REPUBLIC OF ZAMBIA

OFFICE OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR GENERAL

ON THE

ACCOUNTS OF PARASTATAL BODIES AND OTHER STATUTORY INSTITUTIONS

FOR THE

FINANCIAL YEAR ENDED 31ST DECEMBER 2023

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OFFICE OF THE AUDITOR GENERAL

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

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

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Integrity
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Excellence
Teamwork
Confidentiality
Professionalism

PREFACE

The audit of selected Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2023 was conducted in accordance with the Provisions of Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016, the Public Audit Act No. 8 of 1980, the Public Finance Management Act No. 1 of 2018.

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

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

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

ACTING AUDITOR GENERAL

TABLE OF CONTENTS

EXECUTIVE SUMMARY i
ACRONYMS ix
1 INTRODUCTION 1
2 SCOPE AND METHODOLOGY 1
3 INTERNAL CONTROL 2
4 CITIZENS ECONOMIC EMPOWERMENT COMMISSION 3
5 INDUSTRIAL DEVELOPMENT CORPORATION 15
6 LEVY MWANAWASA MEDICAL UNIVERSITY 31
7 LOCAL AUTHORITIES SUPERANNUATION FUND 47
8 MUKUBA HOTEL LIMITED 62
9 NATIONAL PENSION SCHEME AUTHORITY 66
10 MULUNGUSHI UNIVERSITY 82
11 NATIONAL HERITAGE CONSERVATION COMMISSION 97
12 NATIONAL HOUSING AUTHORITY 108
13 NATIONAL ROAD FUND AGENCY 115
14 NITROGEN CHEMICALS OF ZAMBIA 120
15 SUPERIOR MILLING COMPANY LIMITED 128
16 ZAMBIA AIRPORTS CORPORATION LIMITED 140
17 ZAMBIA CARGO AND LOGISTICS LIMITED 155
18 ZAMBIA TELECOMMUNICATION CORPORATION LIMITED 171
19 ZAMBIA POSTAL SERVICES CORPORATION 181
20 ZAMBIA AGENCY FOR PERSONS WITH DISABILITIES 191
21 ZAMBIA DAILY MAIL LIMITED 199
22 ZESCO LIMITED 214
23 ZSIC GENERAL INSURANCE 225
24 ZAMBIA STATE INSURANCE CORPORATION – LIFE 240
25 THE ZAMBIA STATISTICS AGENCY 253
26 RECOMMENDATIONS 271
27 ACKNOWLEDGEMENTS 271
28 RECOMMENDATIONS OF THE COMMITTEE ON PARASTATAL BODIES 272
29 CONCLUSION 272

EXECUTIVE SUMMARY

This Report has been produced in accordance with Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016, Public Audit Act No.8 of 1980 and Public Finance Management Act No.1 of 2018. During the audit process, there were various levels at which the Office interacted and communicated with Controlling Officers and Chief Executive Officers (CEO) whose accounts were audited. The purpose of this interaction was to provide an opportunity for the Controlling Officers and CEOs to clarify and take corrective action on the findings of the audits. The audit findings mentioned in this Report are those which were not resolved during the audit of accounts for the financial year ended 31st December 2023 and outstanding matters as reported in the Treasury Minute (Action Taken Report) for the period 2012 to 2020 from the Ministry of Finance.

In addition, the Report contains audit recommendations which are aimed at addressing various findings observed during the audit process. Some of the findings raised in this Report are as follows:

Some of the issues raised in this Report are as follows:

a. Citizens Economic Empowerment Commission

i. Non-Performing Loans – Loan Arrears

Between 2020 and 2022 the Non-Performing Loans percentage was between 92% and 97% giving an average of only 6% Performing Loans. Although there seems to be a significant decrease in NPL in 2023, the decrease is as a result of the increased number of loans from 3,060 with a Loan Book Value of K331 million in 2022 to 21,855 loans with a Loan Book Value of K728 million in 2023. This increase in disbursements diluted the ratio as opposed to increased debt management efficiencies.

