Republic of Zambia

OFFICE OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF PARASTATAL BODIES AND OTHER STATUTORY INSTITUTIONS

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2022

REPUBLIC OF ZAMBIA

REPORT OF THE

AUDITOR GENERAL

ON THE

ACCOUNTS OF PARASTATAL BODIES

AND OTHER STATUTORY INSTITUTIONS

FOR THE

FINANCIAL YEAR ENDED

31ST DECEMBER 2022

OFFICE OF THE AUDITOR GENERAL

VISION: An independent and credible audit institution promoting transparency and accountability in the management of public resources for the well-being of the citizenry.

MISSION: To provide timely quality audit services to promote transparency and accountability in the management of public resources.

CORE VALUES:

Integrity
Objectivity
Excellence
Teamwork
Confidentiality
Professionalism

PREFACE

The audit of selected Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2022 was conducted in accordance with the Provisions of Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016, the Public Audit Act No. 13 of 1994, the Public Finance Management Act No. 1 of 2018 and International Standards for Supreme Audit Institutions (ISSAIs).

This report highlights matters concerning the management and financial performance of selected Parastatal Bodies and Other Statutory Institutions. These matters include weaknesses in corporate governance, failure to prepare and have accounts audited, poor management of loans, pension funds and contracts, and weaknesses in internal control systems.

It is my sincere belief that, those charged with the responsibility of oversight and managing public resources will take appropriate action to address the matters brought to their attention in this report.

Dr. Ron M. Mwambwa, FCMA, FZICA, CGMA, CFE

ACTING 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 and Chief Executive Officers (CEO) whose accounts were audited. The purpose of this interaction was to provide an opportunity for the Controlling Officers and CEOs 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 2022 and outstanding matters as reported in the Treasury Minute (Action Taken Report) for the period 2012 to 2020 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 as follows:

1. Industrial Development Corporation

a. Financial Analysis - Failure to Produce Audited IDC Financial Statements and Group Consolidated Financial Statements

As at 30th September 2023, the IDC had not produced audited Consolidated Financial Statements for the years ended 31st December 2018 to 2022 and no sanctions were meted out on subsidiaries that delayed in preparing their financial statements.

In addition, eight (8) State Owned Enterprises had not produced audited financial statements for the financial years ended 31st December 2020, 2021 and 2022 as at 30th September 2023.

b. Financial Performance of Subsidiaries and Investee Companies

A review of the performance of the subsidiaries and Investee companies revealed the following:

i. **Profit/Loss Making State Owned Enterprises**

During the period under review, it was observed that thirteen (13) subsidiary companies incurred losses amounting to K746,084,000 and K1,854,902,817 in 2021 and 2022 respectively.

Consequently, out of the thirty (30) State-Owned Enterprises (SOEs) in which the IDC holds 62.28 to 100 percent shareholding, only five (5) declared dividends amounting to K61,334,600 and K62,012,587 in 2021 and 2022 respectively.

ii. **Failure to Obtain Approval of Contracts by the Attorney General**

Contrary to the provision of Section 72 (2) (e) of the Public Procurement Act of 2020, IDC did not obtain clearance from the Attorney General for the following contracts:

- Contracts for construction of fruit processing plants in Mwinilunga and Katete Districts at contract sums amounting to K62,006,153 which were revised by K85,340,834 to K 147,346,987.
- Contract for construction of the Tomato Processing Plant and associated works at Fig Tree in Chisamba District – Central Province at a fixed contract sum of US$ 4,644,508.66
- Contract for rehabilitation of Mukuba Hotel in Ndola District - Copperbelt at contract price of K18,250,654.82.

c. **Failure to Collect Rentals**

During the period under review, IDC had leased out four (4) properties located in Lusaka, Ndola and Mongu. However, a review of Rent Statements of Accounts revealed that rentals in amounts totalling K5,001,895 for the period from January 2021 to December 2022 had not been collected as at 30th September 2023.

2. **INFRATEL Corporation Limited**

a. **Failure to Pay Outstanding Fees on Colocation Agreement of 103 Towers Between Ministry of Home Affairs, ZAMTEL and INFRATEL**

On 1st March 2019, ZAMTEL (Providing Operator) and the Government of the Republic of Zambia acting through the Ministry of Home Affairs (Using Operator) entered into a ten (10) years Colocation agreement.

It was agreed that the Using Operator should pay US$1,200,000 to the Providing Operator for 103 towers with the stated amount being a one-off payment to be made at the beginning of the contract.

On 1st June 2020, ZAMTEL and INFRATEL and the Government of the Republic of Zambia acting through the Ministry of Home Affairs entered into a novation agreement relating to the Colocation on Towers and Equipment Agreement executed between ZAMTEL and the Government of the Republic of Zambia dated 1st March 2019.

However, ZAMTEL failed to pay INFRATEL the full amount of US$1,200,000 in that only US$288,946 (K4,915,890) was liquidated through a debt swap leaving a balance of US$911,054 owed to INFRATEL as at 31st August 2023.

b. Towers Without Customers

INFRATEL maintained a total of eighty-one (81) Telecommunication Towers in eight provinces that were not generating any revenue for the company as there were no customers that were using the towers.

In this regard, a total amount of K228,800 was spent to maintain the towers on a monthly basis resulting in a loss of funds amounting to K8,236,800 during the period under review.

3. Lusaka South Multi-Facility Economic Zone

a. Non-Revenue Water - Unaccounted for Water

During the period 2019 – 2022 LS-MFEZ procured 480,172m³ of water from Lusaka Water Supply and Sanitation Company (LWSC) at a total cost of K4,204,836 for onward distribution to investors within the zone. However, a total of 263,094m³ was distributed and billed leaving a balance of 217,078m³ costing K1,937,843 unaccounted for.

b. Staff Related Matters

i. Questionable Motor Vehicle Scheme

Cabinet Office abolished the provision of personal-to-holder motor vehicles to officers in public service and state-owned enterprises.

In this regard, LS-MFEZ implemented a Company Scheme for Senior staff which entitled them to procure motor vehicles for official use. A review of the scheme revealed the following:

- **Questionable Disbursement of 100% of the Cost of Motor Vehicles**

  During the period under review, LS-MFEZ paid the 100% total cost of K3,518,042 to the Public Service Micro Finance Company for the procurement of five (5) vehicles for five (5) senior members of staff.

  However, this was against the principle of the Circular abolishing procurement of personal to holder vehicles as a cost serving measure.

- **Questionable Interest Rate**

  Under the PSMFC Scheme, interest was being charged at the rate of 15% as opposed to the 5% flat rate used by LS-MFEZ rendering the basis of interest charged questionable.

4. Mpulungu Harbour Corporation Limited (MHCL)

a. Failure to Meet Targeted Revenue

MHCL projected to raise amounts totalling K68,134,567 in 2021 and K62,617,563 in 2022 through provision of various harbour and port facility services. However, the company failed to meet its targeted revenue in 2021 by K1,218,778 representing 2% and by K17,483,326 representing 28% in 2022.

b. Failure to Meet Targeted Throughput (Cargo Handled)

During the period under review, the Corporation projected to achieve a throughput of 230,653 metric tonnes and 241,500 metric tonnes in 2021 and 2022, respectively. However, whilst the Corporation managed to meet its target in 2021 of 231,880 metric tonnes, only a throughput of 185,802 metric tonnes was achieved in 2022, resulting in a deficit of 55,698.1 metric tonnes.

c. Reduced Port Efficiency - Failure to Repair Broken Down Machinery

Three (3) sets of equipment namely the American Crane, and two (2) by 20tons Forklifts critical to handling of cargo onto the ship, whose book value stood at K1,640,117 as at 31st December 2022 had broken down at the time of audit in June 2023 for periods ranging from two (2) weeks to three (3) years.

d. Management of Warehousing - Poor Handling of Goods in the Warehouse

During the year ended 31st December 2022, MHCL recorded a total of 332.95 metric tons of damaged Dangote and Lafarge cement within its warehouses representing

6,659 x 50Kg bags of damaged cement. The total cost of damages totalled K835,615 US$43,465 as at 8th August 2023.

5. Zambia Railways Limited

a. Failure to Meet Locomotive Availability Rate Target

ZRL failed to meet the set locomotive availability rate of 100% as the number of available locomotives for the years 2021 and 2022 were 17 and 16 translating into availability rates of 77% and 84% in 2021 and 2022 respectively. As a result, ZRL failed to haul targeted freight tonnage of 2,147,681 tonnes in the period under review; instead, 1,612,486 tonnes were hauled resulting in a variance of 535,195 tonnes below the targeted tonnage.

b. Poor State of Rail Infrastructure

The number of safety occurrences reported during the period under review increased to 696 in 2022 from 642 occurrences in 2021 out of which 537 were attributed to track failure.

As a result of the safety occurrences arising from the poor state of the rail line and supporting infrastructure, sections of the rail were placed on temporal speed limit of 15 km/hr from an average speed of 50 km/hr. This resulted in increased transit time for passengers and cargo.

c. Contract for the Recapitalisation and Modernisation of Zambia Railways

On 5th March 2021, the Industrial Development Corporation (IDC) and Zambia Railways Limited (ZRL) entered into a contract with Team Sweden Railways (TSR) for the rehabilitation and modernisation of Zambia Railways Limited (ZRL) at a contract sum of €978,093,639 VAT exclusive.

i. Failure to Secure Financing for Phase 1 Before Contract Award

On 4th May 2021, Zambia Railways Limited (ZRL) and Industrial Development Corporation (IDC) entered into a loan agreement with Zambia National Commercial Bank PLC Zambia for an amount of €3,044,930. The loan amount was meant for payment of 25% advance payment of the contract sum of €12,179,723 for phase 1 of the recapitalisation and modernisation project. The contractor was paid the advance payment on 1st September 2021.

However, the contract was signed without the approvals authority confirming availability of funding for the procurement requirement thus resulting in delayed settlement of Certified Interim Payment Certificates amounting to €5,187,368.68 for periods ranging between seven (7) and fourteen (14) months. As at 31st August 2023, the contractor had suspended works.

The delay in completing Phase 1 has resulted in the failure to execute Phase 2 whose works included rehabilitation of 1,029 km of railway line from Livingstone to Sakania Border (including Chingola, Chililabombwe and Mufulira branch lines) and the procurement of 500 locomotives and 1500 wagons.

ii. Failure to Recover Advance Payment

On 5th February 2014, Zambia Railways Limited entered into a contract for the upgrading of signalling and telecommunication equipment at Zambia Railways Limited with a consortium comprising Bombardier Transportation Denmark AS, Huawei International Pte Ltd and GMC Technologies (Zambia) Ltd, collectively called BHG Zambia Alliance. The contract sum was US$50,999,968.29 with a delivery period of two (2) years.

Zambia Railways Limited, on 24th April 2014, paid Bombardier Transportation Denmark DKK21,948,797.40 million (or US$3.6 Million) being 15% of its portion of the contract sum. As of September 2023, no works had been done and management had not taken any legal action.

6. Administrator General and Official Receiver

a. Zambia National Oil Company (ZNOC)

i. Failure by Zambia National Oil Company (ZNOC) to Claim Funds Generated by Indeni Energy Company Zambia for the use of the Ndola Fuel Terminal

ZNOC operated the Ndola Fuel Terminal (NFT) which was constructed for the purpose of dispensing refined products from Indeni Energy to other parts of the Country. Following the placement of ZNOC on solvent liquidation on 30th October 2001, the Government requested Indeni Energy Company to manage and operate the Ndola Fuel Terminal (NFT) which on 10th August 2011 was valued at US$13.45 million.

ZNOC was owed K30 billion (US$6.5 million) by Indeni Energy Company accrued during the time Indeni managed the NFT.

The Ministry of Energy had advised the liquidator that the debt would be assumed by Government. However, as of September 2023, the debt had not been paid to the Administrator General.

ii. **Failure to Obtain Treasury Authority to Invest in a Fixed Deposit Account.**

Section 28 (4) of the Public Finance Management Act of 2018 provides that a Controlling Officer shall invest public funds, subject to the approval of the Secretary to the Treasury.

However, on 19th May 2021, the Administrator General, as Official Receiver and Liquidator of Zambia National Oil Company (ZNOC) invested amounts totalling K4,000,000 in a fixed deposit account without obtaining authority from the Secretary to the Treasury.

As at 19th May 2023, the Fixed Deposit had matured and earned interest in amounts totalling K1,604,384.

b. **Roan Antelope Mining Cooperation (RAMCOZ) - Disposal of Luanshya Tailing Dams**

On 17th November 2017, Global Security Joint Stock Company signed an agreement with the Office of the Administrator General for the purchase of the Tailing Dams at $7,000,000.

However, the award and sell of the Luanshya Tailing Dams to Global Security Joint Stock Company was questionable in that there were two (2) other bidders who offered bids of US$8,200,000 (Copper Tree Minerals) and US$12,000,000 (Larboneks Investments Limited) higher than that of Global Security Joint Stock Company.

c. **SERIOES International Limited-Sale of Property Stand No. 1554 to Nyimba Investments Limited at a Price Lower than the Reserve Price**

On 10th February 2020 Nyimba Investment Limited as seating tenants were offered to purchase a property at stand No. 1554 situated in Luanshya at a reserve price of K2,935,000. However, the company responded with a counteroffer of K1,560,000 resulting in the Office of the Administrator General placing an advert in the print media in May 2020 for the sale of the property at a reserve price of K2,935,000. Antelope Wholesale Merchants Limited made an offer of K2,951,000 for the property.

However, it was observed that the property was sold to Nyimba Investment Limited in May 2021 at a price of K1,650,000 which was lower than the price offered by Antelope Wholesale Merchants Limited.

The sale of the property at a lower price was therefore, questionable.

7. Energy Regulation Board - Outstanding Debt

During the period under review, it was observed that amounts totalling K498,955,555 were outstanding from three (3) entities in respect of licence fees as at 31st August 2023.

8. Food Reserve Agency

i. Poor Storage of Maize

A physical verification undertaken at twenty (20) FRA depots revealed that 18,764 x 50Kg maize valued at K4,006,720 stacked outside got damaged due to exposure to elements of weather such as moisture sipage and overheating.

ii. Over Collection of Maize by Millers and Traders

An analysis of maize sales contracts between the FRA and twenty-four (24) millers and traders revealed that a total of 116,908 metric tonnes of white maize valued at K467,632,000 were issued.

However, the millers and traders collected a total of 210,138.82 metric tons valued at K839,212,287 resulting in an over collection of 93,230.82 metric tons valued at K391,580,287 contrary to the Sales Contracts.

iii. Unpaid for Maize Collected by Millers and Traders

During the year under review, twenty (20) millers and traders collected a total of 140,139.61 metric tonnes of white maize valued at K560,558,668 from various FRA depots.

However, a review of the bank statements submitted for audit revealed that the millers and traders only paid for a total of 83,603.59 metric tonnes valued at K334,378,317 leaving a balance of 56,536.02 metric tonnes valued at K226,144,080 unpaid for.

iv. Delayed Operationalisation of Bwana Mkubwa Grain Silos

On 4th March 2015, Food Reserve Agency engaged Wah Kong Enterprises Limited for the Rehabilitation of Bwana Mkubwa Grain Silos at a contract sum of K49,136,607 VAT inclusive and the expected date of completion was on or before 23rd April 2017.

The silo had not been operationalised as of 31st August 2023, forty seven (47) months after it was handed over.

As a result, FRA incurred expenditure amounting K2,305,080 in the year 2022 on renting of 30,300 metric tonnes of storage facilities from four (4) landlords in Ndola which could have been avoided had the Bwana Mkubwa silo with a storage capacity of 22, 500 metric tonnes been operationalised.

v. Contract Between Food Reserve Agency (FRA) and Advanced African Solutions (ADAS)

- **Failure to Adhere to the Zambia Public Procurement Authority Guidance**

  On 1st March 2013, the Agency sought a 'No Objection' to complete and upgrade the storage infrastructure using Public – Private Partnership (PPP) model. ZPPA guided that the application be forwarded to the Ministry of Finance for consideration in line with Public Private Partnership Act No. 14 of 2009, under the Public Private Partnership Unit.

  However, there is no evidence that this guidance from ZPPA was adhered to by FRA. Instead on 12th July 2013, the Agency wrote to the Ministry of Finance to seek approval and guidance on the way forward regarding the procedure for signing the contract, and the proposal was approved by the office of the Secretary to the Treasury on 18th July 2013.

  Further, minutes and list of attendees regarding contract negotiations with ADAS were not availed.

- **Failure to Explore Alternative Financing Models**

  However, it is not clear why the Chinese Concession Loans or Chinese Government Preferential Buyers Credit Loans which the ADAS and other firms had proposed as indicated in the letter to ZPPA dated 1st March 2013 were not considered.

  In this regard, the failure by the Ministry of Finance to consider the financing models for this project as proposed by ADAS was questionable.

- **Failure to Indicate Budget Line for Financing the Project**

  Correspondence from the Minister of Finance did not detail the Head, Programme and Activity that was to be used to Finance the Project making it difficult to ascertain how the project was going to be financed.

  Although the amended contract was approved and authorised by both the Ministry of Justice (On the legality of the amended contract) and the Ministry of Finance (On the ability to finance the project), it is not clear who authorised ADAS to amend the contract that was initially signed on 18th July 2013.

- **Failure to Pay Penalties and Interest**

  A review of notification of default letter dated 26th June 2023 from ADAS Africa to Food Reserve Agency revealed that the Ministry of Finance/Food Reserve Agency as contracting authority had not settled a total of US$19,477,202 of the capped penalties of US$52,000,000 as per the settlement agreement dated 29th January 2021. As at 31st May 2023, interest in amounts totalling US$5,015,953.98 had accumulated on the unpaid penalty amounts bringing the total outstanding amount to US$24,493,156.83.

- **Delayed Completion of the Project**

  A review of the Progress Report from FRA dated 30th June 2023 and physical inspection of some sites conducted in August 2023 revealed that on average, only 35% of the Project of upgrading slabs into shades had been completed with delays in completion ranging from twenty (21) to 786 days.

9. National Health Insurance Management Authority

a. Failure to Secure Source Code for Holistic Insurance Platform - Administration of ZSIC Life Contract

On 13th February 2020, NHIMA awarded a contract to ZSIC Life Limited for the supply of a system for the design, implementation, deployment and support of the operational infrastructure for NHIMA at a contract sum of K790,000,000. The contract was for a period of five (5) years and as at 30th September 2023, NHIMA had paid the ZSIC Life Ltd amounts totalling K517,365,000.

As of September 2023, NHIMA had not secured the source code for the HIP system. This implies that NHIMA will forever rely on the developer for any modification, bugfix, upgrade to the system and the developer may raise the price for such services.

b. Low Coverage on Eligible Member Registration on to the Scheme

According to the 2023 to 2026 NHIMA Strategic Plan, the Authority planned to increase its membership to greater than 3.4 million annually from 2022 to 2026. However, as at 30th September 2023, the Authority had a registered membership of 3,743,083 representing 55% of the targeted membership.

10. National Road Fund Agency

a. Agency Loans and Financing Agreements - Penalties Due to Delayed Repayments

i. NAPSA Financing Agreement

In 2017, the Agency signed a financing agreement with the National Pensions Scheme Authority (NAPSA) for the purpose of financing the construction and rehabilitation of the Ndola to Kitwe, Kitwe to Chingola dual carriage ways and Chingola to Solwezi single carriage way and the construction of four (4) toll plazas thereon. In this regard, as at 31st December 2022, amounts totalling K4,644,807,875 had been disbursed to NFRA.

However, the Agency delayed in remitting repayments and this resulted in penalty charges in amounts totalling K114,999,574 that remained unpaid as at 31st December 2022.

ii. INDO Zambia Bank

As a strategy to address the impact of the COVID 19 pandemic on the road sector, the Agency obtained a component of the Bank of Zambia medium-term stimulus loan financing facility through INDO Zambia Bank, amounting to K500,000,000 aimed at liquidating a component of outstanding arrears owed to local contractors and suppliers of goods and services.

The Agency was charged a penalty amounting to K3,367,148 due to delayed payments.

iii. **National Savings and Savings (NATSAVE) Bank**

In January 2020 and October 2020, the Agency obtained two loan facilities from NATSAVE amounting to K800,000,000 aimed at facilitating payment to local contractors and consultants for completed works.

The Agency was charged K364,708 and K9,155,593 as penalty charges and interest arrears, respectively.

iv. **Loss of Funds Arising from Litigation Costs**

During the period under review, the Agency was sued by various companies due to unpaid road works and judgments were delivered in favour of the claimants.

As such the Agency was ordered by the Court to pay amounts totalling K1,145,848,444 in respect of legal and interest costs.

11. National Savings and Credit Bank-Failure to Submit Unclaimed Suspense Funds to BOZ

A review of the suspense unclaimed fund schedule revealed that amounts totalling K1,060,040 which remained unclaimed as far back as 2009 had not been relinquished to Bank of Zambia contrary to the provision of Section 160 (3) of the Banking and Financial Services Act No. 7 of 2017.

12. Public Service Microfinance Company

i. **Declining Return on Equity (ROE)**

The ROE is a measure of the company's profitability and how efficiently it generates the profits. The decline in the ROE over the period indicates that the company may not be efficiently utilising the shareholder's equity to generate profits.

During the period under review, the company's ROE reduced from 1% in 2019 to 0.14% in 2022.

The decline in the ROE suggested that the company was less efficient in creating profits and increasing shareholders' value.

ii. **Questionable Terms of Conditions of Contracts (Payment of Gratuity)**

Section 53 (6) of Employment Code Act No. 3 of 2019 stipulates that where an employer terminates a long-term contract of employment under this Section, the employer shall pay the employee gratuity which is prorated according to the period of employment.

However, a review of employment contract of the former Chief Financial Officer (CFO) revealed that the company included a clause that required the company to pay full gratuity if the contract was terminated when an employee was recalled for re-deployment by the Government as though one had served the full term.

13. Public Service Pensions Fund (PSPF)-Indebtedness of Former PSPF Employees

A review of files revealed that thirteen (13) employees who separated from the institution between 2013 and 2021 were still owing the Fund amounts totalling K11,522,935 in respect of loans obtained whilst they were in service.

A review of records revealed that three (3) employees who were supposed to be paid redundancy packages in amounts totalling K1,979,029 were instead paid K2,264,118 resulting in an over payment of K285,090 contrary to the directives of the Board that the former employees be paid part of their package to avoid destitution.

14. Worker's Compensation Fund Control Board (WCFCB)

a. Questionable Investment in Shimaini Investment Limited

Clause 6.2.1 of the Investment Policy provides that The Fund may invest in equities of unlisted companies that demonstrate acceptable profitability and stability for three (3) consecutive years and have growth potential and value addition to the investment portfolio.

However, on 26th February 2021, the WCFCB Board approved the Investment of K17,000,000 into Shimaini Investment Limited, a company which did not demonstrate acceptable profitability and stability for three (3) consecutive years in that they had been posting losses from inception in 2016.

b. Failure to Collect Rental Income

In the financial years 2020 to 2022, WCFCB had made a budget provision for rental income of K52,395,175 towards which K46,394,639 was received as income resulting in a variance of uncollected income of K6,000,536.

15. Zambia Information and Communication Technology Authority - Failure to Collect Spectrum Fees

Contrary to the Act, spectrum licences involving ninety (90) licensees expired and the Authority failed to collect fees in amounts totalling K69,405,010 from the license holders which had been outstanding for a period exceeding six (6) years as at 31st August 2023.

16. Zambia Medicines and Medical Supplies Agency

a. Inadequate Medical Equipment at Selected Health Facilities

A budget provision of K320,341,710 was made and the whole amount was received by ZAMMSA for the procurement of medical equipment, ambulances and hospital linen, among others. However, as at 30th September 2023, medical equipment, ambulances and linen, among others had not been procured.

b. Failure to Distribute Personal Protective Equipment (PPE) Procured by DMMU

During the period between 28th January 2021 and 16th August 2021, the Disaster Management and Mitigation Unit (DMMU) procured and delivered Personal Protective Equipment and other medical supplies costing K674,417,823 to Zambia Medicines and Medical Supplies Agency (ZAMMSA).

A physical inspection carried out at the ZAMMSA warehouse in July 2023 revealed that due to slow and non-distribution, items costing K94,372,435 expired between 1st December 2021 and 26th June 2023, resulting in wasteful expenditure. In addition, medical supplies costing K125,168,291.60 procured within the same period were still in stores awaiting distribution.

PART I

PREAMBLE

ACRONYMS

ADAS	Advanced African Solutions
BOQ	Bill of Quantities
CAP	Claims Advance Payment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CABIS	Card Printing and Biometrics Capturing
DMMU	Disaster Management and Mitigation Unit
ERB	Energy Regulation Board
ERP	Enterprise Resource Planning
FRA	Food Reserve Agency
GCC	General Conditions of Contract
GRNs	Goods Received Notes
HIP	Health Insurance Platform
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
IMEI	International Mobile Equipment Identity
IPCs	Interim Payment Certificates
IPTIN	Inter Provincial Transfer Issue Notes
LS-MFEZ	Lusaka Multi-Facility Economic Zone
MD	Managing Director
MIS	Management Information System
MHCL	Mpulungu Harbour Corporation Limited
MNOs	Mobile Network Operators
NAPSA	National Pensions Scheme Authority
NATSAVE	National Savings and Credit Bank
NBV	Net Book Value
NFT	Ndola Fuel Terminal
NHIMA	National Health Insurance Management Authority

NRFA	National Road Fund Agency
NRW	Non-Revenue Water
OEM	Original Equipment Manufacturer
PAYE	Pay As You Earn
PMC	Provincial Marketing Coordinator
ROA	Return on Assets
ROE	Return on Equity
PSMFC	Public Service Micro Finance Company
PSPF	Public Service Pension Fund
RAMCOZ	Roan Antelope Mining Cooperation
SOEs	State Owned Enterprises
TFR	Transnet Freight Rail
ToRs	Terms of Reference
TSR	Team Sweden Railways
TTMS	Telecommunications Traffic Monitoring System
UASF	Universal Access and Service Fund
VAT	Value Added Tax
WCFCB	Workers' Compensation Fund Control Board
WHT	With Holding Tax
WRS	Weekly Receipt Summary
ZAFFICO	Zambia Forestry and Forest Industries Corporation
ZAMMSA	Zambia Medicines and Medical Supplies Agency
ZAMRA	Zambia Medicines Registration Agency
ZCCL	Zambezi Cashews Company Limited
ZNOC	Zambia National Oil Company Limited
ZNS	Zambia National Service
ZPPA	Zambia Public Procurement Authority
ZRA	Zambia Revenue Authority
ZRL	Zambia Railways Limited
ZUFIAUW	Zambia Union of Financial Institutions and Allied Workers

1 INTRODUCTION

The roles and responsibilities of the Auditor General as regards the management of public resources, reporting and accountability are as contained in the Constitution of Zambia (Amendment) Act No. 2 of 2016, the Public Finance Management Act No. 1 of 2018, the Public Audit Act No. 13 of 1994 and International Standards for Supreme Audit Institutions (ISSAIs).

The Report on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2022 contains paragraphs on sixteen (16) Parastatal Bodies and Other Statutory Institutions that were audited, but the finding were unresolved at the time of publication.

The Report also includes findings from the audits of Information and Communication Technology (ICT) Systems that some organisations have implemented in order to improve efficiency and effectiveness of service delivery.

In preparing this Report, Controlling Officers and Chief Executive Officers of the affected institutions were availed draft paragraphs for comments and confirmations of the correctness of the facts presented. Where management comments were received and varied materially with the draft paragraphs presented, amendments were made accordingly.

2 SCOPE AND METHODOLOGY

This Report is as a result of audits of selected Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2022. Although the Report is for the financial year ended 31st December 2022, it includes audits covering the financial years 2019, 2020 and 2021 for institutions that had not been audited for those years.

The audits covered in this report are in two (2) categories:

i. Institutions whose Financial Statements are audited and certified by the Auditor **General. See Appendix 1.**

ii. Institutions whose Financial Statements are audited and certified by private auditors in line with appropriate pieces of legislation and are reviewed by the Auditor General. It is necessary that such accounts are reviewed, and the result of such reviews are reported by the Auditor General in compliance with relevant legislation. **See Appendix 2.**

a. Audit Methodology

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require to plan an audit, conduct risk assessment, design and conduct audit procedures and report on the audit findings. The standards require us to consider the following five (5) steps:

i. Planning

During planning, we focus on obtaining an understanding of auditee business, its challenges and risks, organisational structure, key business and financial reporting processes and trends to heighten the effectiveness and efficiency of the audit.

ii. Risk Assessment

This process includes meeting with the audit committee and key financial and other key personnel of the auditee. It also involves reviewing the financial reporting implications arising from strategic goals, objectives, business plans and risk areas. During risk assessment we consider how fraud or error could result in a material misstatement of the auditee's financial statements. f internal controls

iii. Evaluation and Internal Controls

In developing an audit strategy, the standards require us to obtain an understanding of the entity and its environment, including its internal controls and work performed by the Internal Audit department. We begin this process by evaluating controls at the entity level that relate to financial reporting. This assessment includes aspects of control environment, risk assessment, monitoring, information system (including information technology) and financial reporting processes. We also obtain an understanding of controls over financial reporting activities such as the recording and processing of transactions. This helps us to:

- identify the types of misstatements that could occur whether due to error or fraud;
- evaluate the internal control deficiencies that may increase the risk of material misstatement; and

- design internal control testing strategies, where such an approach would be appropriate.

iv. **Audit Testing**

Our audit approach focuses our audit efforts on those financial statement assertions that have an increased risk of material misstatement. Based on our understanding and knowledge of the auditee, we expect to perform a combination of tests of controls, substantive tests of details and analytical procedures, such as testing high value, unusual and other key items and items selected through sampling routines recalculation, inspection, observation procedures analytical procedures, including trend, ratio, and reasonableness tests. At this stage, we use different Computer Assisted Audit Tools (CAATs) such as IDEA.

The report is as a result of programmes of test checks, inspection and examination of financial, procurement, project and other records maintained by public officers entrusted with handling public resources. The audit programmes were designed to give reasonable assurance of financial management in the audited institutions.

3 INTERNAL CONTROL

In this Report, specific mention is made of non-preparation of financial statements, non-adherence to procurement procedures, wasteful expenditure and poor financial performance among other issues by the respective institutions. These are clear indicators of internal control weaknesses in the Institutions audited.

PART II

PARAGRAPHS

4 Industrial Development Corporation

4.1 Background

a. Establishment

The Industrial Development Corporation (IDC) Limited is a State-Owned Enterprise (SOE) mandated to spearhead the Government's commercial investments agenda aimed at strengthening Zambia's industrial base and job creation. The IDC was incorporated as a company limited by shares with a share capital of 20,000,000 ordinary shares of K1.00 each. As at 31st December 2022, the Corporation's nominal share capital stood at K1,500,000,000 following the increase in the share capital by 1,480,000,000 of K1 each.

The IDC was incorporated on 21st January 2014 and is wholly owned by the Government through the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia. The IDC was established to create and maximize long term shareholder value as an active investor and shareholder of state-owned enterprises, as well as undertake industrialization and rural development activities through the creation of new industries.

The IDC has a total portfolio of thirty nine (39) investments comprising thirty (30) subsidiary companies and nine (9) investee companies as shown in table 1 below:

Table 1: IDC Shareholding in Subsidiaries and Investee Companies

No.	Entity Name	Category	Shareholding
	Subsidiary Companies		
1	INDENI	Subsidiary	100%
2	INFRATEL	Subsidiary	100%
3	Kawambwa Tea Industries	Subsidiary	100%
4	Lusaka South Multi Facility Economic Zone	Subsidiary	100%
5	Mpulungu Harbour Corporation	Subsidiary	100%
6	Mukuba Hotel	Subsidiary	100%
7	Mulungushi International Conference	Subsidiary	100%
8	Mulungushi Textiles	Subsidiary	100%
9	Mulungushi Village Complex	Subsidiary	100%
10	Mununshi Fruit Company	Subsidiary	100%
11	NIEC School of Business Trust	Subsidiary	100%
12	Nitrogen Chemicals Zambia	Subsidiary	100%
13	Times Printpak	Subsidiary	100%
14	Zambia Cargo & Logistics	Subsidiary	100%
15	Zambia Daily Mail	Subsidiary	100%
16	Zambia International Trade Fair	Subsidiary	100%
17	Zambia Print Company	Subsidiary	100%
18	Zambia Railways	Subsidiary	100%
19	ZAMTEL	Subsidiary	100%
20	ZESCO	Subsidiary	100%
21	ZSIC-GI	Subsidiary	100%
22	ZSIC-LIFE	Subsidiary	100%
23	ZAMPALM	Subsidiary	90%
24	Superior Milling Company	Subsidiary	76%
25	ZAFFICO, Plc.	Subsidiary	62.88%
26	ZCCM-IH, Plc.	Subsidiary	60.30%
27	Zambia Airways	Subsidiary	55%
28	Kalene Hills	Investment	100%
29	Eastern Tropical	Investment	70%
30	Zambezi Cashew Company Limited	Investment	100%
	Investee Companies		
1	Lusaka Trust Hospital	Associate	45%
2	Indo Zambia Bank	Associate	40%
3	Zambia Industrial Commercial Bank	Associate	30.21%
4	Zambia Re-insurance	Associate	28.17%
5	KAGEM Mining	Associate	25%
6	ZANACO Bank, Plc.	Associate	24.80%
7	Marcopolo Tiles Company	Associate	22.60%
8	Bangweulu Power Company	Associate	20%
9	Ngonye Power Company	Associate	20%

Source: IDC 2021 – 2025 Strategic Plan

b. Governance

According to Part 12, Clause 57 of the Articles of Association of the IDC, the Board of Directors shall consist of the following members:

i. His Excellency, the President of the Republic of Zambia, who shall be the Chairman of the Board of Directors;

ii. Three (3) Cabinet Ministers;

iii. Two (2) officials from the Civil Service; and

iv. Seven (7) persons from the Civil Society.

c. Management

The Corporation is headed by the Chief Executive Officer (CEO) who is appointed by the Board of Directors and is responsible for managing the day to day operations of the Corporation. The CEO is assisted by seven (7) heads of directorates namely; Chief Corporate Services Officer, Chief Human Capital Officer, Chief Internal Auditor, Chief Finance Officer, Chief Legal Officer/Company Secretary, Chief Portfolio Officer and Chief Investments Officer who are appointed on three (3) year renewable contracts.

d. Sources of Funds

The sources of funds for the company consist of;

i. income from equity disposals in investments,

ii. dividends income from profitable state-owned enterprises,

iii. bank borrowings and investee companies, and

iv. debt issuance on the capital market.

e. Information and Communication Technology Systems

During the period under review, the IDC operated the following Information and Communication Technology (ICT) application systems:

v. Convene - Board management meeting application for management, Board and Procurement meetings;

vi. SAGE –ERP - Used for procurement management, purchase orders, inventory control, accounts receivable, accounts payables, cashbook and asset management;

vii. SAGE PEOPLE - Self-service application for leave, salary advance and all employees/human resources related information;

viii. MYQ- Application for managing centralised printing;

ix. Active Directory- Employee database for access to Local Area Network defined resources; and

x. Office 365- Employee emails, One Drive and share point.

4.2 Audit Findings

An examination of financial and other records maintained at the IDC for the financial years ended 31st December 2021 and 2022 revealed the following:

a. Governance

i. Failure to adhere to the Approved Board Composition of the Committees - Investment and Portfolio Committee

The approved Investment and Portfolio Committee provides for seven (7) members of which three (3) should be co-opted members namely; Investment specialist/Development Economist, a Senior Banker and an eminent business person.

However, a review of the actual composition of the committee revealed that all the members were Directors of the Board and none was a co-opted member.

ii. Lack of Boards of Directors

As at 30th September 2023, six (6) out of the thirty (30) State Owned Enterprises (SOEs) did not have Boards of Directors for periods ranging from six (6) months to eleven (11) months as shown in table 2 below.

Table 2: Status of Board of Directors for SOEs

No.	Subsidiary	Category	Duration of Board Absence (Months)
1	Infratel Limited	Subsidiary	11
2	Zambia Airaways	Subsidiary	10
3	ZSIC Life Company Limited	Subsidiary	11
4	Mulungushi Village Complex Limited	Subsidiary	11
5	Mukuba Hotel Limited	Subsidiary	6
6	Zambezi Cashews Company Limited	Investment	7

The lack of Board of Directors has a negative effect on the corporate governance structures of the Subsidiaries, provision of policy and strategic direction.

b. Budget and Income

During the period under review, the IDC budgeted to generate and receive income of K633,357,319 from several sources against which amounts totalling K513,306,960 were realised resulting in a negative variance of K120,050,359 as shown in table 3 below.

Table 3: Budget and Actual Revenue

Year	Budgeted Revenue K	Actual Revenue K	Variance K
2021	316,345,885	224,022,730	92,323,155
2022	317,011,434	289,284,230	27,727,204
Total	**633,357,319**	**513,306,960**	**120,050,359**

c. Financial Analysis - Failure to Produce Audited IDC Financial Statements and Group Consolidated Financial Statements

In Paragraph 7, Section 7.2 (c) of the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2020, mention was made on the failure by the Corporation to produce audited Consolidated Financial Statements for the years 2018, 2019 and 2020 due to seven (7) subsidiaries' failure to prepare audited financial statements.

In their Report for the first Session of The Thirteenth National Assembly, the Committee on Parastatal Bodies recommended that the Controlling Officer formulates systems that should ensure timely preparation of the financial statements, which should equally stipulate sanctions to be meted out on the subsidiaries that delayed in preparing their financial statements in accordance with Section 72 of the Public Finance Management Act No.1 of 2018.

As at 30th September 2023, the IDC had not produced audited Consolidated Financial Statements for the years ended 31st December 2018 to 2022 and no sanctions were meted out on subsidiaries that had not prepared their financial statements.

In addition, eight (8) State Owned Enterprises had not produced audited financial statements for the financial years ended 31st December 2020, 2021 and 2022 as at 30th September 2023. See table 4 below.

Table 4: Companies without Audited Financial Statements

No.	State Owned Enterprises	Years Unaudited
1	Nitrogen Chemicals of Zambia	2020,2021 and 2022
2	Mukuba Hotel	2020,2021 and 2022
3	Zambia Airways	2020,2021 and 2022
4	Zampalm Limited	2020,2021 and 2022
5	Munnushi Fruit Company	2020,2021 and 2022
6	ZESCO	2022
7	Indeni Petroleum Refinery	2022
8	Times Printpak Zambia Limited	2020,2021 and 2022

d. Operational Matters

i. Financial Performance of Subsidiaries and Investee Companies

The IDC was established to create and maximise long-term shareholder value as an active investor and shareholder of successful enterprises. In the 2021 - 2025 Strategic Plan, Strategic Objective No. 1 was for the IDC to achieve 15% growth in group revenue year-on-year through enhanced group oversight and support and one way to attain this objective was for the IDC to enhance subsidiary financial performance, the IDC will proactively improve revenue quality and broaden subsidiary revenue base, effectively leverage cost cutting and containment measures.

A review of the performance of the subsidiaries and Investee companies revealed the following:

- **Profit/Loss Making State Owned Enterprises**
  During the period under review, it was observed that sixteen (16) State Owned Enterprises recorded profit after tax in amounts totalling K19,615,885,000 in 2021 and K4,045,942,000 in 2022. See table 5 below.

Table 5: Industrial Development Corporation Summary of Group Financial Statements Per Entity for the Year Ended 31 December 2021 & 2022

No.	SUBSIDIARY	Shareholding %	Profit After Tax(2022)	Profit After Tax(2021)
			K'000	K'000
1	Zesco Limited	100%	-	10,450,617
2	Lusaka South Multi Facility Economic Zone Limited	100%	2,890	3,431
3	ZCCM-IH	62%	-	5,931,881
4	ZAFFICO	63.0%	2,578,456	1,875,442
5	Kawambwa Tea	100%	219	-
6	Zambia Daily Mail Limited	100%	9,813	-
7	Zamcargo Logistics Limited	100%	1,647	-
8	Zambia Railways Limited	100%	-	23,029
9	Mpulungu Harbour Corporation Limited	100%	363	4,936
10	Nitrogen Chemicals of Zambia	100%	452,942	552,378
11	Superio Milling Company Limited	76%	-	2,021
12	Mununshi Fruit Company	100%	101	-
13	ZSIC General Insurance	100%	32,409	15,705
14	ZSIC Life Company Ltd	100%	94,303	42,535
15	Mulungushi International Conference Centre	100%	17,527	44,312
16	IDC Holding Company	100%	855,272	669,598
	Total		**4,045,942**	**19,615,885**

However, thirteen (13) subsidiary companies incurred losses amounting to K746,084,000 and K5,636,650,284 in 2021 and 2022 respectively. See table 6 below.

Table 6: Loss Making Subsidiaries

No.	Name of Company	Shareholding %	Net Asset Value K	Loss K	
	Subsidiaries			**2022**	**2021**
1	Infratel	100%	2,046,955,573	(158,944,516)	(70,712,000)
2	Times Printpak	100%	(691,284,718)	(19,160,768)	(15,356,000)
3	ZCCM-IH Plc	62.3%	36,789,674	(3,785,533,000)	-
4	Zambia Railways Limited	100%	649,729,000	(155,295,000)	-
5	Zamtel	100%	(1,693,831,339)	(544,649,000)	(441,501,000)
6	ZESCO	100%	15,008,451	(97,955,000)	-
7	Indeni Petroleum Limited	100%	(492,270,000)	(728,286,000)	(172,563,000)
8	Superior Milling Company	76%	(58,406,177)	(15,518,000)	-
9	Zambia Airways Limited	55%	71,903,037	(78,906,000)	-
10	Zamplam Limited	90%	65,743,000	(31,653,000)	(43,802,000)
11	Mulungushi Village Complex Limited	100%	255,543,000	(20,314,000)	(2,150,000)
12	Mukuba Hotel Limited	100%	(6,510,000)	(374,000)	-
13	NIEC Business School Trus	100%	-	(62,000)	-
	Total			**(5,636,650,284)**	**(746,084,000)**

Consequently, out of the thirty (30) State-Owned Enterprises (SOEs) in which the IDC holds 62.28 to 100 percent shareholding, only five (5) declared dividends amounting to K61,334,600 and K62,012,587 in 2021 and 2022 respectively. See table 7 below.

Table 7: Dividends Declared

No.	Subsidiary	2022 K	2021 K
1	ZCCM-IH	51,371,135	31,948,400
2	ZAFFICO	7,515,370	23,267,400
3	LSMFEZ	1,398,681	-
4	Indeni Petroluem Refinery	-	3,678,440
5	Mpulungu Harbour	1,727,401	2,440,360
	Total	**62,012,587**	**61,334,600**

ii. Management of Shareholder Loans Due from Subsidiaries

During the period under review, IDC issued ten (10) loans amounting to K170,222,517 to six (6) of its subsidiaries. The repayment periods ranged from fifteen (15) to sixty (60) months. However, a total of K196,421,914 including interest remained outstanding as of 31st December 2022. See table 8 below.

Table 8: Outstanding Subsidiaries Loans

No.	Subsidiary	Date of Agreement	Loan Amount K	Effective Repayment Date	Repayment Period (Months)	Oustanding Balance as at 31st December 2022(Principal +Interest)
1	Kawambwa Tea Industries Limited	17.09.21	18,000,000	31.01.22	36	
2	Kawambwa Tea Industries Limited	04.11.22	8,863,343	04.11.22	36	
						31,479,774
3	Mukuba Hotel	05.06.17	5,500,000	31.12.08	36	907,008
4	Mulungushi Village Complex Limited	08.10.21	40,000,000	12.07.22	60	
5	Mulungushi Village Complex Limited	26.10.22	10,000,000	01.08.22	42	
						60,812,000
6	Pelidic (Z) Limited	08.08.18	949,455	08.08.21	36	949,455
7	ZSIC (Z) Limited	10.11.21	6,519,485	31.12.22	24	6,172,677
8	Superior Milling Co Limited	11.04.20	20,429,334	20.05.22	36	
9	Superior Milling Co Limited	26.08.20	40,000,000	26.08.20	36	
10	Superior Milling Co Limited	20.12.21	19,960,901	20.12.21	15	
						96,101,000
	Total		**170,222,517**			**196,421,914**

Further, it was observed that although the amounts on the three (3) loan agreements issued to Superior Milling Company were totalling K80,390,235 a review of the general ledger extract loan payment schedule for Superior Milling Company revealed that a total of K89,989,655 was issued in form of loans to the company resulting in a loan of K9,599,421 not being supported by the loan agreement. The loan agreements for K9,599,421 was not availed for audit.

iii. Poor Management of Investments in Projects

- **Failure to Complete Land Clearing Works at Nansanga Farm Block**

  The Nansanga Farm Block, located in Serenje District, covers an area of approximately 110,000 hectares designated for agricultural development. In 2017 the Government ceded 6,050 hectares to the Industrial Development Corporation (IDC) to act as the core venture farm for the farm block. Nansanga was expected to be operationalised by the 4th quarter of 2022.

