five (5) staff at the radiology subunit during the year under review thereby exposing officers to possible hazardous radiation levels.

- **Non-Functional Ultrasound Machine**

The Unit had two (2) ultrasound machines which were both not functional.

- **Support Services**

- **Lack of Functional Ambulance**

The National Health Care Standard No. 23.3 of 2020 on Ambulance Services requires that an ambulance should have life-saving services responsive to emergencies and coordinated with adequate facilities for the provision of pre-Hospital Care and emergency evacuation.

Contrary to the Standard, the Hospital did not have a functional ambulance as the two (2) ambulances (GRZ 941 CK and GRZ 911 CF) had broken down since 2018.

- **Failure to Provide adequate Medical Instruments - Medical Wards**

The National Health Care Standard No. 16.2.1 of 2020 stipulates that medical wards should have adequate equipment and supplies for handling medicals. Further, the Medical Equipment Standard Lists for 2nd Level Hospitals outlines equipment required for a medical ward.

A physical inspection of the male, female and children medical wards revealed that they lacked essential equipment such as cardiac monitors, BP machines, standing scales and infusion pumps.

- ii. **Weaknesses in the Management of NHIMA Funds – Unpaid Claims**

Section 33 of the National Health Insurance Act No. 2 of 2018 stipulates that an accredited health care provider that provides a health care service to a member, should submit a claim in the prescribed manner and form and that the Authority shall process a claim for payment in respect of insured health care services

rendered by an accredited health care provider within such period as the Authority may agree on with the accredited health care provider.

Contrary to the Act, claims made to NHIMA in amounts totalling K25,135 were outstanding for periods ranging from five (5) to seventeen (17) months and remained unsettled as at 31st July 2022.

Further, claims in amounts totalling K20,693 billed for the services rendered to the non-registered patients could not be honored by NHIMA.

iii. Failure to Collect Revenue

Revenue in amounts totalling K260,952 in respect of medical bills accrued by various institutions under the High Cost Corporate Scheme had not been collected as at 31st August 2022.

iv. Irregular Cash Withdrawals

Ministry of Finance Treasury and Finance Management Circular No. 1 of 2020 guided Controlling officers that no cash shall be withdrawn for payment of subsistence allowances, fuel refunds and any other allowances as these should be paid directly into the beneficiary's account.

Contrary to the Circular, cash totalling K17,859 was drawn as imprest to facilitate payments of daily subsistence and fuel allowances instead of paying directly into the beneficiaries' accounts. In addition, as at 31st August 2022, accountable imprest was not retired.

v. Failure to Secure Title Deed

Section 41(4) of the Public Finance Management Act No. 1 of 2018 states that "A controlling officer shall ensure that all public properties under the controlling officer's charge are secured with title deeds".

Contrary to the Act, the hospital did not secure the title deed for the parcel of land on which the hospital is located.

vi. Unaccounted for X-Ray Films

X-ray films costing K76,650 procured during the period under review were not accounted for in that they lacked disposal details.

vii. Failure to Settle Outstanding Bills

During the period under review, the hospital had accrued amounts totalling K883,945 in respect of personal emoluments, goods and services supplied by various suppliers.

As at 31st August 2022, the outstanding bills had not been settled.

i. Nchanga North General Hospital

i. Operational Matters

Nchanga North General Hospital is a Class A Level 2 health facility which is required to provide the following levels of care; Outpatient Department, Internal Medicine, Surgery, Paediatrics and Child Health; Obstetrics and Gynaecology, Pharmacy, Diagnostics and Imagery, Emergency Services, Blood Bank, Psychiatry, Environmental Health and Support Services.

In order to operate effectively, each of these levels of care consist of various units and subunits such as clinics, wards and intensive care units.

An inspection and review of records of selected units at the hospital carried out in May 2022 revealed the following:

- **Pharmacy - Wasteful Expenditure - Expired Drugs**

A scrutiny of stock records and drug labels revealed that drugs costing K182,720 had expired. As at 31st August 2022, the drugs had not been destroyed.

- **Support Services**

- **Failure to Maintain Mortuary Units**

The National Health Care Standard No. 23.3.8 of 2020 requires the hospital to have adequate functional mortuary units. In addition, the

Medical Equipment Standard List for a level 2 Hospital requires mortuary units of such facilities to have a capacity of 100 bodies.

However, a physical inspection of the mortuary revealed that the hospital had five (5) mortuary units out of which only three (3) with a holding capacity of eighteen (18) corpses were working.

- **Poor State of Ambulances**

The National Health Care Standard No. 22.3 of 2020 on ambulance services requires that an ambulance should have life-saving services responsive to emergencies and coordinated with adequate facilities for the provision of pre-hospital care and emergency evacuation.

Contrary to the Standard, the hospital had two (2) ambulances which were non-operational.

- ii. **Accounting and Other Irregularities**

- **Irregular Cash Withdrawals**

Ministry of Finance Treasury and Finance Management Circular No. 1 of 2020 guided Controlling officers that no cash should be withdrawn for payment of subsistence allowances, fuel refunds and any other allowances as these should be paid directly into the beneficiary's account.

Contrary to the circular, the hospital paid amounts totalling K122,387 involving twenty (20) transactions to cater for payment of daily subsistence and fuel allowances for various activities.

- **Unaccounted for Stores**

Section 41 (1) of the Public Finance Management Act No. 1 of 2018 stipulates that a controlling officer is responsible for the management of public assets and stores of the Head of Expenditure.

Contrary to the Act, various stores items costing K200,578 involving thirty-four (34) transactions procured during the period under review were unaccounted for in that there were no receipt and disposal details.

iii. Failure to Settle Outstanding Bills

As at 31st August 2022, the Hospital owed amounts totalling K11,375,203 in respect of personal emoluments, electricity, water and food stuffs among others.

j. Senanga General Hospital

i. Operational Matters

Senanga General Hospital is a Class A Level 2 health facility which is required to provide the following levels of care; Outpatient Department, Internal Medicine, Surgery, Paediatrics and Child Health; Obstetrics and Gynaecology, Pharmacy, Diagnostics and Imagery, Emergency Services, Blood Bank, Psychiatry, Environmental Health and Support Services.

In order to operate effectively, each of these levels of care consist of various units and subunits such as clinics, wards and intensive care units.

An inspection and review of records of selected units at the hospital carried out in May 2022 revealed the following:

• **Failure To Establish Key Units Under Various Levels of Care**

Key levels of care such as surgery, paediatrics and child health, emergency services were not being offered at the Hospital due to lack of capacity. In particular, the following were observed:

○ **Surgery**

The facility did not have a surgical ward, ear nose and throat clinic, general surgical and orthopaedic clinic.

○ **Obstetrics and Gynaecology**

There were no operating theatres.

○ **Emergency Services**

The facility did not have casualty and emergency admission wards.

- **Blood Bank Services**
The hospital did not have a blood bank.
- **Intensive Care Unit**
The facility does not have an ICU.
- **Undelivered Drugs**
Drugs and medical supplies costing K29,702 procured during the period under review had not been delivered as at 31st August 2022.
- **Diagnostics and Imagery - Lack of Requisite Radiology Equipment**
The National Health Care Standards Medical Equipment Standard List requires a level two (2) hospital to have an equipped radiology department with at least three (3) x- ray machines (fixed x- ray unit, mobile x- ray unit and a C-arm x- ray unit).
An inspection at the Hospital revealed that the facility did not have a C-arm x-ray unit. Further, although the hospital had fixed and mobile x-ray units, inquires with management revealed that the equipment had not been operational since November 2021.
- **Support services**
 - **Failure to Establish an Oxygen Plant**
The Medical Equipment Standard Lists for second level hospitals stipulates that the hospital must have an oxygen plant to enable effective and efficient supply of oxygen for patient use.
Contrary to the requirement, the facility operated without an oxygen plant since it was upgraded to a level 2 hospital in 2015.
 - **Lack of a Maintenance Unit**
The Medical Equipment Standard Lists for second level hospitals requires hospital maintenance unit to consist of building, plumbing, electrical, painting, carpentry, plant and equipment and mechanical

sections for purposes of repairing hospital infrastructure and equipment.

Contrary to the requirement, the hospital had no maintenance unit.

ii. Stalled and Abandoned Infrastructure Project - Construction of the theatre

On 18th February 2015, Provincial Administration entered into a contract with Raymond Construction Limited on behalf of PHO to construct a theatre at Senanga General Hospital at a total contract sum of K1,765,893. The completion period was six (6) months commencing 4th March 2015 to 4th September 2015.

The scope of works included construction of the substructure and superstructure, roofing, joinery and steel works, plumbing and electrical works, sanitary installation, plastering and terrazzo, ceiling finishing, glazing, painting and decorating, drainage, site clearing, external water reticulation system and soil and sewer drainage.

As at 31st August 2022, the contractor had been paid amounts totalling K668,693 (38%) of the total contract sum. See table 7 below.

Table 7: Project Payments

Date	Details	Amount Paid K
01.10.15	First Payment	391,712
27.10.15	Second Payment	276,981
Total		668,693

A physical inspection of the project revealed that the superstructure had been constructed to gable level and that the contractor was not on site. Enquiries with management revealed that the project had stalled for over seven (7) years. See pictures below.



Incomplete theatre



Incomplete Theatre (Side View)

iii. Accounting Irregularities – Delayed Banking

Public Financial Management (General) Regulation No. 128 (1) of 2020 stipulates that an office holder who receives or collects revenue should deposit the revenue not later than the next business day following the day of receipt of revenue.

Contrary to the regulation, amounts totalling K86,224 collected at the hospital were delayed in being banked for periods ranging from three (3) to forty-four (44) working days.

iv. Unaccounted for Stores

Public Stores Regulations No. 16 stipulates 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, general stores items costing K45,677 procured during the period under review were not accounted for in that there were no receipt and disposal details.

v. Management of Assets

• Lack of Title Deeds for Properties

The Public Finance Management Act No. 1 of 2018 Section 41 (4) requires that controlling officers ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, there were no title deeds secured for the parcel of land on which the hospital is located.

- **Failure to Maintain Staff Hostel Block**

Senanga General Hospital has a staff hostel block which has a total of twenty eight (28) rooms (twelve (12) occupied by staff, ten (10) used as call rooms and six (6) were vacant).

However, a physical inspection of the staff hostel block carried out in April 2022 revealed the following:

- One (1) of the two (2) bathrooms available was in a bad state and had been flooded with water from leaking pipes.
- Several windowpanes were broken
- Ceiling boards were stained due to leaking roof.

vi. Failure to Settle Outstanding Bills

A review of records revealed that the hospital had accrued debt in amounts totalling K3,542,105 in respect of domestic debt and other emoluments such as repatriation, settling allowances and leave travel benefits some dating from as far back as 2006.

k. Solwezi General Hospital

i. Operational Matters.

Solwezi General Hospital is a Class A Level 2 health facility which is required to provide the following levels of care; Outpatient Department, Internal Medicine, Surgery, Paediatrics and Child Health; Obstetrics and Gynaecology, Pharmacy, Diagnostics and Imagery, Emergency Services, Blood Bank, Psychiatry, Environmental Health and Support Services.

In order to operate effectively, each of these levels of care consist of various units and subunits such as clinics, wards and intensive care units.

An inspection and review of records of selected units at the hospital carried out in May 2022 revealed the following:

- **Failure to Secure the Psychiatry Unit with a Perimeter Wall fence**

The National Health Care Standards No. 11 stipulates that where the mental health facility is part of a larger health facility, it must be secured with a

separate perimeter fence. The fence must be a minimum of three (3) meters in height;

Contrary to the standard, the mental health unit at the hospital was not secured with a separate perimeter fence.

- **Lack of a Prosthetics and Orthotics Section**

Section 40 (1)(b)(2) of the Persons with Disability Act No. 6 of 2012 stipulates that the Minister will facilitate access by persons with disabilities to quality mobility aids, devices, assistive technologies and forms of live assistance intermediaries. Further, it is a requirement for a second level hospital to have a prosthetics and orthotics section which deals with the provision and use of artificial devices that replace a missing body part such as a limb.

Contrary to the Act, the hospital did not have a prosthetic and orthotics section to assist patients who may need artificial aids or devices.

- **Failure to Upgrade Solwezi General Hospital to Level 3 Hospital**

The Ministry of Health approved structure report of February 2018 Paragraph 8.2 states that Level 2 Hospitals are Facilities at a Provincial level intended to cater for a catchment area of 200,000 to 800,000 people while level 3 hospitals are designed to cater for a catchment population of more than 800,000 people.

Contrary to the requirement, the Hospital had not been upgraded to a level 3 facility despite the 2010 Census showing that North Western Province had a total population of 727,044 with a 2.8% growth rate. In this regard, the projected population for the Province for the year 2021 stood at 979,095 which was more than the maximum catchment population of 800,000 people for a General Hospital.

- **Lack of Computerised Tomography (CT) and Magnetic Resonance Imaging (MRI).**

The National Health Care Standard No. 6.5 and 6.7 of 2020 provides a list of equipment for Level 2 hospitals which include CT and MRI scanning services.

Contrary to the standard, the hospital did not have computerized tomography and magnetic resonance imaging scanning services.

i. Chilonga Mission Hospital

i. Operational Matters

Chilonga Mission Hospital is a Class A Level 2 health facility which is required to provide the following levels of care: outpatient department, internal medicine, surgery, paediatrics and child health; obstetrics and gynaecology, pharmacy, diagnostics and imagery, emergency services, blood bank, psychiatry, environmental health and support services.

In order to operate effectively, each of these levels of care consist of various units and subunits such as clinics, wards and intensive care units.

An inspection and review of records of selected units at the hospital carried out in May 2022 revealed the following:

- **Pharmacy**
 - **Failure to Isolate and Dispose of Expired Drugs – Dispensary**

The National Health Care Standard No. 4.5.6 of 2020 requires that there be a system for tracking expiry of medicine that includes shelves being free of expired medications, clearly designated area marked expiry medicine section away from potent drugs and expired medicines disposed of appropriately (i.e. records or certificate for disposed products from ZEMA/ZAMRA) and inventory of expired drugs.

Contrary to the Standard, there was no designated area marked “expiry medicine section” away from potent drugs. In particular, expired drugs with an estimated value of K924,812 were mixed with potent drugs in the pharmacy dispensary and bulk stores

- **Failure to Store Drugs under the Required Conditions**

Standard 5.1.6 requires the laboratory to have a storeroom for storage of laboratory reagents and supplies which should have functional air conditioners.

Contrary to the requirements, the laboratory and pharmacy bulk store neither had functional air conditioners nor air vents or windows that could open.

- **Unaccounted for Drugs and Medical Supplies**

EMLIP-SOP guidelines Part C on Essential Medicines Logistics System requires Hospital Pharmacies to maintain Essential Medicines Stock Control Cards as well as issuing records.

Contrary to the guidelines, drugs and medical supplies costing K192,444 procured during the period under review were not accounted for in that they lacked disposal details.

- **Rehabilitation Services**

The National Health Care Standards No. 9 of 2020 requires the rehabilitation section of the hospital to have among other things, adequate functional rehabilitative equipment including treadmills, shortwave diathermy ultrasound therapy unit, infrared diathermy unit, and hydro collator with packs, adequate natural and artificial lighting, and an accessible sterilizer.

A physical inspection of selected units revealed the following:

- The hospital did not have an occupational therapy subunit.

- The Hospital Rehabilitation unit did not have a prosthetic and orthotics section to assist patients who may need artificial aids or devices.
- The treadmill at the unit was not functional and inquiries with management revealed that it had not been functional since 2015. Consequently, rehabilitation exercises for patients requiring the use of a treadmill could not be performed.
- The shortwave diathermy machine had not been functional since 2018.
- **Support Services**
 - **Failure to Establish an Oxygen Plant**

The Medical Equipment Standard Lists for second level Hospitals stipulates that the Hospital must have an Oxygen Plant to enable effective and efficient supply of oxygen for patient use.

Contrary to the Standard, the hospital operated without an oxygen plant.
 - **Non-Functional Equipment**

Two (2) out of three (3) washing machines were not functional since November 2021.

The hospital had three (3) mortuary units (fridges) out of which one (1) with a holding capacity of nine (9) corpses was operational. This fell short of the standard which required mortuary units of such facilities to have a capacity of 100 bodies.
 - **Understaffing-Failure to meet the 80% Employment Threshold**

The National Health Care Standard No. 2.3.2 requires facilities to have a projected staff establishment that should be reasonable for the scope of service and that the facility should work towards meeting at least 80% of its staff establishment at a minimum.

Contrary to the Standard, only 293 positions representing 40% of the total staff establishment of 734 were filled.

Included in the unfilled positions were nurses (111), biomedical scientist (8), medical laboratory technologists (4), resident medical doctors (17), consultants (3) and dental therapist (14) who were key to the operation of the hospital.

Consequently, some departments such as the Dental Department had only one (1) instead of fourteen (14) dental therapists.

- **Lack of Essential Medical Equipment**

The Medical Equipment Standard List for 2nd Level Hospitals of September 2012 sets out the type of equipment that should be available in the various departments.

Contrary to the standard, an inspection of selected departments at the hospital revealed a lack of essential equipment such as an infant incubator, Mobile X-ray machine and computerised tomography (CT) scan machine.

- **Non-functional Equipment**

Inquiries with management revealed that;

- the Electrocardiogram (ECG) machine and two monitors in the ICU had not been functional since 2019,
- the autoclaving machine in the operating theatre had not been functional since 2017, and
- the fixed X-ray machine in the Radiology Department was not functional as the vertical bucky was damaged. Consequently, the facility could not perform procedures such as lumbar and thoracic spinal examinations.

- **Lack of Patient Recovery Room – Theatre**

National Health Care Standards No. 15.4.3 of 2020 requires that the theatre should have a recovery room which should be kept clean and furnished with

a bed, pedal bin, and chair for the recovery nurse and drip stand. It also requires the room to have a functional monitor to measure the oxygenation, BP and pulse and a clinical thermometer, functional oxygen and suction unit.

A physical inspection of the theatre carried out in June 2022 revealed that there was no recovery room for monitoring of patients who came out of the theatre resulting in patients being monitored along the corridors before being taken to the wards.

m. Chiengi District Hospital

i. Operational Matters

Section 38 (1) of the Health Professions Act of 2009 read together with Regulation 16 (1) Fourth Schedule of the Health Professions (General) Regulation and Statutory Instrument (SI) No. 95 of 2012 guide the classification and supervision of various classes of health facilities. In this regard, Chiengi District Hospital is Class A Level 1 which is required to provide the following levels of health care; Pharmaceutical Services, Environmental Health and Safety, Outpatient Department, Diagnostics and Imagery, Rehabilitative and Support services.

In order to operate effectively, each of these levels of care consist of various units and subunits such as clinics, wards and intensive care units.

An inspection and review of records of selected units at the hospital carried out in May 2022 revealed the following:

- **Pharmaceutical Services**
 - **Failure to Store Drugs under the Required Conditions – Bulk Stores**

There was no air conditioner and shelves in the bulk store hence carton boxes for drugs and medical supplies were stacked on the floor.

- **Lack of Lockable Cupboard for Controlled Drugs**

The hospital did not have any cupboard or lockable drawers for the storage of essential medicines such as Diazepam, Lorazepam and Clonazepam.

- **Lack of Transport**

Chiengi District Hospital did not have adequate transport in that the only vehicle that the hospital was given had broken down.

Consequently, the hospital had challenges in catering for fifteen (15) health facilities in its catchment area as well as referrals to Mansa General Hospital which was 335 km away. See picture below.



Broken down motor vehicle – GRZ 188CE

- **Lack of Adequate Equipment - Physiotherapy Active Room**

The active room is a place in the physiotherapy department or unit where patients are treated with their active involvement, such as active exercises.

The National Health Care Standard No 9.3.5 of 2020 requires the active room to have adequate equipment including hand exercising gadgets, weights and exercise springs/TheraBand, suspension frame, sandbag, parallel bars, traction unit (lumbar), Isokinetic bench (optional), treatment bed, wobble boards, exercise table, quadriceps bench and exercise surface, walking frame and crutches.

Contrary to the Standard, the physiotherapy active room lacked hand exercising gadgets, exercise springs, suspension frame, sandbag, parallel bars, wobble boards, exercise table, quadriceps bench, walking frame and crutches.

- **Failure to Meet X-Ray Building Standards**

National Health Care Standard No. 6.3.2 requires a room accommodating an X-Ray Machine to have a functional air-conditioner with adequate artificial lighting. In addition, standard No. 6.3.2 requires the X-ray imaging machine to have a functional collimator. The collimator guides the operator on the exact body part to be captured by the machine.

Contrary to the standard, the Radiology department room had no air conditioner and collimator.

- **Operating Theatre Services**

- **Non-Functional Anaesthetic Unit**

The Anaesthetic unit which is a pneumatic device that supplies a mixture of oxygen gas and anaesthetic agent to a patient, allowing them to remain unconscious but breathing during surgery was not functional from as far back as 2014.

- **Non-Functional ECG**

An Electrocardiogram (ECG) is often used alongside other tests to help diagnose and monitor conditions affecting the heart. It can be used to investigate symptoms of possible heart problem, such as chest pain, palpitations, dizziness and shortness of breath.

However, the ECG machine was non-functional.

n. Mongu District Hospital

i. Operational Matters

Section 38 (1) of the Health Professionals Professions (General) Regulation and Statutory Instrument (SI) No. 95 of 2012 guides the classification and supervision of various classes of health facilities. In this regard, Mongu District Hospital is a Class A Level 1 hospital which provides the following health care; Pharmaceutical, Environmental and Health and Safety, Outpatient, Diagnostics and Imagery, Rehabilitative and Support services.

In order to operate effectively, each of these levels of care consist of various units and sub-units such as clinics, wards and intensive care units.

An inspection of selected units at the hospital carried out in July 2022 revealed the following:

- **Failure to Operationalise Wards - Surgery - Theatre Unit**

The National Health Care Standard No. 15.4.1 (a-d) of 2020 requires that the operating room should have an operating table, instruments; an ECG, thermometer, pulse oximeter, BP monitoring and anaesthetic unit; operating lights, X-ray Viewing LCD (Optional), oxygen supply, suction unit and diathermy unit, a sharps box and two (2) colour coded lined bins for infectious and non-infectious waste.

Contrary to the standard, the theatre unit had not been operational from as far back as 2017 due to lack of equipment such as anaesthetic machine, operating table and coagulation unit among others.

- **Failure to Stock Essential Medicines - Pharmacy**

The National Health Care Standards No. 22.6.7 of 2020 requires the hospital to stock appropriate and adequate mandatory essential medicines. The Zambia Essential Medicines List guides on the essential medicines that should be stocked by the hospital.

However, a review of the stock out report revealed that the hospital had a stockout of eighteen (18) different types of essential medicines such as antibiotics, paracetamol, aspirin, dicyclanil, ranitidine, hydrocortisone and flagyl in July 2022.

- **Failure to Use X-Ray Unit - Diagnostics and Imagery**

The National Health Care Standards No. 6.3.1 of 2020 requires that the unit should have a minimum of one room that meet building regulations with adequate space to enable partitioning to accommodate a control booth and radiation processing section according to the scope of service.

A physical inspection carried out in July 2022 at the Radiology Department revealed that the X- Ray equipment was not in use since 2017 due to the interior of the room housing the X-Ray unit which required modification.

- **Support Services**

- **Failure to Operationalise Mortuary Units**

The National Health Care Standards 2020 Standard No. 23.3 (1-17) requires the Mortuary to have among other things, adequate disinfectants, perimeter fence with two gates: mourners' entry/exit gate and the internal gate into the hospital, adequate functional temperature regulated mortuary units, floor made of terrazzo, appropriate boots, gloves, clean uniform for the mortuary attendants, windows and fixtures in a good state of repair.

Contrary to the Standard, the mortuary was not in use as there was no mortuary fridge/unit, autopsy set and organ table and body trays.

Further, as at 31st July 2022, the unit was being used as storage for indoor residual spraying materials.

- **Lack of Essential Medical Equipment**

The hospital had no essential equipment such as X-ray machine unit, Computerised Tomography (CT) scan and oxygen concentrator.

- ii. **Lack of Title Deed for Property**

Section 41 (4) of 2018 of the Public Finance Management Act No. 1 requires the controlling officers to ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, the title deed for the parcel of land on which the hospital is located had not been secured as at 31st August 2022.

- iii. **Failure to Settle Outstanding Electricity Bills**

The hospital accrued debts in amounts totalling K290,667 in respect of electricity bills dating from as far back as 2017.

o. Mpulungu District Hospital

i. Operational Matters

Mpulungu District Hospital is a Class A Level 1 health facility which is required to provide the following levels of care: pharmaceutical services, environmental health and safety services, outpatient department services, diagnostics and imagery services, rehabilitative services and support services.

In order to operate effectively, each of these levels of care consist of various units and subunits such as clinics, wards and intensive care units.

An inspection and review of records of selected units at the hospital carried out in May 2022 revealed the following:

- **Pharmacy**

- **Lack of a Qualified Dispenser**

Section 28 of the Medicines and Allied Substance Act of 2013 requires a person dispensing medicine in a health facility to be certified by the Zambia Medicines Regulatory Authority (ZAMRA).

Contrary to the Act, the person who was responsible for dispensing medicines at the hospital was a Classified Daily Employee and was not certified by ZAMRA.

- **Failure to Store Drugs under the Required Conditions - Storage of Drugs above the Required Temperature**

Guideline No. 2 of the EMLIP-SOP Storage require temperatures in the storeroom for drugs not to exceed 25°C while those requiring refrigeration need to be kept between 2 - 8°C as anything above that temperature raises the temperature of the product and can reduce its shelf life.

It was observed that the pharmacy lacked adequate artificial ventilation in that the air conditioner was non-functional and therefore not regulating the temperature to the required level. As a result, a

review of the temperature chart in the pharmacy revealed that during the period from 23rd March to 25th May 2022, various drugs whose value could not be ascertained were stored at temperatures ranging from 25°C to 34°C.

Further, two (2) fridges in the laboratory and one (1) fridge in the pharmacy where reagents were kept did not have working thermometers.

Consequently, daily temperature readings were not being taken and updated on the charts making it not possible to ascertain whether the medical supplies were kept at the required temperatures ranging from 2 to 8°C.

- **Failure to Provide Adequate Safety of Radiology Staff - Diagnostics and Imagery Services**

The National Health Care Standard No. 6.1.4 requires that there be two (2) radiation badges available for each radiography staff (including those operating dental x-ray) which must be taken for reading every two (2) months at the Radiation Protection Authority in Lusaka after which the officers are required to be issued with another set of badges.

Contrary to the standard, badge readings for the two (2) staff at the Radiology Department were only taken three (3) times out of the required six (6) times during the period under review thus exposing officers to possible hazardous radiation.

- **Support Services**

- **Lack of a Functional Ambulance**

The National Health Care Standard No. 23.3 of 2020 on ambulance services require that an ambulance should have life-saving services responsive to emergencies and coordinated with adequate facilities for the provision of pre-hospital care and emergency evacuation.

However, the hospital did not have a functional ambulance in that it had broken down in January 2022 and as at 31st August 2022, the ambulance had not been repaired. As a result, the hospital was not able to respond to emergency services.

- **Management of Wards**

- **Lack of Adequate Mattresses - Male and Female wards**

Sixteen (16) out of thirty-eight (38) beds in the two (2) wards had no mattresses.

- **Lack of Medical Equipment - Paediatrics and Male Wards**

The National Health Care Standards No. 16.1 (1-9) of 2020 stipulates that level 1 hospital wards should have various equipment such as small electric autoclaves, medicine trolleys, suction pumps and blood pressure (BP) machines

Contrary to the standard, the Paediatrics and Male wards did not have medical equipment and instruments such as diagnostic sets, medicine trolley, stethoscope, suction pumps, sputum mugs and dressing trolleys.

- ii. **Procurement of Goods and Services**

- **Lack of Segregation of Duties**

Section 81(2) of the Public Procurement (General) Regulations of 2011 stipulates that a person who manages stores should not be involved in procurement within the procuring entity.

Contrary to the regulations, there was no segregation of duties in the procurement of various goods and services costing K44,042 involving eleven (11) transactions.

It was observed that the procurement officer was raising purchase requisitions instead of the user department as well as receiving the goods instead of the stores officer.

- **Uncompetitive Procurement of Drugs**

Section 108 (2) of the Public Procurement Regulations of 2011, requires that the Procurement Unit includes sufficient bidders in a short list of bidders to ensure efficient competition, but in any case, should obtain not less than three (3) quotations.

Contrary to the regulation, the hospital procured drugs costing K89,022 from four (4) suppliers without obtaining three (3) quotations.

- iii. **Accounting and Other Irregularities - Irregular Cash Withdrawals**

Ministry of Finance Treasury and Finance Management Circular No. 1 of 2020 guided Controlling officers that no cash should be withdrawn for payment of subsistence allowances, fuel refunds and any other allowances as these should be paid directly into the beneficiary's account.

Contrary to the circular, cash totalling K47,772 involving six (6) transactions was drawn as imprest to facilitate payments of daily subsistence and fuel allowances instead of paying directly into the beneficiaries' accounts.

- iv. **Management of Assets – Lack of Title Deed for Properties**

The Public Finance Management Act No. 1 of 2018 41(4) states that “A controlling officer shall ensure that all public properties under the controlling officer's charge are secured with title deed.”

Contrary to the Act, the hospital did not secure the title deed for the parcel of land on which the hospital was located.

- p. **Serenje District Hospital**

- i. **Operational Matters**

Serenje District Hospital is a Class A Level 1 health facility which is required to provide the following levels of care; Pharmaceutical, Environmental Health and Safety Services, Outpatient Department, Diagnostics and Imagery, Rehabilitative and Support Services.

In order to operate effectively, each of these levels of care consist of various units and Sub-units such as clinics, wards and intensive care units.

An inspection and review of records of selected units at the hospital carried out in July 2022 revealed the following:

- **Pharmacy**

- **Failure to Supply Essential Drugs as Per Orders**

The National Health Care Standards No. 22.6.7 of the 2020 requires the hospital to stock appropriate and adequate mandatory essential medicines.

During the period under review, Serenje District Hospital issued twelve (12) monthly regular orders to ZAMMSA for various essential drugs and medical supplies to meet the average monthly consumption for the hospital.

However, a review of stock out reports revealed that out of the twelve (12) monthly orders, only five (5) orders for the month of February, May, June, September and December 2021 were met by ZAMMSA leaving seven (7) monthly regular orders unfulfilled. In this regard, the hospital could not fully meet the medicine demand to the patients.

- **Wasteful Expenditure - Expired Drugs**

A scrutiny of stock records and drug labels revealed that drugs costing K37,275 had expired during the period from February 2021 to April 2022.

As at 31st August 2022, the drugs had not been destroyed and management had not explained the factors leading to the expiry of the drugs.

- **Management of Wards**
 - **Inadequate Medical Equipment**

The medical equipment at the ward was either not functional or inadequate as shown in the table 8 below.

Table 8: Inadequate Equipment - Labour Ward

No	Equipment	Availability	Current status	Ideal/Required	Remarks
1	Autoclaving machine	0	0	2	The autoclave is used to sterilise the equipments that are used on pregnant mothers - Therefore, infection prevention is compromised.
2	Penguin suckers	4	3 in good working condition - Inadequate	6	Compromise resuscitation of babies who aspirate during delivery
3	Fetoscope	3	Inadequate	6	Delayed prompt delivery of maternal services . Each midwife is supposed to have a fetoscope.
4	Suctioning machine	1	Inadequate	4	Delayed management of mothers and babies can led to loss of life.
5	Resuscitaire	1	Inadequate	3	Provision of warmth to the babies is not adequate as one resuscitaire should accomodate one baby.
6	Vacuum extractor	2	Inadequate	4	Delayed prompt intervention of second stage of labour (delivery of baby)

- **Special Care Baby Unit**

Key equipment in the special care baby unit were either non-functional or inadequate. In particular, the following were observed:

- ⊙ Out of three (3) incubators, only one was functional.
- ⊙ The resuscitaire was not working as parts such as oxygen concentrator system, fan speed, pre-heat zone and distilled chamber were not available. See table 9 below.

Table 9: Inadequate Medical Equipment - Special Care Baby Unit

No.	Equipment	Availability	Current Status/	Idea State/ Required	Remarks
1	Incubators	3	Only 1 working - Inadequate	4	Inquiries made revealed that infection prevention is compromised since babies share the incubators most of the time.
2	Continuos Positive Airway Presure Machine	3	Only 2 Working - Inadequate	6	The equipment is used to help babies with breathing problems - Difficult in treating of respiratory distress syndrome in babies.
3	Small Suctioning Machine	0	0	2	Inquirines made revealed that using suctioning machines meant for adults on babies may have negative connotations on babies.
4	Resuscitaire	0	0	2	Resuscitation of babies id delayed.

- **Failure to Repair Faulty Dental Equipment**

The National Health Care Standard 2020 No. 8.1.8 stipulates that the unit of dental services should have a contract or memorandum of understanding (MoU) with competent service personnel/Company for installation and servicing of the medical equipment. The unit will keep the manufacturer/operator manuals and have a system/ records for servicing and maintenance of dental equipment. Further, the unit will ensure non-functional equipment is isolated and labelled as out of service. Contrary to the requirement, the following were observed;

- There were no contracts or records of service maintained.
- Non-functional medical equipment were not isolated and labelled as out of service.
- The compressor and turbine system in the dental unit were not functional.
- Lack of air-condition and dental room not well ventilated.

- **Physiotherapy Department – Lack of Equipment**

The department lacked equipment which was vital for patient treatment and recovery. In particular, the following were lacking:

- Parallel Bars – Used for training gait to patients learning to walk from paralysis, muscular skeletal disorder among others.
- Quadriceps Chair - A chair modified for muscle strengthening in the lower limbs, especially the quadriceps.

- Ultrasound Machine – an electric machine used for heat therapy for conditions of soft tissue injuries.
- Infrared Machines – Used for heat therapy treatment of soft tissue disorder.
- Traction bed – A specialized bed used for lumbar traction (spine traction) for dealing with conditions such as lumbar lumbago (back pains).

ii. Management of Assets - Lack of Title Deed for Properties

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

Contrary to the Act, the hospital did not secure the title deed for the parcel of land on which the hospital is located.

iii. Management of Liabilities - Failure to Settle Outstanding Utility Bills

As at 31st August 2022, the hospital had outstanding bills in amounts totalling K463,189 in respect of utility bills.

31 Head: 52 Ministry of Water Development, Sanitation and Environmental Protection

Department: Transforming Rural Livelihoods in Western Province of Zambia (TRLWZ) Project Phase II

31.1 Establishment

On 7th January 2015, the Government of the Republic of Zambia and the African Development Bank signed a financing agreement of US\$41,641,954 to finance the Transforming Rural Livelihoods in Western Zambia Project.

The objective of the program was to provide sustainable and equitable access to improved water supply and sanitation to meet the basic needs for improved health and poverty alleviation for Zambia's rural population in Western Province.

The project was divided into four (4) components as follows:

- i. Component 1 – Water Supply Infrastructure**
- ii. Component 2 – Sanitation and Hygiene Education**
- iii. Component 3 – Sector Development**
- iv. Component 4 – Program Management**

31.2 Governance

Clause B.3 of the Project Appraisal Document (PAD) stipulates that there should be a Programme Steering Committee (PSC) comprising representatives from the Ministries of Local Government & Housing; Mines, Energy and Water Development; Education; Health; Community Development and Social Services; Provincial Permanent Secretaries, Non-Governmental Organisations and leading Cooperating Partners in the sector as well as representatives of districts.

31.3 Management

The Project is managed by the Rural Water Supply and Sanitation Unit (RWSSU) under the Directorate of Water Supply and Infrastructure Development at the Ministry of Water Development and Sanitation. The RWSSU serves as the Programme Implementation Team (PIT) which coordinates all activities of the Programme. The implementation team consists

of the Project Co-ordinator, Project Accountant, Procurement Officer and Monitoring and Evaluation Specialist.

The Programme Implementation Team is appointed by the Permanent Secretary on five (5) year renewable contracts.

31.4 Sources of Funds

The sources of funds for the project were from African Development Bank, the OPEC Fund for International Development (OFID), Rural Water Supply Sanitation Initiative Trust Fund (RWSSI-TF) and in-kind contributions from the Government of the Republic of Zambia.

31.5 Audit Findings

An examination of accounting and other records maintained at the Project Implementation Unit and selected stations for the financial year ended 31st December 2021 revealed the following.

a. Budget and Income

A provision of K211,749,336 (US\$11,232,373.53) was made to cater for various project activities against which amounts totalling K64,421,235 (US\$3,417,263.98) were funded resulting in underfunding of K147,328,101 (US\$7,815,109.55). See table 1 below.

Table 1: Budget versus Releases

Component	Budget K	Released K	Under Funding K
Loan	150,008,171	60,536,355	(89,471,816)
Grant	61,741,165	3,884,880	(57,856,285)
Total	211,749,336	64,421,235	(147,328,101)

From inception, the project had an approved income budget of US\$41,641,954 against which US\$24,748,062.43 had been disbursed as at 31st December 2021, representing an overall funding of 59%. See table 2 below.

Table 2: Sources of Funds

No.	Financing Source	Total Approved Amount US \$	Disbursed Amount US \$	Disbursed to Date
1	AfDB – Loan	15,500,087	11,025,510	71%
2	OFID – Loan	14,000,045	8,743,296	62%
3	RWSSI – TF – Grant	4,843,054	4,350,515	90%
4	NDF	2,767,856	373,443	13%
5	GRZ Counterpart	4,530,912	252,523	6%
6	Other income	-	2,775	0%
	Total	41,641,954	24,748,062	59%

b. Operational Matters**i. Delay in Carrying out Planned Activities**

According to component 1 - Water Supply Infrastructure Development the project had planned to drill boreholes and rehabilitate dysfunctional boreholes.

Further, under component 2 - Sanitation and Hygiene Education the project had planned to construct communal sanitation facilities in public institutions, schools, health centers and public places.

The activities were to be done over the five (5) year project period.

However, as at 31st May 2022, the Project had not managed to achieve the set targets as detailed in table 3 below.

Table 3: Delayed Activities

No.	Project	No. Planned	Actual Implemented	Variance	Percentage Attained
1	Manually Drilled Boreholes	150	118	32	79%
2	Rehabilitation of Dysfunctional Boreholes	770	389	381	51%
3	Communal Sanitation Facilities	932	328	604	35%

ii. Physical Inspection of Projects

During the period under review, amounts totalling K40,829,492 were disbursed to various districts in Western Province for various project activities.

However, a review of activities and a physical inspection conducted in June 2022 at selected sites revealed that the projects were not fully implemented as shown in table 4 below

Table 4: Uncompleted Projects

Project	Contractor	Contract Date	Contract Price	Amounts Paid	Audit Finding
1. Construction of Manually Drilled Boreholes					
Construction of ten (10) manually drilled boreholes in Lukulu	Village Water Zambia	27.06.2018	K357,170	K190,764	Contract duration was eighteen (18) months extended to 9 th December 2021. As at 30 th June 2022, the works were 19% complete and the contract had not been extended.
Construction of fifteen (15) manually drilled boreholes in Mongu	Luena Water Wells	21.09.2018	K348,000	K79,237	Contract duration was three (3) months. In 2019, the contractor drilled fourteen (14) boreholes and equipped one (1) and thereafter abandoned the site. In a letter dated 4 th February 2022, it was mutually agreed between the Mongu Municipal Council and the Contractor that the paid amounts totalling K79,237 be the final payment for works done and the contract was terminated on 11 th February 2022. However, as at 30 th June 2022, a new contractor had not been engaged despite the funds being available.
Contract for drilling ten (10) manually drilled boreholes in Mitete	Kenscah General Dealer	N/A	K579,300	0	As at 30 th June 2022, the project had not commenced, awaiting a No Objection to award the contract.
Construction of fifty (50) hand dug wells in Lukulu District	Chessfied	29.06.2018	K1,119,020	0	On 24 th June 2021, the contract was terminated by Lukulu Town Council due to non-performance. However, as at 30 th June 2022, the

Project	Contractor	Contract Date	Contract Price	Amounts Paid	Audit Finding
					Ministry had not engaged a new contractor despite funds being available for the works.
2. Construction of Sanitation Facilities					
Construction of 196 Sanitation Facilities in selected schools and rural health centres of Kaoma (29), Nkeyema (54) and Luampa (51)	Malikinta Investments Limited	15.04.2019	K9,381,887	K3,611,699	<p>The contract was to end in June 2020 and was extended to 30th September 2021. However, the contractor had not been on site since 2020 and works had stalled with work for Nkeyema and Luampa Districts at 50% completion.</p> <p>On 6th September 2021, the Water and Sanitation Officer wrote to the Ministry requesting for termination of contract. However, as at 24th June 2022, there was no evidence of termination of the contract and it was not clear as to why the Ministry delayed in terminating the contract.</p>
Construction of 196 sanitation facilities in selected schools and rural health centres of Sesheke, Mwandu, Mulobezi and Sioma. Lot 3.	Contech Engineering Company Limited	15 th December 2019	K10,729,530	K6,798,719.36	<p>The contract was for a duration of eight (8) months and the following were observed:</p> <ul style="list-style-type: none"> • Delays in Terminating Contract <p>Clause 7.5.1 of the contract states that, “The Employer or Contractor may terminate the contract if the other party causes a fundamental breach of the contract.” Clause 7.5.3 of the General Condition of Contract (GCC) states that, “When either party to the Contract gives notice of the breach of contract to the project Manager for a cause other than those listed under</p>

Project	Contractor	Contract Date	Contract Price	Amounts Paid	Audit Finding
					<p>GCC Clause 7.5.2 above, the manager shall decide whether the breach is fundamental or not.”</p> <p>Despite the employer extending the contract by thirty five (35) months to 30th November 2022, the contractor failed to fulfil the contract conditions.</p> <p>Further, it was observed that the recommendation to terminate the contract was made by the consultant (GFA Consulting Group; JBG Gauffingenieure) on 12th May 2022.</p> <ul style="list-style-type: none"> • Construction of One (1) Water Borne Toilet – Stalled Project in Sioma <p>Works not finished, outstanding works included fitting of doors, plastering, painting and the contractor was last seen on site in December 2020.</p> <ul style="list-style-type: none"> • Sesheke District <p>Only twenty nine (29) VIP toilets were constructed and handed over while twenty (20) had not been completed.</p> <ul style="list-style-type: none"> • Construction of Six (6) Double VIP Toilets in Lusu <p>Five (5) doors to toilets were broken, side skirt aprons for four (4) ventilated improved pit (VIP) latrines had cracks and had collapsed creating gullies.</p>

Project	Contractor	Contract Date	Contract Price	Amounts Paid	Audit Finding
					 <p data-bbox="521 153 597 768">Broken door on one of VIP Toilets in Lusu and Cracking/ Collapsed side skirt apron creating a Gully</p> <ul data-bbox="630 153 1166 873" style="list-style-type: none"> <li data-bbox="630 153 706 873">• Construction of Four (4) Double VIP Toilets at Lilongo Primary School Five (5) doors were broken, side skirt aprons for two (2) ventilated improved pit (VIP) latrines had cracks and had collapsed creating gullies. <li data-bbox="894 153 971 873">• Construction of Six (6) Double VIP Toilets at Mwandi UCZ Primary School Three (3) ventilated improved pit (VIP) latrines, had side skirt aprons with cracks and had collapsed creating gullies. The contract expired on 31st December 2021 and no extension had been done as at 30th June 2022.
3. Borehole Rehabilitation					
Rehabilitation and Maintenance of 770 Boreholes in sixteen	Zambezi Drilling and Exploration Ltd – Lot 1	28 th February 2019	K7,717,200.00	K2,959,019	The contract duration was eighteen (18) months with an extension to 31 st December 2021. However, as at 30 th June 2022, ninety four (94) boreholes had been completed out of the 120 allocated to the

Project	Contractor	Contract Date	Contract Price	Amounts Paid	Audit Finding
(16) districts of Western Province. Lot 1 was for Kaoma (No. 35), Nkeyema (No. 40) and Luampa (No. 45) districts.					contractor in Lot 1 representing 78% completion of the contracted works. It was further observed that the contract expired on 31 st December 2021 and no extension had been made as at 30 th June 2022.
Rehabilitation and Maintenance of 770 Boreholes in sixteen (16) districts of Western Province in respect of Lot 3 for 140 hand pumps in Mulobezi (No. 35), Mwandani (No. 30), Sesheke (No. 45), and Sioma (No. 30) districts of Western Zambia.	Zambezi Drilling and Exploration Limited – Lot 3-	28 th February 2019	K7,717,200.00	K2,404,387	The contract duration was for eighteen (18) months which was extended to 31 st December 2021. On 16 th August 2019, Zambezi Drilling Exploration Ltd delivered thirty (30) hand pump sets in Mwandani and thirty (30) sets in Sioma to be used as part of the contract rehabilitation and maintenance of 770 boreholes in sixteen (16) districts of western province. As at 30 th June 2022, only twenty-nine (29) out of 140 boreholes had been completed representing 21% of the works. No rehabilitation and maintenance works were done in Mwandani and the thirty (30) pump sets were still kept in stores at the Council. In addition, the hand pump sets delivered in Sioma were left unsecured and therefore susceptible to theft.
4. Manually Drilled Boreholes					
Construction of 140 Manually Drilled Boreholes and Hand	Wongani Investment Limited (Lot 1)	23 July 2021	US\$382,514	0	The contract was for a duration of twelve (12) months and was expected to end on 22 nd July 2022. As at 30 th June 2022, only thirty

Project	Contractor	Contract Date	Contract Price	Amounts Paid	Audit Finding
<p>pump Installation in Western Province - Lot 1 for Kaoma (No. 90), Nkeyema (No. 30) and Luampa (No. 20) districts.</p>					<p>three (33) boreholes had been drilled, out of which twenty eight (28) had been equipped representing 24% completion.</p>
<p>Construction of 113 Manually Drilled Boreholes and Hand pump Installation in Western Province - Lot 3 292 hand pumps in Mulobezi (No. 30), Mwandishi (No. 27), Sesheke (No. 25), and Sioma (No. 31) districts of Western Zambia.</p>	<p>Wongani Investment Limited (Lot 3)</p>	<p>23 July 2021</p>	<p>US\$320,588</p>	<p>0</p>	<p>The contract duration was for a period of twelve (12) months which was expected to end on 22nd July 2022. As at 30th June 2022, the contractor had not carried out any works and no action had been taken by management</p>

- **Bio-gas Digester - Fongda Corporation Limited**

On 11th June 2019, the Ministry of Water Development and Sanitation signed a contract with Fongda Corporation Limited for the construction of six (6) bio-gas digesters in selected schools of Western Province at a cost of K5,073,344 (US\$249,426.93) for a duration of ten (10) months.