ii. Disbursed Loans with Zero Repayments

Between 29th October 2012 and 31st December 2023, the Commission disbursed 100% of funds requested and approved to 1,494 loan applicants in amounts totalling K393,752,873. However, a review of loan statements and other accounting records revealed that as at 31st December 2024, no repayments had been made towards loan servicing.

iii. Failure to Appoint a Fund Manager

As at 31st December 2023, the Commission had received empowerment grants in amounts totalling K1 billion. However, sixteen (16) years after the Act came into effect, the Commission had not appointed a Fund Manager as provided for in the Act.

iv. Turnaround of Loan Processing

The review of loan files and process flow revealed that, on average, loan approvals took between one (1) to eighteen (18) months, and an average of Seven (7) months from the date of approval to the date of the first loan disbursement. In this regard, the delay may result in a backlog of loan applications, negatively impacting potential beneficiaries and the effectiveness of CEEC's mandate to empower Zambian citizens through economic opportunities.

b. Local Authorities Superannuation Fund

i. Failure to Appoint Board of Directors

The Authority had been operating without a Board since 2nd March 2022 when the previous board was dissolved. The non-existence of the Board presents a concern as several matters that require Board attention remain unattended to.

ii. Failure to Raise Expected Contributions

The LASF displayed continuous regression in member contributions stemming from highly unfavourable member contributions. The Fund budgeted to receive contributions in amounts totalling K165 million out of which amounts totalling K149 million were received resulting in a negative variance of K16.2 million representing 10% of the budget.

iii. Questionable Going Concern

According to the Actuarial Valuation conducted in December 2022, the going concern of the scheme was questionable in that the scheme could be seen not to continue in operational existence without government injecting funds in the scheme. In addition, most of the indicators were unfavourable as highlighted below.

- Increase in Net Loss after Benefit Paid - The net loss increased from K92 million in 2021 to K137 million in 2023.
- Increase In Net Liabilities - The Funds total liabilities increased from K184 million in 2021 to K205 million by the end of 2023.
- Low Investment Performance of Fund - Although total assets had increased by 19.8% from K312 million in 2021 to K374 million in 2023, the net cash generated from investment activities reduced from K9 million in 2021 to negative K1 million in 2023 representing a percentage decrease of 119%.

- Inadequate Working Capital - The working capital of the Fund had deteriorated from negative K144 million in 2021 to negative K161 million in 2023 representing a 12% reduction

iv. Failure to Collect Amounts Owed by Local Authorities

LASF had outstanding contributions from sixty (60) member institutions in amounts totalling K228 million for the period from the year 2021 to 2023, which had been outstanding from a period ranging from two (2) month to one hundred and forty (140) months.

c. National Road Fund Agency - Weaknesses in Contract Management

i. Payment Against Expired Advance Payment Guarantees/Bonds

There were seventeen (17) Advance payments in amounts totalling K22 million that were made against expired advance payment guarantees.

ii. Double Payments to Contractors

A reconciliation of payments made to various contractors between 1st April and 30th June 2021 revealed that there were double payments of K11 million involving four (4) Interim Payment Certificates (IPCs). This was an indication that internal controls in processing certified payments were weak.

iii. Questionable Terms of Conditions of Contracts (Payment of Gratuity) Resulting in Financial Loss

A review of the contracts of employment for Directors revealed that there was an onerous clause in the employment contracts which resulted in the Agency paying excess amounts totaling K6.5million to four (4) employees whose contracts were terminated.

d. National Housing Authority - Doubtful Going Concern – Adverse Key Financial Ratios

The Authority is technically insolvent and it’s going concern remains questionable in its current state. The Authority’s key financial ratios were adverse as follows:

i. Profitability - Operating Losses

The profitability of the Authority declined from an operating profit of K9.3 million in 2021 to an operating loss of K17.8 million in 2023 by K27.2 million representing 292% decline. In this regard, NHA failed to generate sufficient funds to finance its operations.

ii. Negative Working Capital

Although the Authority recorded an increase in working capital from negative K50.7 million in 2021 to negative K46.7 million in 2023 by K3.9 million representing 8%, the company recorded a negative working capital throughout the period under review.

e. National Pensions Scheme Authority

i. Livingstone Market and Bus Station Management Co. Ltd - Non-Performing Loans and Advances

During the period under review, the Authority had loan balances to various entities and members of staff as detailed in table 1 below.