  In November 2021, the IDC engaged the Zambia National Service (ZNS) to clear 500 hectares of land with the Nansanga Core Venture Farm at a cost of K5,358,990.

  On 10th November 2021, the ZNS issued a quotation of K5,358,990 to the IDC for land clearance and works were expected to be completed within three (3) months.

  On 2nd December 2021, the IDC made a 25% down payment amounting to K1,339,748 to the Zambia National Service. In addition, on 14th June 2022, an amount of K502,728 was paid for fuel and engine oil bringing the total funds paid to K1,842,475. In their response dated 25th August 2023, management submitted that a reconciliation of works undertaken against amounts paid revealed that K1,045,130 was utilised leaving a balance of K797,345.

  A physical inspection of the site conducted on 27th March 2023 revealed that the ZNS only cleared 125 hectares out of the 500 hectares and demobilised. As at 30th September 2023, the ZNS was not on site.

e. Procurement Matters

i. Irregular Use of a Procurement Method – Contract for Supply and Delivery of Hotel Furniture to Mukuba Hotel

Regulation 38(1) of the Public Procurement (General) Regulations 2022 states "A procuring entity may use simplified bidding where the estimated value of the goods, works and non-consulting services does not exceed the threshold set out in the second schedule." According to the second schedule, the threshold for simplified bidding under goods and non-consulting services is up to K1,000,000.

Contrary to the Regulations, on 1st June 2022, IDC used simplified bidding procurement method to engage Sikale Wood Manufacturers to supply furniture worth K1,661,427, the value which exceeded the threshold of K1,000,000 set out in the second schedule.

ii. Supply, Delivery, Installation and Commissioning of Fruit - Processing Equipment in Katete District

On 7th December 2019, IDC engaged Techman Solutions of India for the supply, delivery, installation and commissioning of fruit-processing equipment in Katete and Mwinilunga Districts at a contract price of US$5,772,749 (Lot 1 Katete US$2,850,697 and Lot 2 Mwinilunga US$2,922,052) with a delivery period 24 -28 weeks.

As at 30th September 2023, the supplier had been paid amounts totalling US$5,487,112 leaving a balance of US$285,637 as retention.

The following were observed:

- **Payment of Interest to Supplier – Wasteful Expenditure**

  Clause 40 of the contract states "Payments shall be adjusted for deductions for advance payments and retention. The Employer shall pay the contractor the amounts certified by the project manager within 14 -21 days of the date of each certificate and any other supporting documents. If the Employer makes a late payment, the Contractor shall be paid interest on the late payment in the next payment. Interest shall be calculated from the date by which the payment should have made up to date when the late payment is made at the prevailing rate of interest for commercial borrowing for each of the currencies in which payments are made."

On 12th October 2021, a total amount of US$40,657 (K694,015) was paid as interest for delayed payment by IDC resulting in wasteful expenditure. See table 9 below.

Table 9: Wasteful Expenditure

Date IPC Issued	Date of Payment Received	Received Amount US$	Number of Days Delayed	Interest Amount @8.5% (US$)
21.09.20	11.01.2021	750,000	83 days	14,497
21.09.20	12.01.2021	150,000	82 days	2,864
21.09.20	21.01.2021	600,000	91 days	12,715
Interest on delayed final milestone payment of $231,824.				10,581
Total paid		**1,500,000**		**40,657**

iii. Unaccounted for iPads

On 16th June 2022, IDC procured fifty seven (57) electronic pads, keypads and pencils at a total cost of K2,094,218 for use in the organisation.

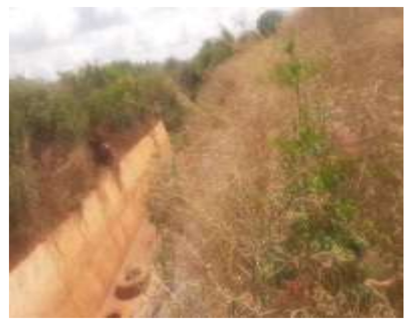
However, a review of stores records and Device Acknowledgement Forms availed for audit revealed that out of the fifty seven (57) iPads that were delivered, thirty-nine (39) iPads had Device Acknowledge Forms signed as received by Board members and staff and fifteen (15) were still in stores leaving a balance of three (3) iPads costing K133,198 unaccounted for as at 30th September 2023.

iv. Payment Made for Works not Done - Construction of a U – Drainage for Scaling Solar Round One at Lusaka Multi-Facility Economic Zone (LS-MFEZ)

On 15th November 2018, IDC engaged X-Trade Logistics Limited for the Design and Construction of a U–Drainage for Scaling Solar Round One at Lusaka Multi-facility Economic Zone at a contract sum of K4,911,324 with a completion period of six (6) months. The contract was varied by K1,250,750 bringing the contract sum to K6,162,074.

On 21st July 2020, IDC terminated the contract due to non-performance by the contractor.

However, it was observed that IDC paid the contractor the full contract sum of K6,162,074 and K170,989 settlement agreement amount despite the contractor performing less than 40% of the agreed works. See pictures below.



Picture: U-Drainage at MFEZ

v. Contract for Refurbishment of Building for Zambia Airways Limited

On 8th July 2019, IDC engaged Walltech Enterprises Limited for refurbishment of the building for Zambia Airways at the contract price of K21,547,599.73 VAT inclusive with a completion period of one (1) year to 7th July 2020.

The scope of works included the following:

- Preliminary and General works
- Alterations and Renovations to Hanger
- Alterations and Renovations to Machine Workshop
- Alterations and Renovations to Administration Block
- Alterations and Renovations to Training School

- Alterations and Renovations to Communications, maintenance workshop powerhouse
- Alterations and Renovations to powerhouse
- External works

Further, IDC engaged Provincial Buildings Engineer – Lusaka Province to supervise the refurbishment of the building for Zambia Airways. As at 31st March 2023, amounts totalling K9,310,439 had been certified and paid to the contractor.

The following was observed:

- **Delayed Payment of Certified IPCs Resulting in Charging of Interest**

  Section 43.1 of the GCC stipulates that the employer should pay the contractor the amounts certified by the project manager within twenty eight (28) days of the date of each certificate. If the employer makes a late payment, the contractor should be paid interest on the late payment in the next payment. Interest should be calculated from the date by which the payment should have been made up to the date when the late payment is made at the prevailing rate of interest for commercial borrowing for each of the currencies in which payments are made.

  A review of payment records revealed that IDC delayed honouring IPCs for periods ranging from 65 to 557 days and consequently, the contractor claimed interest in amounts totalling K2,325,050 on 22nd December 2021 on delayed payments. See table 10 below.

Table 10: Interests Charged on Delayed Payments of IPCs

IPC No.	Amount Certified K	Date Certfied	Payment Due Date	Amount Paid K	Date of Payment	Period Delayed Beyond 28 Days	Interest Rate	Interest Due K
2	3,066,745	14.01.20	11.02.20	3,066,745	23.08.21	557	26.20%	1,226,144
3	5,175,774	01.07.20	29.07.20	200,000	02.10.20	65	25.78%	9,182
		01.07.20	29.07.20	250,000	18.01.21	172	21.87%	25,765
		01.07.20	29.07.20	4,725,774	16.06.21	321	25.60%	1,063,959
	Total							**2,325,050**

As at 30th September 2023, the following works remained outstanding:

- **Hanger**
    - Circuit board placement within the side rooms
    - Main hanger power supply connection
    - Hanger side room machine workshop condition renovation works
    - Hanger side room document archive renovations works.
- **Training School**
    - Electrical works
    - Tiling
    - Ceiling works
- **Engineering Building**
    - Plumbing - leaking hand wash basin connector pipes
    - Electrical snugs- non-functional sockets in the machine workshop and electrical lighting in the first floor kitchenet.

vi. Construction of Kalene Hills Fruit Processing Plant and Eastern Tropical Fruit Processing Plant

Between 2018 and 2019, IDC engaged China Jiangaxi Corporation for International Economic and Technical Cooperation Zambia, Walltech Enterprises Limited contractors and Archline Building Consultants to facilitate the construction of fruit processing plants in Mwinilunga and Katete Districts at contract sums amounting to K62,006,153 which were revised by K85,340,834 to K 147,346,987. As at 31st March 2023, amounts totalling K138,043,319 had been paid. See table 11 below.

Table 11: Contract Sum and Variations

No.	Name of Contractor/ Consultant	Contract Price K	Variation K	Total Contract Price K	Contract Date	Duration	Description	Payment K
1	China Jiangaxi Corporation	29,786,231	40,561,681	70,347,912	11.12.19	8 Months	Construction of a fruit processing plant in Mwinilunga District	66,364,464
2	Walltech Enterprises Limited	28,525,725	39,618,351	68,144,076	27.11.19	8 Months	Construction of a fruit processing plant in Katete District	63,854,777
3	Archline Building consultants	194,880	350,000	544,880	28.09.18	2 Weeks	Design of the Fruit Processing Plants	
		3,499,317	4,810,802	8,310,119	11.09.19	8 Months	Supervision of the construction	7,824,078
	Total	**62,006,153**	**85,340,834**	**147,346,987**				**138,043,319**

The following was observed:

- **Failure to Obtain Clearance by Attorney General**

  Section 54(2)(e) of the Public Procurement Act No.12 of 2008 provides that no contract, purchase order, letter of bid acceptance or other communication in any form conveying acceptance of a bid or award of contract shall be issued prior to any other approvals required, including the approval of the contract by the Attorney-General."

  However, IDC did not obtain clearance/approval from the Attorney General for the contracts for the construction of the fruit companies in Katete and Mwinilunga.

- **Tendering of Civil Works before Completing the Scoping of Works**

  A review of the progress report from the Consultant to IDC dated 29th April 2022 revealed that, at the time of tendering for civil works, scoping of works was not completed and the consultant had not issued a letter clearing the Bill of Quantities (BOQ) to be used in tendering for works.

  However, the draft BOQ was modified by IDC and used for tendering without the consent or sanctioning of the consultant as the draft BOQ had significant deficiencies in the scope of works.

  It was further observed that the issued BOQ did not consider the specifications for the equipment to be used at the factory.

  Consequently, the contractor did not have detailed construction engineering designs at the commencement of works resulting in delayed completion of works and variations amounting to K80,180,033. See table 12 below.

Table 12: Variation Orders

Details	Initial Contract Amount K	Variation K	Revised Contract Amount K
Katete			
Variation 1	28,535,727	18,442,969	46,978,696
Variation 2	46,978,696	9,780,679	56,759,375
Variation 3	68,154,078	11,394,703	79,548,780
	Sub-Total	**39,618,350**	
Mwinilunga			
Variation 1	29,786,231	18,827,593	48,613,824
Variation 2	48,613,824	9,635,338	58,249,162
Variation 3	58,249,162	12,098,751	70,347,913
	Sub-Total	**40,561,682**	
Consultancy			
	3,499,317	4,810,802	8,310,119
	Grand -Total	**84,990,835**	

In addition, there was no approval from the Treasury and legal advice of the Attorney General regarding Variations Orders Number 1, 2 and 3 and as per guidance given by ZPPA.

vii. Construction of the Tomato – Processing Plant at Fig Tree in Chisamba District – Central Province

On 2nd September 2021, Industrial Development Corporation engaged WallTech Enterprises Limited for the Construction of the Tomato Processing Plant and associated works at Fig Tree in Chisamba District – Central Province at a fixed contract sum of US$ 4,644,508.66 VAT inclusive and a duration of eight (8) months commencing 16th March 2022 to 17th October 2022.

The scope of works included the following:

- Construction of factory building
- Construction of office building
- Construction of workshop
- Construction of transformers
- Construction of guard room

- Construction of operator's room
- Construction of weigh bridge
- Construction of external works
- Bridge construction

Further, on 14th December 2021 IDC engaged Archline Consultants at contract sum of K3,344,046.19 for the provision of supervision services.

As at 28th February 2022, amounts totalling US$1,520,804.75 had been paid to the contractor against the total certified works of US$2,031,701 leaving a balance of US$510,895.94.

The following were however observed:

- **Failure to Obtain Approval of Contract by the Attorney General**

  Section 54(2)(e) of the Public Procurement Act of 2008 stipulates 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 any other approvals required including the approval of the contract by the Attorney General.

  Contrary to the Act, IDC did not obtain clearance/ approval from the Attorney General for the contracts for the construction of a tomato processing plant at Fig Tree in Chisamba District.

- **Expired Performance Security**

  General Contract Conditions 49.1 stipulates that a performance security should be valid until a date 28 days from the date of issue of the certificate of completion in the case of the bank guarantee and until one year from the date of issue of the completion certificate in the case of the performance bond.

  However, the performance guarantee of US$464,451 submitted by the contractor expired on 21st September 2022 and had not been renewed as at 30th

September 2023 despite that works were ongoing and the contract had expired on 17th October 2022.

- **Physical Inspection**

A physical verification carried out in March 2023 revealed that works had not been completed due to delay in paying the contractor with the following works outstanding:

  - **Auxiliary Buildings**

    Electrical, plumbing, fixtures, ceilings and paint works were outstanding as they could only proceed at an advanced stage of the program.

  - **Factory Building**

    Blockwork would only proceed up to a certain stage so as to allow for the alignment and completion of the steel frame structures installations.

  - **Office Building, Workshop, Transformer House, Guard-Houses, Operator's Room;**

    Outstanding works being electrical, plumbing, fixtures, carpentry, joinery, glazing, Installation of roller shutter doors, ceilings and paint works can only proceed at a later stage of the program.

viii. Rehabilitation of Mukuba Hotel in Ndola District - Copperbelt

On 30th November 2021, IDC engaged Kailjee Construction Zambia Limited for the Rehabilitation of Mukuba Hotel in Ndola District - Copperbelt at contract price of K18,250,654.82 VAT inclusive and a duration of six (6) months with a planned completion date of 28th June 2022.

The scope of works included the following:

- Preliminary and General works
- Preambles to Demolitions and Alterations
- Rehabilitation of hotel guest rooms
- Rehabilitation of flats (2)

- Rehabilitation of laundry, stores and staff change rooms
- Rehabilitation of management offices
- Rehabilitation of kitchen
- Rehabilitation of Chondwe Restaurant and Mutomboko Bar
- Rehabilitation of main entrance and reception area
- Rehabilitation of gymnasium
- Rehabilitation of office ad workshop building
- Rehabilitation of guest house
- Rehabilitation of ancillary buildings (by the pool side)
- Electrical installations
- Air conditioning and ventilation installations
- External water reticulation
- New roof works
- Conversion of mbasela conference to Hotel rooms
- Conversion of store room to wine cellar room

Further, IDC engaged Rossarch Architects to supervise the rehabilitation of Mukuba Hotel at contract sum of K815,313 on 14th December 2021 which was the project start date.

As at 31st March 2023, amounts totalling K13,607,706 had been certified and paid to the contractor leaving a balance of K5,353,211 from the total contract sum of K18,960,760.07 VAT inclusive.

The following were observed:

- **Failure to Obtain Approval of Contracts by the Attorney General**

  Section 72 (2) (e) of the Public Procurement Act of 2020 states "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 provision, IDC did not obtain clearance/ approval from the Attorney General for the contract for rehabilitation of Mukuba Hotel.

- **Variations to Contract Works Without Approval**

Section 77(1) of the Public Procurement Act No. 8 of 2020 states "An amendment or variation to the contract shall not be effected without the approval of the Secretary to Treasury and the Attorney General." Further, Section 77 (2) states "Subject to sub- section 1 a proposed amendment or variation to a contract shall not be submitted to the attorney General without prior written authorisation of the appropriate approvals authority."

A review of records revealed that there were variations amounting to K4,014,069 in respect to omissions and additions. See table 13 below.

Table 13: Contract Variations

No.	Description of Changes to the Contract	Omissions K	Additions K	Total K
1	Variations	1,306,652	38,800	1,345,452
2	Adjustment of PC and Provisional Sums	438,000	331,341	769,341
3	Extra Works		1,899,276	1,899,276
	Total	**1,744,652**	**2,269,417**	**4,014,069**

However, the variations were not approved by the Procurement Committee, Treasury and Attorney General.

f. Failure to Collect Rentals

During the period under review, IDC had leased out four (4) properties located in Lusaka, Ndola and Mongu. However, a review of Rent Statements of Accounts revealed that rentals in amounts totalling K5,001,895 for the period from January 2021 to December 2022 had not been collected as at 30th September 2023. See table 14 below.

Table 14: Uncollected Rentals

No.	Name of Property	Location	Rentals not Collected K	Duration
1	Kambendekela House	Lusaka	1,000,550	On Average of 6 months
2	Times of Zambia Offices	Lusaka	921,720	January 2021 to Decemebr 2022
3	Times of Zambia Offices	Ndola	3,053,029	January 2021 to Decemebr 2022
4	Tebe House	Mongu	26,596	October 2022 to Decemeber 2022
	Total		**5,001,895**	

5 INFRATEL Corporation Limited

5.1 Background

a. Establishment

INFRATEL Company Limited was incorporated on 23rd August 2018 and commenced operations on 1st October 2019 and is wholly owned by the Government through the Industrial Development Corporation (IDC).

INFRATEL's mandate is to own, manage, invest in, and lease out common shareable Information and Communications Technology (ICT) and Telecommunications infrastructure to both public and private customers. The Company was established to support the growth of the ICT sector through the provision of shareable ICT and telecommunications infrastructure and maximizing value of existing shareable ICT and telecommunications infrastructure within the IDC group and public sector (Government).

The Company owns and operates three (3) Tier III data centres, two (2) in Lusaka district and one (1) in Kitwe district, and over 1200 telecommunication towers across the country.

b. Governance

The Company is governed by a Board of Directors comprising of seven (7) members appointed by the Industrial Development Corporation (IDC). The members are appointed on a renewable term of three (3) years.

c. Management

The Chief Executive Officer (CEO) is responsible for the operations of the Company and is appointed by the Board on a three (3) year renewable contract. The CEO is assisted by nine (9) Heads of Business Units namely; Human Capital and Administration, Technical, Information Systems, Finance and Administration, Sales and Marketing, Supply Chain, Legal, Strategy and Business Development, and Internal Audit and Risk.

d. Sources of Funds

The sources of funds for INRATEL are from tower services, data centre revenue and other investments.

e. Information and Communication Technology Systems

The Company operated two (2) information and communication technology (ICT) systems:

i. Sage – for Accounting and Purchasing; and
ii. Sage 300 People – for Payroll.

5.2 Audit Findings

A review of accounting and other records maintained at INFRATEL Headquarters in Lusaka for the financial years ended 31st December 2020, 2021 and 2022 and visits to selected stations revealed the following:

a. Budget and Income

During the period under review, INFRATEL had revenue targets of amounts totalling K820,856,313 against which amounts totalling K832,602,658 were generated resulting in a positive variance of K11,746,345. See table 1 below.

Table 1: Budget and Actual Income

Year	Budget K	Actual K	Variance K
2020	238,949,108	222,565,988	(16,383,120)
2021	266,249,958	260,227,344	(6,022,614)
2022	315,657,247	349,809,326	34,152,079
Total	**820,856,313**	**832,602,658**	**11,746,345**

b. Financial Statements Analysis

i. Statement of Profit and Loss and Other Comprehensive Income

The statement of profit and loss and other comprehensive income for INFRATEL for the period under review is as detailed in table 2 below.

Table 2: Statement of Profit and Loss and Other Comprehensive Income

Details	2022 Draft K	2021 K	2020 K
Revenue	349,809,326	260,227,344	222,565,988
Cost of sales	(237,773,822)	(228,083,287)	(207,465,406)
Gross Profit	**112,035,504**	**32,144,057**	**15,100,582**
Operating Expenditure			
Other income	2,010,525	1,265,521	3,097,048
Other (losses) gains	1,684,351	(636,636)	1,651,825
Marketing expenses	(3,365,360)	(3,008,496)	(1,572,500)
Administrative expenses	(143,007,741)	(69,267,775)	(114,049,906)
Other expenses	(89,837,743)	(80,230,863)	(75,743,237)
Finance costs	(68,542,887)	(47,083,298)	(6,302,450)
Loss before tax	**(189,023,351)**	**(166,817,489)**	**(177,818,638)**
Income tax credit (expense)	30,078,835	96,105,154	(319,992)
Loss for the year	**(158,944,516)**	**(70,712,335)**	**(178,138,630)**

A review of the Statement of Profit and Loss and Other Comprehensive Income revealed that the Company recorded losses during the period under review. The loss reduced by 10.8% from K178,138,630 in 2020 to K158,944,516 in 2022. It was further observed that as at 31st December 2022, the Company had accumulated losses of K332,577,179 representing an increase of 87% from K178,138,630 in 2020.

ii. Statement of Financial Position

The statement of financial position of the Company for the period under review was as shown in table 3 below.

Table 3: Statement of Financial Position

Details	2022 K	2021 K	2020 K
ASSETS			
Non-current assets			
Property and equipment	2,700,955,441	2,869,488,202	2,495,343,797
Right of use assets	21,950,775	16,483,439	15,055,862
Intangible asset	91,635,964	98,930,588	23,428,771
Deferred tax	34,911,862		
Total non-current assets	**2,849,454,042**	**2,984,902,229**	**2,533,828,430**
Current assets			
Inventory	378,343	-	-
Trade and other receivables	75,311,788	58,802,109	66,551,242
Bank and cash balances	27,561,974	33,376,196	7,454,206
Total current assets	**103,252,105**	**92,178,305**	**74,005,448**
TOTAL ASSETS	**2,952,706,147**	**3,077,080,534**	**2,607,833,878**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	100,000	20,000	20,000
Amount pending allotment of shares	2,232,203,566	2,232,283,566	2,054,831,303
Deficit on reserves	(332,577,179)	(248,850,965)	(178,138,630)
Revaluation reserves	204,816,487	260,324,363	-
Total capital and reserves	**2,104,542,874**	**2,243,776,964**	**1,876,712,673**
Non-current liabilities			
Borrowings	630,179,265	627,661,120	623,375,172
Lease liability	21,225,723	16,911,094	14,245,119
Capital grants	3,741,334	4,289,874	4,914,628
Deferred tax	-	15,129,820	-
Total non-current liabilities	**655,146,322**	**663,991,907**	**642,534,919**
Current Liabilities			
Trade and other payables	86,048,069	118,809,493	73,105,823
Borrowings	3,847,407	2,368,278	3,424,037
Lease liability	7,008,658	3,347,241	3,662,729
Capital grants	548,536	624,749	789,671
Amounts due to related parties	95,528,756	43,509,300	7,284,034
Current tax payable	35,525	652,602	319,992
Total current liabilities	**193,016,951**	**169,311,663**	**88,586,286**
Total liabilities	**848,163,273**	**833,303,570**	**731,121,205**
TOTAL EQUITY AND LIABILITIES	**2,952,706,147**	**3,077,080,534**	**2,607,833,878**

The following were observed:

- **Poor Working Capital**

  Working capital is the difference between the total current assets and the total current liabilities.

  During the period under review, INFRATEL operated with a negative working capital of K14,580,838 in 2020, K77,133,358 in 2021 and K89,764,846 in 2022. See table 4 below.

Table 4: Negative Working Capital

Details	2022	2021	2020
Current Assets	103,252,105	92,178,305	74,005,448
Current Liabilities	193,016,951	169,311,663	88,586,286
Working Capital	- 89,764,846	- 77,133,358	- 14,580,838
Current Ratio	0.5:1	0.5:1	0.8:1

  The negative working capital of the Company meant that it did not have the ability to fully pay off its liabilities as and when they fell due.

- **Current Ratio**

  The current ratio measures an entity's ability to pay short term obligations or those due within one (1) year. It is calculated by comparing an entity's current assets to its current liabilities.

  During the period under review, the current ratio set by IDC for INFRATEL was 2.6:1 for 2020, 0.4:1 for 2021 and 0.6:1 for 2022.

  However, as can be seen in the table above, the entity's current ratios were below the recommended ratios of 2.1.

c. **Operational Matters**

i. **Failure to Pay Outstanding Fees on Colocation Agreement of 103 Towers Between Ministry of Home Affairs, ZAMTEL and INFRATEL**

On 1st March 2019, ZAMTEL (Providing Operator) and the Government of the Republic of Zambia acting through the Ministry of Home Affairs (Using Operator) entered into a ten (10) years Colocation agreement.

The agreement provided that the Using Operator should pay US$1,200,000 to the Providing Operator for 103 towers with the stated amount being a one-off payment to be made at the beginning of the contract.

On 1st June 2020, ZAMTEL and INFRATEL and the Government of the Republic of Zambia acting through the Ministry of Home Affairs entered into a novation agreement relating to the Colocation on Towers and Equipment Agreement executed between ZAMTEL and the Government of the Republic of Zambia dated 1st March 2019.

Clause 4 (i) of the Agreement stated "Subject to the agreed terms, INFRATEL shall replace ZAMTEL as a party to the agreement and shall from the effective date be bound to perform all the terms and conditions of the agreement as if it were the original party to the agreement."

Clause 4(ii) of the Agreement stated "ZAMTEL hereby acknowledges receipt of the full consideration value of the agreement with the Sharing Operator (Ministry of Home Affairs) being US$1,200,000 and therefore, the Sharing Operator shall for the duration of the agreement, be relieved from compensating INFRATEL for use of the Towers."

Clause 4(iii) of the Agreement stated, "ZAMTEL shall compensate INFRATEL for the full value of the Agreement as stipulated in the Settlement Agreement between ZAMTEL and INFRATEL."

Further, on 2nd October 2020, ZAMTEL and INFRATEL entered into a Settlement Agreement relating to the Colocation on Towers and Equipment executed between ZAMTEL and the Government of the Republic of Zambia dated 1st March 2019.

Contrary to Clause 4 (iii), ZAMTEL failed to pay INFRATEL the full amount of US$1,200,000 in that only US$288,946 (K4,915,890) was liquidated through a debt swap leaving a balance of US$911,054 owed to INFRATEL as at 31st August 2023.

ii. Towers Without Customers

During the period under review, INFRATEL maintained a total of eighty one (81) Telecommunication Towers in eight (8) provinces (Copperbelt, Central, Lusaka, Muchinga, Northern, North-Western, Southern and Western) that were not generating any revenue for the company as there were no customers that were using the towers.

In this regard, a total amount of K228,800 was spent to maintain the towers on a monthly basis resulting in loss of funds amounting to K8,236,800 during the period under review.

d. Accounting Irregularities

i. Unaccounted for Stores

Regulation 16 of the Finance Control and Management (Public Stores) Regulations 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 stores items and fuel costing K3,465,335 (general stores K255,994 and fuel K3,209,341) were not accounted for in that there were no receipts and disposal details.

ii. Unsupported Payments

Regulation 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, should be filed, secured against loss, and be readily available for audit.

Contrary to the regulation, ninety three (93) payments in amounts totalling K20,320,212 processed during the period under review were not supported with documentation such as receipts and quotations.

iii. Irregular Payment of Subscription Fees

During the period under review, amounts totalling K681,263 were paid to various professional bodies in respect of fifty eight (58) officers as annual subscription fees. However, it was observed that there were no provisions in the conditions of service to support such payments rendering them irregular.

iv. Debtors Management

According to the 2020 to 2022 signed performance-based contracts between the IDC and INFRATEL, the receivable days target was set at ninety (90) days.

However, a review of the receivables age analysis as at 31st December 2022 revealed that 379 customers owed INFRATEL amounts totalling K313,472,538.

Out of these receivables, 70% in amounts totalling K219,769,876 had been outstanding for periods exceeding ninety (90) days. See table 5 below.

Table 5: Debtors Age Analysis

Year	No. of Customer	Current K	1 to 31 K	32 to 61 K	62 to 91 K	Over 91 K	Total Outstanding K	Percentage (%) Change
2019	124	(1,456,571.52)	2,676,684.83	1,704,874.19	1,552,435.55	19,713,743.94	24,191,166.99	
2020	231	(2,847,684.67)	23,445,709.86	18,939,144.95	19,655,857.56	80,934,613.63	140,127,641.33	479%
2021	329	(3,052,329.12)	25,232,950.64	21,822,478.39	19,990,856.46	143,844,082.28	207,838,038.65	48%
2022	379	(4,120,072.04)	36,488,878.82	33,291,878.18	28,041,976.92	219,769,875.78	313,472,537.66	51%

Further, it was observed that the outstanding debt increased from K24,191,167 in 2019 to K313,472,537 in 2022 representing an increase of 1,196%. Included in the K313,472,537 was an amount of K245,549,139 owed by ZAMTEL. This figure represented 78.33% of the total outstanding amount.

6 Lusaka South Multi-Facility Economic Zone

6.1 Background

a. Establishment

The Lusaka South Multi-Facility Economic Zone (LS-MFEZ) is a State-Owned Enterprise (SOE) which was incorporated on 25th June 2012 and wholly owned by Government through the Industrial Development Corporation (IDC). The Company is mandated to manage, operate and develop the 2,100 hectares of land of the LS-MFEZ.

The LS-MFEZ was established to achieve the following objectives:

i. To promote the LS-MFEZ into a number one destination for investment;

ii. To create an enabling business environment in order to attract and maintain high quality investment;

iii. To develop land administration and management mechanisms in order to facilitate activities in the LS-MFEZ master plan;

iv. To develop and implement Marketing Promotion Programme in order to attract quality investors in the company; and

v. To facilitate business development in the company in order to contribute to employment creation.

b. Governance

Article 57 of the Articles of Association provides for a Board of Directors with a minimum of five (5) and not more than seven (7) members.

c. Management

The Managing Director (MD) is responsible for the operations of the Company and is assisted by the Heads of Finance and Administration, Planning and Compliance, Commercial and Marketing and the Company Secretary who are appointed by the Board on three (3) year renewable contracts.

d. Sources of Funds

The sources of funds for the Company included grants from Government and other internally generated funds such as lease of land, sale of residential plots, water sales, and road tolls.

e. Information and Communication Technology Systems

During the period under review, LS-MFEZ operated the following Information and Communication Technology (ICT) systems:

i. Sage Pastel Evolution - used for accounting and financial management.

ii. Dove Payroll - used to manage the payroll.

iii. Dove Human Resource Management System - used for human resources management.

6.2 Audit Findings

A review of accounting and other records maintained at LS-MFEZ for the financial years ended 31st December 2019, 2020, 2021 and 2022 revealed the following:

a. Budget and Income

During the period under review, the company generated total revenue of K167,362,276 against a total budget of K446,592,591 resulting in negative variance of K279,230,315. See table 1 below.

Table 1: Budget vs Income

Year	Budget K'000	Actual Income K'000	Variance K'000
2019	270,981,782	19,831,599	(251,150,183)
2020	58,320,718	25,397,867	(32,922,851)
2021	25,734,977	35,823,399	10,088,422
2022	91,555,114	86,309,411	(5,245,703)
Total	**446,592,591**	**167,362,276**	**(279,230,315)**

b. Financial Analysis

i. Statement of Comprehensive Income

The Statement of Comprehensive Income of the LS-MFEZ for the financial years ended 31st December 2019, 2020, 2021 and 2022 was as shown in table 2 below.

Table 2: Statement of Comprehensive Income

Details	2022 K	2021 K	2020 K	2019 K
Revenue	70,010,331	25,150,239	22,330,731	18,189,707
Cost of Sales	(40,653,331)	(10,702,601)	(6,064,023)	(8,044,121)
Gross Profit	**29,357,000**	**14,447,638**	**16,266,708**	**10,145,586**
Other Income	15,295,959	10,593,639	3,067,137	1,357,753
Expenditure	(38,470,298)	(20,141,166)	(16,069,917)	(16,381,500)
Operating Surplus/(deficit)	**6,182,661**	**4,900,111**	**3,263,928**	**(4,878,161)**
Net Financing Income	1,003,121	79,521	-	284,139
Net Profit/(Loss) before Taxation	**7,185,782**	**4,979,632**	**3,263,928**	**(4,594,022)**
Taxation	(4,295,478)	(1,548,524)	(1,066,434)	(866,292)
Total Comprehensive Income/(Los	**2,890,304**	**3,431,108**	**2,197,494**	**(5,460,314)**

Source: Financial statements for the years ended 31st December 2019, 2020, 2021 and 2022

As can be seen from the table above, the Company made a loss of K5,460,314 in 2019 which improved to a profit of K2,890,304 in 2022.

ii. Statement of Financial Position – Increasing Receivables and Payables

The Statements of financial position of the LS-MFEZ for the financial years ended 31st December 2019, 2020, 2021 and 2022 was as shown in table 3 below.

Table 3: Statement of Financial Position

Details	2022 K	2021 K	2020 K	2019 K
ASSETS				
Non-Current Assets				
Investment property	3,997,698,753	3,985,861,225	3,976,214,464	3,972,325,426
property and equipment	315,099,800	312,868,372	311,810,684	312,113,334
Intangible asset	178,090	266,345	304,322	387,153
	4,312,976,643	**4,298,995,942**	**4,288,329,470**	**4,284,825,913**
Current Assets				
Inventories	752,016,500	802,870,700	810,958,200	815,436,200
Amounts due from related parties	658,945	851,754	0	0
Trade and other receivables	51,790,277	18,597,043	13,143,616	7,047,549
Cash and cash equivalents	43,235,572	6,185,311	794,738	4,182,513
	847,701,294	**828,504,808**	**824,896,554**	**826,666,262**
Total Assets	**5,160,677,937**	**5,127,500,750**	**5,113,226,024**	**5,111,492,175**
EQUITY AND LIABILITIES				
Equity Attributable to Owners				
Share capital	315,241,989	315,241,989	315,241,989	315,241,989
Revaluation reserve	231,136,303	248,631,903	248,631,903	248,631,903
Capital grant	194,435,845	161,257,300	159,008,744	160,134,136
Retained earnings	4,371,820,143	4,370,135,214	4,366,704,106	4,372,756,613
Total Accumulated funds	**5,112,634,280**	**5,095,266,406**	**5,089,586,742**	**5,096,764,641**
Current liabilities				
Deferred income	10,812,295	4,835,401	3,271,770	2,352,778
Amounts due to related parties	82,096	0	0	0
Trade and other payables	32,043,720	24,064,567	17,341,201	9,658,680
Taxation payable	5,105,546	3,334,376	3,026,311	2,716,076
Total liabilities	**48,043,657**	**32,234,344**	**23,639,282**	**14,727,534**
Total accumulated funds and liabilities	**5,160,677,937**	**5,127,500,750**	**5,113,226,024**	**5,111,492,175**

Source: Financial statements for the years ended 31st December 2019, 2020, 2021 and 2022

Although the Company had positive working capital during the period under review, it reduced from K811,938,728 in 2019 to K799,657,637 in 2022. See table 4 below.

Table 4: Working Capital

No.	Details	2022 K	2021 K	2020 K	2019 K
1	Current Assets	**847,701,294**	**828,504,808**	**824,896,554**	**826,666,262**
2	Current Liabilities	**48,043,657**	**32,234,344**	**23,639,282**	**14,727,534**
3	Woking Capital	799,657,637	796,270,464	801,257,272	811,938,728

c. Operational Matters

Section 4(1) of the Statutory Instrument No. 47 of 2010 states, "The licensee specified in the second schedule to this order shall provide, within the multi-facility economic zone, infrastructure and facilities which are suitable for the operation of the industries and shall include; Buildings, Electricity, Telecommunication facilities, Water and waste disposal facilities and; Roads."

However, the following were observed:

i. Non-Revenue Water - Unaccounted for Water

It was observed that during the period 2019 – 2022 LS-MFEZ procured 480,172m³ of water from Lusaka Water Supply and Sanitation Company (LWSC) at a total cost of K4,204,836 for onward distribution to investors within the zone. An analysis of invoices revealed that a total of 263,094m³ was distributed and billed leaving a balance of 217,078 m³ costing K1,937,843 unaccounted for.

ii. Construction of Phase 1 Water Supply and Sewerage Systems (Lot 1 – ONB No. MOF/PSU/LS-MFZ/W/001/14) m

On 16th July 2014, the Ministry of Finance and UNIK Construction Engineering Zambia Limited entered into a contract for the proposed construction of Phase 1 Water Supply and Sewerage Systems (Lot 1) for the Lusaka South Multi Facility Economic Zone Limited Company at a sum of K35,926,126.96 for a period of twelve (12) Months (after site handover).

The original scope of works included the following:

- preliminary and general (mobilisation and setup of facilities for contractor and Engineer);
- DB-Trench (excavation and backfilling of trenches for waterpipes);
- L-water (Supply, lay joint, bed fit and test water pipes);
- sewer lines (Supply, lay joint, bed fit and test sewer pipes;
- construct manholes and sewer sump);

- ground reservoir (site clearance, supply and install ABECO overhead steel tank);
- irrigation (supply and install irrigation pipes and pumps); and
- sewer treatment plant (supply and install water treatment plant).

On 28th January 2015, the Acting Head – Procurement and Supplies Unit informed the Managing Director that the Ministry Procurement Committee at its meeting held on the same date had approved variation Order 1 which increased the costs by K7,652,085 revising the contract sum to K43,578,212. The additional Scope under Variation Order 1 included the following:

- preliminary and general (contractor 's general obligations);
- construction of office boundary wall generator house, and guard house;
- medium pressure pipelines (supply, lay joint, bed fit and test water pipes); and
- construction of fountain.

Works commenced on 1st August 2014 with the initial completion date of 31st July 2015. As at 31st March 2023, the contractor had been paid in full.

The following were observed:

- **Wasteful Expenditure - Interest Costs on Delayed Payment**

  General Conditions of Contract (GCC) Clause 40.1 states "Payments should be adjusted for deductions for advance payments and retention. The Employer should pay the Contractor the amounts certified by the Project Manager within twenty eight (28) days of the date of each certificate. If the Employer makes a late payment, the contractor shall be paid interest on the late payment in the next payment. Interest shall be calculated from the date by which the payment should have been made up to the date when the late payment is made at the prevailing rate of interest for commercial borrowing for each of the currencies in which the payments are made."

A scrutiny of Interim Payment Certificate No. 17 (Final Account) revealed that the contractor submitted IPC 17 on 26th June 2017 and was owed a final amount of K2,227,285 to be paid by 28th July 2017.

However, LS-MFEZ only paid the contractor in full on 28th June 2021 which was four years after the due date. Subsequently, the contractor in their correspondence to LS-MFEZ dated 6th August 2021 claimed interest amounting to K2,216,258 for the period 28th July 2017 to 28th June 2021 in which the final account IPC 17 remained outstanding.

In a correspondence dated 15th September 2021, Unik Construction informed LS-MFEZ that following the meeting held between the two parties on 14th September 2021, Unik Construction had decided to award a 7.5% discount on the outstanding interest arrears reducing the amount owed to K2,050,039. Consequently, the interest amount was finally paid to the contractor on 28th January 2022. In this regard, the expenditure was wasteful as the interest amount would have been avoided had the IPC 17 been settled on time.

d. Staff Related Matters

i. Questionable Motor Vehicle Scheme

On 16th December 2016, Cabinet Office issued Circular No. 17 of 2016 abolishing the provision of personal-to-holder motor vehicles to officers in public service and state-owned enterprises. In this regard, the Boards of state-owned enterprises were urged to review the conditions of services in line with the Circular in view of the economic and fiscal challenges that the country was facing. In the same Circular, it was stated that the government introduced a public service motor vehicle loan scheme under the Public Service Micro Finance Company as a cost saving measure.

Clause 17(2) of the conditions of service stipulates that employees in LS-MFEZ 1 and LS-MFEZ 2 should be entitled to obtain a vehicle loan in line with Clause 8.2.2 of the Motor Vehicle Policy which provides that employees in LS-MFEZ 1-2 may procure a motor vehicle for official use limited to US$50,000 or a company car scheme to allow him/her procure a reasonable vehicle for use in their official capacity. In this regard, LS-MFEZ implemented a Company Scheme for Senior staff which entitled them to procure motor vehicles for official use. A review of the scheme revealed the following:

- **Failure to Obtain Board Approval**

  It was observed that the scheme was signed off by the Board Chairperson and the Managing Director. However, there were no board minutes availed to show that the scheme had been approved by the Board before implementation. Further it was observed that although the scheme was signed off, it was not dated.

  In response to an audit query, management stated that the scheme was approved by the board on 2nd March 2022. However, a review of the stated minutes revealed that the Board approved the Motor Vehicle Policy and not the Scheme.

  Further, the approved Motor Vehicle Policy stipulated that employees in Management Grades 1 and 2 were to obtain vehicle loans from the Public Service Micro Finance.

- **Questionable Disbursement of 100% of the Cost of Motor Vehicles**

  Clause 4.3 of the scheme states "LS-MFEZ Ltd. shall disburse 100% of the cost to the car dealer and recover the loan through payroll."

  During the period under review, LS-MFEZ paid the 100% total cost of K3,518,042 to the Public Service Micro Finance Company for the procurement of five (5) vehicles for five (5) senior members of staff.

  However, this was against the principle of the Circular abolishing procurement of personal to holder vehicles as a cost serving measure.

- **Questionable Loan Repayment Period**

  Clause 4.3 and 5.2 of the LS MFEZ scheme states that, "The repayment period for all vehicles obtained under the scheme shall be sixty (60) months."

However, the sixty (60) months loan repayment period was questionable in that the LS MFEZ members of staff were on thirty six (36) months contract.

- **Questionable Interest Rate**

  Clause 5.5 of the Scheme states that, "An employee shall bear all the cost of borrowing as charged by the vehicle financing company or internally as charged by LS-MFEZ. The LS-MFEZ interest shall be charged at 5% flat rate."

  However, in 2016 the Government abolished the provision of personal to holder motor vehicles and instead introduced a car loan scheme under the Public Service Micro Finance Company (PSMFC).

  Under the PSMFC Scheme, interest was being charged at the rate of 15% as opposed to the 5% flat rate used by LS-MFEZ rendering the basis of interest charged questionable.

- **Questionable Redemption Clause**

  Clause 4.4 of the loan scheme states "In case of a lawful termination of a contract by the company, or in the case of a non-renewal of the employment contract, an employee shall have an option to redeem the loan balance at 20% of the net book value (NBV)."

  The option was questionable in that it exposes the company to a possible loss of 80% of the outstanding balance.

ii. Irregular Payment of Transport Allowance

Clause 16.2.1 of both the LS-MFEZ Revised Conditions of Service of 2020 and 2022 stipulates that all employees not provided with official transport on their way to and from work should receive transport allowance at the rate of 15% to cushion on the cost of transport as prescribed from time to time.

A review of payroll and other documents availed for audit revealed that two (2) officers were allocated company vehicles on 1st December 2021 and 6th January 2022 and were used as transportation for the officers to and from LS-MFEZ.

Contrary to the conditions of service, between January 2022 and February 2023 the company irregularly paid transport allowance amounting to K67,815 to the officers that were allocated company vehicles.

7 Mpulungu Harbour Corporation Limited

7.1 Background

a. Establishment

Mpulungu Harbour Corporation Limited (MHCL) was incorporated in November 1988. The Corporation was established to provide harbour and port facility services at the Port of Mpulungu on Lake Tanganyika in Mpulungu District of Northern Province. In 2015, the Government of the Republic of Zambia transferred its shareholding to the Industrial Development Corporation (IDC).

b. Governance - Board of Directors

The Board of Directors of the Company comprise the following:

i. the Permanent Secretary or a representative of the Ministry responsible for sector policy,

ii. not more than five (5) persons from the private sector, and

iii. Managing Director of the Industrial Development Corporation (IDC).

The Board Members elect a Chairperson from amongst themselves. The Board Members hold office for a period of three (3) years from the date of appointment and may be re-appointed upon the expiration of that term.

c. Management

The day-to-day operations of the Corporation is the responsibility of the Managing Director who is appointed by the Board on a renewable (3) years term of office and is assisted by the Finance, Operations, Maintenance, Business Development, Human Resource, and Internal Audit Managers.

d. Information and Communication Technology (ICT) Systems

During the period under review, MHCL operated three (3) ICT systems namely:

i. Sage Evolution – for managing business intelligence, accounting, supply chain and procurement;

ii. Dove Payroll - for payroll management; and

iii. Wayware - for management of weighbridge operations.

e. Source of Funds

MHCL generates its own funds through provision of harbour and port facility services. The sources of funds for the Corporation include stevedoring (cargo handling) anchorage, departure fees, port levy, exit permit fees, hiring out of equipment, and wharfage.