As at 24th June 2022, amounts totalling K4,819,567 (US\$236,950.19) had been paid to the contractor leaving a balance of K253,777 (US\$12,476.74).

Under the Sanitation and Hygiene Component, the Project was to finance the construction of six (6) 20 metre cubic bio-gas digesters in six (6) boarding schools namely Mongu, Kaoma, Lukulu, Kalabo, Lukona and Sesheke High Schools. The Project envisaged to improve the integration of human activities in the ecosystem. The technologies would utilize organic waste in an environmentally friendly manner and turn it to biogas to be used for irrigation and fertilizer. The project opted for the bio-laterine innovation promoted by Water and Sanitation Association of Zambia (WASAZA).

A review of documents and physical inspection conducted in June 2022 revealed the following:

- **Non-functional Bio-gas Digesters**

It was observed that bio-gas digesters at Lukona, Mongu, Kaoma and Lukulu Secondary Schools were non-functional, and had never functioned since the construction was completed in December 2020.

An enquiry with the Provincial Water and Sanitation Officer and Engineers in charge at respective stations revealed that the schools had challenges with the sewer systems and as such were not able to collect the required feed to the digesters. In particular, Lukulu, Kaoma, Mongu and Lukona Secondary Schools had similar challenges of lack of adequate feed to the bio-digesters. This was attributed to blockages of the sewer, lack of separate lines for the showers and toilets leading to high water content of the effluent and pupils using the bush due to the delapidated state of the toilets.

Consequently, the objective of the project to improve the integration of human activities in the ecosystem and turning organic waste into biogas to be used for irrigation and fertiliser was not achieved.

⊙ **Failure to Bury Pipes-Kaoma Secondary School**

A physical verification carried out at Kaoma Secondary School revealed that the gas pipe lines connecting from the digester to the kitchen were damaged as they were not buried.

⊙ **Operational Challenges**

A physical verification conducted at Kalabo and Sesheke Secondary Schools revealed that the bio-gas digesters were functional. However, a review of a Technical Assessment Report by the Water and Sanitation Association of Zambia on the Project revealed that the whole system was not operating as intended due to the following reasons:

- ⊙ The Bio-gas Digesters were constructed on the understanding that they would ride on the existing ablution infrastructure. However, these were not in a state to fully support the innovation.
- ⊙ Arising from the point above, the bio-gas digesters were being supplied with inadequate feed to produce acceptable levels of biogas to meet the cooking energy requirements in the School Kitchens;
- ⊙ The amount of biogas produced was minimal and could not support any continuous use; and
- ⊙ The domestic stoves used as firing equipment were inappropriate for facilities such as schools.

c. Accounting Irregularities

i. Unsupported Payments

Public Finance Management (General Regulation 2020) No. 46 states that, “A payment voucher relating to purchases shall be supported by a purchase order, the supplier’s invoice and proof of delivery or performance.”

Contrary to the regulation, two (2) payments in amounts totalling K23,887 made during the period under review were not supported with relevant documents such as invoices and cash receipts.

ii. Irregular Use of Accountable Imprest

Public Finance Management (General Regulation) No 94(3) of 2020 states that, “Accountable imprest be issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time of payment for which the imprest holder is required to submit receipts after the purchase of those goods and services.”

Contrary to the regulation, Provincial Administration issued imprest in amounts totalling K318,533 to procure goods and services whose values were obtainable on the market and for payment of subsistence allowance to officers to facilitate different activities.

32 Head: 56 Ministry of Infrastructure, Housing and Urban Development

32.1 Mandate

The Ministry of Infrastructure, Housing and Urban Development is mandated to superintend over designing, procuring and constructing of all Public Infrastructure in order to improve planning, coordination, standardisation, quality and efficiency in the development of housing and infrastructure in the country.

32.2 Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters for the financial year ended 31st December 2021 revealed the following:

a. Budget, Income and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K236,188,126 was made to cater for various activities

out of which amounts totalling K215,037,403 were released resulting in an under funding of K21,150,723.

Although, the Ministry was underfunded, as at 31st December 2021, amounts totalling K214,602,116 had been spent leaving a balance K435,287.

b. Operational Matters

i. Wasteful Expenditure - Accrued Interest

• Purchase of Three (3) Storey Office Block

In Paragraph 26 (c) (i) of the Auditor General's Report on the audit of accounts for the financial year ended 31st December 2020, mention was made on the Ministry's delay to pay Zamworth Construction Limited the balance of US\$907,625.83 (K17,111,498) which was outstanding on the purchase price of a three (3) storey office block. It was further reported that on 9th August 2021, Zamworth Construction Limited issued a claim of US\$18,561,074 (K357,300,674) in respect of accrued interest. The interest had accumulated over a period of fifty (50) months as at 8th July 2021.

In his response to the Public Accounts Committee the controlling officer indicated that interest accumulated to a tune of US\$3,378,414.28 as at 31st July 2021 using the acceptable method of calculating interest in government (Simple Interest Method) and not the amount of US\$18,561,074 which was claimed by the vendor.

Further, a review of the situation in May 2022 revealed that Zamworth Construction Limited in a letter dated 21st March 2022 addressed to the Solicitor General had issued a claim of US\$25,000,000 in respect of accrued interest and the matter had not been resolved at the time of audit, resulting in wasteful expenditure.

• Infrastructure Upgrade at Kenneth Kaunda (Lusaka) and Simon Mwansa Kapwepwe (Ndola) International Airports

In paragraph 26 (d) of the Report of the Auditor General on the audit of accounts for the republic for the financial year ended 31st December 2021,

mention was made on the delay to pay the contractors in relation to construction of Airport Infrastructure in Ndola and Lusaka.

A review of the situation in May 2022 revealed that the position had worsened in that as at 30th March 2022, the contractor for the Ndola Airport was owed US\$114,128,107.01 which had been outstanding for more than twenty two (22) months and consequently interest in amounts totalling US\$7,495,605.27 had been claimed. While the contractor at Lusaka Airport was owed amounts totalling US\$29,150,000 and had claimed interest of US\$1,538,891.06.

The continued delayed payments will result in further wasteful expenditure.

ii. Contract for the Construction of Hospitals and Procurement of Medical Equipment – Lusaka, Chinsali and Petauke

In 2016, the Ministry of Finance sourced funds through a loan facility from Industrial and Commercial Bank of China Limited of US\$135,806,251.37 and US\$24,000,000 with Standard Chartered Bank (as an agent of Minister of Finance of the Republic of Zambia) bringing the total loan to US\$159,806,251.37

The total loan amount of US\$159,806,251.37 was broken down as follows:

- Design and Construction - US\$96,782,660.36
- Supply and delivery of medical equipment - US\$63,023,591.01

As at 30th April 2022, amounts totalling US\$159,382,826.98 had been disbursed leaving a balance of US\$200,073.64.

- **Contract for the Design and Construction of Main Hospital and Other Infrastructure – Lusaka, Chinsali and Petauke - Questionable Payment of Supervision Funds**

On 14th November 2014, the Ministry of Transport, Works, Supply and Communication and China National Complete Engineering Corporation signed a contract for the design and construction of the main hospital, houses classroom blocks, administration block, hostel blocks, library, ablution blocks, lecture theatre, kitchen/dining hall, nurses flats and

associated external works in Chinsali District in Muchinga Province at a contract sum of US\$96,782,660.36 (VAT exclusive) with a completion period of thirty six months (36) months.

On 11th July 2017, the Ministry of Housing and Infrastructure Development and China National Complete Engineering Corporation signed addendum No. 1 to Contract No. 215/214 to reduce the scope of the Chinsali project so as to allow for the construction of a specialist hospital in Lusaka and a general hospital in Petauke within the same cost.

The contract sum of US\$96,782,660.36 was thereafter apportioned as shown in table 1 below.

**Table 1: Apportionment of the Contract Sum
(Addendum to Contract No. 215/214)**

No.	Details	Cost US\$
1	Chinsali General Hospital	23,398,227.77
2	Petauke General Hospital	23,398,227.77
3	Lusaka Specialised Hospital	19,590,547.49
4	Houses at Chinsali and Petauke	2,556,015.10
5	Preliminary and General Items	10,341,496.52
6	Design and Supervision	7,928,480.66
7	Insurance	7,410,541.52
8	Contingency	2,158,831.52
	Total	96,782,368.35
	Discrepancy	292.01
	Contract Sum	96,782,660.36

According to the contract break down an amount of US\$7,928,480.66 was included for design and supervision.

However, there was no evidence that a supervising engineer was engaged other than the Ministry and no supervision funds were received by the Ministry.

Further, the Ministry did not explain how the contingency component of US\$2,158,831.52 was utilised.

- **Contract for the Supply, Delivery, Installation and Commissioning of Medical Equipment for Chinsali General Hospital**

On 9th February 2015, Ministry of Transport, Works, Supply and Communication and China National Complete Engineering Corporation signed a contract for the supply, delivery, installation and commissioning of medical equipment for Chinsali General Hospital at a contract price of US\$62,989,400.07 (VAT exclusive) with a completion period of thirty six months (36) months. The contract start date was 23rd March 2015 and the end date was 23rd March 2018.

However, the following were observed:

- **Questionable Variation**

Addendum No. 1 was signed on 11th July 2017 to include Lusaka Specialised Hospital and a General Hospital in Petauke within the same contract price of US\$62,989,400.07

The costing and apportioning of the equipment were questionable as there was no evidence that the Ministry had conducted a technical assessment for the medical equipment and furniture to be procured for the three (3) hospitals.

- **Undelivered Medical Equipment**

A physical verification carried out in July 2022 at Lusaka Specialised Hospital (National Heart Hospital) revealed that the medical equipment in amounts totalling US\$564,393.51 had not been delivered.

- **Failure to Secure Title Deeds for the hospital land**

Section 41(4) of the Public Finance Management Act No. 1 of 2018, requires Controlling Officers to ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, title deeds for Lusaka Specialised Hospital had not been secured as at 31st July 2022.

iii. Construction of Office Blocks, Police Stations, Post Offices, and Houses in the New Districts

In Paragraph 26 (e) of the Report of the Auditor General on the Accounts of the Republic for the financial year ended 31st December 2020, mention was made on the projects relating to the construction of office blocks, police stations, post offices and houses in new districts.

In particular, mention was made on the failure to pay contractors, delayed completion of works, terminated contracts and failure to renew security bonds among others. A further examination of the infrastructure projects records in May 2022 revealed the following:

- **Over Commitment on Contract Procurement**

The Ministry entered into 181 contracts between 2014 and 2020 with a total contract sum of K1,568,547,460.

However, out of a total contract sum of K1,568,547,460 the Ministry only budgeted a total of K192,624,095 leaving a balance of K1,375,923,365 resulting in over commitment. See table 2 below.

Table 2: Unbudgeted Projects

Year	Total No of Contracts Signed	Total Contract Sum K	Amount Paid K	Estimates of Revenue and Expenditure K	Variance K
2014	59	472,424,641	129,732,582	3,758,062	(468,666,579)
2015	79	670,826,302	78,668,667	1,000,000	(669,826,302)
2016	9	83,690,347	19,255,002	500,000	(83,190,347)
2017	20	179,150,748	9,125,307	500,000	(178,650,748)
2018	8	98,093,157		112,061,080	13,967,923
2019	4	39,927,478		12,875,523	(27,051,955)
2020	2	24,434,788		-	(24,434,788)
2021	0	-	6	61,929,430	61,929,430
Total	181	1,568,547,460	236,781,564	192,624,095	(1,375,923,365)

Consequently, out of the contract sum of K1,568,547,460, a total of K732,797,604 was certified through Interim Payment Certificates (IPCs) as

at 31st July 2022 of which amounts totalling K651,347,756 had been paid to several contractors leaving a balance of K81,449,849.

Further, a total of thirty (30) projects with outstanding interim payments certificates in amounts totalling K26,531,500 had either stalled or abandoned due to non-payments for periods of over eight six (86) months.

- **Delayed Completion of Works**

An examination of 103 projects revealed that the project completion dates ranged from four (4) to seventy-two (72) weeks.

However, as at 30th June 2022, all the 103 projects had been delayed for periods ranging from eight (18) to eight three (83) months for the construction of 20 low cost houses in Nsama District and the construction of the Police Station in Mitete District respectively.

- **Failure to Recover Advance Payments from Terminated Contracts**

During the period under review, a total of K10,354,968 had been paid as advance payments to nine (9) contractors whose contracts had been terminated. As at 31st May 2022, amounts totalling K6,193,891 had been recovered leaving a balance of K4,161,077.

c. Infrastructure Project Status

Table 3 below shows the project status on selected fifty one (51) projects sampled as at 30th June 2022.

Table 3: Project Status on Fifty One (51) Projects

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
Luano District							
1	Lwamwa Contractors Ltd	Completion of the Construction of District Admin Block	6,679,143.47	1,335,828.69	1,335,828.69	13.05.2017 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised five (5) times from June 2018 to December 2022. Despite the extensions, the project was at 10% completion as at 30th June 2022 six (6) months before the expected completion date. There was no documentation availed for audit signed by both the Ministry and the Contractor to support the extension of time and price adjustments if any. Despite the advance payment of K1,335,829 (20%) there was no evidence of a valid advance security as at 30th June 2022. The revised programme of works was not availed for audit to indicate how the completion would be achieved by December 2022.
2	Ngalitas Hardware and Electricals Limited	Completion of the Construction of Council Admin Block & 2 High Cost Houses & External Works	7,163,740.96	1,432,748.19	1,432,748.19	31.05.2017 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised six (6) times from June 2018 to December 2022. Despite the extensions of time the project was at 10% complete as at 30th June 2022 six months before the expected completion date. Despite the advance payment of K1,432,748 (20%) there was no evidence of a valid advance security as at 30th June 2022. As at 30th June 2022, although the contractor was on site there were no works as the contract awaited price adjustments.
3	Dove Engineering and Construction Limited	Completion of the Construction of 20 No. Low Cost Houses	9,678,560.35	3,457,190.56	3,457,190.56	31.05.2015 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised four (4) times from July 2018 to December 2022. Despite the extensions of time the project was at 50% complete as at 30th June 2022 six (6) months before the expected completion date. There was no addendum availed for audit for the extension of time. The status of the project was as follows: <ul style="list-style-type: none"> o 6No. houses roofed with window frames fitted, o 5No. houses at gable plate level, o 8No. houses at ring beam level. o 1 No. house at wall plate level.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
4	Rising East Construction	Construction of police station, 2No. Medium Cost Houses, 8No.Low Cost Houses	13,015,616.00	2,603,123.20	0	31.05.2017 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised nine (9) times from June 2018 to December 2022, the works had not commenced as at 30th June 2022. The contractor had not been paid the advance payment of K2,603,123 (20%) five (5) years after the contract had been signed.
Ngabwe District							
5	Stardy Contractors Limited	Construction of District Administration Block	4,047,806.10	1,087,276.67	2,603,123.20	29.05.15 to 31.12.2021	<ul style="list-style-type: none"> Although the initial completion date was revised ten (10) times from June 2016 to December 2021 the project was at 10% completion six (6) months after the expected completion date. There was no evidence that the performance security was submitted by the contractor. The contractor was paid an amount of K2,603,123 against certified amounts of K1,087,277 resulting in excess payment of K1,515,846. Although the contract expired on 31st December 2021, the Ministry did not terminate the contract as at 30th June 2022.
6	Stardy Contractors Limited	Construction of ten (10) medium cost houses	6,819,526.30	2,686,529.53	2,686,529.53	25.05.2015 to 31.12.2021	<ul style="list-style-type: none"> Although the initial completion date was revised nine (9) times from April 2016 to December 2021 the project was at 50% completion six (6) months after the expected completion date. The contractor did not submit the performance security. Although the contractor was paid the certified amount of K2,686,530 in full, he was not on site. Although the contract time had lapsed, the Ministry did not terminate the contract as at 30th June 2022.
Shibuyunji District							
7	Jamcho Limited	Construction of District Admin Block	6,558,475.39	2,614,197.39	2,614,197.39	29.09.2014 to 31.12.2021	<ul style="list-style-type: none"> Although the initial completion date was revised eight (8) times from March 2016 to December 2021 the project was at 30% completion six (6) months after the expected completion date. The contractor did not submit the performance security.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
8	Chije Agencies Limited	Construction of Council Administration Block, two (2) High Cost Houses and External Works	5,113,376.33	1,240,527.75	1,240,527.75	11.06.2015 to 31.12.2021	<ul style="list-style-type: none"> Although the contractor was paid the certified amount of K2,614,197 in full, the contractor was not on site at the time of audit. Although the initial completion date was revised eight (8) times from August 2016 to December 2021 the project was at 35% completion six (6) months after the expected completion date. There was no evidence that the Project Manager had requested for the performance security and consequently, the Ministry had not claimed any liquidated damages. As at 30th June 2022, despite the contractor having been paid the certified amount of K1,240,528 in full, the contractor was not on site. Although the contract time expired, the Ministry did not terminate the contract as at 30th June 2022.
9	StoneKing Limited	Construction of 10 Medium Cost Houses and Associated External Works	6,438,012.00	2,906,854.36	2,906,854.36	11.06.2015 to 31.12.2021	<ul style="list-style-type: none"> Although the initial completion date was revised eight (8) times from June 2016 to December 2021 the project was at 40% completion six (6) months after the expected completion date. As at 30th June 2022, despite the contractor having been paid the certified amount of K2,906,854 in full, the contractor was not on site The contractor did not submit the performance security. Although the contract time had lapsed, the Ministry had not terminated the contract as at 30th June 2022.
10	Shumpe Investments Limited	Construction of 20 No. Low Cost Houses & Associated External Works	7,033,333.11	4,001,691.95	4,001,691.95	11.06.2015 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised nine (9) times from June 2016 to December 2022. Despite the extensions of time the project was at 30% complete as at 30th June 2022 six (6) months before the expected completion date. As at 30th June 2022, the project had stalled and the contractor was not on site.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
11	Chilimata Engineering and Construction Limited	Construction Of Post Office	3,606,352.00	1,166,087.91	1,166,087.91	12.01.2015 to 31.12.2021	<ul style="list-style-type: none"> Although the initial completion date was revised nine (9) times from June 2016 to December 2021 the project was at 30% completion six (6) months after the expected completion date. There was no documentation availed for audit signed by both the Ministry and the Contractor to support the extension of time to 31 December 2021. Although the contract expired, the Ministry did not terminate the contract as at 30th June 2022 and the project had stalled.
Nyimba District							
12	Brut Engineering Limited	Construction of District Administration Block	5,927,409.75	1,843,003.89	1,185,481.95	29.10.2014 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised two times from December 2017 to December 2022 the project was at 50% complete as at 30th June 2022. Out of the certified amount of K1,843,004 amounts totalling K1,185,482 had been paid leaving a balance of K657,522. At the time of the physical verification in January 2022, the project had stalled and was recommended for termination
Sinda District							
13	Pozollona Limited	Construction of District Administration Block	6,340,717.75	2,943,332.72	2,943,332.72	30.09.2014 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised a number of times from June 2015 to December 2022 the project had stalled at 45% stage of completion as at 30th June 2022 six (6) months before the expected completion date. At the time of the physical verification in January 2022, the Contractor was not on site.
14	Olcint Proline	Construction of Council Administration Block & 2 High Cost Houses & External Works	5,455,537.25	2,581,239.72	2,581,239.72	13.11.2014 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised a number of times from December 2015 to December 2022 the project had stalled at 40% stage of completion as at 30th June 2022 six months before the expected completion date. At the time of the physical verification in January 2022, the Contractor was not on site. The Council office block was at wall plate level.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
15	Trans International Limited	Construction of 10 Medium Cost Houses & Associated External Works	7,727,335.75	2,403,174.15	2,403,174.15	30.09.2014 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised a number of times from November 2015 to December 2022 the project had stalled at 30% stage of completion as at 30th June 2022 six months before the expected completion date.
Vubwi District							
16	JM & J Limited	Construction of 10 Medium Cost Houses & Associated External Works	11,013,602.60	2,863,223.37	2,202,720.52	08.11.2018 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised a number of times from February 2022 to December 2022 the project was at 30% stage of completion as at 30th June 2022 six (6) months before the expected completion date. Out of the certified amount of K2,863,223 amounts totalling K2,202,721 had been paid leaving a balance of K660,503. At the time of the physical verification in January 2022, the Contractor was on site.
Lunga District							
17	Swengwa Limited	Construction of 10 Medium Cost Houses	8,192,310.85	3,300,212.40	3,300,212.40	23.09.2014 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised four (4) times from July 2018 to December 2022. Despite the extensions of time the project was at 40% complete as at 30th June 2022 six months before the expected completion date. The programme of works was not availed for audit to indicate how the completion would be achieved by December 2022. As at 30th June 2022, the contractor was not on site and the project had stalled
18	Integrity Enterprises Limited	Construction of 20 Low Cost Houses & Associated External Works	12,908,491.55	5,690,391.93	5,690,391.93	24.09.2014 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised four (4) times from December 2015 to December 2022. Despite the extensions of time the project was at 50% complete as at 30th June 2022 six months before the expected completion date. As at 30th June 2022, the contractor was not on site and the project had stalled as the contract awaited price adjustments.
19	Crestmark Investments	Construction of District Administration Block	7,318,796.00	1,463,759.20	1,463,759.20	15.11.2014 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised once from March 2015 to December 2022. Despite the extension of time the project was at 10% complete as at 30th June 2022 six months before the expected completion date.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
							<ul style="list-style-type: none"> The advance payment of K1,463,759 (20%) had not been fully recovered and there was no evidence of a valid advance security as at 30th June 2022. Works had stalled and the contractor was not on site.
Chilanga District							
20	Machtech Limited	Construction of District Administration Block	3,956,861.80	1,721,185.84	1,721,185.84	30.09.2014 to 31.12.2020	<ul style="list-style-type: none"> Although the initial completion date was revised five (5) times from January 2016 to December 2020 the project was 40% complete. Although the contractor was paid the certified amount of K1,721,185.84 in full, he was not on site and the project had stalled. Although the contract expired, the Ministry did not terminate the contract as at 30th June 2022.
21	Habitech Limited	Construction of Council Administration Block & 2 High Cost Houses & External Works	5,389,317.65	2,916,447.24	2,916,447.24	24.11.2014 to 30.06.2022	<ul style="list-style-type: none"> Although the initial completion date was revised seven (7) times from September 2015 to June 2022 the project had stalled at 50%. Although the contractor was paid the certified amount of K2,916,447 in full, he was not on site as at 30th June 2022.
22	Pabala Investments Limited	Construction of Post Office	2,964,926.35	2,777,323.15	2,777,323.15	23.01.2015 to 30.06.2022	<ul style="list-style-type: none"> The initial completion date was revised seven (7) times from October 2015 to June 2022. Despite the extensions of time the project was at 30% complete when the contractor was paid 94% of the contract sum. As at 30th June 2022, the project had stalled, the contractor was not on site since July 2021.
Rufunsa District							
23	Tenacity Contractors Limited	Construction of District Administration Block	5,420,506.00	2,926,763.61	2,926,763.61	27.11.2014 to 30.06.2022	<ul style="list-style-type: none"> The initial completion date was revised seven (7) times from January 2016 to June 2022. Despite the extensions of time the project was at 50% complete as at 30th June 2022. As at 30th June 2022, the project had stalled, the contractor was not on site since February 2019.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
24	Lumworks Enterprises Limited	Construction Of Post Office	2,391,894.70	1,353,199.67	1,353,199.67	10.09.2014 to 30.06.2022	<ul style="list-style-type: none"> The initial completion date was revised seven (7) times from October 2015 to June 2022. Despite the extensions of time, the project was at 40% complete as at 30th June 2022. As at 30th June 2022, the project had stalled, the contractor was not on site since February 2017.
25	Bon Voyage carriers Consultancy Limited	Construction of Council Administration Block & 2 High Cost Houses & External Works	5,657,494.25	2,241,606.85	2,241,606.85	31.03.2015 to 30.06.2022	<ul style="list-style-type: none"> The initial completion date was revised seven (7) times from January 2016 to June 2022. Despite the extensions of time the project was at 50% complete as at 30th June 2022. As at 30th June 2022, the contractor was not on site and the project had stalled due to land wrangles.
26	Atonement Enterprises Limited Carriers Limited	Construction of Police Station, 2 Medium Houses, 8 Low Cost Houses	14,384,300.45	5,430,577.63	5,430,577.63	12.11.2014 to 30.12.2020	<ul style="list-style-type: none"> Although the initial completion date was revised seven (7) times from January 2016 to December 2020 the project was at 50% completion eighteen (18) months after the expected completion date. There was no evidence that the Project Manager had requested for the performance security and consequently, the Ministry had not claimed any liquidated damages. Although the contractor was paid the certified amount of K5,430,578 in full, he was not on site since February 2017.
Ikelenge District							
27	Raymond Construction	Completion of Construction of District Administration Block	11,071,297.70	2,214,259.55	2,214,259.55	04.07.2017 to 15.12.2022	<ul style="list-style-type: none"> The initial completion date was revised six (6) times from June 2018 to December 2022. Despite the extensions of time the project was 12% complete as at 30th June 2022 six months before the expected completion date. The advance payment of K2,214,260 (20%) had not been fully recovered and there was no evidence of a valid advance security as at 30th June 2022. At the time of physical verification in January 2022, the slab was at 85% level of completion.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
28	I and L Contractors	Completion of the Construction of Council Administration Block & 2 High Cost Houses & External Works	8,842,761.33	2,352,486.42	2,352,486.42	13.04.2017 to 26.08.2022	<ul style="list-style-type: none"> • The initial completion date was revised seven (7) times from August 2018 to August 2022 resulting in a cost increase of K1,151,962. • Despite the extensions of time the project was 30% complete as at 30th June 2022, two (2) months before the expected completion date. • At the time of physical verification in January 2022. • Council office block was at foundation level. • The 2 high cost houses were at wall plate level. • The contractor was on site.
29	Chipando General Dealers	Construction of Post Office	4,802,452.36	960,490.47	0	30.07.2018 to 30.09.2022	<ul style="list-style-type: none"> • The contract for K2,626,195 signed with T. Mushinkula Trading on 22 September 2014 was terminated at 10% stage of project completion. • The reasons for termination were not advanced for audit. • Following the termination of the contract, the Ministry engaged Chipando General Dealers in 2017 at a cost of K4,802,452 resulting in increased project cost of K2,176,258. • The initial completion date was revised five (5) times from August 2018 to September 2022. • As at 30 June 2022 the contractor had not been paid the advance payment of K960,490. • Consequently, the contractor was not on site, awaiting advance payment, and the project had stalled at 10%. • At the time of physical verification in January 2022, the Post Office was at concrete slab level.
30	Matty Construction Limited	Construction of Police Station, 2 Medium Houses, 8 Low Cost Houses	18,612,803.90	3,722,560.78	0	30.07.2018 to 23.08.2022	<ul style="list-style-type: none"> • The initial completion date was revised four (4) times from November 2018 to August 2022. • As at 30 June 2022 the contractor had not been paid the advance payment of K3,722,561. • The advance bond had expired as at 30 June 2022. • Consequently, the contractor was not on site, awaiting advance payment, and the project had stalled at 0%.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
Kazungula District							
31	Profab Zambia Limited	Construction of 10 Medium Cost Houses & Associated External Works	8,139,394.75	6,006,384.88	6,006,384.88	12.11.2014 to 30.06.2022	<ul style="list-style-type: none"> Some earth walls for the foundation trenching for the Police Station and the houses had collapsed as at 30th June 2022. Although the initial completion date was revised nine (9) times from January 2016 to June 2022 the project had stalled at 45% completion as at 30 June 2022. The programme of works was not availed for audit to indicate how the completion would be achieved by June 2022. Although the contractor was paid the certified amount of K6,006,385 in full, he was not on site as at 30th June 2022. Although the initial completion date was revised nine (9) times from October 2015 to June 2022 the project had stalled at 50% completion as at 30 June 2022. The programme of works was not availed for audit to indicate how the completion would be achieved by June 2022. Although the contractor was paid the certified amount of K1,249,333 in full, he was not on site as at 30th June 2022.
32	Davisbet Enterprises Limited	Construction of Post Office	2,542,108.70	1,249,332.87	1,249,332.87	15.11.2014 to 30.06.2022	<ul style="list-style-type: none"> Although the initial completion date was revised eight (8) times from October 2016 to June 2022. Despite the extensions of time the project was at 26% complete as at 30th June 2022 at the time of expiry of the contract. Out of the certified amount of K3,501,454 amounts totalling K2,442,052 were paid leaving a balance of K1,059,402. The contractor did not submit the performance security. The initial completion date was revised nine (9) times from November 2015 to June 2022. Despite the extensions of time the project was at 30% complete as at 30th June 2022 at the time of expiry of the contract. Out of the certified amount of K2,542,734 amounts totalling K1,867,454 had been paid leaving a balance of K675,280. The contractor did not submit the performance security.
Siavonga District							
33	Mixer General Dealers	Construction of twenty (20) low cost houses	10,307,092.15	3,501,454.16	2,442,052.36	01.12.2014 to 30.06.2022	<ul style="list-style-type: none"> The initial completion date was revised nine (9) times from November 2015 to June 2022. Despite the extensions of time the project was at 30% complete as at 30th June 2022 at the time of expiry of the contract. Out of the certified amount of K2,542,734 amounts totalling K1,867,454 had been paid leaving a balance of K675,280. The contractor did not submit the performance security.
34	Netweb Investments Limited	Construction of ten (10) medium cost houses	8,244,684.00	2,542,734.10	1,867,454.17	01.12.14 to 30.06. 2022	<ul style="list-style-type: none"> The initial completion date was revised nine (9) times from November 2015 to June 2022. Despite the extensions of time the project was at 30% complete as at 30th June 2022 at the time of expiry of the contract. Out of the certified amount of K2,542,734 amounts totalling K1,867,454 had been paid leaving a balance of K675,280. The contractor did not submit the performance security.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
Zimba District							
35	Melcast Engineering	Construction of Police Station, 2 Medium Houses, 8 Low Cost Houses	14,829,376.49	7,090,776.20	7,090,776.20	01.12.2014 to 30.06.2022	<ul style="list-style-type: none"> The initial completion date was revised nine (9) times from December 2015 to June 2022. Although the contractor was paid the certified amount of K7,090,776 in full, he was not on site as at 30th June 2022. At the time of physical verification in January 2022, the Police Station was at ring beam level, five (5) houses were at gable level and three (3) houses were at lintel level The contract was recommended for termination due to non-performance.
Luampa District							
36	Moffat Metal crafts	Construction of District Administration Block	6,710,958.45	3,412,846.84	3,298,111.61	23.09.2014 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was repeatedly revised to December 2022 from November 2015. Despite the extensions of time the project had stalled at 33% due to poor performance as at 30th June 2022. Out of the certified amount of K3,412,847 amounts totalling K3,298,112 had been paid leaving a balance of K153,6179. The contractor was not on site as at 30th June 2022 and the project was at wall plate level.
Mitete District							
37	Bemkel	Construction of District Administration Block	6,262,288.15	2,021,499.49	1,252,457.63	19.12.2014 to 30.12.2018	<ul style="list-style-type: none"> Despite the contract completion period being revised three (3) times, the project was terminated at 10% completion. The reasons for termination were not advanced for audit. Records revealed that out of the certified amounts of K2,021,499 the contractor was paid an amount of K1,252,458 leaving a balance of K769,042 as at 30th June 2022. Following the termination, the Ministry engaged Anita Construction at a cost of K9,972,383 in November 2019 resulting in increased project cost of K3,710,095. As at 30th June 2020 the contractor had not been paid the advance payment of K1,923,132 nineteen (19) months after the contract was signed. Consequently, the project had stalled at 5%.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
38	Kampe Investments Limited	Construction of Council Administration Block & 2 High Cost Houses & External Works	7,045,109.20	1,917,372.01	1,409,021.84	19.12.14	<ul style="list-style-type: none"> The project was terminated due to failure to perform. At the time of termination an amount of K1,917,372 had been certified and amounts totalling K1,409,022 had been paid leaving a balance of K508,350. Following the termination, the Ministry engaged Kaps Hardware at a cost of K7,045,109 in April 2017. At the time of physical verification in January 2022, the contractor had abandoned the site and works were at 13%. The project had been revised four (4) times from the initial completion date of April 2018 to December 2022. Two high-cost houses were at back filling level, more than 7 years of initial contract signing.
39	Simuliya Trading Limited	Construction of Police Station, 2 Medium Houses, 8 Low-Cost Houses	14,433,222.30	4,469,958.77	2,886,644.47	17.03.2016 to 31.12.2018	<ul style="list-style-type: none"> Although the contract completion period was revised three (3) times from July 2016 to December 2018 the project had stalled at 30% and the contractor was not on site. As at 30th June 2022, the contract expired. Out of the certified amount of K4,469,959 the contractor was paid K2,886,644 leaving a balance of K1,583,314. The Police station had its borehole sunk and works were at excavation stage. Two (2) medium cost houses were at slab level. Eight (8) low-cost houses: <ul style="list-style-type: none"> One (1) house was roofed, and window frames installed. One (1) house was on gable level. Two (2) were at window level. Four (4) were at slab level.
40	Eldermain Business Solutions	Construction of Post Office	3,663,490.40	732,698.08	732,698.08	07.05.2019 to 31.12.2021	<ul style="list-style-type: none"> The contract was terminated for failure to perform. However, at the time of contract termination the contractor had been paid the certified amount of K732,698. There were no records availed for audit to indicate the completion status at the time of termination.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
							<ul style="list-style-type: none"> Following the termination of the contract, the Ministry engaged Milestone Technical Services at a cost of K6,700,695 in July 2019 for a period of one (1) year resulting in increased project cost of K3,037,205. As at 30th June 2022 the contractor had not been paid the advance payment of K1,340,139 three (3) years after the contract was signed. Consequently, the project had stalled at 3%. The new contractor was not on site. Only trenches excavation was done by the previous contractor.
Mulobezi District							
41	Keysmar Services Limited	Construction of District Admin Block	6,342,232.70	2,746,513.53	2,679,730.34	23.12.2014	<ul style="list-style-type: none"> There were no records available for audit to indicate the completion status at the time of termination. Records revealed that out of the certified amounts of K2,746,514 the contractor was paid K2,679,730 leaving a balance of K66,783 as at 30th June 2022. Following the termination, the Ministry engaged V.B.S at a cost of K13,864,231 in January 2017 resulting in increased project cost of K7,521,998. The project had been revised four (4) times from January 2018 to December 2022 and the project was at 45% completion as at 30th June 2022 six months before the end of the revised completion period. The contractor was not on site and the project had stalled.
42	Kanani agencies	Construction of Council Admin Block & 2 High Cost Houses & External Works	6,156,524.10	2,356,278.93	1,719,055.90	17.11.2014 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised six (6) times from August 2015 to December 2022 the project was at 35% completion. The contractor was paid K1,719,056 out of the certified amount of K2,356,278.93, leaving a balance of K637,223. <p>At the time of the physical verification in January 2022:</p> <ul style="list-style-type: none"> The contractor was not on site and the project had stalled. Council block was at wall plate level, Two (2) high cost houses were at wall plate level, and Borehole was sunk and project was at 35% stage of completion.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
43	Keysmar Services Limited	Construction of 10 Medium Cost Houses & Associated External Works	7,056,419.00	2,167,417.78	1,789,350.79	23.10.2014 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised five (5) times from December 2016 to December 2022 the project was at 35% completion. There was no documentation availed for audit signed by both the Ministry and the Contractor to support the extension of time to 31 December 2022. The contractor was paid K1,789,351 out of the certified amount of K2,167,418, leaving a balance of K378,067. At the time of the physical verification in January 2022: <ul style="list-style-type: none"> Three (3) houses were at ring beam level, Two (2) houses were at slab level, Four (4) houses were at foundation level, and One (1) house was hardcore filled.
44	Zambia Trading Limited.	Construction of Post Office	2,054,057.25	539,347.54	539,347.54	02.10.2014 to 31.12.2021	<ul style="list-style-type: none"> The initial completion date was revised five (5) times from December 2015 to December 2022. Despite the extensions of time the project was at 3% complete as at 30th June 2022 six (6) months after the expected completion date. The advance payment of K410,811 (20%) had not been fully recovered and the advance security had expired as at 30th June 2022.
Mwandi District							
45	Harbour Side enterprises Ltd	Construction of District Administration Block	5,710,027.52	5,710,027.50	3,805,373.09	06.10.2014 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised six (6) times from August 2015 to December 2022. Despite the extensions of time the project was 45% complete as at 30th June 2022. The programme of works was not availed for audit to indicate how the completion would be achieved by December 2022. Out of the certified amount of K5,710,028 amounts totalling K3,805,373 had been paid leaving a balance of K1,904,654. As at 30th June 2022, the project had stalled and the contractor was not on site.
46	Harbour Side enterprises Limited	Construction of 20 Low Cost Houses and Associated External Works	10,410,362.00	4,461,143.66	4,461,143.66	30.09.2014 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised six (6) times from November 2015 to December 2022. Despite the extensions of time the project was 30% complete as at 30th June 2022. As at 30th June 2022, the project had stalled and the contractor was not on site.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
Sikongo District							
47	Sokotela Enterprises Limited	Construction of Council Administration Block, 2 High Cost Houses and External Works	6,049,618.80	1,209,923.76	1,209,923.76	15.04.2017 to 31.12.2022	<ul style="list-style-type: none"> The contract with Sokotela Enterprises Limited was terminated and the reasons for termination were not advanced for audit. Records revealed that the certified amount of K1,209,924 was paid to the contractor. Following the termination, the Ministry engaged Muco Trading Limited at a cost of K12,407,556 in April 2016 resulting in increased project cost of K6,357,937. The initial completion date was revised four (4) times from September 2017 to December 2022. Despite the extensions of time the project was at 18% complete as at 30th June 2022 six (6) months before the expected completion date. There was no documentation available for audit signed by both the Ministry and the Contractor to support the extension of time. Out of the certified amount of K3,966,483 amounts totalling K1,240,756 had been paid leaving a balance of K2,725,728. The contractor was last on site in December 2018. Consequently, the project had stalled at 18%. The site visit conducted in January 2022 revealed that the project was at slab level.
48	Kutambuka Enterprises Limited	Construction of 20 Low Cost Houses & Associated External Works	9,503,553.60	4,139,928.50	3,143,152.44	24.09.2014 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised four (4) times from July 2017 to December 2022. Despite the extensions of time the project was at 40% complete as at 31st December 2022, six (6) months before the end of the extended completion period. Out of the certified amount of K4,139,929 amounts totalling K3,143,152 had been paid leaving a balance of K996,776. The contractor was last on site in December 2018. Consequently, the project had stalled at 40%.

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Paid K	Start and Revised End Date	Observations
49	Kutambuka Enterprises Limited	Construction of Post Office	2,604,484.20	1,887,397.84	1,513,856.89	24.09.2014 to 31.12. 2022	<ul style="list-style-type: none"> The initial completion date was revised six (6) times from July 2015 to December 2022. Despite the extensions of time the project was at 35% complete as at 31st December 2022, six months before the end of the extended completion period. There was no documentation availed for audit signed by both the Ministry and the Contractor to support the extension of time. The programme of works was not availed for audit to indicate how the completion would be achieved by December 2022. Out of the certified amount of K1,887,398 amounts totalling K1,513,857 had been paid leaving a balance of K373,541. The contractor was last on site in December 2018. Consequently, the project had stalled at 40%. The site visit conducted in January 2022 revealed that the project was at wall plate level.
Limulunga District							
50	Woodlock Limited	Completion of the construction of the council administration block and two high cost house and external works.	11,191,167.28	2,797,791.80	2,797,791.80	20.04.2020 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised two (2) times from April 2021 to December 2022 the project was at 25% completion as at 30 June 2022.
51	Conquest	Completion of the construction of the 20 low cost houses	10,410,362.00	2,602,612.59	2,602,612.59	28.09.2018 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised three (3) times from September 2020 to December 2022 the project was 30% complete as at 30 June 2022.

33 Head: 64 Ministry of Works and Supply (In Dissolution)

33.1 Mandate

The Ministry was mandated to oversee the preventive maintenance of government housing policies, control of government transport, evaluation of government property, government printing and gazetting, insurance of government property, office accommodation and maintenance services, state functions and government fleet management.

33.2 Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected districts for the period under review revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K187,772,370 was made to cater for operations of the Ministry against which amounts totalling K101,346,441 were released resulting in underfunding of K86,425,929.

Although the Ministry was underfunded, as at 31st December 2021, amounts totalling K87,798,576 were spent leaving a balance of K13,547,866.

b. Management of Information Systems - Failure to Utilize Equipment to Produce Electronic Certificates of Competence

On 23rd December 2020, the Ministry engaged Cloud Tech Zambia Limited to supply and deliver equipment to the Controller of Government Transport for use in the production of Electronic Certificates of Competence at a sum of K197,363 (VAT Inclusive) with a delivery period of thirty (30) days.

Although the supplier completed deliveries on 26th August 2021 and had been paid in full, as at 31st August 2022, the equipment was not in use one (1) year after delivery.

c. Procurement Matters

i. Purchase of Office Building

On 14th July 2021, the Ministry of Works and Supply entered into a contract with Messrs Kusum Lata Yadav (Vendor) for the purchase of Stand No. 5209 United Nations Avenue, Lusaka (former Germany Embassy) at a contract sum of US\$2,500,000.

On 23rd July 2021, the vendor was paid the full contract sum of K53,250,000 (\$2,500,000) through the Ministry of Finance.

The following were observed:

- **Failure to Adhere to Recommendation from Government Valuation Department**

The property was identified after it was advertised in the press by Pam Golding 2021 on behalf of the vendor. On 3rd May 2021, Pam Golding Properties valuation report considered the market value of the property at US\$2,500,000.

A review of the Government Valuation report dated 20th April 2021 revealed that the offer price of US\$2,500,000 was excessive and the market value of the property was US\$1,500,000 (K33,285,000).

A further review of minutes of the negotiation meeting held on 12th July 2021 revealed that the property needed to be discounted at a cost of K954,350 as the roof needed to be repaired due to leakages.

However, the Ministry procured the property at purchase price of US\$2,500,000 without considering the government valuation report or matters raised in the negotiation.

- **Failure to Secure Title Deeds**

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

Contrary to the Act, the Ministry did not secure Title Deeds for the parcel of land on which the acquired property was located as 31st August 2022.

ii. Contract for Supply of Assorted Security Papers

On 23rd July 2021, the Ministry engaged Kalideck (PTY) – More Than Paper, a South African based company to supply assorted security papers for the Government Printing Department at a contract sum of ZAR2,148,677.65 (K2,836,405) inclusive of road freight and document charges with a delivery period of four (4) to twenty (20) weeks from date of contract signing.

The following were observed:

- **Questionable Survey and Selection of Supplier**

According to regulation 8(1) and the Second Schedule of the Public Procurement Regulations 2011, all procurements of works and goods above K500,000 are subject to open bidding.

Contrary to the regulations, the Ministry assigned four (4) officers to source for quotations in South Africa as opposed to advertising the procurement. Consequently, the Ministry only evaluated one (1) quotation and awarded the contract to Kalideck at uncompetitive contract sum of ZAR2,148,677.65 (K2,836,405).

- **Failure to Deliver**

Clause 16.1 of the Special Conditions of the Contract required payment to be made in instalments of 25%, 65% and 10% of the contract amount respectively

Contrary to the Condition, on 30th July 2021, Government Printers paid an amount of K2,836,405 which was 100% of the contract sum.

In addition, the supplier did not deliver items valued at ZAR200,412 (K200,412) as at 31st August 2022, twelve (12) months after payment. See table 1 below.

Table 1: Undelivered Items

No.	Description	Quantity	Unit Price ZAR	Amount ZAR
1	NCR CB white 52 GSM 215 mm	1,065	44,570	47,467
2	NCR CF Pink 51 GSM 215 mm	1,044	49,995	52,195
3	NCR CF Yellow 51 GSM 215 mm	696	49,995	34,797
4	NCR CF Yellow 58 GSM 215 mm	396	49,995	19,798
5	NRC CF White 53 GSM 215 mm	1,086	42,500	46,155
	Total			200,412

- **Failure to Provide Performance Security Documents**

Clause 18.1 of the General Conditions of Contract required that within fourteen (14) days of contract award, the supplier should provide a security for the performance.

