



REPUBLIC OF ZAMBIA

REPORT

of the

AUDITOR GENERAL

on the

Management of Constituency Development Funds

and

Grants to Local Authorities

for the Financial Year Ended 31st December 2012

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Executive Summary

This report contains findings on the audit of the Constituency Development Funds (CDF) and Grants to Local Authorities. See table below.

Finding	HEAD 29		Total K
	Constituency Development Funds (CDF) K	Grants to Local Authorities K	
Misapplication of Funds	662,501,095	2,735,524,080	3,398,025,175
Misappropriation	69,607,070	-	69,607,070
Irregular Payments	10,012,678,075	393,991,740	10,406,669,815
Unaccounted for Stores	870,741,278	191,647,284	1,062,388,562
Unaccounted for funds	267,700,000	191,647,284	459,347,284
Missing Payment Vouchers	337,484,440	490,450,198	827,934,638
Unsupported Payments	5,250,574,050	3,010,113,094	8,260,687,144
Unretired Imprest	108,717,000	1,151,458,037	1,260,175,037
Unapproved Payments	172,242,000	899,796,326	1,072,038,326
Excess Expenditure on Administration Activities	438,059,030	-	438,059,030
Failure to Follow Tender Guidelines	8,242,391,620	-	8,242,391,620
Failure to Remmit Statutory Contributions	-	8,125,102,460	8,125,102,460
Under Deduction of Tax	-	139,929,717	139,929,717
Fraudulent Payments	-	16,340,996	16,340,996
Unspent Funds	41,395,116,148	-	41,395,116,148
Unapproved Projects	556,438,000	-	556,438,000
Wasteful Expenditure	48,500,000	8,476,000	56,976,000
Uncredited Funds	-	946,251,873	946,251,873
Overpayment to Suppliers	767,885,450	-	767,885,450
Unimplemented Projects	957,544,010	-	957,544,010

The report is being submitted as an addendum to my report on the Accounts for the Financial Year ended 31st December 2012.

Introduction

This Report contains findings on the management of the Constituency Development Funds (CDF) and Grants to Local Authorities for the financial year ended 31st December 2012.

The Report is being submitted to the President for tabling in the National Assembly in accordance with the provisions of Article 121 of the Constitution of Zambia.

Audit Scope and Methodology

- 1** This Report is as a result of reviews, test checks, inspections and examination of accounting, stores, projects and other records maintained by public officers and others entrusted with the handling of public resources. The audit programmes were designed to give reasonable assurance that the funds disbursed by the Government have been utilised for the intended purposes.

The Report is also intended to provide information that would assist Parliament in its oversight responsibilities over the application of resources and execution of programmes by the Executive. Accordingly, the programmes were designed to highlight areas of weakness to facilitate formulation of recommendations by Parliament for remedial action by the Executive.

In the course of preparing the Report, the Controlling Officer at the Ministry of Local Government and Housing was sent appropriate draft paragraphs for comments and confirmation of the correctness of the facts presented. Where the comments varied with the facts presented, and were proved to be valid, the affected draft paragraphs were amended accordingly.

Limitation in Scope

- 2** Audits were planned so as to obtain all the information and explanations which were considered necessary in order to provide sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud, error or other irregularities. The execution of the audit programmes was limited by factors outside my control. In a number of instances, evidence available was limited due to failure by the Controlling Officer to give satisfactory responses to audit observations. In certain instances no responses were provided at all.

Head:	29	Ministry of Local Government and Housing
	04	Local Government and Administration
Unit:	04	Local Government Finance and Audit
Programme:	03	Support to Institutions (Local Councils)
Activities:	06	Constituency Development Funds (CDF)

Background

3 The CDF was established in 1995 to finance micro-community based projects for poverty reduction. Therefore, every financial year each Local Authority is mandated to include a provision for CDF in its capital budget. The Local Authority is required to account for the funds in accordance with the law. According to the guidelines on the selection of projects, the Constituency Development Committee (CDC) receives project proposals from sub-district development structures such as Area Development Committees (ADCs), Resident Development Committees (RDCs) and representatives of stakeholders from the townships on behalf of communities as the case may be and refer them to the Planning Sub Committee of the District Development Coordinating Committee (DDCC) for appraisal before recommending to the Council for adoption.

According to the guidelines on the management and utilisation of CDF and other related circulars, the CDF is supposed to be managed as follows:

- i. The Council (Local Authority) should administer the channeling and utilisation of the CDF.
- ii. The authority to decide the utilisation of the CDF is vested in the Council in accordance with Section 45 (1) of the Local Government Act Chapter 281 of the Laws of Zambia.
- iii. All payments to contractors executing constituency projects are supposed to be paid by bank cheques and no payments in cash is allowed.
- iv. Duties performed in connection with the administration of the CDF by members are part of community contribution. No allowances whatsoever should be paid from the CDF.
- v. The Council through the Director of Works should monitor the projects and issue progress reports on behalf of the Community which should be submitted to the Provincial Local Government Officer for onward submission to the Minister responsible for Local Government and Housing.

vi. Administrative component of CDF was pegged at K20,000,000 per constituency with effect from January 2010.

During the period from 2006 to 2013, the funds for CDF projects had increased from K60,000,000 to K1,300,000,000 per constituency as shown in the table below.

Year	Amount K	Percentage Increase Per Year
2006	60,000,000	0
2007	200,000,000	333
2008	400,000,000	100
2009	600,000,000	50
2010	665,000,000	11
2011	720,000,000	8
2012	1,000,000,000	39
2013	1,300,000,000	30

3.1. Project Implementation Guidelines

According to the guidelines, the implementation of the projects shall involve community participation in form of labour and use of locally available materials as much as possible.

For specialised works, the Tender Committee at District Level shall use flexible tender system in the invitation of tender offers from eligible contractors or suppliers. The District Tender Committee shall evaluate the bids and recommend to the Council for award of contracts which shall be communicated to the successful contractor or supplier. Preference shall be given to local contractors and suppliers.

The Council, through the Director of Works/Director of Engineering Services or District Planning Officer/Director of Social Economic Planning Offices from relevant Government Line Departments and the beneficiary Community shall monitor the project implementation monthly or as often as necessary depending on the nature and stage of the project. The Community shall be involved during monitoring. The monitoring team shall prepare progress reports on behalf of the community supported by the accounts for the quarter and submit through the Provincial Local Government Officer to the Minister of Local Government and Housing who shall analyse the reports and advise the Government on progress achieved in the implementation of micro-community projects and programmes in the constituencies.

The types of projects to be financed under CDF should be developmental in nature and be beneficial to various stakeholders in the Community.

Only projects which have been appraised and approved by the council should be funded. The Council should inform the CDC of its decision.

3.2. Budget and Funding

In the Estimates of Revenue and Expenditure for the financial year ended 31st December, 2012, a total provision of K150,000,000,000 was made as CDF to cater for one hundred and fifty (150) Constituencies and the whole amount was released between September and December 2012.

3.3. Weaknesses in the Implementation of Projects and Other Irregularities

An examination of accounting and other records maintained at the Ministry Headquarters and at sixty (60) Local Authorities around the Country and physical inspections of projects carried out in January 2014 in one hundred and twenty seven (127) constituencies revealed the following:

a. Unspent Funds

Contrary to CDF Guideline No. 7, out of K58,000,000,000 funded during the period from October to December 2012 in respect of fifty eight (58) constituencies, amounts totalling K41,395,116,148 had not been spent as of January 2014. See details below.

Province	No. of Constituencies	Total Amount K
North Western	2	1,867,483,000
Copperbelt	15	12,607,709,412
Central	6	2,465,665,085
Southern	9	6,802,404,567
Muchinga	2	1,490,146,000
Eastern	14	6,098,962,694
Lusaka	10	10,062,745,390
Total	58	41,395,116,148

Consequently, the 2012 CDF projects in the fifty eight (58) constituencies were not implemented during the year under review despite the availability of funds.

b. Irregularities in the Procurement of Earth Moving Equipment

During the period under review, eight (8) councils approved a total amount of K14,846,081,595 for the procurement of second hand earth moving equipment. In this regard, the Councils engaged five (5) suppliers at contract prices totalling K15,326,024,472 thus exceeding the approved amounts by K479,942,877 and as of December 2013, amounts totalling K11,975,600,622 had been paid to the suppliers.

However, there were irregularities in the procurement in that, the procurement of second hand equipment was against Government Procedures. In addition, Plant, Vehicle and Equipment Committee (PVEC) at Cabinet Office was not consulted; some equipment ordered and paid for had not been supplied while those supplied had neither been registered nor insured and in certain cases the equipment were defective. See details in the table below.

District	Constituency	Contractor	Date of Award	Delivery Period	Contract Amount K	Amount Paid K	Observation
Lusaka	Munali	Techmiya Commercials	27.11.12	5 weeks	3,138,694,455	2,824,825,225	Equipment delivered but not in use, not registered and not insured and one front loader for Munali had a faulty injector pump.
	Kanyama						
Choma	Choma Central	Techmiya Commercials	01.05.13	4 months	2,632,455,000	1,313,571,870	Tender not adhered to, equipment not delivered as of January 2014
	Pemba						
	Mbabala						
Kalomo	Kalomo Central	Techmiya Commercials	No contract	No contract	3,226,311,000	2,424,052,010	Tender not adhered to, equipment ordered was defective and not supplied as of January 2014
	Dundumwezi						
	Mapatizya						
Kazungula	Katombora	Techmiya Commercials	Nil	Nil	1,064,210,500	528,798,000	Equipment not delivered as of January 2014
Siavonga	Siavonga	KDG Auto link	No contract	No contract	519,000,000	519,000,000	No authority to single source
Chibombo		Eye Witness Solution	18.03.13	5 weeks	780,000,000	390,000,000	Supplier terminated the contract and as of January 2014, no refund had been obtained
Serenje	Serenje Central	REBA industrial Corperation	No information	Nil	694,000,000	694,000,000	Tender procedures flouted. Although equipment was delivered in April 2013, it had not been insured as of

							January 2014
Milenge	Cheembe	Twapalwa Industrial Corporation	20.02.13	Nil	696,500,000	706,500,000	Though equipment was delivered in June 2013, it had not been insured as of January 2014
Total					12,751,170,955	9,400,747,105	

a. Missing Payment Vouchers

Contrary to Financial Regulation No. 65, thirty six (36) payment vouchers in amounts totalling K337,484,440 were not availed for audit. See table below.

Local Authority	No of Payment Vouchers	Amount K
Kasama	3	8,900,000
Solwezi	25	287,180,000
Kaoma	5	26,667,000
Lusaka	1	6,013,440
Siavonga	2	8,724,000
Total	36	337,484,440

b. Unsupported Payments

Contrary to Financial Regulation No. 52, three hundred and twenty five (325) payments in amounts totalling K5,250,574,050 made during the period under review were not supported with relevant documentation such as quotations, receipts, invoices and stage completion certificates among others. See table below.

Local Authority	No of Payments	Amount K
Kasama	133	1,725,133,970
Luwingu	11	34,368,000
Kaputa	12	146,991,800
Mporokoso	15	428,384,000
Solwezi	56	1,162,199,300
Mufumbwe	7	48,252,000
Mongu	15	150,113,000
Kalabo	22	165,975,500
Senanga	14	138,338,000
Kaoma	18	210,868,300
Lusaka	2	175,000,000
Kapiri Mposhi	14	848,273,750
Monze	1	4,640,430
Siavonga	5	12,036,000
Total:	325	5,250,574,050

c. Unapproved Payment Vouchers

Contrary to Financial Regulation No. 48, which states that, “the original of a payment voucher shall be signed by the Controlling Officer, a Warrant Holder or by any other officer authorised to sign on their behalf”, payments in amounts totalling K172,242,000 involving eighteen (18) transactions were not approved by the responsible officers. See table below.

Local Authority	No of Transactions	Amount K
Kasama	1	7,130,000
Solwezi	8	133,702,000
Mongu	9	31,410,000
Total	18	172,242,000

d. Irregular Payment of Allowances

Contrary to CDF guidelines No.3 (d), which prohibits payment of allowances from Constituency Development Funds, amounts totalling K238,154,200 involving seventy four (74) transactions were paid as sitting allowances to councillors and council officers for CDF and Constituency Development Committee (CDC) meetings. See table below.

Local Authority	No of Transactions	Amount K
Mufumbwe	14	40,970,000
Kabwe	7	7,755,200
Kasama	9	38,305,000
Luwingu	19	7,800,000
Kaputa	16	41,879,000
Mporokoso	8	85,445,000
Chilubi	1	16,000,000
Total	74	238,154,200

e. Excess Expenditure on Administrative Activities

According to Circular No. MLGH/71/6/1 dated 23rd December 2009, each constituency was permitted to use K20,000,000 to administer the CDF. However, amounts totalling K438,059,030 in respect of nine (9) local authorities were spent in excess of the authorised amount as shown in the table below.

Local Authority	Constituency	Approved Administration K	Actual Expenditure K	Excess Expenditure K
Senanga	Senanga Central	20,000,000	95,783,400	75,783,400
	Nalolo	20,000,000	142,811,900	122,811,900
Chama	Chama North	20,000,000	54,364,320	34,364,320
	Chama South	20,000,000	28,985,480	8,985,480
Kasama	Kasama Central	20,000,000	33,080,000	13,080,000
Luwingu	Lupososhi	20,000,000	34,555,000	14,555,000
	Lubasenshi	20,000,000	34,103,530	14,103,530
Kaputa	Kaputa	20,000,000	23,322,400	3,322,400
	Chimbamilonga	20,000,000	35,670,000	15,670,000
Mporokoso	Lunte	20,000,000	73,970,000	53,970,000
	Mporokoso	20,000,000	89,603,000	69,603,000
Chilubi	Chilubi	20,000,000	31,810,000	11,810,000
Total		240,000,000	678,059,030	438,059,030

f. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K108,717,000 issued to fifteen (15) officers had not been retired as of January 2014. See table below.