7.2 Audit findings

An examination of financial and other records for the financial years ended 31st December 2021 and 2022 maintained at Mpulungu Harbour Corporation Limited revealed the following:

e. Income

During the period from 1st January 2021 to 31st December 2022, the Corporation had a total income budget of K130,752,130 out of which amounts totalling K119,188,585 were realised resulting in a negative variance of K11,563,545. See table 1 below.

Table 1: Budget against Actual Income

Details	2022 K	2021 K	Total K
Budgeted	**62,617,563**	**68,134,567**	**130,752,130**
Actual Income			
Revenue	45,134,238	66,915,789	112,050,027
other income	3,846,974	3,291,584	7,138,558
Total Income	**48,981,212**	**70,207,373**	**119,188,585**
Variance	**(13,636,351)**	**2,072,806**	**(11,563,545)**

As can be seen in the table above, revenue decreased from K66.9 million in 2021 to K45.1 million in 2022; whereas other income increased from K3.2 million in 2021 to K3.8 million in 2022.

f. Financial Analysis

i. Declining Net Profit Margin Ratio

The Net Profit Margin of an entity measures the amount of revenue and other incomes it retains after all its expenses are deducted. It represents the net profit a company obtained per Kwacha of revenue gained.

An analysis of the profit margins for the MHCL for the period under review revealed declining margins between 2021 and 2022. See table 2 below.

Table 2: Net Profit Margin Ratio

Details	2022 K	2021 K
Total Income	48,981,212	70,207,373
Profit/(Loss) For the Year	363,419	4,935,431
Net Profit Margin Ratio	0.7	7.0

ii. Reduced Profitability

As can be seen from the table above, the Company's Profit reduced by 93% from K4,935,431 in 2021 to K363,419 in 2022. The reduction in profit was mainly attributable to reduction in cargo volume passing through the Port from 231,000 metric tons in 2021 to 185,000 metric tons in 2022.

iii. Reduced Asset Turnover Ratio

A company's asset turnover ratio measures how profitably a company uses its assets to produce revenue. A higher ratio denotes an efficient use of assets while a lower ratio indicates poor efficiency. MHCL had the following figures in its 2021 and 2022 audited financial statements. See table 3 below.

Table 3: Reduced Asset Turnover Ratio

Asset turnover Ratio=Net sales Revenue/Average Total Assets		
Details	**2022 K**	**2021 K**
Revenue	45,134,238	66,915,789
Total asset as at 1st January	46,309,622	38,233,686
Total Assets as at 31st December	38,948,243	46,309,622
Average total assets	42,628,933	42,271,654
Asset Turnover Ratio	**1.1**	**1.6**

Source: 2021/2022 audited MHCL financial statements

As can be seen from the table 4 above, the Asset turnover ratio declined from 1.6 in 2021 to 1.1 in 2022, indicating a reduced asset efficiency.

g. Failure to Meet Targeted Revenue

MHCL projected to raise amounts totalling K68,134,567 in 2021 and K62,617,563 in 2022 through provision of various harbour and port facility services. However, a scrutiny of the financial statements and other financial documentation revealed that the company failed to meet its targeted revenue in 2021 by K1,218,778 representing 2%. In 2022 the situation worsened as the company failed to meet its budgeted targets by K17,483,326 representing 28%.

h. Operation Matters

i. Productivity

- **Failure to Meet Targeted Throughput (Cargo Handled)**

  During the period under review, the Corporation projected to achieve a throughput of 230,653 metric tonnes and 241,500 metric tonnes in 2021 and 2022, respectively. However, whilst the Corporation managed to meet its target in 2021 of 231,880 metric tonnes, a throughput of 185,802 metric tonnes was achieved in 2022, resulting in a deficit of 55,698 metric tonnes.

- **Reduced Port Efficiency - Failure to Repair Broken Down Machinery**

  MHCL measures its efficiency through the level of throughput output. Matters determining throughput efficiency (output) and levels of revenue collection include the price of providing services, USD-ZMW exchange rate, qualified human resource, sea vessel and truck turnover, and the Port's ability to handle cargo efficiently using its machinery.

  However, the following were observed:

  - Three (3) sets of equipment namely the American Crane, and two (2) by 20tons Forklifts critical to handling of cargo onto the ship, whose book value stood at K1,640,117 as at 31st December 2022 were down at the time of audit in June 2023 for periods ranging from two (2) weeks to three (3) years.

- Further, a review of the asset register revealed that the machinery was old as it was bought between six (6) and nine (9) years ago. The American crane used for loading abnormal loads had been frequently breaking down, thereby increasing loss of revenue in situations where the other functional crane broke down. See pictures below.

Broken down 20Ton Forklift *Broken down American Crane*

ii. Management of Warehousing

- **Poor Maintenance of Storage facilities**

MHCL had five (5) warehouses which were used to store cargo such as sugar, cement and coal before it is shipped to neighbouring countries.

A physical inspection of the warehouses conducted on 8th June 2023 revealed that warehouse number four (4) was in a deplorable state in that the iron sheet wall and roof had shifted from position and the roof was not in a stable condition.

Further, warehouse number five (5) was also in a poor state as it had holes in the sides on the iron sheet walls between the concrete wall and the roof had leakages, thereby exposing customer cargo to damage that led to loss of revenue. See Picture below.

Dilapidated warehouse number 4 *Warehouse number 5 in a poor state*

As at 31st July 2023, Warehouse No.4 was not in use.

- **Poor Handling of Goods in the Warehouse**

During the year ended 31st December 2022, MHCL recorded a total of 332.95 metric tons of damaged Dangote and Lafarge cement within its warehouses representing 6,659 x 50Kg bags of damaged cement. The total cost of damages totalled K835,615 as at 8th August 2023. See table 4 below.

Table 4: Damaged Cement Bags

Company	Damages (MT)	Damages (50Kg)	Debit Note No.	Amount (US$)	Amount K
Dangote	212.95	4259	6262	26,785	514,942
Lafarge	120.00	2400	MHCL-0507-2023	16,680	320,673
Total	**332.95**	**6,659**		**43,465**	**835,615**

In this regard, Dangote Cement Limited and Lafarge Zambia limited issued debit notes for amounts totalling US$43,465 (K835,615) due to the loss.

Losses arising from poor handling of goods in the warehouse affect the profitability of the company.

iii. Procurement Matters - Provision of Consultancy Services for Port Modernization – Failure to Meet the Set Objective

On 11th December 2020, MHCL engaged a consultant to provide consultancy services in relation to the port modernization at a cost of K480,000 WHT inclusive to be paid in monthly instalments of K80,000 for a period of six (6) months.

The following were the deliverables:

- Develop a corporate resource mobilization strategy for MHCL aligned to the key strategic directions of the Strategic Business Plan, Outlining the guiding principles of the resource mobilization approach and the activities required to engage new and existing contributors;
- Coordinate and facilitate determination of the final scope of the port upgrade and rehabilitation project taking in the relevant elements including the 2020-2024 MHCL strategic plan and the initial intake form submission;

- Coordinate the provision of input for the Netherlands Enterprise Agency-RVO intake form and associated processes leading up to grant award. The input might originate internally within MHCL and externally from relevant parties;
- Coordinate the establishment and operations of the Steering Committee for the DBSA financing proposal; facilitate the work of the steering committee.
- Facilitate activities of the Transaction Advisor appointed per terms of the Facility Agreement and associated Terms of Reference (ToR);
- Coordinate MHCL activities aimed at establishing a shipping line on Lake Tanganyika. This includes negotiating with potential funders and partners for the undertaking;
- Coordinate and facilitate tentative planning for rollout of port upgrade and rehabilitation project;
- Coordinate and facilitate formation of a Project Implementation Unit-PIU that will oversee implementation of the port upgrade project after grant award and financial close.
- Coordinate Geotechnical, Environmental Social Impact Assessment (ESIA) and traffic studies;

According to Clause 6 of the contract, the consultant was to provide monthly reports to MHCL detailing the activities that would have been undertaken in each month, which were to be used as a basis for making monthly payments of K80,000. Further, MHCL was required to cover costs of transportation, accommodation and meals connected with execution of the consultancy work.

Due to non-completion of the contract within six months, the contract was extended twice for further periods of six (6) months each with the same contract sum of K480,000 per six (6) months and the same terms of reference (ToR) with last date of execution being 13th June 2022.

In this regard, between December 2020 and November 2022, the consultant had been paid a total of K1,277,869.55 inclusive With Holding Tax (WHT) and other contract entitlements.

On 1st February 2022, the consultant resigned without citing any particular reason.

However, though the consultant was able to develop the resource mobilization strategy, he did not meet the other key contract deliverables. In particular, the following were observed:

- The Netherlands Enterprise agency (RVO) had committed to finance, through a grant, 50% of the total cost of the project of modernizing Mpulungu Port to a maximum of $30 million had pulled out. This was because MHCL failed to meet the ultimatum given by RVO of October 2022 by which to submit the DRIVE Intake form (the project information form required for funding consideration) which was required to be prepared by the consultant as per contract deliverables.
- The consultant failed to successfully coordinate the preparation of the Transaction Advisor Report, Environmental Social Impact Assessment, which were key aspects of completing the DRIVE Intake Form.
- Coordinating of MHCL activities aimed at establishing a shipping line on Lake Tanganyika was not done.
- Coordination and facilitation of formation of a Project Implementation Unit-PIU that will oversee implementation of the port upgrade project after grant award and financial close was not done.

As at 30th September 2023, the situation remained the same.

iv. Failure to follow Procurement Procedure – Rehabilitation of Forklifts

Section 77(4) of the Public Procurement Act No. 8 of 2020 stipulates that the cumulative value of contract variation and amendment should not result in an increment of the total contract price by more than twenty five (25) percentage (%) of the original contract price as prescribed, except that where the variation results in an increment exceeding twenty five (25) percentage (%), the contract should be cancelled and the procurement re-tendered.

On 6th May 2021, MHCL entered into a contract with Industrial Equipment for the rehabilitation of two (2) Forklifts with serial No. CAT T28B-50283 and CAT Serial No. T28B-50286 at a contract sum of K449,453 VAT inclusive with a completion period of three (weeks) from the date of payment of an initial amount totalling K269,672.

On 30th July 2021, the procurement committee members approved the variation of the initial contract to include additional parts for the two (2) Forklifts costing K262,104. However, the variation was 58% of the initial contract of K449,453 thereby rendering the variation irregular.

In response to the interim management letter dated 19th July 2023, management submitted that it was aware that the variation was above 25%. However, Industrial equipment was the only Original Equipment Manufacturer (OEM) and retendering the contract meant that MHCL would still have gone back to the same vendor. The procurement Committee resolved to give another contract covering the difference.

However, the procurement was irregular in that there was no authority from ZPPA to authorise the variation or single sourcing of another contract which included additional parts.

8 Zambia Railways Limited

8.1 Background

a. Establishment

Zambia Railways Limited (ZRL) was established in 1976 following the splitting of the Rhodesia Railways whose network covered Northern Rhodesia (Zambia), Southern Rhodesia (Zimbabwe) and Bechuanaland (Botswana). The rail line covers a distance of 1,248 km made up of the following track segments:

- Mainline from Victoria Falls Bridge to Kitwe (848 km);
- Branch Lines (214 km);
- The Mulobezi Line (162 km); and
- The Chipata Mchinji Line (24 km).

Government which wholly owned ZRL transferred its shares to the Industrial Development Corporation Limited (IDC) on 24thAugust 2015.

b. Governance

The Articles of Association dated 24th November 2020 provide for the establishment of the Board of Directors comprising the following:

- The Permanent Secretary or a representative of the Ministry responsible for sector policy;
- Not more than five (5) persons from the private sector; and
- The Managing Director.

The Board members are appointed by IDC on renewable three (3) year terms.

c. Management

The operations of ZRL is the responsibility of the Managing Director who is the Chief Executive Officer and is assisted by the Company Secretary and Directors of Finance, Operations, Technical Services, Commercial and Human Resources and Administration.

The management team is appointed by the Board of Directors on three (3) year renewable contracts.

d. Sources of Funds

The sources of funds for the company include the following:

- Freight income;
- Passenger income;
- Rental income;
- Interest earnings; and
- Miscellaneous income.

e. Information and Communication Technology Systems

During the period under review, ZRL operated the following Information and Communication Technology (ICT) Systems:

i. SAGE 300 ERP used to produce the ZRL financial statements, procurement processes, purchases and inventory control;

ii. SAGE People used for the purpose of preparing the payroll and personnel management; and

iii. E-ticketing used to manage ticket sales.

8.2 Audit Findings

A review of accounting and other records for the financial years ended 31st December 2021 and 2022 conducted at the ZRL headquarters and selected stations revealed the following:

d. Budget and Income

During the period under review, the Company budgeted to generate income in amounts totalling K1,066,508,067 from freight charges and rentals among others against which amounts totalling K932,093,000 were generated resulting in a negative variance of K134,415,067. See table 1 below.

Table 1: Budget and Income

Year	Budget K	Revenue K	Variance K
2021	538,720,973	495,365,000	(43,355,973)
2022	527,787,094	436,728,000	(91,059,094)
Total	**1,066,508,067**	**932,093,000**	**(134,415,067)**

e. Financial Analysis

i. Statements of Comprehensive Income

The Statements of Comprehensive Income for the financial years ended 31st December 2021 and 2022 were as shown in table 2 below.

Table 2: Statements of Comprehensive Income

Details	2022	2021
	K'000	K'000
Revenue		
Freight revenue	356,318	331,881
Passenger Revenue	15,674	11,140
Interchange earnings	14,555	13,500
Other income	50,181	138,844
	436,728	**495,365**
Expenditure		
Administration Expenses	90,355	71,670
Depreciation	77,368	85,318
Fuel and Lubricants	134,760	86,585
Interchange expenses	31,975	5,783
Loss on disposal of assets	399	22,491
Manpower costs	182,788	185,664
Provision for impairment losses	44,353	16,358
Repairs and maintenance	30,887	38,204
	592,885	**512,073**
Operating loss	(156,157)	(16,708)
Other gains and losses-net	23,319	63,441
Finance costs-net	(20,735)	(14,681)
Share of net loss of joint venture accounted for using the equity method		
	793	(7,107)
Loss)/profit before taxation	(152,780)	24,945
Income tax expense	(2,515)	(1,916)
(Loss)/profit for the year	**(155,295)**	**23,029**

(Source: ZRL financial statements for 2021 and 2022)

As can be seen above, the total revenue reduced by 11.8% from K495,365,000 in 2021 to K436,728,000 in 2022 resulting in a loss of K155,295,000 in 2022.

ii. Statements of Financial Position

The ZRL's Statements of Financial Position for the financial years ended 31st December 2021 and 2022 were as shown in table 3 below.

Table 3: Statement of Financial Position

Details	2022	2021
	K'000	K'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,246,537	1,268,305
Right-of-use assets	75,302	54,633
Investment properties	142,912	142,912
Investment accounted for using the equity metho	173,206	166,928
Financial assets at fair value through other comprehensive income	19,937	11,875
	1,657,894	**1,644,653**
Current assets		
Inventories	10,663	22,407
Trade and other receivables	120,947	47,069
Other financial assets at amortised cost	30,533	34,276
Amounts due from related party	82,974	61,122
Cash and cash equivalents	36,807	26,661
	281,924	191,535
Total assets	**1,939,818**	**1,836,188**
Non-current liabilities		
Borrowings	59,242	43,659
Lease liabilities	28,544	23,162
Employee benefit obligations	157,613	134,214
	245,399	**201,035**
Current liabilities		
Trade and other payables	633,089	494,006
Taxation payable	29,746	29,142
Borrowings	30,352	23,262
Lease liabilities	27,185	25,547
Employee benefit obligations	53,802	53,920
Provisions	197,515	163,829
	971,689	**789,706**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	825	825
Share premium account	626,602	626,602
Other reserves	1,236,469	1,230,984
Retained earnings	(1,172,385)	(1,018,554)
	691,511	**839,857**
Net assets taken over from RSZ	5,591	5,591
Capital grant	25,628	-
	691,511	
	722,730	**845,448**
Total equity and liabilities	**1,939,818**	**1,836,188**

(Source: ZRL financial statements for 2021 and 2022)

The following were observed:

- **Poor Working Capital**

  Working capital is the difference between the total current assets and the total current liabilities. The company recorded a decrease in working capital. In this regard, the working capital worsened from negative K598,171,000 in 2021 to negative K689,765,000 in 2022. See table 4 below.

Table 4: Working Capital

Details	2022	2021
	K'000	K'000
Total current assets	281,924	191,535
Total current liabilities	971,689	789,706
Working capital	(689,765)	(598,171)
Current ratio	0.29:1	0.24:1

Due to the worsened working capital, the current ratio was affected as detailed below.

- **Current Ratio**

A current ratio measures the ability of an entity to cover its current liabilities or obligations as they fall due and is calculated by dividing current assets by current liabilities. According to the Performance Based Contracts between IDC and the ZRL Board, the desired current ratio for ZRL was 1:1 for 2021 and 2022. However, ZRL's current ratio was 0.24:1 and 0.29:1 in 2021 and 2022 respectively.

f. Operational Matters

i. Failure to Meet Locomotive Availability Rate Target

A review of the 2022 annual report and asset register revealed that Zambia Railways Limited had 25 locomotives out of which 17 were operational. In addition, ZRL entered into lease agreements with Transnet Freight Rail and Trans Zambezi Rolling Stock for the hire of seven (7) locomotives in 2021 and six (6) locomotives in 2022.

Locomotive availability rate is defined as a number of days a locomotive is available for operations in a year and the performance management contract set the locomotive availability rate at 100%.

According to the corporate budget for the years 2021 and 2022, ZRL had set its locomotive availability rate at 100% translating into 22 locomotives and 19 locomotives for the years 2021 and 2022 respectively. A review of the locomotive availability report however revealed that that ZRL failed to meet the set locomotive availability rate of 100% as the number of available locomotives for the years 2021 and 2022 were 17 and 16 translating into availability rates of 77% and 84% in 2021 and 2022 respectively. As a result, ZRL failed to haul targeted freight tonnage of 2,147,681 tonnes in the period under review; instead, 1,612,486 tonnes were hauled resulting in a variance of 535,195 tonnes below the targeted tonnage.

ii. Failure to invoke clauses scheduled maintenance reports – Locomotives

Clause 9.3 of the lease agreement signed between ZRL and Transnet freight Rail (TFR) for hire of locomotives stipulated that each Locomotive should be charged at a rate of One thousand three hundred and fifty US$ (1,350) per day, inclusive of costs of all scheduled maintenance of the leased rolling stock. Any ad-hoc maintenance and costs thereof should be borne by the lessee.

Further, Clause 9.2 of the lease agreement signed between ZRL and Trans Zambezi rolling stock for hire of locomotives stipulated that the lessee should pay the lessor amounts ranging between US$ 1450 -US$ 1500 per day inclusive of scheduled maintenance and insurance costs.

In addition, Clause 10.1.3 of the lease agreement signed between ZRL and Transnet Limited stipulated that the lessor should at its cost carryout scheduled maintenance and repair of the leased locomotives and provide personnel to carryout scheduled maintenance and repairs.

A review of locomotive maintenance and service records availed for audit revealed that there were no scheduled maintenance undertaken by the lessor during the period under review.

However, clause 14.6 of the contracts provided that if an event of default occurs or is continuing the none defaulting party should have the right to terminate the agreement and should have all other rights and remedies available at law and in equity. ZRL did not evoke such provisions even when Transnet freight Rail (TFR) and Trans Zambezi Rolling Stock did not undertake scheduled maintenance despite ZRL meeting their contractual obligations.

iii. Poor State of Rail Infrastructure

A comparison of the 2022 Approved Track Maintenance Budget and the 2022 Track Maintenance Report revealed that a budget provision of K27,209,958 was made to cater for scheduled track maintenance works against which amounts totalling K17,762,294 were spent representing 65% of the budget. See table 5 below.

Table 5: Budget and Utilisation

Budget Line	Budget K	Actual Utilsation K	% Actualised
Track Works	8,132,847	2,769,052	34%
Emmergency	3,833,200	3,833,200	100%
Civil Works	3,132,469	336,752	11%
Projects	1,380,000	399,000	29%
Cooperative Payments	10,731,442	10,424,290	97%
Total	**27,209,958**	**17,762,294**	**65%**

A review of the 2022 Safety Report revealed that the number of safety occurrences reported during the period under review increased to 696 in 2022 from 642 occurrences in 2021. Out of the total recorded safety occurrences, 537 were attributed to track failure.

A further review of the 2022 Quarterly Track Maintenance Reports revealed that as a result of the safety occurrences arising from the poor state of the rail line and supporting infrastructure such as bridges, culverts and drainages, sections of the rail were placed on temporal speed limit of 15 km/hr from an average speed of 50 km/hr. This resulted in increased transit time for passengers and cargo from an estimated 36 hours to an estimated 72 hours for a distance from Victoria Falls in Livingstone to Chililabombwe.

In addition, as a result of the increased transit time for passengers and cargo, ZRL failed to haul the planned 2,147,681 tonnes of freight for which revenue amounting to K780,861,229 was expected to be generated. Instead ZRL hauled 1,612,486 tonnes which generated revenue of K389,506,100 resulting in a negative variance of 535,195 tonnes worth K391,355,129.

iv. Non-Delivery of Fifty (50) Wagons from Transnet - Freight rail

According to Section 10.1 of the minutes of the 127th Board meeting dated 31st March 2022, management sought Board approval to receive fifty (50) B class export fit wagons from Transnet Freight Rail (TFR) as compensation for the fifty (50) wagons which were either lost or damaged beyond repair on TFR lines in South Africa. However, as at 30th September 2023, the wagons had not been received.

g. Procurement Matters

i. Contract for the Recapitalisation and Modernisation of Zambia Railways

On 5th March 2021, the Industrial Development Corporation (IDC) and Zambia Railways Limited (ZRL) entered into a contract with Team Sweden Railways (TSR), a consortium which constitutes of Yapiray and Yapi Merkezi companies established and existing in Turkey for the rehabilitation and modernisation of Zambia Railways Limited (ZRL) at a contract sum of €978,093,639 VAT exclusive.

The scope of works was split into two (2) phases.

Phase 1 works were valued at a contract sum €12,179,723 with a completion period of six (6) months from the commencement date of 21st September 2021 and included the following:

- Track assessment;
- Market and risk study;
- Assessment of signalling and telecommunication;
- Geomatics survey works; and
- Selection of the engineer.

Phase 2 works included rehabilitation of 1,029 km of railway line from Livingstone to Sakania Border including Chingola, Chililabombwe and Mufulira branch lines with an expected completion period of forty eight (48) months from commencement of phase 2 works. The total contract sum for Phase 2 works was €965,913,916. The contract included procurement of 500 locomotives and 1,500 wagons scheduled to be delivered within sixty six (66) months from commencement of Phase 2 works.

The following were observed:

- **Failure to Secure Financing for Phase 1 Before Contract Award**

  On 4th May 2021, Zambia Railways Limited (ZRL) and Industrial Development Corporation (IDC) entered into a loan agreement with Zambia National Commercial Bank PLC Zambia for an amount of €3,044,930. The loan amount was meant for payment of 25% advance payment of the contract sum of €12,179,723 for phase 1 of the recapitalisation and modernisation project. The contractor was paid the advance payment on 1st September 2021.

  A review of financial statements and other records made available for audit revealed that ZRL had continued to depend on annual overdraft financing to support its monthly working capital and that the company had several outstanding financial obligations, thereby casting doubt on the company's ability to service the remaining 75% of the contract sum of €12,179,723 within the contract period of 6 months from the commencement date.

  In this regard, the signing of the contract by ZRL with the contractor was contrary to Section 56 (2) (a) (b) of the Public Procurement Act No. 8 of 2020 which stipulates that a procuring entity should commence procurement proceedings only if the procurement is within the approved budget and the approvals authority has confirmed the availability of funding for the procurement requirement.

- **Delayed Settlement of Certified Interim Payment Certificates**

  As at 31st December 2022, Interim Payment Certificates (IPCs) amounting to €8,308,877.27 had been certified out of which amounts totalling €3,121,508.59 had been paid leaving an unpaid balance of €5,187,368.68 outstanding for periods ranging between seven (7) and fourteen (14) months. As a result, the contractor had suspended works citing non-payment of certified IPCs with project completion being at 84% as at 31st August 2023 as shown in table 6 below.

Table 6: Percentage of Completed Works

No.	Description of works	Amount (€)	% of completion
1	Defining location of the camp and stocking areas	383,215	0
2	Testing samples from defined ballast Quarries	588,241	100
3	Definiting locations for quaries and aggregates of concerte sleeper ballast	-	0
4	Testing of cement samples	546,489	100
5	Track Reviewing	1,501,985	100
6	Assessment of existing rails, sleepers and fastenings and ballast	2,483,226	93
7	Visual checks on bridges and culverts	257,564	0
8	Visual checks at drainage problematic areas	198,126	1
9	Signalling survey report	1,370,843	48
10	Telecom and power survey report	1,183,956	75
11	Visual checks at Geotechnical risky locations, testing and reporting	427,737	100
12	Market study and Risk assessment report	216,787	70
13	Setting of the Geodetic Network along the line	1,283,002	100
14	Mapping of the line corridor	450,249	14
15	Structural Assesment of Bridges	77,956	77
16	Surveying the existing line	288,120	19
17	Preparing the alignment documents and drawings	822,224	30
18	Determination ,negotiation and evaluation of consultant engineer	100,000	0
	Total	**12,179,720**	

Further, the delay in completing Phase 1 has resulted in the failure to execute Phase 2 whose works included rehabilitation of 1,029 km of railway line from Livingstone to Sakania Border (including Chingola, Chililabombwe and Mufulira branch lines) and the procurement of 500 locomotives and 1500 wagons.

ii. **Failure to Recover Advance Payment**

On 5th February 2014, Zambia Railways Limited entered into a contract for the upgrading of signalling and telecommunication equipment at Zambia Railways Limited with a consortium comprising Bombardier Transportation Denmark AS, Huawei International Pte Ltd and GMC Technologies (Zambia) Ltd, collectively called BHG Zambia Alliance. The contract sum was US$50,999,968.29 with a delivery period of two (2) years.

The scope of works included the following:

- GSM Railway requirements to conform to Eirene standard
    - Central interlocking and radio block centre including MMI.
    - Design and Engineering
    - Test and Commissioning of signalling system
- General
    - Project Management (including quality Management, Safety Management, Industrial Management, etc)
    - Maintenance Support
    - Training

According to Clause GCC 16.1 of the contract, the Procuring Entity (Zambia Railways Limited) was required to pay 15% of the contract price to the Supplier (BHG) as an advance payment. Pursuant to that provision, Zambia Railways Limited, on 24th April 2014, duly paid Bombardier Transportation Denmark DKK21,948,797.40 million (or US$3.6 Million) being 15% of its portion of the contract sum.

Furthermore, the Contract provided that the Procuring Entity would open a letter of credit against the remaining 75% of the Contract price. The letter of credit had not been opened and this was duly communicated to BHG in 2014.

As at 30th June 2023, no works had been done. In this regard, on 10th July 2023, the Zambia Railways Limited management through the Company Secretary wrote to Bombardier Transportation Denmark reminding them of the consequences of the failure to settle the amount within fourteen (14) days.

However, as of September 2023 no response had been received from Bombardier Transportation Denmark and management had not taken any legal action.

iii. Track and Rolling Stock Maintenance

On 15th February 2022, the Zambia Railways Limited entered into thirteen (13) contracts with thirteen (13) cooperatives for the maintenance of various sections of the track from Livingstone to Chililabombwe and along the branch lines; and to undertake unscheduled maintenance of the Locomotives, coaches and wagons that become defective in operation at regional depots at a total contract sums of (K14,446,466) VAT inclusive as shown in the table 7 below.

Table 7: Track and Maintenance Contracts

No.	Location	Name of the Co-operative	Section of the Line (Kilometre)	Region	No. of workers	Annual Estimate Contract Value K	Contract Period
1	Mulobezi	Njanji Infrastructure Multipurpose Co-operative Society Limited	0 – 162.75	Southern	19	914,472	2 Years
2	Livingstone	Infrapat Infrastructure Multipurpose Cooperatives Society Limited	0 - 146	Southern	41	849,846	2 years
3	Monze	Monze Railways Line Multipurpose Cooperative Society Limited	282 - 377	Southern	27	1,253,208	2 years
4	Choma	Black Buffalo Multi-Purpose Co-operative Society Ltd	146 - 282	Southern	24		
5	Kafue	Super Infra Multipurpose Co-operative Society Ltd	377 -463	Central	34	1,514,724	2 Years
6	Lusaka	Infraroll Railways Multipurpose Cooperative Society Ltd	463 – 507	Central	23	1,243,455	2 Years
7	Chisamba	Efficient Railway Maintenance Co-operative Society Limited	507 - 562	Central	19	850,710	2 years
8	Kabwe	Kabwe Railway Track & Rolling Stock	562 -656	Central	34	1,773,520	2 Years
9	Kapiri-Mposhi	Vission for Workers Multipurpose Co-operative	656 - 722	Northern	28		
10	Ndola	Ndola Zambia Railways Multipurpose Co-operative	722 – 797.75	Northern	68	3,807,444	
11	Kitwe	Intermine Civil & Mechanical Engineering Co-operative	33 - 96	Intermine	30	1,389,241	
12	Chingola	Spero Multipurpose Co-operative Society Ltd	0 – 31.5	Chililabombwe	18	849,846	
		Total				**14,446,466**	

The following were observed:

- The contracts for Black Buffalo Multipurpose Cooperative and Vision for Workers were not availed for audit.
- According to clause 1.2.2 of the contract, for the rolling stock maintenance and repair, the cooperative should be given work through a job card stating defects and materials through the wagon test certificate. However, there were no wagon test certificates to show how the jobs were given.
- According to clause 1.2.3 of the contract Patrol Man Inspection part VII, the cooperative should ensure that the patrol man submits a report of his findings

on the line every day and a weekly written report. However, there was no evidence that weekly reports were prepared.

- A test check of the contact sums entered into between Zambia Railways Limited and the cooperatives revealed that there were variances between the amounts paid out and the actual contract sums entered into resulting in an overpayment of K2,418,235. See table 8 below.

Table 8: Overpayments to Cooperatives

No.	Location	Name of the Co-operative	Annual Estimate Contract Value K	Payments from January 2021 to December 2022 K	Overpayment of Contract sum K
1	Mulobezi	Njanji Infrastructure Multipurpose Co-operative Society Limited	914,472	915,600	1,128
2	Livingstone	Infrapat Infrastructure Multipurpose Cooperatives Society Limited	849,846	1,307,131	457,285
3	Monze	Monze Railways Line Multipurpose Cooperative Society Limited	1,253,208	1,264,273	11,065
4	Kafue	Super Infra Multipurpose Co-operative Society Ltd	1,514,724	2,005,406	490,682
5	Lusaka	Infraroll Railways Multipurpose Cooperative Society Ltd	1,243,455	1,911,445	667,990
6	Chisamba	Efficient Railway Maintenance Co-operative Society Limited	850,710	891,770	41,060
7	Kabwe	Kabwe Railway Track & Rolling Stock	1,773,520	1,959,460	185,940
8	Ndola	Ndola Zambia Railways Multipurpose Co-operative	3,807,444	4,102,932	295,488
9	Kitwe	Intermine Civil & Mechanical Engineering Co-operative	1,389,241	1,512,309	123,068
10	Chingola	Spero Multipurpose Co-operative Society Ltd	849,846	967,550	117,704
11	Choma	Black Buffalo Multi-Purpose Co-operative Society Ltd	1,121,005	1,094,180	26,825
		Total	**15,567,471**	**17,932,056**	**2,418,235**

iv. Contract for the Supply of Materials and Repair of the Workshops Roof- Poor Works Carried

On 15th February 2022, the Zambia Railways Limited engaged Afriwoods and Development Limited for the supply of materials and repair of the workshops roof at a contract sum of (K5,021,894) VAT inclusive with a completion period of three (3) months.

The scope of works included the following:

- Mobilisation
- Roofing
- Replacement of gutters
- Installation of Drain Pipes
- Desilting of underground drains
- Demobilisation

As at 1st June 2023, the contractor had issued a first Interim Payment Certificate (IPC) No. 1 amounting to K2,067,988 and an advance payment of K1,255,473 had been made.

However, as at 31st August 2023, works had stalled and the following works were still outstanding:

- Replacement of gutters
- Desilting of underground drains were not done.

In addition, although the installation of drain pipes was carried out, in some instances the completion of the installation was poorly done as can be seen in the pictures below.

Drain pipes

Incomplete Drain pipes

h. Accounting irregularities – Failure to Collect Rental Income

Section 5 of the Debt Management Policy under rental collections requires that rentals are collected three (3) months in advance only.

As at 31st December 2022, ZRL had not collected rental income in amounts totalling K32,551,990 for land and buildings for periods ranging from four (4) to ninety (90) months.

i. Staff Related Matters

- **Delayed Settlement of Retirement Benefits**

  As at 30th September 2023, Zambia Railways Limited had outstanding obligations in amounts totalling K9,818,686 relating to gratuity for contract employees (K4,886,191) and retirement benefits for permanent and pensionable officers (K4,932,496). The obligations had been outstanding for periods ranging from July 2020 to December 2022.

- **Outstanding Liabilities for Pay As You Earn and NAPSA**

  In the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year ended 31st December 2020, mention was made of the non-remittance of statutory contributions in amounts totalling K348,131,120 in respect of pension contributions and Pay As You Earn (PAYE) to National Pension Scheme Authority (NAPSA) and Zambia Revenue Authority (ZRA) as at 31st August 2021.

  In his submission, the Controlling Officer informed the Committee that management had gone into payment plans with NAPSA and ZRA. ZRL owed NAPSA a total of K31.69 million in contributions and settled the outstanding balance in June 2021. As at the time of reporting, ZRL was up to date with contributions to NAPSA. Furthermore, management had also a time to pay agreement with ZRA to pay K1 million per month for Income tax, Value Added Tax, PAYE, Withholding Tax and Excise Duty of the K130 million owed.

In their Report for the First Session of the Thirteenth National Assembly on the Report of the Auditor General on the Accounts of Parastatal Bodies and other Statutory Institutions for the Financial year ended 31st December 2020, the Committee noted with concern that the Time-To-Pay agreements between ZRL and ZRA would take over 130 months. The Committee further found the Time-To-Pay agreements lack consideration of the time value of money and recommended that going forward, the entities must formulate realistic Time-To-Pay agreements.

A review of the situation on 30th September 2023 revealed that the liabilities for PAYE and NAPSA contributions increased to K368,016,963. Included in this amount was NAPSA penalties in amounts totalling K196,048,384.

9 Administrator General and Official Receiver

9.1 Mandate

The Ministry of Justice draws its statutory mandate from the Government Gazette No. 1123 of 2021. The Ministry is responsible for providing legal services to Government Agencies, facilitating the dispensation of justice and promoting good governance principles and practices.

9.2 Background

The Department of the Administrator General and Official Receiver comprises of two (2) sections i.e. Administrator General (created under the Administrator General's Act Chapter 58 of the Laws of Zambia) and the Official Receiver (created under the Bankruptcy Act Chapter 82 of the Laws of Zambia) whose clientele are the general public, bereaved families, persons declared bankrupt, creditors and ex-employees of liquidated companies and companies in receivership.

The mandate of the Department:

i. To administer estates of deceased persons who die testate or intestate;
ii. To administer estates of persons declared bankrupt under the Bankruptcy Act, Chapter 82 of the Laws of Zambia;

iii. Under the Corporate Insolvency Act No. 9 of 2017, the Official Receiver has the following mandate:

- To act as liquidator or provisional liquidator when appointed;
- To supervise liquidators and receivers in the country;
- To act as an Interim Business Rescue Administrator; and
- To act as receiver or manager when appointed as such.

9.3 Audit Findings

A review of accounting and other records maintained for the financial years ended 31st December 2021 and 2022 at the office of the Administrator General and Official Receiver revealed the following:

a. Budget and Funding

During the period under review, the Department had an approved budget of K5,124,139 and the whole amount was funded. As at 31st December 2022, amounts totalling K5,124,131 had been spent.

b. Management of Companies Under Receivership and Liquidation

i. Failure to Obtain Treasury Authority to Invest in a Fixed Deposit Account - Zambia National Oil Company (ZNOC)

Zambia National Oil Company Limited (ZNOC) was placed under receivership on 30th October 2001 by Zambia National Commercial Bank (ZANACO) Limited after it failed to discharge its loan obligations of US$50 million.

Between October 2001 and April 2002, the Government negotiated for the transfer of the full debt from ZNOC to the Government in return for the full settlement of the debt. However, as the Government was unable to meet the ZNOC creditor claims within the stipulated 12 (twelve) month's period, ZNOC was placed under compulsory liquidation by the creditors on 9th May 2003.

Following the resignation of the liquidator on 9th December 2015, ZNOC was placed under the receivership and management of the Office of the Administrator General and Official Receiver on 30th November 2018.

Section 28 (4) of the Public Finance Management Act of 2018 provides that a Controlling Officer shall invest public funds, subject to the approval of the Secretary to the Treasury.

However, on 19th May 2021, the Administrator General, as Official Receiver and Liquidator of Zambia National Oil Company (ZNOC) invested amounts totalling K4,000,000 in a fixed deposit account without obtaining authority from the Secretary to the Treasury.

As at 19th May 2023, the Fixed Deposit had matured and earned interest in amounts totalling K1,604,384.

ii. Roan Antelope Mining Cooperation (RAMCOZ)

By a Deed of Appointment dated 2nd December 2005 and effective from 15th July 2005, the Government of the Republic of Zambia as the secured creditor appointed the Office of the Administrator General and Official Receiver to be the Receiver and Manager of RAMCOZ Plc (in Receivership).

The responsibility of the Official Receiver was to dispose of RAMCOZ assets to raise funds for payment to various creditors under liquidation laws. See table 1 below for the creditors owed by RAMCOZ (in Receivership).

Table 1: Breakdown of RAMCOZ Creditors

No.	Creditor	Amount K
1	Pension Houses	
	NAPSA	437,304,013
	Mukuba Pension Fund	22,648,330
2	Sundry Creditors-	1,049,482,333
3	Ex-employees	6,096,974
	Total	**1,515,531,651**

The following were observed:

- **Encroachment of RAMCOZ Properties**

  In a letter dated 30th October 2017, the Office of the Administrator General and Official Receiver wrote to Luanshya Municipal Council regarding the encroachment of properties of RAMCOZ by individuals who claimed to have been allocated the said properties by the Luanshya Municipal Council. The following were the properties that were encroached:

- 4th Street Nursery School- Luanshya District,
- Old Culture - Luanshya District,
- Mutombolya Tavern in Roan Township- - Luanshya District and
- Makoma Dam Plots

However, as at 30th September 2023, there was no evidence of any action being taken by the Office of the Administrator General and Official Receiver regarding the encroached properties.

iii. SERIOES International Limited

- **Sale of Property Stand No. 1554 to Nyimba Investments Limited at a Price Lower than the Reserve Price**

  On 10th February 2020 Nyimba Investment Limited as seating tenants were offered to purchase property at stand No. 1554 situated in Luanshya at a reserve price of K2,935,000. However, the company responded with a counteroffer of K1,560,000 resulting in the Office of the Administrator General and Official Receiver placing an advert in the print media in May 2020 for the sale of the property at a reserve price of K2,935,000. In this regard, on 3rd June 2020 Antelope Wholesale Merchants Limited made an offer of K2,951,000 for the property.

  However, it was observed that the property was finally sold to Nyimba Investment Limited in May 2021 at a price of K1,650,000 which was lower than the price offered by Antelope Wholesale Merchants Limited.

  In addition, management did not avail a copy of the valuation report of the property sold.

  In this regard, the sale of the property at a lower price was questionable.

- **Failure to Facilitate for Payment of Terminal Benefits from Available Funds**

  A review of schedules relating to outstanding terminal benefits to ex-employees of Serioes Company revealed that as at 31st December 2022 a total of 282 ex-employees were owed amounts totalling K5,730,609. See table 3 below.

Table 3: Total outstanding balance to Serioes ex-employees

No.	Nature of Payment Owed	No. of Ex-employees	Amount K
1	Terminal Benefits for monthly paid employees	114	1,919,740
2	Terminal Benefits for hourly paid employees	150	2,053,555
3	Terminal Benefits for Serioes Employees	17	298,685
4	Compensation following court judgement	1	1,458,630
	Total owed	**282**	**5,730,609**

However, no payments had been made to any ex-employee and management had spent amounts totalling K216,335 on payment of personal emoluments and other costs to employees engaged to manage the unsold assets leaving a balance K1,433,665 as at 31st October 2023.

10 Energy Regulation Board

10.1 Background

a. Establishment

The Energy Regulation Board (ERB) is a statutory body established under Section 42 (Part VII) of the Energy Regulation Act No. 12 of 2019 with the mandate to regulate the energy sector in the country.

b. Governance - Board of Directors

Section 5 (1) of the Energy Regulation Act No.12 of 2019 provides for the establishment of a Board of Directors which consists of seven (7) part-time members appointed on three (3) years renewable terms by the Minister responsible for Energy.

c. Functions of the ERB

The specific functions of ERB, as set out in Section 4 of the Energy Regulation Act No. 12 of 2019 are:

i. to issue licences under this Act, in collaboration with the Competition and Consumer Protection Commission;

ii. investigate and monitor the levels and structures of competition within the energy sector with a view of promoting competition and accessibility to a licensee or enterprise; and

iii. to develop and implement appropriate rules to promote competition in the energy sector and to monitor, in collaboration with any other relevant regulatory body, the efficiency and performance of a licensee and an enterprise, having regard to the purposes for which the licensee and the enterprise were licenced or established.

d. Management

The Director General is responsible for the operations of the ERB and is assisted by Directors responsible for Economic Regulation, Legal and Secretarial Services/Board Secretary, Technical Regulation, Consumer and Public Affairs, and Finance. The management team is appointed by the Board of Directors on five (5) years renewable terms.

e. Sources of Funds

The funds of the Board consist of such moneys as may:

- be appropriated by Parliament for the purposes of the Board;
- be paid to the Board by way of grants or donations; and
- vest in or accrue to the Board.

f. Information and Communication Technology Systems

The Energy Regulation Board has:

i. Tailor made Management Information System (MIS) comprising Complaints Handling, Licensing, and Non-Tax Revenue (returns submission) modules;

ii. ACCPAC Sage 300 – for accounting and procurement; and

iii. Sage 300 People – for Payroll.

10.2 Audit Findings

A review of accounting and other records maintained at Energy Regulation Board for the financial years ended 31st December 2020, 2021 and 2022 and visits to selected stations revealed the following:

a. Budget and Income

During the period under review, the Board had a revenue target of K654,641,935 against which amounts totalling K1,110,517,117 were collected resulting in a surplus of K455,875,182 as detailed in table 1 below.

Table 1: Budget and Actual Income

Year	Budget K	Actual K	Variance K
2020	193,533,623	284,162,122	90,628,499
2021	200,113,766	369,177,752	169,063,986
2022	260,994,546	457,177,243	196,182,697
Total	**654,641,935**	**1,110,517,117**	**455,875,182**

The surplus was attributed to the improvements in debt collection and increase in licenses issued in the petroleum and renewable energy sub sector.

b. Financial Analysis

i. Statement of Income and Expenditure and Other Comprehensive Income

The Statements of Income and Expenditure and Other Comprehensive Income for the years ended 31st December 2020, 2021 and 2022 are as shown in table 2 below.

Table 2: Statement of Income and Expenditure and Other Comprehensive Income

Details	2022 K	2021 K	2020 K
Income			
Grant Income	86,330,393	75,069,908	75,069,913
Fuel Marking Agency Fee	94,080,519	43,529,797	43,529,797
Other Income	9,064,782	9,825,534	4,566,756
Total Income	**189,475,694**	**128,425,239**	**123,166,466**
Expenditure			
Employee Expenses	103,018,661	101,331,550	82,368,624
Depreciation Expense	2,578,922	2,661,610	2,486,110
Other Operating and Administartion Costs	40,171,700	37,541,038	39,858,530
Total Expenditure	**145,769,283**	**141,534,198**	**124,713,264**
Surplus / (Deficit) for the Year	**43,706,411**	**(13,108,959)**	**(1,546,798)**
Amortisation of Capital Grant	325,200	19,388	19,388
Total Comprehensive Surplus/(Deficit) for the Year	**44,031,611**	**(13,089,571)**	**(1,527,410)**

As can be seen above, ERB recorded deficits of K1,527,410 and K13,089,571 in 2020 and 2021 respectively and a surplus of K44,031,611 in 2022. The deficit in 2020 was due to bad debts provisions made on agency fees whereas the deficit in 2021 was attributed to the increase in the provision for gratuity and service benefits.