Contrary to the above provisions, the supplier did not provide performance securities for the contract.

d. Undelivered Professional Tool Kits

On 25th May 2021, Temwini General Dealers were paid an amount of K90,000 for the supply and delivery of twenty (20) professional tool kits for use by technicians under the Department of Office Equipment and Maintenance with a delivery period of thirty (30) days.

As at 31st August 2022, the twenty (20) professional tool kits had not been delivered fifteen (15) months after the supplier had been paid.

e. Management of Forfeited Assets - Failure to Issue Takeover Certificates for Forfeited Properties

On 18th December 2019, authority was granted to the Ministry of Works and Supply in accordance with Section 46 (2) (a) of the Public Finance Management Act No.1 of 2018 by the Secretary to Treasury to transfer forfeited properties comprising of four (4) real estates and nineteen (19) motor vehicles that were forfeited to the state through the Anti-Corruption Commission.

However, as at 31st August 2022, the Ministry had not registered the motor vehicles and the properties under the Government. See table 2 below.

In addition, nineteen (19) motor vehicles were still marooned at the Ministry over twenty (20) months after being handed over to the Ministry.

Table 2: List of Forfeited Properties and Status

No.	Property No	Property Description	Location	Allocated Institution	Status of property
1	Stand No.LUS /3775	Two Dwelling houses comprising 3 bedrooms, lounge, dinning , Kitchen, bath room , servant quarters and dog house market vale K5,300,000	No.25 Manda Hill Road .Olympia Park Lusaka	Lands Tribunal , Ministry of Lands	property occupied by lands tribunal used as offices and a court room
2	Stand No.LUS/13 947	Lodge Comprising a block of 15 self contained guest rooms, a double storey block with self contained guest rooms, kitchen, dining, reception, and veranda, abar , two detached conference halls and a guest house Market value K12,600,000	Roma Lusaka	Public Protector	Property was reallocated to Ministry of health but had not been occupied to date
3	Stand No LUS 13949	Incomplete Structure (Lodge) Comprising six(6) incomplete structures market value K3,100,000	Roma Lusaka	Hostels Board Management	The incomplete Building was still vacant
4	Stand NO.Lus 7791	Dwelling house - three bedroomed, dining, kitchn, bath room and toilet Market value K860,000	Woodlands extension	Anti -Corruption Commission	occupied by offices of First Lady State House and Secretary to Office of the Vice President

34 Head: 65 Ministry of Higher Education (In Dissolution)

34.1 Mandate

The Ministry was mandated to formulate policy and regulate university education and vocational education and training. The Ministry was also mandated with the promotion and application of science, technology and innovation for socio-economic development.

34.2 Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected stations for the financial year ended 31st December 2021 revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K2,002,118,597 was made to cater for various

activities against which amounts totalling K1,736,997,691 were released, resulting in an underfunding of K265,120,906

As at 31st December 2021, amounts totalling K1,725,649,042 had been spent.

b. Procurement Matters - Contracts for Supply of Equipment

In Paragraph 28 of the Report of the Auditor General on the Accounts of the Republic for the financial year ended 31st December 2020, mention was made of ten (10) selected contracts with a contract sum of US\$10,614,056 relating to the supply, delivery, installation, commissioning and training of key staff on the use of the equipment for eighteen (18) training institutions.

As at 30th June 2022, the contractors had been paid amounts totalling US\$9,620,423, leaving a balance of US\$993,422 and all the equipment valued at US\$10,614,056 had been delivered to the central warehouse in Lusaka by the ten (10) suppliers.

A review of the situation in June 2022 revealed the following:

i. Failure to Deliver Equipment to Training Institutions

Equipment valued at US\$1,808,197 continued to be kept at the central warehouse in Lusaka as at 30th June 2022, twenty (20) months after they were supplied in 2020.

As a result, installation, commissioning and training of key staff could not be done.

ii. Failure to Utilise Training Equipment

Equipment valued at US\$239,106 delivered to various institutions between July and August 2021, was not in use as at 30th June 2022, one (1) year after delivery. See table 1 and pictures below.

Table 1: Failure to Utilise Training Equipment

No	Institution	Description of Equipment	Total Value (US\$)	Audit Remarks
1	Ukwimi Trades Training Institute	<ul style="list-style-type: none"> Mechanical and fabrication equipment Automotive and Heavy Equipment Brick laying and plastering equipment Mechanical and Electrical equipment Carpentry and joinery equipment 	169,183	<p>The equipment was still sealed in boxes and kept in various store rooms.</p> <p>Enquiries with management revealed that the institution is yet to construct workshops to house the equipment.</p>
2	Livingstone Institute of Business and Engineering Studies (LIBES)	<ul style="list-style-type: none"> Block making machine Power float Vibrating compacting machine 	19,125	<p>The equipment was packed in a classroom and was not in use despite brick laying courses being offered at the institution.</p> <p>Enquiries with management revealed that the shelter constructed to house the equipment was not secure hence the decision to pack the equipment.</p>
3	Solwezi Trades	<ul style="list-style-type: none"> 3D Wheel Alignment Machine Band Saw Vertucke 5HP Motor Ornamental iron making machines (2) Hydraulic pipe/square tube bending machines (2) 	22,116	The equipment was not in use as key staff had not been trained by the supplier as at 30th June 2022.
4	Luanshya Technical and Business College (LTBC)	Iron worker Cropper	11,181	The equipment was not in use as key staff had not been trained by the supplier as at 30th June 2022.
5	Kabwe Institute of Technology	Surface Grinding Machine for Cylinder	6,462	The equipment was not in use as key staff had not been trained by the supplier as at 30th June 2022.
6	Northern Technical College (Nortec)	<ul style="list-style-type: none"> Tyre Changer Wheel balancing machine 	11,039	The equipment was still in boxes at the time of verification. No reason was availed by management as to why the equipment was not in use.
			239,106	



Various training equipment sealed in boxes and not in use at Ukwimi Trades in Petauke

Unused Equipment at LIBES



Block making machine



Vibrating Compacting Machine



Power Float

iii. Procurement of Equipment with Incomplete Accessories

Enquiries with management of selected institutions revealed that although training equipment such as industrial stoves, 3D wheel alignment machines and spindle moulders were procured and delivered, the equipment could not be put to use as some accessories were missing.

A review of the contracts revealed that the missing accessories were not part of the contract hence were not supplied by the contractors. In this regard, the procurement of this equipment was wasteful expenditure. See table 2 below.

Table 2: Equipment with incomplete accessories

No.	Supplier	Description of Equipment	Quantity procured	Unit Price (US \$)	Total Cost (US \$)	Missing Accessories/parts
1	Gradico	Industrial Stoves with Oven	10	3,066	30,655	Special pots and pans
2	Theotoka Laboratory	3D Wheel Alignment machines	10	4,092	40,923	Specific lifters
3	Divine Express	Spindle Moulder	10	7,983	79,828	Specific cutters
					151,406	

c. Management of Assets - Failure to Secure Title Deeds

Section 41(4) of the Public Finance Management Act No. 1 of 2018 requires Controlling Officers to ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, title deeds for parcels of land on which the Ministry Headquarters was located had not been secured as at 31st July 2022.

d. Infrastructure Development

During the period under review, the Ministry had forty two (42) projects with total contract sums of K2,580,681,213 relating to construction of infrastructure in various districts out of which Interim Payment Certificates (IPC's) in amounts totalling K1,551,619,380 were received from contractors and amounts totalling K1,145,938,235 had been paid as at 31st December 2020.

In 2021, the Ministry received funds in amounts totalling K287,570,625 from the treasury for infrastructure development under the University Education Programme out of which amounts totalling K284,758,792 were spent bringing the total amount paid to K1,430,697,027 leaving an amount of K120,922,353 on outstanding IPC's.

The following were observed:

i. Delayed Completion of Works

Although the projects had revised completion dates to 2017 and 2018 the projects had not been completed as at 31st July 2022, four (4) to five (5) years after the expected completion date.

In this regard, only seven (7) out of forty two (42) projects were complete and in use while the completion status of the remaining thirty five (35) projects ranged between 5% and 83%.

ii. Interest on Delayed Payments – Wasteful Expenditure

Clause 14.8, of the General Conditions of the Contracts (GCC) provided that, if the client made a late payment, the contractor would be paid interest on the late payment in the next payment.

As at 31st December 2021, amounts totalling K1,551,619,380 had been certified out of which amounts totalling K1,430,697,027 had been paid to various contractors leaving balances totalling K120,922,353.

Due to delays in settling (IPC's) issued by contractors for periods ranging between twenty four (24) to forty two (42) months, the Ministry accrued interest in amounts totalling K98,388,274 as at 31st December 2021 which is wasteful expenditure.

iii. Overpayment for Works

Shanghai Construction Limited, a company engaged to construct an examination centre at TEVETA at a contract sum of K37,874,427 was paid K41,381,338 for IPCs issued which was more than the contract sum resulting

in an overpayment of K3,506,911. Enquiries with management revealed that the contract was not varied.

Further, Speed Dragon Enterprises, a company engaged to construct Mumbwa Trades Training Institute at a contract sum of K48,535,327 was overpaid in that the contractor was paid K23,540,064 while the certified works were K22,703,963, resulting in an overpayment of K836,101.

35 Head: 77/01 Ministry of Defence - Headquarters

35.1 Mandate

The Ministry of Defence is mandated to preserve, protect and defend the sovereignty and territorial integrity of Zambia for the sole purpose of ensuring that the country, its citizens and residents are safeguarded from both internal and external aggression.

35.2 Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected stations for the financial year ended 31st December 2021 revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K5,342,139,442 was made to cater for various activities against which amounts totalling K5,168,843,202 were released, resulting in an underfunding of K173,296,240.

Although the Ministry was underfunded, as at 31st December 2021, amounts totalling K5,078,620,413 had been spent leaving a balance of K90,222,789.

b. Weaknesses in Procurement Management

i. Contracts without Budget Lines - Contracts for the Supply of Equipment and Other Goods

During the period under review, the Ministry of Defence engaged twenty one (21) suppliers for the supply of equipment and other goods in amounts totalling K87,551,870 (ten suppliers), US\$15,606,412 (ten suppliers) and €481,096 (one supplier).

Section 54(2)(d) of the Public Procurement Act No. 12 of 2008, requires that no contract, purchase order, letter of bid acceptance or other communication in any form conveying acceptance of a bid or award of contract should be issued prior to among others confirmation that funding is available.

Contrary to the Act, there was no confirmation of the availability of the funds at the time of entering into thirteen (13) contracts in amounts totalling K42,988,000, US\$22,440,750 and €481,096 as shown in table 1 below.

Table 1: Contracts Entered into Before Confirmation of Funds

No.	Contract Date	Name of Supplier	Amount K	Amount US\$	Amount €
1	11.01.2021	Cork Trading Ltd	-	990,160.00	-
2	13.01.2021	Hazel Daniels Limited	9,952,000	-	-
3	8.02.2021	National Airways Corporation	-	4,750,000.00	-
4	17.03.2021	Yusuf hardware and Building Supplies	7,373,000	-	-
5	19.03.2021	Padayache Trading	16,500,000	-	-
6	19.03.2021	Leonardo	-	-	481,096.00
7	6.04.2021	Letscar Limited	-	5,090,000.00	-
8	12.04.2021	Jihua Limited	-	6,700,000.00	-
9	22.04.2021	Northern Star FZCO	-	8,893,000.00	-
10	26.04.2021	Evanset Civil Works Engineering Limited	12,140,000	-	-
11	28.04.2021	Feedo Investment Limited	-	617,750.00	-
12	2.06.2021	Aquarius Import and Export Ltd	-	1,140,000.00	-
13	7.06.2021	Yusuf hardware and Building Supplies	6,975,000	-	-
		Total	42,988,000	22,440,750.00	481,096.00

Out of the twenty one (21) contracts, four (4) contracts entered into between 30th June and 26th July 2021 had not been executed as at 31st July 2022 due to non-payments towards the contracts. See table 2 below.

Table 2: Unexecuted Contracts

No.	Contractor	Contract Sum		Validity
		K	US\$	
1	Fujian Kaiyuan Development	-	3,592,500.00	14 weeks from 30.06.21
2	Stalkline Enterprises	-	467,422.00	6 weeks from 30.06.21
3	Aquarius Import & Export Limited	-	1,140,000.00	7 weeks from 26.07.21
4	Spring Creek Investment Limited	4,039,120	-	8 weeks from 01.07.21
	Total	4,039,120	5,199,922.00	

The Ministry only made payments in amounts totalling K22,286,250 and US\$3,580,839, towards the twenty one (21) contracts leaving amounts totalling K65,265,620, US\$12,855,573 and €481,096 outstanding. The amounts had been outstanding for periods ranging from twelve (12) to eighteen (18) months as at 31st July 2022.

Further, Treasury and Financial Management Circular No.11 of 2018 Part 3.1 states that in order to avoid unauthorised commitment of the consolidated fund and also ensure an effective budgeting and reporting system for assets and liabilities, government instructed that all agreements/contracts with financial implications drawn by Ministries, Provinces, Agencies, Parastatals, Statutory bodies and Local Authorities must be channelled through the Office of the Accountant General before they are submitted to the Attorney General.

Although the Ministry of Defence submitted its contracts to the Attorney General's Office for approval, the contracts were not cleared by the Office of the Accountant General.

ii. Purchase of Ten Thousand (10,000) Smoke Denisons

On 20th April 2021, the Ministry of Defence signed a contract with Apex Supplies for the supply and delivery of ten thousand (10,000) Smoke Denisons (Combat Jackets) for the Zambia Air Force at a contract sum of K21,090,000 with a delivery period of eight (8) weeks.

On 24th April 2021, the supplier was paid an advance of K5,275,500 leaving a balance of K15,814,500. On 24th November 2021, the supplier delivered all the ten thousand (10,000) Smoke Denisons.

The following were observed:

- **Failure to Adhere to Payment Terms**

GCC No. 16.1 states that 25% of the contract amount will be paid as advance, 50% on shipment of the goods and 25% on delivery of the goods.

Contrary to the requirement, the Ministry of Defence had not paid the balance of K15,814,500 despite the supplier making the full delivery on 24th November 2021.

- **Failure to Provide Justification for Limited Bidding**

Public Procurement Regulation No. 14 states that a procuring entity may use Limited bidding for goods, works or non-consulting services where;

- The goods, works or services are only available from a limited number of suppliers;
- there is urgent need for the goods, works or services, and engaging in open bidding would be impractical;
- the requirement is of a specialised nature or relates to public safety or public security which makes open bidding inappropriate; or
- open bidding has failed to secure an award of contract

However, the Ministry of Defence did not provide justification for using Limited bidding method of procurement as provided for by the regulations.

- **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. A review of the details of bidders revealed that the three bidders engaged in cover bidding in that the E-mail

addresses for the three (3) companies were the same and the contact numbers for Padayache Trading and Apex Supplies were the same, an indication that the companies were owned by the same people.

iii. Procurement of 10,000 Combat Suits

On 22nd February 2021, the Ministry of Defence signed a contract with Hazel Daniels International Limited for procurement of ten thousand (10,000) combat suits at a contract sum of K 9,952,000 (VAT exclusive) with a delivery period of seven (7) weeks.

On 25th February 2021, the supplier was paid an advance of K2,488,000 and as at 31st July 2022, the supplier had not been paid the balance.

The following were observed:

- **Failure to Meet Specifications**

The specifications of the combat suits included material made from 100% Rip-stop Cotton Fabric.

Contrary to the required specifications, the supplier delivered uniforms which were 60% cotton and 40 % polyester.



Sample of Combat Uniform delivered at ZAF CED

iv. Questionable Identification of Suppliers - Supply and Delivery of Equipment

On 19th April 2021, the Ministry of Defence signed a contract with Nsochita General Contractors & Suppliers Ltd for the supply of equipment to the Zambia National Service at a contract sum of US\$13,733,800 with a delivery period of eight (8) weeks.

The Ministry of Defence procured equipment through Limited Bidding which entailed sending inquiries directly to a list of shortlisted suppliers.

However, a review of registration records at the Patents and Companies Registration Agency (PACRA) revealed that Nsochita General Contractors & Suppliers Ltd was not registered to supply the equipment in question and the Ministry did not avail any evidence of dealing with the supply in the past.

It was therefore questionable how the Ministry of Defence identified the Nsochita General Contractors & Suppliers Ltd.

v. Procurement of Equipment - Failure to Deliver Equipment

On 12th October 2020, the Ministry of Defence signed a contract with Unionlet Limited for the supply of Equipment at a contract sum of £227,656 VAT exclusive.

The payment terms were as follows:

- 25% advance payment to be made within 30 days of contract signing and on provision of a bank guarantee,
- 50% of the contract price upon shipment of goods, and
- 25% of goods received shall be paid within thirty (30) days of issuance of goods acceptance certificate.

As at 31st July 2022, the supplier was paid amounts totalling £151,231 leaving a balance of £76,425. However, nineteen (19) months after the expected delivery date the supplier had not delivered the equipment.

vi. Failure to Supply, Deliver and Install Equipment

On 23rd December 2019, the Ministry of Defence signed a contract with Systems Interface Limited for the supply, delivery and installation equipment for Zambia Air Force (ZAF) at a contract sum of £1,136,002.

As at 31st July 2022, the supplier had been paid amounts totalling K13,880,215 (£480,462.16) as shown in table 3 below.

Table 3: Payments to Supplier

No.	Date	Ref No.	Amount GBP(£)	Amount K
1	31.03.2021	T031	284,000.50	8,605,215
2	11.08.2021	T076	25,139.66	675,000
3	11.08.2021	T085	171,322.00	4,600,000
	Total		480,462.16	13,880,215

According to the delivery terms, the equipment should have been delivered and installed within sixteen (16) weeks of signing the contract which was 23rd December 2019. However, as at 31st July 2022, one hundred and four (104) weeks after the expected completion date the equipment had not been delivered.

vii. Contract for the Supply and Delivery of Motor Vehicles

On 23rd July 2021, the Ministry of Defence entered into a contract with Exoline Investments Limited of Lusaka for the supply and delivery of fifty (50) Toyota Corolla and Twenty five (25) Lexus brand new cars for the Zambia Army at a contract sum of US\$4,375,000 VAT exclusive with a delivery period of eight (8) weeks.

On 5th August 2021, the Zambia Army made an advance payment of US\$1,093,750 to the supplier.

The following were observed:

- **Expired Performance Security**

According to the special conditions of contract 18.1 the bidder was required to provide performance security of 10% of the contract sum amounting to US\$437,500 valid until 25th January 2022.

However, a scrutiny of the Performance Security revealed that it expired on 25th January 2022 and had not been renewed as at 31st July 2022.

- **Irregular Direct Bidding**

Section 46. (1) of the Public Procurement Act No. 8 of 2020 stipulates that the objective of direct bidding is to achieve timely and efficient procurement where the circumstances or value of the procurement do not justify or permit

the use of competition. Further, the Act stipulates that this method of procurement may be used where the goods are only available from a single source and no reasonable alternative or substitute exists, due to an emergency, there is urgent need for the goods, and where the estimated value of the goods does not exceed the prescribed threshold.

However, there was no justification for the use of direct bidding to procure the motor vehicles.

- **Failure to Complete Delivery**

According to the terms of delivery, the supplier should have delivered the motor vehicles within eight (8) weeks.

However, as at 30th April 2022, eight (8) months after payment of the advance, only ten (10) Toyota Corolla and eight (8) Lexus cars had been delivered, leaving a balance of forty (40) Toyota Corolla and seventeen (17) Lexus cars undelivered.

viii. Failure to Complete Delivery of Buses - Contract for the Supply of 10 Brand New Marco Polo Torino Buses

On 1st June 2021, the Ministry of Defence entered into a contract with Sarago General Dealers for the supply of ten (10) brand new Marcopolo Torino Buses for the Zambia Army at a contract sum of US\$2,000,000 and made an advance payment of US\$500,000 on 9th August 2021.

However, as at 31st July 2022, only five (5) buses had been delivered leaving a balance of five (5).

ix. Contract for the Supply of Motor Vehicles - Sarago General Dealers Limited

On 17th November 2021, the Ministry of Defence entered into a contract with Sarago General Dealers for the supply of two (2) Lexus ES300H, one (1) Toyota Land Cruiser LC200 VX-R and four (4) Mazda BT 50 brand new vehicles at a contract sum of US\$552,000.

The following were observed:

- **Failure to Complete Delivery**

Clause 16.1 of the contract states that “50% of the contract price of the goods shipped shall be paid through irrevocable confirmed letter of credit opened in favor of the supplier in a bank in its country.”

In December 2021, Zambia Army made two (2) payments totalling US\$314,000 being 56% of the contract sum to Sarago General Dealers Limited for the supply of the seven (7) vehicles. However, a physical inspection of the vehicles revealed that only three (3) vehicles namely two (2) Mazda BT 50 and one (1) Toyota Land Cruiser VX-R LC200 had been delivered.

- **Lack of Clearance From Attorney General**

Section 72 (2) (e) of the Public Procurement Act No. 8 of 2020 stipulates that a contract, purchase order, letter bid acceptance or any other communication in any form confirming the acceptance of a bid or award of a contract should not be issued prior to clearance from the Secretary of the Treasury and the Attorney General.

As at 31st July 2022, there was no clearance from the Attorney General.

- **Failure to Provide Price reasonable Analysis**

In line with section 12(4) of the Public Procurement Act No. 8 of 2020, ZPPA Circular No. 4 of 2021 provides guidelines for Price Reasonableness Analysis methods that are to be used by all procuring entities when ascertaining the value of a procurement with effect from 16th June 2021.

Contrary to the Act, the Ministry did not carry out any form of price reasonableness analysis during the purchase of the seven (7) motor vehicles.

x. **Contract for Supply of Motor Vehicles – Evanset Civil Works Engineering**

On 19th May 2021, the Ministry of Defence signed a contract with Evanset Civil Works Engineering and Refurbishment Limited for the supply of fifty (50) Toyota Mark X and twenty (20) Toyota Noah second hand motor vehicles to

Zambia Air Force at a contract sum of K12,140,000 with a delivery period of six (6) weeks.

As at 28th February 2022, the supplier had been paid in full and delivered all the motor vehicles on 27th November 2021. See table 4 below.

Table 4: Payments to Supplier

Date	Cheque #	Amount K
16.06.2021	60002	3,035,000
06.08.2021	TT0031	3,035,000
07.08.2021	TT325	3,035,000
15.09.2021	TT214	3,035,000
	Total	12,140,000

The following were observed:

- **Procurement of Expensive Motor Vehicles**

Zambia Air Force bought fifty (50) Toyota Mark X from Evanset Civil Works Limited at a unit price of K168,000 each. However, a review of invoices issued by Shah Motors revealed that during the same period that Evanset Civil Works Limited supplied motor vehicles at K168,000 each Shah Motors supplied ZAF vehicles with the same specifications at a unit price of K112,500 each resulting in loss of funds in amounts totalling K2,775,000.

Further, a review of the motor vehicle inspection form revealed that the inspection of the vehicles was done at the premises of Shah Motors implying that Evanset Civil Works Engineering and Refurbishment Limited procured the motor vehicles from Shah Motors at K112,500 and sold the same motor vehicles to ZAF at K168,000.

In addition, a review of registration records at PACRA revealed that the nature of business under which Evanset Civil Works Engineering and Refurbishment Limited was registered was structures and buildings construction, manufacturing components, service industry machinery, heavy construction machinery and paving equipment.

It was therefore questionable how the Ministry sent a request for a quotation to Evanset Civil Works Engineering and Refurbishment Limited whose line of businesses had nothing to do with supply of motor vehicles.

- **Questionable Issuance of a Motor Vehicle**

According to the distribution schedule availed for audit, one (1) of the motor vehicles was issued to a named person whose employment status in the Air Force could not be ascertained as management failed to provide information such as position held and which department she came from.

Although, in response management indicated that the vehicle was allocated to the spouse of a dead member of staff, it was not clear how the vehicle could be allocated to a deceased staff.

36 Head: 77/03 Ministry of Defence - Zambia Air Force

36.1 Mandate

The Zambia Air Force (ZAF) is mandated to safeguard the sovereignty of the Country against all enemy air threats and renders support to land forces in defence of the country.

36.2 Audit Findings

An examination of accounting and other records maintained at Zambia Air Force Headquarters and selected stations for the financial year ended 31st December 2021 revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K1,465,776,214 was made to cater for the operations of the Air Force against which amounts totalling K1,465,776,213 were released.

As at 31st December 2021, amounts totalling K1,438,276,212 had been spent leaving a balance of K27,500,002.

b. Procurement Matters

i. Contract for the Procurement of Equipment - Delayed Payment of Advance

On 12th May 2018, the Ministry of Defence signed a contract with Latirium Co. Limited for the supply of equipment at a contract sum of US\$3,434,000 VAT Exclusive with a delivery period of six (6) months.

On 12th May 2019, Latirium Co. Limited entered into an agreement with Rezer s.r.o assigning the entire concern of interest in Latirium Co. Limited.

On 28th April 2021, Rezer SRO was paid an amount of K19,316,250 (US\$919,821) by Zambia Air Force leaving a balance of US\$2,514,179.

General Condition of Contract (GCC) 16.2 provides that an advance payment of 25% of the contract price should be made to the supplier within thirty (30) days of contract signing.

Contrary to the condition, the Ministry only paid the advance of US\$919,821 on 28th April 2021 which was two (2) years after the contract was assigned to Rezer SRO.

ii. Purchase of Equipment and Vehicles

On 22nd May 2020, the Ministry of Defence signed a contract with Savenda Systems Limited for the supply and delivery of Equipment and Vehicles for Zambia Air Force at a contract sum of US\$3,986,866.70. See table 1 below.

Table 1: Breakdown of Contract Sum

No.	Description	Qty	Unit Price US\$	Amount US\$
1	Vehicles	4	849,000.00	3,396,000.00
2	Equipment 1	1	305,200.00	305,200.00
3	Equipment 2	1	285,666.70	285,666.70
	Total			3,986,866.70

As at 24th March 2022, the supplier had been paid a total of US\$992,105.42 leaving a balance of US\$2,994,761.28 as shown in table 2 below.

Table 2: Payments to Supplier

Date	Doc No.	Payment K	Payment US\$
29.03.2021	1900004461	5,481,942	245,906.35
06.04.2021	1900004471	16,670,086	746,199.04
	Total	22,152,028	992,105.39

The following were observed:

- **Questionable Basis for Direct Bidding**

The justification used by the Ministry of Defence to get a ‘No objection’ to direct bid Savenda Systems Limited was in line with Section 32(2) (c) of the Public Procurement Act No. 12 of 2008 which requires that additional goods, works or services be procured from the same source because of the need for compatibility, standardisation or continuity.

However, the Ministry did not provide any evidence of its previous dealings with Savenda Systems Ltd with regard to the services that were being procured. Further, the justification for the engagement of Savenda Systems Ltd who was not the manufacturer of the equipment and designer of the courses was questionable.

- **Failure to Pay Contractor**

According to the contract payment terms, the Ministry was to pay 25% as advance within thirty (30) days of contract signing, 50% upon confirmation of shipment of goods and 25% upon acceptance of delivery. In this regard, the supplier delivered (4) vehicles valued at US\$3,396,000 on 28th August 2021, while the equipment valued at US\$590,866.70 were not delivered.

Contrary to the contract terms, as at 31st July 2022, the supplier had been paid amounts totalling US\$992,105.39 being 25% of the contract sum.

iii. Procurement of One (1) Sukhoi Business Jet 100

On 17th July 2017, the Ministry of Defence signed a contract with Joint Stock Company for the supply of one (01) Sukhoi Super Jet (SSJ) 100/95LR Aircraft for Zambia Air Force at a contract price of US\$49,400,000 VAT exclusive.

As at 31st July 2022, the supplier had been paid amounts totalling US\$7,800,000 leaving a balance of US\$41,600,000 and the Jet had not been delivered.

The following were observed:

- **Failure to Provide Letter of Credit**

Clause 5.2.1 of the contract required that within 120 calendar days upon signing of the agreement, the buyer should provide the seller with a documentary irrevocable letter of credit confirmed by a bank letter of credit issued by a first class international bank agreed with the seller.

Contrary to the requirement, the Ministry failed to obtain the bank letter of credit. Consequently, the Ministry of Defence did not pay the supplier the balance of US\$41,600,000 as at 31st May 2022 four (4) years after signing the contract.

- **Failure to Provide Performance Guarantee**

Section 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 K500,000, to secure the supplier’s obligation to fulfil the contract.”

Contrary to the regulation, the contract did not provide for the performance security.

- **Unfair Contract Clauses**

One of the conditions for payment was that within 120 days of signing the agreement, the buyer provides the seller with an irrevocable bank letter of credit issued by a first-class international bank agreed with the seller. Further, clause 4.1.1.4 of the contract, set the aircraft basic price to reflect economic conditions for January 2017 and was subject to revision in accordance with a fixed percentage at 3% per year.

As at 31st July 2022, the supplier had been paid amounts totalling US\$7,800,000 covering pre delivery payments and advance payment

leaving a balance of US\$41,600,000 which was the subject of the letter of credit. Although, the condition was that buyer provided the seller with a letter of credit within 120 days of signing the contract, the Ministry did not provide the letter of credit five (5) years after signing the contract resulting in possible loss of the US\$7,800,000 which was paid.

iv. Procurement of Radiology Equipment

On 19th May 2021, the Ministry of Defence signed a contract with Koreda Investments Limited for the supply of Radiology Equipment at a total contract sum of US\$1,784,600 VAT Exclusive with a delivery period of twelve (12) weeks.

On 8th June 2021, the supplier was paid an advance of US\$446,150 against advance bond guarantee dated 4th June 2021 with an expiry date of 30th September 2021.

The supplier delivered the equipment on 22nd January 2022.

The following were observed.

- **Questionable Invitation of Bidders**

The Ministry of Defence procured the radiology equipment through limited bidding. This entailed sending inquiries directly to shortlisted suppliers. According to the request made by the Air Commander to the Ministry, in order for the procurement process to be facilitated, the three (3) suppliers had been identified by the Air Force.

However, a review of ZPPA Registration Information revealed that Koreda Investments Ltd and Muleka Investments Ltd were not registered to supply specialised medical equipment. In addition, the Ministry did not avail any evidence of dealings with the suppliers in similar products in the past.

It was therefore questionable how the Ministry of Defence identified the two (2) companies.

- **Uncompetitive Procurement – 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.

A review of the contact details of the three (3) bidders that participated in the procurement revealed that Koreda Investments Ltd and Muleka Investments Ltd shared the same physical address and the same contact numbers signifying that both companies were owned by the same people.

- **Failure to Pay Supplier**

According to GCC 16.1, the contract terms of payment were as follows:

- 25% advance payment was to be made within 30 days of signing the contract upon submission of a bank guarantee/ Insurance bond,
- 50% upon confirmation of shipment of the goods,
- 25% to be paid within thirty (30) days of receipt of the goods upon submission of a claim supported by the acceptance certificate issued by the procuring entity.

On 8th June 2021, the Ministry made an advance payment of US\$446,150 leaving a balance of US\$1,338,450.

Although the equipment was delivered on 22nd January 2022, the equipment had not been installed and was in storage as at 31st July 2022.

v. Procurement of 30,000 Combat T-shirts

On 19th March 2021, the Air force Commander requested the Ministry of Defence to facilitate the procurement of combat T-shirts for the Zambia Air Force as part of the annual kitting parade for all personnel.

Arising from the identified need, inquiries were sent to potential suppliers who submitted bids as shown in table 3 below.

Table 3: List of Shortlisted Bidders

No.	Bidder	Bid Sum K
1	Padayache Trading	16,500,000
2	Apex Supplies	18,000,000
3	Veltech Systems	20,639,700

The Ministry evaluation committee conducted an evaluation of the bidders on 9th April 2021.

The three (3) bidders were successful at the Preliminary and Technical evaluation stages and proceeded to the commercial evaluation stage. At the commercial evaluation stage, the committee recommended that authority be granted to procure combat T-shirts from Padayache Trading at a total cost of K16,500,000 with a delivery period of seven (7) weeks.

The Ministry Procurement Committee through a circulation on the 14th of March 2021, granted authority to engage Padayache Trading for the supply of 30,000 combat T-shirts at a contract sum of K16,500,000 VAT Exclusive.

On 20th April 2021, the Ministry of Defence signed a contract with Padayache Trading for the supply of 30,000 combat T-shirts at a contract sum of K16,500,000 VAT Exclusive.

The supplier was paid an advance of K4,125,000 on 23rd April 2021 supported by an Advance Performance Guarantee dated 20th April 2021 with an expiry date of 21st October 2021. As at 31st December 2021, the supplier had been paid amounts totalling K4,725,000 leaving a balance of K11,775,000.

The supplier delivered the 30,000 t-shirts on 17th August 2021.

The following were observed:

- **Cover Bidding – Uncompetitive Procurements**

A review of the bid documents revealed that two (2) suppliers namely, Apex Supplies and Padayache Trading were involved in cover bidding as the Email address and the contact numbers for the two (2) suppliers were the same.

- **Questionable Pricing of T-Shirts**

An analysis of prevailing prices of similar T-shirts on the market as at 28th February 2022 revealed that the products were fetching prices ranging between K60 and K250. Therefore, the unit price of K550 used by the Zambia Air Force to procure 30,000 T-shirts in 2021 was questionable.

- vi. **Purchase of Farmland – Failure to Obtain Title Deed**

On 3rd March 2020, the Ministry of Defence purchased 150 Hectares of land from a vendor at a total cost of K4,500,000.

Although the vendor had been fully paid as at 31st December 2020, the Ministry had not obtained the Title Deed for the parcel of land as at 31st July 2022.

- vii. **Irregular Splitting of Procurements**

Section 12. (1) of the Public Procurement Act, 2020 states that except as permitted under this Act, a procuring entity shall not structure a single procurement as two or more procurements and further section 58 (3) states that a procuring entity shall not split procurement requirements with the intention of avoiding a particular method of procurement, where that requirement could be procured as a single contract.

Contrary to these regulations, the Zambia Air Force split procurements in amounts totalling K2,384,658 into forty-nine (49) Local purchase orders each of which was below K50,000 and K500,000 to circumvent procurement guidelines which required the procurement to be undertaken through National Competitive Bidding.

- c. **Accounting Irregularities**

- i. **Management of Accountable Imprest**

An examination of accounting and other records revealed that amounts totalling K82,381,800 were withdrawn as accountable imprest from four (4) accounts maintained by the Zambia Air Force as shown in table 4 below.

Table 4: Cash Withdrawals

No.	Type of Account	Cash Withdrawn K
1	Personal Emoluments (PE)	24,300,000
2	Recurrent Departmental Charges(RD)	6,751,384
3	Operational Account(OP's)	15,000,416
4	Air Craft Hire Account	36,330,000
	Total	82,381,800

ii. Irregular Payment of Subsistence and Transport Allowances using Cash

Ministry of Finance Treasury and Finance Management Circular No. 1 of 2021 guided Controlling officers that no cash should be withdrawn for payment of subsistence allowances, fuel refunds and any other allowances as these should be paid directly into the beneficiary's account.

Contrary to the circular, the Zambia Air Force paid amounts totalling K29,961,176 involving 103 transactions through cash withdraws for the payment of daily subsistence allowances and other allowances (foreign allowances) for various activities as shown in table 5 below.

Table 5: Allowances Paid Using Cash

No.	Station	Amount Paid K
1	Headquarters	26,150,699
2	Livingstone Training command	1,924,613
3	Livingstone Station	1,885,863
	Total	29,961,176

37 Head: 77/04 Ministry of Defence – Zambia National Service

37.1 Mandate

The Zambia National Service (ZNS) is a defence force wing whose mandate is to train citizens to serve the republic, develop infrastructure, enhance national food security and contribute to the social economic development.

37.2 Audit Findings

An examination of accounting and other records maintained at the Zambia National Service Headquarters and selected stations carried out for the financial year ended 31st December 2021 revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K1,320,336,729 was made to cater for operations of ZNS against which amounts totalling K1,316,156,227 were released resulting in an underfunding of K4,180,502.

Although, the Service was underfunded, as at 31st December 2021 amounts totalling K1,275,663,957 had been spent leaving a balance of K40,492,271.

In addition, amounts totalling K52,103,782 were raised under Production and Land Development Branch out of which amounts totalling K28,326,470 were spent, while amounts totalling K23,777,313 were reinvested in Production and Land development activities. See table 1 below.

Table 1: Budget, Funding and Expenditure

Head	Department	Total Authorised K	Funding K	Expenditure K	Revenue (Production & LDB) K	Expenditure (Production & LDB) K
770401	Administration Unit	993,038,714	993,038,714	988,873,972	-	-
770402	Production Unit	72,900,773	72,900,773	72,900,773	48,793,037	25,015,725
770403	Logistics Unit	224,818,695	222,281,125	185,953,596	-	-
770404	Production Unit Project	10,581,990	8,939,059	8,939,059	3,310,745	3,310,745
770405	Military National Service	18,996,557	18,996,556	18,996,556	-	-
	Total	1,320,336,729	1,316,156,227	1,275,663,956	52,103,782	28,326,470

b. Procurement Matters – Irregular Splitting of Procurements

Section 12. (1) of the Public Procurement Act No. 8 of 2020 provides that except as permitted under this Act, a procuring entity shall not structure a single procurement as two or more procurements and further section 58 (3) stipulates that a procuring entity shall not split procurement requirements with the intention of avoiding a particular method of procurement, where that requirement could be procured as a single contract. In addition, Procurement Regulation No. 29 (3) of 2011 provides that a procurement entity shall not divide requirements into lots for the sole purpose of avoiding thresholds or levels of authority. The Second Schedule (Regulation 8) of the Public Procurement Regulations of 2011 requires that all procurements above K500,000 be approved by the Ministerial Procurement Committee.

Contrary to these regulations, the Zambia National Service split procurements in amounts totalling K1,734,096 into five (5) contracts each of which was below K500,000 to avoid the threshold for National Competitive Bidding thereby circumventing procurement procedures for the contracts. See table 2 below.

Table 2: Irregular Splitting of Contracts

No.	Date	Supplier	Description	Contract No.	Contract Sum K	Amount Paid K
1	15.11.21	SEEDCO (Z) Ltd	360 X 25kg Soya Seed(SC Spike)	ZNS/LOG/02/01/152/2021	286,200	71,550
2	15.11.21	SEEDCO (Z) Ltd	624 X 25kg Soya Seed(SC Spike)	ZNS/LOG/02/01/153/2021	496,080	124,020
3	18.11.21	SEEDCO (Z) Ltd	504 X 25kg Soya Seed(SC Spike)	ZNS/LOG/02/01/154/2021	391,320	97,830
4	17.11.21	Zambia Seed Company Limited	Supply and Delivery of Maize seed and soya bean seed	ZNS/LOG/02/01/157/21	365,520	91,380
5	15.11.21	Zambia Seed Company Limited	Supply and Delivery of Maize seed and soya bean seed	ZNS/LOG/02/01/159/21	194,976	48,744
		Total			1,734,096	433,524

c. Infrastructure – Land Development Branch (LDB)

The Land Development Branch is an engineering arm of the Zambia National Service. Through this branch, the Service undertakes various construction projects.

During the period under review, a total amount of K3,310,745 was raised and spent by the Branch on various activities.

The following were observed:

i. Construction of Sentry Post, Concrete Driveway and Steel Gate - ZNS LDB HQ - Contract Without Approval of the Attorney General

On 6th August 2021, the Zambia National Service awarded two (2) contracts to Deep Blue Investment Company Limited for the construction of a sentry post, concrete driveway and installation of a steel gate at Zambia National Service Land Development Branch Headquarters at a contract sum of K710,599 with a completion period of forty five (45) days commencing on 3rd September 2021.

As at 31st December 2021, the contractor had been paid a total amount of K338,906.

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

Contrary to the Act, there was evidence that the contract was cleared by the Attorney General.

ii. Construction of Phase 1 River View Park Infrastructure Development Twin Palm Land

On 11th June 2020, the National Pension Scheme Authority (NAPSA) entered into a contract with Zambia National Service for the development of phase one (1) of the proposed River View Park Infrastructure at the NAPSA Twin Palm Land at a contract sum of K478,159,473 VAT inclusive with the completion period of 638 calendar days commencing on 1st December 2020.

The terms of the contract were:

- The Project Manager was Director General of NAPSA,

- 25% of the contract price to be paid to the contractor not later than 30 days after the advance payment guarantee submitted by the contractor to NAPSA has been verified to have been issued by a bank,
- The performance security amount was 10% of the contract price to be provided within 14 days after contract execution. It was to be either a bank guarantee or a performance bond from an insurance company. If the contractor did not provide performance security, ten (10) per cent was to be withheld by NAPSA from the first payment to the contractor.
- Clause 7.1 of contract stipulated that the contractor could, with prior approval of the project manager subcontract, but not assign this contract. In this regard, ZNS subcontracted AVIC and Helmet Engineering and Construction Limited for various works.

On 24th June 2020, the Zambia National Service subcontracted AVIC International Zambia for the same project and scope of works being development of phase one (1) of the proposed River View Park Infrastructure at the NAPSA Twin Palm Land having the same contract sum of K478,159,473 VAT inclusive with the completion period of 638 calendar days.

AVIC was to do 70% of the works while Helmet Engineering & Construction Limited was to do 30%.

The terms of the contract were:

The Performance Bond: the main subcontractor was to provide 10% of the contract price (K478,159,473) from the insurance company within 14 days to the contractor after signing of the agreement.

Advance payment guarantee: The main subcontractor shall provide 25% of the contract price (K478,159,473) from the bank within 14 days to the contractor after signing the agreement.

A review of the status report dated 24th February 2022 prepared by ZNS revealed that the main subcontractor AVIC International Limited had executed 90% of the works while the local subcontractor had not commenced the works.

As at 28th February 2022, a total amount of K172,690,982.69 had been received from NAPSA out of which K128,809,380.75 was paid to AVIC International Limited including the 25% advance payment and a total of K2,085,200.60 retained by Zambia National Service as management fees. No payment had been made to the subcontractors.

The following were observed:

- **Contracts without Attorney General's Advice**

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

Contrary to the Act, there was no approval from the Attorney General for contracts entered into between ZNS and AVIC International Limited.

- **Irregular Award of Contracts above Zambia National Service Authorisation Threshold**

Regulation 7(2) of the Public Procurement Regulations 2011 requires that the level of authority of a controlling officer or chief executive officer of a procuring entity shall be as specified in the first schedule. The first schedule prescribes levels of authority for approvals and requires that a chief executive/controlling officer approves procurements up to K50,000 and procurements above K50,000 be subjected to the Ministerial Procurement Committee.

Contrary to the Regulation, Zambia National Service awarded and entered into four (4) contracts in amounts totalling K478,159,473 which were above the Commander's authorization threshold of K50,000 without subjecting them to the Ministerial Procurement Committee. See table 3 below.

Table. 3: Contracts above Zambia National Service Threshold

No.	Name of Contractor	Amount Approved by ZNS K	ZNS's Threshold K
1	Avic International Limited	390,187,297	50,000
2	Mainway Construction Limited	27,760,120	50,000
3	Africa Site Masters Limited	15,250,590	50,000
4	Helmet Engineering & Construction Limited	44,961,466	50,000
	Total	478,159,473	

- **Irregular Opening and Closing of Bank Account without Authority**

The Public Finance Management Regulations 2020 141. (1) (2) states that a controlling officer shall apply to the Secretary to the Treasury for approval to open or close a bank account in respect of public funds and monies.

Contrary to the Regulation, Zambia National Service opened an account called ZNS Escrow Account on 1st January 2020 and closed it on 31st December 2020 without authority from Secretary to the Treasury.

Further, the signatories to the account and statement indicating the reason for opening and closing the account were not availed for audit.

iii. Equipment Rental Agreement – Zambia National Service and AVIC International Limited

On 16th January 2020, the Zambia National Service being the lessor entered into a lease agreement with AVIC International Limited being the lessee of equipment such as Generators, Concrete mixers, tractors, plate compactor among others at a lease amount of US\$1,602,720 (K28,848,960) for a period of two (2) years.

The use of the leased equipment was for works at the proposed River View Park Infrastructure Development Phase 1 at the National Pension Scheme Authority (NAPSA) Twin Palm Land, East of Lusaka.

The following were observed.

- **Failure to Account for Rentals**

Clause 2 of the lease agreement provides that Rental Charges: shall be paid every month for the entire rental period on each article of equipment named in the list of equipment. In this regard, ZNS should have collected amounts totalling US\$1,602,720 (K28,848,960) for the two (2) years that the equipment was leased to AVIC International.

However, there were no records to show that the rental income was collected.

- **Failure to Collect Security Deposit**

Clause 3 of the lease agreement requires that any security deposit paid by the lessee to the lessor is to guarantee lessee's full and faithful performance of all terms and conditions and provision of the agreement.

Contrary to this requirement, the deposit security was not paid by the lessee.

- **Lease of Government Equipment without Authority from Secretary to the Treasury.**

Section 41 (8) of the Public Finance Management Act No. 1 of 2018 stipulates that a controlling officer shall not place a public asset on lease without the authorization of the Secretary to the Treasury.

Contrary to the Act, Zambia National Service entered into a lease agreement with AVIC International Limited without Authority from the Secretary to the Treasury.

- **Failure to Provide Evidence of Payment of Insurance During the Lease Period.**

Clause 12 of the lease agreement required the lessee to insure the equipment against all risks of loss or damage from every cause whatsoever for not less than the full replacement value thereof.