Table 1: Loans and Advances

Type	2023 K	2022 K
Kafue Gorge Lower Hydro Power Project	6,061,417,193	4,183,081,939
National Road Fund Agency Loan	1,029,410,962	4,625,090,686
Staff Mortgages	81,620,804	79,430,665
Livingstone Market and Bus Station Management Company Ltd	50,892,118	45,855,970
Phantom Exchange	2,362,592	2,362,592
Other Advances	1,067,087	1,067,087
Total	**7,226,770,756**	**8,936,888,939**
Less Impairment	- 265,814,949	- 792,046,330
	6,960,955,807	**8,144,842,609**

A review of the loans and advance contracts revealed that some of the loans were not performing according to the terms of the contracts in that interest and repayment terms were not being adhered to.

On 14th May 2019, the Authority extended its investment in socially targeted assets via a loan facility in the sum of K33.8 million to the Ministry of Local Government and Rural Development (MLGRD) and Livingstone City Council (LCC), for the completion of the ultra-modern Bus Terminus and Market in Livingstone.

However, the Local Authority had not made any repayment and as at the time of audit the total loan outstanding amount stood at K67,003,147.

ii. **Failure to Use Procured System - Bus Terminus and Market Management System (BTMMS)**

The Authority engaged four (4) contractors for the development and installation of the Bus Terminus and Market Management System at a total contract sum of K9.7 million. The system was to be used by the SPV to manage revenue collection at the Bus Terminus and Market.

However, it was observed that since MLGRD and LCC had assumed direct the management of the market and bus station, the procured system by the Authority intended for revenue collection remained unused. Consequently, the failure to use the procured system may result in wasteful expenditure.

iii. **Failure to Carry out an Independent Valuation on Acquisition**

In 2020, the Authority acquired a total of 1,336,385 ordinary shares in the Marcopolo tiles Zambia Limited, Wonderful Group Industries Zambia Limited and MTN at total purchase consideration of US$ 54,900,000 (US$15 million and U$39,900,000) for Marcopolo (16.8%) and Wonderful Group Industries Zambia Limited (35%) and K287,277,372 for MTN (8%).

However, the Authority did not carry out valuation of the shares at the time of purchase. As a result, valuations carried out in the subsequent years resulted in a write down of the values of Marcopolo and Wonderful group by an amount of K952 million from K1.3 billion to K461 million as at 31st December 2023 indicating that there was a possibility that the shares were over-priced.

f. Nitrogen Chemicals of Zambia

i. **Failure to Produce, Supply, Deliver and Distribute Fertilizer under FISP - 2022/2023 and 2023/2024 Farming Seasons**

NCZ outsourced the contract for the supply, delivery and distribution of a total of 30,538.05MT and 19,715.15MT for 2022/2023 and 2023/2024 farming seasons respectively; the tonnages being shortfalls from what NCZ was able to produce.

The failure to meet agreed contract tonnage led to the NCZ passing on profit to other suppliers and hence failing to meet the NCZ's objective of increasing revenue by 20% year on year; loss of business and failure to command more market share in the industry in line with the objective to increase market share to 30%.

g. Superior Milling Company Limited

i. Reduced Profitability

The Company is technically insolvent and has been consistently operating on losses from date of acquisition in 2017 to date. The company recorded losses of K20.7 million, K20.1million and K12.1 million in 2018, 2019 and 2020 respectively. The Company's profits reduced from K2 million in 2021 to a loss of K6.5 million in 2023. In this regard, the Company has been making losses for the past six (6) years.

ii. Poor Working Capital

The working capital of the company had deteriorated from negative K40.8 million in 2021 to negative K96.7 million in 2023. See table 2 below.