The surplus recorded in 2022 was mainly attributed to growth in the energy sector.

ii. Statement of Financial Position

The Statements of Financial Position as at 31st December 2020, 2021 and 2022 were as shown in table 3 below.

Table 3: Statements of Financial Position

Details	2022 K	2021 K	2020 K
ASSETS			
Non-Current Asset			
Property and Equipment	52,470,179	50,194,105	52,164,056
Current Assets			
Recievables	91,388,646	46,123,241	35,696,660
Cash & Cash Equivalents	2,505,081	1,391,044	6,856,119
Total Current Assets	93,893,727	47,514,285	42,552,779
Total Assets	**146,363,906**	**97,708,390**	**94,716,835**
FUNDS AND LIABILITIES			
Capital Grants and Funds			
Capital Grants	1,705,979	567,192	586,580
Accumulated Funds	79,699,471	35,667,860	48,757,432
	81,405,450	**36,235,052**	**49,344,012**
Non-Current Liabilities			
Deffered Employee Benefits	26,046,912	25,563,678	24,112,088
Current Liabilities			
Payables	38,911,544	35,909,660	21,260,735
Total Liabilities	**64,958,456**	**61,473,338**	**45,372,823**
Total Funds and Liabilities	**146,363,906**	**97,708,390**	**94,716,835**

A review of the Statements of Financial Position for the period under review revealed the following:

- There was an increase in receivables by K55,691,986 from K35,696,660 in 2020 to K91,388,646 in 2022.
- There was an increase in payables by K17,650,809 from K21,260,735 in 2020 to K38,911,544 in 2022.

c. Operational Matters

i. Weaknesses in Enforcements

Section 4(u) of Part II of the Energy Regulation Act No. 12 of 2019 states, "The functions of the Energy Regulation Board are to — (u) impose an administrative penalty against a licensee for violation of licence conditions under a licence held by the licensee, or for failure to abide by the directives issued under this Act or any other relevant written law; among others."

Section 52(2) of Part VIII General Provisions states, "If a person, on whom an administrative penalty is imposed, in accordance with this section, fails to pay the penalty within the time ordered by the Energy Regulation Board, the Energy Regulation Board may recover the penalty by action in a court of competent jurisdiction."

Further, the Enforcement letters have a clause stating that the penalty should be paid within seven (7) days of the receipt of the letter.

However, amounts totalling K421,450 charged as penalties regarding enforcement cases involving twenty four (24) Licensees were not collected within the seven (7) days. There was no evidence availed to confirm that the affected Licensees were taken to court by the Board. Details in table 4 below.

Table 4: Enforcement Hearings

Year	No of Licensees Summoned	No of Licensees Penalised	Amount (Fine) K	Amounts Collected K	Outstanding Amount K	No. of Licensees Penalised Yet To Pay
Other Licencees						
2020	17	12	119,950	101,500	18,450	5
2021	52	38	1,039,000	886,500	152,500	10
2022	69	40	1,016,000	856,000	160,000	5
Fuel Marking Licencees						
2020	19	12	164,500	74,000	90,500	4
Total	**157**	**102**	**2,339,450**	**1,918,000**	**421,450**	**24**

As at 31st August 2023, the position had not changed.

ii. Outstanding Debt

During the period under review, it was observed that amounts totalling K498,955,555 were outstanding from three (3) entities in respect of licence fees as at 31st August 2023 See table 5 below.

Table 5: Debtors

No.	Entity	Current	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
		K	K	K	K	K	K
1	Continental Oil Company	-	-	-		1,001,816	1,001,816
2	Midlands Petroleum Ltd	-	-	-		6,501	6,501
3	ZESCO Ltd	-	-	12,824,667	7,733,763	477,388,810	497,947,239
	Total	-	-	**12,824,667**	**7,733,763**	**478,397,126**	**498,955,555**

As can be seen from the table above, out of the total amount of K498,955,555 outstanding, 99.8% was owed by ZESCO Ltd.

d. Staff Related Matters - Questionable Payments of Responsibility Allowances

Section 11 of the Management and Non-Represented Staff – Terms and Conditions of Service 2020 of the Energy Regulation Board, (Acting Appointment, Additional Responsibility, Promotion and Demotion) states, "All acting appointments whether for convenience or promotions and additional responsibility should be made in writing by the Director General before commencement of such appointments."

Further, Section 11.2.1 Additional Responsibility states, "In order to meet operational requirements, employees may from time to time be assigned alternative functions in addition to their normal duties at equivalent or higher grades than their substantive grade.

11.2.2 where an employee is assigned additional responsibility for a minimum of ten (10) calendar days, he/she shall be entitled to be paid an additional responsibility allowance at 25% of the employee's substantive salary on a pro rata basis."

However, amounts totalling K1,734,219 were paid as responsibility allowance to eleven (11) officers that were appointed to the Integrity Committee for a period of fourteen (14) months between November 2019 and December 2020.

Further, a review of minutes revealed that during the period under review, the Integrity Committee had six (6) meetings. It was also not clear why Management decided to pay responsibility allowance instead of sitting allowances which was paid to other Committees, thereby making the payment questionable.

11 Food Reserve Agency

11.1 Background

a. Establishment

The Food Reserve Agency (FRA) is a Statutory body under the Ministry of Agriculture. It was established in 1995 under the Food Reserve Act Chapter 225 (repealed) and whose functions and existence has now continued under the Food Reserve Act No. 6 of 2020 of the Laws of Zambia. The Food Reserve Act mandates FRA to administer national strategic food reserves; provide market access to small-scale farmers; and develop and manage public agricultural storage facilities.

The functions of the Agency include, among others, the management of National Strategic Food Reserve as provided in Section 5, Subsection 1 and 2 (a-e) of the Food Reserve Act No. 6 of 2020 and these are as follows:

i. market and trade a designated agricultural commodity;
ii. purchase, import, sell, trade or export a designated agricultural commodity;
iii. establish, manage, lease, and maintain a storage facility and equipment to be used in relation to a designated agricultural commodity;

iv. collect information related to the marketing of a designated agricultural commodity; and

v. advise the Minister on matters relating to the National Strategic Food Reserve.

b. Governance

Section 6 of the Food Reserve Act 2020 provides that the Board of the Agency should consist of the following part-time members appointed by the Minister:

i. a representative each of an association representing small scale farmers, large scale farmers, millers and grain traders;

ii. a representative of the Attorney-General;

iii. a representative each of the ministries responsible for agriculture, fisheries and livestock, finance and commerce, trade & industry; and

iv. two persons with proven knowledge and experience in matters relevant to this Act.

c. Management

The Executive Director, who is the Chief Executive Officer of the Agency, is responsible for the administration of the Agency and the implementation of the decisions of the Board of Directors. The Executive Director whose responsibility is to manage the day to day affairs of the Agency is assisted by five (5) Heads of Departments namely Food Reserve and Marketing Manager, Finance Manager, Audit and Risk Manager, Property Manager; and Legal Counsel/Agency Secretary.

d. Sources of Funds

According to the Act, the sources of funds for the Agency consist of such monies as may:

i. be appropriated to the Agency by Parliament for the purposes of the Fund;

ii. be paid to the Agency by way of grants or donations;

iii. be obtained through sale of publications;

iv. subject to the Public Finance Management Act be generated from a sale of a designated agricultural commodity for the purposes of maintaining and securing the National Strategic Food Reserve; or

v. vest in or accrue to the Agency.

The Agency may also:

i. accept monies by way of grants or donations from any source in the Republic and from any source outside the Republic;
ii. raise, by way of loans or otherwise money that the Agency may require for the performance of its functions;
iii. charge and collect fees in respect of programmes, publications, seminars, consultancy and other services provided by the Agency; or
iv. lease storage facilities and equipment.

e. Management Information Systems

During the period under review, the Food Reserve Agency operated the following systems:

- SAGE 300 Financials: This is the system that is used for asset management, Account payables, Accounts receivable and other accounting functions.
- VIP Premier: This is a system that was used for administration of the payroll Employee Self Service and Human Resource

11.2 Audit Findings

An examination of financial and other records maintained at FRA Headquarters and other stations for the financial year ended 31st December 2022 revealed the following:

a. Governance

i. Failure to Approve Board Minutes

Section 10(9) of the Food Reserve Act of 2020 states "The Board shall cause minutes to be kept of the proceedings of every meeting of the Board and any committee of the Board."

During the period under review, a total of K140,400 was paid to members as board allowances in respect of the seven (7) meetings held between April 2022 and 9th September 2022 comprising of Board and Sub-Committee meetings. In their response dated 9th October 2023 management submitted that minutes in question were confirmed and awaiting signing in the next meeting. However, it was not clear why minutes for seven (7) meetings were not signed in subsequent meetings.

ii. Failure to Provide Nomination Letters for Board Members

Section 6(2) of the Food Reserve Act stipulates that "The ministries, institutions, or organisations under subsection (1)(a), (b) and (c) shall nominate their representatives for appointment by the Minister."

Contrary to the Act, nomination letters of Board members from organisations they represent were not presented for audit. As a result, it could not be confirmed whether the members were nominated by the institutions as required by the Act.

b. Budget and Income

During the period under review, FRA budgeted to generate income and receive Government grant of K2,772,566,071 against which amounts totalling K5,049,703,479 were generated and received resulting in a positive variance of K2,277,137,408 as shown in table 1 below.

Table 1: Budget Vs Actual Revenue

No.	Sources of Revenue	Budgeted Revenue K	Actual Revenue K	Variance K
1	GRZ Revenue Grant	1,046,200,000	1,720,381,126	674,181,126
2	Trading Income	1,720,000,000	3,320,000,000	1,600,000,000
3	Lease- Storage Sheds	4,288,500	302,400	(3,986,100)
4	Lease-Plant & Machinery	106,073	47,021	(59,052)
5	Lease- Commercial Properties	338,298	909,126	570,828
6	Other Income	1,633,200	8,063,806	6,430,606
	Total	**2,772,566,071**	**5,049,703,479**	**2,277,137,408**

Out of the total revenue of K5,049,703,479, a total of K4,747,670,281 was spent leaving a balance of K302,033,198.

c. Financial Analysis - Failure to Submit Annual Report

Section 31 (1) of the Food Reserve Act No. 6 of 2020 states, "The Board shall, as soon as practicable, but not later than ninety days after the end of the financial year, submit to the Minister a report concerning the Agency's activities during the financial year." Further Part (2) of the Act states, "The report under Sub-section (1), shall include information on the financial affairs of the Agency and there shall be appended to the report:

- an audited statement of financial position;
- an audited statement of comprehensive income and expenditure; and
- other information that the Minister may require."

However, as at 30th September 2023, FRA had not submitted the annual report for 2022 as the financial statements for the year ended 31st December 2022 had not been prepared.

d. Operational Matters

i. Poor Storage of Maize

A physical verification undertaken at twenty (20) FRA depots revealed that 18,764 x 50Kg maize valued at K4,006,720 stacked outside got damaged due to exposure to elements of weather such as moisture seepage and overheating. See table 2 and pictures below.

Table 2: Damaged Crops

Province	District	Depot	Crop	Condition of crop	Marketing Season	Quantity (50Kg)	Amount K
Northern	Kasama	Kasama Main	Maize	Rotten	2020/2021	915	137,250
	Mungwi	Chimba	Maize	Rotten	2020/2021	55	8,250
	Mungwi	Chimba	Maize	Discoloured	2020/2021	49	7,350
	Luwingu	Luwingu	Maize	Rotten	2021/2022	1,046	188,280
	Mbala	Mbala Main	Maize	Discoloured	2020/2021	1,984	357,120
			Sub-total			**4,049**	**698,250**
Copperbelt	Mpongwe	Mpongwe Main	Maize	Rotten	2020/2021	82	12,300
	Masaiti	Masaiti Main De	Maize	Rotten	2020/2021	7	1,050
			Sub-total			**89**	**13,350**
Central	Luano		Maize	Rotten	2021/2022	1,401	252,180
	Luano		Soya Beans	Rotten	2021/2022	1,156	635,800
	Mkushi		Maize	Rotten	2021/2022	761	136,980
	Kapiri Mposhi		Maize	Rotten	2021/2022	2,322	417,960
	Kapiri Mposhi		Soya Beans	Rotten	2021/2022	654	359,700
			Sub-total			**6,294**	**1,802,620**
North West	Kasempa	Mako	Maize	Rotten	2021/2022	199	35,820
	Kasempa	Mako	Maize	Discoloured	2021/2022	122	21,960
			Sub-total			**321**	**57,780**
Eastern	Katete	Katete Main	Maize	Rotten	2020/2021	20	3,000
	Katete	Vulamukoko		Rotten	2021/2022	3	540
	Sinda	Sinda Main		Rotten	2020/2021	200	30,000
	Sinda	Sinda Main		Rotten	2021/2022	80	14,400
	Nyimba	Mchimadzi		Rotten	2021/2022	410	73,800
			Sub-total			**713**	**121,740**
Muchinga	Mafinga	Thendere Main		Rotten	2020/2021	18	2,700
	Mafinga	Thendere Main		Rotten	2021/2022	162	29,160
	Mafinga	Muyombe Main		Rotten	2020/2021	4	600
	Mafinga	Muyombe Main		Rotten	2021/2022	797	143,460
	Mafinga	Muyombe Main		Discoloured	2021/2022	372	66,960
	Mafinga	Chitapo		Rotten	2021/2022	150	27,000
	Mafinga	Mulekatembo Main		Rotten	2021/2022	137	24,660
	Nakonde	Mwenzo Main		Rotten	2021/2022	362	65,160
	Nakonde	Mwenzo Main		Discoloured	2021/2022	61	10,980
	Isoka	Isoka Main		Discoloured	2020/2021	2337	420,660
			Sub-total			**4,400**	**791,340**
Southern	Namwala	FRA Namwala		Rotten		106	19,080
	Monze	FRA Monze		Rotten		2,221	399,780
	Mazabuka	FRA Mazabuka		Insect Damaged		100	18,000
	Kalomo	Kalomo Main		Discoloured		67	12,060
	Mazabuka	FRA Mazabuka		Damaged		74	13,320
	Mazabuka	FRA Mazabuka		Discoloured		75	13,500
	Mazabuka	FRA Mazabuka		Rotten		255	45,900
			Sub-total			**2,898**	**521,640**
			Grand Total			**18,764**	**4,006,720**

See pictures below.

Rotten maize at Kasama main Depot

Rotten and Discoloured Maize in Mpongwe

ii. Stock Variances

Section 15 (vii) of the 2022 Crop Marketing Modalities for 2022/23 Marketing Season states "After receipt of the PRCN and Weekly Receipt Summary (WRS) copies from the satellite depot, the Marketing Assistant will verify the documents by physical count of purchased crop at satellite depots." Further, Part (viii) states, "The Marketing Assistant shall capture PRCNs correctly on the district Sage ERP System."

The following were observed:

- **Negative Stock Variances**

  A review of the 2022 Annual Stocktake Report revealed that there were negative variances of maize and Soya beans Stocks and empty grain bags costing K2,054,480. The negative variance were attributed to theft, unaccounted for stock and under delivery by suppliers.

  Although in their response dated 9th October 2023, management submitted that suspected theft cases were reported to police and once investigations were concluded, cases were either advanced to courts for litigation or disposed of accordingly. In cases where members of staff were found to be involved, administrative disciplinary action was taken.

  However, as at 30th September 2023, no evidence of the said action was availed for audit. See table 3 below.

Table 3: Unaccounted for Stocks

No.	Description	Variances (bags)	Unit Price K	Variances K
1	Maize Stock Variances attributed to Theft	3,973	150	595,950
2	Maize Stock Variances Unaccounted for	6,343	150	951,450
3	Soya Beans Stock Variances unaccounted for	428	550	235,400
4	Empty grain bags stock variances due to theft	16,424	15	246,360
5	Empty grain bags stocks undelivered by supplier	1,688	15	25,320
	Total			**2,054,480**

- **Variances in Maize Closing Balances**

  A scrutiny of the stores records and ledgers maintained at eight (8) districts revealed that there were closing maize stock balances amounting to 74,923 metric tonnes as at 31st December 2022.

  However, a scrutiny of the Enterprise Resource Planning system (ERP) revealed that the districts had a closing stock balances of 84,327 metric tonnes resulting in a variance of 9,405 valued at K37,618,240. See table 4 below.

Table 4: Variance in Maize Closing Balance

Province	Station	Stock closing Balance in metric tonnes (MT) at the District	Stock closing Balance in metric tonnes (MT) at the Head Office	Variance Stocks	Variance Stocks K
Luapula	Samfya FRA	3,798	3,889	(91)	(364,000)
	Nchelenge FRA	6,411	6,564	(154)	(614,000)
	Kawambwa FRA	8,087	8,359	(272)	(1,087,400)
	Sub total	**18,296**	**18,813**	**(516)**	**(2,065,400)**
Copperbelt	Masaiti FRA	330	1,730	(1,400)	(5,600,000)
	Mpongwe FRA	6,755	6,889	(133)	(533,040)
	Sub total	**7,086**	**8,619**	**(1,533)**	**(6,133,040)**
Eastern	Katete	24,687	25,854	(1,166)	(4,664,800)
	Petauke A	24,159	25,127	(968)	(3,873,600)
	Petauke B	694	5,915	(5,220)	(20,881,400)
	Sub total	**49,541**	**56,896**	**(7,355)**	**(29,419,800)**
	Grand Total	**74,923**	**84,327**	**(9,405)**	**(37,618,240)**

iii. Questionable Collection of Maize by Golden Manela Investments Limited

An examination of Maize Sales Contracts entered into by the Agency and Golden Manela Investments Limited revealed that the company signed a total of eight (8) contracts for maize sales amounting to 7,258.31 metric tons valued at K29,033,240.00 during the period under review.

However, an examination of maize collection documents from various FRA Depots revealed that Golden Manela Investments Limited collected a total of 5,336.10 metric tonnes valued at K21,344,386 from various FRA Depots in six (6) Provinces namely Lusaka, Southern, Luapula, Northern, Muchinga and Central Provinces despite Golden Manela Investments Limited being based in Chamba Valley, Lusaka District, Lusaka Province. See table 5 below.

Table 5: Contracts for Maize Sales for Golden Manela Investments Ltd

No.	Name of Miller	Price	Tonnage	Total Price K
1	Golden Manela Investments Ltd	4,000	100.00	400,000
2	Golden Manela Investments Ltd	4,000	1,607.95	6,431,800
3	Golden Manela Investments Ltd	4,000	400.00	1,600,000
4	Golden Manela Investments Ltd	4,000	175.00	700,000
5	Golden Manela Investments Ltd	4,000	1,000.00	4,000,000
6	Golden Manela Investments Ltd	4,000	1,000.00	4,000,000
7	Golden Manela Investments Ltd	4,000	2,000.00	8,000,000
8	Golden Manela Investments Ltd	4,000	975.36	3,901,440
	Total		**7,258.31**	**29,033,240**

In addition, a review of PACRA documents revealed Golden Manela Investments Limited was incorporated on 23rd June 2022 and the following day, 24th June 2022, the company started participating in maize purchases at FRA and was subsequently given maize sales contracts for 7,258.31 metric tons valued at K29,033,240.

It was therefore questionable how FRA conducted a due diligence on a company that was incorporated on 23rd June 2022 started trading with FRA on 24th June 2022 and was awarded contracts for 7,258.31 metric tons of maize valued at K29,033,240 which it collected from six (6) other provinces despite it being domiciled in Lusaka Province.

iv. Unaccounted for Maize Sales

A scrutiny of the maize sales records maintained at six (6) districts revealed that a total of 317,897 metric tonnes of maize were sold.

However, a review of the annual consolidated sales records revealed that the districts recorded sales of 363,973 metric tonnes of maize resulting in a variance of 46,076 metric tonnes valued at K184,303,600. See table 6 below.

Table 6: Variances in Maize Sales

Province	Station	Total Maize Sales in metric tonnes (MT) at the District	Total Maize Sales in metric tonnes (MT) at the Head Office	Variance in Maize Sales (MT)	Variance in Maize Sales K
Luapula	Samfya FRA	2,495	7,644	(5,149)	(20,594,560)
	Nchelenge FRA	11,913	17,489	(5,576)	(22,302,880)
	Kawambwa FRA	10,888	9,849	1,040	4,158,280
	Sub total	**25,296**	**34,981**	**(9,685)**	**(38,739,160)**
Copperbelt	Masaiti FRA	6,755	6,889	(133)	532,000
	Mpongwe FRA	12,183	14,520	(2,337)	9,348,000
	Sub total	**18,938**	**21,408**	**(2,470)**	**(9,880,440)**
Muchinga	**Nakonde**	273,663	307,584	(33,921)	(135,684,000)
		273,663	**307,584**	**(33,921)**	**(135,684,000)**
	Grand Total	**317,897**	**363,973**	**(46,076)**	**(184,303,600)**

As can be seen in the table above, 46,076 metric tonnes of maize valued at K184,303,600 recorded at head office had not been reconciled with the six (6) districts and therefore remained unaccounted for as at 31st October 2023.

v. Over Collection of Maize by Millers and Traders

An analysis of maize sales contracts between the FRA and twenty-four (24) millers and traders revealed that a total of 116,908 metric tonnes of white maize valued at K467,632,000 sold.

However, it was observed that the millers and traders instead collected a total of 210,138.82 metric tons valued at K839,212,287 resulting in an over collection of 93,230.82 metric tons valued at K391,580,287 contrary to the provisions of the Contracts. See table 7 below.

Table 7: Over collected Maize by Millers and Traders

No.	Miller/Trader	Qty Allocated Per Contract (MT)	Amount K	Qty Actually Picked (MT)	Amount K	Qty Picked over Contract Amount (MT)	Amount K
1	Company A	22,500.00	90,000,000.00	23,962.00	95,848,000.00	1,462.00	5,848,000.00
2	Company B	500.00	2,000,000.00	22,397.42	89,589,680.00	21,897.42	87,589,680.00
3	Company C	1,500.00	6,000,000.00	3,058.08	12,232,316.00	1,558.08	6,232,316.00
4	Company D	2,010.00	8,040,000.00	8,280.74	33,122,960.00	6,270.74	25,082,960.00
5	Company E	400.00	1,600,000.00	11,611.70	46,446,800.00	11,211.70	44,846,800.00
6	Company F	200.00	800,000.00	466.57	1,866,280.00	266.57	1,066,280.00
7	Company G	3,000.00	12,000,000.00	5,936.58	23,746,320.00	2,936.58	11,746,320.00
8	Company H	6,000.00	24,000,000.00	26,724.82	106,899,292.00	20,724.82	82,899,292.00
9	Company I	400.00	1,600,000.00	793.43	3,173,724.00	393.43	1,573,724.00
10	Company J	3,500.00	14,000,000.00	3,874.90	15,499,608.00	374.90	1,499,608.00
11	Company K	41,700.00	166,800,000.00	44,377.72	177,510,880.00	2,677.72	10,710,880.00
12	Company L	500.00	2,000,000.00	736.95	2,947,800.00	236.95	947,800.00
13	Company M	2,810.00	11,240,000.00	10,178.34	40,713,360.00	7,368.34	29,473,360.00
14	Company N	1,040.00	4,160,000.00	1,332.68	5,330,712.00	292.68	1,170,712.00
15	Company O	1,600.00	6,400,000.00	2,634.51	10,538,032.00	1,034.51	4,138,032.00
16	Company P	800.00	3,200,000.00	3,139.85	12,559,419.00	2,339.85	9,359,419.00
17	Company Q	1,708.00	6,832,000.00	3,310.83	11,900,304.00	1,602.83	5,068,304.00
18	Company R	10,000.00	40,000,000.00	13,016.60	52,066,400.00	3,016.60	12,066,400.00
19	Company S	2,600.00	10,400,000.00	5,174.08	20,696,320.00	2,574.08	10,296,320.00
20	Company T	7,500.00	30,000,000.00	7,856.77	31,427,080.00	356.77	1,427,080.00
21	Company U	1,675.00	6,700,000.00	2,300.00	9,200,000.00	625.00	2,500,000.00
22	Company V	100.00	400,000.00	430.00	1,720,000.00	330.00	1,320,000.00
23	Company W	4,565.00	18,260,000.00	6,602.25	26,409,000.00	2,037.25	8,149,000.00
24	Company X	300.00	1,200,000.00	1,942.00	7,768,000.00	1,642.00	6,568,000.00
	Total	116,908.00	467,632,000.00	210,138.82	839,212,287.00	93,230.82	371,580,287.00

vi. Unpaid for Maize Collected by Millers and Traders

During the year under review, twenty (20) millers and traders collected a total of 140,139.61 metric tonnes of white maize valued at K560,558,668 from various FRA depots.

However, a review of financial records and the bank statements submitted for audit revealed that the millers and traders only paid for a total of 83,603.59 metric tonnes valued at K334,378,317 leaving a balance of 56,536.02 metric tonnes valued at K226,144,080 unpaid for. See table 8 below.

Table 8: Maize Collected Without Evidence of Payment

No.	Miller/Trader	Qty Collected (MT)	Amount (K)	Qty Paid for (MT)	Amount (K)	Qty Not Paid for (MT)	Amount (K)
1	Company A	22,397.42	89,589,680	10,000.38	40,001,500	12,397.04	49,588,160
2	Company B	466.57	1,866,280	321.50	1,250,000	145.07	580,280
3	Company C	26,724.82	106,899,292	24,500.38	98,001,500	2,224.44	8,897,760
4	Company D	3,874.90	15,499,608	2,650.00	10,600,000	1,224.90	4,899,600
5	Company E	44,377.72	177,510,880	25,120.00	100,480,000	19,257.72	77,030,880
6	Company F	5,362.20	21,448,800	2,750.38	11,001,500	2,611.82	10,447,280
7	Company G	736.95	2,947,800	550.00	2,200,000	186.95	747,800
8	Company H	1,332.68	5,330,712	990.00	3,960,000	342.68	1,370,720
9	Company I	3,139.85	12,559,416	2,485.00	9,940,000	654.85	2,619,400
10	Company J	7,856.72	31,427,080	2,920.65	11,682,617	4,936.07	19,744,280
11	Company K	3,030.16	12,120,640	2,400.00	9,600,000	630.16	2,520,640
12	Company L	3,276.50	13,106,000	-	-	3,276.50	13,106,000
13	Company M	1,504.00	6,016,000	-	-	1,504.00	6,016,000
14	Company N	2,300.00	9,200,000	1,500.00	6,000,000	800.00	3,200,000
15	Company O	430.00	1,720,000	30.00	120,000	400.00	1,600,000
16	Company P	491.00	1,964,000	156.00	624,000	335.00	1,340,000
17	Company Q	1,880.05	7,520,200	1,571.30	6,285,200	308.75	1,235,000
18	Company R	6,602.25	26,409,000	1,933.00	7,732,000	4,669.25	18,677,000
19	Company S	60.00	240,000	-	-	60.00	240,000
20	Company T	4,295.82	17,183,280	3,725.00	14,900,000	570.82	2,283,280
	Total	**140,139.61**	**560,558,668**	**83,603.59**	**334,378,317**	**56,536.02**	**226,144,080**

vii. Poor Storage Facility

Section 7 part 7.1.1.3 and 7.1.1.4 of the property management department standard operational manual requires that the Agency conducts preventive maintenance and routine inspections to ensure that buildings and infrastructure assure longevity and identify maintenance needs of infrastructure and equipment.

However, a physical inspection of storage facilities carried out in selected depots in August 2023 revealed that the storage facilities were in poor condition and not suitable for storage of maize and other grains.

viii. FRA Maize Contracts with Imaber General Dealers

During the 2021-2022 Maize Sales Programme, the Food Reserve Agency (FRA) signed four (4) contracts with Imaber General Trading Limited where the FRA agreed to sale a total of 14,970 MT of Grade “A” non-GMO Zambian white Maize valued at K59,880,000 for use for feed stock, food processing, mealie meal or grain trading which was to be exported on the international market as shown in the table 10 below.

Table 10: Imaber Contracts

No.	Name of Trader	Qty (MT)	Price	Total Amount K
1	Imaber General Dealers	970.00	4,000	3,880,000
2	Imaber General Dealers	2,000.00	4,000	8,000,000
3	Imaber General Dealers	10,000.00	4,000	40,000,000
4	Imaber General Dealers	2,000.00	4,000	8,000,000
	Total	**14,970.00**		**59,880,000**

However, an examination of contract documents, delivery notes, loading orders and payment details revealed the following:

- **Agreement for the Sale of 2000 MT Grade 'A' Zambian White Maize**

  Following the letter of authority from the Ministry of Agriculture dated 13th October 2021 to sell 450,000 MT of Maize at K4,000/MT, FRA Maize Sales Committee allocated 2000 MT of maize on 19th April 2022 to Imaber general dealers.

- **Payment made Before Signing of Agreement**

  Section 3.2 of the Modalities for Maize Sales 2021-2022 Programme dated 3rd December 2021 states that Maize Sales Committee constituted by Management shall review and consider the applications and allocate a given quantity of stock for sale to the applicants. It further states that the successful applicants shall only make payments for the allocated stock upon signing a formal contract by all parties. Further, Part 5.0 (c) states "the Maize stocks shall be sold on cash basis and the method of payments shall be by bank transfer only."

  Part 13.2 of the Agreements states "A purchaser shall upon signing the Agreement make payment of the |Agreement price within ten (10) days from effective date of the Agreement i.e. 3rd May 2022."

  Contrary to this provision, Imaber General Dealers paid FRA K120,000 for thirty (30) MT on 30th April 2022 before the Agreement date of 3rd May, 2022. The payment before the signing of the agreement was irregular.

- **Failure to Terminate Agreement after Expiration of the Ten (10) days Ultimatum for Making Payments**

  Part 13.2 of the Agreement states "A purchaser shall upon signing the Agreement make payment of the |Agreement price within ten (10) days from effective date of the Agreement i.e. 3rd May 2022."

  Further, 13.3 states "As time for the payment of the Agreement price stipulated in Clause 13.2 is of the essence, where the Purchaser fails to pay within time specified in Clause 13.2, the Supplier (FRA) shall terminate this Agreement forthwith without recourse to the Purchaser and without prejudice to any other remedies that the Supplier may have under the Agreement or law and the Supplier reserves the right to only supply to the Purchaser the Maize that has been paid for and the balance of unpaid for maize shall be forfeited to the Supplier."

  Contrary to the Agreement, FRA went ahead to issue delivery orders and receipts to Imaber General Dealers in respect to eighteen (18) payments totalling K7,415,200 for 1,853.80 MT of Maize paid 16 -30 days after expiration of the payment date without terminating the contract.

ix. Under Delivered Maize Stocks

According to inter-region commodity movement guidelines, the Depot Clerk confirms the loading order with the Provincial Marketing Coordinator (PMC) before loading the trucks and issue an Inter-depot Transfer Note to the Transporter and upon reaching the delivery point the transporter presents the documents to the Warehouse Manager who receives the maize and notifies the PMCs who then liaises on the moved quantity with the issuing province.

A review of records such as Transportation acquittals, General Stock Ledgers, Inter Provincial Transfer Issue Notes (IPTIN) and Goods Received Notes (GRNs) revealed that thirty nine (39) transporters under delivered 386.65 metric tonnes of maize valued at K1,934,250 in three (3) regions. See table 11 below.

Table 11: Under Delivered Maize by Province Transporters

No.	Region	Number of Transporters	Variances (mt)	Variances K
1	Copperbelt	24	173.22	867,100
2	North Western	7	157.83	789,150
3	Luapula	8	55.6	278,000
	Total	**39**	**386.65**	**1,934,250**

A further review of Inter Provincial Transfer Issue Notes (IPTIN) and Goods Received Notes (GRNs), Statement of Accounts for Reconciliation and the Loading Order Reconciliation Statements on sampled transporters revealed that a total of 12.5 metric tonnes of maize valued at K44,775.00 were under delivered by four (4) transporters. See table 12 below.

Table 12: Under Delivered Stock by Transporter

No.	Transporter	Variance (MT)	Variance K
1	Four Brothers	3.9898	13,690
2	E.Mutale	3.309	13,955
3	EJB	0.1301	650
4	Jonda Contractors	5.046	16,480
	Total	**12.4749**	**44,775**

x. Lack of Receivables Management Policy

A credit policy is the first step in making sure that accounts receivables turn into money in the bank. It is advisable that entities that bill customers for the services they provide to them establish credit policies and procedures. These should be clearly written in procedure manual and consistently followed.

An inquiry with management revealed that the Agency did not have a documented receivables management policy in place to govern the process of approving credit facility and the period within which the customer should pay, as well as writing off of bad debts. The absence of the Receivable Management Policy resulted in an ineffective collection of the accounts receivables as evidenced from the trade and other receivables ledger of K3,076,115,219 stated in the draft statement of financial position as at 31st December 2022.

e. Procurement Matters-Delayed Operationalisation of Bwana Mkubwa Grain Silos

On 4th March 2015, Food Reserve Agency engaged Wah Kong Enterprises Limited for the Rehabilitation of Bwana Mkubwa Grain Silos at a contract sum of K49,136,607 VAT inclusive and the expected date of completion was on or before 23rd April 2017.

The Certificate of Completion was issued on 17th September 2019 and the Defect Liability Period was expected to end on 16th September 2020.

As at 31st August 2023, a total of K47,167,011 had been paid to the contractor and K1,179,175 had been retained as 2.5% retention fee. In the Minutes of Handover of the Bwana Mkubwa Silo dated 11th October 2019, one of the snags identified was the breakage of maize during operating of the Silo. On 6th April 2023, the Food Reserve Agency wrote to the contractor instructing that a replacement of the 5mm base screen currently on the drum separator with a 3mm screen based on Consultant Mechanical Engineers recommendation be made. Clause 37.1 of the contract states that, "The project manager shall give notice to the contractor of any Defects before the end of the Defect Liability Period, which begins at completion, as defined in the contract. The Defect Liability Period shall be extended for such period the Defects remain to be rectified."

A physical verification carried out on 30th August, 2023 revealed that despite the contractor replacing the 5mm base screen on the drum separator with a 3mm screen, the silo had not been operationalised, forty seven (47) months after it was handed over on 11th October 2019. As a result, FRA incurred expenditure amounting K2,305,080 in the year 2022 on renting of 30,300 metric tonnes of storage facilities from four (4) landlords in Ndola which could have been avoided had the Bwana Mkubwa silo with a storage capacity of 22, 500 metric tonnes been operationalised.

f. Contract Between Food Reserve Agency (FRA) and Advanced African Solutions (ADAS)

In Paragraph 8 of the Report of the Auditor General on Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2021, mention was made of various weaknesses in the management of the contract between the Food Reserve Agency and Advanced African Solutions (ADAS).

A further review of the matter in September 2023 revealed the following:

i. Background of the Need for Extra Storage Capacity

In line with the Agency's mandate of storage assessment and following the bumper harvests from 2008 to 2012 farming seasons, it became apparent that the Agency did not have enough storage capacity for designated agricultural commodities. According to the Evaluation Report on the proposal for Development of Storage Infrastructure dated 30th October 2012, the Agency only had 748,500 metric tons storage capacity compared to the harvest as shown in table 13 below.

Table 13: Storage Capacity Variations

Year	National Maize Production Metric Tonnes	Carry Over stock	Maize Purchases K	Total Stock handled	FRA Secure Storage Capacity	FRA Storage Variance on Purchases	FRA Storage Variance on Stocks handled	Storage Variance on Production
2009	1,887,010	59,083	208,713	267,796	623,700	414,987	355,904	(1,263,310)
2010	2,795,483	166,970	883,625	1,050,595	748,500	(135,125)	(302,095)	(2,046,983)
2011	3,020,380	306,310	1,751,660	2,057,970	748,500	(1,003,160)	(1,309,470)	(2,271,880)
2012	2,852,687	1,401,328	1,045,891	2,447,219	748,500	(297,391)	(1,698,719)	(2,104,187)
Total	**10,555,560**	**1,933,692**	**3,889,889**	**5,823,581**	**2,869,200**	**(1,020,689)**	**(2,954,381)**	**(7,686,360)**
Average	**2,638,890**	**483,423**	**972,472**	**1,455,895**	**717,300**	**(255,172)**	**(738,595)**	**(1,921,590)**

ii. Procurement for the Designing, Building & Rehabilitation of 98 Grain Storage Sheds

FRA submitted several documents relating to the project Designing, Building and Rehabilitation of 98 Grain Storage Sheds. A review of the submission including the evaluation Report of 30th October 2012 and a letter to the Director General – Zambia Public Procurement Authority dated 1st March 2013 revealed that the Agency received unsolicited proposals from international firms willing to assist the Agency develop its storage capacity through the Ministry of Agriculture and Livestock and that these firms were requested to resubmit their proposals. Four firms interested to partner with Food Reserve Agency to Develop Storage Infrastructure resubmitted their proposals. The works were to be undertaken through Public Private Partnership initiative. The firms that purportedly submitted their proposals included the following:

- Top Point Investments / Ibex Capital London,
- Advanced African Solutions (ADAS),
- CAMCE Engineering and
- Avic International Holding Limited

Ministry of Agriculture guided Food Reserve Agency to proceed with the evaluation of the four proposals and ADAS was recommended to complete and upgrade the ninety eight (98) hard standing slabs country wide.

The following were observed:

- The Agency has not availed the actual Unsolicited Proposals from the four (4) firms. In this regard, it could not be ascertained whether the firms clearly tendered unsolicited bids or were responding to invitation to tender from either the Agency or indeed from the Ministry of Agriculture.
- The Agency has not availed the instructions it received from the Ministry of Agriculture to proceed with the evaluation of the Proposals from the four (4) firms.
- The Evaluation Committee was appointed by the Executive Director at FRA to evaluate the proposals. However, appointment letters for Committee members were not availed for audit.
- There is no evidence that the Agency adhered to the Zambia Public Procurement Authority (ZPPA) advise that since the infrastructure development was to be financed by Private Financing and Concession, in line with Public Private Partnership Act No. 14 of 2009, the Agency had to be cleared by the Public Private Partnership Unit at the Ministry of Finance and National Planning to implement the project.

iii. Failure to Adhere to the Zambia Public Procurement Authority Guidance

Following the evaluation of the Unsolicited Proposals, ADAS was preferred to take up the upgrading, rehabilitation and construction of ninety eight (98) hard standing slabs. In this regard, on 1st March 2013 the Agency wrote a letter to ZPPA for a 'NO OBJECTION' to complete and upgrade the storage infrastructure using Public

– Private Partnership (PPP) model. ZPPA guided that the application be forwarded to the Ministry of Finance for consideration in line with Public Private Partnership Act No. 14 of 2009, under the Public Private Partnership Unit.

However, there is no evidence that this guidance from ZPPA was adhered to by FRA. Instead on 12th July 2013, the Agency wrote to the Ministry of Finance to seek approval and guidance on the way forward regarding the procedure for signing the contract, and the proposal was approved by the office of the Secretary to the Treasury on 18th July 2013. Ministry of Finance (Secretary to the Treasury) authorised the Food Reserve Agency to sign the Works Contract because the contract would trigger MOF to engage the potential creditor to agree on the Financing terms.

Further, the Ministry of Justice cleared the Works Contract through a letter to Food Reserve Agency dated 26th June 2013 and on 18th July 2013, FRA and ADAS signed a Works Contract for the Design, Rehabilitation and Building of the Grain Storage Facilities.

However, minutes and list of attendees regarding contract negotiations with ADAS were not availed.

iv. Failure to Explore Alternative Financing Models

Following the signing of the Works Contract between FRA and ADAS, the Ministry of Finance started the engagements with financiers for this contract. Between 18th July 2013 and 13th November 2014, only Deutsche Bank of New York in the United States was engaged by the Ministry of Finance.

However, it is not clear why the Chinese Concession Loans or Chinese Government Preferential Buyers Credit Loans which the ADAS and other firms had proposed as indicated in the letter to ZPPA dated 1st March 2013 were not considered.

In this regard, the failure by the Ministry of Finance to consider the financing models for this project as proposed by ADAS was questionable.

v. Failure to Indicate Budget Line for Financing the Project

From on 24th February 2015 when the Ministry of Finance wrote to Deutsche Bank of New York in the United States of America in which the Ministry agreed to the revised terms and conditions for the non-binding term sheet, there was no evidence of any correspondence concerning this Financing Agreement.

The next correspondence was a letter dated 6th February 2018, when the Minister of Finance wrote to the Minister of Agriculture confirming that the project of the upgrading of the ninety eight (98) slabs into sheds would be financed through the 2018 National Budget (Treasury).

However, the correspondence from the Minister of Finance did not detail the Head, Programme and Activity that was to be used to Finance the Project making it difficult to ascertain how the project was going to be financed.

vi. Change of Contract Due to Change in Financing Model

In view of the change of Financing Model from Loan facility to National Budget through Treasury, on 26th February, 2018, the Permanent Secretary, Ministry of Agriculture wrote a letter to the Zambia Public Procurement Agency requesting for guidance since the source of funding for the ADAS project had been changed from the loan facility to Government funding.

The Director General – ZPPA responded in a letter of 2nd March, 2018, that the Ministry of Agriculture should engage Ministry of Finance and seek legal advice from the Attorney General on the way forward. The Ministry of Agriculture wrote a letter to the Food Reserve Agency guiding that the Agency engages the office of the Attorney General as per guidance from ZPPA.

In the letter of 7th March, 2018, the Food Reserve Agency wrote to the Office of the Attorney General stating that the contract had been amended by ADAS to reflect change in financing of the project and as such was seeking advice on the amended contract. The Attorney General in the letter of 15th March, 2018 indicated that the amended contract was exactly the same as the initial contract excerpt for clauses 6 and 19.1. Save for comments made, the Attorney General guided that the contract was satisfactory and approved for execution subject to availability of funds**.**

In the letter of 23rd March 2018, the Agency wrote to the Minister of Finance requesting for guidance and whether the Agency could proceed to sign the amended contract since the funding would now be provided by the Government of the Republic of Zambia.

On 5th April, 2018, the Ministry of Finance (Office of the Secretary to the Treasury) granted the Food Reserve Agency authority to engage Advanced African Solutions Limited to finalize the commercial contract on the basis that the financing would be provided through the budgetary allocation.

On 10th April, 2018, the Office of the Attorney General approved for execution the draft contract. On 12th April, 2018, the Food Reserve Agency proceeded to sign the contract with Advanced African Solutions Limited after getting authority from the Ministry of Finance.

The following was observed:

- Although the amended contract was approved and authorised by both the Ministry of Justice (On the legality of the amended contract) and the Ministry of Finance (On the ability to finance the project), it is not clear who authorised ADAS to amend the contract that was initially signed on 18th July 2013.
- It's not clear which parties were present when the contract was being amended and introducing an onerous clause 22.4 in the amended contract which stipulates that if the contracting authority fails to comply with clause 20 (Payments) causing a late or partial payment to the contractor which persists for a continuous period of not less than four (4) weeks, the contracting authority should be liable to pay a penalty until such time that full payment is made, which penalty should not be capped.

- Since this onerous clause was first noticed by the FRA, the Agency had a responsibility to alert all other stakeholders including the ZPPA, the Ministries of Finance, Justice and Agriculture, directly on the introduction of the clause in the contract.

  There was further no evidence that the FRA had raised concern on the clause before signing of the Contract on 12th April, 2018. The only time the Agency did so was on 21st May, 2019.
- It was not clear why the Ministry of Justice approved the Contract with its onerous clause without alerting the Ministry of Finance and FRA on the financial implication of the clause.
- It was not clear why the Ministry of Finance being the custodian of Public Funds did not know about the onerous clause and its implication on the Treasury in case of Government defaulting on this contract.

vii. Status of the Project

In paragraph 15(d) of the Auditor General's Report for the year ended 31st December 2020, mention was made of wasteful expenditure relating to the contract between Food Reserve Agency and Advanced African Solutions ADAS in which the Food Reserve Agency (FRA) and Advanced African Solutions (ADAS), a company incorporated in the Republic of Mauritius, entered into a contract on 18th May 2018 for the designing, building and rehabilitation of ninety eight (98) grain storage sheds at a contract price of US$73,000,000. Terms and conditions of the contract included upfront payment of 25% (US$18,250,000) of the contract price payable as follows:

- US$7,000,000 payable on or before 30th June 2018 on providing of a payment security
- The balance of the upfront payment (US$11,250,000) and the further payment of US$3,165,642 pursuant to variation Order No. 1 were to be paid from a supplementary budget that was to be procured by the Ministry of Agriculture during the 2018 fiscal year.