Contrary to this requirement, the lessee did not insure the leased equipment for the duration of the contract.

- **Failure to Avail Approval from Attorney General**

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

Contrary to the Act, the contract between ZNS and AVIC International were not approved by the Attorney General.

d. Lack of Title Deeds for Properties

Section 4 of the Public Finance Management Act No. 1 of 2018 stipulates that a controlling officer should ensure that all public properties under the controlling officer's charge are secured with title deeds.

Contrary to the Act, twenty two (22) properties belonging to Zambia National Service did not have title deeds. Consequently, the properties could not be insured.

e. Mansa Timber Processing Factory – ZNS Shandong

On 26th January 2018, Zambia National Service entered into a joint venture agreement with Shandong Dejian Group Company Limited whose purpose was to construct, operate and manage one (1) timber processing factory and to conduct and operate the business for the benefit of the parties. The joint venture was to be known as ZNS-Shandong.

The terms of the Joint Venture were:

The parties were entitled to share profit and losses of 25% for Party A (ZNS) and 75% for Party B (Shandong) of the proceeds of the joint venture

Any of the foreign or local currency payment of the product was to be received directly in the designated account of the Joint Venture

The following were observed:

i. Failure to Avail a No Objection from ZPPA to Single Source

Zambia Public Procurement Authority Circular 1 of 2013 (5) stipulates that the use of “Direct Bidding” will require a “No Objection” from ZPPA.

However, the Procurement Entity Committee must still approve the procurement in line with Section 22 of the Public Procurement Act.

Contrary to the Circular, a no objection from ZPPA was not obtained to single source Shandong Dejian Group Zambia Limited.

ii. Joint Venture Agreement without Clearance from the Attorney General

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

Contrary to the Act, the joint venture agreement entered into between ZNS and Shandong was not cleared by the Attorney General.

iii. Irregular Issuance of Licences and Permit to Export Mukula

Statutory Instrument No. 31 of 2017 issued by the Minister of Lands and Natural Resources, on the control of goods (Import and Export) (Forest Produce) (Prohibition of Importation) stipulates that a permit issued for the importation of goods specified in the schedule of revocation was revoked. The schedule of revocation included *Pterocarpus chrysothrix* logs (Mukula).

A review of the situation report dated 25th August 2021 prepared by the Joint Venture on the wood processing plant in Mansa revealed that the joint venture was issued five (5) export permits by the Department of Forestry and exported eighty one (81) containers of Mukula logs from July 2019 to July 2021 contrary to the statutory instrument restriction. Therefore, the issuance of the licences and export permits were irregular. See table 4 below.

Table 4: Sawn Timber Exported to China from January 2019 to 25th August 2021

Date	Export Permit	Invoice No	No. of Containers	No. of Pieces	Tons	Vol M3
Jul-19	064/2019	INV01/2019	10	1,500	160	180
Nov-19	120/2019	INV02/2019	7	1,587	166	180
Jun-20	028/2020	INV01/2020	7	1,645	167	180
Dec-20	150/2020	INV02/2020	11	4,628	267	305
Mar-21	150/2020	INV01/2021	15	6,696	365	417
May-21	069/2021	INV01/2022	16	6,799	385	450
Jul-21	069/2021	INV01/2023	15	5,748	372	406
Total			81	28,603	1882	2118

iv. Expired Tax Clearance Certificate

On 25th March 2019, the Zambia Revenue Authority issued a Tax Clearance certificate to Shandong Dejian ZNSSACCO valid up to 31st December 2019. However, it was observed that the joint venture operated for more than two years from January 2020 to December 2021 without Tax Clearance certificates from ZRA and submission of returns to PACRA resulting in non-compliance with Laws.

v. Questionable Selling Price of Exported Mukula to China

A review of the financial statements of the joint venture for the years ended 31st December 2019 and 2020 revealed that sixty six (66) containers of mukula logs were sold for K9,553,933 (US\$477,697) implying a price of K144,757 (US\$7,238) per container. However, no receipts for the sale of the mukula logs were availed by party B (ZNS) and as a result the correctness of the sales reported in the financial statements could not be ascertained.

Further, on 5th March 2021, the joint venture exported fifteen (15) containers of Mukula logs. However, there were no financial statements and receipts to show how much was realised from the sales.

The Centre for International Forestry Research (CIFOR) is a non-profit scientific facility that conducts research on the most pressing challenges of forest and landscape management around the world. A review of the CIFOR infobriefs for May 2018 revealed that a container of Mukula logs sold at US\$37,082. This meant that the eighty one (81) containers of Mukula logs sold during the period

from 2019 to 2021 should have been sold for not less than US\$3,003,639 (K60,072,840) resulting in an under declaration of US2,525,942.

vi. Failure to Account for Five 40 Foot Containers of Mukula Logs

In a report dated 12th November 2021 prepared by the Joint Venture, it was reported that the venture had harvested (110) containers (3518 m³) out of which 81 containers (2118 m³) had been exported to China through the Chirundu border leaving a balance of twenty (29) containers at the factory.

A physical verification carried out at Luamfumu Shandong Dejian ZNSSACCO factory in Mansa in June 2022 revealed that there were twenty four (24) containers instead of twenty nine (29) resulting in five (5) containers valued at US\$185,410 (K3,708,200) unaccounted for.

vii. Unretired Accountable Imprest - Factory Operating Costs

During the period from 1st October 2019 to 29th June 2022, three (3) members of staff drew accountable imprest in amounts totalling K9,431,654 to cater for factory operating costs at Luamfumu Shandong Dejian ZNSSACCO Factory unit in Mansa.

However, as at 30th June 2022, the accountable imprest had not been retired.

38 Head: 80 Ministry of Education

38.1 Mandate

The Ministry of Education is mandated to formulate and implement education and science policies, set and enforce standards and regulations, licence, supervise and provide education and skills development, as well as promote science, technology and innovation education.

38.2 Audit Findings

An examination of accounting and other records for the financial year ended 31st December 2021 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 2021, a provision of K10,564,640,834 was made to cater for various activities against which amounts totalling K10,213,353,659 were released resulting in underfunding of K351,287,175. See table 1 below.

Table 1: Budget, Funding and Expenditure

No.	Programme Name	Approved Budget K	Supplemental Budget K	Total Authorised K	Total Released K	Under Funding K
1	Early Childhood Education	12,993,445	-	12,993,445	12,431,493	561,952
2	Primary Education	7,059,578,035	-	7,059,578,035	7,058,965,154	612,881
3	Secondary Education	2,545,502,948	2,103,932	2,547,606,880	2,232,294,590	315,312,290
4	Youth and Adult Literacy	2,492,950	-	2,492,950	2,492,949	1
5	Management and Support Services	864,686,758	77,282,766	941,969,524	907,169,473	34,800,051
	Total	10,485,254,136	79,386,698	10,564,640,834	10,213,353,659	351,287,175

Although the Ministry was underfunded, amounts totalling K10,201,319,044 were spent leaving a balance of K12,034,615 as at 31st December 2021.

b Operational Matters

i. Weaknesses in the Management of the School Feeding Programme

The Ministry had a total budget provision of K34,753,239 to cater for the School Feeding programme out of which amounts totalling K34,753,215 had been spent. The funding was spent on disbursement of grants to District Education Board Secretary to support the procurement of cereals, payments to FRA for maize, transportation costs, procurement of ten (10) industrial sewing machines, related trainings workshops and, monitoring and evaluation activities.

During the period from June 2017 to September 2019, the Ministry signed four (4) contracts with the Food Reserve Agency (FRA) for the supply of 66,858 metric tonnes of grade “A” white maize at a contract sum of K129,328,800.

Although the 66,858 metrics tones were delivered, as at 31st July 2022, only amounts totalling K20,114,642 had been paid leaving a balance of K109,214,158 outstanding for periods ranging from two (2) to six (6) years.

ii. Weaknesses in the Management of the Secondary Education – Infrastructure Development Sub-Programme

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, the Ministry had a provision of K21,000,000 for the construction of 115 secondary schools and settling of the outstanding bills under infrastructure. In this regard, an amount of K6,000,000 was allocated towards the completion of twenty (20) schools and K15,000,000 for settling outstanding bills.

In addition, the Ministry was authorised to vary funds amounting to K11,437,317 bringing the total available funds for infrastructure to K32,437,317 which were fully utilised during the period under review.

Further, amounts totalling K240,982,608 were paid on behalf of the Ministry of Education by the Ministry of Finance (K147,904,119) and Ministry Infrastructure, Housing and Urban Development (K93,078,489).

However, the following were observed:

- **Interest on Delayed Payments – Wasteful Expenditure**

Clause 43.1 of the General Contract Conditions requires that, the Employer shall pay the Contractor the amounts certified by the Project Manager within twenty eight (28) days of the date of each certificate.

Contrary to the clause, amounts totalling K4,158,246,979 were certified out of which amounts totalling K3,612,256,876 were paid to various contractors leaving balances totalling K545,990,103 as at 31st December 2021. The balances had been outstanding for periods ranging from 1 to 2 years.

Further, a review of records revealed that various Interim Payment Certificates were delayed for periods ranging from 1 to 2 years. Consequently, three (3) contractors claimed interest in amounts totalling K19,480,496 out of which the Ministry of Education had paid amounts totalling K5,344,409 leaving a balance of K14,136,088 outstanding as at 31st July 2022. In this regard, the payment of interest was wasteful. See table 2 below.

Table 2: Interest Charged by Three (3) Contractors

No.	Contractor	Project Name	Interest Charged K	Amount Paid K	Outstanding balance K
1	Mango Tree Construction Limited	Shungu Namutitima Day Secondary School in	2,589,104	891,261	1,697,844
2	Hua Jiang Investment Limited	Mayukwayukwa Boarding Secondary School in Kaoma	4,072,536	1,477,193	2,595,343
3	Hua Jiang Investment Limited	Itezhi-Tezhi Boarding Secondary School in Itezhi-Tezhi	10,952,786	1,109,885	9,842,901
4	Flourishing Construction	Kalungwishi Boarding Secondary School -Chiengi	1,866,070	1,866,070	-
Total			19,480,496	5,344,409	14,136,088

- **Delayed Completion of School Infrastructure**

An examination of the 115 projects revealed that the projects commenced between April 2008 and June 2017 and the completion periods ranged from twenty (20) to 160 weeks.

As at 31st July 2022, seventeen (17) projects were 100% complete though not commissioned while the balance of ninety eight (98) projects had completion status of between 10% and 99% and in some cases the projects had either stalled or abandoned.

- **Project Status**

Table 3 below shows the status on ten (10) Projects sampled out of 115 secondary school projects that were incomplete and whose completion status was between 14% and 49 % as at 31st July 2022.

Table 3: Projects Status

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Amount Paid K	Start and End Date	Observations
1	Savenda Management Services	Construction of Mkushi South Boarding Secondary School	59,163,229.92	14,195,841.51	13,607,019.84	14-08-13 to 15-12-19	<p>Although the initial completion date was revised from February 2015 to December 2019 the project was at 24% completion thirty (30) months after the expected completion date.</p> <p>There was no information availed for audit on the status of the contract after December 2019.</p> <p>As at 31st July 2022, the contractor was owed amounts totalling K588,822.</p> <p>The contractor was on site and works were ongoing following signing of commitment forms by the contractor which did not revise the completion date as at 31st August 2022. However, the commitment forms signed were not availed for audit verification</p>
2	Z-Con	Construction of Mumbwa Day High School	19,078,549.57	6,204,315.72	6,204,315.72	26-09-11 to 15-12-18	<p>Although the initial completion date was revised from September 2012 to December 2018 the project was at 33% completion forty three (43) months after the expected completion date.</p> <p>As at 31st August 2022, the contractor was reported to be on site and that works were ongoing following the</p>

Table 3: Projects Status

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Amount Paid K	Start and End Date	Observations
3	ASESCO	Construction of Chibale Day High School	24,678,978.16	10,125,872.87	10,125,872.87	15-02-11 to 15-12-18	<p>signing of commitment forms by the contractor. However, the expected completion date was not revised.</p> <p>Although the initial completion date was revised from August 2012 to December 2018 the project was at 41% completion forty three (43) months after the expected completion date.</p> <p>The performance security bond and the site possession certificate were not availed for audit.</p> <p>As at 31st August 2022, the contractor was on site and that works were ongoing following the signing of commitment forms by the contractor. However, the expected completion date was not revised.</p>
4	Savenda	Construction of Kanona Day High School	23,636,864.33	11,682,447.41	11,430,517.95	24-08-11 to 15-12-18	<p>Although the initial completion date was revised from May 2012 to December 2018 the project was at 49% completion, forty-three (43) months after the expected completion date.</p> <p>There was no information availed for audit on the status of the contract after December 2018.</p>

Table 3: Projects Status

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Amount Paid K	Start and End Date	Observations
5	Savenda	Construction of External works at Mailo boarding Secondary School	23,172,517.47	9,946,081.71	9,454,388.39	31-10-14 to 15-12-19	<p>The performance security bond and the site possession certificate were not availed for audit.</p> <p>As at 31st August 2022, the contractor was owed amounts totalling K251,929 and was on site and that works were ongoing following the signing of commitment forms by the contractor. However, the expected completion date was not revised.</p> <p>External works were 43% complete and the contractor was on site and works were in progress.</p> <p>As at 31st August 2022, the contractor was owed amounts totalling K491,693.</p>
6	Saltech Enterprises Limited	Construction of Muchinda Boarding Secondary School	73,532,216.78	19,667,682.60	19,667,682.60	30-07-13 to 15-12-19	<p>Although the initial completion date was revised from February 2016 to December 2019 the project was at 27% completion thirty (30) months after the expected completion date.</p>

Table 3: Projects Status

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Amount Paid K	Start and End Date	Observations
7	Datong Construction	Construction of Lumpuma Boarding Secondary School	64,116,889.89	15,540,855.24	14,329,254.14	14-07-13 to 15-12-19	As at 31 st August 2022, the contractor was reported to be on site and works were ongoing after signing commitment forms Although the initial completion date was revised to December 2019 the project was at 24% completion thirty (30) months after the expected completion date. As at 31 st August 2022, the contractor was owed amounts totalling K1,211,601 and was on site after signing a commitment form to complete works.
8	Solatech	Construction of Masangano Boarding Secondary School	22,449,543.15	8,918,034.00	7,795,556.84	11-05-09 to 15-12-19	The contract was terminated at 40% completion. There was no addendum to show extension from the initial completion date of 29 th June 2011 to December 2019. Further, there was no information available for audit on the status of the contract after December 2019. As at 31 st August 2022, the contractor was owed amounts totalling K1,122,477.

Table 3: Projects Status

No.	Contractor	Project Name	Contract Sum K	Certified Amounts K	Amount Paid K	Start and End Date	Observations
9	Earthrow Investments Limited	Construction of Luansobe Boarding Secondary School	67,070,860.27	25,040,520.24	25,040,459.76	05-07-13 to 15-12-19	Although the initial completion date was revised once from December 2015 to December 2019 the project was at 37% completion thirty (30) months after the expected completion date. As at 31 st August 2022, the contractor was reported to be on site and the works had resumed after signing a commitment form in June 2022. Further, there was no information available for audit on the status of the contract after December 2019.
10	Marike	Construction of Chikando Day High School	16,087,265.14	3,679,589.62	3,679,589.62	15-08-11 to 15-12-19	Although the initial completion date was revised from January 2013 to December 2019, the project was at 23% completion thirty (30) months after the expected completion date.
	Total		1,207,226,269	405,348,976	381,021,103		

- **Water Reticulation and Construction of Water Tank Stand – Ministry Headquarters**

On 17th April 2020, the Ministry of General Education engaged Wegos General Dealers Limited for the erection of a water tank stand and two (2) 10,000 litres capacity PVC water tanks at a contract price of K469,364 with a revised completion date of 20th August 2021.

As at 31st March 2022, amounts totalling K369,041 had been paid to the contractor.

However, a review of records revealed that as at 30th June 2022, the contract had expired in August 2021. Further, a physical verification carried out in June 2022 revealed that works such as erection of overhead tank stand and fixing of two (2) 10,000 litres PVC water tanks and booster pump had stalled and the contractor was not on site.

- **Questionable Establishment and Status of the Zambia Education Projects Implementation Unit (ZEPIU)**

Section 11 (1) of the Public Finance Management Act No.1 of 2018 provides that the controlling officer is responsible for planning and controlling revenue collection and expenditure of public funds appropriated under that controlling officer's control.

A review of the Internal Audit Report number 33 of 2021 on Systems and Compliance at the Zambia Education Project Implementation Unit (ZEPIU) in Lusaka, revealed the following:

- During the period under review, ZEPIU was funded K10,332,415 and collected revenue in amounts totalling K14,391,323 from the sale of school furniture bringing the total available funds to K24,723,738.
- As at 31st December 2021, amounts totalling K27,238,174 had been spent.

Contrary to the Act, expenditure was approved by the Director of Projects (ZEPIU) who had no delegated authority as a sub warrant holder.

- In addition, the Director ZEPIU approved his own conditions of service, employed and dismissed employees without involving the Ministry or the Public Service Management Division (PSMD). In this regard, a total of K15,002,844

was paid out as salaries and gratuity payments without authority from the Controlling Officer and the PSMD.

- Further, a review of Gazette Notice No. 836 of 2016 revealed that ZEPIU was not a recognised grant aided institution. In this regard, the continued funding of ZEPIU as a grant aided institution by the Ministry was irregular.

39 Head: 80 Ministry of Education

Departments: Provincial Education Offices

District Education Offices, Colleges and Schools

39.1 Mandate

The Ministry of Education is mandated to formulate and implement education and science policies, set and enforce standards and regulations, licence, supervise and provide education and skills development, as well as promote science, technology and innovation education.

39.2 Audit Findings

An examination of accounting and other records maintained at Provincial Education Offices (PEOs) and selected District Education Offices (DEOs) during the period under review revealed the following:

a Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K272,348,804 was made to cater for operations of the Ministry against which amounts totalling K272,276,117 were released resulting in an underfunding of K72,687.

As at 31st December 2021, the Ministry had spent amounts totalling K272,275,875.

b Early Childhood and Primary School Grants - Misapplication of Funds

The Early Childhood Education (ECE) program aimed at securing qualitative improvement in ECE service delivery through guidelines and standards and increasing the proportion of three (3) to six (6) years old children who have equitable access to ECE.

The Primary Education program objectives are to provide for free and compulsory education to all learners from Grade 1 to 7, improve learners outcome in the grade 5 National Assessment Survey and raise the Grade 7 completion rate to 100%.

Contrary to the Appropriation Act of 2020, four (4) stations that received school grants in amounts totalling K1,118,993 for Early Childhood and Primary School programmes misapplied the grants on activities such as general operational expenses and payment of subsistence allowances. See table 1 below.

Table 1: Misapplied Grants

No.	Province	Station	Amount K
1	Southern	Monze DEO	212,446
		Kazungula DEO	77,335
2	Central	Serenje DEO	607,740
		Chitambo DEO	221,472
	Total		1,118,993

c Accounting Irregularities

i Unaccounted for Revenue – Southern Province

The Public Finance Management (General) Regulation No. 134 (1) of 2020 states that the collectors of revenue are required to bring to account, on a daily basis the total collections received.

Contrary to the regulation, user fees in amounts totalling K120,928 collected by Highland Secondary (K64,458) and Kasenga Girls Boarding Secondary School (K56,470) during the period under review were not accounted for in that cash was neither found on hand nor deposit slips availed for audit as at 31st July 2022.

ii Delayed Banking

The Public Finance Management (General) Regulation No. 134 (1) of 2020 states that the collectors of revenue are required to bring to account, on a daily basis the total collections received.

Contrary to the regulation, there were delays in banking of revenue in amounts totalling K48,620 collected at two (2) schools for periods ranging from 3 to 114 working days despite proximity to banking facilities. See table 2 below.

Table 2: Delayed Banking

No.	Province	Station	Amount K	Delay in Days
1	Western	Katongo Secondary School	2,673	5 to 114
2	Southern	Highlands Secondary School	45,947	3 to 90
	Total		48,620	

iii Failure to Collect Rental Income

Public Financial Management (General) Regulation No. 10 (2) (a) of 2020 states that revenue collectors are to collect, receipt and post revenue received by a public body as fees or other public money, to appropriate accounts.

Contrary to the regulation, two (2) stations failed to collect rental income in amounts totalling K138,200 as at 31st December 2021. The amounts were owed by six (6) tenants that occupied workshops and land for erected communication towers.

The debt was outstanding for periods ranging from ten (10) to thirty-four (34) months. See table 3 below.

Table 3: Failure to Collect Rental Income

No.	Province	Station	Amount K
1	Copperbelt	PEO	115,200
2	Luapula	Chembe Secondary School	23,000
	Total		138,200

As at 31st July 2022, no action had been taken against defaulting tenants and the amount remained outstanding.

iv Unsupported Payments

Public Finance Management (General) Regulation No. 46 of 2020 stipulates that a payment voucher relating to purchases should be supported by a purchase order, the supplier's invoice and proof of delivery or performance.

Contrary to the regulation, 119 payments in amounts totalling K624,082 processed at twelve (12) stations were not supported with documents such as cash sale receipts and purchase orders among others. See table 4 below.

Table 4: Unsupported Payments

No.	Province	No. of Stations	No. of Transactions	Amount K
1	Western	4	92	458,155
2	Eastern	1	3	26,120
3	Lusaka	2	13	90,321
4	Southern	2	3	27,951
5	Central	3	8	21,535
	Total	12	119	624,082

v Unretired Accountable Imprest

The Public Finance Management (General) Regulation No. 104 (1) of 2020 stipulates that special or accountable imprest should be retired immediately after the purpose for which the imprest was issued is fulfilled.

Contrary to the regulation, accountable imprest in amounts totalling K102,180 issued to four (4) officers at Nalolo and Chadiza DEOs had not been retired as at 31st July 2022. See table 5 below.

Table 5: Unretired Accountable Imprest

No.	Province	Stations	No. of Transactions	No. of Officers	Amount K
1	Western	Nalolo	10	3	84,060
2	Eastern	Chadiza	11	1	18,120
	Total		21	4	102,180

vi Over Payment of Fuel Imprest – Northern Province

Cabinet Office Circular No. B7 of 2012 and No. B23 of 2012 stipulate that fuel for Government transport which is required to take officers for official business outside the district boundary be paid using the prescribed formula.

Contrary to the circular, nine (9) officers were paid fuel imprest in amounts totalling K118,196 without using the prescribed formula resulting in an over payment of K45,682.

vii Questionable Expenditure for Women’s Day – Kamwala Secondary School

Cabinet Circular No. CO/6/7 dated 18th February 2021 guided that the celebrations for the commemoration of the International Women’s Day which was falling on 8th March 2021 would be held virtually without a march past due to the COVID -19 pandemic.

Contrary to the circular, Kamwala Secondary School spent amounts totalling K34,800 on the purchase of attire and transport refunds to officers participating in the event. The procurement of attire and transport refunds were questionable in that the event was conducted virtually without a march past.

viii Wasteful Expenditure - Kabulonga Girls Secondary

On 7th September 2020, the school procured casing pipes costing K26,560 for sinking two (2) boreholes on its premises. However, the supplier delivered casing pipes with wrong specifications. Consequently, the boreholes could not be sunk.

In this regard, on 21st May 2021, the school procured casing pipes costing K32,592 rendering the initial cost of casing pipes (K26,560) wasteful.

As at 31st July 2022, the materials with incorrect specification had not been returned to the supplier and no refunds had been obtained.

ix Failure to Recover Salary and Tuition Advances

Terms and Conditions of Service for the Public Service No. 92 provides that a salary advance should be repaid within a reasonable period but not exceeding six (6) months.

Contrary to the Terms and Conditions of Service, recoveries in respect of salary and tuition advances in amounts totalling K1,344,185 paid to 140 officers at three (3) stations had not been effected as at 31st July 2022. See table 6 below.

Table 6: Unrecovered Salary and Tuition Advances

No.	Province	Station	No. of Officers	Amount K
1	Western	PEO	100	271,700
2	Lusaka	PEO	30	1,035,600
3	Southern	PEO	10	37,560
	Total		140	1,344,860

x Misapplication of Funds

Contrary to the Appropriation Act of 2020 amounts totalling K885,185 meant for tuition and salary advances were applied on payment of subsistence allowances and activities not related to the purpose for which funds were appropriated. See table 7 below.

Table 7: Misapplied Funds

No.	Province	Station	Amount K
1	Western	Nalolo DEO	23,350
		Shangombo DEO	17,100
2	Southern	PEO	844,735
	Total		885,185

d Management of Assets

i Failure to Secure Title Deeds

Section 41 (4) of the Public Finance Management Act No. 1 of 2018 requires Controlling Officers to ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, the Ministry had not secured title deeds for 265 properties at nineteen (19) stations located in seven (7) provinces as at 31st July 2022. See table 8 below.

Table 8: Properties not Secured with Title Deeds

No.	Province	Station	No. of Properties
1	Western	PEO	2
		Shangombo DEO	1
		Kaoma DEO	1
		Lukulu DEO	2
		Mongu DEO	2
		Katongo Secondary School	8
		Mandanga Secondary School	7
2	North Western	PEO	10
3	Northern	Chilubi DEO	218
4	Lusaka	Kafue DEO	1
		Lunagwa DEO	1
5	Luapula	PEO	2
		Mansa DEO	1
		Milenge DEO	1
		Mutende Secondary School	1
		Milenge Boarding School	2
6	Southern	PEO	1
		Gwembe DEO	1
7	Central	Malcom Moffat College	3
	Total		265

ii Failure to Insure Motor Vehicles

Section 86 of the Road Traffic Act No. 11 of 2002 requires all users of motor vehicles or trailers to have at least third-party insurance.

Contrary to the Act, four (4) motor vehicles and six (6) motorcycles whose values could not be ascertained at three (3) stations, had not been insured as at 31st July 2022. See table 9 below.

Table 9: Motor Vehicles not Insured

No.	Province	Station	No. of Motor Vehicles	No. of Motor Cycles
1	Western	Shangombo DEO	0	6
2	Northern	Lupososhi DEO	2	0
5	Central	Itezhi-tezhi DEO	2	0
	Total		4	6

Among the vehicles not insured was a Toyota Land Cruiser GRZ 470 CR belonging to Itezhi-tezhi DEO which was involved in a road traffic accident on 2nd February 2022. Further, included in the six (6) motorcycles not insured were three (3) motor cycles which had not been registered as at 31st July, 2022.

e Management of Stores

i 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 should keep and maintain record of the receipt and issue of such public stores.

Contrary to the regulation, various stores items costing K437,286 comprising general stores (K282,113) and fuel (K155,173) procured at nine (9) stations during the period under review were not accounted for in that there were no receipt and disposal details. See table 10 below.

Table 10: Unaccounted for Stores

No.	Province	Station	General Stores K	Fuel K	Total K
1	Western	Nalolo DEO	30,400	22,711	53,111
		Mwandi DEO	10,924	-	10,924
		Nkeyema DEO	-	5,000	5,000
2	Northern	Lupososhi DEO	19,870	-	19,870
3	Lusaka	Chilanga DEO	-	55,000	55,000
4	Central	Serenje Boarding School	146,250	-	146,250
		Chitambo DEO	26,039	29,000	55,039
		Malcom Moffat College	48,630	-	48,630
		Serenje DEO	-	43,462	43,462
Total			282,113	155,173	437,286

40 Head: 86 Ministry of Fisheries and Livestock

40.1 Mandate

The Ministry of Fisheries and Livestock is mandated to formulate policies and oversee the development of Fisheries and Livestock sectors in the country.

40.2 Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters, Provincial Fisheries and Livestock Coordinating Offices (PFLCOs) and selected District Fisheries and Livestock Coordinating Offices (DFLCOs) revealed the following.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K830,843,343 was made to cater for the operations of the Ministry against which amounts totalling K453,649,414 were released resulting in an under funding of K377,193,929.

As at 31st December 2021, the Ministry had spent amounts totalling K415,299,260.

b. Failure to Secure Land - Chilanga Aquaculture Research Station

Section 41 (4) of the Public Finance Management Act No. 1 of 2018 requires a Controlling Officer to ensure that all public properties under his/her charge are secured with title deeds.

Contrary to the Act, title deeds for the Chilanga Aquaculture Research Station (Chilanga Fish Farm) on which mono species fingerling production, research and extension services are carried out had not been secured as at 31st July 2022.

In addition, the property was not fenced. Consequently, the property was encroached by several individuals. A review of a report by the Chilanga Aquaculture Research Officer dated 8th May 2022 revealed that one of the boreholes had been taken up by the encroachers and had affected water supply and reticulation for the station.

c. Irregular Cash Withdrawals – Department of Fisheries

Ministry of Finance Treasury and Finance Management Circular No. 1 of 2020 guided Controlling Officers that no cash should be withdrawn for payment of subsistence allowances, fuel refunds and any other allowances as these should be paid directly into the beneficiary's account.

Contrary to the Circular, cash amounting to K344,769 was drawn by the cashier for the payment of subsistence and fuel allowances to several officers.

In addition, management did not provide acquittal sheets as at 30th May 2022.

40.3 Enhanced Smallholder Livestock Investment Programme

40.4 Background

Enhanced Smallholder Livestock Investment Programme (E-SLIP) was established on 11th May 2015 through the signing of a US\$46.86 million Loan/Grant Agreement between the Republic of Zambia and the International Fund for Agricultural Development (IFAD). It had a seven (7) year timeline with the completion date being 30th June 2022 and closing date of 31st December 2022 targeting 180,000 rural households in Zambia.

The Programme is responsible for the eradication of Contagious Bovine Pleuropneumonia (CBPP), Control of East Coast Fever (ECF), sustainable production and utilisation of forage and forage seed, and pro-poor stocking and restocking.

The financing arrangement was broken down as shown in table 1 below.

Table 1: Programme Financiers

No.	Financiers	US\$' million
1	IFAD Loan	14.23
2	IFAD Grant	0.87
3	Rural Poor Support Facility (RPSF) Grant	0.56
4	Government of the Republic of Zambia	10.60
5	Programme beneficiaries (small-scale farmers)	8.60
6	OFID Loan	12.00
	Total	46.86

E-SLIP has the following three (3) components:

- Component 1: Animal Disease Control Sustainably Improved has two (2) sub-components being Eradication of CBPP and Control of ECF.
- Component 2: Livestock Production Systems Sustainably Improved had two (2) sub-components namely Sustainable Forage and Forage Seed Production and Utilisation and Pro-poor Stocking and Restocking.
- Component 3: was on Effective Programme Management.

40.5 Audit Findings

An examination of accounting and other records maintained at the Project Implementing Unit and selected districts revealed the following.

a. Budget, Funding and Expenditure

In the E-SLIP annual work plan and budget for the financial year ended 31st December 2021, a provision of K222,187,164 was made to cater for various activities against which amounts totalling K148,335,368 were released, resulting in an underfunding of K73,851,796

As at 31st December 2021, amounts totalling K130,402,988 had been spent.

b. Operational Matters

i. Component 1 – Animal Disease Control Sustainably Improved.

The Animal Disease Control Sustainably Improved Component of the project aimed at reducing the prevalence of Contagious Bovine Pleuro-pneumonia (CBPP) and East Coast Fever (ECF) to levels that allowed smallholders' cattle herds to grow.

During the period under review, the project had a budget of K30,412,197 to cater for animal disease control and the whole amount was funded. As at 31st December 2021, amounts totalling K17,700,866 had been spent.

The following were observed:

- **Failure to Meet Target – Failure to Train Farmers in Animal Disease Control**

During the period under review, ESLIP budgeted and spent a total amount of K113,750 on training of 600 livestock farmers on various animal health topics in Muchinga, Northern, North-western, Southern and Western Provinces

However, 458 livestock farmers were trained while 142 farmers not trained as at 30th June 2022.

- **Failure to Meet the Immunisation Target**

In 2020 and 2021, ESLIP planned to conduct East Coast Fever (ECF) infection and treatment method immunisation of 260,000 calves in Central, Copperbelt, Eastern, Lusaka and Southern Provinces.

As at 30th June 2022, a total number of 102,066 calves were immunised while 157,934 not immunised.

ii. Component 2: Livestock Production System Sustainably Improved

The Livestock Production Systems Sustainably Improved component’s aim was to improve and promote sustainable production and productivity of key livestock systems of targeted female and male smallholder producers as provided for in parts 81 to 175 of the final Programme Design Report (PDR). The component was managed by the Department of Livestock Development (DLD) and had two (2) sub-components namely; Sustainable Forage and Forage Seed Production; and Utilization and Pro-poor Stocking and Restocking Established.

During the period under review, the Component had a budget provision of K168,881,966 out of which K97,652,771 was received and spent.

The following were observed:

- **Failure to Sign Contracts with Beneficiary Groups**

Clause 82 of the ESLIP Programme Design Report (PDR) stipulates that stocking and restocking groups would be introduced to the principles of livestock stocking and restocking based on the “pass-on” approach, whereby those members who received animals agree, through a signed contract, to transfer the equivalent first female offspring to another member of the group when the animals reach 6 to 12 months of age.

However, a review of records revealed that management did not sign contracts with beneficiaries who received livestock costing K1,823,175. See table 2 below.

Table 2: Livestock Issued without Signing Contracts

No.	District	No. of Local Goats Issued	No. of Local Chickens Issued	Local Goats Value K	Chickens Value K	Totals K
1	Chingola	246	4,540	221,400	518,075	739,475
2	Ndola	83	2,970	74,700	341,550	416,250
3	Kitwe	150	4,630	135,000	532,450	667,450
	Total	479	12,140	431,100	1,392,075	1,823,175

Further, there was no evidence that beneficiaries who received animals had transferred the equivalent first female offspring to other members of the groups.

- **Failure to Conduct Training**

Clause 85 of the ESLIP Programme Design Report (PDR) provides that prior to the distribution of purchased livestock, or through pass-on, village stocking and restocking groups will be provided with up to 20 days training over a two (2) to (3) month period on:

- Gender awareness, group formation and management, leadership, entrepreneurship and negotiation skills;
- Market-oriented livestock production and animal health management for cattle, goat, pig and poultry;
- Farm business management, including business planning and record keeping; Household nutrition.

An inquiry made with staff at both Ndola and Kitwe District Fisheries and Livestock Co-ordinators Offices and selected beneficiary groups revealed that there was no training provided to the beneficiary groups prior to the distribution of the purchased livestock.

- **Unaccounted for Livestock**

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.

A review of records carried out in March and April 2022 at the Project Coordination Office and selected District Agricultural Coordinating Offices revealed that 39,872 livestock and CBPP vaccines costing K7,642,347 received by the Project Coordination Office and the District Agricultural Coordinating Offices did not have goods issued vouchers

and distribution lists of beneficiaries. Consequently, it was not possible to determine the beneficiaries of the livestock and vaccines. See table 3 below.

Table 3: Unaccounted for livestock

No.	Station	Details	Quantity	Unit Cost	Total Amount K
1	Shiwangandu	Chickens	7,103	115	816,845
2	Mansa	Chickens	145	115	16,675
3	Chifunabuli	Chickens	904	115	103,960
4	Kabwe	Chickens	321	115	36,915
5	Chibombo	Chickens	110	115	12,650
6	Programme Coordination Office	Chickens	27,939	115	3,213,010
		Goats	3,350	900	3,014,680
7	Programme Coordination Office	CBPP vaccines -No list			28,800
8	Programme Coordination Office	CBPP vaccines -No list			106,780
9	Programme Coordination Office	CBPP vaccines -No list			74,810
10	Programme Coordination Office	CBPP vaccines -No list			24,927
11	Programme Coordination Office	CBPP vaccines -No list			192,295
	Total		39,872		7,642,347

c. Accounting Irregularities

i. Unretired Accountable Imprest – Programme Coordination Office

Regulation No. 104(1) of the Public Finance Management (General) Regulations of 2020 stipulates that, special or accountable imprest should be retired immediately after the purpose for which the imprest was issued is fulfilled.

Contrary to the regulation, imprest in amounts totalling K2,308,625 issued to several officers in order to facilitate the implementation of various activities during the period under review was not retired as at 31st July 2022.

ii. Unsupported Payments – CBBP Vaccinations

Public Finance Management Regulations No. 55 of 2020 requires that a signatory ensures that original documents such as invoices, salary sheets and claim forms are attached to the payment voucher.

Contrary to the regulation, there were eleven (11) payments in amounts totalling K54,355 made at Mongu District Office which were unsupported in that they lacked relevant documents such as budgets, invoices, GRNs and Goods issued vouchers.

iii. 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 a record of the receipt and issue of such public stores.

Contrary to the regulation, various stores items costing K318,113 procured under the project were unaccounted for in that there were no receipt and disposal details.

40.6 Head: 86 Ministry of Fisheries and Livestock

Departments: Provincial and District Fisheries and Livestock Offices

40.7 Mandate

The Ministry is mandated to formulate policies and oversee the development of fisheries and livestock sectors in the country.

40.8 Audit Findings

An examination of accounting and other records maintained at the Provincial Fisheries and Livestock and selected District offices revealed the following.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a provision of K30,573,745 was made to cater for operations against which a total amount of K26,813,970 was released resulting in an under funding of K3,759,775. See table 1 below.

Table 1: Budget and Funding

No.	Province	Station	Budget	Funding	Under Funding
			K	K	K
1	Southern	Provincial Fisheries & Livestock (PFLCO)	463,453	445,000	18,453
2		District Fisheries & Livestock Offices (DFLCO)	3,022,070	2,606,379	415,691
3	Northern	Provincial Fisheries & Livestock (PFLCO)	393,068	370,002	23,066
4		District Fisheries & Livestock Offices (DFLCO)	2,744,935	2,388,966	355,969
5	Eastern	Provincial Fisheries & Livestock (PFLCO)	342,381	335,000	7,381
6		District Fisheries & Livestock Offices (DFLCO)	4,487,673	2,728,793	1,758,880
7	North	Provincial Fisheries & Livestock (PFLCO)	330,000	330,000	-
8	Western	District Fisheries & Livestock Offices (DFLCO)	2,021,552	2,021,552	-
9	Central	Provincial Fisheries & Livestock (PFLCO)	445,000	445,000	-
10		District Fisheries & Livestock Offices (DFLCO)	2,630,751	2,403,965	226,786
11	Luapula	Provincial Fisheries & Livestock (PFLCO)	472,680	445,000	27,680
12		District Fisheries & Livestock Offices (DFLCO)	2,615,349	2,615,349	-
13	Lusaka	Provincial Fisheries & Livestock (PFLCO)	370,000	370,000	-
14		District Fisheries & Livestock Offices (DFLCO)	1,456,897	1,456,897	-
15	Western	Provincial Fisheries & Livestock (PFLCO)	461,590	440,000	21,590
16		District Fisheries & Livestock Offices (DFLCO)	3,399,847	3,118,621	281,226
17	Muchinga	Provincial Fisheries & Livestock (PFLCO)	432,530	415,000	17,530
18		District Fisheries & Livestock Offices (DFLCO)	2,025,720	1,731,724	293,996
19	Copperbelt	Provincial Fisheries & Livestock (PFLCO)	432,530	415,000	17,530
20		District Fisheries & Livestock Offices (DFLCO)	2,025,720	1,731,724	293,996
		Total:	30,573,745	26,813,970	3,759,775

As at 31st December 2021, amounts totalling K24,044,672 had been spent.

b. Operational Matters - Management of Breeding Centres, Fish Farms, Dip Tanks and Veterinary Camps

i. Failure to Meet Revenue Target

Section 11 (1) (m) of the Public Finance Management Act No. 1 of 2018 provides that a Controlling Officer is responsible for planning and controlling of revenue collection and expenditure of public funds appropriated under that Controlling Officer's control including taking effective and appropriate steps to collect revenues due to the Head of revenue and expenditure under their charge as appropriated by Parliament.

Contrary to the Act, revenue in amounts totalling K1,936,304 in respect of permits, meat inspections, fish production, among others was budgeted to be collected by three (3) stations out of which K1,320,151 was collected leaving a balance of K616,153 uncollected. See table 2 below.

Table 2: Uncollected Revenue

No.	Province	Station	Estimated Revenue K	Revenue Collected K	Under collection of Revenue K
1	Copperbelt	Ndola PFLCO	593,346	558,597	34,749
2	Southern	Batoka Fisheries and Livestock Development Centre	882,938	465,392	417,546
3	Luapula	Mansa PFLCO	460,020	296,162	163,858
		Total	1,936,304	1,320,151	616,153

ii. Failure to Insure Animals

During the period under review, a total of 1,101 animals comprising cattle, sheep and goats belonging to five (5) Breeding Centres under four (4) Provincial Fisheries and Livestock Offices had not been insured as at 31st July 2022. See table 3 below.

Table 3: Uninsured Animals

No.	Province	Station	Breeding Centre	No. of animals	Mortalities	Total
1	Western	Shangombo DFLO	Beshe & State Ranch	58	0	58
2	Northern	Lunte DFLO	Kalungwishi	63	63	126
		Kasama PFLCO	Kasama Farm Insititue	17	0	17
3	Copperbelt	Masaiti DFLO	Mutaba	52	0	52
4	Southern	Choma PFLCO	Batoka Fisheries and Livestock	755	93	848
			Development Centre			
		Total		945	156	1,101.00

Further, it was observed that a total of 156 animals at Kalungwishi and Batoka breeding centres died from various diseases resulting in a loss to Government.

iii. Failure to Mark Animals – Shangombo DFLO

Section 6 (1) of the Animals Identification Act No. 28 of 2010 requires owners of animals to mark them with an identification mark.

Contrary to the Act, fifty eight (58) cattle whose value could not be ascertained, had not been marked with identification marks as at 31st July 2022.

c. Accounting Irregularities

i. Unaccounted for Stores

Public Stores Regulations No. 16 stipulates 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, stores items costing K616,972 (General stores – K333,837 and fuel – K283,135) procured during the period under review at fifteen (15) stations were unaccounted for in that there were no receipt and disposal details.

ii. Unsupported Payments

Public Finance Management (General) Regulations No. 46 of 2020 stipulates that a payment voucher relating to purchases should be supported by a purchase order, the supplier's invoice and proof of delivery or performance.

Contrary to the regulation, twenty five (25) payments in amounts totalling K104,621 made during the period under review were not supported with relevant documents such as invoices and cash receipts.

iii. Irregular Payment of Subsistence Allowance

Cabinet Office Circular Minute of 2015 defines a work station as a place within the district boundary. Further, the Circular guides that subsistence allowance should be paid to an officer to cover expenses he or she has to meet when travelling on duty away from his or her normal station of duty where an overnight stay is expected.

Contrary to the Circular, amounts totalling K49,297 were paid to twelve (12) officers as daily subsistence allowances for activities that were undertaken within the district boundaries.

iv. Un-acquitted Payments – Batoka Fisheries and Livestock Development Centre – Southern Province

Public Finance Management (General) Regulations No. 68 (1) (a) of 2020 stipulates that a payment made through a third party should be supported with a receipt or acquittal sheet.

Contrary to the regulation, three (3) payments in amounts totalling K39,153 made at the Centre in respect of allowances for staff meetings, induction and orientation were not acquitted by the beneficiaries and no cash was found on hand as at 31st July 2022.

v. Failure to Settle Obligations

As at 31st December 2021, nineteen (19) stations had outstanding obligations in amounts totalling K21,087,525 in respect of other personal emoluments, rehabilitation of the office building and utility bills among others.

d. Administrative Matters

i. Failure to Secure Title Deeds

Section 41(4) of the Public Finance Management Act No. 1 of 2018 requires Controlling Officers to ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, seventeen (17) stations did not secure title deeds for parcels of land on which fifty seven (57) properties comprising office blocks, staff houses and breeding centres were located as at 31st July 2022.

ii. Failure to Insure Motor Vehicles and Motorcycles

Section 86 of the Road Traffic Act No. 11 of 2002 requires all users of motor vehicles or trailers to have at least third-party insurance.

Contrary to the Act, fifteen (15) motor vehicles and thirty four (34) motor bikes at eleven (11) stations whose value could not be ascertained, were not insured as at 31st July 2022.

41 Head: 88 Office of the President - Muchinga Province

41.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

41.2 Background-General Deposit Account (GDA)

Provincial Administration Office maintains a General Deposit Account which is an intermediary account where Third Party funds are deposited for implementation of activities on behalf of Line Ministries and other institutions.

41.3 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and six (6) selected district offices revealed the following.

a. Funding and Expenditure

During the financial year ended 31st December 2021, a total amount of K21,425,328 was received by the Provincial Administration to cater for various activities. See table 1 below.

Table 1: Funding

No.	Source of Funds	Programme/Activity	Funds Received K
1	Ministry of Youth Sport and Child Development	Youth Loans and Internship	3,000,000
		Youth Internship	2,804,000
		Administration of Youth Empowerment funds	227,524
2	Ministry of Water Development, Sanitation and Environmental Protection	Funding for Drilling of sixteen (16) boreholes in Mpika and Kanchibiya, Community mobilisation, Operational Grants and Monitoring and Inspection of boreholes	1,881,050
3	Ministry of Finance	Rehabilitation of National Registration Offices in the Districts	272,273
	Ministry of Finance	Presidential Visit	1,326,766
	Ministry of Finance	Elections of House of Chiefs	254,403
4	Ministry of Religious Affairs	National Day of Prayers	39,600
5	Ministry of Finance	Child Development Activities	40,160
6	Ministry of Transport and Communication	Controller of Government Transport	8,000
7	Ministry of Housing and Infrastructure	Administration - Infrastructure	100,000
8	Ministry of Finance	Funding for administration and infrastructure monitoring	571,871
9	Contributions	Collections for Independence Day	18,500
10	Ministry of Finance	Nakonde Boarder Post compensation of displaced victims	10,881,180
	Total		21,425,328

In addition, amounts totalling K10,207,367 were brought forward from 2020 bringing the total funds available to K31,764,475. Included in the balance brought forward was an amount of K10,095,715 meant for infrastructure development.