Table 2: Working Capital

Details	2023 K	2022 K	2021 K
Total Current Assets	14,394,636	19,181,044	33,863,035
Total Current Liabilities	111,126,111	110,079,407	74,739,977
Working Capital	**(96,731,475)**	**(90,898,363)**	**(40,876,942)**

h. Subsidiaries Of Industrial Development Corporation

i. Balance Sheet Status of IDC Subsidiaries

A total of five (5) Subsidiaries under the IDC portfolio namely Zambia Daily mail, Superior Milling, Zamtel Mukuba Hotel and ZCCM-IH holding representing 15 % had negative shareholders' funds in that their total liabilities far exceeded their total assets.

ii. Working Capital Position of IDC Subsidiaries

Thirteen (13) companies representing 57% of the IDC portfolio had negative working capital as their current liabilities are way more than the current assets. This includes ZESCO Limited, ZCCM-IH and NCZ with negative working capital of K11.9 billion, K34.4 billion and K28 million respectively.

iii. Compliance of IDC Subsidiaries with Companies Act-Financial Reporting

As of December 2024, only six (6) Subsidiaries under IDC had 2023 Financial statements audited by 31st March 2023 in compliance with the Companies Act whilst six (6) Subsidiaries had Financial statements audited after 31st of March 2023. Further, sixteen (16) Subsidiaries did not have 2023 audited financial statements of which twelve (12) had lagged since 2021 with no audited financial statements.

iv. Performance of Subsidiaries against Set Targets

Most of the Subsidiaries under the Industrial Development Corporation failed to attain the performance targets as set by the IDC in that they underperformed in most of the key parameters such Revenue Targets, Gross Profit Margins, Dividend Payouts, Liquidity Ratios, Gearing Ratios, Receivable and Trade Payable Days among others.

i. Zambia Airports Corporation Limited

i. Failure to Adhere to Circular on Personal to Holder Motor Vehicles

A review of contracts of employment entered into by the Corporation and eight (8) directors between 2018 and 2020 revealed that the directors were entitled to personal to holder motor vehicles contrary to Cabinet circular No.17 of 2016 abolished the provision of personal-to-holder motor vehicles and household furniture for VIPs in the Public Service, State-Owned Enterprises and Statutory Bodies.

ii. Questionable Cost of Hire of Transport for Staff

A review of the financial statements of Zambia Airports Corporation Limited for the period 1st January 2021 to 31st December 2023 revealed that the Corporation incurred expenditure on hire of transport for its staff in amounts totalling K40 million cumulatively over the three (3) year period under review as shown in table 3 below.

Table 3: Cost of Hire of Transport

Year	Prior Year Cost of Hire	Increase / Decrease K	Cost of Hire K
2021	7,235,758	2,299,856	9,535,614
2022	9,535,614	2,001,145	11,536,759
2023	11,536,759	7,429,809	18,966,568
	Total		**40,038,941**

A further review of the cost benefit analysis provided for audit which informed management's decision to hire transport and not buy buses to run transportation for staff in-house revealed that management should have spent K16 million on hire of transport for the period under review as opposed to K30 million should it have opted to buy buses and run them in-house which would result in a saving of K14 million.

j. Zambia Cargo And Logistics Limited

i. Failure to Transfer Shareholding from the Ministry of Finance and National Planning to the Industrial Development Corporation

The Company's Shareholding Structure had remained with the Ministry of Finance and National Planning holding 99% shares while the other 1% shares were being held by the

Minister responsible for Finance and National Planning. This was despite the directive being given eight (8) years earlier.

ii. **Doubtful Going Concern**

The Tanzanian Shipping Agency (Dry Port) issued Regulation 6(1)(f) being Government Notice (GN) No. 341 of 2018 requiring all Inland Container Deports to be located at least 30 kilometres away from the Port. ZCL operates within 1 kilometre of the Port.