- Clause 22.4 of the contract stipulates that if the contracting authority fails to comply with Clause 20 (Payments) causing a late or partial payment to the contractor which persists for a continuous period of not less than four (4) weeks, the contracting authority shall be liable to pay a penalty until such time that full payment is made, which penalty shall not be capped.

In this regard, the Government through FRA accumulated amounts totalling US$115,498,000 as at 31st December 2020 in penalties.

A review of the situation during the audit for the financial year ended 31st December 2021 revealed that on 29th January 2021, the Food Reserve Agency in consultation with the Ministry of Finance and National Planning and Advanced African Solutions (Mauritius) Limited entered into a Settlement Agreement and the parties acknowledged that the accumulated penalties were US$115,498,000. The parties further agreed to waive and capped the penalties to US$52,000,000.

The penalties were further to be payable as follows:

- An initial payment of US$30,000,000 to be paid on signing the settlement agreement.

- The balance of US$22,000,000 to be paid in equal monthly instalments of US$956,521.74 from February 2021 up to the date of completion of the works.

A review of payments made to ADAS revealed the following as shown in table 14 below.

Table 14: Payments Made to ADAS

DATE	DETAILS	PAYMENT (KWACHA)	PAYMENT (USD EQUIVALENT)	BALANCE (KWACHA)	BALANCE (USD EQUIVALENT)
	Amount Due	1,330,000,000.00	70,000,000.00	1,330,000,000.00	70,000,000.00
15.12.2020	**Variation**	67,744,738.80	3,165,642.00	1,397,744,738.80	73,165,642.00
15.02.2021	**Penalties**	1,123,200,000.00	52,000,000.00	2,520,944,738.80	125,165,642.00
02.07.2020	First Instalment	55,500,000.00	3,090,200.45	2,465,444,738.80	122,075,441.55
15.07.2020	Second Instalment	90,000,000.00	4,961,411.25	2,375,444,738.80	117,114,030.31
23.07.2020	Third Instalment	40,000,000.00	2,197,802.20	2,335,444,738.80	114,916,228.11
13.08.2020	Fourth Instalment	40,000,000.00	2,178,649.24	2,295,444,738.80	112,737,578.87
17.09.2020	Fifth Instalment	20,000,000.00	1,003,361.26	2,275,444,738.80	111,734,217.61
06.10.2020	Sixth Instalment	30,000,000.00	1,492,537.31	2,245,444,738.80	110,241,680.30
23.10.2020	Seventh Instalment	65,000,000.00	3,151,927.77	2,180,444,738.80	107,089,752.53
15.12.2020	Eighth Instament	25,000,000.00	1,168,224.30	2,155,444,738.80	105,921,528.23
23.12.2020	Ninth Instalment	25,000,000.00	1,179,245.28	2,130,444,738.80	104,742,282.95
14.01.2021	Tenth Instalment	16,000,000.00	744,186.05	2,114,444,738.80	103,998,096.90
15.02.2021	Eleventh Instalment	55,000,000.00	2,545,836.63	2,059,444,738.80	101,452,260.27
19.03.2021	Twelveth Payment	50,000,000.00	2,268,602.54	2,009,444,738.80	99,183,657.73
01.04.2021	Thirteenth Payment	45,000,000.00	2,036,199.10	1,964,444,738.80	97,147,458.64
20.04.2021	Fourteenth Payment	50,000,000.00	2,246,181.49	1,914,444,738.80	94,901,277.14
23.04.2021	Fifteenth Instalment	100,000,000.00	4,484,304.93	1,814,444,738.80	90,416,972.21
07.05.2021	Sixteeth Instalment	50,000,000.00	2,238,137.87	1,764,444,738.80	88,178,834.34
28.05.2021	Seventeenth Instalme	100,000,000.00	4,436,557.23	1,664,444,738.80	83,742,277.11
15.06.2021	Eighteenth Payment	80,000,000.00	3,539,823.01	1,584,444,738.80	80,202,454.10
08.07.2021	Nineteenth Payment	50,000,000.00	2,202,643.17	1,534,444,738.80	77,999,810.93
22.07.2021	Twentieth Payment	150,000,000.00	6,726,457.40	1,384,444,738.80	71,273,353.53
03.08.2021	Twenty first Payment	50,000,000.00	2,600,104.00	1,334,444,738.80	68,673,249.53
10.08.2021	Twenty Second Payment	50,000,000.00	2,585,315.41	1,284,444,738.80	66,087,934.12
18.08.2021	Twenty Third Payment	60,000,000.00	3,129,890.45	1,224,444,738.80	62,958,043.67
11.05.2022	IPC NO.1	100,000,000.00	5,780,346.82	1,124,444,738.80	57,177,696.84
09.06.2022	IPC NO.2	57,320,000.00	3,340,326.34	1,067,124,738.80	53,837,370.50
27.09.2022	IPC NO.3	54,768,387.00	3,455,418.74	1,009,804,738.80	50,381,951.77
16.12.2022	IPC NO.4	17,371,862.12	985,358.03	992,432,876.68	49,396,593.73
	Total	**1,525,960,249.12**	**75,769,048.27**		

As can be seen from the table above, a total of US$75,769,048.27 had been paid as at 31st December 2022 which represented 60.5 % of the total amount of US$125,165,642 (varied contract price of US$73,165,642 and Settlement Agreement penalty of US$52,000,000).

A review of accounting and other records revealed that as at 31st August 2023, the Contractor had only completed works valued at US$17,182,285 as shown in table 15 below.

Table 15: Interim Payment Certificates

No.	Interim Payment Certificate	Amount (US$)	Date
1	IPC 1	7,001,333.74	02.02.2022
2	IPC 2	2,269,675.83	30.03.2022
3	IPC 3	3,506,293.83	06.09.2022
4	IPC 4	1,004,153.88	29.11.2022
5	IPC 5	3,400,827.75	07.04.2023
	Total	**17,182,285.03**	

Out of the total amounts of works completed of US$17,182,285.03, only amounts totalling US$13,561,449.93 had been paid. The payments of US$13,561,449.93 which were made for the first four (4) IPCs were part of the total payments of US$75,769,048.27 made to the Contractor, leaving a balance of US$62,207,598.34.

The following were observed:

- **Failure to Establish the Basis of Payment for the Balance of US$62,207,598.34**

  In the response to the query issued, management indicated that the US$62.2 million was relating to the advance payment of 25 percent or US$18.25 million and the US$3.2 million variation order and the balance was for the penalties. However, no documentary evidence was availed for audit making it difficult to verify the balance of US$62,207,598.34.

- **Failure to Pay Penalties and Interest**

  A review of notification of default letter dated 26th June 2023 from ADAS Africa to Food Reserve Agency revealed that the Ministry of Finance/Food Reserve Agency as contracting authority had not settled a total of US$19,477,202 of the capped penalties of US$52,000,000 as per the settlement agreement dated 29th January 2021. As at 31st May 2023, interest in amounts totalling US$5,015,953.98 had accumulated on the unpaid penalty amounts bringing the total outstanding amount to US$24,493,156.83. See table 16 below.

Table 16: Penalties and Interest

Details	Principal Amount (US$)	Outstanding Principal (US$)	Interest Claim (US$)	Total Due (US$)
Initial Payment	30,000,000.00	-	1,020,593.46	1,020,593.46
Instalment Payment	22,000,000.00	19,477,202.85	2,854,430.08	22,331,632.93
Total	**52,000,000.00**	**19,477,202.85**	**3,875,023.54**	**23,352,226.39**
Variation Order No. 1			1,140,930.44	1,140,930.44
Aggregate Claim			**5,015,953.98**	**24,493,156.83**

- **Delayed Completion of the Project**

A review of the Progress Report from FRA dated 30th June 2023 and physical inspection of some sites conducted in August 2023 revealed that on average, only 35% of the Project of upgrading slabs into shades had been completed with delays in completion ranging from twenty (21) to 786 days. In particular, fifty-six (56) sites had been abandoned, fourteen (14) partially handed over while the contractor had not mobilised to twenty-four (24) sites. See table 17 below.

Table 17: Percentage of Completion

Folio	Province	No of Slabs to be Upgraded to Shades	Capacity of Slab (MT)	% Progress
1	Central	8	38,950	31
2	Copperbelt	8	39,000	8
3	Eastern	9	57,500	0
4	Luapula	10	42,500	56
5	Lusaka	9	44,000	95
6	Muchinga	12	58,450	40
7	Northern	12	56,900	46
8	North western	13	57,450	36
9	Southern	6	27,000	18
10	Western	2	8,950	18
	Totals	**91**	**419,050**	**35**

Detailed findings at selected depots where physical inspections were conducted is as shown in table 18 below.

Table 18: Status of Sheds

No.	Province	Location	Depot	Capacity of slab (MT))	Dimension of Slab	Works Done	Outstanding Works	Initial Start Date	Initial End Date	Revised Planned End Start Date	Period Delayed	STATUS
1	Luapula	Samfya	Samfya	5,000	64 x 30	Stub columns, fdn conc, ground beams, hardcore	Slab, steel structure, roofing, cladding, dwarf walls, drainage works and electricals	28/04/2021	21/04/2022	23/06/2023	2 Months	Site abandoned
2		Samfya	Samfya	3,000	50x20	Stub columns, fdn conc, ground beams, hardcore	Slab, steel structure, roofing, cladding, dwarf walls, drainage works and electricals	28/04/2021	21/04/2022	23/06/2023	2 Months	Site abandoned
3	Copperbelt	Lufwanyama	Main Boma	5,500	64x33	Excavations, stub columns, fdn conc, hardcore	Slab, steel structure, roofing, cladding, dwarf walls, drainage works and electricals	28/04/2021	21/04/2022	18/05/2023	3 momths	Site abandoned
4	Central	Itezhi tezhi	Itezhi tezhi	5,500	64x33	Excavations, stub columns, fdn conc & hardcore	Slab, steel structure, roofing, cladding, dwarf walls, drainage works and electricals	28/04/2021	21/04/2022	23/05/2023		Site abandoned
5		Itezhi tezhi	Mbila	5,500		No works done	All works	15/09/2022	24/07/2023	02/02/2024		Site abandoned
6	Northern Province	Kasama	Kasama Main	5,500	64x33	Substructure, steel structure, roofing and wall partially fitted with iron sheets	Slab partially complete; side walls partially complete; loading bays not constructed; doors not fixed; drainage works and electricals	28/04/2021	21/04/2022	06/06/2023	2 months	Site abandoned
7		Kasama	Kasama Main	5,500	64x33	Substructure, steel structure, roofing and partial cladding	Dwarf wall, slab, drainage works and electricals	28/04/2021	21/04/2022	06/06/2023	2 months	Site abandoned
8		Kasama	Kasama Main	5,000	64x30	substructure, steel structure and backfilling of	Slab, roofing, cladding, dwarf walls, drainage works and electricals	28/04/2021	21/04/2022	06/06/2023	2 months	Site abandoned

No.	Province	Location	Depot	Capacity of slab (MT))	Dimension of Slab	Works Done	Outstanding Works	Initial Start Date	Initial End Date	Revised Planned End Start Date	Period Delayed	STATUS
						foundation box						
9		Mungwi	Mungwi Main	5,000	64 x 30	substructure, steel structure and backfilling of foundation box	Slab, roofing, cladding, dwarf walls, drainage works and electricals	28/04/2021	21/04/2022	27/04/2023	2 months	Site abandoned
10		Luwingu	Luwingu Main	3,000	50x20	Substructure, steel structure	Roofing, cladding, drainage works and electricals	28/04/2021	21/04/2022	15th June 2023	2 months	Site abandoned
11		Luwingu	Luwingu Main	5,000	64X30	Substructure, steel structure	Roofing, clading, drainage works and electricals	28/04/2021	21/04/2022	15th June 2023	2 months	Site abandoned
12	Muchinga	Mafinga	Tendere	3,000	50x20	Excavations, fdn con, stub columns, beam, fdn blockwork	Slab, cladding, roofing, dwraf wall, drainge works and electricals	28/04/2021	21/04/2022	31/07/2023	1 month	Site abandoned
13		Mafinga	Muyombe	3,000	50x20	Excavations	Fdn conc, stub columns, fdn blockwork, slab, steel structure, roofing, cladding, dwarf walls, drainage works and electrical works	28/04/2021	21/04/2022	23/08/2024		Site abandoned
14		Chama	Chama Main	5,000	64x30	Electricals, outstanding, partially handed over	Electrical works	28/04/2021	21/04/2022			Partialy handed over on 09/10/2022
15		Nakonde	Mwenzo	5,500	64x33	No works done	All works	01/04/2022	02/05/2023	02/02/2024		Not yet mobilised
16	Lusaka	Lusaka	Mwembeshi (Lusaka)	5,500	64x33	Electricals outstanding, partially handed over	Electrical works	03/03/2021	03/07/2021			Partially handed over

No.	Province	Location	Depot	Capacity of slab (MT))	Dimension of Slab	Works Done	Outstanding Works	Initial Start Date	Initial End Date	Revised Planned End Start Date	Period Delayed	STATUS
17		Lusaka	Mwembeshi (Lusaka)	5,500	64x33	Electricals outstanding, partially handed over	Electrical works	03/03/2021	03/07/2021			Partially handed over
18		Lusaka	Mwembeshi (Lusaka)	5,000	64x30	Electricals outstanding, partially handed over	Electrical works	03/03/2021	03/07/2021			Partially handed over
19		Lusaka	Mwembeshi (Lusaka)	5,000	64x30	Electricals outstanding, partially handed over	Electrical works	03/03/2021	03/07/2021			Partially handed over
20		Lusaka	Mwembeshi (Lusaka)	5,000	64X30	Electricals outstanding, partially handed over	Electrical works	03/03/2021	03/07/2021			Partially handed over
21		Lusaka	Mwembeshi (Lusaka)	5,000	64x30	Electricals outstanding, partially handed over	Electrical works	03/03/2021	03/07/2021			Partially handed over
22		Lusaka	Mwembeshi (Lusaka)	3,000	50x23	Electricals outstanding, partially handed over	Electrical works	03/03/2021	03/07/2021			Partially handed over
23		Lusaka	Mwembeshi (Lusaka)	5,000	64x30	Electricals outstanding, partially handed over	Electrical works	03/03/2021	03/07/2021			Partially handed over

No.	Province	Location	Depot	Capacity of slab (MT))	Dimension of Slab	Works Done	Outstanding Works	Initial Start Date	Initial End Date	Revised Planned End Start Date	Period Delayed	STATUS
24	Southern B	Chitongo (Namwala)	Chitongo	3,000	50x20	No works done	All works	15/09/2022	24/07/2023	02/02/2024	279	Not yet mobilised
25		Pemba	Pemba main	5,000	64x30	Excavations	Substructure, steel structure, roofing,cladding,dwarf wall, drainage works and electricals	15/09/2022	24/07/2023	02/02/2024	279	Site abandoned
26		Namwala Main	Namwala Main	5,500	64x33	Electricals outstanding, partially handed over	Electrical works	28/04/2021	21/04/2022		120	Partially handed over on 18/08/22

g. Failure to Recover the Advance Payment and Performance Bond – Reconstruction of the Boundary Wall Fence at NORAD Main Depot in Kasama District

On 23rd February 2022, FRA entered into a contract with Limanya Enterprises Limited for the reconstruction of the boundary wall fence at NORAD Main Depot in Kasama District at a contract sum of K1,317,870 VAT inclusive with a completion period of 120 days ending on 13th October 2022.

The scope of works included earth, drainage, concrete and block works.

As at 31st December 2022, amounts totalling K454,676 being settlement of Interim Payment Certificate No.1 (K191,102) and Advance Payment (K263,574) had been paid to the contractor.

On 28th February 2022, insurance guarantee of sums pro-rata not exceeding K263,574 was issued against the FRA advance payment and the terms as per Part IX of the contract were that, the advance payment security paid to the contractor was to expire, at the latest, upon the insurance company receipt of a copy of the interim payment certificate indicating that eighty percent (80%) of the contract price had been certified for payment or on 28th February 2023, whichever was earlier. In September 2022, a total of K65,894 representing 25% of the advance payment was recovered leaving a balance of K197,680 Outstanding.

Further, a performance bond amounting to K131,787 pro-rated was obtained with the expiry date of no later than twenty eight (28) days from date of issuance of the taking over certificate or on 28th February 2023. As at 30th June 2023, the certified works stood at 24.6%.

On 8th February 2023, FRA wrote to the contractor giving notice of fourteen (14) days for contract termination. In a letter dated 24th February 2023, FRA wrote to the Insurance company demanding for payment of the advance payment guarantee and performance bond totalling K329,467 comprising K197,680 and K131,787 for advance payment security and performance bond respectively. As at 30th September 2023, amounts totalling K297,311 comprising of K197,680 (75% advance payment) and K99,631 (75.6% of performance bond) had not been recovered.

h. Inadequately Supported Payments

Public Finance Management (General) Regulation No. 46 (1) and 55 (1), 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.

However, twenty (20) payments in amounts totalling K868,993 made at North-Western Regional Office were not supported with relevant documents such as receipts, local purchase orders and goods received notes.

i. Staff Related Matters

i. Failure to Remit Statutory Obligations

Contrary to Income Tax Act Chapter 323 of the Laws of Zambia and National Pension Scheme (Amendment) Act No. 7 of 2015, amounts totalling K92,881,010 comprising of amounts deducted from employees and due to Zambia Revenue Authority K28,832,265 and penalties amounting to K64,048,745 due to National Pension Scheme Authority had not been remitted to the respective Institutions as at 31st December 2022. As at 30th September 2023, the obligations had not been settled. See table 1 below.

Table 1: Statutory Contributions

No.	Description	Amount K
1	PAYE	28,832,265
2	NAPSA(Penalties)	64,048,745
	Total	**92,881,010**

ii. Disposal of Agency Motor Vehicles

Cabinet Office Circular No.17 of 2016 abolished the provision of personal-to-holder motor vehicles and household furniture for Very Important Persons (VIPs) in the Public Service, State Owned Enterprises (SOEs) and Statutory Bodies and instead introduced a loan scheme under the Public Service Micro Finance Company (PSMFC).

Cabinet Office Circular No. 6 of 2001 reference No. CO. 10/4/8 on Conditions of Service on Sale of Personal to Holder vehicles states that, "Officers allocated

Personal-to-Holder vehicles shall continue to be permitted to buy their respective vehicles on retirement or on death or after the life span of the vehicle, i.e. five (5) years."

It further states that, "To arrive at the sale price, the vehicles shall be depreciated at the rate of 20% per annum and the sale price shall be 25% of the residual amount after depreciation."

However, the following were observed:

- **Irregular Disposal of Personal to Holder Motor Vehicles**

  A review of the conditions of service revealed that they contained a clause that entitled employees in Salary Grade 2 (SG2) to purchase their personal to holder vehicles at the end of their contracts, or when the vehicles had clocked three (3) years old at book value and as determined by the Agency taking into account depreciation or 5% of the initial cost of the vehicle, whichever of the two is higher.

  As a result, ten (10) Personal to Holder Vehicles purchased between March 2015 and November 2018 at a total cost of K11,384,214 were sold to employees in SG2 between March 2018 and June 2022 at a total value of K569,213. See table 2 below.

Table 2: Personal to Holder Motor Vehicles Sold to Officers in SG2

No.	M.V Reg. No.	Make/Type	Year Purhased	Purchase Price (K)	Year sold	No. of Years Used	Net Book Value (K)	Disposal Value at 5% of Cost (K)
1	ALZ 9639	Jeep Grand Cherokee	Marh 2015	724,792.00	Mar-18	3	0	36,239.60
2	ALZ 9179	Jeep Grand Cherokee	Marh 2015	724,792.00	Mar-18	3	0	36,239.60
3	ALZ 9167	Jeep Grand Cherokee	Marh 2015	724,792.00	Mar-18	3	0	36,239.60
4	ALZ 9637	Jeep Grand Cherokee	Marh 2015	724,792.00	Feb-19	3.92	0	36,239.60
5	BAC 8676	Toyota Landcruiser 4x4 V8	Mar-16	1,574,427.00	21.01.2020	3	0	78,721.35
6	BAE 1729	Toyota Landcruiser Prado	Nov-16	1,312,461.98	28.10.2020	3	0	65,623.10
7	BAG 7362	Land Rover Discovery	Jan-18	1,302,156.98	22.02.2021	3	0	65,107.85
8	BAG 7867	Land Rover Discovery	Jan-18	1,302,156.98	22.02.2021	3	0	65,107.85
9	BAJ 5523	Toyota Landcruiser VXL	Nov-18	1,691,686.40	06.06.2022	3	0	84,584.32
10	BAF 9646	Land Rover Discovery	Jan-18	1,302,156.90	05.04.2021	3	0	65,107.85
	Total			**11,384,214.24**			-	**569,210.72**

In addition, a recalculation of the Net Book Values and disposal values revealed that the motor vehicles had a total Net Book Value of K4,553,685.75 and a total disposal value of K1,138,421.43 at the time of disposal. In this regard, the vehicles were undervalued by K569,210.72 contrary to Cabinet Office Circular No. 6 of 2001. See table 3 below.

Table 3: Motor Vehicles Sold at Questionable Values

No.	M.V Reg. No.	Make/Type	Year Purhased	Purchase Price (K)	Year sold	No. of Years Used	Net Book Value (K)	Disposal Value at 5% of Cost(K)	NBV per GRZ Circular at time of disposal	Disposal Value at 25%
1	ALZ 9639	Jeep Grand Cherokee	Marh 2015	724,792.00	Mar-18	3	0	36,239.60	289,916.80	72,479.20
2	ALZ 9179	Jeep Grand Cherokee	Marh 2015	724,792.00	Mar-18	3	0	36,239.60	289,916.80	72,479.20
3	ALZ 9167	Jeep Grand Cherokee	Marh 2015	724,792.00	Mar-18	3	0	36,239.60	289,916.80	72,479.20
4	ALZ 9637	Jeep Grand Cherokee	Marh 2015	724,792.00	Feb-19	3.92	0	36,239.60	289,916.80	72,479.20
5	BAC 8676	Toyota Landcruzer 4x4	Mar-16	1,574,427.00	21.01.2020	3	0	78,721.35	629,770.80	157,442.70
6	BAE 1729	Toyota Landcruzer Prado	Nov-16	1,312,461.98	28.10.2020	3	0	65,623.10	524,984.79	131,246.20
7	BAG 7362	Land Rover Discovery	Jan-18	1,302,156.98	22.02.2021	3	0	65,107.85	520,862.79	130,215.70
8	BAG 7867	Land Rover Discovery	Jan-18	1,302,156.98	22.02.2021	3	0	65,107.85	520,862.79	130,215.70
9	BAJ 5523	Toyota Landcruzer VXL	Nov-18	1,691,686.40	06.06.2022	3	0	84,584.32	676,674.56	169,168.64
10	BAF 9646	Land Rover Discovery	Jan-18	1,302,156.90	05.04.2021	3	0	65,107.85	520,862.79	130,215.70
	Total			**11,384,214.24**			-	**569,210.72**	**4,553,685.72**	**1,138,421.43**

- **Questionable Valuation - Ford Ranger Wildtrack Double Cab Registration Number BAC 6284**

  On 12th November 2016, the Agency procured a Ford Ranger Wildtrack Double Cab at a total cost of K656,241. On 10th July 2019, the motor vehicle was sold as an assigned vehicle to an Accountant at FRA at a disposal amount of K89,355.00 and the vehicle was valued by an independent Motor Vehicle Dealer.

  However, in determining the cost price of K89,355, the independent valuer used a K500,000 instead of K656,241. Further, the depreciation rates used by the independent valuer were 35% (2019), 30% and 25% (2018) using the reducing balance method contrary to the Depreciation Policy of the Agency which required that depreciation on motor vehicles be calculated on a straight line basis method. In this regard, the sale of the motor at K89,355 was questionable.

12 National Health Insurance Management Authority

12.1 Background

a. Establishment

The National Health Insurance Management Authority (NHIMA) was established by the National Health Insurance Act No. 2 of 2018. The Act was operationalised through Statutory Instrument No. 63 of 2019. The Scheme, as part of the Social Health Protection Financing for Universal Coverage of the Ministry of Labour is aimed at providing for social security and protection for members by financing their equitable access to quality health care services in a progressive, affordable and sustainable manner to all Zambians and established residents.

b. Governance

The National Health Insurance Act No. 2 of 2018 provides that the Board of the Authority shall consist of the following part-time members appointed by the Minister:

ii. A representative each of the-

- Attorney General;
- Health Professionals Council of Zambia;
- Ministry responsible for social services;
- Ministry responsible for health;
- Ministry responsible for finance;
- Ministry responsible for labour;
- Associations for employees in the public sector;
- Associations for employees in the private sector;
- Associations for employers in the public sector;
- Associations for employers in private sector;
- Associations for religious groupings in Zambia;
- Zambia Institute of Chartered Accounts; and

iii. Two other persons, one of whom has experience in health insurance.

c. Management

The operations of NHIMA is the responsibility of the Director General who is the Chief Executive Officer appointed by the Board, and is assisted by:

- Directors Legal Services and Authority Secretary;
- Director Health Insurance Services;
- Director Quality Assurance and Accreditation;
- Director Finance and Investment;
- Director Research and Planning;
- Director Information and Communications Technology;
- Director Human Resource and Administration; and
- Manager Audit and Risk

The management team is appointed on three (3) year renewable contracts.

d. Sources of Funds

Section 45 of the National Health Insurance Act of 2018 stipulates that:

i. The funds for the Authority shall consist of such monies as may;

- be appropriated to the Authority by Parliament for the purposes of the Authority,
- funds to be paid to the Authority by way of fees, loans, grants or donations, and
- otherwise vest in or accrue to the Authority,

ii. The Authority may, subject to the approval of the Minister;

- accept monies by way of grants or donations from any source within or outside the Republic, and
- raise by way of loans or otherwise, such monies as it may require for the discharge of its functions.

e. Information and Communication Technology Systems

During the period under review, NHIMA operated five (5) management information systems namely:

i. Electronic National Health Insurance Management Authority (e-NHIMA) - used to receive statutory contributions and to register principal members and their beneficiaries.

ii. Health Insurance Platform (HIP) - used to process claims.

iii. Card Printing and Biometrics Capturing (CABIS) - used to print member insurance cards and to harvest fingerprints.

iv. APACE - used to capture electronic claims at the health facilities and submit to funder system (HIP);

v. SAGE 300 and SAGE People System – used for financial management and human resource management respectively.

12.2 Audit Findings

An examination of financial and other relevant records maintained at NHIMA for the financial years ended 31st December 2021 and 2022 revealed the following:

a. Budget and Income

i. Contribution for Members

The Authority budgeted to receive a total of K2,935,434,539 as contributions from members out of which K2,000,823,757 contributions were received resulting in a negative variance of K934,610,782 representing 31.8%. See table 4 below.

Table 4: Members Contributions Budget and Income

Year	Source of Income	Budget K	Income K	Variance K
	Contributions-Civil Service	310,651,200	278,487,846	(32,163,354)
	Contributions-Civil Service Arrears 2020	-	190,724,030	190,724,030
2021	Contributions-Private and Informal Sector	1,403,179,200	530,485,616	(872,693,584)
	Contributions-Local Authorities	-	4,153,046	4,153,046
	Sub-Total	**1,713,830,400**	**1,003,850,538**	**(709,979,862)**
	Contributions-Civil Service	346,170,272	336,107,180	(10,063,092)
2022	Contributions-Private and Informal Sector	819,943,470	652,730,615	(167,212,855)
	Contributions-Local Authorities	55,490,397	8,135,424	(47,354,973)
	Sub-Total	**1,221,604,139**	**996,973,219**	**(224,630,920)**
	Total	**2,935,434,539**	**2,000,823,757**	**(934,610,782)**

ii. Authority's Operational Budget and Income

During the period under review, a total budget of K303,827,988 was made to cater for the operations of NHIMA against which amounts totalling K212,474,087 were received from management and accreditation fees and investments. See table 5 below.

Table 5: Authority's Operational Budget and Income

Year	Source of Income	Budget K	Income K
2021	Management Fees	171,383,040	81,295,266
	Management Fees - 2020 Arrears	-	19,072,403
	Accreditation Fees	5,482,819	3,528,000
	Investment and Other Income	36,960	2,237,955
	Sub-total	**176,902,819**	**106,133,624**
2022	Management Fees	122,160,414	99,701,698
	Accreditation Fees	3,000,000	3,078,000
	Investment and Other Income	1,764,755	3,560,765
	Sub-total	**126,925,169**	**106,340,463**
	Grand Total	**303,827,988**	**212,474,087**

Management fees at 10% of Members Contributions

b. Information and Communication Technology Systems

i. Failure to Secure Source Code for Holistic Insurance Platform - Administration of ZSIC Life Contract

A software source code is a set of instructions and statements written by a programmer using a computer programming language. When it comes to software development, owning the source code is a crucial aspect that should not be overlooked. The ownership of the source code determines who has the right to modify, distribute and sell the software.

On 13th February 2020, NHIMA awarded a contract to ZSIC Life Limited for the supply of a system. The scope of works included design, implementation, deployment and support of the operational infrastructure for NHIMA at a contract sum of K790,000,000. Among the modules to be implemented were member registrations, payment portal and benefit management modules.

The contract was for a period of five (5) years from the effective date of the contract. As at 30th September 2023, NHIMA had paid the ZSIC Life Ltd amounts totalling K517,365,000 leaving a balance of K272,635,000.

Appendix A, Section 3.6 (a) of the contract stated that the consultant would be required to provide a fully customisable integrated Enterprise Resource Planning (ERP) information system to support the implementation of NHI scheme. The core system would be wholly owned by the NHIMA including its source code and all the data was to be hosted in Zambia. No licence fees were to apply beyond the initial procurement and deployment of the system by NHIMA.

However, it was observed that as at September 2023, NHIMA had not secured the source code for the HIP system.

Not owning the source code may lead to several risks, such as:

- Vendor lock-in: where an institution becomes dependent on the vendor who developed the software and may not be able to switch to another vendor if they are not satisfied with their services.
- Limited control: An institution may not have full control over the software and may not be able to customise it according to their needs or upgrade it.
- Security risks: An Institution may not be able to fix security vulnerabilities or bugs in the software which could lead to breach of customer data.

This implies that NHIMA will forever rely on the developer for any modification, bugfix, upgrade to the system and the developer may raise the price for such services.

ii. Administration of Scheme Membership

Membership and registration to the scheme is provided for under Section 13(1) of the National Health Insurance Act No. 2 of 2018 which states, "A citizen or established resident who is above eighteen years shall be registered as a member of the Scheme in the prescribed manner and form."

As at 30th September 2023, the Authority had a membership of 3,743,083 individuals classified under various categories, namely active, declined, deleted, duplicate, disabled, inactive and pending approval. See table 6 below.

Table 6: Membership

No.	Status	No. of Records	As at 30th September
1	Acitive	2,649,741	2023
2	Declined	116,132	2023
3	Deleted	17,801	2023
4	Deleted_Duplicate	68,013	2023
5	Disabled	926	2023
6	Inactive	1,318	2023
7	Pending_Approval	889,152	2023
	Totals	**3,743,083**	

An analysis of the membership database revealed the following:

- **Low Coverage on Eligible Member Registration on to the Scheme**

  According to the 2023 to 2026 NHIMA Strategic Plan, the Authority planned to increase its membership to greater than 3.4 million annually from 2022 to 2026. During the period from 2022 to 2023, the membership should have been greater than 6.8 million.

  However, as at 30th September 2023, the Authority had a registered membership of 3,743,083 representing 55% of the targeted membership.

- **Members with Missing and Invalid Parameters**

  Clause 6.1 of the NHIMA Member Registration Policy stipulates that employers are mandated to register their employees and provide all required information such as employee full names, National Registration Card or other identity document number, citizenship, date of birth, location, mobile number, email address, gender, marital status, title and basic salary.

  In addition, the policy states that failure to provide the information will lead to non-approval of member registration as completion of all required fields will form the basis for approval for employee registration.

  A review of the NHIMA membership record revealed that 833,411 members representing 31% of active membership had missing or invalid parameters such as NRCs and nationalities. It was observed that out of the members with missing or invalid parameters, claims in amounts totalling K78,336,684 were processed in respect of 174,787 members. See table 7 below.

Table 7: Members with Missing and Invalid Parameters

No.	Parameter	No. of Members Affected	No of Claims	Amount Paid K
1	Irregular National Registration Cards (NRCs)	62,082	1,659	747,022
2	Members without Specified Nationality	771,329	173,128	77,589,663
	Total	**833,411**	**174,787**	**78,336,684**

- **Failure to Remove Unsuccessful Applications from Member Master**

Clause 6.1 of the NHIMA Member Registration Policy stipulates that employers are mandated to register their employees and provide all required information such as Employee full names, National Registration Card or other identity document number, citizenship, date of birth, location, mobile number, email address, gender, marital status, title and basic salary.

A review of the member master record from the eNHIMA management information system revealed that 202,872 cases which were declined, deleted, duplicated, disabled and did not meet criteria were still on the system.

- **Administration of Beneficiaries to the NHIMA Scheme**

Clause 6.5 of the NHIMA Member Registration Policy stipulates that it shall be the duty of the principal member to register a beneficiary. Each household is required to register one (1) declared Spouse and five (5) dependents below the age of 18 years. Non-compliance by the members on member registration requirement will lead to non-approval of registration.

A review of the beneficiaries list revealed the following:

  - **Principal Members with More Than Prescribed Number of Beneficiaries**

    An analysis of the member master record revealed that 1,722 principal members had 13,989 beneficiaries linked to them. The members had beneficiaries ranging from seven (7) to sixty-three (63), which was above the allowable maximum of six (6) beneficiaries.

As at 30th September 2023, the 13,989 ineligible beneficiaries were still on the database.

- **Beneficiaries Registered More than Once**

  An analysis of the beneficiaries' master file revealed that 36,052 beneficiaries had 68,962 records, an indication that the beneficiaries had more than one account registered on the system.

  The accounts for beneficiaries with multiple creations ranged from two (2) to eight (8) accounts.

  As at 30th September 2023, the 68,962 records in respect of 36,052 beneficiaries' records had not been corrected.

iii. Administration of Contributions to the Scheme

Section 15 (1) of the NHIMA Act No. 2 of 2018 stipulates that an employer shall pay to the Scheme an employee's contribution consisting of the employer's contribution and the employee's contribution at a prescribed percentage. An analysis of the contributions revealed the following:

- **Active Members without Contributions Paid**
  Contrary to the Act, there was no evidence of contributions being remitted by 13,566 employers in respect of 999,574 active members during the period from January 2021 to December 2022.
- **Zero Rated Members Below the Age of Sixty Five (65) Years**
  Section 16(b) of the NHIMA Act stipulates that a citizen or established resident that may be exempted from payment of contributions under the Scheme include an elderly person above the age of sixty five (65).

A scrutiny of the contribution database revealed that 2,098 members in 2021 and 2,019 members in 2022 were categorised as zero-rated despite their ages falling within the range of eighteen (18) to fifty five (55) years.

As at 30th September 2023, the situation had not been corrected.

iv. Claims Processed on Behalf of Non-Contributing Members

Section 15 (1) of the NHIMA Act stipulates that an employer shall pay to the Scheme an employee's contribution consisting of the employers' contribution and the employees' contribution at a prescribed percentage.

Contrary to the provision, an analysis of claims processed during the period under review revealed that 53,332 claims amounting to K21,478,482 were processed in respect of 10,637 members who did not make contributions during the period under review. See table 8 below.

Table 8: Claims Processed on Behalf of Non-Contributing Members

Year	No. of Patients	No. of Transactions	Amount K
2021	625	1,340	616,230
2022	10,012	51,992	20,862,252
Total	**10,637**	**53,332**	**21,478,482**

v. Questionable Claims

During the period under review, 3,062 transactions with a total claim value of K915,919 were processed in respect of persons aged between 101 years and 1,947 years.

However, these transactions were questionable as the ages of the persons on whose behalf the claims were processed were beyond what was deemed reasonable.

As at 30th September 2023, the database had not been updated to reflect the correct ages.

c. Operational Matters

i. Delayed Remittances of Contributions Collected Via Agents

During the period under review, NHIMA signed a contracts with MTN Mobile Money Ltd (MTN MoMo) for the efficient collection of contributions from employers and individual members on the following terms:

- Clause 2.7 required that transfers of the collected funds should be made by MTN MoMo the following working day, one hour before the Real Time Gross Settlement System; and
- Clause 2.12 required that where MTN MoMo's acts or omissions result in the delay of remission, MTN MoMo would pay a penalty charge to NHIMA at the Bank of Zambia overnight lending rate calculated on the overnight balance remaining on the transit account as a result of non-adherence to the sweep requirement.

A scrutiny of the mobile service providers' NHIMA transit accounts and the NHIMA main collection account revealed that during the period January 2022 to December 2022, amounts totalling K2,579,230 were delayed to be transferred by days ranging from 3 to 9 days. Despite the delay of remittances by the MTN Momo, there was no evidence that Clause 2.12 was invoked to claim the interest on delayed transfers.

ii. Irregular Accreditation of Health Care Facilities

Clause 21 (C) Subsection 21.1.4 of the contract between NHIMA and ZSIC states, "The Consultant shall not engage and shall cause its expert as well as its sub consultants not to engage, either directly or indirectly in any business or professional activities that would conflict with the activities assigned to them under this contract."

Contrary to Clause 21 (c) of the ZISC Contract with NHIMA, the following were observed:

- On 29th July 2022, NHIMA signed a contract with Kalongwezi Pharmacy Limited for the provision of NHIMA Accredited Pharmacy Services to the public. A review of the claims tracker report summary revealed that Kalongwezi Pharmacy Limited claimed and was paid a total of K1,413,454 from July 2022 to December 2022. As at 8th February 2023, the consolidated payments made to Kalongwezi Pharmacy Limited had increased to K1,707,628.

It was however observed that a Director of Kalongwezi Pharmacy Limited was the Head of Claims and Provider Relationship under the contract between ZISC and NHIMA (ZISC – NHIMA Project). The role of the Head of Claims and Provider Relationship in the payment process included the following:

- ensuring that all claims are processed and approved within NHIMA Medical Insurance Guidelines;
- approval of all provider payment requisitions before they go to NHIMA for payment; and
- working hand in hand with the Claims Manager in ensuring that only eligible claims are approved.

Although the contract between Kalongwezi Pharmacy and NHIMA was terminated on 8th February 2023, the officer was still working as Head of Claims and Provider Relationship at the ZISC – NHIMA Project as at 30th September 2023.

iii. Unretired Claim Advance Payments

Clause 3.12 of the Claims Advance Payment (CAP) Policy for Accredited Public Health Care Providers states, “A facility that has accessed CAP is required to submit to NHIMA fortnightly report of utilisation of CAP against submitted action plans.” Further, Clause 3.6 states, “the Authority will recover the money through deductions from the health facility claim reimbursements in twelve (12) equal monthly instalments, at most.”

As at 30th September 2023, Chainama General Hospital and Thomson District Hospital had not submitted to NHIMA fortnightly report of utilisation of CAP in amounts totalling K971,847 and NHIMA had not effected recoveries of the money through deductions from the health facilities' claim reimbursements. See table 9 below.

Table 9: Unretired Claims Advance Payments

Name of facility	Station	Unretired CAP	Amount K
Chainama General Hospital	Lusaka	3rd CAP	776,760
Thomson District Hospital	Luanshya	3rd CAP	195,088
Total			**971,847**

d. Accounting Irregularities

i. Questionable Payment of Claims

During the period under review Sylkay Pharmacy – Southgate Mall a NHIMA accredited facility was paid claims in amounts totalling K39,551,793. See table 10 below.

Table 10: Payment Claims

No.	Year	Amount K
1	2021	12,823,578
2	2022	26,728,215
	Total	**39,551,793**

Included in the K39,551,793 were claims with respect to Sylkay Ridgeway Pharmacy, a facility which was not accredited with NHIMA but whose claims were presented to the Authority purporting that the Claims were from Sylkay - Southgate Mall.

In a correspondence dated 3rd October 2022, NHIMA terminated the accreditation of Sylkay Pharmacy- Southgate Mall due to the breach of Section 26(1) of the National Health Insurance (NHI) Act No. 2, which prohibits Health Care Providers from offering services to NHIMA members without being accredited. In their letter dated 31st October 2022 written to NHIMA, Sylkay Pharmacy confirmed having included in the processing of claims for Sylkay South Gate Pharmacy amounts totalling K504,788 for cancer and renal clients for Ridgeway Pharmacy un accredited facility with NHIMA using the code and Accreditation Facility Certificate for Sylkay Southgate Mall Branch. Further analysis of the claims records revealed that out of K39,551,793, payments totalling K 6,996,441 were processed from 11th July 2021 to 7th December 2022 for renal and cancer drugs.

However, NHIMA did not determine how much of the K6,996,441 was related to Sylkay Ridgeway Pharmacy and no further action was taken against the Pharmacy.

ii. Unretired Imprest

Section 12.2 of the Accounting Finance and Investment Manual, on travel, subsistence allowances and cash advances requires that subsistence and other allowances should be retired within 48 hours.

However, an analysis of records revealed that as at 5th October 2023, amounts totalling K220,715 involving twenty four (24) officers had been outstanding for periods ranging from 321 to 567 days.

e. Administrative Matters – Failure to Inscribe Assets

Section 4.5 of the Accounting Finance and Investment Manual states, "All Fixed assets belonging to the Authority shall be allocated asset codes, which shall be attached on the asset for identification. The asset number shall be allocated according to classes."

However, the Authority did not code 1,288 assets that included, furniture and fittings and computer hardware valued at K9,722,689 with unique asset codes.

13 National Road Fund Agency

13.1 Background

a. Establishment

The National Road Fund Agency (NRFA) was established under the National Road Fund Act No. 13 of 2002.

The functions of NRFA are to:

i. administer and manage the National Road Fund (NRF);
ii. prepare and publish audited annual accounts of the NRF;
iii. recommend to the Minister fuel levy and other road user charges and tariffs;
iv. recommend to the Minister projects for funding;
v. allocate resources;
   - for the construction, maintenance and rehabilitation of roads based on a percentage of the annual work plan of the Road Development Agency (RDA);
   - for road transport, traffic and safety management based on a percentage of the annual work plan of the Road Transport and Safety Agency (RTSA);
   - in consultation with the RDA, recommend funding for development of new roads; and
   - undertake such other activities as are conducive or incidental to its functions.

b. Board of Directors

The National Road Fund Act No. 13 of 2002 provides that the Board shall consist of fourteen (14) part-time members appointed by the Minister responsible for Finance as follows:

- one representative of the Zambia Association of Chambers of Commerce and Industry;
- one representative of the National Council for Construction;
- one representative of the Zambia Institute of Chartered Accountants;
- one representative of the Economics Association of Zambia;
- one representative of the Transporters Associations;

- one representative from the Law Association of Zambia;
- one representative from the Chartered Institute of Transport;
- one representative of the Attorney-General;
- one representative from—
    - the Ministry responsible for finance;
    - the Ministry responsible for communications and transport; and
    - the Ministry responsible for works and supply;
- the Director of the Road Development Agency;
- the Director of the Road Transport and Safety Agency; and
- one other person.

The Chairperson of the Board is appointed by the Minister responsible for finance while the Vice Chairperson is elected from among the members.

c. Management

The day to day management of the NRFA is the responsibility of the Chief Executive Officer who is appointed by the Board and is assisted by the Directors of Fund Management, Planning, Monitoring and Evaluation, Corporate Services and Internal Audit.

The Chief Executive Officer and Directors are appointed on renewable three (3) year contracts.

d. Sources of Funds

Section 18 of the National Road Fund Act No. 13 of 2002 states that the funds of NRFA shall consist of such monies as;

- funds appropriated by Parliament;
- funds allocated to the Agency from the Road Fund by the Minister;
- loans, grants and contributions by donors; and
- bank interest.

e. **Management Information System**

During the period under review, NRFA operated six (6) systems for administration of inland and weighbridge tolls as follows;

- Yascn Toll Management System;
- NECOR Toll Management System; and
- EFKON South Africa (Pty).
- e-Toll Management Information System
- WBX
- Axle Loop

13.2 Audit Findings

An examination of accounting and other records maintained at the National Road Fund Agency Headquarters and selected toll stations in provinces for the financial year ended 31st December 2022 revealed the following:

a. **Budget and Income**

During the period under review, NRFA projected to collect K1,052,421,085 from toll stations against which amounts totalling K1,296,050,003 were collected resulting in a positive variance of K243,628,918 as shown in the table 1 below.