As at 31st December 2021, amounts totalling K23,789,655 had been spent leaving a balance of K7,974,820.

b. Weaknesses in the Management of Youth Empowerment Project

In August 2020, the Ministry of Youth, Sport and Arts developed a multi-sectorial development strategy to empower the youth with loans, skills development and agriculture support among other strategies.

During the period under review, amounts totalling K6,049,524 were received to facilitate implementation of Multi-Sectoral Youth Empowerment activities in the province.

As at 31st December 2021, a total amount of K2,997,500 had been disbursed to the eighty (80) groups in the nine (9) districts.

However, the following were observed:

i. Failure to Insure Loans

Clause 9.0 (ii) and (iii) of the Youth Empowerment Programme Guidelines of 2020 provides for the loan to be comprehensively insured by the borrower.

During the period from August to December 2021, the Provincial Administration approved and disbursed loans in amounts totalling K2,997,500 to eighty (80) youth groups.

Contrary to the guidelines, the loans disbursed were not insured by the borrowers.

ii. Failure to Recover Loans

Youth Empowerment Programme Guidelines of 2020, Clause 11.5 (ii) and (iii) stipulates that the project will run on a loan basis for a period of thirty-six (36) months. The beneficiaries will be required to pay back the

loan to the Ministry of Youth, Sport and Arts in monthly installments that will be calculated based on the value of the loan inclusive of 10% administration fee. The first payment will be due in thirty (30) days from the expiry of the grace period of ninety (90) days.

Contrary to the guidelines repayments in respect of loans amounting to K2,876,900 issued to seventy (70) groups during the period under review had not been made as at 30th June 2022.

iii. Failure to Monitor Beneficiary Groups

Clause 13.5.3 of the Youth Empowerment Programme Guidelines of 2020, requires the District Administration to among others monitor performance of the beneficiaries, facilitate the recovery or loan repayments and identify training needs.

However, a review of records for the beneficiary youth groups in five (5) districts namely Mpika, Shiwangandu, Chinsali, Isoka and Nakonde revealed that the respective District Administration Offices were not monitoring the beneficiary youth groups and had not facilitated the recoveries of the loans as at 30th June 2022.

Consequently, an inspection of nineteen (19) youth groups that obtained loans totalling K931,700 revealed that some youth groups had changed from the approved businesses without authority. In addition, fifteen (15) youth cooperatives and individuals who were loaned amounts totalling K395,300 in August 2021 had not commenced any activities as at 31st May 2022, nine (9) months after receiving the funds.

iv. Internship Programme

- **Engagement of Interns Aged Above 35 Years**

Multi-Sectorial Youth Empowerment Guideline No.11.2 (i) stipulates that, a group or co-operative must have members who are Zambian citizens with a Green National Registration Card aged between 18 to 35 years.

Contrary to the Guideline, twelve (12) beneficiaries whose age ranged from thirty eight (38) and forty-eight (48) years were awarded loans in amounts totalling K78,000.

- **Outstanding Stipend (Wages) Payments**

During the period under review, amounts totalling K1,118,500 which accrued in September and October 2021 in respect of stipends to 448 interns had not been paid as at 31st July 2022.

- **Unaccounted for Funds – Stipends for Interns**

During the period under review, the Provincial Administration spent amounts totalling K1,312,000 on stipends for eighty six (86) interns that were attached to various education institutions.

However, the funds were unaccounted for in that details of the recipients were not availed for audit.

c. **Infrastructure Development - Failure to Complete Projects and Poor Workmanship**

During the period under review, the Provincial Administration had several on-going infrastructure projects that commenced between 24th July 2013 and 7th May 2014.

On 1st January 2021, an amount of K10,095,715 was brought forward from the 2020 financial year for infrastructure projects. As at 31st December 2021, amounts totalling K4,605,800 had been spent leaving a balance of K5,489,915.

A review of records and physical inspection of selected projects revealed the following:

i. **Construction of a Three (3) Storey Civic Centre for Chinsali Municipal Council**

In Paragraph 49 (g) of the Report of the Auditor General on the accounts of the Republic for the financial year ended 31st December 2015, mention was made on the engagement of Wah Kong Enterprises Ltd on 7th May 2014 by the Provincial Administration for the construction of a three (3) Storey Civic Center for Chinsali Municipal Council in Chinsali District at a contract sum of

K30,549,576 with an initial completion date of 17th August 2015 which was extended to 31st January 2017.

It was stated in the report that although amounts totalling K18,089,434 had been paid to the contractor as at 30th June 2016, the works had not been completed by the contractor.

In his submission to the Public Accounts Committee (PAC), the Controlling Officer indicated that the project was at 90% complete and that outstanding works would be done once the funds were released by the Treasury.

In their report for the First Session of the Twelfth National Assembly, the Committee urged the Controlling Officer to ensure that funds are secured to complete the project.

A review of the situation carried out in March 2022 revealed that the completion date was further revised to 30th August 2022.

As at 31st July 2022, the contractor had been paid amounts totalling K25,993,411.

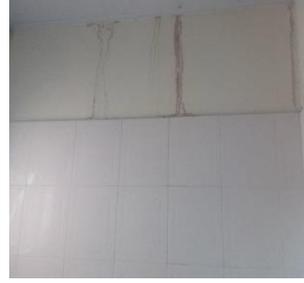
A physical inspection conducted in July 2022 revealed that works had not been completed with landscaping and installation of an elevator outstanding and the contractor was not on site.

Further, there was poor workmanship as detailed below.

- The tiles in some rooms were poorly aligned while some had developed cracks and were peeling off;
- The taps in the toilets and sewer pipes were leaking;
- The ceiling board in the Council Chamber was falling off;
- The roof over some offices was leaking; and
- The seventy six (76) air conditioners that had been installed were not functional.



Falling off ceiling board



Leaking roof

42 Head: 88 Office of the President - Muchinga Province

42.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

42.2 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and six (6) selected district offices revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K11,786,049 was made to cater for operations at the Provincial Administration and the whole amount was released.

As at 31st December 2021, amounts totalling K11,210,062 had been spent.

b. Procurement of Goods and Services

i. Payments Above Threshold

Zambia Public Procurement Act No. 8 of 2020 section 34(2) (a) and (b) stipulates that, the Approval Authority is the Controlling Officer or Chief Executive Officer, where the value of the procurements does not exceed the prescribed level of authority or Procurement Committee for all other procurements.

In addition, Section 34(4) stipulates that a Controlling Officer or Chief Executive Officer may delegate a level of authority, up to a specified maximum to any designated senior officer or officers. During the year under review, the delegated authority of a District Commissioners for procurement of goods and services was K10,000.

Contrary to the regulation, eleven (11) payments in amounts totalling K156,048 made at four (4) stations were above the prescribed thresholds for the District Commissioners.

ii. Claims Without Obtaining Prior Authority – Lavushimanda District

During the period under review, amounts totalling K24,354 were paid to three (3) officers as refunds for using their personal money on government activities such as procurement of goods and fuel among others.

However, there was no prior authority to enable officers undertake Government activities using personal funds.

iii. Undelivered Sports Items

On 25th August 2021, the Provincial Administration paid an amount of K111,683 to Kel Oracle Trading for the supply of various sports items.

However, as at 31st July 2022, only sports items costing K65,883 had been delivered leaving a balance of K45,800.

c. Management of Assets

i. Uninsured Motor Vehicles

Section 86 of the Road Traffic Act No. 11 of 2002 requires that all users of motor vehicles or trailers should have at least third-party insurance.

Contrary to the Act, thirty two (32) motor vehicles belonging to five (5) stations whose value could not be ascertained had not been insured as at 31st July 2022.

ii. Delayed Motor Insurance Compensation - Kanchibiya District

On 24th May 2021, a Toyota Hilux motor vehicle registration number GRZ 463 CP belonging to Kanchibiya District Administration Office was involved in a road traffic accident along the Mpika – Kopa road and was extensively damaged.

At the time of the accident, the vehicle was comprehensively insured with ZSIC General Insurance. In this regard, in February 2022, the Office claimed for compensation from the Insurance Company. However, as at 31st July 2022, the claim had not been honoured, five (5) months from the date the claim was made.

In addition, Public Stores Regulation No. 122 D (3) requires that the driver or the officer who had the charge of the vehicle when it was involved in an accident to make a preliminary report within 48 hours of the accident and submit traffic accident forms to the board or committee concerned within seven (7) days of the submission of the preliminary accident report form.

Contrary to the regulation, as at 31st July 2022, the accident had not been reported to the Standing Accident Board.

iii. Failure to Secure Title Deeds for Properties

Section 41 (4) of the Public Finance Management Act No. 1 of 2018 requires a Controlling Officer to ensure that all public properties under his/her charge are secured with title deeds.

Contrary to the Act, title deeds for parcels of land owned by the Provincial Administration on which ten (10) properties were located had not been secured with title deeds as at 31st July 2022.

43 Head: 89 Ministry of Agriculture

43.1 Mandate

The Ministry of Agriculture is mandated to promote and strengthen efficient and effective management of agricultural production and productivity to ensure sustainable household and national food and nutrition security and increased incomes.

43.2 Audit Findings

An examination of accounting and other records 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 2021, a total provision of K13,472,802,795 was made to cater for various activities against which amounts totalling K5,766,543,959 were released resulting in an underfunding of K7,706,258,836.

As at 31st December 2021, amounts totalling K5,765,092,715 had been spent.

b. Failure to Meet Revenue Projections

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, the Ministry budgeted to collect total revenue of K723,976,806. However, as at 31st December 2021, revenue in amounts totalling K492,998,584 were collected, resulting in an under collection of K230,978,222. See table 1 below.

Table 1: Budget and Actual Collections

No.	Description Revenue Type	Approved Estimates K	Actual Revenue K	(Under)/Over Collection K
1	Import & Export Permits	4,653,000	9,628,120	4,975,120
2	Import Declaration Fees	1,776,728	-	(1,776,728)
3	Inspection Fees	6,000,000	4,338,140	(1,661,860)
4	Plant & Quarantine	6,280,292	7,660,604	1,380,312
5	Proceeds from Sale of Crops	594,698,666	61,852,520	(532,846,146)
6	Proceeds from Fertilizer Sales	110,568,120	409,519,200	298,951,080
	Total	723,976,806	492,998,584	(230,978,222)

c. Implementation of Farmer Input Support Programme

The government through the Ministry of Agriculture introduced the Farmer Input Support Programme (FISP) in 2002 which was aimed at improving access of small-scale farmers to inputs and enhancing the participation and competitiveness of the private sector in the supply and timely distribution of agricultural inputs in adequate amounts.

The programme was divided into two (2) modalities both of which required a contribution of K400 (K300 for inputs and K100 for insurance) by each beneficiary and the modalities were as follows:

- **Direct Input Supply (DIS)** – Under this programme, beneficiaries collected directly from warehouses the following:
 - Maize Pack (10Kg Maize seed, 150Kg D-Compound, 150Kg Urea); and
 - Complementary Packs (20Kg Groundnut seed + 50Kg D-Compound, 5Kg Sorghum + 100Kg D-Compound and 50Kg Urea, 50Kg Soya beans +100Kg D-Compound) were given to selected beneficiaries based on the recommendations of the District Agriculture Committees.
- **Electronic Voucher (e-Voucher)** – Under this programme beneficiaries used their National Registration Cards and e-Voucher codes to redeem any agriculture related inputs of their choice from approved Agro-dealers up to a maximum of K2,000.

During the 2021/2022 farming season, the e-Voucher system was not used. The Direct Input Supply (DIS) system was used and the government targeted to support 1,024,414 beneficiaries in all the 116 districts.

The following were observed:

i. Continued Procurements through Direct Bidding (Single Sourcing)

In Paragraph 44.2 (iv) of the Report of the Auditor General on the accounts of the Republic for the financial year ended 31st December 2020, mention was made on the questionable selection of the same fertiliser and seed suppliers.

In the submission to the Public Accounts Committee (PAC), the Controlling Officer indicated that the continued direct bidding of the same fertiliser and seed suppliers was due to time constraints, availability of fertiliser on the market and past performance of the suppliers.

In the First Session of the Thirteenth National Assembly, the Public Accounts Committee found the reason given by the Controlling Officer unacceptable for failure to follow Procurement Regulations which require that where an emergency situation affects the choice of procurement method, the procuring entity should obtain competition to the maximum extent practical in the circumstances.

Further, the Committee urged the Controlling Officer to probe this matter to its logical conclusion by engaging the relevant law enforcement agencies.

However, a review of the situation in July 2022, revealed that the Ministry continued with the practice of direct bidding (single sourcing) using the same justification of time constraint. In addition, the continued issuance of “No Objection” to direct bid in over five (5) consecutive farming seasons by Zambia Public Procurement Authority (ZPPA) was also questionable in that the Ministry could have planned and commenced the procurement processes early as the season for planting was known.

Consequently, during the farming season 2021/2022 the Government signed contracts for inputs in amounts totalling US\$430,336,620.18 which were not competitive. See table 2 below.

Table 2: Procurement of Inputs from Same Suppliers

No.	Supplier	2021/ 2022 Contract Sum US\$
Fertiliser Contracts		
1	Neria Investment Limited	131,142,683
2	Nyimba Investment Limited	103,072,400
3	Zambian Fertiliser Limited	54,850,393
4	Alpha Commodities	9,423,632
5	Nitrogen Chemicals of Zambia	10,000,000
6	Rockcliffe Trading FZC	15,659,662
Fertiliser Totals		324,148,770
Seed Contracts		
1	Zambia Seed Company Limited	4,100,923
2	Seedco Limited	6,799,740
3	Pannar Seed (Zambia) Limited	11,122,779
4	Kamano Seed Company Limited	7,355,250
5	Stewards Globe Limited	11,343,591
6	Klein Karoo Seed Zambia Limited	451,290
7	Syngenta Zambia Limited	5,601,824
8	Farmers Barn Limited	10,759,229
9	Zambezi Ranching and Cropping Limited	48,653,226
Seed Totals		106,187,850
Grand Totals		430,336,620

In particular, the following were observed:

- **Questionable Allocation of Fertiliser and Seed Quantities**

Article 210 (1) of the Constitution of Zambia (Amendment) Act No. 2 of 2016 requires that a State organ, State institution and other public office should procure goods or services, in accordance with a system that is fair, equitable, transparent, competitive and cost-effective, as prescribed.

In addition, Regulation 29 (1) of the Public Procurement Regulation of 2011, requires that Notwithstanding the prohibition on disaggregation of procurement requirements, a procuring entity may divide a procurement requirement, which could be procured as a single contract, into a package, consisting of several lots which are to be tendered together, where it is anticipated that the award of several separate contracts may result in the best overall value for the procuring entity.

Contrary to the above, there was no transparency on how quantities were allocated to each supplier in that the procurements were not divided into lots. See table 3 below.

Table 3: Questionable Allocation of Fertiliser and Seed Quantities

No.	Supplier	2018/2019	2019/ 2020	2020/2021	2021/2022
		Quantity (MT)	Quantity (MT)	Quantity (MT)	Quantity (MT)
Fertiliser Contracts					
1	Neria Investment Limited	79,614.90	120,000.00	135,000.00	135,000.00
2	Nyimba Investment Limited	39,807.43	70,000.00	103,129.65	103,129.65
3	Zambian Fertiliser Limited	19,903.71	35,000.00	55,000.00	55,000.00
4	Alpha Commodities	-	10,000.00	10,000.00	10,000.00
5	Nitrogen Chemicals of Zambia	-	15,000.00	10,000.00	10,000.00
6	Rockcliffe Trading FZC	19,903.71	15,000.00	15,525.00	15,525.00
Fertiliser Totals		159,229.75	265,000.00	328,654.65	328,654.65
Seed Contracts					
1	Zambia Seed Company Limited	812.40	1,865.00	1,108.76	1,108.76
2	Seedco Limited	3,552.95	2,580.91	2,900.00	2,900.00
3	Pannar Seed (Zambia) Limited	791.10	1,525.83	2,300.00	2,300.00
4	Kamano Seed Company Limited	1,219.49	1,979.21	1,998.36	1,998.36
5	Stewards Globe Limited	1,531.18	1,223.00	3,200.00	3,200.00
6	Klein Karoo Seed Zambia Limited	85.20	100.00	150.00	150.00
7	Syngenta Zambia Limited	1,579.00	1,330.56	1,700.00	1,700.00
8	Farmers Barn Limited	2,285.25	4,465.99	4,126.73	4,126.73
9	Zambezi Ranching and Cropping Limited	1,075.34	5,412.66	10,588.34	10,588.34
Totals for Seed		12,931.91	20,483.16	28,072.19	28,072.19

Further, the Ministry on average engaged two (2) or more suppliers of either Urea or D-Compound to the same districts at varying prices as shown below.

- Nyimba Investments Limited was contracted to supply 3,423.90 mts of D-Compound to Serenje District at a cost of US\$995 per mt while Neria Investments Limited was also contracted to supply 2,417.20 mts of D-compound to the same district at a cost of US\$942 per mt resulting in a variance of US\$53 per mt of which the Government would have saved an estimated minimum amount of US\$181,467 had the Ministry procured from Neria Investments Limited.
- Rockcliffe Trading FCZ was contracted to supply 311.78mts of Urea to Lusaka District at a cost of US\$950 per mt while Alpha Commodities Ltd was also contracted to supply 2,314mts of Urea to the same district at a cost of US\$921 per mt resulting in a variance of US\$29 per mt of which the Government would have saved an estimated minimum amount of US\$9,041.62 had the Ministry procured from Alpha Commodities.
- Rockcliffe Trading FCZ was contracted to supply 887mts of Urea to Nkeyema District at a cost of US\$1,095 per mt while Zambian Fertiliser Company was also contracted to supply 388mts of Urea to

the same district at a cost of US\$974 per mt resulting in a variance of US\$121 per mt of which the Government would have saved an estimated minimum amount of US\$107,327 had the Ministry procured from Zambian Fertiliser Company.

- Rockcliffe Trading FCZ was contracted to supply Urea to Chibombo and Chisamba Districts at US\$985 per mt compared to Zambian Fertiliser Company that supplied Urea to the same districts at US\$995 per mt resulting in price variation of US\$10 per mt of which the Government would have saved an estimated minimum amount of US\$13,254 had the Ministry procured from Rockcliffe Trading FCZ. See table 4 below

Table 4: Variance in prices per District

No.	District	Rockcliffe		Zambian Fertiliser		Variance per Mt USD	Total Variance USD (Mt) Supplied
		Urea	USD price per Mt (Urea)	Urea	USD price per Mt (Urea)		
1	Chibombo	3,000	985	561	995	10	5,612.00
2	Chisamba	2,000	985	764	995	10	7,642.00
	Total						13,254.00

ii. Discounts on Fertiliser and Seed Supplies

Public Procurement Regulations of 2011, No. 115 (1), provides that an evaluation committee shall prepare a plan for the negotiations, which shall specify the issues to be negotiated and objectives to be achieved and shall set maximum and minimum negotiation parameters.

A review of the Ministerial Procurement Committee (MPC) minutes dated 19th March 2020, revealed that the Director of Agribusiness and Marketing was granted authority to negotiate with the suppliers of farming inputs on price, quality and labelling. The MPC advised that unit prices be negotiated downwards to US\$1,000 and below per metric tonne.

However, it was questionable how the MPC determined the maximum price of US\$1,000 per metric tonne without evidence of having conducted a Market Price Index (MPI).

In addition, although discounts were given which ranged from US\$9,210 to US\$16,792,848, this was an indication that the Government was been quoted uncompetitive prices as the Ministry disregarded subjecting each supplier to competition. See table 5 below.

Table 5: Discount on Contract Sum

No.	Commodity	Supplier	Contract Amount Submitted US\$	Discounts US\$	Negotiated Contract US\$
1	Fertiliser	Neria Investment Limited	131,642,683	500,000	131,142,683
2	Fertiliser	Nyimba Investment Limited	103,072,400	-	103,072,400
3	Fertiliser	Zambian Fertiliser Limited	62,133,922	7,283,529	54,850,393
4	Fertiliser	Alpha Commodities	9,423,632	-	9,423,632
5	Fertiliser	Nitrogen Chemicals of Zambia	12,000,000	2,000,000	10,000,000
6	Fertiliser	Rockcliffe Trading FZC	16,934,690	1,275,027	15,659,662
7	Seed	Zambia Seed Company Limited	4,210,865	109,942	4,100,923
8	Seed	Seedco Limited	6,913,102	113,362	6,799,740
9	Seed	Pannar Seed (Zambia) Limited	11,122,779	-	11,122,779
10	Seed	Kamano Seed Company Limited	7,407,099	51,850	7,355,250
11	Seed	Stewards Globe Limited	11,689,591	346,000	11,343,591
12	Seed	Klein Karoo Seed Zambia Limited	460,500	9,210	451,290
13	Seed	Syngenta Zambia Limited	5,642,018	40,194	5,601,824
14	Seed	Farmers Barn Limited	11,595,446	836,217	10,759,229
15	Seed	Zambezi Ranching and Cropping Limited	65,446,075	16,792,849	48,653,226
	Total		459,694,800	29,358,180	430,336,620

Further, contrary to the MPC target to negotiate and ensure that all unit costs were at US\$1,000 or below, Rockcliffe Trading FCZ supplied Urea at US\$1,004 per mt and D-Compound at US\$1,008.67 per mt resulting in additional costs to Government in amounts totalling US\$75,065.32. See table 6 below.

Table 6: Additional Costs on Failure to Meet the Negotiated Price

No.	Input	Price offered by supplier per mt (US\$)	Maximum for the Ministry to procure (US\$)	Variance (US\$)	Quantity (mt)	Total loss (US\$)
1	Urea	1,004.00	1,000.00	4.00	12,748.70	50,994.80
2	D-Compound	1,008.67	1,000.00	8.67	2,776.30	24,070.52
	Total					75,065.32

iii. FISP Financing (Direct Input Supplies)

During the farming seasons 2020/2021 and 2021/2022, the Ministry under the Direct Input Supply Modality partially paid the contract sums through issuance of Letters of Credit (LCs) by the Ministry of Finance. In this regard, letters of

credit in amounts totalling US\$657,311,597 were issued as at 31st March 2022. See table 7 below.

Table 7: Financing FISP through Issuing Letters of Credit

No.	Farming Season	Letters of Credit (US\$)
1	2020/2021	401,117,739
2	2021/2022	256,193,858
	Total	657,311,597

The following were observed

- **Conversion of Letters of Credit to Loans**

A review of records revealed that Letters of Credit issued in amounts totalling US\$256,193,858 during the 2021/2022 farming season were converted to term loan facilities and secured using Government bonds. The conversion resulted in Government incurring interest charges of K191,536,358 and US\$13,200,973. See table 8 below.

Table 8: Interest Rates Applicable

No.	Bank	Maximum Amount of Loan Facility		Interest Rate		Repayment Installations	Loan Amount Obtained		Interest Incurred	
		ZMW	US\$	Description	%		ZMW	US\$	ZMW	US\$
1	Indo Zambia	250,000,000	-	Floating rate of 29.75% (ie the bank of Zambia policy rate of 8.5% and a margin of 21.25%)	29.75	48 Months	-	-	-	-
2	ABSA	1,500,000,000	-	3 Year Government Bond as at 06 May 2021 being a fixed rate of 32.70% plus 3.3% margin	36.00	6 Months	1,200,000,036	-	191,536,358	-
3	Zambia National Commercial	-	131,142,683	ZANACO US Dollar Base Rate (11.5%) + 50 basis points	12.00	36 Months	-	131,142,683	-	10,292,051
4	Atlas Mara	-	99,605,442	24 - 36 months - Libor + 9.5% p.a.	9.70	12 to 26 Months	-	73,987,344	-	2,908,922
		1,750,000,000	230,748,124				1,200,000,036	205,130,027	191,536,358	13,200,973

In addition, it was observed that three (3) of the agreements made were based on floating interest rates that would result in increased cost to the Government.

- **Additional Cost through Processing Fees**

During the period under review, the Government incurred amounts totalling K24,600,000 and US\$3,709,394 in arrangement and

administrative fees thereby incurring additional costs under the Direct Input Supply modality. See table 9 below.

Table 9: Arrangement and Administrative fees

No.	Bank	Type of Facility	Arrangement Fee			Administrative/ Issuance Fee			Total	
			ZMW	US\$	%	ZMW	US\$	%	ZMW	US\$
1	Indo Zambia	Letters of Credit Financed by Term Loans	-	-	1	-	-	0.5	-	-
2	ABSA	Deferred and Sight Letters of Credit Financed by Short Term Loans	12,000,000	-	1	12,600,000	-	0.75	24,600,000	-
3	Zambia National Commercial	Deferred Letters of Credit Financed by Inner Medium Term Loans	-	1,311,427	1	-	983,570	0.75	-	2,294,997
4	Atlas Mara	Letters of Credit Financed by Inner Medium Term Loans	-	398,422	0.5	-	1,015,976	1.275	-	1,414,397
			12,000,000	1,709,849		12,600,000	1,999,546		24,600,000	3,709,394

iv. Delayed Delivery of Fertiliser

Clause 31.1(a)(i) of the General Conditions of Contract (GCC), provides that the contract of supply should be terminated for all quantities not delivered by the last date of contract duration, where a grace period of four (4) weeks had been given.

According to the contracts, the fertiliser suppliers were to supply, deliver and distribute fertiliser to various districts by 31st July 2021 for the 2021/2022 farming seasons.

However, a review of records revealed that as at 31st January 2022, four (4) suppliers who were contracted to deliver 308,655MT of fertiliser in respect of the 2021/2022 farming season only delivered 191,825Mt of fertiliser leaving a balance of 116,830Mt resulting in a delay of over twenty four (24) weeks from the expected delivery date.

The Ministry did not extend or provide a grace period for the deliveries after 31st July 2022. See table 10 below.

Table 10 - Delayed Delivery of Fertiliser

No.	Supplier	Contract Sum US\$	Amount Paid US\$	Amount Paid/ Contract Sum	Qty Contracted (MT)	Qty Delivered (MT) 31 Jan 22	Qty Delivered/ Qty Contracted (MT)	Last Date of Delivery	No. of Weeks Delayed
1	Rockcliffe Trading	15,659,662	12,861,641	82%	15,525	5,234	34%	03.02.2022	24
2	Zambian Fertilisers	54,850,393	45,780,314	83%	55,000	27,495	50%	17.02.2022	26
3	Nyimba Investment	103,072,400	92,241,988	89%	103,130	85,894	83%	30.01.2022	24
4	Neria's Investment	131,142,683	131,142,683	100%	135,000	73,202	54%	31.01.2022	24
	Total	304,725,138	282,026,626	93%	308,655	191,825	62%		

In addition, Clause 24.1 of GCC, provides that liquidated damages should be calculated at 0.05% per week for quantities not delivered up to a maximum of 1% of the contract sum.

However, at the time of audit in July 2022, the Ministry had not enforced Clause 24.1 on liquidated damages.

v. Irregular Payments of Inputs

Clause 14.2 of the GCC stipulates that suppliers' request for payments shall be made to the procuring entity in writing, accompanied by invoices describing, as appropriate, the goods delivered and related services performed, and by the documents submitted pursuant to clause 11 of the GCC upon fulfilment of all other obligations in the contract.

Contrary to the Clause, a review of records revealed that as at 31st October 2021, the Ministry had irregularly paid an average of 90% of the contract sum against the average delivery of 62% to four (4) suppliers. See table 11 below.

Table11 - Irregular Payments

No.	Supplier	Contract Sum US\$	Amount Paid US\$	Amount Paid/ Contract Sum	Quantity Contracted (MT)	Quantity Delivered (MT)	Quantity Delivered/ Quantity Contracted (MT)
1	Rockcliffe Trading	15,659,662	9,344,345	60%	15,525	5,234	34%
2	Zambian Fertilisers	54,850,393	40,083,305	73%	55,000	27,495	50%
3	Nyimba Investment	103,072,400	92,241,988	89%	103,130	85,894	83%
4	Neria's Investment	131,142,683	131,142,683	100%	135,000	73,202	54%
	Total	304,725,138	272,812,320	90%	308,655	191,825	62%

A test check on records of confirmation letters issued by DACOs to support the invoices revealed irregularities in that in some cases although the suppliers had not delivered to the stated district, confirmation of delivery was issued on the basis that the commodities were stored at different districts.

vi. Questionable Acknowledgement of Fertiliser Delivery - Neria Investments Ltd

According to existing arrangements, prior to the supplier being paid for deliveries made to the districts, the District Agricultural Coordinator (DACO) confirms receipt of the inputs to the Permanent Secretary by way of an acknowledgement letter of receipt of inputs. Based on this confirmation and receipt of invoice from the supplier, the Ministry processes the payments.

A review of records and inspections carried out in January 2022, at eleven (11) selected districts revealed that Neria Investments Ltd did not supply 5,469.90 mt D-Compound and 8,964.15 mt of Urea despite the District Agricultural Coordinating Office (DACO) confirming acknowledgement of receipt of the fertiliser. See table 12 below.

Table 12: Undelivered Fertiliser to Districts

No.	District	Name of Supplier	Allocated D-Compound Mt	Allocated Urea Mt	Received D-Compound Mt	Received Urea Mt	Variance D-Compound Mt	Variance Urea Mt
1	Mungwi	Neria Investments Ltd	3,368.95	1,678.35	1,690.60	1,099.10	1,678.35	579.25
2	Lupososhi	Neria Investments Ltd	1,043.20	709.90	849.50	622.75	193.70	87.15
3	Chadiza	Neria Investments Ltd	2,921.75	2,356.50	2,471	1,898	450.75	458.50
4	Kasenengwa	Neria Investments Ltd	2,813.30	2,255.70	2,083	1,151	730.50	1,104.50
5	Chipangali	Neria Investments Ltd	3,152.80	2,619.00	2,490	1,405	663.25	1,213.65
6	Katete	Neria Investments Ltd	4,569.75	4,030.35	4,570	1,874	-	2,156.35
7	Lundazi	Neria Investments Ltd	2,442.40	1,841.90	2,260	1,658	181.95	184.40
8	Chasefu	Neria Investments Ltd	1,981.65	1,561.65	1,736	1,147	245.45	414.90
9	Petauke	Neria Investments Ltd	3,646.10	3,206.10	3,073	2,050	572.70	1,156.20
10	Lusangazi	Neria Investments Ltd	1,586.35	1,216.35	1,569	710	17.85	506.70
11	Sinda	Neria Investments Ltd	3,395.00	2,570.00	2,706	1,468	689.10	1,102.50
			30,921.25	24,045.80	25,497.65	15,081.70	5,423.60	8,964.10

vii. Questionable Distribution of Soya Bean Seed

A review of a letter dated 24th January 2022 from the District Agriculture Coordinator for Nyimba District revealed that 220x50kg bags of Soya Bean seed costing US\$33,539 was distributed to Zambia National Service (ZNS).

However, it was questionable why the seed was distributed to ZNS which was not a beneficiary of FISP.

In addition, 440x50 kg bags of Soya beans seed was not allocated as at 31st January 2022 by the DACO.

viii. Supply of Uncontracted Seed Variety

A review of records revealed that Pannar Seed supplied a total of 79 Mt of various seed costing US\$343,800 that were not prescribed in the contract. See table 13 below.

Table 13: Seed Varieties Supplied but not Prescribed in the Contract

Supplier Name	Seed Contracted	Quantity Mts	Price US\$/Mt	Seed Supplied	Qty Mts	Price US\$/Mt	Total Amount US\$
Pannar Seed	Maize-PAN 7M83	280.04	4,200	Maize-PAN 7M87	59.00	4,200	247,800
	Maize-PAN 3M81	275.22	4,800	Maize-PAN 3M05	20.00	4,800	96,000
		555.26			79.00		343,800

In particular, the following were observed:

- The uncontracted seed varieties were supplied at the same price as the contracted seed, without the approval of the Ministry.
- There was no documentation availed for audit to prove that the seed was certified by Seed Control and Certification Institute (SCCI).

d. Uncompetitive Contracts of Supply - Procurement of Army Worm Chemicals and Pesticides

During the 2020/2021 farming season, the Ministry procured pesticides, protective clothing and sprayers from three (3) companies at a total contract sum of K40,944,000 for the control of army worms. As at 31st October 2021, all the contractors had been paid in full. See table 14 below.

Table 14: Contract Sums for Supply of Army Worm Chemicals

No.	Name of Supplier	Details of Supply	Qty Of Chemicals (Liters)	Gum Boots	Sprayers (16 Liters)	Work Suits	Contract Sum K
1	Zambezi Ranching & Cropping Ltd	MPC No. 0104-2020 Various Chemicals such as Lambda, Cypermethrin, Nimicidine	29,000	-	-	-	14,520,000
2	Export Trading Group (ETG)	MPC No. 0104-2020 various Chemicals such as Emamectin Benzoate and Deltamethrin	29,000	-	-	-	13,464,000
3	Farmers Barn	MPC No. 0104-2020 Various Chemicals such as Noble, Sikkodior, Termiclear	24,000	600	250	600	11,640,000
4	Export Trading Group (ETG)	MPC No. 0015-2021 various Chemicals such as Emamectin Benzoate and Deltamethrin	5,000	-	-	-	1,320,000
Total			87,000	600	250	600	40,944,000

Section 46(2) (c) of the Public Procurement Act No. 8 of 2020, allows the procurement of additional goods, works, or non-consulting services from the same source because of the need for compatibility, standardisation or continuity.

In addition, Section 39 (4) of the Public Procurement Regulations of 2011 provides that where an emergency situation affects the choice of procurement method, the procuring entity should not automatically exclude competitive methods of procurement but should obtain competition to the maximum extent practical in the circumstances.

Contrary to the regulation, the Ministry signed four (4) contracts in amounts totalling K40,944,000 without subjecting the contracts to competition. See table 20 above.

e. Outstanding Local Transportation and Warehouse Management Costs

Clause 6.1(b) of the standard contract states that the Ministry would pay the transporter/seed warehouse manager the certified value of the bill within ninety (90) days of receipt of the bill.

A review of records, revealed that as at 30th June 2022, the Ministry owed local transporters and warehouse managers a total amount of K2,622,479 for the 2018/2019, 2019/2020 and 2020/2021 farming seasons exceeding the required ninety (90) days. See table 15 below.

Table 15: Outstanding Local Transporters and Warehouse Costs

Farming Season	No of Suppliers	Invoiced Amounts K	Paid to Date K	Balance K
2018/2019	393	48,827,488	48,113,530	713,957
2019/2020	229	23,356,048	22,039,169	1,316,879
2020/2021	198	31,091,672	30,500,029	591,643
Total		103,275,207	100,652,728	2,622,479

In addition, warehouse managers engaged in the 2021/2022 farming season in six (6) selected districts had not invoiced the Ministry as at 31st March, 2022. In this regard, it was not possible to ascertain the amounts the Ministry owed the warehouse managers. See 16 table below.

Table 16: Unpaid Warehouse Managers

No.	District (DACO)	Year Engaged	No. of Transporters	Comment
1	Kasenengwa	2021/2022	1	Not Invoiced to the Ministry
2	Luposohsi	2021/2022	1	Not Invoiced to the Ministry
3	Mungwi	2021/2022	1	Not Invoiced to the Ministry
4	Limulunga	2021/2022	1	Not Invoiced to the Ministry
5	Sesheke	2021/2022	1	Not Invoiced to the Ministry
6	Livingstone	2021/2022	1	Not Invoiced to the Ministry
	Total		6	

f. Other Weaknesses in the Management of Farmer Input Support Program (FISP)

The procedure for accessing FISP was for the farmer to be first put on the register of beneficiaries and then the District Agricultural Coordinator (DACO) grants beneficiary farmers Authority To Deposit (ATD) the contribution. Thereafter, following the issuance of the ATD the farmer was issued with the Authority to Collect (ATC).

The following were observed.

i. Beneficiaries Granted ATD Without ATC

An analysis of beneficiaries in the system in four (4) selected provinces revealed that a total of 509,436 beneficiaries were issued with ATDs and deposited amounts totalling K203,774,400.

However, 557 beneficiaries were not issued with ATC.

A scrutiny of the government payroll revealed that out of the 557 beneficiaries 283 were civil servants and therefore not eligible, while the Ministry did not provide evidence of why the remaining 274 beneficiaries were not issued with ATCs.

Further, there was no disciplinary action taken on the civil servants and as at 31st July 2022, they had not been removed from the database. See table 17 below.

Table 17: Beneficiaries granted ATD without ATC

No.	Province	No. of Beneficiaries as Per ATD	Amount as Per ATD Obtained K	No. of Beneficiaries as Per ATC/ Both in ATD and ATC	Beneficiaries with ATD but not ATC	Civil Servants not ATC	Individuals who could be Eligible Farmers Not ATC	Total amount Deposited K
1	Lusaka	69,967	27,986,800	69,816	151	96	56	22,400
2	Central	180,896	72,358,400	180,694	202	114	88	35,200
3	Northern	98,453	39,381,200	98,313	140	48	91	36,400
4	Southern	160,120	64,048,000	160,056	64	25	39	15,600
	Total	509,436	203,774,400	508,879	557	283	274	109,600

Further, a physical inspection conducted in Limulunga District revealed that six (6) bags of fertiliser (3 bags D-Compound and 3 bags Urea) and 1x10kg seed had not been redistributed as at 31st July 2022 as the initial beneficiary was a civil servant.

ii. Irregular Issuance of Farming Inputs to Civil Servants - Senga Hill DACO

FISP Direct Input Supply Implementation Manual Section 3.1.2 (v) states that an individual beneficiary shall not be an employee of the Government of the Republic of Zambia.

Contrary to the guideline, seven (7) civil servants were included on the approved farmer beneficiary list for the 2019/2020 and 2020/2021 farming season and got inputs costing K14,700.

iii. Unaccounted for Inputs – Kasama and Mpulungu

A review of records at the Provincial Agriculture Coordinator's Office in Northern Province revealed that inputs (seeds) with an estimated cost of K5,158,800 and K80,700 were unaccounted for in Kasama and Mpulungu respectively in that there were no disposal details.

iv. Uncollected Farming Inputs by Beneficiary Farmers – Kazungula DACO

During the 2021/2022 farming season, Kazungula District was allocated 4,028.10 metric tons of inputs out of which 4,012.29 metric tons were collected leaving a balance of 15.81 metric tons of inputs costing K403,440 not collected by farmers.

As at 30th June 2022, the inputs were not yet collected. See table 18 below.

Table 18: Uncollected Inputs

No.	Supplier	Input Type	Quantity MT	Price K/Mt	Cost of Uncollected Inputs K
1	Alpha Commodities Limited	Urea	7.80	24,991.92	194,937
2	Alpha Commodities Limited	Comp D	7.80	24,991.92	194,937
3	Synergy Z Ltd and Pannar Seed	Maize	0.21	64,600.00	13,566
	Total	-	15.81		403,440

Inquiries from management revealed that the District Commissioner for Kazungula District was suspicious of fraudulent activities and hence directed that the inputs should not be collected pending conclusion of investigations by the Drug Enforcement Commission.

v. Farming Inputs without Documentation - Kasama DACO

FISP Direct Input Supply Implementation Manual Section 5.1.1 stipulates that on receipt of stocks, the warehouse manager should issue a Goods Received Note (GRN). Further, the warehouse manager was required to maintain a file where all copies of the GRNs from each supplier was to be kept chronologically in order to establish total quantities received under the programme.

Contrary to the guidelines, out of 8,831.65 tons of farming inputs which were to be delivered at Kasama DACO by Neria Investments, documentation for 8,085.40 were availed, leaving a balance of 746.25 tons costing K15,769,887 without documentation. See table 19 below.

Table 19: Inputs without Documentation

No.	Season	Input Type	Total Contracted (Tons)	Tonnage with Documentation	Variance	Inputs without Documentation for K
1	2020/2021	D-Compound	5,144.25	4,526.85	617.40	13,064,888
2	2020/2021	Urea	3,687.40	3,558.55	128.85	2,704,999
	Total		8,831.65	8,085.40	746.25	15,769,887

As at 30th June 2022, documentation had not been availed for audit.

vi. Failure to Pay Warehouse Managers

During the period under review, four (4) Agro Suppliers were contracted as warehouse managers for the storage of seed inputs in two (2) provinces. However, a review of contract documents and invoices revealed that the warehouse managers had not been paid amounts totalling K160,031. See table 20 below.

Table 20: Warehouse Managers not Paid

No.	Province	District	Name of Warehouse Manager	Season	Amount K
1	Copperbelt	Masaiti	Masaiti Seed Growers	2020/2021	17,171
		Masaiti	Masaiti Seed Growers	2019/2020	32,281
		Mufulira	Ngwifra Farmers`s Solutions	2019/2020	7,718
2	North Western	Mufumbwe	Halimwene Contractors	2020/2021	50,815
		Mwinilunga	District Cooperative Union	2019/2020	52,047
		Total			160,031

As at 30th June 2022, the ware house managers had not been paid.

vii. Failure to Pay Local Transporters

As at 30th June 2022, six (6) local transporters contracted to transport farming inputs for the 2020/2021 farming season in two (2) districts had not been paid amounts totalling K520,514. See table 21 below.

Table 21: Local Transporters Not Paid

No.	Province	District	Season	No. of Transporters	Amount K
1	Copperbelt	Chingola	2020/2021	1	7,595
2	Central	Kabwe	2020/2021	5	512,919
		Total		6	520,514

viii. Failure to Pay Agro Dealers on Time

During the 2017/2018 to 2020/2021 agricultural seasons, amounts totalling K2,299,776,054 were owed to Agro dealers against which amounts totalling K2,183,868,258 had been paid leaving a balance of K115,907,796 outstanding for periods ranging twenty four (24) to sixty (60) months as at 30th June, 2022.

ix. Lack of Graduation of Beneficiaries

The programme beneficiaries had increased from 120,000 in 2002/2003 farming season to 1,024,414 in the 2020/2021 farming season. The programme did not have a mechanism of graduating beneficiaries to be self-sustaining.

In this regard, from inception no beneficiaries were graduated to self-sustaining resulting in minimal recruitment of new beneficiaries on to the programme.

In particular, a test check of farmers registers for the 2021/2022 farming season revealed that 119,852 farmers in respect of Lusaka, Central and Northern provinces had been on the programme for more than five (5) consecutive farming seasons. See table 22 below.

Table 22: Beneficiaries on the Programme for more than 5 Consecutive Seasons

No.	Province	No. of Beneficiary Benefited over 5 Seasons
1	Lusaka	39,314
2	Central	74,607
3	Northern	5,931
	Total	119,852

x. Failure to Grant ATD to Eligible Farmers on FISP Register

A review of the FISP register revealed that there was a total of 436,130 eligible farmers in Lusaka, Central and Northern provinces who had not been granted ATD for them to benefit from the programme from the time they were registered for period ranging from one (1) to five (5) years.

There was no evidence why the farmers were not authorised to deposit despite being on the register. See table 23 below.

Table 23: Farmers who have Never Benefited from FISP

No.	District	No. of Seasons not Benefited
1	Lusaka	57,560
2	Central	218,892
3	Northern	159,678
	Total	436,130

xi. E-Voucher System - Failure to Supply Inputs by Agro Dealer - 2019/2020 Farming Season - Namwala DACO

FISP Direct Input Supply Implementation Manual, Section 4.4.1 requires that once farmers deposit their contribution and information of the deposit is shared by the bank to the Zambia Integrated Agriculture Management Information System (ZIAMIS), the names of all farmers that match the deposits are supposed to appear on the DACO profile as eligible for issuance of Authority to Collect forms (ATCs). Further, Section 4.4.1 (ii) stipulates that all members of the cooperatives are supposed to be added to the ATC and ZIAMIS automatically calculate and displays the amount of inputs the farmers are entitled to collect.

Contrary to the guideline, 144 farmers who redeemed inputs costing K288,000 were only supplied with inputs costing K133,800 by Chimster Enterprises leaving K154,200 not supplied.

As at 30th June 2022, the affected farmers had not been supplied with inputs.

xii. Irregular Beneficiaries

Farmer Inputs Support Program Guideline No. 3.1.2 states that no individual who is concurrently benefiting from the Food Security Pack (FSP) programme can be a beneficiary from the FISP.

Contrary to the guideline, 506 individuals who benefited from the FSP programme at four (4) stations were also supplied with farming inputs costing K1,062,600 under the FISP. See table 24 below.

Table 24: FSP beneficiaries on FISP

No.	Station	No. of Beneficiaries	Cost of Packs K
1	Mansa DACO	270	567,000
2	Choma DACO	50	105,000
3	Monze DACO	164	344,400
4	Namwala DACO	22	46,200
	Total	506	1,062,600

xiii. Stolen Farm Inputs - Kabwe DACO

On 14th October 2021, farming inputs costing K270,850 were reportedly stolen from the warehouse in Kabwe and the matter was reported to the police on 5th November 2021. Consequently, 232 beneficiaries did not receive their inputs. See Table 25 below.

Table 25: Stolen Farm Inputs

Description	Quantity	Unity Price K	Amount K	No. of Farmers
Soya beans Seed(50kg)	202	1,297	262,000	202
Maize Seed(10kg)	30	295	8,850	30
Total			270,850	232

As at 30th June 2022, the inputs had not been replaced.