Local Authority	No of Officers	Amount K
Kasama	3	16,470,000
Lusaka	1	10,000,000
Mansa	4	11,800,000
Senanga	4	61,150,000
Kapiri Mposhi	3	9,297,000
Total	15	108,717,000

g. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, stores items costing K816,327,278 (general stores, K698,509,540 and fuel K117,817,738) procured during the period under review were not accounted for in that there were no receipt and disposal details. See table below.

Local Authority	General Stores K	Fuel K	Total K
Chilanga	8,467,840	-	8,467,840
Mansa	-	1,703,160	1,703,160
Mufumbwe	206,619,700	-	206,619,700
Senanga	19,199,000	4,418,000	23,617,000
Kaoma	9,455,000	-	9,455,000
Kasama	-	44,182,250	44,182,250
Chilubi	338,920,000	-	338,920,000
Sinazongwe	-	67,514,328	67,514,328
Mazabuka	115,848,000	-	115,848,000
Total	698,509,540	117,817,738	816,327,278

3.4. Luapula Province

A total amount of K14,000,000,000 was released to seven (7) Councils to cater for CDF Projects in the fourteen (14) constituencies of Luapula Province as detailed in the table below.

District	No. of Constituencies	Total Amount K
Mansa	2	2,000,000,000
Mwense	3	3,000,000,000
Nchelenge	1	1,000,000,000
Samfya	3	3,000,000,000
Chiengi	1	1,000,000,000
Kawambwa	3	3,000,000,000
Milengi	1	1,000,000,000
TOTAL	14	14,000,000,000

The following were however observed:

a. Questionable Payments – Kawambwa Central Constituency

Contrary to CDF Guidelines which require that funds be used for the funding of projects, amounts totalling K120,000,000 were paid to twenty four (24) women’s groups as loans. The rationale of paying loans to Women’s Groups instead of funding the projects was questionable in that the Council has no mandate for lending money to the community. In addition, even the terms under which the loans would be repaid could not be ascertained.

b. Procurement of a Grader – Chembe Constituency

In 2012, an amount of K700,000,000 was approved for the purchase of a grader. In this regard, on 30th April 2013, the Council paid Twapalwa Industrial Cooperation an amount of K696,500,000 for the supply of a grader.

Although the grader was received in June 2013, as of January 2014, seven (7) months after purchase, the grader had neither been registered nor insured.

c. Project Management

A review of documents and physical inspections carried out on selected projects revealed weaknesses in the management of projects in that there was poor workmanship and failure to complete projects on time in respect of twenty seven (27) projects on which expenditure of K907,889,630 was incurred as detailed below.

Project Implementation District	Constituency	Project	Contractor	Contract Date	Allocated Amount K	Amount Spend K	Scope Of Works	Status
Chienge		Construction of Mwabu Rural Health Centre (RHC) Maternity Wing	Julsam Construction, Transporter and Supplier	12.08.13	110,000,000	16,472,330	Construction of a Maternity Wing	As of January 2014, only the foundation box had been done and works had stalled.
		Electrification of Lunchinda Rural Health Centre (2011)	ZESCO Ltd	2013	160,000,000	154,399,020	Installation of power	As of January 2014, only the installation of the poles had been done by ZESCO.
Mwense	Mwense Central	Electrification of Kapakala Village	ZESCO Ltd	28.01.13	60,000,000	50,652,150	Installation of power	As of January 2014, service cables had not been installed and power was not connected.
		Electrification of Mununshi RHC	ZESCO Ltd	28.01.13	60,000,000	56,919,390	Installation of power	Pole lines, transformer and service cables were installed. However, power was not connected as of January 2014.
		Electrification of Lwamfwe Primary School	ZESCO Ltd	28.01.13	60,000,000	65,438,810	Installation of power	As of January 2014, service cables had not been installed and power was not connected.
Mwense	Mambilima	Electrification of Chalwe RHC and Staff house	Gercha General Dealers	17.05.13	30,000,000	29,358,000	Installation of power	As of January 2014, service cables had not been installed and power was not connected.
		Completion of Staff house at Kashiba Primary School	Dachotwe General Dealers	17.05.13	40,000,000	26,499,450	Completion of one (1) Staff house	The structure was roofed, plastered and painted. However, because the planks used were not of the required standard, the roof was

								removed and as of January 2014 the structure had not been reroofed.
Mansa	Bahati	Construction of a staff house at Kalaba Primary School.	Mwaba Honour Chanda & Joseph Kabwe.	20.08.13	30,000,000	22,210,000	Construction of one (1) staff house.	Glass panes had not been fitted as of January 2014.
		Construction of staff house at Mutiti Primary School.	Daniel Bwalya / Arnold Chakulya	24.05.13	30,000,000	25,595,000	Construction of two (2) staff houses.	House 1: at wall plate level House 2: at wall plate level
Mwense	Mwense Central	Completion of 1x2 Classroom Block (CRB) at Buyantanshi Primary School	Babwa Contractors	17.05.13	45,000,000	43,885,750	Completion of 1x2 CRB	The rough cast was peeling off the walls and the drainage was being washed away.
		Completion of 1x3 Staff House Block at Kapamba Primary School	Muedary General Dealers and Contractors		110,000,000	86,141,600	Completion of 1x3 Staff House	As of January 2014, plastering had not been done and the roof was blown off.
Mwense	Mambilima	Rehabilitation of 1x2 Classroom Block at Kanyemba Primary School	Tresford Mwangata General Contractors	17.05.13	50,000,000	49,450,000	Rehabilitation of 1x2 Classroom Block	There were cracks in the head teacher's office and along the corridors.
		Construction of Bus Shelter at Katuta turn off.	Bewimech Investments	20.05.13	30,000,000	29,945,000	Construction of Bus Shelter	The bus shelter had been completed but cracks had developed on concrete benches and on the floor.
		Construction of Double VIP toilet at Mutima Basic School	Bewimech Investments	20.05.13	30,000,000	29,975,000	Construction of Double VIP toilet	VIP toilet had been completed but there was no handle on the lock and

								exterior wall requires another coat of varnish since first coat was absorbed by bricks.
	Mambilima	Construction of Double VIP toilet at Mweshi Primary School	Davies and London	20.05.13	30,000,000	26,981,000	Construction of Double VIP toilet	VIP toilet is complete but there are cracks in the beam filling.
Kawambwa	Pambashe	Construction of Staff House at Kota Primary School	Shikungwe Farms and Transporters	26.03.13	82,149,000	104,717,130	Construction of Staff House	There were cracks in the sitting room wall.
Mansa	Bahati	Construction of a 1 x 3 Classroom Block at Chibinde primary School	Naoket General Dealers	2013	30,000,000	18,865,000	Construction of a 1 x 3 Classroom Block	The slab was incomplete and project stalled. Twenty five (25) pockets of cement costing K1,750,000 were unaccounted for.
	Mansa	Mansa Central	Construction of Health Post at Masaba	Sylvester Chola	2013	38,211,000	30,310,000	Construction of Health Post
Construction of Maternity wing at Mwanguni Rural Health Centre			Sulami General Dealers	2013	45,000,000	40,075,000	Construction of maternity wing	The structure was at window level. Twenty (20) pockets of cement costing K1,400,000 were unaccounted for.
Total					1,070,360,000	907,889,630		

3.5. North - Western Province

A total amount of K12,000,000,000 was released to eight (8) local authorities to cater for the CDF Projects in the twelve (12) Constituencies of the Province as detailed in the table below.

District	No. of Constituencies	Amount Received K
Kabompo	2	2,000,000,000
Solwezi	3	3,000,000,000
Ikelenge	1	1,000,000,000
Mwinilung	1	1,000,000,000
Zambezi	2	2,000,000,000
Chavuma	1	1,000,000,000
Kasempa	1	1,000,000,000
Mufumbwe	1	1,000,000,000
Total	12	12,000,000,000

An examination of accounting and other related records maintained at five (5) selected Local Authorities namely Solwezi, Chavuma, Kapombo, Mufumbwe and Mwinilunga and physical inspections carried out in September 2013 on selected projects revealed the following:

a. Questionable Cash Drawings

CDF Guideline No. 3(c) states that all payments to contractors executing constituency projects shall be paid by bank cheque and no payments in cash shall be allowed. However, contrary to the guideline, during the period under review, cash amounting to K43,200,000 was drawn by Mufumbwe District Council.

As of January 2014, the cash had not been accounted for in that there were no expenditure details nor cash on hand.

b. Overpayment to Supplier – Solwezi Central

The Council approved an amount of K20,000,000 for the repair of the roof at Kakombe Primary School. In this regard, on 5th October 2012, the Solwezi Municipal Council engaged Janki Construction and Engineering to carry out the works at a contract price of K20,000,000.

Although the works were executed, a total amount of K40,000,000 was paid to the contractor resulting in an overpayment of K20,000,000. See table below.

Date	Payee	Cheque No.	Amount K
18.04.2013	Janki Construction	5842	20,000,000
22.04.2013	Janki Construction	5844	20,000,000
Total			40,000,000

As of January 2014, the amount overpaid to the contractor had not been recovered.

c. Solwezi East Constituency

i. Irregular Advance Payments to Contractors

CDF Guideline No. 12 (a) requires that a maximum of 15% of the contract sum should be made as advance payment within thirty (30) days after award of the contract.

However, during the period under review, amounts totalling K1,111,500,000 were paid to various contractors as advance payments with percentages ranging from 50% to 54% of the contract sums.

ii. Failure to Construct - Kulu Bridge

An amount of K30,000,000 was allocated for the construction of Kulu Bridge in Kangwena Ward. In this regard, in July 2012, the Council engaged Jubekel Limited to construct a new bridge at Kulu at a contract sum of K30,000,000.

The scope of works included replacement of existing timber bridge with modern concrete bridge with ring culverts. As of November 2012, the contractor had been paid the whole amount.

However, a physical inspection of the project carried out in January 2014 revealed that although the contractor had been paid in full, works had not commenced.

d. Project Management

A review of documents and physical inspections carried out in January 2014 revealed weaknesses in the management of projects in that there was poor workmanship, failure to complete the projects on time, lack of bill of quantities and overpayment to contractors in respect of two (2) projects on which expenditure totalling K75,000,000 had been incurred in Solwezi Central Constituency as detailed below.

Project	Contractor	Contract Date	Allocated Amount K	Total spent K	Scope of works	Remarks
Construction of a bridge at Kifubwa	Gulf Cost Contractors	2013	30,000,000	50,000,000	Construction of a bridge	Works on the bridge had not been completed. The contractor had been paid K20,000,000 in excess of the allocated amount.
Electrifying of Kabulobe Basic School	Nkumbi Trinity	May 2013	25,000,000	25,000,000	Supply and installation of power	Although a full amount had been paid, as of January 2014, only wiring had been done on the three (3) staff houses while wiring of two classroom blocks had not been done.
Total			55,000,000	75,000,000		

3.6. Copperbelt Province

A total amount of K22,000,000,000 was released to ten (10) Councils to cater for CDF Projects in the twenty two (22) constituencies as detailed in the table below.

Council	No. of Constituencies	Total K
Chililabombwe	1	1,000,000,000
Chingola	2	2,000,000,000
Kalulushi	1	1,000,000,000
Kitwe	5	5,000,000,000
Luanshya	2	2,000,000,000
Lufwanyama	1	1,000,000,000
Masaiti	2	2,000,000,000
Mpongwe	1	1,000,000,000
Mufulira	3	3,000,000,000
Ndola	4	4,000,000,000
Total	22	22,000,000,000

An examination of accounting and other records maintained at six (6) local authorities namely Ndola, Kitwe, Mufulira, Masaiti, Luanshya and Mpongwe and physical inspections carried out in September 2013 on selected projects revealed the following:

a. Misapplication of Funds – Masaiti District Council

Contrary to CDF Guideline No. 5 which states that, “the types of projects to be financed under CDF shall be developmental in nature and be beneficial to various stakeholders in the community,” on 28th September 2012, amounts totalling K66,000,000 were spent on

the payment of salaries and wages to Council workers, an activity not related to CDF. As of January 2014, the Council had refunded K45,000,000 leaving a balance of K21,000,000.

b. Uncollected Building Materials – Mpongwe District Council

Building materials costing K35,581,000 procured by Mpongwe District Council during the period under review had not been collected as of December 2013.

3.7. Central Province

A total amount of K14,000,000,000 was released to six (6) councils to cater for CDF Projects in fourteen (14) Constituencies as detailed in the table below.

District	No. of Constituencies	Amount Received K
Kabwe	2	2,000,000,000
Mumbwa	3	3,000,000,000
Kapiri Mposhi	1	1,000,000,000
Mkushi	2	2,000,000,000
Serenje	3	3,000,000,000
Chibombo	3	3,000,000,000
Total	14	14,000,000,000

An examination of accounting and other related records maintained at the six (6) Local Authorities namely Kabwe, Mumbwa, Kapiri Mposhi, Mkushi, Serenje and Chibombo and physical inspections carried out in January 2014 on selected projects revealed the following:

a. Delays in Commencement of Works

During the period under review, amounts totalling K212,240,240 were spent on the procurement of building materials for the implementation of six (6) projects. However, as of January 2014, works had not commenced on the projects.

b. Unapproved Projects – Keembe Constituency

Contrary to CDF Guideline No. 7, which states that only projects which have been appraised and approved by the council shall be funded, it was observed that on 14th August 2013, the council purchased fuel costing K60,000,000 for the purpose of grading township roads that were not among the approved projects.