In this regard, the going concern of Zambia's only Dry Port at Dar es Salaam is threatened should the Tanzanian authorities implement the above-mentioned Regulation in the absence of signing the Bilateral Transport Agreement to actualise various treaties to which both the Governments of United Republic of Tanzania and Republic of Zambia are parties to.

iii. **Potential Loss of 10% Shareholding in ZCL**

Dry Port Regulation 6(1)(b) of 2018 for the Tanzanian Shipping Agencies requires that a minimum of share capital of 10% is held by the Tanzanian Citizens. A review of the shareholding structure revealed that the company was not complying to the Dry Port Regulation. In this regard, in the absence of the Bilateral Transport Agreement to actualise various conventions and treaties to which both the Governments of the United Republic of Tanzania and the Republic of Zambia are signatories, ZCL risks losing 10% of its shares to Tanzanian citizens.

k. ZSIC Life Limited and ZSIC General Insurance Limited - Failure to Meet Capital Adequacy Requirement Ratio

The Companies failed to meet Capital Adequacy Ratio as required by the Regulation 24(2) of the Insurance (General) Regulations of 2022 in that the CAR ratio for ZSIC Life Ltd of 16.2% in 2022 and negative 2.03% in 2023 and that of ZSIC General of 100.8% in 2023 were far below the required 150%. In this regard, the going concern of the two Companies was questionable owing to their failure to meet the required capital adequacy ratio as the companies may fail to pay their debt when they fall due.

Further, the two Companies failed to collect premiums in amounts totalling K120 million (ZSIC Life Ltd -K37 million and ZSIC General – K83 million).

PART I

PREAMBLE

ACRONYMS

BOQ	Bill of Quantities
CEO	Chief Executive Officer
CFO	Chief Financial Officer
ERB	Energy Regulation Board
ERP	Enterprise Resource Planning
GCC	General Conditions of Contract
GRNs	Goods Received Notes
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
IPCs	Interim Payment Certificates
ISSAI	The International Standards of Supreme Audit Institutions
MD	Managing Director
MIS	Management Information System
NAPSA	National Pensions Scheme Authority
NHIMA	National Health Insurance Management Authority
NRFA	National Road Fund Agency
PAYE	Pay As You Earn
SOEs	State Owned Enterprises
TTMS	Telecommunications Traffic Monitoring System
VAT	Value Added Tax
WHT	Withholding Tax
ZPPA	Zambia Public Procurement Authority
ZRA	Zambia Revenue Authority

1 INTRODUCTION

The roles and responsibilities of the Auditor General as regards the management of public resources, reporting and accountability are as contained in the Constitution of Zambia (Amendment) Act No. 2 of 2016, Public Finance Management Act No. 1 of 2018, and the Public Audit Act No. 8 of 1980.

The Report on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2023 contains paragraphs on twenty two (22) Parastatal Bodies and Other Statutory Institutions that were audited, but the issues remained unresolved at the time of the conclusion of this report.

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

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

2 SCOPE AND METHODOLOGY

This Report is as a result of audits of selected Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2023. Although the Report is for the financial year ended 31st December 2023, it included the review of operations for prior years and these included the financial years 2020, 2021 and 2022.

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

i. The Citizens Economic Empowerment Commission (CEEC) which was audited and certified by the Auditor General.

ii. Institutions whose Financial Statements were audited and certified by private auditors and reviewed by the Auditor General.

3 INTERNAL CONTROL

In this Report, specific mention is made of non-availability of audited financial statements, lack of Board of Directors, overpayments, wasteful expenditure and non-achievement of financial targets among other issues as observed from the respective institutions.

PART II

PARAGRAPHS

4 CITIZENS ECONOMIC EMPOWERMENT COMMISSION

4.1 Background

a. Establishment

The Citizens Economic Empowerment Commission (CEEC) was established under the Citizens Economic Empowerment Act No. 9 of 2006.The Commission became operational in 2007 and falls under the Ministry of Small and Medium Enterprises Development (MSMED).

