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To the News Editor

PRESS RELEASE

For Immediate Release

THE SPECIAL AUDIT REPORT ON THE ROAD DEVELOPMENT AGENCY FOR THE FINANCIAL YEARS ENDING 31ST DECEMBER 2017 TO 2022

The Acting Auditor General Dr. Ron Mwambwa has issued the Special Audit Report on the Road Development Agency for the Financial Years ending 31st December 2017 to 2022 revealing poor management of road contracts and glaring financial and other irregularities.

The Report was produced in accordance with the Provisions of Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016.

The Special Report which spans a five-year period intends to provide a complete and comprehensive picture of the various road projects given the nature of road projects which normally takes a period of years with the last audit report being for the period 2011 to 2016.

The notable key findings raised in the Report are as highlighted below.

i. RDA accrues K1.3 billion in interest charges due to Failure to Settle Contractors' and Consultants' Bills

As at 31st December 2022, the RDA was owing various contractors and consultants amounts totalling K9,888,072,680 in respect of road works. The amount reduced to K9,645,456,345 by 30th September 2023 and interest charges amounting to K1,382,693,996, had accrued on the outstanding amounts.

Implication:

The failure to settle contractor's and Consultants' bills resulted in accrual of interest charges which could have been avoided and resources channelled to needy sectors of the economy.

ii. Contract Sums exceeded budgeted amount by K7.5 billion

During the period from 1st January 2017 to 31st December 2022, the RDA contracted twenty - four (24) construction companies to undertake twenty four (24) projects, with contract sums totalling K9,798,846,394. However, the engagements were in violation of the Public Procurement Regulations as they were not adequately supported by committed funds and exceeded budgeted amounts by K7,507, 918,029.

Implication:

The contract sums exceeding the budgeted amount resulted in RDA overcommitting Government.

iii. Delayed Construction Works Due to Delayed Engagement of Supervising Consultants

During the period from 1st January 2017 to 31st December 2022, the RDA engaged various construction companies before securing the services of consultants. The delays in engaging consultants ranged from three (3) to eight (8) months, resulting in notable setbacks in the achievement of the set project timelines. This delay stemmed from the absence of essential designs, drawings, and official authorisation from consultants. As a result, fourteen (14) road contracts which were originally valued at K4,525,680,832 were varied to K6,651,797,641 which resulted in the Government incurring additional costs of K2,126,116,809.

Further, fourteen (14) contracts for consultancy services which were originally valued at K117,510,010 were varied to K254,405,186 which resulted in the Government incurring additional costs of K136,895,176.

Implication:

The delay resulted in Government incurring additional costs of K2,263,011,985 as a result of variations which could have been avoided had the essential designs, drawings and official authorisation from consultants been available.

iv. Failure to Prepare Final Accounts After Contract Termination

The RDA terminated seven (7) contracts which were entered into with contractors between 1st January 2017 and 31st December 2022. Despite the termination of the contracts, as at 31st January 2024, the final accounts for the said terminated contracts remained outstanding as they had not been prepared. This delay in preparing the final accounts meant that the financial closure of these terminated contracts remained outstanding.

Implication:

The non-preparation of final accounts deprives Government from having a clear picture of the financial position of the institution to its management, or any other users of such accounting information as the accounts remain outstanding.

v. Failure to Manage Assets

Title deeds for parcels of land on which 228 properties for RDA sit were not secured. Consequently, the properties were not insured.

Implication:

The failure to secure the parcels of land entails that RDA has no proof of ownership in case of land dispute. Further, in case of loss or damage, RDA cannot be indemnified since the properties are not insured.

vi. Irregularities in the Management of PAVE Zambia 2000

In September 2013, the RDA embarked on a project for the period 2015 to 2019 to pave approximately 2,000 km of urban and township roads and associated public areas using segmented paving bricks and kerbstone technology countrywide. The provinces were supported by the establishment of Brick Paving Machine Plants.

However, there were instances where pavers were either unaccounted for or unutilised, the cement had caked and the paving machines were not handed over to the Ministry of Youths, Sports and Child Development after the project had been abandoned.

Implication:

The irregularities in the management of Pave Zambia 2000 resulted in loss of public funds through unaccounted for pavers and public property (paving machines) which were not handed over to the Ministry after the project was abandoned.

vii. Poor Workmanship – Non-adherence to Project Specification

Samples of base course thickness did not meet the minimum specifications on selected roads. There were crumbled cores which were as a result of inadequate cement, poor selection of materials and inadequate compaction. The surfacing on some sections of the roads were found to be peeling off. Drainage on selected roads in Lusaka were characterized by incomplete and abandoned works. Some road signs did not meet the required specification of retro-reflectivity. Surface irregularities were also observed on most roads with seals.

However, despite the contractors not meeting specifications, all payments were made as per specifications in the contract resulting in overpayments, wasteful expenditure and lack of value for money. For example, a road base specified at 150 mm and contractor constructs at 100 mm but claims and is paid for 150 mm.

Implication:

The poor workmanship resulted in overpayments, wasteful expenditure and a lack of value for money.

viii. Failure to Recover Advance Payments -K90,950,424

Advance payments were made to three (3) contractors with the expectation, as outlined in the contract terms, that these funds would be recovered. However, these payments have not yet been recovered from the contractors. The table below provides specific details regarding the outstanding amounts and the contractors involved.

Project Name	Name of Contractor	Unrecovered Advance Payment
Upgrading of the Ndola – Mufulira – Mokambo Road (M4/M5 - 79.8 km) in the Copperbelt Province	Inyatsi Roads Zambia Limited with Marks Industries Limited (Joint Venture)	29,239,577
Upgrading of Isoka -Muyombe - Chama - Lundazi Road to Bituminous Standard in Eastern Province of Zambia Lot 5	Sable Transport Limited	41,710,847
Upgrading to Bituminous Standard of the Isoka – Muyombe – Chama – Lundazi Road Lot 2 in Muchinga Province	China Civil Engineering Construction Corporation	20,000,000
TOTAL		90,950,424

Implication:

The failure to recover advance payments entails that there is loss of funds thereby depriving the much-needed areas of development.

To address the various audit findings observed during the audit process, Dr. Mwambwa recommends the following:

- a. The RDA needs to prioritise and budget for projects in line with the approved budgets set by the Ministry of Finance and National Planning. All projects taken on should have a budget line and funds committed before proceeding to award the contract. This will help reduce on the high interest charges. The Ministry should re-evaluate future commitments and ensure that contract commitments do not strain the Government Treasury thereby increasing the level of domestic debt in relation to the road sector.
- b. To ensure that quality works are undertaken and value for money is obtained in road construction, consultants should be identified before the commencement of any works by the contractor as delayed engagement of consultants has the potential to compromise the adherence to specifications by the contractor as promulgated in the contract.
- c. There is need for the RDA to adhere to the finance and procurement regulations in the implementation of projects to achieve value for money and accountability for government assets.
- d. There is need for proper handover of projects that are prematurely terminated, final accounts to be done and assets recorded and surrendered to the Agency so that appropriate action is taken.
- e. There is need for the Agency to improve on its quality assurance systems so that infrastructure meets the specifications as set out in the contracts and this should be done before payments are made.
- f. Title deeds should be obtained for all properties falling under the Agency.

Dr. Mwambwa has called for remedial action to be taken on the report.

The Audit Findings mentioned in the Report are those which were not resolved during the audit process. For further details, the Special Audit Report on RDA can be accessed on the Office website www.ago.gov.zm.

Original Signed

Issued by: Ellen M. Chikale (Ms.)

Head of Public Relations

FOR/AUDITOR GENERAL