3.7.1. Serenje District Council

a. Unauthorised Change of Project – Muchinga Constituency

An amount of K30,000,000 was approved for the construction of a staff house at Milulu Primary School. In this regard, on 4th June 2013, building materials costing K26,000,000 were procured and delivered to the site.

A physical inspection carried out in September 2013, revealed that the staff house had not been constructed and instead, the building materials were diverted and used to renovate an old dilapidated staff house. However, as of January 2014, no authority to change from the original approved plan was availed for audit.

It was also observed that the change from the original plan of constructing a staff house to renovating an old house was done without authority. Consequently, building materials costing K5,340,000 remained unutilized as of January 2014. See table below.

Details	Qty	Unit Price	Total Amount K
Cement 50kgs	40	70,000	2,800,000
Iron Sheets	22	70,000	1,540,000
Door Frames	2	250,000	500,000
Window Frame (Large)	1	500,000	500,000
Total			5,340,000

As of January 2014, no decision had been made regarding the unutilised materials.

b. Serenje Central Constituency

i. Stalled Project - Construction of Chipendeshi Bridge

An amount of K50,000,000 was approved for the construction of a bridge on Chipendeshi Stream to connect Teta and Chinshimba villages. In this regard, on 11th July 2013, the Council entered into a labour only contract with Mr Bwale Ezekiel at a contract sum of K3,000,000 to carry out the works.

As of January 2014, the whole amount had been spent on the procurement of building materials (K47,000,000) from Renchi Electrical and Hardware and labour (K3,000,000).

A physical inspection of the project carried out in January 2014 revealed that only the pillars were mounted on the sides and works had since stalled. See pictures below.



Abandoned Bridge



Foot bridge currently in use to cross the stream

ii. Failure to Follow Procurement Procedures

During the period under review, the Council purchased a grader from REBA Industrial Cooperation at a cost of K694,000,000.

It was observed that although the amount of K694,000,000 was beyond the District Tender Committee threshold (K500,000,000), the procurement was not submitted to the Provincial Tender Committee, contrary to ZPPA Circular No. 1 of 2013. In this regard, the procurement of the grader was irregular.

It was also observed that, although the grader was delivered on 12th April 2013, it had neither been registered nor insured as of January 2014.

3.7.2. Kabwe Municipal Council

a. Kabwe Central Constituency – Delays in Completion of Projects

i. Kasanda Malombe Primary School

On 6th July 2012, Kabwe Municipal Council awarded a contract to Dynamic Link Limited for the completion of a science laboratory and classroom block at the school at a contract price of K168,191,506 with a completion period of seven (7) weeks.

As of January 2014, the contractor had been paid a total amount of K159,000,000.

A site visit carried out in September 2013, fifty one (51) weeks after the proposed completion period, revealed that the science laboratory and the classroom block were not complete and the contractor was not on site. The following works were still outstanding:

- Fitting of glass panes on five (5) windows in the laboratory and five (5) in the classroom block.

- The fitting of the top parts of the Laboratory benches.
- Electrical fittings.

Further, it was observed that there were some defects as stated below:

- Poor quality of mortice locks and doors (Flush doors were used instead mukwa doors for both the laboratory and the classroom block).
- No cornices were put between the ceiling boards and the walls resulting in the ceiling separating from the walls.
- The floor was cracking in both the classroom and the laboratory.

ii. Failure to Commission a Project - Kaputula Police Post

During the period under review, amounts totalling K119,460,000 were spent on the construction of Kaputula Police Post.

However, as of January 2014, the project had not been commissioned due to the following security and health concerns raised by the Zambia Police Service:

- The ceiling was insecure as it was not reinforced.
- The location of cell toilets did not meet health standards and would therefore pose a health risk to inmates.

3.7.3. Project Management

A review of documents and physical inspections carried out in January 2014 revealed weaknesses in the management of projects in that there was poor workmanship, failure to complete the projects on time and payments were not supported with stage completion certificates in respect of seven (7) projects on which expenditure in amounts totalling K456,719,680 had been incurred as detailed in the table below.

District	Constituency	Project	Contractor	Contract Date	Allocated Amount K	Total Spent K	Scope of works	Remarks
Kabwe	Kabwe Central	Completion of science laboratory and classroom block at Kasanda Malombe Primary School	Dynamic Link Ltd	06.07.2012	168,191,506	159,000,000	Completion of Science Laboratory	As of January 2014, the science laboratory had not been completed.
		Construction of Kamanda Police Post	Jopa Mining Ltd	05.07.2012	78,575,620	75,696,700	Construction of Police Post	As of January 2014, the Police Post had been completed. However, defects such as cracks, the plaster peeling off and leakages had manifested
Kabwe	Kabwe Central	Completion of Chililalila Police Post	Albritech Consolidated Services Ltd	30.05.2012	120,550,500	114,522,980	Construction of Police Post	As of January 2014, the project had not been completed and the contractor was not on site.
	Chitambo	Construction of a	D. Mwape	23.09.2013	40,000,000	36,000,000	Construction of	As of January 2014, the

Serenje		labour ward at Yorum Mwanje Clinic					a labour ward	structure was at foundation level.
	Chitambo	Construction of a staff house at Yorum Mwanje Clinic	Soft N'gandwe	12.09.2013 (90 Days)	25,000,000	23,000,000	Construction of a staff house	Works had not been completed with the following outstanding: Roofing, flooring, fitting of doors, window panes and plastering.
	Chitambo	Construction of a 1 x 2 Classroom Block at Kachelo Community School	Edward Mwape	10.09.2013 90 Days	51,000,000	48,500,000	Construction of a 1 x 2 classroom block	Superstructure built up to window level, window and door frames fitted.
Total					483,317,626	456,719,680		

3.7.4. Chibombo District

a. Irregularities in the Purchase of a Grader – Chibombo Council

On 4th March 2013, the Council engaged Eye Witness Solutions to supply a second hand motor grader at a contract sum of K475,000,000 with a delivery period of five (5) weeks. According to the agreement, the Council was required to make an advance payment of 30% to the supplier. In this regard, on 7th March 2013 the Council paid an amount of K142,500,000 as advance payment.

However, on 18th March 2013, the council terminated the contract for the supply of a second hand grader and instead awarded Eye Witness Solution a new contract to supply a brand new grader at a sum of K780,000,000 with a delivery period of five (5) weeks. On 19th March 2013, an amount of K247,500,000 was paid to the supplier as advance payment for a new grader bringing the total amount paid to K390,000,000 representing 50% of the contract sum.

The following were however observed:

- i. The tender of the procurement for a new grader was not advertised but instead selective procurement was done. There was no evidence of a “No Objection” authority obtained from ZPPA.
- ii. No Certificate of Incorporation of the Guarantor was availed.
- iii. On 3rd June 2013, the supplier terminated the contract and on 22nd August 2013 the Council through its lawyer entered into a consent judgement with the Suppliers Lawyer to refund the K390,000,000 plus interest. However the judgement did not specify the time frame in which the money was to be paid. As of January 2014, the Supplier had only refunded an amount of K25,000,000 leaving a balance of K365,000,000.

b. Irregular Use of Block Making Machine

An amount of K17,500,000 was approved for the procurement of a block making machine and building materials for Mubanga Youth Club in Chikobo Ward. In this regard, the Council purchased a block making machine and materials at a total cost of K17,500,000 as detailed below.

Payee	Date	Amount K	Details
Keshi Limited	15.05.2013	10,500,000	Block making machine
Keshi Limited	22.07.2013	2,000,000	Quarry dust
Keshi Limited	15.05.2013	5,000,000	Building materials
	Total	17,500,000	

A physical inspection carried out in September 2013 revealed that although the block making machine was delivered, the club was not operational. It was also observed that the block making machine was instead stationed at the Area Councillor's house, who was using it for personal business, contrary to CDF Guidelines.

3.8. Northern Province

A total amount of K13,000,000,000 was released to eight (8) councils to cater for CDF Projects in the thirteen (13) constituencies of Northern Province as detailed in the table below.

District	No. of Constituencies	Total K
Kasama	2	2,000,000,000
Mungwi	1	1,000,000,000
Mbala	2	2,000,000,000
Luwingu	2	2,000,000,000
Mporokoso	2	2,000,000,000
Chilubi	1	1,000,000,000
Mpulungu	1	1,000,000,000
Kaputa	2	2,000,000,000
TOTAL	13	13,000,000,000

An examination of accounting and other records relating to the management of the funds and implementation of projects and physical inspections carried out in September 2013 in the five (5) Districts revealed the following:

a. Misapplication of Funds

During the period under review, amounts totalling K312,120,480 were spent on activities such as payment of allowances to Councillors, wages to Council employees, procurement of spare parts and settlement of utility bills, activities which were not related to CDF as shown in the table below.

District	Amount K	Details
Luwingu	7,670,000	Servicing of Mitsubishi Canter and purchase of spare parts
Kaputa	118,108,480	Allowances for CDC meetings and other administrative costs
Mporokoso	168,342,000	Transport costs and payment of allowances
Chilubi	18,000,000	Payment of sitting allowance, refreshments and payment of casual workers
Total	312,120,480	

b. Failure to Implement Approved Projects

Although funds for 2012 CDF projects were received in November 2012, it was observed that nine (9) funded projects in amounts totalling K488,000,000 in respect of three (3) constituencies had not been implemented as of January 2014 despite the availability of the funds.

c. Excess Expenditure on Projects

A total amount of K590,540,000 was approved for the implementation of twelve (12) projects during the period under review. However, it was observed that amounts totalling K848,621,420 were spent on the projects resulting in excess expenditure of K258,081,420.

d. Irregular Payments for Projects - Kaputa Constituency

An Amount of K250,000,000 was approved for women and youth empowerment projects in the Constituency. As of September 2013, a total amount of K249,700,000 had been spent on allowances to councillors (K29,700,000) and funding of projects (K220,000,000).

However, the following were observed:

- i. Contrary to the CDF guideline No. 3(d) which states that “no allowances whatsoever shall be paid from the Constituency Development Fund”, it was observed that on 24th and 25th January 2013, a total amount of K29,700,000 was paid to councillors as allowances for conducting training to women and youth groups.
- ii. As of December 2013, the K220,000,000 funded to the clubs had not been accounted for in that there were no records both at the Council and at the visited clubs on how they utilised the disbursed funds.

e. Procurement of Hammer Mills – Lukashya Constituency

An amount of K49,000,000 was approved for the procurement of two (2) hammer mills for two (2) Women Clubs. In this regard, in January 2013, a total amount of K48,500,000 was paid to two (2) suppliers for the supply of hammer mills and accessories as detailed below.

Payee	Cheque No.	Date	Total spent K	Details
B4U General Dealers and Contractors	623	24.01.2013	24,000,000	Procurement of Hammer mill at Changwa Village
Shadatri General Dealers	486	28.01.2013	24,500,000	Procurement of Hammer mill for Chintashika women club at Chimfwembwe Village
Total			48,500,000	

Although the hammer mills were delivered in January 2013, a physical inspection carried out in January 2014 revealed that both hammer mills were not operational.

Inquiries made revealed that the hammer mills were non operational due to non compatibility of the engine with other accessories. As of December 2013, no action had been taken to have the correct accessories supplied by the supplier.

3.8.1. Kasama Municipal Council

a. Failure to Adhere to Procurement Guidelines

According to Public Procurement Act No. 12 of 2008, all procurements above K10,000,000 to K50,000,000 should be authorised or approved by the Controlling Officer/Chief Executive or Town Clerk. Further, the Head of Department or Director can only authorize or approve payments up to K10,000,000.

However, contrary to the Act, amounts totalling K1,391,942,650 involving sixty eight (68) transactions, in respect of procurement of two (2) hammer mills and various building materials for CDF projects were approved by the Director of Finance during the period from September 2012 to June 2013 which were beyond his threshold.

b. Kasama Central Constituency

i. Irregular Award of Contract - Construction of the Recreation Hall

An amount of K60,000,000 was approved for the construction of a recreation hall in Newtown-Mulilansolo Ward. In this regard, on 27th February 2013, the Council awarded a contract for the construction of a recreation hall to Jeloh Building Contractors and General Suppliers of Kasama at a contract sum of K60,000,000. The scope of works was to construct the superstructure from the slab up to the wall plate level.

As of December 2013, the contractor had been paid a total amount of K57,000,000.

The following were however observed:

- **Failure to Follow Tender Procedures**

Contrary to the provision of the ZPPA Act of 2008, the contract was awarded without following the procurement process such as invitations of bidders, selection and subsequent evaluation of bidders.

- **Excess Advance Payment**

CDF Guideline No. 12 (a) requires that a maximum of 15% of the contract sum should be paid as advance payment within thirty (30) days after award of the contract.

It was however, observed that on 1st March 2013, an amount of K18,000,000 was paid to the contractor, representing 30% of the contract sum as advance payment instead of K9,000,000.

- **Project Status**

A physical inspection of the project carried out in January 2014, revealed that works had stalled at upper window level and the contractor had abandoned the site.

c. Lukashya Constituency

i. Supply of Building Materials - Overpayment

On 8th February 2013, Kashita General Trading was paid a total amount of K52,720,000 for the supply of various electrical materials for the electrification of Mulanshi and Tibi Basic Schools in Kapongolo Ward.

However, a scrutiny of the attached invoices revealed that the Council was invoiced a total amount of K26,461,000 for the supply of various electrical materials resulting in an overpayment of K26,259,000 as shown in the table below.

Supplier	Amount Invoiced K	Amount Paid K	Over Payment K
Kashita General Trading	14,164,000	28,910,000	14,746,000
Kashita General Trading	12,297,000	23,810,000	11,513,000
Total	26,461,000	52,720,000	26,259,000

As of January 2014, the Council had not claimed the K26,259,000 from the supplier.

ii. Delays in Commencement of Works – Construction of 1 x 3 Classroom Block (CRB)

An amount of K21,000,000 was approved for the Construction of a 1 x 3 CRB at Chanda Mukulu Basic School in Chibundu ward. In this regard, in January 2013, the council engaged Muchoda General Dealers and General Contractors at a contract sum of K21,900,000 to carry out the works.