The CEEC's core functions as provided in the Act are as follows:

i. Promote and facilitate investment;

ii. Regulate and facilitate the development of multi-facility economic zones, industrial parks and monitor their performance;

iii. Oversee the privatisation programme;

iv. Promote and facilitate the development of micro and small business enterprises;

v. Increase Zambia's capacity to trade;

vi. Undertake economic and sector studies and give advice to the Minister;

vii. Encourage public to public, private to private and private to public dialogue; and

viii. Establish a database of facilities and promote accessibility to industry.

b. Governance

The Act provides that the CEEC consists of the following part time Commissioners who are appointed by the President.

i. a chairperson;

ii. a representative of the Secretary to the Treasury;

iii. a representative of the ministry responsible for commerce, trade and industry;

iv. a representative of the ministry responsible for labour and social security;

v. a representative of the Attorney – General;

vi. one (1) person representing the youth;

vii. two (2) persons representing the private sector and civil society organisations;

viii. three (3) persons representing the university community, central statistical office and trade unions, respectively; and

ix. one (1) person representing the disabled;

The Director General is an ex-officio member of the Board. A member of the Board holds office for a term of not more than three (3) years.

c. Management

The CEEC is headed by the Director General and is assisted by five (5) Directors responsible for Credit and Risk Management, Business Development, Corporate Services, Legal Services, and Finance.

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

d. Sources of Funds

The funds of the Commission consist of such moneys as may;

- be appropriated by parliament for the purposes of the Commission;
- be paid to the Commission by way of fees, grants or donations; and
- vest in or accrue to the Commission.

In addition, the Commission may, subject to the approval of the Minister, accept moneys

by way of grants or donations from any source and raise by way of loans or otherwise such moneys as it may require for the discharge of its functions.

e. Budget and Actual Income

During the period under review, a total budget of K2,115,615,486 was made to cater for the operations of the Commission against which amounts totalling K1,089,139,621 were received as income from funds appropriated by parliament, interest on fixed deposits and facility fees. The income represented 51 % of the budget as tabulated in table 1 below.

Table 1: Budget and Actual Income

Year	Budget K	Income K	(Under)/ Over Funding K	Income as % of Budget
2021	137,937,550	28,370,844	(109,566,706)	21%
2022	952,266,298	375,721,432	(576,544,866)	39%
2023	1,025,411,486	685,047,345	(340,364,141)	67%
Total	**2,115,615,334**	**1,089,139,621**	**(1,026,475,713)**	51%

4.2 Audit Findings

A review of the accounting and other records maintained by CEEC for the period under review revealed the following:

a. Audit of Annual Performance

i. Failure to Appoint a Fund Manager

Section 30 (1) of the Citizen Economic Empowerment Commission Act No. 9 of 2006 stipulates that the CEEC shall be vested in the Commission but shall be managed and administered by various financial institutions and fund managers.

A review undertaken at the Commission revealed that as at 30th September 2024, the Commission had received empowerment grants in amounts totalling K1,006,062,722,722 from the inception. However, as at 30th September 2024 and sixteen (16) years after the Act came into effect, the Commission had not appointed a Fund Manager as provided for in the Act.

The failure by the Commission to engage financial institutions or a fund manager to manage the Citizen Empowerment Fund deprived the Commission of the external expertise to help improve the operations of the entity.

ii. Absence of Duration Clause in Loan Processing Stages

Section 9 of the Credit Manual stipulates two (2) major evaluation processes for loan applications which include:

- Provincial stage where the Provincial Coordinator would provide oversight with the overall objective of making recommendations to the Management Credit Committee (MCC) for the loan to be financed, and
- Head Quarters stage where MCC and the Director General would provide oversight with the overall objective of assessing the application for funding.

According to data flow provided under section 8, loan applications have to undergo the following stages: Provincial Coordinator, Director Business Development, Director Credit and Risk, Director Legal, Director Finance and the Director General. The process flows online starting from the time of the call up to the time of approval.

However, it was observed that the manual did not provide the time frame within which these processes should be started and completed.

A review of a sample of ten (10) loan applicants' records revealed significant delays in the processing and disbursement of loan applications. In particular, loan approvals took between one (1) to eighteen (18) months, and an average of seven (7) months from the date of approval to the date of the first loan disbursement.