Table 1: Budget and Income - NRFA

No	Toll Station	District	2022 Projections K	Return Amount K	Variance K
1	Shimabala	Kafue	102,598,715	126,546,140	23,947,425
2	Katuba	Chibombo	116,585,377	138,983,480	22,398,103
3	Mumbwa	Mumbwa	13,455,155	16,182,133	2,726,979
4	Kafulafuta	Ndola	98,583,714	127,060,510	28,476,795
5	Manyumbi	Kapiri Mposhi	100,559,937	122,211,771	21,651,834
6	Chongwe	Chongwe	42,082,953	46,803,316	4,720,363
7	Michael Chilufya Sata	Ndola	131,565,188	160,314,538	28,749,350
8	Wilson Mofya Chakulya	Kitwe	77,830,014	91,303,746	13,473,732
9	Daniel Munkombwe	Choma	29,323,619	40,158,281	10,834,662
10	Humphrey Mulemba	Solwezi	26,508,432	30,930,055	4,421,622
11	George Kunda SC	Mkushi	48,426,302	61,686,288	13,259,986
12	Reuben C Kamanga	Katete	13,880,102	15,188,500	1,308,398
13	Alexander G Zulu	Chipata	19,613,970	20,960,114	1,346,144
14	Chilonga	Mpika	35,811,515	48,751,595	12,940,079
15	Kebby Musokotwane	Livingstone	23,686,152	34,284,267	10,598,115
16	Kakonde	Mbala	9,215,977	10,119,909	903,932
17	Chembe	Chembe	16,637,192	17,821,820	1,184,628
18	Ntoposhi (Mansa-Luwingu	Mansa	7,165,886	9,161,566	1,995,680
19	Mibenge (Mansa - Samfya)	Samfya	6,023,709	6,856,897	833,188
20	Kalense	Kasama	9,377,329	11,780,768	2,403,440
21	Katenshi	Kasama	12,617,066	14,119,595	1,502,529
22	Lui	Senanga	4,201,926	6,375,184	2,173,258
23	Mweeke	Mongu	6,761,623	9,118,686	2,357,062
24	Tapo	Mongu	1,397,090	1,645,913	248,823
25	Sabina	Kalulushi	64,453,412	89,111,325	24,657,913
26	Mpongwe	Mpongwe	5,077,114	5,034,776	(42,338)
27	Enoch Kavindele	Chingola	28,981,616	33,538,832	4,557,216
	Total		**1,052,421,085**	**1,296,050,003**	**243,628,918**

Further, the revenue collections by RTSA on behalf NRFA exceeded the projection by K195,268,090. See table 2 below.

Table 2: Budget and Income - RTSA

No.	PoE Toll Collection Point	District	2022 Total Projection K	Amount K	Variance K
1	Nakonde	Nakonde	595,901,272	736,289,537	140,388,265
2	Kasumbalesa	Chililabombwe	153,632,247	136,608,091	(17,024,156)
3	Chirundu	Chirundu	111,429,905	128,497,835	17,067,930
4	Kazungula	Kazungula	60,812,577	111,631,866	50,819,288
5	Chanida	Katete	56,251,668	69,310,345	13,058,677
6	Katima Mulilo	Sesheke	30,889,577	31,756,800	867,223
7	Mufulira	Mufulira	31,166,205	28,283,181	(2,883,024)
8	Vic. Falls	Livingstone	20,474,945	13,991,541	(6,483,403)
9	Mwami	Chipata	5,663,578	5,537,098	(126,480)
10	Kariba	Siavonga	133,078	297,073	163,995
11	Ndola	Ndola	3,151,023	2,735,541	(415,482)
12	Other	Other	723,420	558,678	(164,742)
	Total		**1,070,229,496**	**1,265,497,586**	**195,268,090**

b. Agency Loans and Financing Agreements - Penalties Due to Delayed Repayments

i. NAPSA Financing Agreement

In 2017, the Agency signed a financing agreement with the National Pensions Scheme Authority (NAPSA) for the purpose of financing the construction and rehabilitation of the Ndola to Kitwe, Kitwe to Chingola dual carriage ways and Chingola to Solwezi single carriage way and the construction of four (4) toll plazas thereon. In this regard, as at 31st December 2022, amounts totalling K4,644,807,875 had been disbursed to NFRA. See 3 below.

Table 3: NAPSA Loan Financing

YEAR	PRINCIPAL K
2017	1,229,704,578
2018	896,847,447
2019	922,887,016
2020	820,256,781
2021	775,112,053
Total	**4,644,807,875**

However, a review of the loan statement in respect of the facility acquired from NAPSA revealed that there were delays ranging from one (1) day to twenty eight (28) days in remitting funds to the Authority by the Agency resulting in penalty charges in amounts totalling K114,999,574 that remained unpaid as at 31st December 2022.

ii. INDO Zambia Bank

As a strategy to address the impact of the COVID-19 pandemic on the road sector, the Agency obtained a component of the Bank of Zambia medium-term stimulus loan financing facility through INDO Zambia Bank, amounting to K500,000,000 aimed at liquidating a component of outstanding arrears owed to local contractors and suppliers of goods and services.

A review of the performance of the loan facility acquired from INDO Zambia Bank revealed that the loan poorly performed in that, the Agency was charged a penalty amounting to K3,367,148 due to delayed payments, as shown in the table 4 below:

Table 4: INDO (Z) Loan

YEAR	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST- K	PENALTY - K	PRINCIPAL - K	INTEREST - K
2021	500,000,000.00	14%	74,523,823.08	133,865,490.78	3,367,148.00	425,476,176.92	-
Total	**500,000,000.00**		**74,523,823.08**	**133,865,490.78**	**3,367,148.00**	**425,476,176.92**	**-**

iii. National Savings and Savings (NATSAVE) Bank

In January 2020 and October 2020, the Agency obtained two loan facilities from NATSAVE amounting to K800,000,000 aimed at facilitating payment to local contractors and consultants for works already done, as shown in the table 5 below.

Table 5: NATSAVE Loan Facility

Repayments				Outstanding Amounts			
Loan Facility	Contract	Interest K	Principle K	Principle K	Penalty Interest Arrears K	Interest Arrears K	Principle Arrears K
NATSAVE 300	300,000,000	187,579,540.69	114,720,201.29	185,279,798.71	(8,880,542.12)	16,326,502.74	11,155,291.98
NATSAVE 500	500,000,000	135,194,474.70	97,083,747.55	411,883,722.13	364,708.49	9,155,593.94	17,190,881.67
TOTALS	**800,000,000**	**322,774,015.39**	**211,803,948.84**	**597,163,520.84**	**(8,515,833.63)**	**25,482,096.68**	**28,346,173.65**

A review of the performance of the loan facility acquired from NATSAVE Bank particularly the K500,000,000 facility, revealed that the Agency was charged K364,708 and K9,155,593 as penalty charges and interest arrears, respectively.

b. Accounting Irregularities - Outstanding Payments for IPCs

During the period January 2021 to December 2022, the Agency processed 11,933 interim payment certificates valued at K1,170,972,868 for road works which were executed between January 2021 and December 2022.

As at 31st December 2022, amounts totalling K8,046,444,511 were outstanding.

c. Procurement Matters - Contract with Troikka

On 5th October 2020 the Agency entered into a contract with Troikka Resources Limited for the supply and delivery of forty (40) 5KVA uninterruptible power supply units at the contract sum of K2,700,000 with a delivery period of eight to twelve (8-12) weeks.

An advance payment of 10% of the contract sum as per clause 16.1 of the general conditions of the contract and performance guarantee of 25% of the contract sum was paid as per clause 18.1 of the special conditions of the contract. However, the following were observed:

i. Failure to Recover Advance Payment - Undelivered Goods

Clause 18.1 of the contract states that the supplier shall within fourteen (14) days of signing the contract or the date of the bid acceptance whichever is the earlier provide a performance security for the contract.

A review of contract documents revealed that the expected delivery date for the UPS units was 28th December 2020 based on the initial delivery period of 8 weeks to 12 weeks.

However, there were delays in the implementation of the contract due to late settlement of the 25% advance payment amounting to K675,000 which was only made on 15th February 2021. Although the delivery period was extended to 15th May 2021 and later to 31st July 2021, as of April 2023 the above items had not been delivered and management failed to redeem the security bond prescribed by the supplier.

In response, although management indicated that the matter was settled by arbitration in favor of the Agency on 5th December 2022 and that the Agency was awarded a claim for the sum of K945,000 against performance guarantee for failure to supply the goods, the funds from the supplier not been recovered as of April 2023.

ii. Loss of Funds Arising from Litigation Costs

During the period under review, the Agency was sued by various companies due to unpaid road works and judgments were delivered in favour of the claimants.

As such the Agency was ordered by the Court to pay amounts totalling K217,652,075 in respect of legal and interest costs as shown in the table 6 below.

Table 6: Litigations Against the Agency

No	Claimant	Status	Amount K
1	Barloworld Equipment Vs NFRA	The Agency has been liquidating the judgment sum of US $ 706,400.19 in instalment of US$ 117,741.16 and has so far remained with a balance of K8,770,875.03	8,770,875
2	Gomes Haulage Vs RDA and NFRA	The case was concluded and payment commenced and a balance of K18,504,065.32 remains outstanding	18,504,065
3	Raubex Constrution Vs RDA and NFRA	The case was concluded and payments in instalement to the contractor had commenced	190,377,135
Totals			**217,652,075**

As at 30th September 2023, the litigations costs had not been settled.

14 National Savings and Credit Bank

14.1 Background

a. Establishment

The National Savings and Credit Bank (NATSAVE) was established by the National Savings and Credit (Amendment) Act No. 23 of 2005.

The functions of the bank are to;

i. Accept deposits,

ii. Operate any savings schemes in Zambia which the Board may approve,

iii. Make loans for such purposes as the Board may approve,

iv. Subject to such provisions of the Banking and Financial Services Act, carry on such form of banking business, not otherwise expressly authorised in the Act, as may be approved by the Minister, and

v. Do all other matters and things incidental to or connected to the Act.

b. Governance

Section 4 (1) of the National Savings and Credit Act provides for the appointment of the Chief Executive Officer as a member of the Board and subsection (2) of section 7, provides for the Minister by statutory order, to appoint the members of the Board of Directors and which consist of;

a. Chairman,

b. the Chief Officer and,

c. not less than five nor more than nine other members.

The Chairman holds office for such period and upon such terms as the Minister may determine.

Further, Section 4 (3) of the Act states, "member of the Board (other than the Chairman and the Chief Executive Officer) shall hold office for such term (being not less than one year nor more than three years) as the Minister may determine at the time of the appointment, and shall be eligible for reappointment at the expiration of the term.

c. Management

The Chief Executive Officer is responsible for day-to-day operations of NATSAVE and is assisted by nine (9) Directors - Legal Services, Finance, Risk and Compliance, Corporate Banking, Retail Banking, Human Resource and Administration, Credit, Marketing and Operations. The management team is appointed on three (3) to five (5) year renewable contracts.

d. Sources of Funds

The funds of the NATSAVE consist of:

a. such sums of money as may be appropriated for it by Parliament;
b. such sums of money as may be transferred to it by the Savings Bank;
c. such sums of money as the Bank may acquire by virtue of grants or raise by means of loans; and

d. such other sums of moneys as may accrue to it in the course or on account of its business.

e. Management Information Systems

During the period under review NATSAVE Operated Finacle Bank System and Micro Payroll System for the administration of its banking activities and payroll management as described below;

i. **Finacle Bank System** – the system is used for operations such as online (Digital) banking, provision of credit facilities to customers (Loan book management), customer relationship management, collateral management, treasury management.

ii. **Micro Payroll System -** the system is used for Processing of employees Payroll.

14.2 Audit Findings

A review of accounting and other records maintained at National Savings and Credit Bank, for the financial years ended 31st December 2020, 2021 and 2022 revealed the following:

a. Budget and Income

During the period under review, the Bank budgeted to generate income of K1,397,524,540 against which amounts totaling K1,165,879,766 were generated resulting in a negative variance of K231,644,774. See table 1 below:

Table 3: Budget and Income

	2022		2021		2020		Grand Total for 2020, 2021, & 2022		
Details	Budget K	Actual K	Budget K	Actual K	Budget K	Actual K	Budget K	Actual K	Variance K
Interest Income	477,036,900	400,351,220	433,562,000	369,312,000	274,929,000	182,376,000	1,185,527,900	952,039,220	233,488,680
Non Interest Income	73,443,640	94,536,550	57,486,000	62,407,998	81,067,000	56,895,998	211,996,640	213,840,546	(1,843,906)
Total	**550,480,540**	**494,887,770**	**491,048,000**	**431,719,998**	**355,996,000**	**239,271,998**	**1,397,524,540**	**1,165,879,766**	**231,644,774**

b. Failure to Suspend Accrual of Interest on Non-Performing Loans

Statutory Instrument No. 142, the Banking and Financial Services (Classification and Provisioning of Loans) Regulations section 7 (1) stipulates that a bank or a financial institution should place a loan in non-accrual status if the principal or the interest has been in default for a period of ninety days or more, or the account has been inactive for ninety days and deposits are insufficient to cover the interest capitalized during the period.

However, management did not place 146 non-performing loans in amounts totaling K814,445 in a non-accrual status. In this regard, the loans continued to accrue interest in amounts totalling K162,539.

c. Financial Analysis

i. Statement of Comprehensive Income and Expenditure

The Statements of Comprehensive Incomes for the financial years ended 31st December 2020, 2021 and 2022 were as shown in table 2 below.

Table 2: Statement of Comprehensive Income and Expenditure

Details	2022	2021	2020
	K000	**K000**	K000
Interest income calculated using the effective interest rate	279,959,556	229,155,162	118,861,912
Other interest income on credit impaired loans	333,568	2,944,252	1,937,308
Interest expense calculated using the effective interest rate	(207,992,448)	(195,856,412)	(158,243,180)
Net interest income	**72,300,676**	**36,243,002**	**(37,443,960)**
Expected credit gain/ (loss) on financial assets	6,891,292	(10,069,939)	(11,528,301)
Net trading income	**79,191,968**	**26,173,063**	**(48,972,261)**
Net fees and commissions income	60,626,098	47,828,747	49,143,774
Foreign exchange loss	(224,573)	(40,382)	(7,355,457)
Other operating income	148,824,466	148,947,977	79,329,575
IAS 19 employee benefits expense	(7,575,117)	(12,612,497)	3,912,914
Total income	**280,842,842**	**210,296,908**	**76,058,545**
Operating expenses			
Salaries and employee benefits	(185,873,583)	(175,713,110)	(180,318,610)
Depreciation and amortisation	(17,151,221)	(19,535,427)	(16,153,268)
Administrative expenses	(92,572,847)	(75,130,258)	(79,800,012)
Loan receivable balances write off	(46,957,668)	(289,201)	(8,038,680)
Finance costs - Leases IFRS 16	(5,577,412)	(4,551,571)	(4,878,975)
Total operating expenses	**(348,132,731)**	**(275,219,567)**	**(289,189,545)**
Loss before tax	**(67,289,889)**	**(64,922,659)**	**(213,131,000)**
Income tax	(23,973,275)	(16,756,463)	0
Loss for the year	**(91,263,164)**	**(81,679,122)**	**(213,131,000)**

Source: NATSAVE Financial Statement 2020,2021 and 2022

As can be seen from the Statements of Comprehensive Income above, the Bank recorded losses of K213,131,000 in 2020, K81,679,122 in 2021 and K91,263,164 in 2022.

Consequently, the following were observed:

- **Return on Equity**

  Return on equity (ROE) expresses profit after taxation (PAT) as a percentage of equity. It measures how much profit an entity generated for the benefit of its shareholders.

  According to the NATSAVE strategic plan and budgets for the period under review, the bank had a Return on Equity targets of 15%, 10% and 19% for 2020, 2021 and 2022 respectively

  However, the Bank recorded negative Return on Equity of 421% in 2020, 298% in 2021 and 85% in 2022 indicating poor profitability of the Bank. See table 3 below:

Table 3: Return on Equity

Details	2022 K	2021 K	2020 K
Net Profit /Loss	(91,263,164)	(81,679,122)	(213,131,000)
Total Equity	107,557,184	27,381,782	50,625,513
Return on Equity (ROE)	**(85)**	**(298)**	**(421)**

- **Net Interest Margin**

  Net interest margin is a measurement comparing the net income a financial entity generates from its credit products such as loans and mortgages. It is calculated by comparing the net interest income against average earning assets.

  According to the NATSAVE strategic plan for the period under review the bank had a Net Interest Margin targets of 25%, 13% and 56% for 2020, 2021 and 2022 respectively.

  Although the Bank recorded positive net interest margins of 16% and 25% in 2021 and 2022 respectively, the margin recorded in 2022 was below the set target of 56%. See table 4 below.

Table 4: Net Interest Margin

Net Interest Income / Total Interest Income	2022 K	2021 K	2020 K
Net Interest Income	72,300,676	36,243,002	-37,443,960
Total Interest Income	280,293,124	232,099,414	120,799,220
Net Interest Margin	**26**	**16**	**-31**

- **Gross Margin Ratio**

The gross margin refers to a profitability measure that looks at a company's gross profit compared to its revenue or sales in percentage terms.

According to the NATSAVE strategic plan for the period under review the bank had a Gross Margin ratio target of 32%, 71% and 63% for 2020, 2021 and 2022 respectively. See table 5 below.

Table 5: Gross Margin Ratio

(Total Interest Income + Total Non-Interest Income) / Net Interest and Non-Interest Income	2022 K	2021 K	2020 K
(Total Interest Income + Total Non-Interest Income)	496,634,980	418,806,199	237,744,268
(Net Interest and Non-Interest Income	288,642,532	222,949,787	79,501,088
Gross margin ratio	**58**	**53**	**33**

As can be seen from the table above, the bank recorded a gross margin ratio of 33% above the set target of 32% in 2020. However, it recorded Gross Margin ratios of 53% in 2021 and 58% in 2022 which were below the set targets.

ii. Statements of Financial Position

The Statement of Financial Position for the financial years ended 31st December 2020, 2021 and 2022 was as shown in table 6 below.

Table 6: Statement of Financial Position

Details	2022 K	2021 K	2020 K
Assets			
Cash and cash equivalents	213,868,074	293,085,867	167,525,288
Investment securities	698,296,207	817,544,088	695,077,268
Loans and advances	1,037,604,475	984,229,746	908,811,781
Staff loans	25,875,873	19,878,958	8,695,378
Other assets	37,395,975	39,451,523	32,077,637
Property, plant and equipment	73,489,553	63,002,094	64,087,946
Right of use asset	11,284,706	15,008,733	14,355,190
Intangible assets	15,218,632	17,052,174	24,955,837
Total assets	**2,113,033,495**	**2,249,253,183**	**1,915,586,325**
Liabilities			
Lease liabilities	21,924,919	22,644,024	26,830,157
Other liabilities	126,629,486	276,513,046	71,421,904
Deposits from customers	1,473,081,396	1,379,030,030	1,201,521,465
Employee benefits provision	65,171,479	71,157,243	48,874,792
Term loan	500,000,000	500,000,000	500,000,000
Deferred revenue	33,783,399	27,290,622	16,312,494
Total liabilities	**2,220,590,679**	**2,276,634,965**	**1,864,960,812**
Shareholders' equity			
Share capital	1,038,382,644	1,038,382,644	1,038,382,644
Property revaluation reserves	35,299,414	23,973,607	23,973,607
Available for sale reserves	3,780,548	25,399,654	16,744,070
L ess Accumulated losses	1,185,019,790	1,115,137,687	1,028,474,807
Credit risk reserves			
Total equity	**(107,557,184)**	**(27,381,782)**	**50,625,513**
Total liabilities and equity	**2,113,033,495**	**2,249,253,183**	**1,915,586,325**

Source: NATSAVE Financial Statement 2020,2021 and 2022

The following were observed:

- **Return on Assets (ROA)**

  Return on Asset Ratio (ROA) is an efficiency measure of how well a company is using its assets.

According to the NATSAVE strategic plan for the period under review, the bank had a Return on Assets targets of -12%, 1% and 0.3% for 2020, 2021 and 2022 respectively.

A review of the financial statements for the period under review, revealed that the Return on Assets was negative in all the three years as shown in the table 7 below.

Table 7: Return on Assets

Net Profit ((Loss) / Total Assets	2022 K	2021 K	2020 K
Net profit	-91,263,164	-81,679,122	-213,131,000
Total Asset	2,113,033,495	2,249,253,183	1,915,586,325
Return on Assets	**-4**	**-4**	**-11**

As can be seen in the table above, the bank recorded negative Return on Assets of 11 in 2020, 4 in 2021 and 4 in 2022. The negative Return on Asset was attributed to the losses the bank recorded in all the three (3) years under review.

- **Depleting Capital**

  Non-Bank Financial Institution Circular (NBFI) No 01/2014 (New Capital Adequacy Framework) prescribes a minimum regulatory capital as being the higher of K50 million or 10% of risk – weighted assets for savings and credit institutions.

  During the period under review, the regulatory capital of NATSAVE was negative (K146,637,146) representing a deficiency of (K239,085,961) below the required minimum regulatory Capital of K92,448,815 being 10% of risk – weighted assets of (K925.7 million).

- **Negative Regulatory Capital Adequacy Ratio**

  The Capital adequacy Ratio indicates whether the Bank is stable in it meeting time liabilities and other risks such as credit, liquidity and operations. Furthermore, it implies that depositors' funds are protected and the bank is not at risk of insolvency. The Bank of Zambia recommended rate is above 10%.

However, the bank recorded Regulatory Capital Adequacy ratios of 2% in 2020, negative 9% in 2021 and negative 16% in 2022 which were below the minimum 10% prescribed by Bank of Zambia. See table 8 below.

Table 8: Regulatory Capital Adequacy Ratio

Details	2022 K	2021 K	2020 K
Tier 1 + Tier 2 Capital	(146,637,146)	(76,755,043)	9,907,837
Risk Weighted Assets	924,488,148	827,706,559	652,440,346
	-0.158614414	-0.092732191	0.015185813
Percetage	-16%	-9%	2%

- **Negative Equity**

During the period under review, the Bank had equity of K50,625,514 in 2020 which reduced to negative K27,381,782 and K107,557,184 in 2021 and 2022 respectively. See table 9 below.

Table 9: Negative Equity

Details	Shareholders Equity		
	2022 K	2021 K	2020 K
Share Capital	1,038,382,644	1,038,382,644	1,038,382,644
Property Revaluaion Reserve	35,299,414	23,973,607	23,973,607
Available for sale Reserves	3,780,548	25,399,654	16,744,070
Accummulated Lossess	(1,185,019,790)	(1,115,137,687)	(1,028,474,807)
Total Equity	**(107,557,184)**	**(27,381,782)**	**50,625,514**

d. Operational matters – Failure to Submit Unclaimed Suspense Funds to BOZ - Other Liabilities

Section 160 (3) of the Banking and Financial Services Act No. 7 of 2017 stipulates that a financial service provider holding funds or personal property presumed abandoned under this section should report to Bank of Zambia on the amount and nature of such funds or property, in such form and at such time as may be prescribed by the Bank, and shall pay such funds or relinquish the property to the Bank upon expiration of a period of ten (10) years.

A review of the suspense unclaimed fund schedule revealed that amounts totalling K1,060,040 which remained unclaimed as far back as 2009 had not been relinquished to Bank of Zambia contrary to the Provision.

e. Failure to Follow Procurement Procedures - Engagement of One World

A review of 4th May 2021 Executive Committee minutes revealed that NATSAVE engaged One World to pilot the bank wide courier services including the distribution of 3000 Europay Mastercard and Visa cards. As at 31st December 2022, amounts totalling K374,194 had been paid to the service provider.

However, it was observed that none of the procurement procedures provided for under Section 37 of the Zambia Procurement Act No. 8 of 2020 were followed.

15 Public Service Microfinance Company

15.1 Background

a. Establishment

The Public Service Micro Finance Company (PSMFC) is registered as a limited company under the Companies Act mandated to provide affordable loans and other innovative financial solutions to public service workers. The company is wholly owned by the Government of Republic of Zambia through the Minister of Finance and Secretary to Treasury with 500 million shares of K1 each which are held in trust.

b. Governance - Board of Directors

The Articles of Association of Public Service Micro Finance Company provide for a Board of Directors comprising of seven (7) to nine (9) members appointed by the Minister of Finance.

The Board of Directors of the company is composed of:

i. The Permanent Secretary of the Public Service Management Division;

ii. The Permanent Secretary at the Ministry in charge of labour;

iii. The Permanent Secretary at the Ministry in charge of public finance;

iv. A member of the Zambia Institute of Chartered Accountants who does not serve in the public service;

v. A member of the Law Association of Zambia who does not serve in the public service;

vi. A member of the Bankers Association of Zambia who does not serve in the public service; and

vii. The Chief Executive Officer of the Company.

Members of the Board are appointed on a three (3) year tenure of office from the date of appointment.

c. Management

The operations of the Company is the responsibility of the Chief Executive Officer who is appointed by the Board and is assisted by a management team comprising of six (6) officers namely; Chief Financial Officer, Director – Operations, Director- Human Resource and Administration, Director – Audit and Risk, Director – Legal and Compliance/Company Secretary and Chief Information Officer.

d. Sources of Funds

The Company's sources of revenue are from grants and rentals, administration fees and commissions and interest on loans, advances and fixed deposits.

e. Information and Communication Technology Systems

During the period under review, the Public Service Micro Finance Company (PSMFC) operated the Bankers Realm Core banking system which is used for administration of Finance, Loan Management, Payroll and Human Resource Management.

15.2 Audit Findings

An examination of financial and other records maintained at PSMFC for the financial years ended 31st December 2019, 2020, 2021 and 2022 revealed the following:

a. Governance

Section 86. (1) of the company's Act stipulates that; Subject to this Act, the business of a company shall be managed by, or under the direction or supervision of, a board of directors who may— (a) pay all expenses incurred in promoting and forming the company; and (b) exercise all such powers of the company as are not, by this Act or the articles, required to be exercised by the members.

Contrary to the Provision of Section 86 of the Company's Act, the Public Service Micro Finance Company did not have a Board of Directors from 2018 to August, 2023. As a result, most of the policy decisions such as the amendment of the conditions of service, the renewal of the contract of service for the Chief Executive Officer, the procurement of unbudgeted for major fixed assets which could have been approved by the board of directors were instead approved the Secretary to the Treasury.

b. Budget and Income

During the period under review, the Company budgeted to generate and receive funds from interest earned from loans and advances, interest received on fixed deposits and interest from Government securities among others in amounts totalling K161,532,262 towards which amounts totalling K203,917,507 were received and generated resulting in a positive variance of K42,385,245 as shown in table 1 below.

Table 1: Budget and Income

Year	Budget K	Actual K	Variance K
2019	29,281,911	42,599,641	13,317,730
2020	36,683,208	50,083,764	13,400,556
2021	45,757,187	51,158,632	5,401,445
2022	49,809,956	60,075,470	10,265,514
Total	**161,532,262**	**203,917,507**	**42,385,245**

c. Financial Analysis-Reduced Return on Equity

The Statements of financial position of PSMFC for the financial years ended 31st December 2019, 2020, 2021 and 2022 were as shown in table 2 below.

Table 2: Statement of Financial Position

Details	2022	2021	2020	2019
		Restated	*Restated*	*Restated*
ASSETS	**(K)**	**(K)**	**(K)**	**(K)**
Cash and Cash Equivalents	63,000,551	57,381,505	29,137,920	12,251,003
Placements with Other Financial Institutions	141,100,338	134,346,965	92,237,753	69,195,118
Loans and Advances	427,317,878	312,550,939	234,356,089	244,763,557
Other Receivables and Prepayments	893,436,792	14,093,644	188,136,051	215,859,235
Property Plant and Equipment	60,857,126	59,376,614	39,736,573	21,917,403
Investment Property	2,952,400	2,988,700	-	
Deferred Tax Assets	4,265,749	4,184,483	3,180,519	4,618,515
Income Tax Receivable	-	1,112,524	444,379	-
Total Assets	**1,592,930,834**	**586,035,374**	**587,229,284**	**568,604,831**
LIABILITIES AND EQUITY				
Current Liabilities				
Other Liabilities	20,384,234	17,612,153	15,205,189	15,020,861
Employee Benefits	17,563,585	16,492,653	25,494,804	12,565,631
Income Tax Payable	861,793	-	-	2,049,281
Total Current Liabilities	**38,809,612**	**34,104,806**	**40,699,993**	**29,635,773**
Non-Current Liabilities				
Deferred Revenue Grants	-	-	-	-
Deferred Tax Liability	1,066,115	1,389,462	955,961	209,070
Capital Grants	-	-	-	482,409
Total Non-Current Liabilities	**1,066,115**	**1,389,462**	**955,961**	**691,479**
Equity				
Retained Earnings	45,260,351	42,292,679	43,696,574	37,639,015
Revaluation Reserves	7,794,756	8,248,427	1,876,756	638,564
Share Capital	1,500,000,000	500,000,000	500,000,000	500,000,000
Total Equity	**1,553,055,107**	**550,541,106**	**545,573,330**	**538,277,579**
Total Equity and Liabilities	**1,592,930,834**	**586,035,374**	**587,229,284**	**568,604,831**
Total Equity	**1,553,055,107**	**550,541,106**	**545,573,330**	**538,277,579**
Total Equity and Liabilities	**1,592,930,834**	**586,035,374**	**587,229,284**	**568,604,831**

Source: PSMFC audited financial statements

As can be seen in the table above, the total equity increased from K538,277,579 in 2019 to K1,553,055,107 in 2022.

The ROE is a measure of the company's profitability and how efficiently it generates the profits. The decline in the ROE over the period indicates that the company may not be efficiently utilising the shareholder's equity to generate profits.

During the period under review, the company's ROE reduced from 1% in 2019 to 0.14% in 2022 as shown in table 3 below.

Table 3: Return on Equity

Details	2022 K	2021 K	2020 K	2019 K
Earnings after taxation	**2,206,617**	**- 1,968,111**	**5,724,370**	**5,724,370**
Total Assets	1,592,930,834	586,035,374	587,229,284	568,604,831
Total liabilities	39,875,727	35,494,268	41,655,954	30,327,252
Equity	**1,553,055,107**	**550,541,106**	**545,573,330**	**538,277,579**
Return on Equity	**0.14%**	**-0.36%**	**1.05%**	**1.06%**

The decline in the ROE suggested that the company was less efficient in creating profits and increasing shareholders' value.

d. Procurement Matters - Failure to Follow Guidelines for Purchase of Motor Vehicle

The Ministry of Transport, Works, Supply and Communications Circular of 2013 as amended by the Cabinet Circular No. 14 of 2017 recommended types of motor vehicles to be used by various ranks of Government and Quasi Government Officials. Table 4 shows vehicle types that were recommended for various positions.

Table 4: Recommended Motor Vehicle for Various Ranks

Rank	Types of Vehcles	Engine Capacity in litres	Remark
VVIPS - Vice Presidents, Chief Justice,Speaker & deputy speaker of the Natonal	VX Toyota land cruiser/mercedes benz/	4.5 and above	Top of the range models personal to holder official
Secretary of the Cabinet	GX toyota land cruiser/Mercedes benz	4.1-45	Top of the range models personal to holder official
Cabinet Ministers	Gx Toyota land cruiser Nissan	4.1-4.5	Top of the range models personal to holder official
Deputy Ministers	Toyota prado,mitsubishi pajero/jeep	3.0-4.0	Top of the range models personal to
Permanent Secretaries	Toyota prado,mitsubishi pajero/jeep	3.0-4.0	Top of the range models personal to
Service Chiefs	Sub-urban Vehicle (SUV) inline type, Mercedes Benz S450 Series	4.5D (235/173) 3000	low range - Medium range ceremonial
Deputy Services Chiefs	Sub-urban Vehicle (SUV) inline type, Mercedes Benz S350 Series	3.0 D (163/120) 3000	High range- Low range Ceremonial
Chief executive officers, (Agencies -Parastatals	Sub-urban Vehicle (SUV) inline type	3.0 D (163/120) 3000	High range
Directors	4X4 twin Cabs	2.5-2.9	Duty Vehicles
district commissioners, Mayors, and council chairpersons	land rover 110 Toyota hilux pick up	2.5-3.0	Duty Vehicles
Pool Vehicles	Hard Tops and Land cruisers Vanetters (4x4) 2x4 Station wagons and Saloon Cars	4.2 or below 2.5-4.2/1.	AssortedTypes depending on nature of work in the ministry or department (mostly 4x4 are for tourist)

As can be seen from the table above, the class of motor vehicle for the Chief Executive Officer should have an engine capacity of 3.0 D (163/120).

Contrary to the Circular, PSMFC procured an SUV- VX 4.5 capacity motor vehicle at a cost of K5,303,791 which was above the entitlement for the Chief Executive Officer to be used as a utility vehicle.

Circular provided guidance on which vehicle to be used by various ranks of officers in the Government and Quasi-Government institutions regardless of whether it is a personal to holder or not. In this regard, there was no officer at PSMFC who was in the category entitled to an SUV-VX 4.5 capacity motor vehicle.

e. Staff Related Matters-Questionable Terms of Conditions of Contracts (Payment of Gratuity)

Section 53 (6) of Employment Code Act No. 3 of 2019 states "Where an employer terminates a long-term contract of employment under this Section, the employer shall pay the employee gratuity which is prorated according to the period of employment."

However, a review of employment contract of the former Chief Financial Officer (CFO) revealed that the company included a clause that required the company to pay full gratuity if the contract was terminated when an employee was recalled for re-deployment by the Government as though one had served the full term. In this regard, the employee signed a five (5) year contract on 1st October 2021.

Consequently, the PSMFC paid the officer a full gratuity amounting to K6,176,939 instead of K1,544,236 for fifteen (15) months when the employee was recalled by the Ministry of Finance and National Planning on 17th February 2023 resulting in an overpayment by K4,632,704.

16 Public Service Pensions Fund (PSPF)

16.1 Background

a. Establishment

The Public Service Pensions Fund (PSPF) was established by the Public Service Pension Act No. 35 of 1996. The functions of PSPF which is a funded defined benefit pension scheme include provision of retirement pensions and mortgages under the home ownership scheme to its members.

b. Governance

PSPF is governed by a Board of Directors comprising thirteen (13) members as detailed below:

- Two (2) members appointed by the President;
- A representative from the Ministry of Labour and Social Security;
- A representative of the Public Service Management Division;
- A representative of Ministry of Finance and National Planning;

- A representative of the Attorney General's Office;
- A representative of the Association representing retired pensionable public employees;
- A representative of the Defence Forces;
- A representative of the Security Services;
- A representative of the Chambers of Commerce;
- A representative of the National Union of Teachers;
- A representative of the Civil Servants Union of Zambia; and
- A representative of the Lusaka Stock Exchange.

The President appoints the Chairperson of the Board from among the Directors. Directors may serve for a three (3) year term and may retire upon serving two terms unless they continue serving by virtue of their employment / position in employment.

c. Management

The operations of PSPF is the responsibility of the Chief Executive Officer who is appointed by the Board and is assisted by the managers responsible for Finance, Operations and Investments.

d. Management Information Systems

During the period under review, PSPF operated the following Information and Communication Technology (ICT) systems:

i. **Microsoft Dynamics Navision** - An Enterprise Resource Planning (ERP) Solution used to manage;

   - Financial Management – Accumulation and analysis of financial data for optimal financial planning and forecasting and reporting;
   - Human Resource Management – Management of payroll and human resource functions; and
   - Pension Management – Pension data management, contribution processing, benefits processing, investment management and Loans Management – Management of member mortgage and microfinance loans.

ii. **VicDocs Enterprise** - used by the benefits and contributions directorate for management of documents.

e. Sources of Funds

The sources of funds for PSPF comprise such sums of money as may;

i. Be appropriated by Parliament.

ii. Be payable to the Fund from time to time from moneys appropriated by Parliament,

iii. Be received from contributions made by permanently employed civil servants and corresponding contributions from the employer (Government),

iv. Accrue from investment activities carried out by the Fund, and

v. Accrue to or vest in the Fund from time to time, whether in the course of the exercise of its function or otherwise.

16.2 Audit Findings

An examination of financial and other records maintained at PSPF for the financial years ended 31st December 2022 revealed the following:

a. Budget and Income

During the period under review, the Public Service Pension Fund (PSPF) received income in amounts totalling K5,165,716,986 against a budget of K4,005,449,255 resulting in a positive variance K1,160,267,731. See table 1 below.

Table 1: Budget and Income

No.	Income	Budget K	Actual K	Variance K
1	Contributions	1,441,546,085	2,528,542,357	(1,086,996,272)
2	GRZ Support	2,067,042,479	2,067,042,479	-
3	Investments	481,660,691	567,076,147	(85,415,456)
4	Other inflows	15,200,000	3,056,003	12,143,997
	Total	**4,005,449,255**	**5,165,716,986**	**(1,160,267,731)**

Source: Extract from PSPF financial statements and Budgets

b. Financial Analysis

i. Analysis of Statement of Changes in Net Assets Available for Benefits

A statement in changes in net assets available for pension benefits gives the financial status of a retirement fund. It gives an indication of the total available funds.

During the period under review, the Statement of Changes in Net Assets available for benefits are as detailed in table 2 below.

Table 2: Statement of Changes in Net Assets available for Benefits

Details	2022 K	2021 K
Income From Dealings with Members		
Contributions receivable Employee	594,942,685	529,312,952
Contributions receivable Employer	565,094,438	506,974,812
Financing Gap	1,739,885,447	1,839,246,415
Government Grants	327,157,031	227,587,500
Other Income	491,750,445	10,056,377
	3,718,830,046	**3,113,178,056**
Outgoings from dealings with members		
Benefits payable to retiring memebers	- 3,629,139,208	- 1,678,451,256
Net (withdrawals) additions from dealings with members	**89,690,838**	**1,434,726,800**
Returns on Investments		
Investment Income	558,131,283	444,202,348
Foreign Exchange gains / (losses)	-	210,805,896
Change in FV of Investment Property	5,835,287	9,438,156
Change in FV of Equity Investment	78,647,731	215,922,801
Change in FV of Government Securities	-	-
Impairment credit / (charge) on Home Loans	-	- 598,009
Impairment credit / (charge) on Microfinance Loans	-	- 46,848,980
Impairment credit / (charge) on Staff Loans	-	- 4,360,674
Gain / (loss) on sale on disposals	1,043	- 687,847
Net Returns on investments	**642,615,344**	**827,873,691**
Administrative expenses	- 194,472,005	- 176,977,342
Withholding Tax	- 42,313,453	- 12,414,990
	- 236,785,458	**- 189,392,332**
(Decrease) / Increase in net assets for the year	**495,520,724**	**2,073,208,159**
Net Assets available for Benefits at start of year excluding PV of acturial benefits	3,610,950,328	1,537,742,169
Prior Year Adjustment	-	-
Net Assets available for Benefits at end of year	**4,106,471,052**	**3,610,950,328**

ii. Statement of Net Assets Available for Benefits

The net asset available for benefits represent the plans assets, less liabilities that are available to pay the accumulated plan benefits.

During the period under review the net assets available for benefits are detailed in table 3 below.

Table 3: Statement of Net Assets Available for Benefits

Details	2022 K	2021 K
Assets		
Property, Plant & Equipment	13,153,040	11,367,535
Right of Use Asset	-	-
Intangible Assets	864,953	559,191
Work in Progress	1,566,290,581	1,445,095,893
Investment Properties at Fair Value	259,262,037	253,426,748
Staff Loans	29,532,583	8,130,931
Home Loan Scheme	192,370,724	193,680,476
Microfinance Loans	492,053,710	401,334,435
Equity Investments	443,205,074	364,557,344
Fixed Deposit	354,367,170	262,295,102
Government Securities	1,704,517,475	1,046,050,705
Contributions Due	9,289,379	887,390,371
Other Recivables and Accrued Income	347,967,781	55,150,425
Cah and Bank		568,545,945
Total Assets	**5,412,874,507**	**5,497,585,101**
Liabilities		
Benefits Payable	(1,045,877,458)	(948,183,511)
Other Payables and Accrued Expenses	(37,056,594)	(28,165,995)
Staff Pension Liability	(8,634,175)	(31,342,050)
Long Term Loan	(667,380,040)	(878,943,217)
Total Liabilities	**(1,758,948,267)**	**(1,886,634,773)**
Net Assets available for Benefits	**3,653,926,240**	**3,610,950,328**

Source: PSPF audited financial statements

A review of the Statement of Changes in Net Assets Available for Benefits revealed that other payables and accrued income expenses increased by K8,890,599 from K28,165,995 in 2021 to K37,056,594 in 2022.

c. Staff Matters – Indebtedness of Former PSPF Employees

A review of files revealed that thirteen (13) employees who separated from the institution between 2013 and 2021 were still owing the Fund amounts totalling K11,522,935 in respect of loans obtained whilst they were in service. In the period under review, there were five (5) employees who were made redundant, three (3) resigned and five (5) were dismissed.

At its first extraordinary Board meeting of the first quarter 2022 held from the 27th to 28th January 2022, the Board considered the report on the appeal cases from the former PSPF employees who were declared redundant and during this meeting, the Board resolved as follows:

Former employees of the Fund separated by way of redundancy and had outstanding mortgage balances whose full recovery would result in the former employees forfeiting their packages should be paid part of the redundancy package to avoid destitution and the following should apply:

- A former employee whose mortgage had been discharged and title released should not be eligible to be paid; and
- Management should engage individual former employees to agree on the payment plan for liquidating the remaining outstanding debt to the Fund.

However, a review of records revealed that three (3) employees who were supposed to be paid redundancy packages in amounts totalling K1,979,029 were instead paid K2,264,118 resulting in an over payment of K285,090. This was contrary to the directives of the Board that the former employees be paid part of their package to avoid destitution.

In this regard, the outstanding mortgage amounts owed by the three (3) employees increased from K3,819,636 to K4,104,726. As a result, the repayment periods were adjusted from a range of fourteen (14) and twenty five (25) years to between fifteen (15) and fifty one (51) years. In addition, there were no details availed to show how the recovery period was determined.

Further, it was observed that one (1) employee who resigned and two (2) who were dismissed were also paid the full packages without deducting the loans outstanding in amounts totalling K58,818 and K618,674 respectively owed to the Fund. See table 4 below.

Table 4: Former Employees Loans

No.	Name	Mortgage Outstanding at Time of Redundancy	Outstanding Installments	Recovery in years	Redundancy Package	Amount Paid at Redundancy	Amount to be Added to Mortgage by PSPF	RevisedMortgage Amount K	Revised Monthly Instalment	Revised Recovery Period	Recovery in Years
1	Sunday Chilembo	1,727,767.53	278	23	695,416.93	700,000	4,583.00	1,732,350.60	2841	610	51
2	Doris Namakobo	946,337	294	25	890,635.14	943,118.17	52,483.03	998,820.03	-	0	0
3	Mulenga Mwesa	1,145,531.12	300		392,976.50	621,000	228,024.00	1,373,554.62	7575	181	15
	Total	**3,819,635.65**			**1,979,028.57**	**2,264,118.17**	**285,089.60**	**4,104,725.25**			
Resignation											
No.	Name						Outstanding Loan Amount K				
1	Stanley Muyunda							58,818.98			
Dismissals											
No.	Name						Outstanding Loan Amount K				
1	Emmanuel Simenda							519,148.85			
2	**Moffat Mhone**							99,525.44			
	Total							**618,674.29**			

17 Worker's Compensation Fund Control Board (WCFCB)

17.1 Background

a. Establishment

The Workers' Compensation Fund Control Board (WCFCB) is a social security institution established by Chapter 271 of the Laws of Zambia which was revised by the Workers Compensation Act No.10 of 1999 to provide mainly for: the establishment and administration of the Fund for compensation of workers disabled by occupational accidents or diseases; the payment of compensation to dependents of workers who die as a result of occupational accidents or diseases; the payment of contributions to the Fund by employers.

b. Governance – The Board of Directors

Section 10 (2) of the Act provides for the Board of Directors comprising eleven (11) members who are appointed by the Minister of Labour and Social Security as follows:

i. the chairperson of the Board;

ii. three (3) persons from associations representing employers;

iii. three (3) persons from associations representing workers;

iv. three (3) representatives from the Government; and

v. one (1) person from an association of pensioners.