However, despite the contractor being paid K18,900,000, only the footing of the foundation box had been partly done and as of January 2014, the project had stalled.

3.8.2. Mporokoso District Council

a. Misappropriation of Funds

During the period from February to July 2013, amounts totalling K69,607,070 were paid to three (3) officers to facilitate for the payment of allowances and fuel imprest to other officers to carry out project appraisals and verification of CDF projects in Mporokoso and Lunte Constituencies.

However, an examination of records revealed that there were no acquittal sheets to support the payments to the other officers. In addition, inquiries made revealed that the activity was not undertaken. As of January 2014, no action had been taken by the Council.

b. Over Payment to Contractor

In August 2013, the Council engaged Kigan Bwalya on a labour only contract to plaster, floor and roof Chilando School at a contract price of K2,500,000.

It was however observed that although the works were done, the contractor was paid K5,000,000 instead of the contracted amount of K2,500,000 resulting in an over payment of K2,500,000 which had not been recovered as of January 2014.

c. Construction of a Market Shed - Mporokoso

An amount of K352,000,000 (K255,000,000 in 2010 and K97,000,000 in 2012) was approved for the construction of a market shed. In this regard, the Council

awarded Katuna Ziwande Estates a labour only contract at a sum of K50,000,000 to carry out the works with a completion period of six (6) months. The scope of works included fabricating steel pillars and rafters, roofing, casting concrete columns and electrical installations.

As of January 2014, amounts totalling K260,905,000 had been spent on materials (K236,765,000) and labour (K24,140,000).

A physical inspection of the project carried out in January 2014 revealed that the shade had developed cracks on the points where the poles were anchored.

d. Construction of a Laboratory – Lunte Constituency

In 2012, Mporokoso District Council approved an amount of K120,000,000 for the construction of a Laboratory at Kapatu Secondary School. In this regard, in January 2013, the Council engaged a local contractor on a labour only contract at a sum of K20,000,000 to carry out the works.

As of January 2014, a total amount of K142,995,000 had been spent on Labour (K3,000,000) and Materials (K139,995,000) exceeding the allocated amount by K22,995,000.

A physical inspection of the project carried out in January 2014 revealed that the structure had reached gable level. However, contrary to Public Stores Regulation No. 16, no records of receipt and disposal details were maintained on how materials costing K129,375,000 applied on the project were utilised.

3.8.3. Project Management

An examination of accounting and other records and physical inspections carried out on selected projects revealed weaknesses in the management of projects in that there was poor workmanship, failure to complete works on time in respect of thirteen (13) projects on which a total expenditure of K716,622,440 had been incurred as detailed below.

District	Constituency	Project	Contractor	Contract Date	Contract Sum / Amount Allocated K	Amount Paid to Contractor K	Scope of Works	Observations
Kasama	Kasama Central	One (1) Staff House at Mumana Lupando Health Post	Kamwepa General Dealers	January 2013	30,000,000	26,992,000	Construction of one (1) Staff House	As of January 2014, the structure was at window level and works had stalled. Building materials costing K9,220,000 procured on 24 th January 2013 had not been delivered as at the time of audit.
	Kasama Central	Culvert Installation and Drainage- Mwamba Road	Dav-Joh General Dealer	Not Specified	40,000,000	21,300,000	Supply and Installation of culverts	Although a payment of K5,381,400 for labour had been made, the culverts had not been installed.
	Lukashya	Chimbele Basic School	Jeloh Buildings and Contractors General Suppliers	February 2013	20,000,000	18,000,000	Construction of the slab for 1x3 Classroom Book	As of January 2014: <ul style="list-style-type: none"> • Back filling of the foundation footing had been done and works had stalled. • Building materials

Kasama								costing K9,300,000 procured on 6 th February 2013 had not been delivered.
	Lukashya	Lualuo Upper Basic School	Jeloh Buildings and Contractors General Suppliers	February 2013	20,000,000	18,000,000	Construction of a slab for the Administration block	As of January 2014: <ul style="list-style-type: none"> • The slab was incomplete and works had stalled • Building materials costing K8,775,000 paid for on 1st February 2013 had not been delivered.
	Lukashya	Rehabilitation of Girls dormitory at Munkonge Upper Basic School	Jeloh Buildings and Contractors General Suppliers	-	20,447,000	19,447,000	Rehabilitation of Girls dormitory	As of January 2014: <ul style="list-style-type: none"> • Works had not been completed and the contractor was not on site. • Building materials costing K4,450,000 procured on 29th January 2013 had not been delivered.

	Lukashya	Construction of Chiba Police Post	Council	11.02.2013	33,000,000	31,490,000	Construction of Police Post`	As of January 2014: <ul style="list-style-type: none"> • Only the foundation had been dug by the local community • Building materials costing K11,005,000 procured on 11th February 2013 had not been delivered.
Luwingu District Council	Lupososhi	Kawele Bridge	JERAM Construction and Building Suppliers	60 days 30/05/2013 to 31/07/2013	118,000,000	81,365,000	Earth embankment gravelling, concrete works and culvert, bridge at Kawele Stream	As of January 2014, only the embankment had been done with the rest of the works still outstanding.
		Construction of a staff house at Chibofwe School	Sampa Kaboko	Contract not availed	30,000,000	18,830,000	Construction of one staff house.	As of January 2014, the structure was at window level.
		Construction of the Lwansase Radio Station.	Luwingu Council		50,000,000	48,990,000	Construction of the radio station.	As of January 2014 only the foundation box had been done and works had stalled.

		Construction of embankment at Lupela Stream.	Luwingu council		25,895,000	17,368,000	Construction of embankment at Lupela Stream.	As of January 2014, works had not commenced despite the availability of materials.
Mporokoso	Lunte	Construction of a Staff house at Mukupa Kaoma Rural Health Centre	Chikwekwe Wood Processing and Company Limited	24/07/2013 to 23/10/2013	80,000,000	115,930,000	construction of staff house	As of January 2014, works had not been completed.
	Mporokoso Central	Electrification of Kawikisha Basic School	Zambia Electricity Supply Corporation (ZESCO)	6 th June 2013 to 6 th September 2013 (90 days)	200,000,000	183,360,440	Provision of power line and connection to the school and staff houses.	As of January 2014, works had not commenced.
		Construction of Mporokoso District Bus Station	Geomatone contractors		31 st January 2012	112,505,000	115,550,000	Construction of bus station.
Total					779,847,000	716,622,440		

3.9. Western Province

A total amount of K17,000,000,000, was released to seven (7) councils to cater for CDF Projects in the seventeen (17) constituencies of the Western Province as detailed below.

Council	No. of Constituencies	Amount K
Mongu	3	3,000,000,000
Kaoma	3	3,000,000,000
Shangombo	1	1,000,000,000
Sesheke	3	3,000,000,000
Kalabo	3	3,000,000,000
Lukulu	2	2,000,000,000
Senanga	2	2,000,000,000
TOTAL	17	17,000,000,000

An examination of records maintained at the five (5) councils namely Mongu, Kaoma, Senanga, Kalabo and Lukulu and inspections carried out in September 2013 revealed the following:

a. Unapproved Projects

Contrary to CDF Guideline No. 7, a total amount of K346,706,000 involving thirty four (34) transactions in respect of four (4) constituencies was spent on projects which were not approved by the Council.

b. Mongu Municipal Council

i. Irregular Payment – Nalikwanda Constituency

Contrary to CDF Guideline No. 5, the Council irregularly paid an amount of K13,840,000 on 24th January 2013 from the CDF as rentals in respect of the Nalwei Police Post and accommodation for three (3) police officers.

ii. Irregularities in the Awarding of Contracts – Mongu Central

In May 2013, the Mongu Municipal Council awarded four (4) labour only contracts to three (3) contractors for the construction of staff houses at four (4) schools as shown in the table below.

No.	School	Project Descriptions	Contractor	Amount K
1	Lulambo Basic	Construction of a 1x3 staff house	Machisa Contracting	38,000,000
2	Mutalaite Basic	Construction of a 1x3 staff house	Amutahe Enterprises	38,000,000
3	Kama Basic	Construction of a 1x3 staff house	Tabowange Prime Services	38,000,000
4	Ndau Basic	Construction of a 1x3 staff house	Amutahe Enterprises	38,000,000
	Total			152,000,000

The contracts were however irregularly awarded in that:

- The three (3) contractors engaged did not meet the requirements at the preliminary evaluation stage and therefore did not qualify.
- The contracts were awarded to the contractors based on a directive from the Area Member of Parliament.
- As of January 2014, amounts totalling K452,184,000 had been spent and a physical inspection carried out revealed that the construction works had not been completed. See details in the table below.

Project	Contractor	Contract Date	Allocated Amount K	Total Spent K	Project Status
Construction of 1 x 3 Semi detached staff houses at Mutalaiti Basic School	Amutahe Enterprises and Contractors	17 th June 2013	164,024,840	115,347,500	As of January 2014: <ul style="list-style-type: none"> The structure was at window level. The structure was constructed without a slab Building materials costing K100,547,500 could not be verified due to lack of receipt and disposal details.
Construction of 1 x 3 Semi detached staff houses at Ndao Basic School	Amutahe Enterprises and Contractors	17 th June, 2013	K164,024,840	111,983,500	As of January 2014: <ul style="list-style-type: none"> Only the foundation trenches had been done. Building materials costing K14,661,000 paid for in April 2013, had not been delivered.
Construction of 1 x 3 Semi detached staff houses at Lulambo Basic School	Machisa Contracting and Supply	19 th June, 2013	K164,024,840	120,250,500	As of January 2014: <ul style="list-style-type: none"> Only the foundation foundation walls had been done. Building materials costing K16,536,000 paid for in April 2013, had not been delivered.
Construction of 1 x 3 Semi detached staff houses at Kama Basic School	Tabowange Prime Services	5 th July, 2013	K164,024,840	104,602,500	As of January 2014: <ul style="list-style-type: none"> The structure was at window level and the contractor was not on site. Building materials costing K8,513,000 paid for in April 2013, had not been delivered.

3.9.1. Project Management

A review of documents and a physical inspection carried out on selected projects revealed weaknesses in the management of projects in that there was poor workmanship and failure to complete the projects on time as detailed below.

Constituency	Project	Contractor	Contract Date	Allocated Amount K	Total Spent K	Scope of Works	Project Status
Mongu Central	Construction of Kanyonyo police Post	Greenlight Contractors and General Dealers	6 th August 2013	K100,000,000	54,749,610	Sub structure, superstructure, roofing, plastering, painting, glazing, metal works and carpentry works.	As of January, 2014 the structure had stalled at window level due to lack of cement.
	Completion of 1 x 2 CRB at Mukangu basic School	Kaeni Enterprises	2013	K25,000,000	22,200,000	Roofing, glazing, plastering, painting, flooring and fitting air vents.	As of January, 2014 works had not been completed in that roofing and fitting of air vents were still outstanding.

Nalikwanda	Completion of Police Post at Nalwei	Kaeni Enterprises		K20,000,000	29,490,000	Roofing, glazing, plastering, painting, flooring.	A Physical inspection of the projects carried out in January 2014 revealed that the Police Post had been roofed with works such as construction of the concrete slab and flooring still outstanding. It was also observed that an amount of K9,490,000 was incurred in excess of the approved amount
	Construction of a Staff House at Nakato Basic School	Charles M. Mbumwae	2012	K55,000,000	37,900,000	Sub structure, superstructure, roofing, plastering, painting, glazing, metal works and carpentry works.	As of January 2014, the structure had been roofed with works such as plastering, glazing, flooring of the verandah, fixing doors, fitting air vents still outstanding. It was further observed that the structure was constructed without a slab.
Total					144,339,610		

3.9.2. Kalabo District Council

a. Questionable Payment - Completion of Friary House - Kalabo Central Constituency

In July 2011, Kalabo District Council engaged Simuna Contractors to rehabilitate a friary house for teachers at Sihole Basic School at a contract sum of K90,000,000. Although the contractor was paid in full, as of December 2013, the works had not been completed in that the demolishing and replacing of walls, fitting door frames and doors, fitting window frames and glazing, mending cracks and painting were outstanding and the contractor was not on site. Further, the payments were not supported by stage completion certificates.

b. Liuwa Constituency

i. Construction of a 1x2 Classroom Block (CRB) – Poor Workmanship

On 29th March 2013, Kalabo District Council signed a contract with Mude Enterprise to construct a 1 x 2 classroom block at Liuwa Primary School at a contract sum of K203,749,000. The contract was for a period of five (5) months commencing on 29th March, 2013. The scope of works included block work and concrete, carpentry, joinery and roofing, metal work, glazing, plastering, painting and decoration among others.

As of September 2013, the contractor had been paid a total amount of K89,612,100 representing 44% of the contract sum leaving a balance of K114,136,900.

A physical inspection of the project carried out on 13th September 2013 revealed that, although the building was at gable level, the works were poorly done in that:

- The ring beam had several cracks.
- The exterior walls were not vertically upright,
- The slab and the walls had developed cracks.

ii. Delayed Works - Construction of 1 x 2 and 1 x 1 VIP Toilets

An amount of K40,000,000 was approved for the construction of 1 x 2 and 1 x 1 VIP toilets at Salunda Rural Health Centre. In this regard, in February 2013, Simuna Contractors were engaged to carry out the works at the contract price of

K40,000,000 for a duration of one month. On 5th March 2013, Simuna Contractors was paid K25,000,000 for the construction of the toilets.