44 Head: 89 Ministry of Agriculture

Departments: Provincial Agriculture Coordinating Offices

District Agriculture Coordinating Offices

44.1 Mandate

The Ministry of Agriculture is mandated among others to promote and strengthen efficient and effective management of agricultural production and productivity to ensure sustainable household and national food and nutrition security and increased incomes.

44.2 Audit Findings

An examination of accounting and other records maintained at Provincial Agriculture Coordinating Offices (PACOs), selected District Agriculture Coordinating Offices (DACOs) and Farmers Training Institutions revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K21,414,648 was made to cater for operations at the Provincial and District Agriculture Coordinating Offices against which amounts totalling K15,952,148 were released resulting in an under funding of K5,462,500.

As at 31st December 2021, amounts totalling K15,952,148 had been spent.

b. Failure to Collect Rental Income

Section 52 (2) of the Public Finance Management Act No. 1 of 2018 stipulates that an office holder is financially liable to the Government who through any act of willful default or gross neglect of duty, whenever it is that office holder's duty to collect any monies due and owing to the Government, fails to collect the same and by reason of such failure the monies cannot be collected.

Contrary to the Act, two (2) stations were owed amounts totalling K189,285 by fifty three (53) tenants that occupied houses as at 31st December 2021. Some debts had been outstanding as far back as 2020. See table 1 below.

Table 1: Failure to Collect Rental Income

Province	Station	Amount K
Luapula	Mansa FTI	112,300
Southern	Namwala DACO	76,985
	Total	189,285

As at 30th June 2022, no action had been taken against the defaulting tenants and the amounts were still outstanding.

c. Use of Private Printed Receipt Book - Mansa FTI

The Public Finance Management (General) Regulations, No.107 (3) of 2020 stipulates that an office holder should not make arrangements for the printing or alteration of a receipt form without a written authority from the Secretary to the Treasury.

Contrary to the regulation, amounts totalling K224,385 were collected using a privately printed receipt book. In addition, it was observed that there were no local purchase

orders and invoices detailing the quantities and sequence numbers of receipt books procured and received. In this regard, the completeness of revenue and receipt books submitted for audit could not be ascertained as at 30th June 2022.

d. Failure to Remit Government Revenue to Control 99 – Mansa PACO

Section 11 (7) of the Public Finance Management Act No. 1 of 2018 requires a Controlling Officer to collect, account and promptly remit to the Treasury all monies due to Government under the responsibility of the Controlling Officer.

Contrary to the Act, amounts totalling K324,618 collected by Mansa Farmer Training Institute (FTI) – K237,365 and Zambia Agriculture Research Institute (ZARI) – K87,253 during the period under review in respect of rentals and other receipts were not remitted to Control 99. As at 30th June 2022, the funds had not been remitted.

e. Copies of Receipt Forms without Details – Mansa Farmers Training Institute (FTI)

Regulation No. 119 (1) (2) of the Public Finance Management (General) Regulations of 2020 requires that receipt forms be completed either in ink or in indelible pencil and copies should contain the same details as those appearing on the original.

Contrary to the regulation, there were seven (7) duplicate receipts with the range from 594 to 600 that did not show the details of the original receipt. In addition, the details of the receipts were not recorded in the cash book and no deposit slips were availed for audit in respect of the amounts received.

In this regard, it was not possible to ascertain the amounts that were collected on the receipts.

f. Inadequately Supported Payments

Regulation No. 46 (1) of the Public Finance Management (General) Regulations of 2020 stipulates that a payment voucher relating to purchases should be supported by a purchase order, the supplier invoice and proof of delivery or performance.

Contrary to the regulation, thirty-three (33) payments in amounts totalling K71,120 made at six (6) stations were not supported with relevant documents such as receipts, fuel coupons, log books, fuel statements and contracts among others. See table 2 below.

Table 2: Inadequately Supported Payments

No.	Province	Station	No. of Transactions	Amount K
1	Copperbelt	Chingola - DACO	1	3,240
		Ndola- PACO	1	3,550
2	Muchinga	Mpika - DACO	6	6,821
		Lavushimanda - DACO	2	8,650
3	Southern	Namwala DACO	21	44,359
4	Luapula	Mansa FTI	2	4,500
		Total	33	71,120

g. Irregular Cash Withdrawals

Ministry of Finance Treasury and Finance Management Circular No. 1 of 2021 guided Controlling Officers that no cash should be withdrawn for payment of subsistence allowances, fuel refunds and any other allowances. Further, it states that the allowances should be paid directly into the beneficiary's bank account.

Contrary to the Circular, two (2) stations issued imprest in amounts totalling K92,758 to eight (8) officers to facilitate the payment of daily subsistence and meal allowances to other officers instead of paying directly into the beneficiary's account. See table 3 below.

Table 3: Irregular Cash Withdrawal

No.	Province	Station	No. of Officers	Amount K
1	Northern	PACO	3	56,802
2	Southern	Namwala DACO	5	35,956
		Total	8	92,758

h. Unaccounted for Stores

Public Stores Regulation No.16 stipulates 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 receipts and issue of such public stores.

Contrary to the regulation, stores items costing K553,847 (General stores - K265,184 and fuel – K288,663) procured at seven (7) stations were not accounted for in that there were no receipts and disposal details. See table 4 below.

Table 4: Unaccounted for stores

No.	Province	Station	General Stores Amount K	Fuel Amount K	Total Amount K
1	Muchinga	Mpika DACO	3,250	-	3,250
		Kanchibiya DACO	-	1,369	1,369
2	Southern	Gwembe DACO	-	39,754	39,754
		Choma DACO	104,114	-	104,114
		Kazungula DACO	62,999	69,388	132,387
		Kalomo DACO	7,620	130,835	138,455
		Monze DACO	87,201	47,317	134,518
		Total	265,184	288,663	553,847

i. Lack of Title Deeds

Section 41(4) of the Public Finance Management Act No. 1 of 2018 requires Controlling Officers to ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, eighteen (18) stations did not secure title deeds for parcels of land on which 559 properties comprising office blocks, staff houses and breeding centres were located as at 31st July 2022.

j. Failure to Settle Obligations

As at 30th June 2022, the Provincial Administration owed former employees and other institutions amounts totalling K16,142,177 in respect of personal emoluments, postal services, utility bills and other supplies of goods and services dating as far back as 2000. See table 5 below.

Table 5: Outstanding Obligations

No.	Province	Station	Amount K
1	Western	Mongu PACO	766,408
		Mongu DACO	480,074
		Mulobezi DACO	191,540
		Mwandi DACO	443,393
		Lukulu DACO	201,848
		Mitete DACO	134,983
3	Muchinga	Chinsali PACO	764,804
4	Northern	Minsafu Research Center	1,813,823
5	Eastern	Chipata PACO	124,512
6	Copperbelt	Ndola PACO	215,466
		Ndola DACO	315,809
		Luanshya DACO	535,808
		Masaiti DACO	382,105
		Chingola DACO	130,336
		Mufulira DACO	206,166
7	Southern	Choma DACO	523,513
		Monze DACO	131,801
		Namwala DACO	214,501
8	Luapula	Mansa PACO	8,565,288
		Total	16,142,177

45 Head: 89 Ministry of Agriculture - Cashew Infrastructure Development Project (CIDP).

45.1 Background

On 29th March 2016 Government of the Republic of Zambia signed a Loan Agreement with the African Development Bank (AfDB) for the financing of the Cashew Infrastructure Development Project (CIDP). The project was to be undertaken over a period of five (5) years commencing on 4th August 2016 and ending 30th June 2022.

The Project cost was US\$55,420,000 financed by African Development Bank (AfDB) Loan of US\$45,000,000 (81.2%); Government Counterpart funding of US\$ 8,310,000 (15.0%), and community or beneficiary contributions was planned at US\$ 2,110,000 (3.8%).

The Project was aimed at reviving the cashew subsector and involved improving cashew production and processing. The objective of the project was to contribute to the country's economic growth through poverty reduction and improving the household income.

The Project was implemented by the Ministry of Agriculture in ten (10) districts of Western Province namely, Mongu, Limulunga, Senanga, Kalabo, Nalolo, Sikongo, Shangombo, Sioma, Lukulu, and Mitete Districts.

The Project was divided into three (3) components:

i. Component 1: Support to Cashew Value Chain

This component had the following three (3) sub-components:

- Infrastructure for cashew nurseries and clone gardens
- Cashew plantation rejuvenation and establishment
- Infrastructure for cashew-processing and marketing

ii. Component 2: Capacity Building

This component had the following three (3) sub-components:

- Training
- Technical support
- Matching fund

iii. Component 3: Project Management.

This component had the following two (2) sub-components:

- Project coordination,
- Monitoring and evaluation.

Gender, social and environmental issues were incorporated in all the above three (3) project components.

45.2 Audit Findings

An examination of accounting and other records maintained at the Ministry Agriculture Headquarters, Western Province Provincial Administration Office and the Project Implementation Unit in Mongu for the financial year ended 31st December 2021, revealed the following:

a. Budget, Income and Expenditure

During the period under review, Cashew Infrastructure Development Project (CIDP) budgeted to receive amounts totalling K166,034,880 (US\$9,224,160) out of which

amounts totalling K76,685,251 (US\$4,996,441) were received resulting in underfunding of K89,349,629 (US\$4,227,718).

As at 31st December 2021, amounts totalling K77,108,614 (US\$4,921,103.82) had been spent leaving a balance of K1,431,425 (US\$75,338.16).

b. Operation Matters - Failure to Achieve Targets

According to the Project Appraisal Report the impact of the project was to lead to improved household income by 2023. The project had three (3) outcomes namely increased cashew tree productivity, increased foreign exchange earnings and improved rural employment by 2021.

However, a review of the Project Progress report dated 30th January 2022, revealed that improved rural employment had achieved the target by 2021, while two (2) outcomes namely; increase in cashew tree productivity and increased foreign exchange earnings had not achieved the targets set by December. See table 1 below.

Table 1: Outcomes not achieved

No.	Outcome	Indicator	Target Dec - 2021	Actual - Dec- 2021	Realised (%)
1	Increased cashew tree productivity.	Average cashew tree crop yield (kg/ha).	(800 kg/ha)	76kg/ha	10
2	Increased foreign exchange earnings.	Average foreign exchange earnings, USD per year.	(USD 8 million/year)	0	0

In this regard, it was questionable whether the project would lead to improved household incomes by 2023.

c. Procurement of Goods and Services

i. Questionable Valuation of Donated Seeds - Contract for Rejuvenation of old Cashew Plantation and Establishment of New Plantations

On 15th November 2018, the Provincial Administration - Western Province engaged ETG Export Trading Co. Ltd for the Rejuvenation of Old Cashew Plantation and Establishment of New Plantations in ten (10) Hub district of Western Province namely Kalabo, Sikongo, Mongu, Limulunga Senanga, Sioma, Shangombo, Lukulu, Mitete and Nalolo at the contract sum of K108,226,072 VAT exclusive.

The contract was for a period of twenty four (24) months.

As at 31st July 2022, the contractor had been paid amounts totalling K102,907,080.

In 2019, the Government of Republic of Tanzania donated 25metric tonne of seed to the project. Although not part of the contract, the project management assigned the donated seed to ETG Export Trading Co. Ltd who later imported and stored the seed for distribution to the beneficiaries.

The contract had a provision of total number of 6,000,000 seedlings with a provision of K53,600,000 and each seedling produced had an average price of K8.93.

However, a review of records revealed that ETG Export Trading Co. Ltd fixed the 25MT of donated seed at a value of US\$125,000 without a valid basis.

Further, the cost of the donated seed had not been deducted from the contract amount paid to the contractor.

ii. Poor Management of Seedlings

A physical inspection of selected cashew fields carried out in June 2022 revealed that the seedling loss rate was at 54% of the distributed seedlings. Enquires made with management revealed that the high seedling loss rate was as a result of failure to spray the seedlings.

However, a scrutiny of records revealed that although an amount of K18,148,003 was allocated for spraying the seedlings, the funds were instead varied and reallocated to farmer trainings, community sensitization resulting in poor management. See table 2 below.

Table 2: Seedling Loss Rate

No.	District	Name of Camp	Total No. of farmers sampled	Total No. of Seedlings Distributed & Planted	Total No. of Seedlings Lost	Total No.of Seedlings found Surviving	Seedling Loss Rate (%)
1	Kalabo	Namatindi	10	1,000	461	539	46%
2	Kalabo	Lwanginga	4	125	25	100	20%
3	Sikongo	Tuuwa	4	500	345	155	69%
4	Sikongo	N'gombe	5	680	360	320	53%
5	Sikongo	Central	11	1,258	333	925	26%
6	Mongru	Namushekende	4	850	850	-	100%
7	Mongru	Kande	2	120	44	76	37%
8	Mongru	Katongo	1	710	190	520	27%
9	Limulunga	Limulunga North	5	500	484	16	97%
	Total		46	5,743	3,092	2,651	54%

iii. Over Commitment on Covid-19 Prevention Materials

During the period under review, the CIDP had a budget provision of K5,000,000 (US\$250,000) for procurement of Covid-19 Prevention materials.

However, a review of records revealed that the project procured Covid-19 Prevention materials costing K7,241,000 resulting in over procurement in amounts totalling K2,241,000 at exchange rate of K20/US\$1. See table 3 below.

Table 3: Covid-19 Prevention Materials - Excess Expenditure

Covid-19 Budget		Amount K
1	Budget Provision for Covid-19 related Materials	5,000,000
Details of Covid-19 related expenditure		
No	Company	
1	NAB Africa Enterprises Ltd	5,360,500
2	Zamtruck Logistic	1,880,500
	Total	7,241,000
	Excess Expenditure	2,241,000

iv. Supply and Delivery of COVID-19 Materials

On 20th August 2020, the Provincial Administration Western Province published an advert in the Times of Zambia newspaper to invite bids from eligible bidders to tender for the supply and delivery of assorted goods for Covid-19 prevention under the CIDP.

On 16th November 2020, another advert was published in the National Press by Provincial Administration to cancel the earlier published tender.

A review of procurement and evaluation minutes revealed that the CIDP used simplified bidding method in November 2020 in which three (3) suppliers were invited to bid for the tender to supply and deliver Covid-19 prevention materials. The three (3) bidders responded with bids as shown in table 4 below.

Table 4: Bids Received and Evaluated for Lot 2

No.	Bidding Company	Bid Sum K
1	Nab-Africa Enterprises Ltd	5,360,500
2	Cav Africa Enterprises Ltd	6,491,000
3	Afrifin Solutions Ltd	6,192,500

On 24th December 2020, the Provincial Administration approved the award of contract to NAB-Africa Enterprises Ltd for the supply and delivery of Covid-19 Materials to the Cashew Infrastructure Development (CIDP) at a sum of K5,360,500 VAT Exclusive with a delivery period of four (4) to six (6) weeks.

As at 28th February 2022, no payment had been made to the supplier which may result into payment of interest on the amount due.

The following were observed:

- **Failure to Obtain a No Objection from ZPPA**

ZPPA Circular No. 1 of 2013 provides that the default method of procuring all goods, works and non-consulting services above K500,000 must be procured using Open Bidding method.

Further, CIDP Project Document Section 4.1.43 requires that all procurements within the thresholds for National Competitive Bidding (NCB) and Shopping for goods and works should be procured using the National Procurement Procedures as set forth in the Zambia Public Procurement Act No.12 of 2008.

Contrary to the above provisions, the Provincial Administration awarded the contract to supply and deliver assorted Covid-19 prevention materials at a contract sum of K5,360,500 to NAB - Africa Enterprises Limited using simplified bidding without obtaining a 'No objection' from ZPPA.

- **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.

A scrutiny of the bids submitted and evaluated revealed the following:

- The email addresses on the Tax Clearance Certificates for all the three (3) bidding companies was the same.
- Two (2) bidders, Afrifrin Solutions Limited and Cav Africa Enterprises Limited shared the same physical address plot number 3 Great East Road

Avondale, Lusaka as indicated on their respective general tax clearance certificates.

- The same physical address indicated on the general tax clearance certificates for Afrifin Solutions Limited and Cav Africa Enterprises Limited, was also indicated on the quotation, ZPPA registration form print out and in the signed contract for Nab-Africa Enterprises Limited, the successful bidder.
- The contact mobile number on the quotation for Nab-Africa Enterprises Ltd was the same one indicated on ZPPA registration form print-out for Afrifin Solutions. See table 5 below.

Table 5: Bidding Companies with Same Details

Shared Details	Document (s)	Bidding Companies	Remark
Email: conniem26@gmail.com	Tax Registration Certificates	Nab-Africa Enterprises Ltd	Three different bidding companies have same e-mail address.
		Cav Africa Enterprises Ltd	
		Afrifin Solution Ltd	
Physical Address: Plot No. 3, Great East Road Avondale Lusaka	Tax Registration Certificate	Cav Africa Enterprises	Three different bidding companies having same physical address.
		Afrifin Solution Ltd	
		Nab-Africa Enterprises Ltd	
Mobile Phone no. +260966709501	Quotation No. 404	Nab-Africa Enterprises Ltd	Two different companies having same contact mobile number.
	ZPPA Registration Form Print-Out	Afrifin Solutions Ltd	

As can be seen above, the bidding companies were connected to each other rendering the bid evaluation and award of the contract for procurement of Covid-19 materials uncompetitive.

- **Failure to Complete Delivery of Contracted Items**

According to the Contract, the supplier was to deliver the Covid-19 supplies within four (4) to six (6) weeks from the date of the contract. In this regard, the supplier was expected to deliver between 24th December 2020 and 5th February 2021.

However, as at 28th February 2022, only items costing K2,393,000 had been delivered leaving a balance of K2,967,500 undelivered. See table 6 below.

Table 6: Undelivered Items

No.	Item	Quantity	Unit Price K	Amount K
1	D-Compound Fertilizer	8000	110	880,000
2	Urea Fertilizer	8000	110	880,000
3	Camping Tents (5x5 meters)	100	8000	800,000
4	Disposable Face Masks	150	1800	270,000
5	Disposable Gloves	150	500	75,000
6	Hand Temperature Detector	25	2500	62,500
Total				2,967,500

- **Questionable Distribution**

A scrutiny of the CIDP response to Covid-19 report dated February 2021, revealed that the distribution of the Covid-19 prevention agricultural inputs costing K2,360,000 to various beneficiaries was purportedly done in January 2021. See table 7 below.

Table 7: Distribution of the Covid - 19 Prevention Items

No	Item	Quantity (No.)	Unit Price K	Amount K
1	Rape seeds	8,000	35.00	280,000
2	Chinese Cabbage seed	8,000	35.00	280,000
3	Spinach Seed	8,000	35.00	280,000
4	Onion seed	8,000	35.00	280,000
5	Tomato seed	8,000	35.00	280,000
6	Okra seed	8,000	40.00	320,000
7	Pumpkin Seed	8,000	45.00	360,000
8	Water melon seed	8,000	35.00	280,000
Total				2,360,000

However, a scrutiny of the delivery notes from NAB Africa Enterprises Limited revealed that the supplier delivered agricultural inputs to the project on 27th July 2021 which was six (6) months after the purported distribution date rendering it questionable.

- v. **Contract for the Supply and Delivery of Tuku-Tuku Tricycle Motor Vans**

On 13th April 2021, the Provincial Administration - Western Province signed a contract with Knox Marketing Solutions Limited for the supply and delivery of two (02) Tuku- Tuku Motor Vans at a contract sum of K382,800 VAT Exclusive with a delivery period of four (4) to six (6) weeks.

As at 31st July 2022, the tricycles were delivered and the supplier had been paid in full.

The following were observed:

- **Use of Questionable Quotation from Camco Equipment Zambia Ltd**

A review of Procurement Committee Paper No. WPPC/16/M2/2021 revealed that in April 2021, three (3) bids were received for the supply of the tricycles as detailed below. See table 8 below.

Table 8: Bids Received - Tuku-Tuku Tricycle Motor Vans

No.	Bidder Name	Unit Cost K	Bid Amount K
1	Knox Marketing	191,400	382,800
2	Lukama Suppliers	205,000	410,000
3	Camco Equipment Zambia Limited	197,500	395,000

However, an inquiry conducted at Camco Equipment Zambia Limited revealed that the quotation of K395,000 at a unit price of 197,500 dated 1st April 2021 used in the bid was not genuine and was not issued by Camco Equipment Zambia Limited. In addition, Camco Equipment Zambia Limited stated that the unit price of a Tuku-tuku tricycle motor van was K68,000 and K76,000 in April 2021 and March 2022 respectively.

- **Delivery of Tuku-Tuku Motor Tricycle Vans with wrong Specifications**

On 3rd September 2021, the CIDP Project Coordinator acknowledged to Knox Marketing Solutions that they had received the Tuku-Tuku Motor Tricycle Vans in good condition as requested.

In addition, the Project Coordinator confirmed that tricycles received had the following specifications as per requirements. See table 9 below.

Table 9: Description of Tuku Tuku Motor Vans

Qty	Description	
02	Engine Capacity	200cc
	Body	Open Van
	Max Speed	80KM/H
	Fuel Type	Petro
	Max Load	1000kg

However, a physical verification carried out on 27th February 2022 revealed that the delivered tricycles had a maximum load of 300kg instead of the specified 1000kg.

It was therefore questionable why the project accepted the Tuku-Tuku Motor Tricycle Vans with wrong specifications.

- **Failure to Register the Tricycles**

The Road Traffic Act No. 11 of 2002 Section 11 (1) stipulates that subject to other provisions of this Act, no person shall use a motor vehicle or trailer unless such vehicle or trailer is registered in accordance with the provisions of this Act. (2) An application for the registration of the motor vehicle or trailer shall be made by the owner on the prescribed form within fourteen (14) days of change of ownership into the applicant's name.

Contrary to the Act, a physical verification conducted in February 2022, revealed that CIDP had not registered the Tricycle Vans with RTSA as at 31st July 2022, which was over ten (10) months after procurement.

vi. Supply and Delivery of Computers and Office Equipment - Major Business Solutions Limited

On 16th March 2021, Provincial Administration - Western Province awarded a contract to Major Business Solutions Limited for the supply and delivery of various Computers and Office Equipment at a contract sum of K2,477,330 (US\$130,386.80) VAT Exclusive with a delivery period of four (4) to six (6) weeks beginning 16th March 2021 and ending 27th April 2021.

As at 31st December 2021, amounts totalling K2,477,330 had been paid to the supplier.

The following were observed:

- **Irregular Use of Simplified Procurement Method**

Section 44(1) of the Public Procurement Act No. 8 of 2020 provides that a Procuring Entity should obtain competition and value for money to the extent

possible, while maintaining economy and efficiency, where the circumstances do not justify the use of open bidding.

In addition, ZPPA Circular No. 1 of 2013 requires that the default method of tendering for all goods, works and non-consulting services above K500,000 must be Open Bidding method.

Contrary to the above provisions, CIDP awarded the contract to Major Business Solutions Limited using Simplified bidding without justification. In addition, there was no evidence that a No Objection was obtained from ZPPA.

- **Undelivered Goods**

A review of the purchase invoice, goods received notes and delivery notes revealed that four (4) paper shredders costing K23,200 were not delivered as at June 2022 resulting in a delay of 429 days.

- **Unaccounted for Goods.**

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 a record of the receipt and issue of such public stores.

Contrary to the regulation, stores items costing K2,477,330 were not accounted for in that there were no disposal details. See table 10 below.

Table 10: Unaccounted for Goods

No.	Discription	Quatity	Amount K
1	HP 290 91 Microtoner PC	30	693,000
2	Canon Image Runner2520 Copier	2	79,560
3	HP Laserjet Enterprise M607dn	6	131,436
4	HP Seanjet Pro 2500 Flated	6	30,570
5	APCBack-ups 700VA 230V	8	20,500
6	Panasonic Cardless Phone TaB 110	15	13,594
7	RL 45 Connectors	100	500
8	HP 64A Black Tonner	2	10,013
9	Serge Protectors	60	51,720
10	Paper Shreders	4	23,200
11	HP Pro Book 480 94 Notebook PC	30	850,500
12	2019 Government OLP 1 Licouse	60	548,620
13	Samsung Galaxy Tab	2	23,918
	Total		2,477,130

vii. Supply and Delivery of Cashew Processing Plant

On 2nd December 2020, the Provincial Administration - Western Province awarded a contract to Vitumbo Investments for the supply and delivery of a cashew processing plant at a contract sum of US\$60,030 (K972,972.24) VAT Exclusive with a delivery period of six (6) to eight (8) weeks beginning 2nd December 2020 and ending 27th January 2021. The components of the equipment to be delivered are detailed in table 11 below.

Table 11: Components of the Equipment

No.	Descriptions	Quantity
1	Boiler with Steam Cooker	1
2	Automatic Cashew Shelling Machine	1
3	Electric Dryer	1
4	Auto Peeling Machine with Pieces Separator	1
5	Compressor with filter	1
6	Humidifier	1
7	Kernel Grader	1
8	Cashew Apple Juice Machine	1

As at 31st December 2021, the supplier had been paid in full.

The following were observed:

- **Irregular Use of Simplified Procurement Method**

ZPPA Circular No. 1 of 2013 stipulates that the default method of tendering for all goods, works and non-consulting services above K500,000 must be Open Bidding method while that of consultancy services above K300,000 must be open selection.

Contrary to the Circular, CIDP awarded a contract for supply and delivery of a set of equipment to Vitumbo Investments using Simplified bidding at a total contract sum of K972,972 without justification.

- **Failure to Operationalise the Cashew Processing Plant.**

On 19th July 2021, the Cashew Processing Equipment was delivered to Simulumbe Research Station by Vitumbo Investment Limited.

A physical inspection carried out in June 2022, revealed that the equipment was not installed. See picture below.



Part of the Procured equipment for the Plant

viii. Unaccounted for Scions - Supply and Delivery of Scions

On 3rd August 2021, Provincial Administration - Western Province engaged Ganeshi Suppliers and General Dealers for the supply and delivery of 400,000 scions for raising of cashew seedlings, establishment of the Gene Bank and Clonal Orchards at Simulumbe Research Station at a contract sum of US\$400,000 VAT Exclusive with a delivery period of four (4) to six (6) weeks beginning 3rd August 2021 and ending 14th September 2021.

As at 31st December 2021, the supplier had delivered all the scions and had been paid in full.

However, there was no evidence availed to show how the 400,000 scions received by Simulumbe Research Station were used to graft the trees and how the grafted trees were later distributed to the general public as there were no receipt and disposal details.

ix. Construction 26.4 km of Selected Feeder Roads - Irregular Variation

On 2nd January 2019, the Provincial Administration Western Province engaged Henan Zhongmeng Construction and Engineering Company Limited to construct 26.4 Km of selected feeder roads in Limulunga, Mongu, Senanga, Lukulu, Mitete and Nalolo Districts at a revised contract sum of K35,668,664.

As at 31st December 2021, the contractor had been paid amounts totalling K33,880,251.

A review of records revealed that out of the planned 26.4km of feeder roads to be rehabilitated the contractor had rehabilitated six (6) roads covering 21.4 kilometres leaving a balance of five (5) kilometres which was for Lukulu and Mitete as at 30th June 2022.

Inquiries made revealed that the funds meant for the rehabilitation of remaining 5km feeder roads in Mitete and Lukulu in amounts totalling K4,865,620 were varied by the Project Management and utilised on other activities without authority from the procurement committee.

x. Construction 20 km of Selected Feeder Roads - Overpayment on Certified Works

On 2nd January 2019, the Provincial Administration Western Province engaged Henan Overseas Engineering Construction Company Limited to construct 20 Km of selected feeder roads in Sikongo, Kalabo, Sioma and Shangombo District at a contract sum K26,037,083 for a period of eighteen (18) months with a revised completion date of 20th November 2020.

As at 31st December 2021, the contractor had been paid amounts totalling K26,030,807 for certified works leaving a balance of K6,276.

However, a scrutiny of records revealed that the project paid an amount of K894,520 in respect of Interim Payment Certificate (IPC) No.10 with reference No. HNOEC/WPCR/2021/074 instead of the certified amount of K644,520 resulting in an overpayment of K250,000. As at 31st July 2022, the funds had not been recovered from the contractor.

xi. Clearing of 1000 Hectares of Land – Delayed Completion

On 19th July 2021, the Provincial Administration –Western Province engaged Jiansu Gold Civil Construction Limited for the clearing of 1000 hectares of land in Sikongo District at a contract sum of K5,350,000. The contract was for a period of sixty (60) days beginning 2nd August 2021 and ending 1st October 2021.

As at 31st December 2021, amounts totalling K1,070,000 had been paid to the contractor leaving a balance of K4,280,000.

A review of records and physical verification revealed that out of the 1000 hectors, only 60 hectares had been cleared as at 30th June 2022 and the contractor was not onsite.

xii. Matching Grant to Citizen Economic Empowerment Commission (CEEC)

On 28th February 2018, Cashew Infrastructure Development Project (CIDP) engaged Citizen Economic Empowerment Commission (CEEC) to manage the Matching Grant Fund in supporting innovative, viable Private Sector and Youth Empowerment initiatives, along the Cashew- value chain, including nursery and plantation equipment, cashew processing and marketing at a contract sum of US\$2,215,645. The contract was for a period of four (4) years.

As at 31st December 2021, amounts totalling US\$2,000,727 and K2,141,114 had been transferred to CEEC as matching grant and administration fee respectively.

During the year 2021, a total amount of K1,144,038 was disbursed to five (5) projects.

The following were observed:

- **Country Millers Limited T/A Rosewood Ranch - Uncompleted Cashew Processing Plant**

On 17th July 2019, a Grant agreement was entered into between Citizens Economic Empowerment Commission and Country Millers Limited T/A Rosewood Ranch for a Cashew Processing project at an approved sum of K1,869,000 in Mongu District of Western Province. Country Millers was to contribute a total amount of K1,869,000 in form of building, irrigation, seedlings, boreholes, ZIA and ZABS licences. The project was expected to be completed within five (5) years with implementation beginning on 25th July 2019. The CEEC Board at its sitting of 29th December 2020 approved an additional funding of K950,000 bringing the total approved grant to K2,819,000.

As at December 2021, amounts totalling K2,407,155 were paid to the beneficiary leaving a balance of K411,845.

A review of the records and physical verification carried out in June 2022, revealed that the Cashew processing plant had been procured and delivered. However, the plant was not in use in that;

Construction of the warehouse was not completed.

The equipment had not been installed because the Screw Compressor costing US\$7,600 was not procured.

Despite a total amount of K179,237 having been spent on fencing, works had not been completed as only the front part of the warehouse was fenced

- **Tapo Farms Limited - Uncompleted Cashew Processing Plant**

On 8th July 2019, the Citizens Economic Empowerment Commission and Tapo farms Limited signed a grant financing agreement of K955,294 for a Cashew Processing project in Mongu District. According to the agreement Tapo Farms Limited was to provide two (2) hectares of land valued at K955,294. The project was to be completed within five (5) years with implementation beginning on 27th July 2019.

On 29th December 2020, the CEEC Board approved additional financing of K453,752 thereby bringing the total approved grant sum to K1,409,000.

The scope of work included construction of factory, purchase of cashew processing automatic turnkey, purchase of raw materials and working capital.

As at December 2021, CEEC had disbursed amounts totalling K998,858 to Tapo Farms leaving a balance of K410,142.

A review of records and physical verification carried out in June 2022, revealed that although the cashew processing equipment was delivered, the construction of the processing factory had not been completed and was at wall plate level with roofing, plastering ceiling, floor finishes, electrical and plumbing works as well as painting still outstanding.



Incomplete Tapo Farms Limited Cashew Processing Factory

- **Uncompleted Cashew Processing Plant – Acamm’s Lodge Limited (T/A Acamm’s Gardens)**

On 20th June 2020, the Citizens Economic Empowerment Commission and Acamm’s Lodges Limited (T/A Acamm’s Gardens) signed a grant financing agreement of K1,900,000 for the creation of Cashew Processing Project in Mongu District. According to the agreement Acamm’s Lodges Limited (T/A Acamm’s Gardens) was to contribute land with a minimum value of K1,900,000.

On 29th December 2020, the CEEC Board approved additional financing of K642,751 thereby bringing the total approved grant sum to K2,542,751.

The project was expected to be completed within five (5) years with implementation beginning on 23rd July 2020.

The scope of work included construction of factory, purchase of automatic cashew processing plant, purchase of crop, purchase of 3 Ton Mitsubishi Canter, working capital and packaging.

As at 31st December 2021, CEEC had disbursed amounts totalling K2,543,082 to Acamm’s Lodge Limited for implementation of the project.

The following were observed.

- **Construction of Cashew Processing Factory - Stalled Project**

A physical inspection carried out in June 2022, revealed that the construction of the factory was at wall plate level with the roofing of the

shed, electrical wiring and installations, plumbing, painting, finishes and external works and Zesco power connection still outstanding.

See picture below.



Incomplete Cashew processing factory

However, at the time of inspection the project had stalled and the contractor had not been on site since June 2021.

- **Failure to Provide Evidence of 50% beneficiary contribution**

Acamm's Lodges Limited was funded a total amount of K642,751 as additional financing in October 2020. However, there was no evidence of 50% beneficiary contribution by the beneficiary.

- **Failure to Provide Board Resolution Minutes**

Acamm's Lodges Limited was funded a total amount of K642,751 as additional financing in October 2020. However, the Board resolution minutes on which the resolution to award Acamm's Lodges Limited additional financing were not presented for audit.

- **Irregularities in the Procurement of Equipment**

Citizens Economic Empowerment Commission (CEEC) supported eleven (11) different beneficiaries through procurement of eleven (11) Cashew processing equipment at a total amount of K5,402,799. See table 12 below.

Table 12: Procured Equipment

No.	Name of Beneficiary	Cost K	Clearance Charges K	Transportation /Installation Cost K	Total Cost K
1	African Access Limited	265,476	9,791	4,750	280,017
2	Tapo Farms Limited	125,150			125,150
3	Sandland Resources Limited	353,817			353,817
4	Regina Mwitumwa	107,610	417,399		525,009
5	Frena & Company	466,539			466,539
6	Mutepa Sichone				-
7	Gorebrowne Kasumba Kayuwa	1,049,782		12,000	1,061,782
8	Accams Lodge Limited	776,579		253,796	1,030,375
9	Country Lodge Limited	1,092,176			1,092,176
10	Mulife Malambo	199,469	44,297		243,766
11	Tenkara Beta	224,168			224,168
	Total	4,660,766	725,283	16,750	5,402,799

○ **Undelivered Equipment**

A physical verification carried out in June 2022, revealed that three projects were funded amounts totalling K1,329,965 but did not receive equipment in amounts totalling K1,000,745 as at 13th June 2022. See table 13 below.

Table 13: Undelivered Equipment

No.	Date	District	Name of Project	Name of Supplier	Detail	Amount K
1	05.03.2020	Mongu	Sandland Resources Limited	Italiya International	Fully Automated Cashew Processing Machine	353,817
2	22.07.2020	Shangombo	Mutepa Sichone	Italiya International	Fully Automated Cashew Processing Machine	422,760
3	27.10.2020	Limulunga	Tenkara Beta	Denmwa Engineering	Fully Automated Cashew Processing Machine	224,168
	Total Amount					1,000,745

46 Head: 89 Ministry of Agriculture - Irrigation Development Support Project

46.1 Project Background

On 22nd July 2011, the Government of the Republic of Zambia and the International Development Association signed a financing agreement of US\$168,000,000 to finance the Irrigation Development Support Project (IDSP). The project was to be financed by the International Development Association (IDA) sector investment loan of US\$145,000,000 and Government of the Republic of Zambia counterpart contribution of US\$23,000,000 in form of foregone taxes and costs associated with involuntary resettlement and relocation of people affected by the Project. The details of the project are as follows:

Table 1: Summary of Project Funding

Details	Date	US\$
Approval date	April 7th 2011	
Effectiveness Date	November 11th 2011	
Closing Project Date	November 20th 2022	
Project Amount IDA	April 7th 2011	115,000,000
Counterpart Funding - GRZ	April 7th 2011	23,000,000
Initial Total Project Cost		138,000,000
Additional Finance	November 2020	30,000,000
Total Cumulative Project Amounts as at 31st December 2020		168,000,000

The objective of the Project was to provide improved access to irrigation services in selected sites in the country.

The project comprised three (3) components namely Public Infrastructure, Development of Irrigation Management Capacity and Management and Coordination.

46.2 Audit Findings

An examination of accounting and other records maintained at the Project Implementation Unit and some selected sub-project sites revealed the following:

a. Funding and Expenditure

According to the financial statements for the year ended 31st December 2021, the Project had total available funds in amounts totalling US\$11,377,013 against which amounts totalling US\$10,520,245 were spent leaving a balance of US\$856,768.

b. Operational Matters - Failure to Hold Steering Committee Meetings

According to the Project Implementation Manual, the National Project Steering Committee is required to meet at least four (4) times in a year.

However, a review of records revealed that the Steering Committee only met twice during the period under review.

c. Construction of Irrigation Schemes

A review of Contract documents and other supporting documents revealed the following:

i. Construction of Mwomboshi Irrigation Scheme – Failure to Recover Advance Payments

On 26th February 2016, the Ministry of Agriculture entered into a contract with Lamasat International Limited for the Construction of the Mwomboshi Irrigation Scheme in Chisamba at a total contract sum of US\$16,715,017.50 with a completion period of twelve (12) months.

On 16th June, 2017 an advance payment of US\$4,178,754.38 was made to Lamasat International limited following submission of an advance payment guarantee dated 5th June 2017 from Innovative General Insurance.

On 30th April 2019 the contract was terminated by IDSP due to non-performance and at the time of termination the contractor owed amounts totalling US\$3,976,729.10 in unrecovered advance payment.

However, as at 31st July 2022, the Project had not recovered the US\$3,976,729.10 paid to Lamasat International Limited.

ii. Contract for Completion of Mwomboshi Irrigation Scheme

Following the termination of the contract with Lamasat the Ministry entered into a contract on 15th July 2019 with ANHUI Foreign Economic Construction for the completion of construction of the Mwomboshi Irrigation Scheme at a contract sum of US\$16,762,674.86 VAT exclusive which was later revised to US\$17,266,926.26.

The scope of works included, construction of access roads, construction of concrete, joints and bearings, pipe works, inserting valves, steel works and fencing, painting and surface protection, drainage system and electrical installations.

The following were observed:

- **Questionable Lease of the Camp Site at Mwomboshi**

Following the commencement of the works the contractor set up a camp at a private site without consent of the land owner. Consequently, the property owner began to charge the Project for building on private land resulting in the Ministry entering into a lease agreement for forty (40) hectares of farm land at a monthly sum of US\$3,000.

In this regard, as at 31st December 2021 amounts totalling K2,781,212 had been paid to the property owner. The decision by the project to take responsibility for the payment of camp site was questionable and wasteful as the contract covers mobilisation fees.

In addition, there was no exit plan on the permanent structures that were constructed on the private land. See picture below.



Mwomboshi Irrigation Scheme camp site

- **Failure to Secure Title Deeds for Mwomboshi Irrigation Scheme**

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

Contrary to the Act, title deeds for parcel of land on which the Mwomboshi Irrigation Scheme Site was located had not been secured as at 31st July 2022.

- **Failure to Operationalise the Irrigation Scheme Following Completion**

A physical inspection carried out in July 2022 revealed that the scheme was not fully operational ten (10) months after the expected completion date.

iii. Construction of the Lusitu Irrigation Scheme – Delayed Completion

On 26th February 2016, the Project entered into a contract with Savenda Management Services Limited for the Construction of the Lusitu Irrigation Scheme in Chirundu at a contract sum of US\$4,254,630 which was later revised to US\$4,626,492.07. The delivery period of twelve (12) months commencing on 1st February 2017 and ending on 31st January 2018 which was later revised twice to 18th September, 2019 to allow the contractor to complete the construction works.

As at 31st July 2022, amounts totalling US\$3,734,716.85 had been paid and the overall work progress for Lusitu stood at 93%.

As at 31st December 2021, the contractor had not completed the works twenty-seven (27) months after the expected completion date of September 2019 and there was no evidence that the contract had been extended.

In addition, the project had not claimed liquidated damages estimated at US\$231,324.60 (5% of US\$4,626,492.07).

The following were further observed:

- **Failure to Complete**

A review of the project status report and the physical verification conducted in April 2022 revealed that the contractor was on site and the under listed works were still outstanding:

- Though the pump stations and reservoir had been erected, the testing and commissioning was not done
- Earth works related to construction of intake canals

- Drainage and road works
- Wire and electrical fencing
- Construction of the community water supply.



Installed but not tested pump station



Unfilled water reservoir

- **Over Compensations for Displaced Project Affected Individuals**

The construction of Lusitu irrigation scheme by the Project resulted in the displacement of households.

Lusitu resettlement site had 84 displaced households however, the project compensated 114 households resulting in an unexplained compensation on 30 households. Consequently, the project incurred amounts totalling K6,270,000 against a budget for Lusitu of K4,620,000 resulting in over expenditure of K1,650,000.

At the time of audit in April 2022, management did not provide documentation for the increase in the number of households compensated.

iv. Construction of the Musakashi South Irrigation Scheme

On 5th February 2016, the Project entered into a contract with Lamasat International Limited for the Construction of the Musakashi Irrigation Scheme in Mufulira at a contract sum of US\$8,992,743 VAT exclusive with a delivery period of eighteen (18) months commencing 1st February 2017 to 31st August 2018.

Due to challenges by the contractor to execute the project on 30th August 2018, the contract was amended to exclude the Northern part of the Project which was

awarded to a different contractor. As a result, the contract sum reduced to US\$6,153,049.50 VAT exclusive and a revised completion date for the whole of the works to 30th April 2019.

As at 28th February 2022, amounts totalling US\$4,685,851.67 had been paid to the contractor.

The following were observed.

- **Delayed Completion**

As at 31st July 2022, the works were 90% completion thirty-nine (39) months after the expected completion date.

- **Failure to Secure Title**

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

Contrary to the Act, title deeds for a parcel of land on which the Musakashi Irrigation Scheme Site was located had not been secured as at 31st July 2022.

v. **Remedial Works on the ten (10) Water Resources Development Project (WRDP) Dams**

In November 2020, the Government of Zambia and the World Bank signed an agreement for additional financing of US\$30,000,000 for the completion of activities of the remedial action plan agreed with Government to address the safety of the ten (10) dams constructed under the Water Resources Development Projects (WRDP) in Lufwanyama, Mambwe, Mansa, Kasempa, Mwinilunga, Pemba, Namwala and Kaoma.

The project was divided into Phase 1 and Phase 2. Phase 1 comprised emergency preparedness planning, recommendations on risk response, preparing the design packages for remediation works, updating the environmental and social safeguards instruments and procurement activity in advance of an implementation for physical rehabilitation works to be carried out in Phase 2.

The total initial contract sum for Phase 1 was set at US\$ 1,039,010 which was paid upon signing of the Agreement in 2020 with the following deliverables;

Table 2: Phase 1 Cost of Deliverables

No	Deliverables	Amount US\$
1	Scoping and inception	59,742
2	Surveillance	38,186
3 & 4	Emergency Preparedness Planning	56,902
5	Surveys, detailed design and BOQs	606,110
6	Safeguards	51,838
7	Procurement	79,708
	Total	892,486
	Indirect Costs	146,524
	Grand total	1,039,010

The following were observed:

- **Failure to Complete Works**

On 11th March 2020, the Ministry of Agriculture entered into an agreement with the United Nations Office for Project Services (UNOPS) to prepare for remediation works and emergency dam risk mitigation at the ten (10) dams for a period of seven (7) months ending November 2020 which was later extended five (5) times to July 2021.

Table 3: Cost of Deliverables

Item	Deliverables	Amount US\$
1	Scoping and inception	59,742
2	Surveillance	38,186
3 & 4	Emergency Preparedness Planning	56,902
5	Surveys, detailed design and BOQs	606,110
6	Safeguards	51,838
7	Procurement	79,708
	Total	892,486
	Indirect Costs	146,524
	Grand total	1,039,010

However, as at 31st August 2022, the project had not been completed and there was no evidence of further extension. Out of the seven (7) deliverables item 5 and 7 had been done.

Due to delayed implementation, the Project Implementing Unit incurred additional costs in amounts totalling K922,386 on emergency works to safeguard the structural integrity of the dams in order to avert possible dam failure.

Further, as at 31st August 2022, the project remained with less than four (4) months to close and therefore, there was a risk that Phase II works on the ten (10) dams would not be completed. See pictures below.

- **Ngolongozya Dam – Zimba District**



Sand bags on an eroded training wall



Embankment requiring widening

- **Makaba Dam- Namwala District**



Layed sacks and gabion baskets on training wall



The eroded spillway requiring repairs

- **Nachibanga Dam- Pemba District**



Spillway and embankment requiring raising



Eroded training wall

- **Ndondi Dam- Pemba District**



Spillway erosion



The embankment requiring raising

- **Katembula Dam – Lufwanyama District**



Sand Bags on eroded training wall



Water pressure on the primary spillway

- **Chibalashi Dam- Mansa District**



Sand bags on the eroded dam embankment

47 Head: 90 Office of the President - Lusaka Province

47.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

47.2 Background-General Deposit Account (GDA)

Provincial Administration maintains a General Deposit Account which is an intermediary account where Third Party funds are deposited for implementation of activities on behalf of Line Ministries and other institutions.

47.3 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and five (5) selected district offices for the period under review revealed the following:

a. Funding and Expenditure

During the financial year ended 31st December 2021, a total amount of K22,478,120 was received by the Provincial Administration to cater for various activities in the province. See table 1 below.