A member holds office for a period of three (3) years from the date of appointment and may be re-appointed for a further three (3) year period.

c. Management

The Commissioner is the Chief Executive Officer and is responsible for the day-to-day operations of WCFCB. The Commissioner is assisted by eight (8) directors responsible for Occupational Safety and Health, Investments, Compliance and Benefits, Information Technology, Human Resources and Administration, Audit and Risk Services, Finance, and Legal.

d. Sources of Funds

Section 104 (2) of the Workers' Compensation Act No. 10 of 1999 states "The funds of the WCFCB shall consist of -

- the assessments paid by employers under this Act;
- any money paid by employers to the WCFCB under this Act;
- any moneys paid as penalties imposed under this Act, other than penalties imposed by a court of law;
- interest from investments of the fund;
- any payments made to the WCFCB by exempted employers under the provisions of this Part; and
- any other sums to which the Fund may become entitled."

e. Information and Communication Technology Systems

During the period under review, WCFCB operated the following Information and Communication Technology (ICT) Systems:

i. Pension Administration System (PAS)

This is the system that is used for claim processing, pension payment and employer compliance.

ii. **Web Portal**

Web Portal is an application used for online employer compliance and accident reporting and follow up.

iii. **Infor Sun-Systems**

The system receives data from other systems such as Dove payroll.

iv. **Dove Payroll and Human Resource**

This is an application for employee salary processing and human resource administration.

v. **Job Portal**

This is an application used by Human Resource for employee recruitment.

17.2 Audit Findings

An examination of financial and other relevant records maintained at WCFCB Headquarters and selected stations for the period from 1st April 2019 to 31st December 2022 revealed the following:

a. Budget and Income

WCFCB budgeted to generate income in amounts totalling K2,873,516,120 from member assessments and investments during the financial year ended 31st March 2020, nine (9) months period ended 31st December 2020 and financial years ended 2021 and 2022 out of which amounts totalling K2,869,049,000 were generated resulting in a negative variance of K4,467,120 as shown in table 1 below.

Table 1: Budget and Income

Year	Details	Assessments K	Investment Income K	Total K
2019	Budget	304,169,204	259,970,102	564,139,306
	Actual	271,362,000	328,762,000	600,124,000
2020	Budget	273,531,338	385,427,573	658,958,911
	Actual	206,940,000	356,881,000	563,821,000
2021	Budget	401,366,361	294,216,788	695,583,149
	Actual	269,237,000	442,390,000	711,627,000
2022	Budget	463,834,754	491,000,000	954,834,754
	Actual	420,720,000	572,757,000	993,477,000
Total	**Budget**	**1,442,901,657**	**1,430,614,463**	**2,873,516,120**
	Actual	**1,168,259,000**	**1,700,790,000**	**2,869,049,000**
	Variance	**274,642,657**	**- 270,175,537**	**4,467,120**

Source for 2022 Actual Figures is Unaudited Draft Financial Statements

b. Operational Matters

i. Questionable Investment in Shimaini Investment Limited

Clause 6.2.1 of the Investment Policy provides that The Fund may invest in equities of unlisted companies that demonstrate acceptable profitability and stability for three (3) consecutive years and have growth potential and value addition to the investment portfolio.

However, on 26th February 2021, the WCFCB Board approved the Investment of K17,000,000 into Shimaini Investment Limited, a company which did not demonstrate acceptable profitability and stability for three (3) consecutive years in that they had been posting losses from inception in 2016.

A review of the loan repayment records revealed that the company had defaulted on its June 2023 repayment of K1,010,000.

ii. Failure to Collect Rental Income

Section 13 of the Rental Policy stipulates that the rent and service charge shall be paid to the WCFCB or to its authorised agent quarterly or for any other period as stated in the lease agreement, in advance, free of exchange and bank charges, and without any deduction whatsoever on or before the first day of the month throughout the period of the lease.

A review of documentation submitted for audit for the financial years 2020 to 2022 revealed that WCFCB had made a budget provision for rental income of K52,395,175 towards which K46,394,639 was received as income resulting in a variance of uncollected income of K6,000,536. See table 2 below.

Table 2: Rental Income

Financial Year	Budgeted Rental Income K	Actual Rental Income K	Variance K
2020	15,531,862	12,575,157	(2,956,706)
2021	18,807,989	17,204,219	(1,603,770)
2022	18,055,324	16,615,264	(1,440,060)
Total	**52,395,175**	**46,394,639**	**(6,000,536)**

iii. Emporium Partners Limited

On 21st July 2021, a shareholder's agreement relating to Emporium Partners Limited (Special Purpose Vehicle – SPV) was signed between WCFCB with a shareholding of 51%, Urban Brands Asset Management Limited with a shareholding of 42%, and Vanasie Holdings Limited with 7%.

The purpose of the agreement was the creation of a special purpose vehicle of US$11.08 million for the development of a 60-key hotel and a 4000-square-meter (sqm) shopping mall in Kasama, which was to be run as Emporium Partners Limited.

On 3rd August 2021, WCFCB made payments totalling US$6,600,000 as part of its capital contribution to the Special Purpose Vehicle, while the balance of US$5.08 million was to be contributed by the other shareholders towards the project. However, Urban Brands Asset Management Limited and Vanasie did not make their capital contribution.

The following were observed:

- In the Head of Terms Agreement signed by the parties, it was agreed that WCFCB's shareholding be increased from 51% to 74%; Urban Brands Asset

Management Limited’s shareholding be reduced from 42% to 22%; and Vanasie Holdings Limited’s shareholding be reduced from 7% to 4%. It was further agreed that the call for subscriptions for the shares would be made as the project progressed and each shareholder would proportionately subscribe to the calls.

However, there was no documentation availed for audit that the call for capital contribution had been made following the Head of Terms Agreement which revised the terms of shareholders agreement. As a result, Urban Brands Asset Management Limited and Vanasie Holdings Limited had not made their capital contribution as at 30th September 2023 despite WCFCB contributing US$6,600,000.

- There was no evidence that the Head of Terms Agreement had been approved by the Attorney General.
- The Head of Terms Agreement was not dated.
- A review of the documentation submitted for audit revealed that the Chief Executive Officer for the SPV was also a Chief Executive Officer and Shareholder for the Company that was awarded a contract as Development Manager for the SPV.

iv. Kawambwa Tree Plantation

The Workers’ Compensation Fund Control Board (WCFCB) had over the years been making attempts to find alternative long term investment opportunities away from Government bonds, equity and real estate. To this effect, in May 2016, the Board amended its Investment Policy to include forest and tree plantation as a new asset class and an alternative long term investment opportunity.

In line with this new asset class, the WCFCB acquired a total of 300 Hectares of land from the Kawambwa Town Council at a cost of K600,000 payable by cash consideration of K569,600 and the balance through debt swap with the Council on outstanding assessments.

A review of documents submitted for audit on this investment revealed the following:

- **Failure to Set Up the Special Purpose Vehicle for Investments in Forest Plantations**

  At the 3rd Regular Board meeting of the Workers' Compensation Fund Control Board held on 9th November 2016, it was resolved that the concept to invest in Forest Plantations through a SPV be approved. Management was further directed to provide details on the structure of the SPV.

  Contrary to this direction, it was observed that by the time the investment in forest plantation in Kawambwa was started in the year 2020, there was no SPV in place and WCFCB was managing the project through a new branch office opened in Kawambwa.

  In response, management indicated that the process of setting up a Special Purpose Vehicle for the plantation project had commenced. However, no documentation in respect of the process was availed for audit and the SPV had not been established as at 31st August 2023.

- **Use of Wrong Financial Evaluation Information for the 300 Hectares Land Plantation**

  In line with the new investment mandate in forestry plantations and the need to understand forest plantation business, management undertook three study tours with the management of ZAFFICO. Two (2) of these three tours were conducted in Kawambwa and Mpika while the third was a visit to one regional plantation in Mpumalanga – South Africa.

  However, the following was observed:

  - The due diligence report for the Project submitted for audit arising from a request for the report spoke to the historical perspective of forest plantations in Zambia as opposed to the Project on hand to inform decision as to whether or not to engage in the project.

- The financial evaluations in the report were for a 5000 Hectares of land and hence could not speak to the financial evaluations that would be in line with the size of land that the project would be based on i.e. 300 hectares.

As a result of this, the present value of the project could not be ascertained as the Board proceeded with the investment based on evaluation for a bigger project.

v. Failure to Obtain Title Deeds

Section 41(4) of the Public Finance Management Act No. 1 of 2018 states "A Controlling Officer shall ensure that all public properties under the Controlling Officer's charge are secured with title deeds."

However, a review of records revealed that seventeen (17) WCFCB properties were not secured with title deeds as at 31st August 2023.

c. Administrative Matters - Questionable Release of Nine (9) Motor Vehicles without Board Approval

Section 65 (1) of the Finance Management Act No. 1 of 2018 states that, "The Board of directors for a statutory corporation or state-owned enterprise shall take such steps as are necessary to ensure that the assets of the statutory corporation and state-owned enterprise are protected against theft, misuse, loss or any other risk."

A review of documentation submitted for audit revealed that on 5th August 2021, the Permanent Secretary Ministry of Labour and Social Security wrote to the Commissioner requesting for WCFCB to provide motor vehicles for use in a Labour Force Survey to be conducted by the Ministry of Labour and Social Security.
On 9th August 2021, the Board released Nine (9) Motor Vehicles to the Ministry of Labour and Social Security to be used in a Labour Force Survey.

Further, in a letter dated 10th August 2021, the Permanent Secretary, Ministry of Labour informed the Board that the nine (9) vehicles would be returned on 1st September 2021.
However, a review of the Internal Audit Report conducted in August 2022 on the procurement of the motor vehicles revealed among others the following:

- Vehicle registration numbers for nine (9) motor vehicles on the Delivery Note and, on the Goods Received Note were different. See table 3 below:

Table 3: Vehicles with Different Registration Numbers

No.	Registration Number on Delivery Note	Registration Number on Goods Received Note
1	BBA 6386ZM	BAT 4851 ZM
2	BBA 6387 ZM	BAT 4877ZM
3	BBA 6388 ZM	BAT 4873 ZM
4	BBA 6389 ZM	BAT 4872 ZM
5	BLA 7323 ZM	BAT 4961 ZM
6	BLA 7324 ZM	BAT 4849 ZM
7	BLA 7325 ZM	BAT 4866 ZM
8	BAT 5553 ZM	BAT 4868 ZM
9	BAT 5554ZM	BAT 4875 ZM

- Mileage for the nine (9) motor vehicles was not indicated on the Delivery Note at the time of Delivery;
- Nine (9) Motor Vehicles were received by the Manager Procurement instead of the Requisitioning User and Stores or officer responsible for asset management;
- The nine (9) Motor Vehicles were reportedly allocated and given to Ministry of Labour before completion of the procurement process;
- There were no handover documents for Nine (9) motor vehicles allocated to the Ministry of Labour and Social Security;
- The nine (9) Motor vehicles handed over to Ministry of Labour and Social Security by Ministry of Works and Supply were parked at the Ministry of Labour from 27th August 2021 to 2nd September 2021 and were not used for the Labour Force Survey;
- There was no evidence of Board or management's approval for the release of the nine (9) motor vehicles to the Ministry of Labour and Social Security.

In this regard, it is questionable how management allowed the WCFCB's motor vehicles to be used in a purported Labour Force Survey without the Boards approval.

18 Zambia Information and Communication Technology Authority

18.1 Background

a. Establishment

Zambia Information and Communication Technology Authority (ZICTA) is a statutory body established under the Information and Communication Technologies Act No. 15 of 2009 to regulate the Information and Communication Technology (ICT), Postal and Courier Services sectors, as well as providing oversight on Cyber Security in the country.

b. Governance

ZICTA is governed by the Board of Directors appointed by the Minister responsible for communications in accordance with Statutory Instrument No. 28 of 2022. The Board consists of representation from the following:

- a representative of the Ministry responsible for Communications Technology and Home affairs;
- a representative of an agency responsible for national security;
- a representative of the Attorney General; and
- five (5) other persons with relevant knowledge and experience in matters relating to this Act.

The Board is appointed by the Minister responsible for Technology and Science on three (3) year renewable terms.

c. Management

The operations of ZICTA is the responsibility of the Director General who is the Chief Executive Officer and is assisted by the Directors of Legal and Regulatory Affairs, Economic Regulation, Consumer Protection and Information Management, Technology Engineering, Finance, Human Capital and Operations and Authority Secretary.

The Management team is appointed by the Board on three (3) year renewable terms.

d. Information and Communication Technology Systems

During the period under review, ZICTA operated the following Information and Communication Technology (ICT) Systems:

- Telecommunications Traffic Monitoring System (TTMS) – the system is used for fraud detection and International Mobile Equipment Identity (IMEI) database;
- Quality of Service (QoS) - used for simcard transmission quality test;
- Sage 300 ERP – this is a business management software used for accounting and other business processes.

e. Sources of Funds

The funds of the Authority consist of such monies as may:

- be appropriated to the Authority by Parliament for the purposes of the Authority;
- be paid to the Authority by way of fees, loans, grants, or donations; and
- otherwise vest in or accrue to the Authority.

The Authority may;

- subject to the approval of the Minister, accept monies by way of grants or donations from any source within or outside Zambia;
- subject to the approval of the Minister, raise by way of loans or otherwise, such monies as it may require for the discharge of its functions; and
- charge and collect fees for the services provided by the Authority.

Further, Section 70 (1) of the Information and Communication Technologies Act No. 15 of 2009 establishes the Universal Access and Service Fund (UASF) which aims to promote universal access to ICTs for all by supporting the extension of services to unserved and under-served areas in Zambia.

18.2 Audit Findings

An examination of the financial and other records maintained at ZICTA for the financial years ended 31st December 2019 to 2022 revealed the following:

a. Financial Analysis

i. Statements of Comprehensive Income

The Authority's Statements of Comprehensive Income for the financial years ended 31st December 2019, 2020, 2021 and 2022 were as shown in table 1 below.

Table 1: Statements of Comprehensive Income

Details	2022	2021	2020	2019
	K'000	K'000	K'000	K'000
Revenue				
Grant Income	148,839,263	129,420,595	125,420,593	115,422,514
International Traffic Fees	14,591,330	19,835,811	22,683,545	23,188,487
Restricted Granting Procedure	6,470,104	35,884,799	-	-
Total Revenue	**169,900,697**	**185,141,205**	**148,104,138**	**138,611,001**
Other Income				
Sundry Income	1,753,130	2,467,930	1,647,022	780,776
Other Grants	70,025,104	25,845,574	760,050	736,354
Total Other Income	**71,778,234**	**28,313,504**	**2,407,072**	**1,517,130**
Total net finance (cost)/Income	7,131,061	(9,205,745)	5,547,346	1,363,791
Total Income	**248,809,992**	**204,248,964**	**156,058,556**	**141,491,922**
Expenditure				
Salaries, gratuity and other retirement benefit	109,362,297	104,740,584	94,537,193	92,338,173
Administration expenses	40,118,556	51,365,770	27,799,217	27,571,668
Operating expenses	24,365,138	36,500,024	17,066,390	13,173,105
Depreciation expenses	76,647,088	31,476,401	7,257,379	7,198,128
Total Expenditure	**250,493,079**	**224,082,779**	**146,660,179**	**140,281,074**
Surplus for the year	**(1,683,087)**	**(19,833,815)**	**9,398,377**	**1,210,848**
Other Comprehensive income				
Revaluation Surplus	-	73,878,189	-	-
(Write off) surplus on defined benefit plan		-	(4,093,025)	866,508
Total Comprehensive Income for the year	**(1,683,087)**	**54,044,374**	**5,305,352**	**2,077,356**

(Source: ZICTA Annual Reports for the Financial Years ended 31st December 2019, 2020, 2021 and 2022)

As can be seen above, the total revenue increased by 33.56% from K138,611,001 in 2019 to K185,141,205 in 2021. The increase in revenue was attributable to the collection of restricted granting procedure in 2021 which was neither collected in 2019 nor in 2020.

However, the revenue decreased by 8.2% from K185,141,205 in 2021 to K169,900,697 in 2022. The decrease in revenue was as a result of drastic decline in the restricted granting procedure revenue collected which decreased by K29,414,695 (81.97%) from K35,884,799 in 2021 to K6,470,104 in 2022.

It can also be seen from the above table that expenditure increased by 78.56% from K140,281,074 in 2019 to K250,493,079 in 2022. The increase in expenditure was attributable to the increase in staff costs, administrative, operating and depreciation expenses. However, the Authority made losses for the years 2021 and 2022.

- **Declining International Traffic Termination Fees**

  International Traffic Termination Fees relates to the fees charged to the Mobile Network Operators (MNOs) in respect of international traffic volumes that terminates in Zambia. A rate of nine (9) US cents is charged of which three (3) US cents is remitted to the Central Government and six (6) US cents accrues to the Authority.

  As can be seen above, revenue from international traffic fee declined by 37% from K23,188,487 in 2019 to K14,591,330 in 2022.

ii. Statements of Comprehensive Income

Universal Access and Service Fund Statements of Comprehensive Income for the financial years ended 31st December 2019, 2020 and 2021 were as shown in table 2 below.

Table 2: Statements of Comprehensive Income

Details	2021	2021	2020	2019
	K'000	K'000	K'000	K'000
Revenue				
Annual operating fees-network service	25,937,680	4,525,318	4,859,320	3,730,160
Annual operating fees-mobile cellular	71,516,390	68,624,848	59,435,243	54,308,620
Annual operating fees-internet	2,757,593	5,963,225	4,506,909	5,916,066
Annual operating fees-other	8,271,480	7,159,778	5,428,942	4,971,000
Total Revenue	**108,483,143**	**86,273,169**	**74,230,414**	**68,925,846**
Other Income				
Interest income	11,620,400	5,692,012	5,896,869	5,577,495
Sundry income - general	4,240,416	3,916,044		
Total Other Income	**15,860,816**	**9,608,056**	**5,896,869**	**5,577,495**
Net finance (cost)/Income				
Exchange gain	3,582,844	4,066,139	1,197,284	**668,855**
Exchange loss	(3,534,506)	(374,877)	(4,347,955)	(2,158,049)
Total net finance (cost)/Income	**48,338**	**3,691,262**	**(3,150,671)**	**(1,489,194)**
Operating Income	**124,392,297**	**99,572,487**	**76,976,612**	**73,014,147**
Expenditure				
Operating expenses	(51,437,026)	67,648,464	44,991,629	78,386,807
Administration expenses	(10,340,980)	5,569,777	1,956,458	1,619,230
Depreciation expenses	(13,522,796)	11,356,185	11,809,415	1,619,230
Total Expenditure	**(75,300,802)**	**84,574,426**	**58,757,502**	**81,625,267**
Surplus for the year	**199,693,099**	**14,998,061**	**18,219,110**	**(8,611,120)**

(Source: UASF Annual Reports for the Financial Years ended 31st December 2019, 2020 and 2021)

- **Universal Access Contribution-Owing by Zamtel**

  The Fund raises income primarily from collections from annual operating fees, bulk of which comes from annual operating fees on mobile cellular services from Airtel, MTN and Zamtel.

  The operating fees are charged on total annual turnover of individual operators at the rate of 1.5% for network licensees and 3% for service licence holders, of which an apportionment of 50% is made to the Fund.

  As can be seen in the table above, revenue from annual operating fees increased by 57.39% from K68,925,846 in 2019 to K108,483,143 in 2022.

However, a review of the notes to the 2022 financial statement revealed that Zamtel had outstanding operating fees in amounts totalling K72,007,743 for a period of ten (10) years (from 2012 to 2021).

Of the outstanding amount, Zamtel had paid amounts totalling K6,000,000 in June 2023 leaving a balance of K66,007,743.

b. Management - Failure to Align Conditions of Service to Cabinet Directives

Cabinet Office Circular No.17 of 2016 abolished the provision of personal-to-holder motor vehicles and household furniture for Very Important Persons (VIPs) in the Public Service, State Owned Enterprises (SOEs) and Statutory Bodies and instead introduced a loan scheme under the Public Service Micro Finance Company (PSMFC).

However, Section 9 (f) of the employment contracts signed in 2020 with fourteen (14) management staff provided for the entitlement of personal to holder motor vehicles.

Contrary to the provisions of the Circular, ZICTA procured fourteen (14) motor vehicles at a total cost of K11,087,394 in 2017 which were subsequently given to fourteen (14) members of staff as personal to holders. The vehicles were in 2022 sold to the staff at a total cost of K1,637,648.

c. Budget and Income

During the period under review, the Authority budgeted to generate income from International Termination Fees amounting to K105,248,612 against which amounts totalling K80,218,258 were generated resulting in a negative variance of K25,030,354. See table 3 below.

Table 3: Budget and Income (International Termination Fees)

Year	Budget K	Income Generated K	Variance K
2019	27,556,118	23,188,487	(4,367,631)
2020	28,867,810	22,683,545	(6,184,265)
2021	27,800,684	19,835,811	(7,964,873)
2022	21,024,000	14,510,415	(6,513,585)
Total	**105,248,612**	**80,218,258**	**(25,030,354)**

Further, UASF budgeted to generate income from annual operating network-network services, annual operating service-mobile cellular, annual operating fees service-internet and annual operating fees service-other amounting to K329,750,012 against which amounts totalling K337,912,043 were generated resulting in a positive variance of K8,162,031. See table 4 below.

Table 4: Budget and Income (UASF)

Year	Budget K	Income Generated K	Variance K
2019	71,836,814	68,925,846	(2,910,968)
2020	85,344,307	74,230,414	(11,113,893)
2021	86,765,601	86,273,169	(492,432)
2022	85,803,290	108,482,614	22,679,324
Total	**329,750,012**	**337,912,043**	**8,162,031**

Although the UASF recorded an overall positive variance revenue target by K8,162,031 for the period under review, the UASF failed to meet the revenue collecting budget in 2019, 2020 and 2021. The increase in income generated in 2022 was attributed to the sale of spectrum to Mobile Network Operators.

d. Operational Matters

i. Failure to Collect Spectrum Fees

Section 33 (1) of the Information and Communications Technology Authority Act No. 15 of 2009 provides that a licensee may, not less than three (3) months before the expiry of a licence, apply for renewal of the licence in the prescribed manner and form, upon payment of the prescribed fee.

Contrary to the Act, spectrum licences involving ninety (90) licensees expired and the Authority failed to collect fees in amounts totalling K69,405,010 from the license holders which had been outstanding for a period exceeding six (6) years as at 31st August 2023.

ii. **Payment of Allowances Beyond Budget**

During the period under review, ZICTA budgeted to spend amounts totalling K3,340,000 in 2019 on performance bonus allowances. However, the Authority spent amounts totalling K4,539,304 resulting in over-expenditure of K1,199,304.

e. **Procurement Matters – Contract for the Design, Supply, Delivery and Installation of Twenty Four (24) Communication Towers**

On 6th April 2021, ZICTA engaged CCS Comservice Zambia Limited in JV with Mierna Construction Limited for the design, supply, delivery, installation and commissioning of twenty four (24) communication towers across the country. The contract sum was K14,078,200 for local services and US$3,056,500 for equipment VAT exclusive with a completion period of six (6) months.

As of January 2023, the contractor had been paid amounts totalling K13,374,290 and US$2,141,881.25 leaving a balance K703,910 and US$914,618.75 respectively.

Clause 2 of the contract under technical specifications required that all the radio access equipment for sites configured with DCS1800 shall be upgraded to support LTE (4G) 1800MHz FDD without requiring any new hardware and all radio access equipment shall be upgraded to support LTE (4G) 800MHz/1800 without requiring any new hardware.

A review of the Zamtel Communication Towers Schedule revealed that twenty (20) communication towers configured with DCS1800 would require new hardware, software and installation services for radio and transmission upgrades for upgrading to 4G at a total cost of US$1,552,701 contrary to the Clause.

In response management stated that it was not possible for Zamtel to implement Clause 2.1.4 with the spectrum that they had and that Clause 2.1.5 was therefore amended to read that all the radio access equipment for sites configured with DCS1800 shall be upgraded to support LTE (4G) 1800MHz FDD without requiring any new hardware.

However, as at 31st August 2023, the contract had been fully executed without amending Clause 2.1.4.

19 Zambia Medicines and Medical Supplies Agency

19.1 Background

a. Establishment

The Zambia Medicines and Medical Supplies Agency (ZAMMSA) was established by the Zambia Medicines and Medical Supplies Agency Act No. 9 of 2019. The Agency is mandated to carry out the procurement, storage, and distribution of essential medicines and medical supplies for the entire network of the public health facilities.

b. Governance

The Zambia Medicines and Medical Supplies Agency Act No. 9 of 2019 provides for a Board of Directors comprising part-time members appointed by the Minister as follows:

i. a representative each of:
   - The Attorney General.
   - The Ministry responsible for Health
   - The Ministry responsible for Finance
   - The Pharmaceutical Society of Zambia
   - The Health Professions Council of Zambia; and
   - A Civil Society Organization concerned with matters relating to health

ii. A person from the private sector with experience and knowledge in finance or business management.

Members of the Board hold office for a period of three (3) years from the date of appointment and are eligible for reappointment for one (1) further term of three (3) years.

c. Management

The operations of ZAMMSA is the responsibility of the Director General, who is assisted by six (6) Directors in charge of Logistics, Pharmaceutical Standards, Finance and Commercial Services, Legal and Corporate Services, Procurement and Planning and Projects.

d. Sources of Funds

The Zambia Medicines and Medical Supplies Agency Act No. 9 of 2019 provides that the funds of the Agency consist of monies that may;

i. be appropriated to the Agency by Parliament for the purposes of the Agency,

ii. be paid to the Agency by way of fees, grants or donations, or

iii. otherwise vest in, or accrue to, the Agency,

iv. further, the Agency may, subject to the approval of the Minister;

- accept monies by way of grants or donations from any source within or outside Zambia,
- raise by way of loans or otherwise, monies that the Agency may require for the performance of its functions, and
- charge and collect fees.

19.2 Audit Findings

An examination of accounting and other records maintained at the Zambia Medicines and Medical Supplies Agency and selected regional hubs for the financial year ended 31st December 2022 revealed the following:

c. Budget and Income

During the financial year ended 31st December 2022, the Agency operated a total budget of K3,080,914,282 made up of K406,569,100 for Agency funds and K2,674,345,182 for the Medicines and Medical Supplies Fund.

The Agency Fund budget provision of K406,569,100 was in respect of the operational grants from the Treasury, Cooperating Partners and internally generated revenue to carter for the operations of the Agency against which amounts totalling K159,049,497 were received resulting in a negative variance of K247,519,603. See table 1 below.

Table 1: Budget and Income

Details	Budget K	Income K	Variance K
Operational grants	406,569,100	159,049,497	(247,519,603)
Total	**406,569,100**	**159,049,497**	**(247,519,603)**

In addition, there was a brought forward balance from the previous year amounting to K59,953,542 bringing the total available operational funds to K219,003,039.

As at 31st December 2022, amounts totalling K202,450,061 had been spent leaving a balance of K16,552,978.

Further, the Agency had a budget provision of K2,674,345,182 for the Medicines and Medical Supplies Fund to carter for the procurement and distribution of medicines and medical supplies against which amounts totalling K2,754,559,748 were released resulting in a surplus of K80,214,566. See table 2 below.

Table 2: Funds for Procurement of Medicines and Medical Supplies

Details	Budget K	Income K	Variance K
Medicines & Medical Supplies	2,674,345,182	2,754,559,748	(80,214,566)
Total	**2,674,345,182**	**2,754,559,748**	**(80,214,566)**

In addition, the Agency had a brought forward balance of K399,999,800 from the previous year bringing the total available funds for medicines and medical supplies to K3,154,559,548.

As at 31st December 2022, amounts totalling K788,450,390 had been spent, leaving a balance of K2,366,109,158.

d. Operational Matters

i. Failure to Submit Audited Financial Statements

Part IV Section 25 (1) of the ZAMMSA Act No.9 of 2019 provides for submission of the annual report to the Minister not later than ninety (90) days after the end of the financial year. Further, section 25 (2) and (3) of the Act requires that audited accounts be presented by the Minister to the National Assembly not later than seven (7) days after the sitting of the National Assembly and there shall be appended to the report-

(a) An audited statement of financial position

(b) An audited statement of comprehensive income and

(c) Such other information as the Minister may require

Contrary to the Act, as at 31st August 2023, the Agency did not avail for review audited financial statements for the five years ended 31st December 2018, 2019, 2020, 2021 and 2022.

In addition, on 24th December 2021, ZAMMSA entered into a contract with EY Zambia for the provision of audit services to audit financial statements for the financial years ended 31st December 2018 and 2019 at a contract sum of K882,210 (exclusive of tax), out of which an amount of K444,105 was paid on 28th March 2022, leaving a balance of K444,105.

However, as at 31st August 2023, the audit of financial statements for the two years ended 31st December 2018 and 2019 had not been concluded, twenty (20) months after the contract was signed.

ii. Weaknesses in the Management of the Medicines and Medical Supplies Fund

Section 18(1) of the ZAMMSA Act No. 9 of 2019 states "There is established the Medicines and Medical Supplies Fund to support the procurement of medicines and medical supplies for public health facilities."

However, the following were observed;

- **Inadequate Medical Equipment at selected Health Facilities**

  A budget provision of K320,341,710 was made and the whole amount was received by ZAMMSA for the procurement of medical equipment, ambulances and hospital linen, among others.

  However, as at 30th September 2023, medical equipment, ambulances and linen, among others had not been procured.

  A physical inspection conducted at sixteen (16) selected health facilities revealed that medical equipment was either obsolete, outdated, non-functional, inadequate or unavailable. See table 3 below.

Table 3: Status of Medical Equipment at Selected Hospitals

Province	District	Name of Facility	Type of Equipment	Status of Equipment	Remark
Eastern	Chipata	Chipata Central Hospital	CT Scan	Not available	Patients were referred to UTH.
			ECG Machine	Not functional	Patients were referred to UTH
			X-ray - Machine	The machine had been non-functional for over one (1) year. The portable X-ray machine was also not functional as of July 2023 due to a card that needed to be replaced	Patients were referred to the District Hospital
			Laundry Equipment – Washing machine	Two (2) machines were not functional - one machine had been down for over two (2) years, while the other one had been down for over a month as of July 2023.	Hospital linen was taken to Kalindawalo General Hospital in Petauke district for washing
	Katete	St. Francis Mission Hospital	CT Scan	Not available	Patients were referred to UTH

Province	District	Name of Facility	Type of Equipment	Status of Equipment	Remark
			X–ray machine	Available, although malfunctions	The hospital used an X-ray machine that was decommissioned at one of the hospitals under the Ministry.
Western	Mongu	Lewanika General Hospital	CT Scan	Not available	Patients were referred to UTH
		Mongu District Hospital	Mortuary Equipment	Not available	Bodies were transported to Lewanika General hospital
	Kaoma	Kaoma District Hospital	Laundry Equipment	Washing machines were not functional. Dryers were not in use due to burnt heaters.	Hospital linen was hand washed.
Southern	Choma	Choma General Hospital	CT Scan	Not available	Patients were referred to UTH.
			Dialysis machine	Not available	Patients were referred to other hospitals to receive treatment.
	Monze	Monze Mission Hospital	CT Scan	Not available	Patients were referred to other hospitals.

Province	District	Name of Facility	Type of Equipment	Status of Equipment	Remark
			X-ray Machine	Available but not operational	X-ray machine was available, although not operational due to lack of X-ray films from ZAMMSA.
Muchinga	Mpika	Michael Chilufya Sata Hospital	Autoclave machine	One (1) auto clave machine for theatre department.	All departments sterilise their instruments using the autoclave in the theatre department.
			ECG machine - radiology department	Not functional	Patients are referred to other hospitals
Copperbelt	Luanshya	Thompson Hospital	X-ray machine - Philips	Not Functional since 2019	Patients who need X-ray service are referred to Roan General Hospital.
			Ultra sound machines (2)	1 is partially functional, while the other one is partially functional	At times may not be screened due to a faulty abdominal probe and freezing screen as a result of the machine being over used due to a large catchment area.

Province	District	Name of Facility	Type of Equipment	Status of Equipment	Remark
		Roan General Hospital	Mortuary Fridges (02	Not functional	The hospital uses a cold room
	Ndola	Arthur Davison Children's Hospital	Phototherapy Machine	Only 1 is functional	The hospital only had one functional phototherapy machine, while 1 was non-functional and 2 were decommissioned

Further, according to the National Health Care Standards of 2020, each hospital is required to have an Ambulance equipped with either basic, intermediate and advanced life support services according to the level of care provided by the hospital.

However, a physical inspection conducted at selected health facilities revealed that some facilities did not have ambulances, while others had ambulances that were not in good condition. See table 4 below.

Table 4: Status of Ambulances at Selected Facilities

Province	District	Name of Facility	Comment	Remark
Eastern	Chipata	Chipata Central Hospital	The hospital had three (3) ambulances, two (2) of which broke down frequently.	Two (2) Land Cruisers broke down frequently, while one (1) Mercedes Benz was too costly for the hospital to service and repair

Province	District	Name of Facility	Comment	Remark
	Katete	St. Francis Mission Hospital	The hospital had three (3) ambulances that were in poor condition.	Only two (2) were used to ferry patients to UTH, while one (1) was not able to go beyond the speed of 60km/hr. Therefore, it was only used to ferry patients who were referred to Chipata Central hospital for medical tests.
Western	Mongu	Lewanika General Hospital	The Hospital had two (2) ambulances, out of which one (1) was involved in an accident.	The ambulance that was operational was not in good condition
		Mongu District Hospital	The Hospital had no ambulance	The hospital had two (2) utility vehicles (Land cruisers), which were at times used as ambulances or hearses to transport patients or bodies to Lewanika General Hospital
Southern	Choma	Choma General Hospital	The hospital did not have an ambulance.	The hospital had two (2) ambulances which had been boarded to be auctioned.
		Monze Mission hospital	The hospital did not have an ambulance	The ambulance had been down for over three (3) years and the hospital was using a utility vehicle as an ambulance.

Province	District	Name of Facility	Comment	Remark
Copperbelt	Mufulira	Ronald Ross General Hospital	The hospital has one (01) functional ambulance	The ambulance broke down frequently, resulting in increased repair costs. The hospital constantly lobbied for ambulance services from Kamuchanga District Hospital
	Luanshya	Roan Antelope General Hospital	The hospital had three (03) ambulances. However, only one (1) an IVECO was functional, while two (2) Benz ambulances were considered obsolete	The functional ambulance (IVECO) advance life support) was very costly to service
North Western	Solwezi	Solwezi General Hospital	The hospital had two 2) IVECO ambulances, out of which only one was functional.	The vehicle had high repair costs
	Kasempa	Kasempa District Hospital	The hospital had three (3) ambulances, out of which only one (1) was in good condition, although ran at a high cost.	The IVECO ambulance could not go off road considering the terrain and road network in the district
	Kabompo	Kabompo District Health Office	The institution has no ambulance since 2020 to ferry patients from health facilities to the district hospital due to faulty gear box.	A utility vehicle was used to provide ambulance services.

Province	District	Name of Facility	Comment	Remark
		Kabompo District Hospital	Hospital has no ambulance	The hospital used a utility vehicle from the District Health Office
Muchinga	Mpika	Micheal Chilufya Sata	The hospital has no ambulance.	As of July 2023, the ambulance for the DHO was providing ambulance services for both the hospital and the DHO.
Central	Serenje	Serenje District Hospital	The hospital had two (2) ambulances which were not functional at the time of physical inspection in July 2022	The ambulances are undergoing repairs using CDF funds
Lusaka	Kafue	Kafue General Hospital	The hospital did not have an ambulance	The hospital used a utility vehicle to refer patients to UTH and Levy Mwanawasa Teaching Hospital

iii. Weaknesses in the Management of the Warehouse and Distribution System

- **Failure to Distribute Personal Protective Equipment (PPE) Procured by DMMU**

  During the period between 28th January 2021 and 16th August 2021, the Disaster Management and Mitigation Unit (DMMU) procured and delivered Personal Protective Equipment and other medical supplies costing K674,417,823 to Zambia Medicines and Medical Supplies Agency (ZAMMSA). The items included disposable coverall overalls and suits, disposable ordinary and surgical face masks, summer, and patients’ quilts, bed sheets and pillows, disposable gowns and viral collection and transportation kits.

A physical inspection carried out at the ZAMMSA warehouse in July 2023 revealed the following:

- Due to slow and non-distribution of the procured items, items worth K94,372,435 which included coveralls, overalls and suits, disposable ordinary and surgical face masks, disposable gowns, sodium chloride, counter panes, examination gowns, examination gloves powder, viral collection and transportation kits expired between 1st December 2021 and 26th June 2023, resulting in wasteful expenditure. However, the expired items were still in stores awaiting completion of disposal procedures. See table 5 below.

Table 5: Expired Items Procured by DMMU

No.	Description	Amount K
1	Disposable Face Mask KN95	25,218,888
2	Disposable Face Mask N95	810,000
3	Disposable Surgical Face Masks	25,279,807
4	Disposable Shoe Cover	200,000
5	Viral Collection & Transport Kit	102,206
6	Disposable Gowns	3,630,095
7	Disposable Coveralls Large	39,131,440
	Total	**94,372,435**

- In addition, medical supplies costing K125,168,291.60 procured within the same period which included coverall overalls and suits, disposable ordinary and surgical face masks, disposable gowns, sodium chloride, counter panes, examination gowns, examination gloves powder, viral collection and transportation kits were still in stores awaiting distribution. Included in the medical supplies in stores, were supplies costing K101,938,409.50 that were classified as short dated with an expiry period ranging from one (1) to five (5) months from the date of physical inspection. See table 6 below.

Table 6: Items Procured by DMMU Awaiting Distribution

No.	Description	Amount K
1	Disposable Face Mask KN95	13,909,739
2	Disposable Face Mask FFP2	22,432,800
3	Quilt For Patient	1,661,947
4	Bedsheet	1,351,460
5	Pillows	1,462,880
6	Counter Pane (Bed Covers)	263,999
7	Draw Mackintosh 150cm x 230cm	699,102
8	Quilt Cover 155cm x 220cm	2,041,605
9	Pillow Case 48cm x 74cm	217,700
10	Summer Quilt 150cm x 210cm	1,389,150
11	Examination Gloves Powder Free(L)Vinyl	200,000
12	Overalls Size	7,344,000
13	Disposable Coveralls	72,193,910
	Total	**125,168,292**

However, there was no indication from either DMMU or ZAMMSA as to when the items in stores would be distributed to health facilities.

In this regard, expiry of medical supplies prior to distribution to designated facilities constitutes wasteful expenditure.

- **Lack of Receipt and Disposal Details at Regional Hubs**

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 regulation, medicines and medical supplies costing K1,406,075 for three (3) hubs did not have records of receipt and disposal. See table 7 below.

Table 7: Lack of Receipt and Disposal Details

No.	ZAMMSA Facility	Amount K
1	Luanshya Hub	49,985
2	Mpika Hub	509,554
3	Kabompo Hub	846,536
	Total	**1,406,075**

e. **Administrative Matters – Failure to Secure Title Deeds for Property in Makeni**

A review of the meeting minutes of the finance committee of the Board held on Friday 9th December 2022 revealed that management reported that as far back as 1998, a decision had been made for the piece of land (Property Number F/396a/67/D, Makeni) for ZAMMSA to be sub-divided and allocated to members of staff who were occupying houses situated on the land. The rest of the land was to remain under ZAMMSA (formerly Medical Stores Limited - MSL).

In addition, it was established that the original title deeds to the said land had been lost. In this regard, duplicate title deeds were obtained from the Ministry of Lands by a ZAMMSA employee. The duplicate title deeds were in the custody of the ZAMMSA employee who had facilitated issuance of the duplicate title deeds. Further, the meeting was informed that management was in the process of retrieving the duplicate title deeds from the said employee.

However, as at 31st October 2023, ten (10) months after the board meeting, the duplicate title deeds had not been retrieved from the employee.

f. **Accounting Irregularities – Failure to Settle Obligations**

As at 31st December 2022, the Agency owed amounts totalling K108,909,341 in respect of staff obligations, statutory obligations and various suppliers of goods and services, some of which had been outstanding for periods of over twenty-four (24) months. See table 8 below.

Table 8: Liabilities

No.	Details	Amount K
1	NAPSA penalties	31,391,800
2	Staff pension payables	4,224,472
3	Union employee contribution	38,970
4	Sundry creditors	3,443,220
5	Trade payables	5,296,885
6	Tax arears	63,912,983
7	WHT - ZRA	601,011
	Total	**108,909,341**

20 RECOMMENDATIONS

To address the weaknesses identified in this report, I recommend the following:

1. Industrial Development Corporation (IDC)

a. Corporate Governance Reform Strategy

The IDC should appoint Boards of Directors for the IDC subsidiaries that are currently operating without Boards. Further, all Board Members on IDC Subsidiaries should be appointed on merit and this should be the overriding factor in enhancing their corporate governance structures.

b. Operational Reforms Strategy

- The IDC should as a matter of urgency evaluate their investment portfolio especially in the loss making subsidiaries and prepare turnaround strategies that should ensure their profitability.
- All IDC subsidiaries should immediately prepare business plans with a more than 5-year planning horizon to give managers time to implement and achieve the organizational objectives. The business plans should speak to the market and product development and their targets should be achieved within 3 years.
- All IDC Subsidiaries should employ competent managers with the necessary skills to implement the corporate strategies and ensure achievement of organizational objectives.
- All IDC subsidiaries should have Performance Management Systems. The Board and the employees in each subsidiary should sign performance management contracts.
- The performance of all the Boards of Directors in IDC subsidiaries should be evaluated every 6 months and all non-performing boards should be changed.

c. Recapitalization Strategy

The IDC should come up with a recapitalization strategy for all its subsidiaries. The strategy should not rely on the parent company providing funds but rather focus on other financing models such as Joint Ventures, Public Private Partnerships, and Project Financing.

d. Divestment in loss – making entities

The IDC should divest from some loss-making entities, especially small ones, through the sale of their equity. Once the shares are sold, the IDC can use the money realised to open up other pilot projects. This will open up business opportunities and create employment.

2. Other Recommendations

The following recommendations are applicable to other statutory bodies.

a. The appointing authorities must ensure all statutory bodies have functional boards of directors and Councils in order to strengthen corporate governance.
b. All statutory bodies should have Performance Management Systems. The Board and the employees in each statutory body should sign performance management contracts.
c. The performance of all the Boards of Directors in statutory bodies should be evaluated every 6 months and all non-performing boards should be changed.
d. All matters bordering on impropriety should be acted upon as provided for in the Public Finance Management Act No. 1 of 2018.

21 ACKNOWLEDGEMENTS

I wish to thank all my staff for their hard work during the course of the audits to ensure that this report is produced despite challenges faced during the audit process. I also wish to express my gratitude to the Controlling Officers of Line Ministries and Chief Executive Officers of Parastatal Bodies and Other Institutions and their staff for their cooperation. It is because of their cooperation that I was able to carry out the audits in an objective, efficient and effective manner.

22 RECOMMENDATIONS OF THE COMMITTEE ON PARASTATAL BODIES

Appendix 3 to this report summarises the status of outstanding issues as at 31st December 2021 for which necessary remedial action is required. These unresolved issues arise as a result of recommendations that the Committee on Parastatal Bodies made on previous reports of the Auditor General but whose actions had not been undertaken at the date of issuance of this Report. The outstanding issues form part of the report of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2022.

23 CONCLUSION

This Report has highlighted various areas of weaknesses in the management of Parastatal Bodies and Other Statutory Institutions which need to be addressed for these institutions to effectively execute their mandates.