However, a physical inspection of the project conducted on 13th September 2013 revealed that, three (3) months after the expected completion date, works had not commenced.

c. Project Management

A review of documents and a physical inspections carried out on selected projects revealed weaknesses in the management of projects in that there was poor workmanship and failure to complete the projects on time in respect of five (5) projects on which a total expenditure of K228,390,450 had been incurred as detailed below.

Constituency	Project	Contractor	Contract Date	Contract/Allocated Amount K	Total Spent K	Project Status
Kalabo Central	Construction of a Mothers Shelter at Namatindi Rural Health Centre (RHC)	Mukhuwe General Dealers	26.04.13 – 26.07.13 (3 months)	93,004,000	60,454,000	A physical inspection of the project carried out in January 2014 revealed that the structure was at gable level and the contractor was not on site.
Liuwa	Construction of a Staff House at Luoke East Basic School	West Power Construction	02.04.13	143,042,000	60,290,100	A physical inspection of the project carried out in January 2014 revealed that the building was at window level.
Sikongo	Rehabilitation of a 1x2 Staff house at Malondo Basic School	Kafu Itende enterprises	29.03.13	93,855,000	46,942,500	As of January 2014, the structure had been partially roofed and the structure was constructed without a slab.
	Construction of 1x2 CRB at Nyengo Basic School	Mude Enterprise	15.07.13	198,839,000	29,825,850	As of January 2014, works had not commenced and no action had been taken by the Council despite the contractor being paid K29,825,850 in September, 2013 for mobilisation.
	Construction of a Staff house at Honge	Mula Hardware Suppliers and General Trading	23.09.13	130,000,000	30,878,000	A physical inspection of the project carried out in January 2014 revealed that only foundation walls had been done and the project had since stalled.
Total				658,740,000	228,390,450	

3.9.3. Senanga District Council

a. Irregular Transfer of Funds – Senanga District Council

During the period under review, amounts totalling K83,390,970 involving fourteen (14) transactions were irregularly transferred from the Constituency Development Fund Accounts (Senanga Central K49,174,970 and Nalolo K34,216,000) to the District Fund Account and applied on the day to day operations of the Council contrary to CDF guidelines.

b. Failure to Execute Works – Installation of Water Lines

Senanga District Council approved an amount of K35,000,000 for supplying and installing of water lines at the Airport and Nayaya Council house in Senanga Central Constituency. In this regard, in February 2013, the Council engaged Western Water and Sewerage Company to carry out the works at a sum of K38,651,000. As of September, 2013 a total amount of K35,000,000 had been paid.

A physical inspection of the project conducted on 20th September 2013 revealed that the water lines had not been supplied.

c. Nalolo Constituency

i. Construction of 1 x 3 Classroom Block (CRB)

An amount of K50,000,000 was approved for the construction of a 1x3 classroom block at Liliachi Basic School. In this regard, on 22nd March 2013 a labour only contract was awarded to Green View Contractors at a sum of K10,000,000 to carry out the works.

As of September 2013, a total amount of K51,098,000 had been spent on building materials (K36,098,000), transportation (K5,000,000) and labour (K10,000,000) exceeding the approved amount by K1,098,000.

An examination of records and a physical inspection of the project carried out on 18th September 2013 revealed the following:

- **Unaccounted for Building Materials**

Building materials costing K18,833,000 could not be accounted for as there were no receipt and disposal details.

- **Project Status**

As of September 2013, the structure had been roofed with six (6) window frames at the front of the classroom fitted with the rest of the works outstanding. However, it was observed that, there was poor workmanship in that the structure had no slab, walls of the classroom block were bend, ridges were not properly connected to the

iron sheets and the roof was warping. Further, cracks had manifested on the walls. See picture below.



Incomplete 1 x 3 CRB



Poor Workmanship

ii. Construction of a 1x2 Semi Permanent Classroom Block (Mud and Pole)

An amount of K30,000,000 was approved for the construction of a 1x2 semi permanent classroom block at Kaanda Basic School. In this regard, the council engaged Hambanga Nyambwa to carry out the works at a sum of K4,500,000.

As of September 2013, the whole amount of K30,000,000 had been spent on building materials (K20,500,000), transportation (K5,000,000) and labour (K4,500,000).

However, an examination of records and a physical inspection carried out on 18th September 2013 revealed the following:

- **Unaccounted for Funds**

On 6th March 2013, the council paid a total amount of K4,500,000 to the Deputy Head Teacher to facilitate the payment of labour charges to the contractor. However, the funds were not accounted for in that the contractor was not paid and the cash was not found on hand.

- **Project Status**

As of September 2013, the structure had been roofed, with window frames and doors fitted, while works such as flooring were still outstanding and the contractor was not on site.

d. Project Management

A review of documents and a physical inspection carried out on selected projects revealed weaknesses in the management of projects in that there was poor workmanship, failure to complete the works on time in respect of eight (8) projects on which expenditure totalling K243,433,000 had been incurred as detailed below.

Constituency	Project	Contractor	Contract Date	Allocated Amount K	Total Spent K	Scope of Works	Project Status
Senanga Central	Construction of a Police Post at Naande	Molu Builders	11.03.13	70,000,000	56,250,000	Construction of a Police Post	As of January 2014, only the concrete slab had been constructed with the rest of the works outstanding. Various building materials costing K5,045,000 had not been delivered.
	Construction of 1x2 CRB at Maziba Basic School	Tubic Matali	19.02.2013	80,000,000	65,183,000	Construction of a 1 x 2 CRB.	As of January 2014, the structure was at gable level.
	Construction of Fee paying toilets	Senanga Council		70,000,000	22,500,000	Construction of a fee paying toilet.	As of January 2014, the toilet had been roofed with works such as fitting of doors, glazing, plastering, flooring, painting, plumbing, fitting of toilet seats and cisterns still outstanding. In addition, building materials costing K10,000,000 could not be verified due to lack of receipt and disposal details
	Construction of a Mothers Shelter at Muoyo Rural	Avic International	07.03.2013	30,000,000	25,500,000	Construction of a Mothers' Shelter	As of January 2014, only the foundation had been done. In addition, building materials costing K2,000,000 had not been delivered.

Nalolo	Health Center						
	Completion of a staff house at Nasiwayo Basic School	Charles Silumesi	March 2013	30,000,000	26,000,000	Block work from window level, roofing, plastering, painting, fixing air vents, flooring	As of January 2014, the house had been partly roofed with works such as roofing of the sitting room, plastering, painting, flooring, carpentry works, fitting of air vents outstanding;
	Construction of a 1x3 CRB at Muoyo High School	Davy Lemba	March 2013	100,000,000	48,000,000	Construction of a 1x3 Classroom Block (CRB)	As of January 2014, the structure had stalled at ring beam.
Total					243,433,000		

3.9.4. Lukulu District Council

a. Delays in the Completion of the Construction of a 1x3 Classroom Block (CRB) - Lukulu West Constituency

In 2012, the Council approved an amount of K108,000,000 for the construction of 1 x 3 classroom block. In this regard, on 17th April 2013, the Council engaged Kauke Jewellery and General Dealers to carry out the works at Lute Basic School at a contract sum of K108,000,000 with a completion period of ninety (90) days commencing on 19th April 2013.

As of September 2013, the contractor had been paid a total amount of K97,500,000 leaving a balance of K10,500,000.

A physical inspection carried out in September 2013, revealed that works had not been completed. In this regard, construction of the concrete slab, plastering, flooring, glazing, painting, and construction of the drainages were still outstanding.

b. Project Management

A review of documents and a physical inspection carried out on selected projects revealed weaknesses in the management of projects in that there was poor workmanship, failure to complete works on time in respect of two (2) projects on which expenditure totalling K123,000,000 had been incurred as detailed below.

Constituency	Project	Contractor	Contract Date/period	Allocated Amount K	Total Spent K	Scope of Works	Project Status
Lukulu West	Construction of a slab for a 1x3 CRB at Mbumi Basic School	Nyakay Enterprises	17.04.13 to 19.07.13 (90 days)	63,000,000	37,500,000	Construction of a slab for a 1x3 CRB.	As of January 2014, only the foundation trenches had been done.
Lukulu East	Completion of a 1x2 CRB at Dongwe Basic School	Twin Palm Contractors	17.04.13 to 19.07.13 (90 days)	105,000,000	85,500,000	Flooring, roofing, metal works, panel doors, glazing, plastering, painting, shelving and construction of the drainage	A physical inspection of the project carried out in January 2014 revealed that the works were not complete as painting had not been done. It was further observed that the floor had developed cracks and the contractor had abandoned the site.
Total					123,000,000		

3.9.5. Project Management - Kaoma District Council

A review of documents and a physical inspection carried out on selected projects revealed weaknesses in the management of projects in that there was poor workmanship and failure to complete the works on time in respect of eight (8) projects on which expenditure totalling K342,765,750 had been incurred as detailed below.

Constituency	Project	Contractor	Contract Date	Allocated Amount K	Total Spent K	Scope of Works	Project Status
Kaoma Central	Drilling of twenty three (23) boreholes in the district	Irrigation World Ltd	12.04.13	678,500,000	204,000,000	Drilling and installation of twenty three (23) Indian Mark II pumps	As of January 2014, out of twenty three (23) boreholes eleven (11) boreholes had been drilled and the contractor was not on site.
	Completion of a staff house at Mulalila Basic School	Sitali Kumoyo (labour Only K9,000,000)	10.01.2013	20,000,000	16,714,000	Beam filling, roofing, plastering and painting	A physical inspection of the project conducted in January 2014 revealed that works were not complete in that plastering and painting were still outstanding and the contractor was not on site.
	Construction of 1x2 CRB at Mangongi Basic School	Dickson Katambi	03.07.2013	22,900,000	18,615,000	Construction of 1 x 2 CRB.	A physical inspection of the project conducted in January 2014, revealed that only the slab had been done.

Luampa	Completion of a 1x3 CRB at Kanyenze Basic School	Elias Ndonyo	08.02.2013	50,000,000	46,950,000	Super structure, roofing, flooring, fitting of fascia boards, fitting doors, glazing	A physical inspection of the project carried out in January 2014 revealed that the structure had stalled at window level.
	Completion of a 1x3 CRB at Namasheshe Basic School	Nsakulo Nsakulo	28.06.2013	30,000,000	30,000,000	Plastering, flooring, spoon drains, fascia boards, fitting doors and locks and glazing.	As of January 2014, works had not been completed and the contractor was not on site.
Mangango	Construction of a staff house at Mushwala Basic School	Mibanga Seke	11.03.2013	33,000,000	26,486,750	Construction of a staff house	As of January 2014, the house had not been completed and the contractor was not on site.
Total					342,765,750		

3.10. Southern Province

Amounts totalling K19,000,000,000 were released to eleven (11) councils to cater for CDF Projects in the nineteen (19) constituencies as shown in the table below.

Council	No. of Constituencies	Total K
Livingstone	1	1,000,000,000
Kazungula	1	1,000,000,000
Kalomo	3	3,000,000,000
Choma	3	3,000,000,000
Monze	3	3,000,000,000
Sinazongwe	1	1,000,000,000
Gwembe	1	1,000,000,000
Mazabuka	3	3,000,000,000
Namwala	1	1,000,000,000
Itezhi-Tezhi	1	1,000,000,000
Siavonga	1	1,000,000,000
Total	19	19,000,000,000

An examination of accounting and other related records maintained at nine (9) local authorities namely Livingstone, Kazungula, Namwala, Monze, Mazabuka, Sinazongwe, Choma, Siavonga and Kalomo and physical inspections of selected projects carried out in September 2013, revealed the following:

3.10.1 Poor Project Management

There were weaknesses in the management of the projects in that there was poor workmanship and failure to complete projects on time among others as detailed below.

Mazabuka Municipal Council						
Project	Contractor	Contract Period	Contract Sum/Amount Allocated K	Amount Spent/Paid to Contractor K	Scope of Works	Observation
Drilling of Forty (40) Boreholes	Council Works Department using its own drilling rig	2013	500,000,000	273,643,360	Drilling and equipping of forty (40) boreholes.	As of January 2014, only the drilling of eleven (11) boreholes had been done.
Total				273,643,360		
Namwala District Council						
Construction of 1 x 4 CRB at Kaleya Basic School	Mooncrest General Dealers	07.01.2013	126,081,000	125,369,000	Construction of a 1x4 CRB.	A Physical inspection of the project conducted in January 2014 revealed that the classroom block had been roofed with the following works outstanding: Plastering of

						the outside rear walls, painting and flooring of the veranda.
Construction of semi detached staff house at Chivuna Rural Health Centre (RHC)	Mweene Joseph	07.01.2013	82,000,000	75,932,000	Construction of a Semi Detached Staff house	A Physical inspection of the project conducted in January 2014 revealed that the house had been roofed with the following works outstanding: fitting of window frames, fitting of doors, fitting ceiling boards, flooring, drainages, plumbing, installation of electrical tubing and wiring, fascia board, Plastering, painting and glazing
Construction of a staff house at Itebe RHC.	Munasamwa Enterprises	07.01.2013	80,000,000	76,231,000	Construction of a staff house.	As of January 2014, the house had been built up to upper window level.
Total				277,532,000		

3.10.2 Monze District Council

During the period under review, the council approved seventy one (71) CDF projects in amounts totalling K2,958,000,000 in three (3) constituencies as detailed below.