Table 1: Funds Received

No.	Source of Funding	Programme/ Activity	Funds Received K
1	Ministry of Finance	State funeral	1,054,760
2	Ministry of Youth, Sport & Arts	Youth Empowerment	19,394,022
3	Ministry of Finance	Presidential Visit	200,000
4	Ministry of Finance	Presidential Visit - Mwembeshi Correctional & Kenneth Kaunda Airport	300,000
5	Ministry of Finance	Presidential Inauguration	1,017,000
6	House of Chiefs	Elections	108,849
7	Other Funding	Various Activities	403,489
	Total		22,478,120

In addition, amounts totalling K3,151,395 were brought forward from 2020 bringing the total funds available to K25,629,515.

As at 31st December 2021, amounts totalling K23,520,761 had been spent leaving a balance of K2,108,754.

b. Weaknesses in the Management of Youth Empowerment Funds

In August 2020, the Ministry of Youth, Sport and Arts developed a multi-sectorial development strategy to empower the youth with loans, skills development and agriculture support among other strategies.

Those eligible to access the loans were registered Youth Groups, Companies or Clubs owned by young Zambians that were between ten (10) and thirty (30) in number and had access to land or an area where the farming activity could be undertaken. Further, the members needed to possess Green National Registration Card and be aged between 18 to 35 years.

During the period under review, the Provincial Administration received K3,000,000 from the Ministry of Youth, Sport and Arts for Youth Loan Empowerment project in seven (7) districts. The funds were disbursed to twenty nine (29) youth groups.

The following were observed:

i. Failure to Insure Loans

Clause 9.0 (ii) and (iii) of the Youth Empowerment Programme Guidelines of 2020 provides for the loan to be comprehensively insured by the borrower.

During the period from August to December 2021, the Provincial Administration approved and disbursed loans in amounts totalling K3,000,000 to twenty-nine (29) youth groups in seven (7) districts.

Contrary to the guidelines, the loans disbursed were not insured by the borrowers.

ii. Failure to Monitor Beneficiaries by the District Administration

Clause 13.5.3 of the Youth Empowerment Programme Guidelines of 2020 requires the District Administration to among others, monitor performance of the beneficiaries; facilitate the recovery or loan repayments; and identify training needs.

However, it was not possible to ascertain whether the District Administration Offices were monitoring the beneficiary groups as there were no monitoring reports availed for audit. In addition, as at 30th June 2022, there was no evidence that the District Administration Offices had effected the recoveries of the loans.

iii. Unaccounted for Funds – Stipends for Interns

During the period under review, the Provincial Administration spent amounts totalling K16,023,567 on stipends for interns that were attached to various education institutions.

However, the funds were unaccounted for in that details of the recipients were not availed for audit.

48 Head: 91 Office of the President - Copperbelt Province

48.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

48.2 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and seven (7) selected districts for the period under review revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year 1st January to 31st December 2021, a total provision of K15,960,953 was made to cater for operations at the Provincial Administration and the whole amount was released.

As at 31st December 2021, the Province had spent amounts totalling K15,960,953.

b. Procurement of Goods and Services

i. Undelivered Stores Items – Provincial Administration

On 10th December 2021, an amount of K48,648 was paid to TAMZ General Dealers for the supply of borehole drilling materials such as hand pumps, casing pipes, cutting discs among others.

However, as at 30th June 2022, the drilling materials had not been delivered.

ii. Unsupported Payments

The Public Finance Management (General) Regulations No. 46 (1) of 2020 stipulates that a payment voucher relating to purchases should be supported by a purchase order, the supplier invoice and proof of delivery or performance.

Contrary to the regulation, three (3) payments in amounts totalling K78,648 made during the period under review were not supported with relevant documents such as receipts, such as receipts, Goods Received Notes and Goods Issue Vouchers.

iii. Unaccounted for Materials

Public Stores Regulation No. 16 stipulates 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.

During the period under review, 5,000 roofing sheets and 5,000 pockets of cement were procured for flood and displaced victims who were re-located to Mufuchani area in Kitwe.

However, fifty six (56) roofing sheets and fifty nine (59) pockets of cement costing K31,038 were unaccounted for in that there were not acquitted for by the beneficiaries.

Further, various stores items costing K80,600 were not accounted for in that there were no disposal details.

c. Department of Water Resources Development (DWRD)

During the period under review, amounts totalling K806,118 were generated by Water Resource Development Department and grants in amounts totalling K620,000 were received. In addition, there was a balance brought forward of K89,616 bringing the total available funds to K1,515,734.

The following were observed:

i. Unaccounted for Revenue

Public Finance Management (General) Regulations, No. 128 (1) of 2020 stipulates that an office holder who receives or collects revenue shall deposit the revenue not later than the next business day following the day of receipt of revenue.

Contrary to the regulation, amounts totalling K806,118 were collected out of which amounts totalling K422,628 were deposited leaving a balance of K383,490 unaccounted for as the revenue was neither banked nor was cash found on hand.

ii. Missing Original Copies of Cancelled Receipts

Public Finance Management (General) Regulations, No. 120 (1-3) of 2020 stipulates that where a receipt form is cancelled, both the original and duplicate should be cancelled and the holder of the receipt book should sign for the cancellation of the receipt. An original receipt cancelled under sub-regulation (1) should be kept in the receipt book and the duplicate receipt cancelled under sub-regulation (1) should be kept in the revenue cash book.

Contrary to the regulation, two (2) original receipts cancelled on which amounts totalling K25,500 were receipted which were not availed for audit.

Further, there was no evidence that the office holder had signed for the cancellation of the receipt as required by the regulations.

d. Disaster Management and Mitigation Unit - Borehole Drilling and Installation of Six (6) Hand Pumps

On 29th January 2021, the Provincial Administration engaged Alitheme Enterprises to drill six (6) x 50 meters boreholes and installation of Mark II hand pumps at a cost of K402,000 (K67,000 each) in Mufuchani area in Kitwe.

However, there were no competitive quotations, list and invitation for bidders availed for audit verification. Further, the invoice did not show the breakdown of the cost such as drilling, casing and hand pumps among others.

A physical inspection carried out in March 2022, revealed that three (3) out of the six (6) hand pumps were not working and there were no aprons slabs constructed around all the boreholes.

49 Head: 91 Office of the President - Copperbelt Province

49.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

49.2 Background-General Deposit Account (GDA)

Provincial Administration maintains a General Deposit Account which is an intermediary account where Third Party funds are deposited for implementation of activities on behalf of Line Ministries and other institutions.

49.3 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and seven (7) selected district offices for the period under review revealed the following.

a. Funding and Expenditure

During the financial year ended 31st December 2021, a total amount of K42,049,816 was received by the Provincial Administration. See table 1 below.

Table 1: Funds Received

No.	Source of Funding	Funding Details	Amount K
1	Ministry of Finance and National Planning	Compensation for displaced farmers	17,000,000
2	Ministry of Finance and National Planning	Infrastructure funds	16,000,000
3	Ministry of Yourh, Sport and Arts	Interns	6,209,503
4	Ministry of Yourh, Sport and Arts	Youth empowerment	338,599
5	Cabinet Office	Presidential visits and funeral	1,750,000
6	Ministry of Finance and National Planning	Provincial joint operation committee	302,000
7	Ministry Community Development and Social Services	World child day commemoration	133,750
8	House of Chiefs	House of Chiefs elections	158,464
9	ZSIC	Insuance claim	157,500
	Total		42,049,816

In addition, amounts totalling K3,704,486 were brought forward from 2020, bringing the total funds available to K45,754,302. Included in the amounts brought forward were funds for procurement of agriculture inputs for the Youth Empowerment Programme amounting to K3,120,000.

As at 31st December 2021, amounts totalling K35,391,844 had been spent leaving a balance of K10,362,458.

b. Weaknesses in the Management of Youth Empowerment Programme

In August 2020, the Ministry of Youth, Sport and Arts developed a multi-sectorial development strategy to empower the youth with loans, skills development and agriculture support among other strategies.

Those eligible to access the loans were registered Youth Groups, Companies or Clubs owned by the youths that were between ten (10) and thirty (30) in number and had access to land or an area where the farming activity could be undertaken. Further, the members needed to possess Green National Registration Card and be aged between 18 to 35 years.

During the period under review, a total amount of K8,966,141 for Agriculture Component (K2,946,141) and Internship (K6,020,000) was disbursed to ten (10) districts in the province. See table 2 below.

Table 2: Funds Received for Youth Empowerment

No.	Institution	Agriculture Support Component K	Internship Component K	Administration K	Total K
1	Provincial Administration	-	-	60,000	60,000
2	Kalulushi	277,700	198,000	6,000	481,700
3	Mufulira	278,528	816,000	6,000	1,100,528
4	Mpongwe	353,064	157,500	6,000	516,564
5	Kitwe	206,535	1,175,500	6,000	1,388,035
6	Ndola	273,663	2,254,500	6,000	2,534,163
7	Lufwanyama	342,288	12,000	6,000	360,288
8	Luanshya	178,660	616,500	6,000	801,160
9	Chingola	278,610	503,000	6,000	787,610
10	Chililabombwe	277,875	144,000	6,000	427,875
11	Masaiti	359,218	143,000	6,000	508,218
Total		2,826,141	6,020,000	120,000	8,966,141

The following were observed:

i. Failure to Sign Loan Agreement Forms

Youth Empowerment Guidelines No. 13.4 (ix) stipulates that the benefiting youth, cooperatives/enterprises will be required to sign a binding loan agreement form before the loan can be issued to them.

Contrary to the guidelines, inputs costing K1,310,944 were issued to forty-eight (48) Youth Cooperatives in five (5) districts without signing loan agreements. See table 3 below.

Table 3: Failure to Sign Loan Agreement Forms

No.	District	No. of Cooperatives	Amount K
1	Ndola	18	273,663
2	Kitwe	3	138,765
3	Kalulushi	6	277,700
4	Mufulira	9	278,528
5	Lufwanyama	12	342,288
	Total	48	1,310,944

ii. Failure to Recover Loans - Agriculture Input Loans

Clause 11.5 (ii) and (iii) of the Youth Empowerment Programme Guidelines of 2020 requires that the project will run on a loan basis for a period of thirty-six (36) months. The beneficiaries will be required to pay back the loan to the Ministry of Youth, Sport and Arts in monthly installments that will be calculated based on the value of the loan inclusive of 10% administration fee. The first payment will be due in thirty (30) days from the expiry of the grace period of ninety (90) days.

During the period under review, inputs costing K2,826,141 were distributed to 155 youth groups. However, as at 30th June 2022, recoveries had not been effected.

iii. Failure to Insure Inputs

Clause 9.0 (ii) and (iii) of the Youth Empowerment Programme Guidelines of 2020 provides for the loan to be comprehensively insured by the borrower.

During the period from August to December 2021, the Provincial Administration approved and disbursed loans in amounts totalling K2,826,141 to 155 youth groups in ten (10) districts.

Contrary to the guidelines, the loans disbursed were not insured by the borrowers.

c. Internship and Apprenticeship Component

The goal of the programme was to support, network, develop skills and elevate outstanding young leaders aged 18 to 35 years from across Zambia. The programme was to provide interns/apprentices with six (6) to twelve (12) months' placements in public, private and civil society organisations and was expected to come to an end in October 2021.

The following were observed:

i. Unsupported Payments – Internship Stipends

During the period under review, amounts totalling K199,500 were paid as stipends (wages) to thirty-two (32) interns in six (6) districts. However, the payments were not supported by relevant documents such as internship attendance tracker, internship performance assessment form, copies of national registration cards and names of host organisation.

ii. Irregular Payment of Stipends to Individuals who were not Working

Youth Empowerment Programme Guidelines of 2020, Clause 15.2 stipulates that Interns attached should be paid stipends between K1,000 and K3,500/month for Ordinary and Lead/Super Interns respectively for working in various Institutions.

Contrary to the guidelines, fifty (50) individuals who were not working in institutions were irregularly paid stipends in amounts totalling K287,500 during the period from June and September 2021.

d. Accounting Irregularities

i. Unsupported Payments

The Public Finance Management (General) Regulations, No. 46 (1) of 2020 stipulates a payment voucher relating to purchases shall be supported by a purchase order, the supplier invoice and proof of delivery or performance.

Contrary to the regulation, seven (7) payments in amounts totalling K42,912 made during the period under review were not supported with supporting documents such as receipts.

ii. 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.

Contrary to the regulation, stores items costing K44,823 (stores – K20,823 and fuel – K24,000) were not accounted for in that there were no disposal details.

50 Head: 92 Office of the President – Central Province

50.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

50.2 Background – General Deposit Account (GDA)

Provincial Administration maintains a General Deposit Account (GDA) which is an intermediary account where Third Party funds are deposited for implementation of activities on behalf of Line Ministries and other institutions.

50.3 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and seven (7) selected district offices for the period under review revealed the following:

a. Funding and Expenditure

During the financial year ended 31st December 2021, a total amount of K12,199,236 was received by the Provincial Administration. See table 1 below.

Table 1: Funds Received

No	Source	Activity	Amount K
1	Ministry of Youth, Sport and Arts	Youth Empowerment Programme	3,100,000
		Stipends for Internship	3,844,000
		Ministry of Youth, Sport and Child Development	322,844
2	Ministry of Finance	Office operations and Accident Assessments	8,000
3	Ministry of Finance	House of Chiefs	299,668
4	Ministry of Finance	operations for Infrastructure Department	43,500
5	Ministry of Home Affairs	Department of National Registration and Passport	153,022
6	Ministry of Finance-Cabinet Office	Presidential and vice presidents visits	1,755,449
		State Funeral: Late President Dr. Kenneth D. Kaunda	200,000
7	Others (Cash Deposits)	Refunds, Sale of tender Documents	312,231
8	Ministry of Finance	National day of prayers/ General Admin	29,600
9	Ministry of Finance	Office operations, Borehole Drilling, Dams maintenance	2,130,922
Total			12,199,236

In addition, amounts totalling K130,099 were brought forward from the previous year bringing the total funds received to K12,329,335

As at 31st December 2021, amounts totalling K10,111,341 had been spent leaving a balance of K2,217,994.

b. Weaknesses in the Management of Youth Empowerment Programme

In August 2020, the Ministry of Youth, Sport and Arts developed a multi-sectorial development strategy to empower the youth with loans, skills development and agriculture support among other strategies.

Those eligible to access the loans were registered Youth Groups, Companies or Clubs owned by young Zambians that were between ten (10) and thirty (30) in number and had access to land or an area where the farming activity could be undertaken. Further, the members needed to possess Green National Registration Card and be aged between 18 to 35 years.

During the period under review, the Provincial Administration received an amount of K3,100,000 (inclusive of an administrative component of K100,000) from the Ministry of Youth, Sport and Arts for Youth Loan Empowerment project in the nine (9) districts out of which K2,998,704 was disbursed to fifty-six (56) youth group in the province. See table 2 below.

Table 2: Funds Disbursed

No.	Station	Loan Empowerment K	Administration K	Total K
1	Provincial Administration	-	100,000	100,000
2	Chibombo District Administration	518,052	-	518,052
3	Chisamba District Administration	230,390	-	230,390
4	Kabwe District Administration	664,950	-	664,950
5	Kapiri District Administration	470,577	-	470,577
6	Luano District Administration	110,000	-	110,000
7	Mkushi District Administration	231,000	-	231,000
8	Mumbwa District Administration	300,000	-	300,000
9	Serenje District Administration	417,185	-	417,185
10	Shibuyunji District Administration	56,550	-	56,550
	Total	2,998,704	100,000	3,098,704

The following were observed:

i. Unsupported Loan Disbursements

Contrary to the Youth Empowerment Guidelines, loans in amounts totalling K1,999,485 were disbursed to twenty six (26) youth groups in nine (9) districts without relevant supporting documents such as loan application forms, copies of National Registration, certificates of cooperative registration and business proposals, among others.

ii. Failure to Recover Loans

Clause 11.5 (ii) and (iii) of the Youth Empowerment Programme Guidelines of 2020 requires that the project will run on a loan basis for a period of thirty six (36) months. The beneficiaries will be required to pay back the loan to the Ministry of Youth, Sport and Arts in monthly installments that will be calculated based on the value of the loan inclusive of 10% administration fee. The first payment will be due in thirty (30) days from the expiry of the grace period of ninety (90) days.

During the period under review, inputs costing K2,998,704 were distributed to fifty six (56) Youth Groups. However, as at 30th June 2022, recoveries had not been effected.

In addition, contrary to Clause 9.0 (iv) of the Youth Empowerment Programme Guidelines of 2020 which requires that the defaulters be reported and listed to

the Credit Reference Bureau, as at 30th June 2022, the defaulters had not been reported to the Bureau.

51 Head: 92 Office of the President – Central Province

51.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

51.2 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and seven (7) selected district offices for the financial year ended 31st December 2021, revealed the following:

a. Budget, Funding and Expenditure

In the Estimate of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K15,568,338 was made to cater for operations at the Provincial Administration and the whole amount was released.

As at 31st December 2021, a total amount of K13,547,060 had been spent.

b. Accounting Irregularities

i. Unsupported Payments

The Public Finance Management (General) Regulations, 2020 No. 46 (1) requires that a payment voucher relating to purchases should be supported by a purchase order, the supplier's invoice and proof of delivery or performance.

Contrary to the regulation, sixty-two (62) payments in amounts totalling K623,436 were not supported with relevant documents such as goods received vouchers.

ii. Unretired Accountable Imprest - Itezhi Tezhi District

Regulation No. 104(1) of the Public Finance Management (General) Regulations of 2020 states that, special or accountable imprest should be retired immediately after the purpose for which the imprest was issued is fulfilled.

In July 2021, accountable imprest in amounts totalling K25,000 was issued to four (4) officers to procure football and netball equipment.

Contrary to the regulation, as at 30th June 2022, the imprest had neither been retired nor the equipment procured.

c. Weaknesses in the Management of Stores

i. Unaccounted for Stores

Stores Regulation No. 16 states “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, stores items costing K280,179 comprising general stores (K154,963) and fuel (K125,216) procured during the period under review were not accounted for in that they lacked receipt and disposal details.

ii. Failure to Insure Motor Vehicles

Road Traffic Act No. 11 of 2002, Section 86 requires all users of motor vehicles or trailers to have at least third-party insurance.

Contrary to the Act, thirty-six (36) motor vehicles and seven (7) motor bikes whose values could not be ascertained, had not been insured during the period under review.

Consequently, a total amount of K11,000 was spent in June 2021 (K8,500) and in November 2021 (K2,500) on the repair of a Toyota Hilux Registration No. GRZ 268 CM belonging to Luano District Administration which was involved in a road traffic accident, the expenditure which could have been avoided had the vehicle been insured.

As at 30th June 2022, the motor vehicles had not been insured.

52 Head: 93 Office of the President - Northern Province

52.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

52.2 Background-General Deposit Account

Provincial Administration maintains a General Deposit Account (GDA) which is an intermediary account where Third Party funds are deposited for implementation of activities on behalf of Line Ministries and other institutions.

52.3 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and three (3) selected district offices for the period under review revealed the following:

a. Funding and Expenditure

During the financial year ended 31st December 2021, a total amount of K13,901,784 was received by the Provincial Administration.

In addition, amounts totalling K3,176,200 were brought forward from 2020 bringing the total funds available to K17,077,984. See table 1 below.

Table 1: Funds Received

No.	Source of Funds	Programme/Activity	Opening Balance K	Funds Received K	Available Funds K
1	Ministry of Youth, Sport and Arts	Youth Empowerment-Agric	2,861,278	-	2,861,278
		Youth Empowerment-Loans	-	8,800,000	8,800,000
		Youth Empowerment-Interns	-	2,245,000	2,245,000
2	Cabinet Office	Presidential Visit	176	172,425	172,601
3	Ministry of Infrastructure	Infrastructure Development		196,909	196,909
4	Insurance Claim	Insurance Claim	177,142	450,000	627,142
5	Others	Other funds	137,604	2,037,450	2,175,054
	Total		3,176,200	13,901,784	17,077,984

As at 31st December 2021, amounts totalling K16,271,612 had been spent.

b. Weaknesses in the Management of Youth Empowerment Programme - Loans Component

In August 2020, the Ministry of Youth, Sport and Arts developed a multi-sectorial development strategy to empower the youth with various empowerment strategies in

the Agriculture sector. The programme was aimed at providing loans to targeted youths in rural areas with demonstrated capacity to engage in Agricultural related activities for the 2020/2021 farming season. The targeted youths were those that did not benefit from the Food Security Pack Programme, the Farmer Input Support Programme (FISP) or any related Government support programme.

Those eligible to access the loans were registered youth groups, companies or clubs owned by young Zambians that were between ten (10) and thirty (30) in number and had access to land or an area where the farming activity could be undertaken. Further, the members needed to possess Green National Registration Card and be aged between 18 to 35 years.

i. Failure to Insure Loans

Clause 9.0 (ii) and (iii) of the Youth Empowerment Programme Guidelines of 2020 provides for the loan to be comprehensively insured by the borrower.

During the period from August to December 2021, the Provincial Administration approved and disbursed loans in amounts totalling K8,496,000 issued to 159 youth groups in the twelve (12) districts..

Contrary to the guidelines, the loans disbursed were not insured by the borrowers.

ii. Failure to Recover Loans

Youth Empowerment Programme Guidelines of 2020, Clause 11.5 (ii) and (iii) states that the project will run on a loan basis for a period of thirty-six (36) months. The beneficiaries will be required to pay back the loan to the Ministry of Youth, Sport and Arts in monthly installments that will be calculated based on the value of the loan inclusive of 10% administration fee. The first payment will be due in thirty (30) days from the expiry of the grace period of ninety (90) days.

As at 31st May 2022, amounts totalling K998,892 were due for recovery from 159 youth groups. However, only an amount of K10,022 had been recovered leaving a balance of K988,870.

iii. Irregular Issuance of Loans to Groups with Members above 35 years

Youth Empowerment Programme Guidelines of 2020, Clause 3.2 (ii) and (iv) requires the benefiting groups to have a valid copy of the registration certificate and the members of the executive to comprise 80% of those between 18 to 35 years and 20% of those who are above 35 years but were below 35 years at the time they received the empowerment loan.

Contrary to the guidelines, amounts totalling K360,000 were disbursed to six (6) groups that had ten (10) members who were above the prescribed age of 35 years at the time of receiving the loans.

iv. Non-Performing Loans- Agriculture Input Loans

Youth Empowerment Programme Guidelines of 2020, Clause 11.5 (ii) and (iii) states that the project will run on a loan basis for a period of thirty-six (36) months. The beneficiaries will be required to pay back the loan to the Ministry of Youth, Sport and Arts in monthly installments that will be calculated based on the value of the loan inclusive of 10% administration fee. The first payment will be due in thirty (30) days from the expiry of the grace period of ninety (90) days.

During the period under review, inputs costing K2,194,194 were distributed to seventy two (72) youth groups. However, as at 30th June 2022, recoveries had not been effected.

v. Unaccounted for Farmers Inputs

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 should keep and maintain record of the receipt and issue of such public stores. Further, the Youth Empowerment Programme Guideline No. 3.3 of 2020 stipulates that it is a requirement for the youth beneficiaries to sign and acknowledge receipt of the agriculture support received. Documentation in form of acquittals shall be provided for this purpose.

Contrary to the provisions, farmer inputs costing K788,010 purportedly distributed to thirty four (34) youth groups in four (4) districts namely Mbala,

Kasama, Mungwi and Luwingu were unaccounted for in that there were no acquittal sheets.

vi. Uninsured Loans Disbursed - Agriculture Input Loans

Clause 7.0 (i) of the Youth Empowerment Programme Guideline of 2020 provides for the loan to be comprehensively insured by the borrower.

During the period from August to December 2021, the Provincial Administration disbursed farming inputs loans in amounts totalling K2,022,326 issued to seventy two (72) youth groups in the eleven (11) districts.

Contrary to the guidelines, the loans disbursed were not insured by the borrowers.

53 Head: 93 Office of the President - Northern Province

53.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

53.2 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and three (3) selected district offices for the period under review revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K23,655,952 was made to cater for operations at the Provincial Administration and the whole amount was released.

As at 31st December 2021, the Provincial Administration spent amounts totalling K21,421,394. See table 1 below.

Table 1: Budget, Funding and Expenditure

No.	Programme	Budget K	Funding K	Expenditure K	Balance K
1	Economic Development	14,039,789	14,039,789	11,772,759	2,267,030
2	Local Government Service	330,805	330,805	343,644	(12,839)
3	Natural Resources Management	1,650,620	1,650,620	1,637,003	13,617
4	Management and Support Services	7,207,180	7,207,180	7,282,488	(75,308)
5	Community Devevelopment and Social Service	427,558	427,558	385,501	42,057
	Total	23,655,952	23,655,952	21,421,395	2,234,557

b. Management of Infrastructure Funds

During the period under review, an amount of K11,869,905 was received as supplementary funding for the completion of six (6) infrastructure development projects. See table 2 below.

Table 2: Approved Projects

No.	Project	District	Contractor	Allocated Amount K
1	Completion Of Youth Skills Training Centre	Mbala	G.S Chella Enterprise	2,340,054
2	Upgrading Of Chikumanino Bus Station	Kasama	China Geo Engineering Corporation	5,889,836
3	Completion Of Kapisha Farmers Training Centre	Luwingu	Wachimba Contractors and General Dealers	2,360,763
4	Materials For Completion Of Ntumpa Secondary School	Kasama	Twinery General Dealers	662,807
5	Ntumpa Secondary School (Labour)		Twinery General Dealers	90,472
6	Installation And Supply Of Electricity Power (Ntumpa)		Zesco	375,972
7	Monitoring And Supervision			150,000
	Total			11,869,905

However, the following were observed:

i. Misapplication of Funds

During the period from March to May 2021, amounts totalling K451,779 were misapplied on the purchase of materials for construction of Menje Stem Boarding School (K344,939), completion of Nsumbu boarder post and two (2) staff houses (K106,840).

Consequently, approved projects such as Youth Skills Centre, Kapisha Farmers Training Centre and Ntumpa Secondary School were not completed as at 30th June 2022.

ii. Irregular Use of Limited Bidding Procurement Method

Public Procurement Act No. 8 of 2020 section 42(1) states that the objective of Limited Bidding is to obtain competition and value for money to the extent possible where the circumstances do not justify or permit the use of open bidding.

In addition, subsection (2) states that Limited Bidding may be used where the goods, works or non-consulting services are only available from a limited number of suppliers, or where there is an urgent need for the goods, works or services and engaging in open bidding would be impractical.

Further, the second schedule of the Public Procurement Regulation of 2011 requires that all procurements of goods, non-consulting services and works above K500,000 should be procured under Open National Bidding or Simplified Bidding for value of works or services below K500,000.

Contrary to the Act and the regulation, Limited Bidding was used instead of Open National Bidding and or Simplified Bidding to procure the construction of Kapisha Farmers Training Centre in Luwingu District at K3,147,684 and completion of Mbala Youth Skills Centre in Mbala District at K2,340,054 without authority from ZPPA.

iii. Delayed Completion of Projects

A Physical inspection of selected projects in Mbala, Luwingu and Nsama districts carried out in May 2022 revealed the following:

- **Completion of Mbala Youth Skills Centre - Mbala District**

On 11th December 2020, Provincial Administration engaged G.S. Chella Enterprises to complete the construction of Workshop, Ablution Block and a Guard house at Mbala Youth Skills Centre at a contract sum of K2,340,054 with a completion period of four (4) months. The project commencement date was 11th December 2020 with the expected completion date of 11th April 2021.

The scope of works included the construction of Sub and Superstructure, Joinery and Iron Mongery, plumbing and roofing, water reticulation and installation of a wire fence among others.

As at 31st December 2021, the contractor had been paid a total amount of K998,283 leaving a balance of K1,341,771.

Although at the time of inspection the structures had been roofed, works had stalled and the contractor was not on site. As at 31st May 2022, the project had delayed by over thirteen (13) months.

- **Completion of Kapisha Farmers Training Centre - Luwingu District**

On 11th December 2020, Provincial Administration engaged Wichimba Contactor and General Dealers Limited to complete the Construction of Kapisha Farmers Training Centre at a contract sum of K3,147,684 with a completion period of four (4) months.

The commencement date was 24th December 2020, with the expected completion date of 24th April 2021.

The scope of works included the Joinery and Iron Mongery, plumbing, electrical installation and roofing among others in relation to the Administration Block, Conference Room, Executive Dormitory, Kitchen and the Dining Room. Other works included water reticulation, construction of the Apron walkway and the drainage system.

As at 31st December 2021, the contractor had been paid a total amount of K653,231 leaving a balance of K2,494,453.

Although at the time of inspection the structures had been roofed, works had stalled and the contractor was not on site. As at 31st May 2022, the project had delayed by over thirteen (13) months.

- **Completion of Nsumbu Boarder Post and Two (2) Staff Houses-Nsama District**

On 6th April 2021, Provincial Administration engaged Platinum Stone Ltd to complete the Construction of Nsumbu Boarder post and two (2) staff houses at a contract sum of K427,359 with a completion period of twenty one (21) days.

The commencement date was 6th April, 2021 with the expected completion date of 27th April 2021.

The scope of works included internal and external painting, electrical installation, installation of air-conditioning units and Poly Vinyl Chloride (PVC) ceiling. Other works included external water reticulation system and plumbing works.

As at 31st December 2021, the contractor had been paid a total amount of K165,824 leaving a balance of K261,535.

Although at the time of inspection the structures had been roofed, works had stalled and the contractor was not on site. As at 31st May 2022, the project had delayed by over thirteen (13) months.

c. Payments Made without Raising Vouchers – Chilubi District Administration

Regulation No. 17 (1) of the Public Finance Management Regulations of 2020 requires that the main cash book, ledgers and payment vouchers are maintained.

Contrary to the regulation, payments in amounts totalling K101,135 were made without preparing payment vouchers and recording in the cashbooks.

d. Management of Assets - Failure to Secure Title Deeds

Public Finance Management Act No. 1 of 2018, Section 41(4) requires Controlling Officers to ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, title deeds for sixteen (16) parcels of land on which twenty-three (23) properties were located had not been secured as at 30th June 2022.

e. Weaknesses in the Management of Motor Vehicle Insurance

Public Finance Management Regulation No 41 (1) of 2020, states that a public body should insure public assets with an insurance company registered under the Insurance Act, 2021.

During the period under review, the Provincial Administration paid a total amount of K248,168 to three (3) insurance companies for the insurance of twelve (12) motor vehicles as shown in the table 3 below.

Table 3: Payment to Insurance Companies

No.	Insurance Company	No. of Vehicles Insured	Amount K
1	Advantage Insurance	3	76,165
2	Goldman Insurance	7	114,924
3	Robert & Slyls Financial Services (Broker)	1	20,000
4	Madison General Insurance	1	37,080
	Total	12	248,169

However, the following were observed:

i. Lack of Insurance Contract

Micro Insurance Principles Circular No. PIA/C12/2020 of 2020, Section 3.2.2 requires contracts for micro insurance products such as motor insurance to clearly state the sum assured, benefits and terms of insurance coverage.

Contrary to the Circular, there was no insurance contract produced for audit for Robert and Slyls Financial Services, an Insurance broker to whom insurance premiums in amounts totalling K184,100 had accrued during the period from 2017 to 2021 in relation to a motor vehicle, Toyota Land Cruiser registration No. GRZ 498 CN.

As at 31st December 2021, amounts totalling K71,025 had been paid leaving a balance of K113,075.

ii. Over Payment of Insurance Premiums – Advantage Insurance

During the period under review, the Provincial Administration owed Advantage Insurance amounts totalling K55,830 in respect of insurance premiums for three

(3) motor vehicles registration Nos. GRZ 466 CP, GRZ 467 CP and GRZ 468 CP. In this regard, Provincial Administration made payments in amounts totalling K76,164 resulting in an overpayment of K20,334.

As at 30th June 2022, the overpaid amount had not been recovered.

iii. Questionable Payment of Insurance

On the 16th September 2021, Provincial Administration paid an amount of K23,814 to Goldman Insurance Limited Kasama branch in respect of an insurance premium for a motor vehicle which was purported to have been procured and delivered when in fact not.

Inquiries with management revealed that the payment was made in anticipation of a new motor vehicle for the Deputy Permanent Secretary which had neither been procured nor delivered during the period under review. In addition, there was no insurance cover, invoice or contract to support the payment.

As at 30th June 2022, the funds had not been recovered.

f. Unaccounted for Fuel

The Public Finance Management Act No. 1 of 2018 Section 41(5) requires a Controlling Officer to ensure that all public stores under that Controlling Officer's charge are accounted for in each financial year as shall be specified by the Secretary to the Treasury.

Contrary to the Act, 11,084 litres of fuel costing K143,032 drawn during the period under review were not accounted for in that there were no details of vehicles that drew the fuel.

g. Failure to Settle Obligations

As at 30th June 2022, the Provincial Administration owed former employees and other institutions amounts totalling K1,066,054 in respect of office rental, mail box rentals and terminal benefits. The debt owed was dating from as far back as 2016. See table 4 below.

Table 4: Unsettled Obligations

No.	Institution	Amount K
1	Workers Compensation	620,966
2	ZAMPOST	19,000
3	Kasama Sawmill	426,088
	Total	1,066,054

54 Head: 94 Office of the President - Western Province

54.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

54.2 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and six (6) selected district offices for the period under review revealed the following:

b. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K12,219,549 was made to cater for operations at the Provincial Administration and the whole amount was released by the Treasury.

As at 31st December 2021, amounts totalling K11,850,500 had been spent.

c. Failure to Undertake Paid for Activity

On 4th April and 5th May 2021, subsistence allowance and fuel imprest in amounts totalling K363,400 were paid to twenty two (22) officers to facilitate their travel to the districts to dispose of the boarded GRZ assets in a public auction activity.

It was however, observed that the activity had not been undertaken as at 30th June 2022, thirteen (13) months after the first payments were done and the funds had not been refunded.

In his response, the Controlling Officer stated that the activity was necessary but it was halted and that the moneys were not refunded as it was hoped that the activity would resume at a later date.

However, as at 30th June 2022, the activity had not been undertaken and the recoveries had not been effected.

d. Management of Stores - Unaccounted for Stores

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, there were no receipt and disposal details in respect of various stores items costing K567,726 comprising general stores (K29,025) and fuel (K538,701). See table 1 below.

Table 1: Unaccounted for Stores

No.	Station	No. of Transactions	General Stores K	Fuel K	Amount K
1	Provincial Administration	97	29,025	534,490	563,515
2	Mitete District Administration	1		4,211	4,211
	Total	98	29,025	538,701	567,726

e. Management of Liabilities - Failure to Settle Outstanding Bills

As at 31st December 2021, Provincial Administration Office had accrued debts in amounts totalling K19,335,254 in respect of personal emoluments, utility bills and other supplies of goods and services some of which had been outstanding as far back as 2015. See 2 table below.

Table 2: Outstanding Bills

No.	Type of Bill	Amount K
1	Personal Emoluments	17,989,636
2	Electricity bills	128,222
3	Water Bills	188,816
4	Rentals	60,441
5	Other Expenses	968,139
	Total	19,335,254

55 Head: 94 Office of the President -Western Province

55.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

55.2 Background- General Deposit Account (GDA)

Provincial Administration Office maintains a General Deposit Account which is an intermediary account where Third Party funds are deposited for implementation of activities on behalf of Line Ministries and other institutions.

55.3 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and six (6) selected district offices for the period under review revealed the following:

a. Funding and Expenditure

During the period under review, a total amount of K27,441,033 was received by the Provincial Administration. See table 1 below.

Table 1: Funds Received

No.	Source of Funding	Program/Activity	Funds Received K
1	Ministry of Youth, Sport and Arts	Multi-Sectoral Youth Loans(2020)-Agriculture Empowerment Fund	2,855,000
		Multi-Sectoral Youth Loans	4,777,590
		Internship	634,000
		Youth Scheme	122,687
2	Cabinet Office	State funeral for the 1st Republican President	200,000
		Presidential Visit	600,000
3	Ministry of Infrastructure	Infrastructure Development	16,005,950
4	Ministry of Chiefs	Rehabilitation of Chiefs Palaces	623,958
5	Office of the Vice President (DMMU)	COVID 19 Funding	298,431
6	Physical Planning	Funding for Physical Planning	91,697
7	Ministry of Home Affairs	Funding for operations	150,000
8	Ministry of Local Government	Funding for Department of Housing and Infrastructure Development (DHID)	100,000
9	Ministry of National Planning	Funding for Provincial Planning unit	107,740
10	Maritime	Grant for operations of Mulamba Harbour	252,000
11	Various	Various	621,980
	Total		27,441,033

In addition, an amount of totalling K406,802 was brought forward from 2020 bringing the funds available to K27,847,835.

As at 31st December 2021, amounts totalling K22,293,108 had been spent leaving a balance of K5,554,727.

b. Weaknesses in Management of Youth Empowerment Project - Agriculture Empowerment Fund

In August 2020, the Ministry of Youth, Sport and Arts developed a multi-sectorial development strategy to empower the youth with various empowerment strategies in the agriculture sector. The programme was aimed at providing loans to targeted youths in rural areas with demonstrated capacity to engage in agricultural related activities for the 2020/2021 farming season.

On 6th November 2020, the Provincial Administration received an amount of K2,855,000 for Agriculture Youth Empowerment Project.

As at 31st December 2021, a total amount of K1,897,000 had been disbursed to 177 beneficiaries leaving a balance of K853,000.

The following were observed:

i. Irregular Issuance of Loans to Groups with Members above 35 years

Youth Empowerment Programme Guidelines of 2020, Clause 3.2 (ii) and (iv) requires the benefiting groups to have a valid copy of the registration certificate and the members of the executive to comprise 80% of those between 18 to 35 years and 20% of those who are above 35 years but were below 35 years at the time they received the empowerment loan.

Contrary to the guidelines, amounts totalling K372,000 were disbursed to thirty five (35) youth groups that had members who were above the prescribed age of 35 years at the time of receiving the loans.

ii. Disbursement of Loans to Individual beneficiaries

Multi-Sectorial Youth Empowerment Guideline No. 11.2 (ii) states that beneficiaries must either be a registered youth group, cooperative, club or company owned by young Zambians.

Contrary to the Guidelines, amounts totalling K422,000 were disbursed to forty two (43) individual beneficiaries who did not belong to any registered group, cooperative, club or company owned by young Zambians.

In addition, amounts totalling K111,500 were disbursed to fourteen (14) beneficiaries who were not registered as a youth group, cooperative, club or company.

iii. Irregular Payments to Beneficiaries

The Multi-Sectoral Youth Empowerment Programme Guideline No.11.4 requires that the Provincial Administration shall procure the inputs or materials required by the youth. It is a requirement for the youth beneficiaries to sign and acknowledge receipt of the agriculture support received.

Contrary to the guidelines, amounts totalling K1,338,500 were paid directly to 124 beneficiaries instead of procuring agricultural inputs or materials thereby rendering the payments irregular.

iv. Failure to Recover Loans

Youth Empowerment Programme Guidelines of 2020, Clause 11.5 (ii) and (iii) states that the project will run on a loan basis for a period of thirty-six (36) months. The beneficiaries will be required to pay back the loan to the Ministry of Youth, Sport and Arts in monthly installments that will be calculated based on the value of the loan inclusive of 10% administration fee. The first payment will be due in thirty (30) days from the expiry of the grace period of ninety (90) days.

Contrary to the guidelines, repayments in respect of inputs costing K1,338,500 issued during the period under review to 124 groups were not made as at 30th June 2022 after the ninety (90) days grace period.

v. Uninsured Loans Disbursed

The Youth Empowerment Programme Guideline No. 11.5 of 2020 provides for the loan to be comprehensively insured by the borrower.

Contrary to the guideline, the empowerment loans in amounts totalling K1,338,500 issued to 124 beneficiaries during the year under review were not insured by the borrower as at 30th June 2022.

vi. Misapplication of Funds

During the period under review, amounts totalling K733,864 meant for the procurement of inputs for disbursement to the youths were instead paid to fifty-seven (57) officers as subsistence allowance and fuel for performance assessment of youth groups, cheque distribution in districts, collecting bank details and verification of youth empowerment fund without variation authority from Ministry of Youth, Sport and Arts.

In addition, out of the K733,864 paid as subsistence allowance, there were no activity reports with respect to amounts totalling K391,032 issued to twenty-nine (29) officers.

vii. Failure to Provide Information on Stipends (Wages) for Interns

During the period under review, the Provincial Administration spent amounts totalling K534,000 on stipends for interns that were attached to various education institutions.

However, the funds were unaccounted for in that details of the recipients were not availed for audit.

c. Infrastructure Development

In March 2021, the Provincial Administration received an amount of K16,000,000 from Ministry of Finance through the General Deposit Account for infrastructure development in the Province.

As at 31st December 2021, amounts totalling K13,834,995 had been spent on various projects leaving a balance of K2,165,005. See table 2 below.

Table 2: Expenditure of Infrastructure Funds

No.	Project	Expenditure K
1	Emergency Repair Works on Lukulu -Watopa Road (D755)	1,422,830
2	Construction of district Administration office block in Mulobezi	3,349,692
3	Construction of 10.No. medium houses in mwandi	1,799,176
4	Rehabilitation of Provincial Administration Offices	217,027
5	Rehabilitation of Director Finance Offices	67,899
6	Construction of Council Office and 2.No. High Cost Houses	1,600,000
7	Construction of drainage system on Mongu - Limulunga Road (D315)	2,271,216
8	Rehabilitation of Health facilities	1,082,486
9	Rehabilitation of Community Development Guest House-Namushekende	257,125
10	Rehabilitation of Pavilion in Limulunga	239,073
11	Other Expenses	1,528,471
	Total	13,834,995

The following were observed:

i. Emergency Repair Works on Lukulu - Watopa Road (D755) and Katunda-Lukulu (D792) Road

On 28th March 2021, the Road Development Agency (RDA) Mongu requested Provincial Administration to finance emergency repair works on Katunda – Lukulu Road and Lukulu-Watopa road using the infrastructure funds in the General Deposit Account.

According to the arrangement, the works for Katunda-Lukulu road were to be done by Zambia National Service (ZNS) using their equipment while the works on the Lukulu-Watopa road were to be done using hired additional equipment as ZNS equipment were already committed on the Katunda-Lukulu road.

The scope of works for Lukulu – Watopa road included maintenance of the entire 60 km stretch of the road which also involved spot gravelling, vegetation control and compacting.

The scope of works for Katunda – Lukulu road included light grading and spot improvement of the 107 km of the 189 km stretch of the road.

In this regard, Provincial Administration allocated and paid Gold Motor Services an amount of K622,976 on 12th May 2021, for the supply of fuel and lubricants for the projects.

The following were observed:

- **Questionable Hire of Additional Earth Moving Equipment Lukulu-Watopa Road (D755)**

On 25th June 2021, the Provincial Administration awarded a contract to Advant Solutions Limited for the hire of additional earth-moving equipment at a contract sum of K799,854 VAT Exclusive.

According to the contract, Advant Solutions Limited was required to provide additional earth-moving equipment for a period of one (1) month from 9th June to 9th July 2021 for emergency repair road works.

In this regard, Advant Solutions Limited was on 26th May 2021, paid an amount of K799,854 for hire of additional equipment.

- **Questionable Contract and Payment**

It was observed that the hired equipment from Advant Solutions purportedly used on the road works belonged to Zambia National Service (ZNS) and was confirmed by ZNS.

The equipment was hired from ZNS by Advant Solution Limited at a cost of K440,000 which was paid on 31st May 2021 before award of the contract on 25th June 2021.

In this regard, the contract awarded to Advant Solutions Limited at a sum of K799,854 for hire of additional earth moving equipment was questionable and irregular in that Advant Solutions Limited did not provide any equipment other than the equipment provided by Zambia National Service (ZNS).

In addition, a search of records at Patents and Companies Registration Agency (PACRA) revealed that Advant Solutions Limited deals in retail sale of computers, peripheral units, software and telecommunications equipment in specialized stores, other retail sale not in stores, stalls or markets, other professional, scientific and other technical activities with no trace of records of dealing in hiring out earth moving equipment.

- **Failure to Subject the Contract Sum to Price Reasonableness Analysis**

The Zambia Public Procurement Authority (ZPPA) Circular No. 2 of 2021 requires that a price reasonableness analysis is undertaken and approved before Government is committed to a contract for goods or services.

Contrary to the Circular, the payment of K799,854 for hire of earth equipment was made in full to Advant Solutions Limited on 26th May, 2021 without evidence of approved price reasonableness analysis by Zambia Public Procurement Authority (ZPPA).

- ii. **Questionable Payment - Construction of the Drainage Mongu – Limulunga Road**

On 3rd September 2019, the Road Development Agency (RDA) engaged Messrs AVIC International Holding Corporation to Rehabilitate 16.2 km Mongu – Limulunga (D315) and Mouyo Roads and to upgrade to bituminous standard at a contract sum of US\$30,236,721.67 VAT inclusive for a period of eighteen (18) months with the commencement date of 30th October 2019 and ending on 30th April 2021.

Further, on unknown dates the main contractor Messrs AVIC International signed a contract with Kufanga Contractors and General Dealers as a sub-contractor for the construction of drainages on the Mongu - Limulunga road. The contract was for the period from 1st September to 30th October 2020.

Consequently, on 11th March 2021, Provincial Administration made a payment of K2,271,216 to Kufanga Contractors and General Dealers purporting to be an advance payment on the construction of drainage on the Mongu – Limulunga Road (Sub-contracted).