PART III

APPENDICES

APPENDIX 1

List of institutions in the Report whose Financial Statements are Certified by the Auditor General

NO.	INSTITUTION
1	Administrator General and Official Receiver

APPENDIX 2

List of institutions in the Report whose Financial Statements are Certified by Private Auditors

NO.	INSTITUTION
1	Industrial Development Corporation
2	INFRATEL Corporation Limited
3	Lusaka South Multi-Facility Economic Zone
4	Mpulungu Harbour Corporation Limited
5	Zambia Railways Limited
6	Energy Regulation Board
7	Food Reserve Agency
8	National Health Insurance Management Authority
9	National Road Fund Agency (NRFA)
10	National Savings and Credit Bank
11	Public Service Microfinance Company
12	Public Service Pensions Fund (PSPF)
13	Worker's Compensation Fund Control Board (WCFCB)
14	Zambia Information and Communication Technology Authority
15	Zambia Medicines and Medical Supplies Agency (ZAMMSA)

APPENDIX 3

SUMMARY OF UNRESOLVED ISSUES AS AT 31st DECEMBER 2021

JUDICIARY

2012 Para (7) (9) (f)	*Failure Deliver Projects on Time*
2012 Para (7) (9) (h)	*Questionable Payment of Retention Funds Mulobezi*
2013, 2014, 2015, 2016 Para (5) (5)	*Construction of Ndola Main Urban Local*
2013, 2014, 2015, 2016 Para (5) (5) (5.2)	*Construction of Baluba Urban Local Court*
2013, 2014, 2015, 2016 Para (5) (5) (5.4)	*Construction of Kapiri Mposhi Urban Local Court*
2013, 2014, 2015, 2016 Para (5) (5) (5.5)	*Construction of Makululu Local Court*
2013, 2014, 2015, 2016 Para (5) (5) (5.6)	*Contract Agreement for Citing, Drilling and Equipping of a Borehole*
2013, 2014, 2015, 2016 Para (5) (5) (5.7)	*Construction of Nkana Rural Local Court*
2013, 2014, 2015, 2016 Para (5)(5)(5.8)	*Construction of Kitwe Local Court*
2014 Para (13) (12) (a) (iv)	*Delayed Completion of the Project*
2014 Para (13) (12) (b) (iii)	*Erosion of Clients Accounts by Bank Charges*
2014 Para (13) (12) (c)	*Failure to pay Gratuity*
2014 Para (13) (12) (d) (i)	*Weaknesses in Managing the Sheriff's Office of Zambia*
	Lack of Bailiwicks Records
2014 Para (13) (12) (e) (i)	*Weaknesses in the Management of Judiciary Infrastructure - Subordinate Court Complex-Lusaka*

2014 Para (13) (12) (e) (iii)	*Kitwe Subordinate Court*
2014 Para (13) (12) (e) (iv)	*Solwezi Subordinate Court*
2014 Para (13) (12) (e) (v)	*Choma Subordinate Court*
2014 Para (13) (12) (e) (vi)	*Livingstone High Court and Subordinate Court*
2014 Para (13) (12) (e) (vii)	*Mongu Subordinate Court*
2014 Para (13) (12) (e) (viii)	*Kabwe Subordinate Courts*
2015 Para (9) (9) (a) (i)	*Inadequacies in Judiciary Infrastructure Structure- Chambers and Office Space*
2015 Para (9) (9) (a) (ii)	*Lack of Court Rooms*
2015 Para (9) (9) (d)	*Weaknesses in Managing Contribution Project*
	Matero-II Local Court
2015 Para (9) (9) (e)	*Court Physical Inspection*
2013, 2014, 2015, 2016 Para(5)(5.1)	*Construction of Ndola Main Urban Local Court*
2013, 2014, 2015, 2016 Para(5)(5)(5.2)	*Construction of Baluba Urban Local Court*
2013, 2014, 2015, 2016 Para(5)(5)(5.3)	*Construction of Twapia Urban Local Court*
2013, 2014, 2015, 2016 Para (5) (5) (5.4)	*Construction of Kapiri-Mposhi Urban Local Court*
2013, 2014, 2015, 2016 Para (5) (5) (5.5)	*Construction of Makululu Local Court*
2013, 2014, 2015, 2016 Para(5)(5)(5.6)	*Contract Agreement for citing, drilling and equipping of a Borehole*
2013, 2014, 2015, 2016 Para (5) (5) (5.7)	*Construction of Nkana Rural Local Court*
2013, 2014, 2015, 2016 Para (5) (5) (5.8)	*Construction of Kitwe Local Court*
2013, 2014, 2015, 2016 Para (5)(5)(5.9)(i)	*Failure to provide Performance Security against the Contract*
2013, 2014, 2015, 2016 Para(5)(5)(5.9)(ii)	*Delays in Completing the Works*
2013, 2014, 2015, 2016 Para(5)(5)(5.10)(i)	*Failure to Provide Performance Bond*

2013, 2014, 2015, 2016 Para(5)(5)(5.10)(ii) Failure to supervise construction works by the Contracts Manager

2013, 2014, 2015, 2016 Para(5)(5)(5.10)(iii) Failure to complete the Construction works as per Contract Agreement

2017 Para (7) (a)	*Failure to produce financial statements*
2017 Para (7) (b)	*Failure to produce title deeds for 617 properties*
2017 Para (7) (i) (i)	*Construction of Litoya Local Court K1,084,079*
2017 Para (7) (i) (ii)	*Construction of Chinsali Subordinate Court K9,179,000*
2017 Para (7) (i) (iii)	*Construction of Munkonge Local Court – Kasama K676,575*
2017 Para (7) (i) (iv)	*Construction of Mukuka Mfumu Local Court – Mungwi K 602,587.*

ELECTORAL COMMISSION OF ZAMBIA

2013, 2014, 2015, 2016 Para (3) (3.1)	*Delay in paying salaries & allowances to Officers*
2013, 2014, 2015, 2016 Para (3) (3.8) (i)	*Misapplication of funds*

MINISTRY OF AGRICULTURE

Food Reserve Agency

2013, 2014, 2015, 2016 Para (4) (4.2) (a,b,c)	*Poor Management of Construction Projects.*
2013, 2014, 2015, 2016 Para (4) (4.3)	*Poor Storage of Tarpaulins*
2013, 2014, 2015, 2016 Para (4) (4.4) (ii)	*New Sheds in Mwinilunga*
2014 Para (11) (10) (a)	*Failure to produce Audited Accounts and Annual Reports*
2014 Para (11) (10) (b)	*Delays in Remitting Statutory Obligations*
2014 Para (11) (10) (d)	*Properties without Title Deeds*

Nitrogen Chemicals of Zambia Limited

2012 Para (16) (18) (a)	*Weakness in the collection of Receivables*
2012 Para (16) (18) (b)	*Failure to settle Accounts Payables*
2012 Para (16) (18) (c)	*Outstanding Litigations in favour of Nitrogen Chemicals of Zambia for Years 2009 -2012*
2012 Para (16) (18) (d)	*Non-Remittance of Statutory Obligations*
2015 Para (15) (15) (e)	*Non-Payment of Statutory Contributions*
2015 Para (15) (15) (g)	*Questionable Fertilizer Sales*
2015 Para (15) (15) (h)	*Supply of Fertilizer Mumbwa District Farmers Association*
2015 Para (15) (15) (i)	*Failure to Supply – Braithweit Investments Zambia*
2015 Para (15) (15) (k)	*Irregular Transaction- Maluba M. Trading*
2015 Para (15) (15) (p)	*Non-Delivery of Conveyor Belt*
2015 Para (15) (15) (q) (iii)	*Unreconciled Returned Fertilizer Bags-Kabwe K549,024*
2015 Para (15) (15) (r) (iii)	*Inadequate Machinery and Plant Equipment Loader*
2015 Para (15) (15) (r) (iii)	*Sewing Machines*
2015 Para (15) (15) (r) (iv)	*Lack of Plant Machinery and Equipment Replacement Policy*
2015 Para (15) (15) (r) (iv)	*Failure to Repair Ammonium Nitrate, Plants*
	Non-Implementation of off take Agreement
2015 Para (15) (15) (r) (vi)	*Poor Management of Non-Current Assets, Failure to Acquire a New Fire tender Dilapidated Structure*
2015 Para (15) (15) (r) (vi)	*Failure to insure Property, Plant and Equipment*

Tobacco Board of Zambia

2015 Para (18) (18) (d)	*Failure to Recover GRZ and TBZ Out growers Loans*

MINISTRY OF COMMERCE TRADE AND INDUSTRY

Citizen Economic Empowerment Fund

2012 Para (5) (7) (b) (i)	*Empowerment fund- unreconciled Loan Recoveries*
2012 Para (5) (7) (b) (ii)	*Site Visits to CEEC Sponsored Business Entities*
2014 Para (9) (8) (a) (i)	*Undisbursed Funds by Micro Finance Institutions Gray Pages Financial Solutions, CETZAM Financial Services Plc*
2014 Para (9) (8) (b)	*Contract with ACCESS Bank Zambia Limited*
2014 Para (9) (8) (c)	*Non-Performing Loans*
2014 Para (9) (8) (d) (i)	*Questionable Procurement of Dairy Animals*

Consumer and Competition Protection Commission

2014 Para (8) (7) (c)	*Failure to Engage ZRA on Payment of Tax on Gratuity on behalf of Directors*

Zambia Development Agency (ZDA)

2012 Para (20) (22) (a)	*Unreimbursed borrowings from Escrow Account*

2012 Para (20) (22) (b) (i)	*Non-Remittance of Statutory Contributions*
2012 Para (20) (22) (e)	*Fixed Assets*

Zambia International Trade Fair

2017 Para (15) (15)	*Statement of Financial Position-Weak Current Ratio*
2017 Para (15) (15)	*Statement of Cash-Flow for the financial years ended 31st December 2015 and 2016*
2017 Para (15) (15)	*Failure to Pay Terminal Benefits K 2,016,183*
2017 Para (15) (15)	*Irregular Payment to Ndola City Council*
2017 Para (15) (15)	*Failure to Settle Statutory Obligations K4,184,158*
2017 Para (15) (15)	*Lack of Asset Management Policy*
2017 Para (15) (15)	*Abandoned House – No. 56 Kabelenga Road, Ndola*
2017 Para (15) (15)	*Irregular Drawing of FuelK512,162*
2017 Para (15) (15)	*Unsupported Payments K 2,945,305*
2017 Para (15) (15)	*Unretired Accountable ImprestK 95,633*
2017 Para (15) (15)	*Unaccounted for Stores K681,583*

MINISTRY OF COMMUNICATION AND TRANSPORT

Mpulungu Harbour Corporation

2013, 2014, 2015, 2016 Para (8) (8) (8.5)	*Unsupported Payments- K127,702*

National Airports Corporation Limited

2012 Para (17) (19) (19) (e)	*Abandoned Aircraft – MK Airlines*
2012 Para (17) (19) (a)	*Nonperforming Contract – Unitech System Inc.*

Tanzania Zambia Railway Authority

2015 Para (17) (17) (e) (i)	*Lack of Performance Security Contract to Supply and Install of workshop equipment*
2015 Para (17) (17) (e) (ii)	*Workshop Equipment- Mpika Workshop, Lack of Performance Security*
2015 Para (17) (17) (e) (iii)	*Failure to Supply and install Lighting System – Mpika Workshop*
2015 Para (17) (17) (f) (i)	*Management of Property and Infrastructure Abandoned Property*
2015 Para (17) (17) (f) (ii)	*Lack of Title*
2015 Para (17) (17) (e) (i)	*Land Encroachment on Railway Strip*
2015 Para (17) (17) (e) (i)	*Failure to Remit Statutory Contributions*

Zambia Airports Corporation

2017 Para (12) (12)	*Failure to Execute Judgment–Zambian Airways K 23,792,048*
2017 Para (12 (12)	*Failure to put to use the old Terminal Building-Harry Mwanga Nkumbula*
2017 Para (12) (12)	*Failure to avail Asset Registers*

Zamcargo and Logistics Ltd

2013, 2014, 2015, 2016 Para (21) (21) (21.2) Irregular Payment of Out of Pocket

Allowance on Local Trips (Irregular -

US$5,871.20 and Overpayment - US$3,858)

2013, 2014, 2015, 2016 Para (21) (21) (21.4)(c.i) Unfilled Position

2013, 2014, 2015, 2016 Para (21) (21) (21.4)(c.iii) Wasteful Expenditure-Payment in lieu of

Notice US$8,239

2013, 2014, 2015, 2016 Para (21) (21) (21.4)(c.iv) Irregular Payment of Car

Allowance- Regional Manager

2013, 2014, 2015, 2016 Para (21) (21) (21.5) (ii) Contract with Mining Agricultural &

Construction Services Limited for Repair of Liebherr Reach stacker

2013, 2014, 2015, 2016 Para (21) (21) (21.6)(ii) Lack of Title Deed for Plot Number 1616 Masaki

2013,2014,2015,2016 Para (21)(21)(21.6)(iii)Lack of Ownership details for leased Shed

2013, 2014, 2015, 2016 Para (21) (21) (21.6)(iv)Failure to Replace Stolen Motor Vehicles

2013, 2014, 2015, 2016 Para (21) (21) (21.6)(v)Failure to Dispose Obsolete Machinery

2013, 2014, 2015, 2016 Para (21) (21) (21.6)(vi)Loss of Government Land for a Dry Port-Nakonde

Zambia Railways Limited

2012 Para (18) (20) (b) (i)	*Irregularities in Staff Related Costs Non-Remittance of Statutory obligations*
2012 Para (18) (20) (c) (i)	*Deterioration of Infrastructure during Concession Period Dilapidated Workshop Buildings*
2012 Para (18) (20) (c) (ii)	*Vandalized Heavy-Duty Equipment*
2012 Para (18) (20) (c) (iii)	*Vandalized Level Crossings*
2012 Para (18) (20) (d) (i)	*Failure to account for Traction Motor and Compressor Exhausters Sent To South Africa*
2012 Para (18) (20) (d) (v)	*Irregular Exchange of Locomotive Engines*
2012 Para (18) (20) (e)	*Irregularity in the Sale of Properties*
2012 Para (18) (20) (g)	*Irregular Sale of Land*
2014 Para (24) (23) (a)	*Failure to account for traction motors and compressor Exhausters sent to South Africa*
2014 Para (24) (23) (c) (ii)	*Payment of Christmas Bonus for Board Members*
2014 Para (24) (23) (d) (i)	*Irregularities in Management of Funds, Euro Bond, Misapplication of Funds, Unsupported Payment*

2014 Para (24) (23) (e) (i)	*Irregularities in the Management of contracts Over Commitment on procured Contract- Signalling and Telecommunication Equipment, Inadequate Funds for Procured Contract, Failure to Pay Huawei International for the installation of Telecommunication Equipment Failure to commence works by Bombardier Transportation Denmark AS*
2014 Para (24) (23) (e) (iii)	*Loss of Nine Coaches*
2014 Para (24) (23) (e) (iv)	*Failure to Deliver Flash Butt by Diamond Motors Limited*
2017 Para (17) (17)	*Failure to Achieve Set Targets*
2017 Para (17) (17)	*Weaknesses in Key Performance Indicators*
2017 Para (17) (17)	*Manpower Related Costs*
2017 Para (17) (17)	*Increase in Administration Expenses*
2017 Para (17) (17)	*Reduction in Working Capital*
2017 Para (17) (17)	*Liquidity Position*
2017 Para (17) (17)	*Increase in Receivables K 178,075,000*
2017 Para (17) (17)	*Poor Status of Infrastructure resulting in Loss of Revenue*
2017 Para (17) (17)	*Reliability of Locomotives*
2017 Para (17) (17)	*Non-Remittance of Statutory Contributions K 91,834,999*
2017 Para (17) (17)	*Failure to Remit Funds Recovered on behalf of Financial Lending Institutions K 3,093,178*
2017 Para (17) (17)	*Failure to Remit Staff Pension Contribution K434,871 and K15,353,850*
2017 Para (17) (17)	*Wasteful Expenditure – Failure to Utilise Weighbridges K919,003*
2017 Para (17) (17)	*Unsupported Payments K 418,949*

MINISTRY OF ENERGY

Indeni Petroleum Ltd

2013, 2014, 2015, 2016 Para (4) (4) (4.6) (i) Overdue Receivables

2013, 2014, 2015, 2016 Para (4) (4) (4.6) (ii) Receivable Turnover Days/Debt Collection Period

2013, 2014, 2015, 2016 Para (4) (4) (4.7) Non-payment for corrosion of Plant Equipment due to processing of Contaminated Crude Oil

2013, 2014, 2015, 2016 Para (4) (4) (4.8) Non-recoverability of Crude Stock

2013, 2014, 2015, 2016 Para (4) (4) (4.9) Non-delivery of goods by Apple Construction

2013, 2014, 2015, 2016 Para (5) (5) (5.9) Failure to provide Performance Security

2013, 2014, 2015, 2016 Para (5) (5) (5.9) (ii) Delays in Completing the Works

2013, 2014, 2015, 2016 Para (5) (5) (5.10) (i) Failure to Provide Performance Bond

2013, 2014, 2015, 2016 Para (5) (5) (5.10) (ii) Failure to Supervise Construction works by the Contract Manager

2013, 2014, 2015, 2016 Para (5) (5) (5.10) (iii) Failure to complete the Construction works as per Contract Agreement

ZESCO Limited

2014 Para (22) (21) (f) (ii) Contract for Design, Procure, Build and Commission Hydro Power Stations

2014 Para (22) (21) (f) (iii) Connection of Luangwa District to the National Grid Project

2014 Para (22) (21) (h) (i) Poor Management of Non-Current Assets Failure to Revalue Fixed Assets

2014 Para (22) (21) (h) (ii) Non-Disposal of obsolete Stocks

2014 Para (22) (21) (h) (iii) Failure to pass Title of Assets to ZESCO Limited

MINISTRY OF FINANCE

Development Bank of Zambia

2017 Para (5) (a)(i)	*Fluctuating Net Interest Percentage*
2017 Para (5) (a)(ii)	*Declining Profit Margins*
2017 Para (5) (a)(iii)	*Impairment Losses and Charges*
2017 Para (5) (b) (i)	*Weaknesses in Managing Equity and Return on Equity*
2017 Para (5) (b) (ii)	*Failure to Utilise Additional Government Capital Injection to Improve ROE*
2017 Para (5) (b) (iii)	*Deterioration of interest margins*
2017 Para (5) (c)(i)(ii)(iii)(iv)	*Weaknesses in managing Credit Appraisal, Monitoring of Projects & Loan Recoveries*

Industrial Development Corporation

2017 Para (6) (b)	*Lack of Financial Policies and Procedures Manual*
2017 Para (6) (e)(i)	*Staff Issues*
2017 Para (6) (f)	*Failure to Implement Board Resolutions*
2017 Para (6) (g)	*Unsupported Payments K 72,801*
2017 Para (6) (h)	*Unaccounted for Stores K 44,566*
2017 Para (6) (i)	*Lack of Transport Policy*

National Road Fund Agency

2017 Para (10) (10)(i)(ii)(iii) *Other Road Projects*

National Savings and Credit Bank

2013, 2014, 2015, 2016 Para (12) (12) (12.2) (ii) *Failure to Remit Pay As You Earn (PAYE) K8,087,161*

2013, 2014, 2015, 2016 Para (12) (12) (12.4) *Unrecovered Loans – K560,598*

2013, 2014, 2015, 2016 Para (12) (12) (12.5) *Non Recovery of Loans – Head Office*

K2,911.676

2013, 2014, 2015, 2016 Para (12) (12) (12.6) Failure to Adhere to Loan Agreement – Bunjimi Assets Plus Loans K476,264

2013, 2014, 2015, 2016 Para (12) (12) (12.7) Failure to deliver Service

Pensions and Insurance Authority

2013, 2014, 2015, 2016 Para (16) (16) (16,2) Irregular payment of Procurement Committee Allowance – K123,362

2013, 2014, 2015, 2016 Para (16) (16) (16,3)(i)Failure to Surrender Original Title Documents

2013, 2014, 2015, 2016 Para (16) (16) (16,3)(ii)Failure to Provide Collateral Equivalent to house Loans Obtained

2013, 2014, 2015, 2016 Para (16) (16) (16,4)(i) Failure to Adequately Protect Members' Interest

2013, 2014,,2015,2016 PARA (19)e(iii) Failure to Provide Collateral Equivalent to House Loans Obtained.

2013, 2014,2015, 2016 PARA (19)f(iii) TAZARA pension Trust Scheme - Failure to Adequately Protect Members' Interest

2013, 2014, 2015, 2016 PARA (20) a (ii) National Heritage Conservation Pension Trust Scheme

Public Service Pension Fund

2013, 2014, 2015, 2016 Para (17) (17) (17.1)(i) Excessive Number of Board Meetings-K8,817,846

2013, 2014, 2015, 2016 Para (17) (17) (17.3) (i)Irregular Inclusion Members to the Funds After Enactment of the NAPSA Act

2013, 2014, 2015, 2016 Para (17) (17) (17.4)(i)Equity Investment

2013, 2014, 2015, 2016 Para (17) (17) (17.5) (i)Irregularities in the Procurement of Standby Generator

Zambia National Building Society

2017 Para (16) (16)	*Irregularities in Administration of MortgagesK26,739,263*
2017 Para (16) (16)	*Management of Investment Properties-Vacant Properties*
2017 Para (16) (16)	*High Default Rates in Branches*
2017 Para (16) (16)	*Uncleared Suspense Accounts*
2017 Para (16) (16)	*Failure to Recover Loans - Kapiri Mposhi District CouncilK373,274*

Zambia Revenue Authority

2015 Para (21) (21) (a) *Lack of Tile Deeds – Non-Current Assets*

Zambia State Insurance Corporation

2012 Para (22) (24) (a) (iii) Delayed Projects Implementation

2012 Para (22 (24) (b) (i)	*Government Indebtedness to ZSIC*
2012 PARA (22) (24) (b)(iii)	*Non-remittance of Statutory Contributions*
2012 Para (22) (24) (b) (vii)	*Review of Internal Audit Reports on Investments*
2012 Para (22) (24) (b) (vii)	*Failure to conduct Risk Assessment*
2012 Para (22) (24) (b) (vii)	*Failure to monitor the Investment*
2012 Para (22) (24) (b) (vii)	*Investment in Circle Pharmaceuticals Africa US$700,000*
2012 Para (22) (24) (b) (vii)	*Investments in Freshpikt*
	Investments in Non-Performing Projects – Kitwe Development Limited

ZSIC General Insurance Limited

2017 Para (18) (a)	*Administration of the Infoins Insurance System Contract-US$ 1,154,288 - Delayed Completion of the Project*
2017 Para (18) (c) (i)	*Liquidity*
2017 Para (18) (c) (ii)	*The Solvency Ratio*

2017 Para (18) (c) (iii)	*Receivables Collection Period*
2017 Para (18) (d)	*Intercompany Indebtedness K 14.9 million*
2017 Para (18) (e)	*Failure to Collect Rental IncomeK1,330,491*
2017 Para (18) (j)	*Non Payment of Terminal Benefits and Gratuity K12,651,206*
2017 Para (18) (q)	*Unsupported Payments K149,364*

ZSIC Life

2017 Para (19) (a)	*Failure to Avail Appointment Letters for the Board of Directors*
2017 Para (19) (b)	*Outstanding Claims*
2017 Para (19) (d)	*Questionable Payments K 989,789*
2017 Para (19) (e)	*Statement of Financial Position for the financial years ended 31st December 2014 to 2017*
2017 Para (19) (f) (ii)	*Receivable Turnover Days*
2017 Para (g)	*Failure to Collect Rental IncomeK2,738,036*
2017 Para (f)	*Failure to Change Ownership of Properties from ZSIC Limited to ZSIC Life*
2017 Para (i)	*Poor state of Infrastructure–ZSIC Life*
2017 Para (j)	*Unsupported PaymentsK 2,390,800*
2017 Para (l)	*Missing Payment Vouchers K546,688*

Zambia State Insurance Pension Trust Fund

2017 Para (19) (m) (i)	*Valuation of Pension Schemes – Failure to Undertake Actuarial Valuations*
2017 Para (19) (m) (iii)	*Inactive Pension Schemes K33, 561,875*
2017 Para (19) (m) (v)(i)	*Questionable Due Diligence US$17,785,011.83 and K3,600,000*
2017 Para (19) (m) (v)(ii)	*Failure to Recover Loans US$4,044,400.00 and K773, 349*

2017 Para (19) (m) (v)(iii)	*Failure to Collect Rental Income K49,481,562*
2017 Para (19) (m) (v)(v)	*Deteriorating Infrastructure –ZSIPTF*

MINISTRY OF GENERAL EDUCATION

Zambia Education Publishing House

2017 Para (14) (a)	*Lack of Strategic Plan*
2017 Para (14) (b)	*Operating without a Board of Directors*
2017 Para (14) (c)	*Irregular Payment of Board Allowances K140,000*
2017 Para (14) (d)	*Failure to Prepare Financial Statements*
2017 Para (14) (e)	*Failure to Achieve set Production Targets–Printing*
2017 Para (14) (f)	*Failure to Fill Vacant Positions*
2017 Para (14) (g)	*Failure to Pay Terminal Benefits K 7,342,130*
2017 Para (14) (h)	*Failure to Settle Statutory Obligations K 84,555,775*
2017 Para (14) (i)	*Lack of Asset Management Policy*
2017 Para (14) (j)	*Properties without Title Deeds*
2017 Para (14) (k)	*Failure to Insure Assets*
2017 Para (14) (m)	*Unsupported Payments K 4,675,582*
2017 Para (14) (o)	*Lack of Disposal Details K 2,759,464*

MINISTRY OF HEALTH

Medical Stores Limited

2017 Para (8) (a) (iv)	*Lack of Risk Management Policy*
2017 Para (8) (a) (v)	*Lack of Disaster Recovery Site (DRS)*
2017 Para (8) (d) (i)	*Failure to collect service fees*
2017 Para (8) (e)	*Returned Medicines and Medical Supplies due to wrong/excess supply, short expiry or product not ordered K615,169*

MINISTRY OF HIGHER EDUCATION

Copperbelt University (CBU)

2014 Para (7) (6) (c) (ii)	*Failure to state Specifications for the Marquee*

Kwame Nkrumah University

2015 Para (10) (10) (g)	*Lack of Title Deeds*

Mulungushi University

2012 Para (8) (10) (a)	*Non-Remittance of Statutory Contributions*
2012 Para (8) (10) (b)	*Lack of Title Deed for Water Works Land*
2015 Para (12) (12) (c) (iii)	*Un-receipted Deposits for More than 12 Months*
2015 Para (12) (12) (f) (i)	*Civil Works, Construction of Phase One of Alternative Sources-Chindwin*

University of Zambia

2012 Para (9) (11) (a) (b)	*Statement of Financial Position – Unaccounted for Income*
2012 Para (10) (12) (b) (i)	*Statement of Financial Position – Failure to Collect Receivables*

MINISTRY OF HOUSING AND INFRASTRUCTURE

National Housing Authority

2015 Para (14) (14) (c) (iii)	*Breach of Conditions of the Scheme*
2015 Para (14) (14) (f) (iii)	*NHA-CJI Joint Venture*
2015 Para (14) (14) (h)	*Non-Remittance Statutory Contributions*
2017 Para (9) (i)	*Failure to Maintain Sondashi Flats – Ndola*

MINISTRY OF INFORMATION AND BROADCASTING

Times Printpak Zambia

2017 Para (11) (b)(i) (ii)	*Procurement of Goods, Works and Services*
2017 Para (11) (c)	*Government Ministries' and Parastatal Bodies' Debt K7,566,369*
2017 Para (11) (d)	*Non-Remittance of Taxes and Statutory Contributions-K670,496,682*

2017 Para (11) (e)	*Failure to Collect Rental Income K 150,000*

Zambia Daily Mail

2017 Para (13) (a)	*Financial Performance-Statement of Comprehensive Income for the years ended 31st December 2015 to 2017*
2017 Para (13) (b)(i)	*Current Ratio*
2017 Para (13) (b)(ii)	*Insufficient Working Capital*
2017 Para (13) b)(iii)	*Poor Management of Receivables*
2017 Para (13) (c)(i)	*Procurement of Goods and Services*
2017 Para (13) (e)	*Non-Remittance of Taxes*
2017 Para (13) (f)	*Failure to Remit Pension Contributions to NAPSAK4,412,804*

Zambia Institute of Mass Communication Education Trust

2013, 2014, 2015, 2016 Para (22) (22) (22.2)	*Lack of an Internal Audit Function*
2013, 2014, 2015, 2016 Para (22) (22) (22.8)	*Obsolete Studio Equipment*

Zambia National Broadcasting Corporation

2013, 2014, 2015, 2016 Para (24) (24) (24.2) (i)	*Agreement Star Times Weaknesses in the Joint Borrowing with Top-Star Communications Company Ltd US$232,181,138.85*
2013, 2014, 2015, 2016 Para (24) (24) (24.2) (ii)	*Failure to produce Escrow Account Management Agreement*
2013, 2014, 2015, 2016 Para (24) (24) (24.3)	*Financial Performance-Statement of Comprehensive Income Negative Profits Margins*
2013, 2014, 2015, 2016 Para (24) (24) (24.3) (i)	*Staff Costs Compared to Revenue Generated*
2013, 2014, 2015, 2016 Para (24) (24) (24.3(a)(ii)	*Statement of Financial Position as at 31st December 2014*
2013, 2014, 2015, 2016 Para (24) (24) (24.3) (b)	*Current Ratio Receivable Days*

2013, 2014, 2015, 2016 Para (24) (24) (24.3) (c) Negative Equity (from-K942,693,851 in 2012 to K1,078,529,639 in 2016)

2013, 2014, 2015, 2016 Para (24) (24) (24.4) Failure to Generate Positive Cash Flows from Operating Activities

2013, 2014, 2015, 2016 Para (24) (24) (24.4) (a) Analysis of Net Increase in Cash and Cash Equivalent

2013, 2014, 2015, 2016 Para (24) (24) (24.5)(iii) Declining Cash Inflows from Investment in an Associate From K49,980,000 in 2014 to . K13,506,500 in 2016

2013, 2014, 2015, 2016 Para (24) (24) (24.5) (iv)Non-Remittance of Statutory Contributions - K458,824,474

2014 Para (23) (22) (h) Misapplication of Funds-Digital Television Migration

2014 Para (23) (22) (I) (ix) Failure to Re-Master Tapes, Outdated Storage Media

MINISTRY OF LABOUR AND SOCIAL SECURITY

National Pension Scheme Authority

2012 Para (21) (23) (b) (i) Outstanding Contribution Payments – Arrears

2012 Para (21) (23) (b) (ii) Employers who ceased operations

2012 Para (21) (23) (b) (iii) Employers who changed locations

2012 Para (21) (23) (c) (i) Management of Levy Business Park – (Questionable Payment - K8,526,101,801) maintenance expenditure and K2,056,364,260 – (Wages on behalf of Liberty Properties)

2012 Para (21) (23) (c) (i) Unremitted Funds

2012 Para (21) (23) (d) Undischarged Guarantee

2012 Para (21) (23) (e) Outstanding Rent Debtors

2013, 2014, 2015, 2016 Para (11) (11) (11.2) (ii) Irregularities in the Management of Contributions Defaulting Employers

2013, 2014, 2015, 2016 Para (11) (11) (11.4) (i)Failure to claim funds from the Council paid for the Encroachment

Para (11) (11) (11.4) (ii) Failure to Secure refund for construction of the Twenty- Seven manholes

2013, 2014, 2015, 2016 Para (11) (11) (11.5) Absentee Tenants- Mongu

2013, 2014, 2015, 2016 Para (11) (11) (11.6) Duplicated Payments

Workers' Compensation Fund Control Board

2013, 2014, 2015, 2016 Para (20) (20) (20.4) Car Park- Questionable Procurement/ idle Property

MINISTRY OF MINES

Ndola Lime Co. Ltd

2013, 2014, 2015, 2016 Para (13) (13) (13.1) Financial Performance-Statement of Profit and Loss And Other Comprehensive Income for the Financial Year Ended 31 March, 2014, 2015 and 2016

2013, 2014, 2015, 2016 Para (13) (13) (13.3) Inefficient Structuring of Engineering and Procurement Contracts (EPC)

2013, 2014, 2015, 2016 Para (13) (13) (13.4) (i) Defective Mining Equipment

2013, 2014, 2015, 2016 Para (13) (13) (13.4) (ii) Lack of Refectory Bricks for Vertical Kiln

2013, 2014, 2015, 2016 Para (13) (13) (13.6) (i) Contract for the Supply of 2000 Replica Jerseys-Yesu Sports

2013, 2014, 2015, 2016 Para (13) (13) (13.7) (b) Non-Payment of Terminal Benefits

MINISTRY OF TOURISM AND ARTS

Hotel and Tourism Training Institute (HTTI)

Para (12) (11) (a) Failure to Constitute the Board of Trustee

2014 Para (12) (11) (b) Lack of Audit Committee

2014 Para (12) (11) (d) Failure to complete works

2014 Para (12) (11) (e) Failure to secure Title Deeds

Mulungushi Village Complex

2015 Para (13) (13) (e) Failure to collect Rentals from Government

2015 Para (13) (13) (b) Failure to Settle internal frozen Terminal Benefits

2015 Para (13) (13) (i) Failure to Rehabilitate and Maintain Investment Property

National Heritage Conservation Commission

2014 Para (14) (13) (a) (i)	*Weaknesses in the Operations of the Board*
	Lack of Board/Governance Charter
2014 Para (14) (13) (b)	*Lack of a Heritage Policy*
2014 Para (14) (13) (e)	*Lack of Title Deeds*
2014 Para (14) (13) (h) (ii)	*Failure to Adhere to Site Instruction*
2014 Para (14) (13) (i) (ii)	*Extension and Alteration of the Curio Market and Paving of the Visitor's Car Park- Kalomo Contractors Hardware Enterprises*
2014 Para (14) (13) (k) (i)	*South West Regional Office Kalomo Administrator's House- Dilapidated state*
2014 Para (14) (13) (k) (ii)	*Livingstone Railways Museum-Non-Maintenance Rented Properties*
2014 Para (14) (13) (I) (i)	*Construction of a Boundary Wall at Railway Museum and Painting two Historic Buildings-the Anglican Church and Jewish Synagogue Imaza Building Contractors*
	Delayed Completion and failure to claim liquidated Damages
2014 Para (14) (13) (I) (ii)	*Unsatisfactory work*
2014 Para (14) (13) (m) (ii)	*Construction of Visitor's Toilets at Embassy Park National Monument Ailito Cleaning Services, Delayed*

Completion/Lack of Handover Irregular Payment

2014 Para (14) (13) (m) (iii)	*Tourism Concession Agreement – Lundazi Castle Hotel*
2014 Para (14) (13) (n) (i)	*Northern Regional Office, The Lumangwe/Kabwelume Falls*
	Tourism Infrastructure Development Project, Failure to Remit Funds
2014 Para (14) (13) (n) (ii)	*Failure to Rehabilitate Director's Residence*
	Construction of the Proposed Tourism Development
	Infrastructure at Kalambo Falls -Curve Contractors,
	Delayed Completion and unclaimed Liquidated Damages

2014 para (14) (13) (n)(iii) Irregular Variation, Weaknesses identified in the Site Handover Report.

National Parks

2015 Para (22) (22) (c) Questionable Presence of a South African Company in Lusaka National Park

2015 Para (22) (22) (d) Undelivered Materials

2015 Para (23) (23) (b) Failure to Remit Statutory Contributions

Zambia Wildlife Authority

2012 Para (23) (25) (e)	*Failure to Collect Revenue from Masebe Game Ranch*
2012 Para (23) (25) (f) (ii)	*Failure to Remit Loan Recoveries to Financial Institutions*
2012 Para (23) (25) (f) (ii)	*Failure to remit Statutory Contributions*
2012 Para (23) (25) (g) (i)	*Questionable issuance of Local Purchase Order (LPO)*
2012 Para (23) (25) (g) (ii)	*Failure to Execute Contract in Full*

2012 Para (23) (25) (g) (iii) *Failure to Declare Interest*

2012 Para (23) (25) (h) *Lack of Proper Armory Building- Area Management Units*

2012 Para (23) (25) (h) (i) *Encroachment into Game Management Area Mumbwa East/Lower Zambezi National Park*

2012 Para (23) (25) (h) (ii) *Companies Operating without Tourism Concession Agreements*

2012 Para (23) (25) (h) (iii) *Failure to Collect Debt Related to Fixed Lease and variables Fees*

MINISTRY OF WATER DEVELOPMENT, SANITATION AND ENVIRONMENTAL PROTECTION

Chambeshi Water and Sewerage Company Limited

2015 Para (7) (7) (a) *Failure to prepare Audited Financial Statements*

2015 Para (7) (7) (d) *Questionable Board Expenses*

2015 Para (7) (7) (g) *Lack of Title Deeds for surrendered Assets*

2015 Para (7) (7) (j) *Non-Remittance of Statutory Contributions*

2015 Para (7) (7) (k) (i) *Projects and Contracts. Delayed Completion of Works*

2015 Para (7) (7) (k) (iii) *Falling Walls on the Spillway-Lubu Earth Dam-Chinsali*

Eastern Water and Sewerage Company

2012 para (12) (14) (e) *Un-accounted for Water*

2012 para (12) (14) (f) *Failure to remit Statutory Contributions*

2013, 2014,2015, 2016 Para (2) (2) (2.1) (iv) Lack of Board of Directors

2013, 2014, 2015, 2016 Para (2) (2) (2.4) (iv) Sanitation Coverage

2013, 2014, 2015, 2016 Para (2) (2) (2.4) (v) Staff Cost in Relation to Billing and Collection

2013, 2014, 2015, 2016 Para (3) (3) (3,1) Delay in Paying Suppliers and Allowances to Officers

2013, 2014, 2015, 2016 Para (3) (3) (3.8) (i) Misapplication of Funds

Lukanga Water and Sewerage Company Limited

2012 Para (13) (15) (a) (i)	*Company Performance Unaccounted for Water (Non-Revenue Water)*
2012 Para (13) (15) (c) (ii)	*Collection of Trade Receivables*
2012 Para (13) (15) (d)	*Non-payment of Statutory Obligations*
2012 Para (13) (15) (e) (i)	*Revenue cancelled Receipts Wrongly Posted to Customer Accounts*
2012 Para (13 (15) (e) (ii)	*Failure to avail Cancelled Receipts*
2012 Para (12) (14) (e)	*Un-accounted for Water*
2012 Para (12) (14) (f)	*Failure to Remit Statutory Contributions*
2012 Para (14) (16) (e)	*Failure to remit Statutory Contributions*
2015 Para (11) (11) (d) (ii)	*Properties without Title Deeds/Lack of Statutory Instrument To Transfer Assets*
2015 Para (11) (11) (e) (i)	*Irregularities in Revenue Collection, Missing cancelled/Void Receipts*
2015 Para (11) (11) (e) (ii)	*Gaps Receipt Sequences*
2015 Para (11) (11) (f)	*Non-payment of Statutory Obligations*

Mulonga Water and Sewerage Company Limited

2013, 2014, 2015, 2016 Para (9) (9) (9.3) Failure to Produce Audited Financial Statements

2013, 2014, 2015, 2016 Para (9) (9) (9.6) (i) Properties without Title Deeds

2013, 2014, 2015, 2016 Para (9) (9) (9.6) (ii) Failure to Value MWSC Properties

2013, 2014, 2015, 2016 Para (9) (9) (9.8) (a.i) Delayed Implementation of Kasumbalesa Project

2013, 2014, 2015, 2016 Para (9) (9) (9.8) (b.i) Failure to avail Variation Order

2013, 2014, 2015, 2016 Para (9) (9) (9.8) (b.ii) Stalled Works

2013, 2014, 2015, 2016 Para (9) (9) (9.8) (b.iii) Delayed implementation of Repair Works Collapsed Embankment

2013, 2014, 2015, 2016 Para (9) (9) (9.9) Failure to Replace Water Testers

North Western Water and Sewerage Company

2014 Para (15) (14) (c)	*Poor Administration of Backups – Lack of Backup Policy*
2014 Para (15) (14) (i)	*Failure to Utilize Modules Paid for in SAGE Evolution ERP*
2014 Para (15) (14) (j) (ii)	*Irregular Rate of Board Allowances*
2014 Para (15) (14) (k)	*Internal Audit Weaknesses, Lack of Internal Audit Charter*
2014 Para (15) (14) (o) (i)	*Irregularities in Billing Systems Administration Customer Accounts with Incomplete Details on the System*
2014 Para (15) (14) (o) (ii)	*Unbilled Customer Account*
2014 Para (15) (14) (o) (iii)	*Customers with Duplicate Account Numbers*
2014 Para (15) (14) (o) (iv)	*Customers with Zero and Negative Water Consumption, Negative Consumption*
2014 Para (15) (14) (o) (v)	*Customers Billed on Average Consumption Over Three Months*
2014 Para (15) (14) (o) (vi)	*Failure to Disconnect Past Due Customer Accounts*
2014 Para (15) (14) (o) (vii)	*Metered Customers on Meter Reading Report not on the Customer Master*
2014 Para (15) (14) (o) (viii)	*Metered customers on the customer Master not on the Meter Reading Report*
2014 Para (15) (14) (o) (viii)	*Metered Customers on the customer Master not on the Meter Reading Report*
2014 Para (15) (14) (p) (v)	*Weaknesses in Managing Staff Costs- Questionable Recruitments*

Nkana Water and Sewerage Company

2013, 2014, 2015, 2016 Para (14) (14) (14.1) Expiry of the Tenure of the Board

2013, 2014, 2015, 2016 Para (14) (14) (14.2) Operating Losses – Statement of Comprehensive Income

2013, 2014, 2015, 2016 Para (14) (14) (14.7) Casualization of Labour

Southern Water and Sewerage Company

2015 Para (16) (16) (e) Questionable Acquisition of a House

2015 Para (16) (16) (f) Failure to Remit Withholding Tax

2015 Para (16) (16) (e) Failure to Pass Title of Assets to SWSC

Water Resources Management Authority

2014 Para (20) (19) (a) (ii) Questionable Payment of Allowances to Board Members

2014 Para (20) (19) (a) (iii) Questionable Payment of Allowances

Western Water and Sewerage Company

2014 Para (21) (20) (o) (ii) Wasteful Expenditure-Mwandi Water Project

2014 Para (21) (20) (o) (iii) Kaoma Rehabilitation and Extension Water Supply Network-Collapsed Borehole

2014 Para (21) (20) (f) (i) Internal Control Weaknesses, Lack of the Risk Management Policy

2014 Para (21) (20) (k) (iii) Lack of interface between the Billing and Accounting System, Failure to Collect Debt

2014 Para (21) (20) (m) Failure to Meet Water and Sanitation Sector Benchmarks Reduction in Sanitation Coverage, Water Services Coverage, Hours of Supply

MINISTRY OF WORKS AND SUPPLY

Roads Development Agency (RDA)

2014 Para (17) (16) (a) Lack of Board

2014 Para (17) (16) (b) Irregular Investment of K3,000,000

2014 Para (17) (16) (e) Irregular Sales of Motor Vehicles to Officers

MINISTRY OF YOUTH AND SPORT

National Youth Development Council

2014 Para (16) (15) (a) (i)	*Irregularities in the Payment of Allowances and Overpayment Of Council Allowances*
2014 Para (16) (15) (a) (ii)	*Double Payment of Allowances*
2014 Para (16) (15) (a) (iii)	*Irregular payment of Council Allowances*
2014 Para (16) (15) (b)	*Irregular Recruitment of Staff*
2014 Para (16) (15) (c)	*Misapplication of Funds for Terminal Benefits*
2014 Para (16) (15) (f)	*Lack of Title Deeds for Council Properties, Plot 10423/196 And 179, Chainama Great East Road*

MINISTRY OF LOCAL GOVERNMENT

Local Authorities Superannuation Fund

2013, 2014, 2015, 2016 para (6) (6) (6.1) - Lack of segregation of duties – Director Finance and Pensions Administration.

APPENDIX 4 - Glossary of Terms

Term	Definition
Audit Finding	The result of audit procedures and tests conducted by the auditor.
Committee on Parastatal Bodies	A sessional committee of the National Assembly established in terms of the standing orders. The committee examines the Reports of the Auditor General, as part of its mandate of examining the accounts of Parastatal Bodies and Other Statutory Institutions.
Controlling Officer	An officer designated as such by the Secretary to the Treasury to maintain accounts of a Ministry, Province or Agency.
Irregularity	Breach of laws, regulations or rules.
Imprest	Funds or moneys 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.
Outstanding Issues	Audit queries that remain unresolved in the Treasury Minutes (Action Taken Reports) prepared by the Ministry of Finance on the Reports of the Auditor General.
Parliament	Legislative organ of Government.
Statutory Obligations	Obligations that do not arise out of a contract but are imposed by law
Unaccounted for Revenue	Revenue collected but neither banked nor cash found on hand.
Unretired Accountable Imprest	Imprest not accounted for.
Unaccounted for Stores	Missing stores items without evidence of how they were received and utilised.
Wasteful Expenditure	Expenditure incurred without benefits derived.

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