Constituency	No. of projects	Amount K
Monze Central	20	980,000,000
Bweengwa	25	998,000,000
Moomba	26	980,000,000
Total:	71	2,958,000,000

The following were observed:

a. Failure to Implement Approved Projects

Although funds for projects were received in November 2012, six (6) funded projects in amounts totalling K137,600,540 in respect of the three (3) constituencies had not been implemented as of January 2014.

b. Misapplication of funds

CDF Guideline No.5 states that “the types of projects to be financed under CDF shall be developmental in nature and beneficial to various stakeholders in the community”. Contrary to the guideline, amounts totalling K54,588,880 involving three (3) transactions were applied on the procurement of furniture for the council chamber and new offices.

c. Failure to Account for Pigs - Nakatuba Club

An amount of K19,969,000 was spent on a project to rear pigs at Nakatuba Club comprising building materials for the piggery (K5,499,000), purchase of one hundred (100) piglets (K10,000,000) and purchase of feed and drugs (K4,470,000).

A physical inspection carried out in January 2014 revealed that the project was non-existent. In this regard, it was not possible to establish what had happened to the one hundred (100) pigs, building materials, feed and drugs procured for the Club.

d. Rearing of Dairy Animals at Chuungwe Cooperative

In 2012, the Council approved an amount of K19,000,000 for the acquisition and rearing of dairy animals for Chuungwe Cooperative. In this regard, on 5th November 2012, an amount of K18,000,000 was paid for the supply of three (3) dairy animals.

However, the project committee acquired six (6) ordinary heifers instead of three (3) dairy animals without authority from the Council.

In addition, the animals belonging to the Cooperative were marked with the Cooperative Chairman's personal brand.

e. Procurement of a Second Hand Tipper Truck (15 Tonnes)

An amount of K186,000,000 (K165,000,000 in 2011 and K21,000,000 in 2012) was approved for the procurement of a utility vehicle for service delivery.

In April 2013, the Council Tender Committee approved an amount of K180,000,000 to purchase a 15 tonne Hino Truck from Nismo Cars Ltd. In this regard, on 16th April 2013, the Council paid an amount of K180,000,000 to Nismo Cars Ltd for the purchase of a second hand 15 Tonne 1996/1997 Hino Tipper Truck.

However, the following were observed:

- i. The technical evaluation was not done prior to the selection of the supplier.
- ii. Authority from Plant, Vehicle and Equipment Committee (PVEC) at Cabinet Office for the supply of the second tipper truck was not sought.
- iii. As of January 2014, the truck had not been insured.

f. Rehabilitation of Hikaunu Bridge – Bweengwa Constituency

An amount of K18,714,000 was approved in 2012 for the rehabilitation of Hikaunu Bridge. In addition, K10,000,000 was brought forward from 2011 bringing the total to K28,714,000 for the project.

As of January 2014, a total amount of K26,235,430 had been spent on purchase of materials (K22,235,430) and transport (K4,000,000).

The following were however observed:

- i. Included in the materials purchased were four (4) wheel barrows and 35 x 50 kg pockets of cement costing K4,895,000 which could not be accounted for.
- ii. As of January 2014, the bridge had not been rehabilitated.

g. Poor Project Management

A review of documents and physical inspections carried out on selected projects revealed weaknesses in the management of projects in that there was poor workmanship and failure to complete the projects on time as detailed below.

Project	Contractor	Contract Period	Contract Sum/Amount Allocated K	Amount Spent/Paid to Contractor K	Scope of Works	Observation
Construction of waterborne toilets at Manungu Market	Chrijo Contractor	2013	40,000,000	31,790,500	Construction of waterborne toilets	As of January 2014, the ablution block had been built up to roof level and works had stalled
Construction of 1 x 3 CRB at Tusole Community School	Council	2013	75,000,000	71,984,000	Construction of a 1x3 Classroom Block (CRB)	As of January 2014, the structure was at gable level.
Total				103,774,500		

3.10.1. Sinazongwe District Council – Sinazongwe Constituency

During the period under review, the council approved twenty six (26) CDF projects in amounts totalling K980,000,000 for implementation in the constituency.

The following were however observed:

a. Failure to Implement Approved Projects

Although funds for CDF projects were received in November 2012, nine (9) projects funded amounts totalling K331,943,470 had not been implemented as of January 2014.

b. Misapplication of Funds

CDF Guideline No.5 states that, “the types of projects to be financed under CDF shall be developmental in nature and beneficial to various stakeholders in the community”. Contrary to the guideline, amounts totalling K51,294,865 involving four (4) transactions were applied on the procurement of furniture for the offices at the Council.

c. Poor Project Management

A review of documents and a physical inspection carried out on selected projects revealed weaknesses in the management of projects in that there was poor workmanship and failure to complete the projects on time as detailed below.

Project	Contractor	Amount Allocated K	Amount Spent/Paid to Contractor K	Scope of Works	Observation
Construction of Kariba Radio Station at Maamba	Nkungwe Hill Company ltd	108,448,000	85,317,000	Construction of the community radio station	As of January 2014, the structure had been roofed. However, painting, plumbing, glazing, fitting of sound proof room materials, electrical fitting and wiring were still outstanding.
Construction of toilet block at Maliko Lwiindi Arena	Mr Amos Siamukuti	20,000,000	23,391,000	Construction of toilet block	As of January 2014, the toilet block had been roofed with the following works outstanding: painting, flooring, glazing, covering manholes, fitting of two (2) doors, Iron sheets, and hand basins
Total			108,708,000		

3.10.2. Kazungula District Council – Procurement of Earth Moving Equipment

An amount of K1,064,210,000 was approved for the procurement of an Earth Moving Equipment for Katombora Constituency. In this regard, the Council engaged Techmiya Commercials Limited to supply second hand earth moving equipment at a contract price of K1,064,210,000 as shown below.

Unit	Quantity	Price K
1995 Caterpillar Grader 120G	1	45,000
2002 DAF 75 6 x4 Steel body tipper truck	1	19,500
2005 JCB/Holland 3cx site master front end loader	1	31,500
2003 DAF 55 4 x 2 water bowser crane truck	1	17,450
Road Compactor Double drum	1	18,750
Total £:		132,200
Exchange rate K:		8,050
Kwacha Equivalent		1,064,210,000

As of January 2014, a total amount of K528,798,000 had been paid to the contractor.

However, the following were observed:

a. Failure to Follow Payment Procedures

According to existing payment procedures, all payments above K100,000,000 are supposed to be made using Electronic Funds Transfer Advise (EFTA).

However, contrary to the procedure, a total of K528,798,000 of the contract sum was paid to Techmiya Commercials Limited through six (6) payments, made on the same day thus circumventing the procedure.

b. Failure to Deliver the Earth Moving Equipment

Although a full contract sum was paid to Techmiya Commercials Limited by July 2013, the equipment had not been delivered to Kazungula District as of January 2014.

c. No authority was obtained from Plant, Vehicle and Equipment Committee (PVEC) for the procurement of the second hand earth moving equipment.

3.10.3. Procurement of Defective Earth Moving Equipment – Kalomo District Council

A total amount of K2,460,000,000 was approved for the purchase of Earth Moving Equipment (Kalomo Central - K980,000,000, Dundumwezi - K980,000,000 and Mapatizya - K500,000,000).

In this regard, the council engaged Techmiya Commercials Limited for the supply of second hand equipment at a sum of K3,226,311,000 (£390,500) thus exceeding the approved amount by K766,311,000.

As of January 2014, a total amount of K2,424,052,010 representing 75% of the contract price had been paid to the supplier.

However, the following were observed:

- The contract between the Council and the supplier was not availed for audit. Thus it was not possible to ascertain the terms and conditions of the transaction.
- Contrary to Procurement Regulation No. 120 (1), the Council did not get appropriate approval from the Provincial Procurement Committee for the procurement which was above the Council's threshold of K500,000,000.
- Legal opinion was not sought from the Attorney General's Office prior to the signing of the contract.
- A review of a pre-shipment report written by the Director of works at the Council revealed that the Council accepted to buy the equipment which was defective and that the defects were to be made good by the supplier prior to the shipment by April 2013.
- As of January 2014, the equipment had not been delivered by the supplier.
- No authority was obtained from PVEC for the procurement of the second hand earth moving equipment.

3.10.4. Procurement of Earth Moving Equipment - Choma Municipal Council

A total amount of K2,940,000,000 was approved for the purchase of Earth Moving Equipment (Choma Central - K980,000,000, Pemba - K980,000,000 and Mbabala - K980,000,000).

In this regard, on 1st May 2013, the Council entered into a contract with Techmiya Commercials Limited to supply and deliver an earth moving equipment at a contract sum of K2,632,455,000 (£320,250) with a delivery period of four (4) months.

As of January 2014, a total amount of K1,750,598,960 representing 66.5% of the contract price had been paid to the supplier.

However, the following were observed:

- Although the contract was signed on 1st May 2013, the Council had irregularly paid a total amount of K874,637,190 as down payment in April 2013 prior to the signing of the contract.
- Legal opinion was not sought from the Attorney General’s Office prior to the signing of the contract.
- Contrary to Procurement Regulation No. 120 (1), the Council did not obtain authority from Provincial Procurement Committee for the procurement which was above the Council’s threshold of K500,000,000.
- As of January 2014, the equipment had not been supplied to the Council.
- No authority was obtained from PVEC for the procurement of the second hand earth moving equipment.

3.10.5. Siavonga District

a. Irregularities in the Procurement of a Grader

In March 2013, the Council procured a Grader from KDG Auto Link of Lusaka for the maintenance of roads in Siavonga Constituency at a total cost of K519,000,000.

However, contrary to ZPPA Circular No. 02 of 2012 dated 11th July 2012 , which requires that for all procurements of goods and services above K500,000,000 procuring agencies should obtain a ‘No objection’ from the Zambia Public Procurement Authority (ZPPA), the Council did not obtain a “No Objection” from the ZPPA to single source the procurement.

b. Construction of a Staff House at Bbakasa Primary School

An amount of K24,500,000 was approved for the construction of a staff house at Bbakasa Primary School. In this regard, on 18th April 2012, the Council engaged Coillard Simweemba at a contract sum of K2,000,000 to carry out the works.

As of September 2013, the whole amount of K24,500,000 had been spent (materials - K22,500,000 and labour - K2,000,000).

A physical inspection of the project carried out in September 2013, revealed that although the structure had been roofed, works such as fitting of window frames and glazing were still outstanding.

3.11. Muchinga Province

Amounts totalling K10,000,000,000 were released to six (6) councils to cater for the implementation of CDF Projects in the ten (10) constituencies of Muchinga Province as detailed in the table below.

District	No. of Constituencies	Total K
Chinsali	2	2,000,000,000
Mpika	3	3,000,000,000
Isoka	1	1,000,000,000
Nakonde	1	1,000,000,000
Mafinga	1	1,000,000,000
Chama	2	2,000,000,000
Total	10	10,000,000,000

An examination of accounting and other related records maintained at the six (6) local authorities and physical inspections of selected projects carried out in September 2013, revealed the following:

a. Misapplication of Funds – Chama Council

CDF Guideline No.5 states that “the types of projects to be financed under CDF shall be developmental in nature and beneficial to various stakeholders in the community”. Contrary to the guideline, amounts totalling K140,000,000 involving two (2) transactions were applied on the completion of the new council office block.

b. Construction of Water Kiosk – Isoka Constituency

An amount of K150,000,000 was approved for the construction of six (6) water kiosks in the Constituency. In this regard, the Council engaged six (6) contractors to carry out the works. The works were to be completed within fifty six (56) days from the date of the contract.

The scope of works included construction of substructure, concrete slab, superstructure, metal works, flooring, plastering, plumbing works and connection of power from Zesco to the submersible pump.

As of January 2014, a total amount of K55,328,000 had been spent.

A physical inspection of the project revealed that none of the six (6) water kiosks had been completed and all the contractors had exceeded the contract period of fifty six (56) days. See table below.

Site	Contractor	Contract Period	Contract Sum K	Amount Paid to Contractor / Spent K	Observations /Status
Location Compound	H & D Global Logistics Limited	20.06.13 to 15.08.13	25,000,000	10,624,000	Outstanding works included the following: <ul style="list-style-type: none"> • Fixing of the tank • Painting of the kiosk • Installation of pipes • Installation of subversive pump
Kalemelela village	Savjams General Dealers	22.07.13 to 17.09.13	25,000,000	22,334,000	Outstanding works included the following: <ul style="list-style-type: none"> • Installation of pipes • Installation of subversive pump • Electricity not connected • Plumbing working not done
Mwembe village	Alexmu General Dealers	22.07.13 to 17.09.13	25,000,000	22,370,000	Outstanding works included the following: <ul style="list-style-type: none"> • Installation of a tank • Painting • Installation of subversive pump • Electricity not connected
Total			150,000,000	55,328,000	

3.12. Eastern Province

Amounts totalling K17,000,000,000 were released to seven (7) Councils to cater for the implementation of CDF Projects in the seventeen (17) constituencies of Eastern Province as detailed in the table below.

District	No. of Constituencies	Amount Received K
Chipata	4	4,000,000,000
Chadiza	2	2,000,000,000
Katete	3	3,000,000,000
Petauke	3	3,000,000,000
Nyimba	1	1,000,000,000
Lundazi	3	3,000,000,000
Mambwe	1	1,000,000,000
Total	17	17,000,000,000

An examination of financial and other related records maintained at the seven (7) local authorities and physical inspections of selected projects carried out in September 2013, revealed the following:

a. Unapproved Projects - Katete

Contrary to CDF Guideline No. 7 which states that only projects which have been appraised and approved by the council shall be funded, it was observed that amounts totalling K123,732,000 were spent on six (6) projects that were not approved by the Council.

b. Irregular Awarding of Borehole Drilling Contract - Chipata

During the period under review, Yelezya Enterprise was engaged to drill seventeen (17) boreholes in Chipata at a total cost of K360,000,000. The Scope of works included drilling and equipping the boreholes. As of January 2014, the seventeen (17) boreholes had been drilled and the contractor had been paid the whole amount.