However, the payment of K2,271,216 to the contractor was questionable in that there was no contract between Provincial Administration and Kufanga Contractors and General Dealers as a basis for the advance payment.

In response, the Controlling Officer stated that although Provincial Administration was not part of the contract, the intention of payment of K2,271,216 to a sub-contractor (Kufanga Contractors and General Dealers) was to see that there was progress on the infrastructure hence the provision of the advance payment.

However, a physical inspection carried out in April 2022 revealed that the construction of drainages only commenced in April 2022 with only 300 metres of one side of the road done, thirteen (13) months after the advance payment was made rendering the whole transaction questionable.

iii. Failure to withhold VAT

Circular No. 6 of 2017, directed all Government institutions to withhold Value Added Tax (VAT) from payments to suppliers of goods and services and simultaneously remit the VAT withheld to ZRA at the time of making payments.

Contrary to the Circular, amounts totalling K1,867,075 were irregularly paid to two (2) contractors without withholding VAT amounting to K298,732.

iv. Questionable Payment- Construction of the District Council Office Block and High Cost Houses in Luampa District

On 29th October 2014, the Ministry of Transport, Works and Supply engaged V.B.S General Dealers Limited for the completion of the construction of the district Council Office block, two (2) high-cost houses and associated external works in Luampa District and the remedying of any defects therein at a contract sum of K6, 573,643.

As at 31st December 2020, the works had been completed and the contractor was paid in full.

During the period under review, the contract was varied to include works on the car park, water reticulation, roadways and culverts which were initially not part of the contract. Subsequently, on 19th May 2021, the Provincial Administration paid amounts totalling K1,600,000.

However, as at 30th June 2022, the variation order had not been availed for audit and there was no evidence that the works were carried out rendering the payment questionable.

v. Irregular Payment of Value Added Tax (VAT)

Section 27(1) of the VAT Act Chapter 331 of the Laws of Zambia, requires that only companies registered for VAT can charge VAT.

Contrary to the Act, VBS General Dealers that was not registered for VAT was contracted by the Provincial Administration to undertake various works at a cost of K4,949,692 during the period under review and charged VAT in amounts totalling K791,951.

As at 30th June 2022, the VAT amount had not been recovered.

vi. Procurement of Goods and Services/Expenditure

• Failure to Follow Tender Procedures – Maritime Department

Section (8) of the Procurement Regulations of 2011 provides for the Controlling Officer to approve payments up to K50,000. Any procurements above K50,000 should be referred to the Procurement Committee for authority.

Contrary to the regulation, on 10th February 2021, the Controlling Officer authorised a payment of K66,376 for service of the Dredger Classic IV C 4091 and repairing of Dredger Classic III C 180 without authority.

Although the Controlling Officer submitted that the payment of K66,376 was authorised by the Provincial Tender Committee, the committee only sat in December 2021 to ratify the payment.



Dredger Classic III C 180

A physical verification carried out in March 2022 revealed that the Dredger classic III C 180 was still not working having broken down in June 2021.

- **Unsupported Payments**

Public Finance Management (General) Regulation 2020 No. 46 stipulates that a payment voucher relating to purchases should be supported by a purchase order, a supplier's invoice and proof of delivery or performance.

Contrary to the regulation, four (4) payments in amounts totalling K957,669 made during the period under review were not supported with relevant documents such as invoices and cash receipts.

- d. **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 records of the receipt and issue of such public stores.

Contrary to the regulation, various stores items costing K56,808 (General stores- K25,601 and Fuel - K31,207) procured during the period under review were not accounted for in that they lacked receipt and disposal details.

56 Head: 95 Office of the President - Eastern Province

56.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

56.2 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and nine (9) selected district offices for the period under review revealed the following.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K12,168,048 was made to cater for the operations of the Provincial Administration and the whole amount was released.

As at 31st December 2021, amounts totalling K11,267,789 had been spent.

b. Operational Matters - Department of Water Resources Development

During the period under review, the Department of Water Resources Development (DWRD) received amounts totalling K2,375,568 for operations (K1,220,000) and drilling of boreholes (K1,155,568). In addition, the Department generated funds amounting to K87,300 bringing the total funds available to K2,462,868.

As at 31st December 2021, a total of K1,733,572 had been spent.

An examination of financial and other records and a physical inspection carried out revealed the following:

i. Failure to Drill a Commercial Borehole in Lumezi District

On 11th February 2021, the Department received an amount of K400,000 for drilling of two (2) commercial boreholes in Lumezi District for purposes of serving an approximate population of 3,500 households within the Central Business District. The scope of works included geophysical survey (siting), borehole drilling and lining and testing.

As at 31st December 2021, amounts totalling K314,346 had been spent.

However, as at 31st July 2022, the DWRD had drilled one (1) borehole while the second one had not been drilled sixteen (16) months after the funds were received.

ii. Failure to Drill Domestic Boreholes in Mambwe District

On 21st April 2021, the Department received an amount of K755,568 for drilling of twenty nine (29) domestic boreholes in Petauke (10), Katete (10) and Mambwe (9) districts. The scope of works included siting, drilling, equipping and testing.

As at 31st July 2022, amounts totalling K730,229 had been spent.

However, as at 31st July 2022, twenty (20) boreholes had been drilled (Petauke -10 and Katete -10) and were in use while nine (9) boreholes in Mambwe District had not been drilled.

c. Accounting Irregularities

i. Failure to Collect Funds - Encroachment and Deforestation of the Forest in Lundazi District

Lundazi National Forest No. P24 is a gazetted permanent forest under the provisions of the Forests Act No. 4 of 2015 and has a total of 374,800 hectares.

Section 16 (1) of the Act stipulates that a person should not enter any National Forest without a licence or permit. Further, Sub-section 3 stipulates that a person who contravenes Sub-section 1 commits an offence and is liable upon conviction to a fine not exceeding 200,000 penalty units or imprisonment not exceeding two (2) years or both.

On 20th September 2021, two (2) illegal settlers who had cleared 65.38 hectares of land for farming activities without a licence or permit were fined amounts totalling K137,700.

However, as at 31st July 2022, the fines had neither been paid nor had the farmers vacated the forest.

ii. Irregular Cash Withdrawal

Treasury and Finance Management Circular No. 1 of 2021 guided Controlling Officers that no cash should be withdrawn for payment of subsistence allowances, fuel refunds and any other allowances as these should be paid directly into the beneficiary's bank account.

Contrary to the Circular, cash totalling K49,563 was drawn by two (2) officers at Nyimba (K10,420) and Petauke (K39,143) District Administration offices to facilitate payment of nineteen (19) officers' daily subsistence and meal allowances and fuel instead of paying directly into the beneficiaries' bank accounts.

d. Weaknesses in Management of Liabilities - Failure to Settle Obligations

As at 31st December 2021, Provincial Administration had accrued debts in amounts totalling K8,319,014 in respect of personal emoluments, postal box rentals, office rentals and insurance premiums some of which had been outstanding as far back as 2008. As at 31st July 2022, the obligations had not been settled.

57 Head: 96 Office of the President - Luapula Province

57.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

57.2 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and seven (7) selected district offices for the period under review revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K12,014,034 was made to cater for operations at the Provincial Administration against which amounts totalling K11,617,298 were released resulting in an under funding of K396,736.

As at 31st December 2021, amounts totalling K11,536,367 had been spent. See table 1 below.

Table 1: Budget, Funding and Expenditure

No.	Details	Budget K	Funding K	Underfunding K	Expenditure K
1	Economic Development	2,401,761	2,330,808	70,953	2,307,265
2	Local Government Services	668,450	605,557	62,893	604,317
3	National Resource Management	1,890,976	1,628,098	262,879	1,596,044
4	Management and Support Services	5,960,721	5,960,715	6	5,940,677
5	Community Developmet and Social Services	1,092,126	1,092,121	5	1,088,064
	Total	12,014,034	11,617,298	396,736	11,536,367

b. Operational Matters - Failure to Meet Target Output

A comparison of Budget against Actual outputs under Economic Development and Natural Resource Management Programmes revealed that despite having been funded 97% of the total budget, the departments underperformed in their respective sub - programmes. See table 2 below.

Table 2: Failure to meet Target Output

No.	Sub-Programme	A 2021 Budget	B 2021 Actual	C (B-A) Budget Variance	D (C/A) Budget % Variance
	Lands				
1	Land related revenue collected (K)	2,500,000	1,888,967	(611,033)	-24%
2	Proportion of land offered to developers developed	600	275	(325)	-54%
3	Number of land property registered	300	167	(133)	-44%
	Survey				
4	Proportion of land surveyed	1,500	488	(1,012)	-67%
	Forest Based Business Promoted				
5	Quanties of honey produced (Ltrs)	580	-	(580)	-100%

c. Accounting Irregularities

i. Irregular Payment of Subsistence Allowances within the District

Cabinet Office Circular Minute of 2015 defines a work station as a place within the district boundary. Further, the circular guides that subsistence allowance should be paid to an officer to cover expenses he or she has to meet when travelling on duty away from his or her normal station of duty where an overnight stay is expected.

Contrary to the Circular Minute, amounts totalling K66,630 were paid to seven (7) officers under the Department of Resettlement as subsistence allowances for an activity that was undertaken within the district boundary of Mansa.

ii. Unsupported Payments

Public Finance Management (General) Regulation No. 46 (1) of 2020, state that a payment voucher relating to purchases should be supported by a purchase order, the supplier's invoice and proof of delivery or performance.

Contrary to the regulation, twenty (20) payments in amounts totalling K78,469 made during the period under review were not supported with relevant documents.

iii. Unaccounted for Stores - Chembe District Administration

Stores Regulation No. 16 stipulates 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, stores items costing K56,260 comprising general stores (K29,314) and fuel (K26,946) procured during the period under review were not accounted for in that they lacked receipt and disposal details.

d. Management of Disaster Management and Mitigation Unit

Luapula Provincial Administration on behalf of Provincial Disaster Management and Mitigation Unit (DMMU) maintains a separate bank account with Zanaco, Mansa Branch into which funds secured from the National Coordinator, Office of the Vice President, DMMU are deposited and managed to meet emergencies in the province.

In this regard, the Provincial DMMU received a total amount of K4,734,673 for Covid-19, infrastructure rehabilitation, Disaster Management and Mitigation operations among others.

In addition, an amount of K44,236 was brought forward from the year 2020 bringing the total funds available to K4,778,909. See table 3 below.

Table 3: Funding

No.	Source	Amount K	Purpose
	Opening balance	44,236	
1	Min of Finance	200,000	Covid 19 sensitazatiuon
2	DMMU -Hq	460,000	COVID-complaince before ,during and after elections
3	Min of Finance	50,000	DMMU operations
4	DMMU -Hq	1,126,967	DMMU operations
5	DMMU -Hq	236,128	Funds for makasa school
6	DMMU -Hq	68,463	funeral for people who died on the lakes
7	DMMU Mansa	680,000	Kashe Road and widening of Dredgers
8	DMMU Mansa	126,133	office operation/rehabilitation of kashe school
9	DMMU -Hq	138,410	Rehabilitation of Mpanta Clinic
10	DMMU -Hq	300,000	Rehabilitation of school desk
11	DMMU -Hq	24,957	Transportin and distribution of relief food
12	Min of Finance	323,616	Wages for clearing channels in lunga
13	DMMU -Hq	1,000,000	Wages for clearing channels in lunga
	Total	4,778,909	

As at 31st December 2021, amounts totalling K4,596,833 had been spent.

The following were observed:

i. Failure to Deduct NAPSA Contributions

Section 15(1) of the National Pension Scheme Authority Act No. 40 of 1996 stipulates that a contributing employer must pay contributions to the Authority at the end of each month and such employer should submit, with such payment, all prescribed supporting particulars concerning their identity, period of employment and earnings of the member to whom the contributions relate.

Contrary to the Act, during the period under review, salaries in amounts totalling K1,350,598 were paid to several casual workers without deducting NAPSA contributions amounting to K135,060.

ii. Unauthorised Transfer of Funds between Accounts

The Public Finance Management Act No.1 of 2018, section 32(5) states that a transfer of public money should not be made between accounts at the same bank or different banks without the written approval of the Secretary to the Treasury.

Contrary to the Act, on 9th June 2021, the Unit transferred an amount of K56,000 from DMMU Account to Forestry Sawmill Revolving Account without prior authority from the Secretary to the Treasury.

iii. Construction of Classroom Blocks - DMMU Projects

In March 2021, the DMMU Luapula Regional Coordinator requested Provincial Administration to tender for construction of four (4) 1x3 classroom blocks at four (4) primary schools in Kawambwa, Mwanabombwe, Chipili and Samfya Districts in order to urgently respond to dilapidated and hailstorm damaged classroom blocks in the respective areas.

In this regard, the Provincial Administration engaged four (4) contractors to carry out the works at a total contract sum of K3,066,148. See table 4 below.

Table 4: Construction of 1 x 3 Classroom Blocks

No.	District	Project	Contractor	Amount K
1	Chipili	Mupeta Primary school	Munale Constructors & General Dealers	712,890
2	Mwansabombwe	Kashe Primary School	Munale Constructors & General Dealers	784,600
3	Kawambwa	Chisulo Primary School	JKMM General Dealers	784,058
4	Samfya	Makasa Primary School	Star Agency Contractors	784,600
		Total		3,066,148

A physical inspection of the projects carried out in May 2022 revealed that there were delays in completing the works.

In particular, the following were observed:

- **Chipili District - Construction of 1x3 Classroom Block**

On 1st July 2021, the Provincial Administration engaged Munale Constructors and General Dealers to construct a 1x3 classroom block at Mupeta Primary school at a contract sum of K712,890 VAT exclusive.

The contract period was five (5) months with the commencement date of 23rd July 2021 and expected completion date of 23rd December 2021.

The scope of works were construction of Sub and Superstructures; metal work; carpentry; joinery; and ironmongery, roofing and painting.

As at 31st December 2021, the contractor had been paid a total amount of K259,545.

However, a physical inspection carried out in May 2022 revealed that the classroom block was at gable level and the contractor had abandoned the site. See pictures below.



Front view of incomplete 1x3 CRB at Mupeta Side view of incomplete 1x3 CRB at Mupeta

A further review of payments revealed that as at 31st July 2022, one (1) IPC dated 21st September 2021 with a value of K116,967 was not paid and had been outstanding for nine (9) months.

- **Mwansabombwe District - Construction of 1 x 3 Classroom Block**

On 1st July 2021, the Provincial Administration engaged Munale Constructors and General Dealers to construct a 1x3 classroom block at Kashe Primary school at a contract sum of K784,600 VAT exclusive.

The contract period was five (5) months with the commencement date of 23rd July 2021 and expected completion date of 23rd December 2021.

As at 31st December 2021, the contractor had been paid a total amount of K320,654.

The scope of works included; construction of sub and superstructures; metal work; carpentry; joinery and ironmongery; roofing; and painting.

A physical inspection carried out in May 2022 revealed that the classroom block was at wall plate level, five (5) months after the expected completion date. See picture below.



Incomplete 1x3 CRB at Kashe Primary School

A further review of payments revealed that as at 31st July 2022, one (1) IPC dated 21st September 2021 with a value of K163,734 was not paid and had been outstanding for nine (9) months.

- **Samfya District - Stalled Project - Construction of 1x3 Classroom Block**

On 1st July 2021, the Provincial Administration engaged Star Agency Constructors Limited to construct a 1x3 classroom block at Makasa Primary school at a contract sum of K784,600 VAT exclusive with the contract period of three (3) months.

The commencement and completion dates could not be established as at 31st May 2022 as the unit failed to provide contract documents and other requested for information.

The scope of works included; construction of sub and superstructures; metal work; carpentry; joinery and iron mongering; roofing; finishing; and painting.

However, a physical inspection carried out in May 2022 revealed that the construction of the classroom block stalled at the slab level and the contractor had abandoned the site.

58 Head: 96 Office of the President - Luapula Province

58.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

58.2 Background-General Deposit Account (GDA)

Provincial Administration maintains a General Deposit Account which is an intermediary account where Third Party funds are deposited for implementation of activities on behalf of Line Ministries and other institutions.

58.3 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and seven (7) selected district offices for the period under review revealed the following:

a. Funding and Expenditure

During the financial year ended 31st December 2021, a total amount of K15,404,614 was received by the Provincial Administration. See table 1 below.

Table 1: Funds Received

No.	Source of Funding	Program/Activity	Funds Received K
1	Ministry of Youth, Sport & Arts	Multi-Sectoral Youth Loans	9,032,264
		Youth Internship	4,031,500
		Administration of Youth Empowerment funds	349,767
		Campaign for ending child violence	32,660
		Arts and Culture-Samfya Festival	91,144
2	Cabinet Office	State funeral for the 1st Republican President	200,000
		Presidential Visit	750,000
3	Ministry of Infrastructure	Operations	57,000
4	Ministry of Chiefs	Elections of House of Chiefs	377,465
5	Ministry of Communication & Transport	Transport Operations	28,000
6	Ministry of Gender	Anti- Gender Violence Activities	87,000
7	Ministry of Religious Affairs	Operations	39,600
8	Ministry of Home Affairs	Rehabilitation of Registration offices	258,214
9	Cash Deposits	Sale of Tender Documents	4,000
10	Cash Deposits - Africast	Samfya Arts Festival	66,000
	Total		15,404,614

In addition, an amount of K3,107,697 was brought forward from 2020 bringing the total funds available to K18,512,311.

As at 31st December 2021, amounts totalling K18,223,502 had been spent.

b. Weaknesses in Management of Youth Empowerment Project

In August 2020, the Ministry of Youth, Sport and Arts developed a multi-sectorial development strategy to empower the youth with various empowerment strategies for income generating activities aimed at contributing to job creation and promoting socio-economic development and sustainability at household level.

During the period under review, the Provincial Administration received amounts totalling K13,413,531 from the Ministry of Youth, Sport and Arts for Multi-Sectoral Youth Empowerment project.

As at 31st December 2021, amounts totalling K13,068,241 had been disbursed to the twelve (12) districts in the province. See table 2 below.

Table 2: Youth Empowerment Funds Disbursed

No.	Station	Disbursement (K)			Total K
		Empowerment Loans	Internship	Administration	
1	Provincial Administration	-	-	349,767	349,767
2	Chembe	491,000	288,000	-	779,000
3	Chiengi	371,395	144,000	-	515,395
4	Chifunabuli	475,000	81,000	-	556,000
5	Chipili	469,000	-	-	469,000
6	Kawambwa	1,331,500	676,500	-	2,008,000
7	Lunga	370,000	-	-	370,000
8	Mansa	2,322,894	771,000	-	3,093,894
9	Milenge	325,000	276,000	-	601,000
10	Mwansabombwe	268,000	358,500	-	626,500
11	Mwense	620,185	549,000	-	1,169,185
12	Nchelenge	1,155,000	298,500	-	1,453,500
13	Samfya	558,000	489,000	-	1,047,000
Total		8,756,974	3,931,500	349,767	13,038,241

The following were observed:

i. Uninsured Loans Disbursed

Clause 9.0 (v) of the Youth Empowerment Programme Guideline of 2020, provides for the loan to be comprehensively insured by the borrower.

During the period from July to August 2021, the Provincial Administration disbursed loans in amounts totalling K8,756,974 to 176 youth groups in twelve (12) districts.

Contrary to the guidelines, the loans disbursed were not insured by the borrowers.

ii. Failure to Recover Loans

Youth Empowerment Programme Guidelines of 2020, Clause 11.5 (ii) and (iii) states that the project will run on a loan basis for a period of thirty-six (36) months. The beneficiaries will be required to pay back the loan to the Ministry of Youth, Sport and Arts in monthly installments that will be calculated based on the value of the loan inclusive of 10% administration fee. The first payment will be due in thirty (30) days from the expiry of the grace period of ninety (90) days.

Contrary to the guidelines, as at 30th June 2022, out of the total amount of K1,822,994 which was due to the Ministry from 176 groups, only an amount of K39,680 had been repaid leaving a balance of K1,783,314.

In addition, contrary to Clause 9.0 (iv) of the Youth Empowerment Programme Guidelines of 2020 which requires that the defaulters be reported and listed to the Credit Reference Bureau, as at 30th June 2022, the defaulters had not been reported to the Bureau.

iii. Failure to Conduct Due Diligence - Non-Existent Groups

Clause 6.2 (iii) and (iv) of the Youth Empowerment Programme Guidelines required the Provincial Permanent Secretary and the Provincial Development Coordinating Committee to collect and screen project application forms and undertake due diligence. In addition, Clause 5.1 (vi) stipulates that the Project Committee will not consider applications for projects which are operated in areas not designated by the relevant Authority.

Contrary to the guidelines, as at 30th June 2022, the locations of the two (2) youth groups which were awarded loans in amounts totalling K510,000 had not been established and were unreachable by the cell phone contact details submitted with the application forms. Further, there was no evidence submitted for audit to show that due diligence was conducted on the groups prior to the award of the loans.

iv. Failure to Monitor Beneficiaries by District Administration

Clause 13.5.3 of the Youth Empowerment Programme Guidelines of 2020, requires the District Administration to among others monitor performance of the beneficiaries, facilitate the recovery or loan repayments and identify training needs.

However, a review of records for the beneficiary youth groups in seven (7) districts namely Mansa, Chembe, Chifunabuli, Chipili, Nchelenge, Milenge and Chiengwe revealed that the respective District Administration Offices were not

monitoring the beneficiary youth groups and had not facilitated the recoveries of the loans as at 30th June 2022.

Consequently, a visit to sixteen (16) youth groups in Nchelenge District which received loans in amounts totalling K755,000 in November 2021 revealed that they were inactive as at 30th June 2022. See table 3 below.

Table 3: Inactive Projects

No.	Name Of Youth Group	Project Name	Amount Loaned K	Project Status
1	Twalafika Drivers Entreprise	Poultry	30,000	Not Active
2	Tunkokanyepo Youth Group	Poultry	30,000	
3	Tefyandi Neka Community group	Unknown	30,000	
4	Youth With Influence	Agriculture	50,000	
5	Natuloleshe Youth Coooperative Group	Agriculture	30,000	
6	Nchelenge Central youth sustainable Foundation	Agriculture	30,000	
7	Bwafwano Old Market Farming	Bee Keeping	30,000	
8	Chandwe Youth Group	Art	25,000	
9	Mweru Youth Livestock Farmers Co- Operative	Piggery	30,000	
10	Tushipikishe Community Youth Group	Poultry	30,000	
11	Influential Youth Club	Poultry	30,000	
12	Lets Work Together Youth Group	Unknown	30,000	
13	Natweshoko Development Youth Group	Piggery/Poultry	50,000	
14	Tulwishe Youth Group	Block Making	250,000	
15	Prince Ma General Dealers	Butchery	50,000	
16	Tukoshanye Farming Group	Transport	30,000	
	Total		755,000	

c. Unsupported Payment of Stipends (Wages) - Internship and Apprenticeship

Clause 15.0 of the Youth Empowerment Programme Guidelines of 2020 states that the goal of the program is to support, network, develop skills for graduates’ youths aged between 18 - 35 years from various education institutions of learning by matching the qualifications of interns with the job descriptions submitted in order to have the perfect job fit.

In addition, paragraph 3 (2) of the internship agreement required interns to work for eight hours a day, Monday through Friday and that the interns were to be placed in various sectors of the economy.

During the period under review, amounts totalling K739,500 paid as stipends (wages) to fifty (50) interns in five (5) districts namely; Milenge, Chienge, Chembe, Chifunabuli and Nchelenge did not have requisite documents such as qualifications and attendance register among others to ascertain whether the payments were made to the rightful beneficiaries.

59 Head: 97 Office of the President - North-Western Province

59.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

59.2 Background-General Deposit Account (GDA)

Provincial Administration maintains a General Deposit Account which is an intermediary account where Third Party funds are deposited for implementation of activities on behalf of Line Ministries and other institutions.

59.3 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and four (4) selected district offices for the period under review revealed the following.

a. Funding and Expenditure

During the financial year ended 31st December 2021, amounts totalling K16,688,852 were received by the Provincial Administration to cater for various activities. See table 1 below.

Table 1: Funds Received

No.	Source of Funds	Programme/Activity	Funds Received K
1	Ministry of Youth, Sport and Arts	Multi-Sectoral Youth Loans	7,710,609
		Youth Internship	1,028,000
		Child Development	114,332
		Campaign for ending child violence	32,660
		Operations	7,500
		Youth Launch	100,000
2	Cabinet Office	State Funerals	328,990
		Presidential Visits	488,583
3	Ministry of Infrastructure	Operations	48,500
4	Ministry of Chiefs and Traditional Affairs	Election of House of Chiefs Members	291,423
5	Ministry of Gender	Anti - Gender Violence Activities	87,000
6	Ministry of Religious Affairs	National Day of Prayer	10,000
7	Donations	Contributions to National Events	10,960
8	Ministry of Home Affairs	Operations	211,108
9	Cash Deposit	Proceeds of auction and sale of tender documents	4,896,320
10	Transfers	Repayment of previously borrowed funds	775,926
11	Staff Loans	Loan Recoveries	27,268
12	Other Deposits	Various	519,672
	Total		16,688,852

In addition, an amount of K2,917,750 was brought forward from 2020 bringing total funds available to K19,606,602. As at 31st December 2021, amounts totalling K18,859,134 had been spent.

b. Weaknesses in Management of Youth Empowerment Programmes

In August 2020, the Ministry of Youth, Sport and Arts developed a multi-sectoral development strategy to empower youths with loans, skills development and agriculture support among others.

During the period under review, the Provincial Administration received an amount of K7,710,609 while an amount of K2,855,000 was brought forward from 2020 for youth empowerment programme bringing the total funds to K10,565,609.

As at 31st December 2021, amounts totalling K4,626,690 had been disbursed as empowerment loans to 216 youth groups while K105,000 was spent on administration leaving a balance of K5,833,919. See table 2 below.

Table 2: Loans Disbursed

No.	Station	Agriculture Support		Loan Empowerment		Totals	
		No. of Clubs	Loans Disbursed K	No. of Clubs	Loans Disbursed K	No. of Clubs	Amount K
1	Kasempa	11	220,000	1	50,000	12	270,000
2	Zambezi	29	286,000	0	-	29	286,000
3	Solwezi	37	640,000	10	570,000	47	1,210,000
4	Mwinilunga	7	150,000	4	200,000	11	350,000
5	Mushindamo	22	328,000	3	310,000	25	638,000
6	Manyinga	6	180,000	3	90,000	9	270,000
7	Kalumbila	9	170,000	3	150,000	12	320,000
8	Kabompo	8	170,000	1	42,090	9	212,090
9	Ikelenge	9	110,000	6	250,000	15	360,000
10	Chavuma	11	110,000	1	60,000	12	170,000
11	Mufumbwe	29	268,000	6	272,600	35	540,600
	Totals	178	2,632,000	38	1,994,690	216	4,626,690

The following were observed:

i. Unsupported Loan Disbursements

Multi - Sectoral Youth Empowerment Guideline No. 5.1 requires that applicants for Youth Empowerment Programme should provide Green National Registration Card, certificate of registration of the group and project proposals among others.

Contrary to the guideline, 117 youth groups were awarded loans in amounts totalling K2,308,000 without supporting documents such as loan application forms, copies of National Registration Cards, certificates of cooperative registration and business proposals.

ii. Disbursement of Loans without Signed Agreements

The Multi - Sectoral Youth Empowerment Guideline No. 9.0 (vii) stipulates that the benefiting youth cooperative/enterprises are required to sign a binding loan agreement form before the award of the loan.

Contrary to the guideline, seventy nine (79) youth groups were awarded loans in amounts totalling K1,786,000 without signing the loan agreement forms.

iii. Failure to Recover Loans

Youth Empowerment Programme Guidelines of 2020, Clause 11.5 (ii) and (iii) states that the project will run on a loan basis for a period of thirty-six (36) months. The beneficiaries will be required to pay back the loan to the Ministry of Youth, Sport and Arts in monthly installments that will be calculated based on the value of the loan inclusive of 10% administration fee. The first payment will be due in thirty (30) days from the expiry of the grace period of ninety (90) days.

Contrary to the guidelines, amounts totalling K4,626,690 disbursed to 216 youth groups were not recovered as at 30th June 2022

In addition, contrary to Clause 9.0 (iv) of the Youth Empowerment Programme Guidelines of 2020 which requires that the defaulters be reported and listed to the Credit Reference Bureau, as at 30th June 2022, the defaulters had not been reported to the Bureau.

60 Head: 98 Office of the President - Southern Province

60.1 Mandate

The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

60.2 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and five (5) selected district offices revealed the following.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2021, a total provision of K13,012,343 was made to cater for operations against which amounts totalling K11,748,338 were released resulting in an under funding of K1,264,005.

As at 31st December 2021, amounts totalling K9,364,369 had been spent.

b. Operational Matters - Failure to Drill a Borehole and Flush Existing Ones

On 9th September 2021, Provincial Administration transferred an amount of K30,000 to the Department of Water Affairs for drilling a borehole and flushing three (3) boreholes at Mbabala Youth Resource Center in Choma District.

However, as at 31st July 2022, ten (10) months from the date of receipt of funds, the Department of Water Affairs had neither drilled the borehole nor flushed three (3) existing boreholes at the Centre.

c. Irregular Issuance of Concession Licence - Forestry Management Services

Section 52 (1) (b) of the Forest Act No. 4 of 2015 allows the Director to issue a concession licence, to authorise a citizen to cut, fell or process timber from a specified forest area for a period not exceeding five years.

The Act describes a “citizen” as an individual who is a citizen of Zambia; or an incorporated or unincorporated body of persons or a company which is composed exclusively of persons who are citizens of Zambia.

Contrary to the Act, the Department of Forestry in Southern Province issued a large scale concession licence in September 2020 to Zambezi Sawmills Limited, a company with persons who were not citizens of Zambia.

d. Accounting Irregularities

i. Failure to Undertake Paid for Activity

In November and December 2021, subsistence allowance and fuel imprest in amounts totalling K84,574 were paid to five (5) officers to facilitate their travel to Namwala District to carry out cadastral survey works at Ngabo Resettlement Scheme.

However, as at 31st July 2022, the activity had not been undertaken, eight (8) months after the payments were made and the funds had not been paid back.

ii. Failure to Recover Salary and Tuition Advances

The Terms and Conditions of Service for the Public Service No. 92 requires that an advance of salary be recovered within a reasonable period of time but not exceeding six (6) months, while the Payroll Management and Establishment Control (PMEC) provides for the recovery of tuition advance within a period not exceeding thirty (30) months.

Contrary to the provisions, recoveries in respect of salary advances (K10,500) and tuition advances (K32,135) paid to six (6) officers during the period under review had not been effected as at 31st July 2022.

iii. Unsupported Payments

Regulation No. 46 of the Public Finance Management (General) Regulations of 2020 requires that a payment voucher relating to purchases should be supported by a purchase order, supplier's invoice and proof of delivery or performance.

Contrary to the regulation, twelve (12) payments in amounts totalling K18,780 made during the period under review were not supported with relevant documents such invoices.

e. Administrative Matters

i. Failure to Insure Motor Vehicles and Motorcycles

Section 86 of the Road Traffic Act No. 11 of 2002, requires all users of motor vehicles or trailers to have at least third-party insurance.

Contrary to the Act, thirty five (35) motor vehicles and four (4) motorcycles from nine (9) stations whose values could not be ascertained, had not been insured as at 31st July 2022.

ii. Failure to Effect Recoveries from the Surcharged Officers

On 31st August 2021 and 23rd July 2021, a Nissan Navara registration No. GRZ 182 CH valued at K150,000 belonging to the Provincial Administration and a Nissan Hard Body registration No. GRZ 997 CJ valued at K100,000 belonging to Chikankata District Administration were involved in accidents. The police reports revealed that the drivers were at fault.

In this regard, on 11th November 2021, the Standing Accidents Committee resolved to surcharge the officers and recover costs to repair the vehicles.

However, as at 31st July 2022, eight (8) months after the resolution of the Committee was made, recoveries were not effected from the two (2) officers.

f. Management of Stores - 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 should keep and maintain record of the receipt and issue of such public stores.

Contrary to the regulation, stores items costing K148,199 comprising general stores (K143,864) and fuel (K4,435) procured during the period under review were not accounted for in that there were no receipt and disposal details.

61 Recommendations

In order to improve Public Financial Management and ensure that the Ministries, Provinces and Agencies (MPAs) are operating within the financial management and accounting framework as set out in the Constitution of Zambia (Amendment) Act No. 2 of 2016, Public Finance Management Act No. 1 of 2018, Public Procurement Act No. 12 of 2008, Appropriations Act No. 22 of 2018 and any other laws and regulations, the following are recommended:

- i. Controlling Officers must ensure that revenue collection and expenditure is appropriately planned and controlled. This should be done by:
 - Adhering to relevant laws, regulations and circulars;
 - Establishing and maintaining an effective, efficient and transparent system of financial and risk management as well as adequate and robust internal controls;
 - Managing public resources prudently and safeguarding them;
 - Taking effective and appropriate steps to collect revenues due to the Government that is under their charge;
 - Prevention of irregular or wasteful expenditure, misapplication of funds, theft or loss resulting from negligence or criminal conduct;
 - Taking immediate, effective, and appropriate disciplinary steps against erring office holders in the ministry or department under their charge; and
 - Taking immediate and appropriate action on internal and external audit recommendations.
- ii. The general revenue collected by appointed agents on behalf of Government should be promptly remitted to the Consolidated Fund,
- iii. Controlling Officers should ensure that there is strict adherence to procurement procedures and all contract provisions,
- iv. Controlling Officers must ensure that all the assets under their charge are appropriately secured and insured, and

- v. Controlling Officers must ensure that all taxes and other statutory contributions are deducted and timely remitted to the respective institutions.

62 Acknowledgements

I wish to thank all my staff for their hard work in ensuring that this report is produced despite the constraints highlighted in this report. I also wish to express my gratitude to the Secretary to the Treasury, the Accountant General and Controlling Officers and their staff for their cooperation during the audit process which enabled me to execute my duties diligently.

63 Recommendations of the Public Accounts Committee

In 1992, the Public Accounts Committee (PAC) resolved to appoint a Committee of Officials comprising officers from the Ministry of Finance, National Assembly and Office of the Auditor General to exclusively deal with the outstanding issues on a continuous basis.

However, it is important to note that the outstanding issues have not been included in this Report. However, outstanding issues have been summarised. Please refer to the Outstanding Issues Report for detailed information.

Also note that the Outstanding Issues Report does not include matters for the financial years 2019 and 2020 as the Action Taken Report from the Ministry of Finance had not been adopted by Parliament at the reporting date.

Appendix 2 is the Glossary of Terms which has been included to make the report clearer and assist the users of the report fully understand the issues raised.

PART III

OUTSTANDING AUDIT MATTERS

(Refer to the Outstanding Issues Reports for details)

64 Appendix 1 – Summary of Outstanding Issues as at 31st December 2021

MINISTRIES, PROVINCES AND AGENCIES WITH OUTSTANDING ISSUES FROM THE TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIRST SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY.

Report of the Auditor General on the Accounts for the Financial Year ended 31st December 2009

1. Ministry of Foreign Affairs Missions Abroad
2. Ministry of Science, Technology and Vocational Training
3. Office of the President Western Province
4. Office of the President Western Province

Report of the Auditor General on the Accounts for the Financial Year ended 31st December 2010

1. Ministry of Finance
2. Ministry of Local Government and Housing
3. Ministry of Agriculture
4. Ministry of Home Affairs – Zambia Police
5. Ministry of Home Affairs -
6. Ministry of Science, Technology and Vocational Training
7. Office of the President Southern Province

Report of the Auditor General on the Accounts for the Financial Year ended 31st December 2011

1. Ministry of Finance
2. Ministry of Local Government and Housing
3. Ministry of Health
4. Ministry of Transport, Works, Supply and Communication
5. Ministry of Foreign Affairs Missions Abroad
6. Ministry of Livestock and Fisheries Development
7. Ministry of Home Affairs
8. Ministry of Defence - HQ
9. Ministry of Defence - Zambia National Service
10. Office of the President Western Province
11. Office of the President Southern Province
12. Office of the Vice President – DMMU
13. Office of the President Copperbelt Province

Report of the Auditor General on the Accounts for the Financial Year ended 31st December 2012

1. Ministry of Local Government and Housing
2. Ministry of Lands
3. Ministry of Health
4. Ministry of Communication and Transport
5. Ministry of Communication and Transport
6. Ministry of Foreign Affairs Mission Abroad
7. Ministry of Justice
8. Ministry of Youth and Sport
9. Office of the President Southern Province
10. Office of the President Northern Province
11. Office of the President Central Province
12. Office of the President Eastern Province
13. Office of the President North-Western Province

Report of the Auditor General on the Accounts for the Financial Year ended 31st December 2013

1. Ministry of Chiefs and Traditional Affairs
2. Ministry of Finance – Loans and Investments
3. Ministry of Mines and Mineral Development
4. Ministry of Local Government and Housing
5. Ministry of Education
6. Ministry of Foreign Affairs Mission Abroad
7. Ministry of Agriculture
8. Ministry of Community Development, Mother and Child Health
9. Office of the President Southern Province
10. Office of the President Northern Province
11. Office of the President Muchinga Province
12. Office of the President Luapula Province - Headquarters
13. Office of the President Lusaka Province
14. Office of the President Copperbelt Province
15. Office of the President Eastern Province
16. Office of the President North-Western Province

Report of the Auditor General on the Accounts for the Financial Year ended 31st December 2014

1. Ministry of Lands
2. Ministry of Local Government and Housing

3. Ministry of Health
4. Ministry of Transport, Works, Supply and Communication
5. Ministry of Education
6. Ministry of Foreign Affairs Mission Abroad
7. Ministry of Agriculture
8. Ministry of Home Affairs – Zambia Police
9. Ministry of Defence
10. Ministry of Tourism and Arts
11. Ministry of Youth and Sport
12. Office of the President Western Province
13. Office of the President Southern Province
14. Office of the President Northern Province
15. Office of the President Muchinga Province
16. Office of the President Luapula Province
17. Office of the President Lusaka Province
18. Office of the President Copperbelt Province
19. Office of the President Eastern Province
20. Office of the President North-Western Province

Report of the Auditor General on the Accounts for the Financial Year ended 31st December 2015

1. Ministry of Mines and Mineral Development
2. Ministry of Energy and Water Development
3. Ministry of Health
4. Ministry of Works and Supply
5. Ministry of Education
6. Ministry of Foreign Affairs Missions Abroad
7. Ministry of Livestock and Fisheries Development
8. Ministry of Agriculture
9. Ministry of Home Affairs – Zambia Police
10. Ministry of Home Affairs - Prisons and Reformatories
11. Ministry of Home Affairs – Immigration
12. Ministry of Home Affairs
13. Ministry of Defence
14. Ministry of Community Development, Mother and Child Health
15. The Judiciary
16. Ministry of Gender and Child Development
17. Ministry of Youth and Sport
18. Office of the President Western Province
19. Office of the President Southern Province
20. Office of the President Northern Province

21. Office of the President Muchinga Province
22. Office of the President Luapula Province
23. Office of the President Lusaka Province
24. Office of the President Copperbelt Province
25. Office of the President Central Province
26. Office of the President North-Western Province

Report of the Auditor General on the Accounts for the Financial Year ended 31st December 2016

1. Ministry of Home Affairs
2. Ministry of Lands and Natural Resources
3. Ministry of Mines and Minerals Development
4. Ministry of Transport and Communications (Road Transport and Safety Agency) Road Traffic Collections
5. Ministry of Transport and Communications
6. Ministry of Foreign Affairs - Headquarters
7. Ministry of Justice
8. Ministry of Commerce, Trade and Industry
9. Ministry of Health
10. Ministry of Transport and Communications
11. Ministry of Energy and Water Development
12. Ministry of Works and Supply
13. Ministry of Higher Education
14. Ministry of Youth, Sport and Child Development
15. Ministry of Defence Headquarters
16. Ministry of General Education
17. Ministry of Lands, Natural Resources and Environmental Protection
18. Ministry of Fisheries and Livestock
19. Office of the President Muchinga Province
20. Ministry of Agriculture
21. Office of the President Lusaka Province
22. Office of the President Copperbelt Provincial
23. Office of the President Central Province
24. Office of the President Northern Province
25. Office of the President Western Province
26. Office of the President Luapula Province
27. Office of the President North Western Province
28. Office of the President Southern Province

Report of the Auditor General on the Accounts for the Financial Year ended 31st December 2017

1. Zambia Revenue Authority
2. Ministry of Transport and Communications - Road Transport and Safety Agency
3. Ministry of Works and Supply - National Road Fund Agency
4. Ministry of Home Affairs - Department of Immigration
5. The Judiciary
6. Ministry of Lands and Natural Resources
7. Ministry of Tourism and Arts
8. Ministry of Home Affairs Zambia Police Service
9. Ministry of Gender and Child Development
10. Ministry of Home Affairs
11. Ministry of Foreign Affairs
12. Ministry of Justice
13. Ministry of Finance
14. Ministry of Community Development and Social Services
15. Ministry of Health
16. Ministry of Housing and Infrastructure Development
17. Ministry of Higher Education
18. Ministry of Tourism and Arts
19. Ministry of Defence
20. Ministry of Defence Zambia Army
21. Ministry of Defence Zambia Airforce
22. Ministry of Defence Zambia National Service
23. Ministry of General Education
24. Ministry of Lands and Natural Resources
25. Ministry of Fisheries and Livestock – Headquarters
26. Ministry of Agriculture
27. Office of the President Lusaka Province
28. Office of the President Copperbelt Province
29. Office of the President Central Province
30. Office of the President Northern Province
31. Office of the President Western Province
32. Office of the President North Western Province
33. Office of the President Southern Province

Report of the Auditor General on the Accounts for the Financial Year ended 31st December 2018

REVENUE

1. Zambia Revenue Authority
2. Ministry of Transport and Communication

3. The Judiciary
4. Ministry of Agriculture
5. Ministry of Lands and Natural Resources
6. Ministry of Commerce, Trade and Industry
7. Ministry of Labour and Social Security
8. Ministry of Water Development, Sanitation and Environmental Protection
9. Ministry of Energy
10. Ministry of Works and Supply
11. Ministry of Tourism and Arts
12. Ministry of Home Affairs

EXPENDITURE

13. Ministry of Home Affairs
14. Ministry of Home Affairs - Zambia Correctional Service
15. Ministry of Local Government
16. Ministry of Justice
17. Ministry of Community Development and Social Services
18. Ministry of Health
19. Ministry of Youth, Sport and Child Development
20. Ministry of Defence
21. Ministry of General Education
22. Ministry of Agriculture
23. Office of the President Lusaka Province
24. Office of the President Copperbelt Province
25. Office of the President Central Province
26. Office of the President Western Province
27. Office of the President Eastern Province
28. Office of the President Luapula Province
29. Office of the President Southern Province

The number of Outstanding Issues from the Reports of the Auditor General reduced from 1,452 to 702 as detailed in the table below.

Year	Number of Issues	Recommended for Closure	%	Outstanding	%
2009 – 2018	1,452	750	52%	702	48%

65 Appendix 2 – Glossary of Terms

Accountable Documents	Documents such as receipts, licences, certificates, discs or tokens and others used in the collection of Revenues.
Audit Finding	The result of audit procedures and tests conducted by the auditor.
Controlling Officer	An officer designated as such by the Secretary to the Treasury to maintain accounts of a Ministry, Province or Spending Agency.
Delayed Banking	Failure to bank moneys received not later than the next business day or at least twice every month where banking facilities do not exist.
Excess Expenditure	Expenditure incurred above the authorised budget amounts without the authorisation of Parliament.
Failure to Follow Procurement Procedures	Non-Compliance with the Zambia Public Procurement Act and Procurement guidelines in the purchase of goods and services.
Irregular payments	Payments made outside the normal practice or acceptable regulations or norms.
Irregularity	Breach of laws, regulations or rules.
Imprest	Funds or monies issued out to facilitate payments of a minor nature, meet expenses when the officer is travelling on duty or to facilitate the purchase of goods and services whose value cannot be ascertained at the time.
Misapplication	Use of funds budgeted for a programme on an unrelated programme without authority from the Secretary to the Treasury.
Misappropriation	Use of public funds for personal purposes or crediting public funds to a private bank account.
Outstanding Issues	These are audit queries that remain unresolved in the Treasury Minutes (Action Taken Report) prepared by the Ministry of Finance on the Reports of the Auditor General
Overpayments	Payments made above the correct price or rate.

Parliament	Legislative organ of Government
Public Accounts Committee (PAC)	A sessional committee of the National Assembly established in terms of the standing orders. PAC examines the Auditor General's Report, as part of their mandate of examining the accounts showing the appropriation of the sums approved by the National Assembly.
Unaccounted for Revenue	Revenue collected but neither banked nor cash found on hand.
Unvouched Expenditure	Payment vouchers not availed for audit because they are either missing or inadequately supported.
Unretired Imprest	Imprest not accounted for.
Unauthorised Expenditure	Funds spent without approval by a responsible officer.
Unacquitted Payments	Payments made without evidence of having been received by the intended beneficiaries.
Unaccounted for Stores	Missing stores items without evidence of how they were received and utilised.
Undelivered Materials	Goods paid for but not received.
Non-Submission of Expenditure Returns	Failure to provide details of how funds disbursed were utilised.
Unaccounted for Funds	Missing funds without expenditure records.
Wasteful Expenditure	Expenditure incurred without benefits derived.
Reconciliation	The process of ensuring that two (2) or more sets of records agree

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