It was observed that the CDF Guidelines were not followed in that the contractor was single sourced and a 'No Objection' was not obtained from ZPPA.

c. Undelivered Materials – Kasenengwa

In June 2013, Sabanzu General Dealers was awarded a contract to supply fifteen (15) beds, seventeen (17) mattresses, thirty four (34) blankets, twenty four (24) bed sheets and fifteen (15) mackintosh linen for Kasenengwa Health Centre at a contract price of K14,976,000 and the whole amount was paid.

However, as of January 2014, only fifteen (15) beds costing K4,950,000 had been delivered.

d. Project Management

A review of documents and physical inspections carried out on selected projects revealed weaknesses in the management of projects in that there was poor workmanship and failure to complete the project on time as detailed below.

Chadiza District Council					
Name of Project	Contract Details	Commencement Date	Funds Allocated K	Total Expenditure K	Observations
Construction of Staff House at Namwela Basic School	Mr. Josias Phiri, (contract sum K5,000,000)	November 2012	35,000,000	33,000,000	As of January 2014, the structure was roofed with flooring, plastering, fitting doors, frames, glazing and painting outstanding.
Street Lighting in Chadiza	Contract not awarded	September 2012	320,000,000	99,000,000	Although K99,000,000 was spent on the purchase of fifty four (54) poles, as of January 2014, works had not commenced as the Council was awaiting the construction of the Road.
Construction of Staff House at Chamandala Health Post	Council	August 2013	30,000,000	25,887,000	Although K25,887,000 was spent on the procurement of building materials in August 2013, as of January 2014, works had not commenced.
Completion of a 1x2 CRB and construction of 1x3 CRB at Chamaseche Basic School	Community Based	March 2013	50,000,000	38,609,000	As of January 2014, the 1 x 2 CRB was at gable level while the 1 x 3 was at box level and the project had since stalled.
Total				196,496,000	

Lundazi District Council – Chasefu Constituency						
Name of Project	Contract Details	Commencement Date	Funds Allocated K	Total Expenditure K	Scope of Works	Observations
Construction of Staff House at Nkhanga Health Post	Mr Zimba	April 2013	15,200,000	12,856,000	Construction of Staff House	As of January 2014, the structure was at slab level and works had stalled.
Completion of 1 x 3 classroom block at Emusa Basic School	Mr Phiri (contract sum K2, 500,000).	March 2013	15,000,000	15,000,000	Roofing, fitting of doors and window frames, flooring, plastering and painting.	A physical verification carried out in January 2014 revealed that the classroom had been roofed and the remaining works included fitting of doors, window frames, flooring, plastering and painting.
Total				27,856,000		

Mambwe District Council							
Constituency	Name of Project	Contract Details	Commencement Date	Funds Allocated K	Total Expenditure K	Scope of Works	Observations
Malambo	Completion of Mphomwa Police Post	Philemon Banda	February 2013	57,000,000	30,746,000	Extension of a male cell.	As of January 2014, the project was at superstructure level and had since stalled.

3.13. LUSAKA PROVINCE

A total amount of K12,000,000,000 was released to six (6) local authorities to cater for the CDF Projects in the twelve (12) Constituencies of Lusaka Province. See table below.

District	No. of Constituencies	Amount Received K
Lusaka	7	7,000,000,000
Kafue	1	1,000,000,000
Chilanga	1	1,000,000,000
Chongwe	1	1,000,000,000
Rufunsa	1	1,000,000,000
Luangwa	1	1,000,000,000
Total	12	12,000,000,000

An examination of records and physical inspections of selected projects carried out in September 2013 revealed the following:

a. Misapplication of Funds

Contrary to CDF guidelines, Lusaka City and Chilanga District Councils spent amounts totalling K13,889,800 from the CDF funds to insure an ambulance (K6,990,800) and a Grader (K6,899,000) respectively.

b. Projects Running For More Than One (1) Year

According to the CDF Guideline No. 7 on the management and utilisation of Constituency Development Funds, “implementation of projects shall be completed within one year”. It was however observed that ten (10) projects which were funded amounts totalling K1,358,149,661 that commenced during the period under review had not been completed as of January 2014. See details in the table below.

District	Constituency	Project	Contractor	Contract Date	Amount Allocated K	Amount Spent K
Lusaka	Kanyama	Rehabilitation of borehole, installation of a pump and 3x10,000 litres tank and four (4) tap stand.	ABC Global Works Limited	05.03.2012	203,595,606	84,398,884
		Construction of plain view police post in garden house.	ABC Global Works Limited.	24.02.2012	265,326,755	220,854,311
Chilanga	Chilanga	Construction of Sekelela Health Post.	Council	29.08.2011	86,812,800	51,812,000
		Construction of a 1 x 2 Classroom Block at Chigwirizano Community School.	Council	10.05.2012	77,000,000	57,400,000
Chongwe	Chongwe	Electrification of Schools and Health Posts.	ZESCO	25.02.2011	525,184,500	350,000,000
Rufunsa	Rufunsa	Construction of Rural Health Post in Lubalashi .	Chongwe District Medical Office	02.10.2012	35,000,000	15,914,000
		Rehabilitation of a classroom block into a Health Post.	Chongwe District Medical Office	02.10.2012	38,000,000	15,914,000
		Completion of a staff house (1 x 3 flats) and VIP toilets at Nkalamabwe Primary.	Council	05.04.2010	15,000,000	5,000,000
Luangwa	Feira	Construction of an Admission Ward and store room at Chitope RHC.	Lawrence Mumba	05.05.2011	52,230,000	50,637,000
		Construction of maternity ward at Mandombe RHC.	Valerian Phiri	15.06.2011	60,000,000	60,950,000
Total					1,358,149,661	912,880,195

c. Project Management

A review of documents and a physical inspections carried out on selected projects revealed weaknesses in the management of projects in that there was poor workmanship and failure to complete the projects on time as detailed below.

LUSAKA								
Constituency	Project Name	Contractor	Contract date	Contract period	Amount Allocated K	Amount Paid K	Scope of Works	Status of project
Munali	Rehabilitation of Katambala Road in Kaunda Square	Wasala Small Contractors	21/05/2011	3 months	185,075,000	193,872,000	Light grading of 700 m of Katambala Road and excavating drainage.	Although the works had been completed, the contractor had been over paid by an amount of K8,797,000.
Kanyama	Rehabilitation of borehole, installation of pump and 3x10,000 litre tank and four (4) tap stands	ABC Global works limited	05/03/2012	3 months	203,595,606	84,398,884	Rehabilitation of borehole, installation of pump and 3x10,000 litre tank and four (4) tap stands.	As of January 2014, the installation of water tanks had not been done.
Total						278,270,884		

RUFUNSA							
Constituency	Project name	Contractor	Contract Date	Amount Allocated K	Amount Paid K	Scope of Works	Status of project
Rufunsa	Construction of Chomba Health Post	Chongwe DMO (District Medical Office)	-	38,015,000	15,914,000	Construction of a health post	Although building materials were delivered in October 2012, as of January 2014, only the foundation had been dug.
	Construction of Lubalashi Health Post	Chongwe DMO (District Medical Office)	-	35,000,000	15,664,000	Construction of Health Post	Although building materials were delivered in October 2012, as of January 2014, only the foundation had been dug.
Total					33,578,000		

CHILANGA							
Constituency	Project name	Contractor	Contract date	Amount Allocated K	Amount Paid K	Scope of Works	Status of project
Chilanga	Construction of a 1 x 2 classroom Block at	Council	10.05.2012	77,000,000	57,400,000	Construction of 1 X 2	As of January 2014, the classroom block had been roofed and plastered with the

	Chigwirizane Primary					classroom block	following works still outstanding: Fitting doors, window panes, air vents, decking of strong room, painting inside and outside walls.
Chilanga	Construction of a Health Post in Sekelela	Victor Mazimba	29.08.2011	93,028,800	49,812,800	Construction of a Health Post	As of January 2014, the structure had reached roof level.
	Construction of Ablution Block at Makeni GRZ Primary School	Eustace Kankombwe	17.04.2013	80,000,000	74,288,000	Construction of Ablution Block	As of January 2014, the ablution block had been roofed with the following works outstanding: Plastering, glazing, floor screed and fitting of PVC pipes.
	Construction of staff house at Mwembeshi Basic	Thelmac General Dealers	14.06.2011	21,620,000	20,734,458	Construction of staff house	As of January 2014, the house had been roofed and plastered with the following works outstanding: Fitting of window frames, electrical wiring, fittings and plumbing.
Total					202,235,258		

Luangwa							
Constituency	Project Name	Contractor	Contract Date	Amount Allocated K	Amount Spent K	Scope of Works	Status of the project
Feira	Construction of Admission ward and store room at Chitope Rural Health Centre	Lawrence Mumba	05.05.2011	82,230,000	50,637,000	Construction of admission ward and store room	As of January 2014, the Structure had been roofed and plastered outside, with the following works still outstanding: Plastering inside, flooring, fitting of doors and window frames and painting.
	Construction of maternity ward at Mandombe RHC	Valerian Phiri	15.06.2011	60,000,000	57,950,000	Construction of maternity ward	As of January 2014, the structure had reached roof level and the contractor was not on site.
Total					108,587,000		

d. Chongwe District Council – Chongwe Constituency

i. Electrification of Schools – Questionable payment

In Paragraph 4.7.1 (b) i of the Auditor General’s Report on the Management of CDF and Grants to Local Authorities for the financial years up to 2011, mention was made on the payment of K100,000,000 to ZESCO Limited which had no supporting documentation.

A review of records relating to 2012 CDF projects revealed that an amount of K250,000,000 was approved for electrification of schools and health centres in the constituency. In this regard, on 11th January 2013, an amount of K250,000,000 was paid to ZESCO on a bank transfer for the exercise.

However, a scrutiny of the quotation from ZESCO dated 7th February 2013, revealed that an amount of K239,454,970 was quoted resulting in an overpayment of K10,545,030 which had not been recovered as of January 2014. The rationale of making a payment before receiving the quotation was questionable.

In addition, a review of records revealed that the payment was not supported with any contractual agreement, consequently, details of the schools and health centres as well as scope of works that could have been carried out could not be ascertained as of January 2013.

A physical inspection and inquiries made in September 2013, revealed that instead of electrifying schools and health centres, the Council embarked on electrifying markets and communities. In this regard, a check at Katende Market revealed that although poles and the transformer had been supplied, the market had not been electrified.

ii. Construction of Chisakila Rural Health Post - Kafue

An amount of K43,000,000 was approved for the construction of Chisakila Rural Health Post. In this regard, on 3rd December 2012, the Council engaged Kapululila Investments Ltd to carry out the works at a contract sum of K30,000,000.

On 15th July 2013, an amount of K9,367,000 was paid leaving a balance of K20,633,000. However, the payment was not supported with the stage completion certificate.

A physical inspection carried out in September 2013 revealed that only the foundation had been dug and the contractor was not on site.

Head: 29 Ministry of Local Government And Housing
Department: 05 Local Government Administration
Programmes: Grants to Institutions (Capital/Operational)
Activities: Various

4 In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2012, a provision of K257,138,576,500 was made to cater for support to the Local Authorities throughout the Country in form of Capital Grants, Grants in Lieu of Rates, Recurrent Grants and Re-structuring Grants under the Ministry of Local Government and Housing against which amounts totalling K232,935,111,150 were released by the Treasury leaving a balance of K24,203,465,350. See details in the table below.

Type of Grant	Budget K	Funding K	Under Funding K
Capital Grants	125,542,000,000	107,890,101,027	(17,651,898,973)
Grant in lieu of rates	25,542,000,000	25,065,282,891	(476,717,109)
Recurrent grants	80,512,576,500	75,350,849,689	(5,161,726,811)
Re-structuring grants	25,542,000,000	24,628,877,543	(913,122,457)
Total	257,138,576,500	232,935,111,150	(24,203,465,350)

Accounting and Other Irregularities

An examination of accounting, stores and other relevant records maintained at the Ministry headquarters, selected councils and physical inspections of selected projects carried out from August to September 2013 revealed the following:

a. Missing Payment Vouchers

Contrary to Financial Regulation No. 65, forty two (42) payment vouchers in amounts totalling K479,951,671 processed at five (5) local authorities during the period under review were not availed for audit. See details in the table below.

Local Authority	No. of Transactions	Amount K
Milenge	2	35,089,003
Mufumbwe	5	14,900,000
Chavuma	5	150,374,105
Kalabo	28	250,452,637
Isoka	2	29,135,926
Total	42	479,951,671

b. Unsupported Payments

Contrary to Financial Regulation No.45, three hundred and twenty four (324) payments in amounts totalling K3,010,113,094 processed at thirty three (33) Local Authorities during

the year under review, were not supported with relevant documents such as quotations, cash sale receipts and Local Purchase Orders (LPOs) among others. See details in the table below.

Local Authority	No. of Transactions	Amount K
Samfya	9	139,514,800
Nchelenge	3	20,214,726
Mwense	7	233,648,863
Milenge	10	27,793,049
Petauke	4	34,598,185
Nyimba	10	206,350,800
Zambezi	9	57,825,000
Mufumbwe	11	17,880,000
Solwezi	13	525,134,890
Chavuma	5	23,760,000
Mpongwe	3	10,100,000
Kabwe	2	24,500,000
Kasama	53	139,428,200
Chilubi	1	1,750,000
Luwingu	24	337,333,864
Kaputa	2	15,000,000
Mporokoso	42	234,718,870
Mongu	19	180,532,234
Kalabo	30	284,064,670
Kaoma	6	28,908,015
Sesheke	5	17,844,118
Isoka	2	38,303,315
Nakonde	1	5,000,000
Mafinga	2	780,000
Chipata	3	14,686,400
Chadiza	5	16,370,000
Livingstone	1	52,298,850
Monze	4	59,231,000
Sinazongwe	5	37,496,380
Lusaka	4	75,395,944
Kafue	23	126,784,420
Luangwa	2	1,255,000
Siavonga	4	21,611,500
Total	324	3,010,113,094

c. Unaccounted for Funds

Amounts totalling K191,647,284 received by three (3) local authorities were not accounted for in that the utilisation of the funds could not be ascertained due to lack of records such as expenditure ledgers, cash books and bank reconciliation statements among others. See details in the table below.

Local Authority	Amount K
Samfya	37,121,780
Mpongwe	54,869,360
Monze	30,948,144
Chavuma	68,708,000
Total	191,647,284

d. Unretired Imprest

Contrary to Financial Regulation No. 96, imprest in amounts totalling K1,151,458,037 issued to ninety two (92) officers at eleven (11) local authorities during the year under review had not been retired as of January 2014. See details in table below.

Local Authority	No. of Officers	Amount not Retired K
Mwense	1	67,172,000
Milenge	5	6,100,000
Zambezi	13	179,580,000
Mufumbwe	6	32,515,000
Kasempa	5	26,030,000
Kabwe	6	150,624,400
Kasama	15	369,898,700
Chilubi	2	3,000,000
Mporokoso	11	46,820,000
Kalabo	27	267,457,937
Chinsali	1	2,260,000
Total	92	1,151,458,037

e. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, stores items costing K1,579,855,843 comprising general stores (K1,371,477,062) and fuel (K208,378,781) procured by twenty (20) local authorities during the period under review, had no receipt and disposal details. As a result, it was difficult to ascertain whether the goods paid for were actually received and used for the intended purpose. See details in the table below.

Local Authority	General Stores K	Fuel K	Total K
Milenge	3,875,000	5,428,300	9,303,300
Kawambwa	8,375,000	-	8,375,000
Mansa	36,859,000	-	36,859,000
Petauke	-	8,710,560	8,710,560
Nyimba	386,696,000	-	386,696,000
Zambezi	249,081,763	36,184,000	285,265,763
Kasempa	18,160,000	8,732,000	26,892,000
Chavuma	-	19,390,000	19,390,000
Kabwe	41,675,840	-	41,675,840
Kasama	14,800,000	-	14,800,000
Mporokoso	18,400,000	6,209,500	24,609,500
Kalabo	-	35,335,000	35,335,000
Senanga	-	4,698,480	4,698,480
Kaoma	-	4,470,000	4,470,000
Sesheke	11,576,000	43,643,438	55,219,438
Chipata	7,811,000	28,009,110	35,820,110
Chadiza	16,937,600	7,568,393	24,505,993
Lusaka	244,940,000	-	244,940,000
Kafue	311,289,859	-	311,289,859
Siavonga	1,000,000	-	1,000,000
Total	1,371,477,062	208,378,781	1,579,855,843

f. Misapplication of Funds

Contrary to Financial Regulation No. 31, amounts totalling K2,735,524,080 processed at twenty three (23) local authorities were applied on activities such as payment of subsistence allowances, salaries, repair of motor vehicles, rehabilitation of staff houses and legal fees

among others not related to the purposes for which the funds were disbursed. As a result, activities relating to service provisions, payment of retirement benefits, construction and rehabilitation of infrastructure among others were adversely affected. See details in the table below.

Local Authority	Amount K
Milenge	33,330,610
Mwense	80,703,506
Kawambwa	42,052,140
Samfya	141,083,000
Nchelenge	27,135,120
Petauke	27,339,750
Kalomo	76,871,520
Zambezi	88,916,000
Mufumbwe	6,199,160
Kasama	400,442,640
Chilubi	34,897,300
Luwingu	28,903,388
Kaputa	89,750,440
Mporokoso	57,092,500
Kalabo	230,582,000
Senanga	44,484,506
Chinsali	288,661,415
Nakonde	267,548,504
Lundazi	400,331,604
Mambwe	45,439,344
Katete	12,542,000
Mazabuka	23,548,000
Livingstone	287,669,633
Total	2,735,524,080

g. Unapproved Payments

Contrary to Financial Regulation No. 48, which states that, “the original of a payment voucher shall be signed by the Controlling Officer, a Warrant Holder or by any other officer authorised to sign on their behalf,” sixty one (61) payment vouchers on which amounts totalling K899,796,326 were processed at six (6) Local Authorities were not authorized by a responsible officer. See details in the table below.

Local Authority	No. of Transactions	Amount K
Samfya	1	32,313,682
Mufumbwe	3	8,438,400
Kasempa	10	58,889,744
Solwezi	8	418,865,510
Kalabo	10	86,060,000
Mafinga	29	295,228,990
Total	61	899,796,326

h. Failure to Remit Statutory Contributions

Amounts totalling K8,125,102,460 comprising LASF contribution (K220,642,818), Pay As You Earn (PAYE) (K7,687,019,316) and NAPSA (K217,440,326) deducted from employees at

seventeen (17) Local Authorities during the period under review had not been remitted to respective institutions as of January 2014. See details in the table below.

District	NAPSA K	LASF K	PAYE K	Total K
Mansa	31,057,237	11,319,386	68,322,310	110,698,933
Milenge	5,034,213	4,060,761	15,077,401	24,172,375
Kawambwa	12,559,173	-	50,241,394	62,800,567
Samfya	-	782,736	-	782,736
Nchelenge	-	-	24,997,741	24,997,741
Ndola	-	-	3,388,471,219	3,388,471,219
Mufulira	-	-	48,392,492	48,392,492
Kitwe	-	-	3,212,806,025	3,212,806,025
Luwingu	11,941,733	59,317,539	41,116,978	112,376,250
Kaputa	4,791,851	8,810,879	54,782,456	68,385,186
Mporokoso	35,066,884	27,660,885	92,673,812	155,401,581
Mongu	11,112,953	-	61,637,511	72,750,464
Senanga	2,130,497	-	31,190,614	33,321,111
Livingstone	52,546,644	39,786,931	237,187,495	329,521,070
Sinazongwe	51,199,141	68,903,701	115,411,065	235,513,907
Mazabuka	-	-	244,710,803	244,710,803
Siavonga	-	-	184,720,277	184,720,277
Total	217,440,326	220,642,818	7,687,019,316	8,125,102,460

i. Under Deduction of Tax

During the period under review, amounts totaling K636,494,107 were due in respect of Pay As You Earn (PAYE). However, the payroll packages used at three (3) Local Authorities only deducted amounts totaling K496,534,391 resulting in under deduction of tax in amounts totaling K139,929,717, and no action was taken as of January 2014. See details in the table below.

Local Authority	Tax Due K	Tax Deducted K	Balance K
Lusaka	530,788,068	426,442,209	104,315,859
Luangwa	74,241,502	49,274,634	24,966,868
Chilanga	8,577,294	4,280,000	4,297,294
Total	636,494,107	496,534,391	139,929,717

j. Uncredited Funds

During the period under review, the Ministry of Local Government and Housing instructed Investrust Bank Oddys Branch to transfer amounts totalling K1,582,682,303 to six (6) Councils. However, a review of the bank statements and cash books for the six councils revealed that amounts totalling K636,430,330 had been credited to the Councils' Bank Accounts. The balance of K946,251,873 in respect of crop levy, grants in lieu of rates and institutional grants had not been transferred to the Councils' Bank Accounts as of November 2013. See details in the table below.

Local Authority	Type of Grant	Amount Disbursed K	Amount Received K	Variance K
Mansa	Crop Levy	165,462,420	55,154,140	110,308,280
Mwense	Crop Levy	66,400,780	33,200,390	33,200,290
	Institutional	345,000,000	230,000,000	115,000,000
Samfya	Crop Levy	28,597,500	-	28,597,500
	Institutional	306,742,000	210,871,000	95,871,000
Mufulira	lieu of rates	188,909,600	107,204,800	81,704,800
Mpogwe	Institutional	345,000,000	-	345,000,000
Kazungula	Institutional	115,000,000	-	115,000,000
	Crop Levy	21,570,003	-	21,570,003
Total		1,582,682,303	636,430,330	946,251,873

k. Failure to Recover Salary Advances

Contrary to Terms and Conditions of Service for the Public Service, recoveries of salary advances in amounts totalling K19,440,000 paid to ten (10) officers during the period under review, had not been effected as of November 2013. See details in the table below.

Local Authority	Number of Officers	Amount K
Petauke	2	9,500,000
Chinsali	2	4,040,000
Total	10	13,540,000

l. Wasteful Expenditure - Generator Set – Rufunsa District Council

An amount of K8,476,000 was paid to Auto World Ltd on 16th March 2013 for the purchase of a generator set from the 2012 CDF funds. However, the expenditure was wasteful in that as of November 2013, six (6) months after the purchase, the generator set was not working and there was no after sales warranty.

m. Fraudulent Payments - Livingstone City Council

A review of cheque counterfoils, cash books, ledgers and payment vouchers revealed that three (3) payments in amounts totalling K6,840,996 were made to three (3) retirees from June to September 2012 as detailed below.

Date	Cheque No.	Payee	Amount K
28.06.12	104	C. Chinyemba	1,340,996
28.06.12	182	Maxwell Ndila	5,000,000
13.09.12	256	P. Muyoya	500,000
Total			6,840,996

However, a scrutiny of the paid out cheques with the same cheque numbers revealed that instead of the approved amounts of K6,840,996 being processed as indicated above, amounts totalling K16,340,996 were actually drawn in the name of Oscar M. Nyaywa who was neither a bona-fide beneficiary nor an employee of the Council as shown in the table below.

Date	Cheque No.	Payee	Amount K
28.06.12	104	Oscar M Nyaywa	1,340,996
11.08.12	182	Oscar M Nyaywa	5,000,000
07.09.12	256	Oscar M Nyaywa	10,000,000
Total			16,340,996

Inquiries with the Town Clerk revealed that a Mr Oscar M Nyaywa was actually an acquaintance of the accountants who were in charge of processing the payments.

n. Irregularities in Payment of Salaries and Allowances

i. Social Holiday Allowance - Mafinga District Council

In June 2012, Mr. Abraham Sikalumba was paid an amount of K4,000,000 as Social Holiday Allowance. However, a review of conditions of service for local authorities revealed that no such allowance existed rendering the payment irregular. As of January 2014, the monies irregularly paid to the officer had not been recovered.

ii. Over Payment of Settling in Allowance - Livingstone City Council

During the period under review, two (2) officers were paid settling allowances in amounts totalling K202,605,352 at 35% of gross annual pay.

It was however, observed that according to harmonised Salaries and Conditions of Service for Management and Non – Unionised employees in the Local Government Service No. 3 (viii) for Councils, settling in allowances was supposed to be calculated at twenty five percent (25%) of the annual basic pay.

As a result, the officers were over paid by amounts totalling K165,924,538. See table below.

Rank	Settling Allowance Calculated using 35% Annual Gross Amount K	Settling in Allowance Calculated at 25% using Annual Basic Pay K	Overpayment K
Director of Engineering	113,345,291	18,340,407	95,004,884
Director Of Finance	89,260,060	18,340,407	70,919,653
Total	202,605,352	36,680,814	165,924,538

As of January 2014, the overpayments had not been recovered.

iii. Over Payment of Commutation of Leave - Livingstone City Council

During the period under review, the Finance Director was paid amounts totalling K80,847,247 in respect of commutation of leave.

However, the computations were wrongly done in that they were based on gross pay instead of basic pay. As a result, the officer was over paid by K53,450,828. As of January 2014, the overpayment had not been recovered.

iv. Payment of Non Detrimental Allowances - Livingstone City Council

The Harmonised Salaries and Conditions of Service for Management and Non – Unionised Employees in the Local Government Service effected on 1st August 2012 abolished the payment of non detrimental allowances.

However, during the period from November to December 2012 two (2) officers were irregularly paid amounts totalling K94,462,801 as non detrimental allowances. As of January 2014, the monies irregularly paid to the officers had not been recovered.

o. Management of Capital Projects

The Ministry of Local Government and Housing disbursed a total amount of K12,250,000,000 during the period under review to various Councils country wide to cater for construction and rehabilitation of various infrastructure projects. A physical inspection of selected projects in Western Province revealed the following:

District Council	Project	Contractor	Contract Period	Contract Sum K	Amount Paid to Contractor / Spent K	Scope of Works	Observations/Status
Kaoma	Construction of ablution block at the new market	Nasange Hardware and Contractors	14.12.11 to 14.02.12	117,104,262	84,712,171	Construction of substructure, supper structure, roofing, internal finishes, plumbing works, Iron monger, glazing, painting and installation of a water tower and tank.	As December 2013, the works had not been completed with the following outstanding: <ul style="list-style-type: none"> • Iron mongering, painting, internal finishing and installation of a water tower and tank. • Air vents were not fitted. • Two (2) windows at the back were not fitted with glass panes. • Fitted doors were old • A big crack had developed on the wall at the back.

							The contractor had since abandoned the project.
Kalabo	Construction of a Guest House	Simuna Contractors		140,184,500	120,000,000	construction of substructure, super structure, roofing, plastering, iron mongering, plumbing, painting and electrification	A physical inspection carried out in January 2014 revealed that the Guest House had been abandoned at gable level. In addition, cracks had manifested on both the interior and exterior walls.
Total				140,184,500	120,000,000		

Conclusion

The introduction of the CDF was a Government intervention aimed at financing micro-community based projects in order to alleviate poverty. In this regard, it is important that the limited resources allocated for this purpose are efficiently and effectively managed in order to achieve the goal of poverty reduction for the development of our Country.

AUDIT HOUSE
HAILE SELASSIE AVENUE
LUSAKA

ANNA O. CHIFUNGULA FCCA, FZICA
AUDITOR GENERAL
REPUBLIC OF ZAMBIA