In this regard, the delay may result in a backlog of loan applications, negatively impacting potential beneficiaries and the effectiveness of CEEC's mandate to empower Zambian citizens through economic opportunities.

iii. Low Rate of Approved Loans

Section 6 (1) of the CEEC Act No.9 of 2006 states that "The functions of the Commission shall be to promote the empowerment of citizens that are or have been marginalized or disadvantaged and whose access to economic resources and development capacity have been constrained due to various factors including race, sex, educational background, status and disability."

According to records availed for audit, there were 110,765 loan applicants in 2023 out of which 14,151 were applications for Project Loans whose repayment period ranged from six (6) to sixty (60) months while 96,614 were applications for short term loans whose repayment period ranged from one (1) to six (6) months. See table 2 below.

Table 2: Analysis of Loans Applied Vs Approvals

Loan Type	No. of Applications	Amounts Applied For K	No. of Approved Loans	Amount Approved K	% of No. Loans Approved	% of Loan Amounts Approved
Project Loan	14,151	430,504,620	618	434,869,112	4	101
Market Booster	21,764	108,770,000	6,807	32,362,826	31	30
Busulu	74,850	3,742,500,000	7,062	72,362,826	9	2
Totals	**110,765**	**4,281,774,620**	**14,487**	**539,594,764**		

As indicated above, only 618 applicants under Project Loans were approved representing 4%; 6,807 applicants under Market Booster and 7,062 applicants under Busulu were approved representing 31% and 9% respectively.

iv. Non-Performing Loans – Loan Arrears

Section 8.0 of the CEEC Credit Manual stipulates that, in order to manage credit risk effectively, it is the Commission's policy that officers follow closely the activities and operations of all clients, anticipating the impact that economic and market events might have on the businesses being financed.

A review of the performance of loans by classification in terms of pass, substandard, doubtful and loss making for the period under review revealed that the number of loans disbursed between 2022 and 2023 increased from 3,060 loans valued at K331,245,509 to 21,855 loans valued at K728,117,659 representing an increase in the loan book of 120%. See table 3 below.

Table 3: Classification of Loans

Age Analysis	Loan Classification	2020 K	2021 K	2022 K	2023 K
No. of Loans		1,987	2,512	3,060	21,855
Pass (1-89 days)	Performing Loan	9,062,243	19,566,374	26,341,853	538,497,853
Substandard (90-119 days)	Non-Performing Loan	626,058	1,351,891	635,889	19,291,657
Doubtful (120-179 days)	Non-Performing Loan	1,252,116	2,703,783	953,833	22,270,197
Loss (180 days and over)	Non-Performing Loan	302,042,157	302,943,418	303,313,935	148,057,988
Total Non-Performing Loans		**303,920,331**	**306,999,092**	**304,903,657**	**189,619,842**
NPL% of Total Loan Book	Non-Performing Loan	97%	94%	92%	26%
Total Loan Book		**312,982,574**	**326,565,466**	**331,245,509**	**728,117,695**

As can be seen in the table above, the non-performing loans were at 97% in 2020, 94% in 2021 and 92% in 2022. In 2023, the NPL% of the Total Loan Book was 26%.

However, although there seems to be a significant decrease in NPL in 2023, the decrease is as a result of the increased number of loans from 3,060 with a Loan Book Value of K331,245,509 in 2022 to 21,855 loans with a Loan Book Value of K728,117,695 in 2023. This increase in disbursements diluted the ratio as opposed to increased debt management efficiencies.

The non-performing loans were mainly attributed to the Commission's failure to carry out due diligence before approval and disbursement of loans and lack of monitoring the activities and operations of clients.

v. Questionable Partially Disbursed Loans

Section 7.5.11 of the Commission's Credit Policy provides for Partial Disbursement of Loans where Loan Applicants are disbursed with less than 100%

of the funds requested and approved. The policy requirement for a partially disbursed loans are as follows:

- No interest is charged on the loan until the loan is fully funded (disbursed) at 100%
- The principal is not repayable until the Loan is fully funded (disbursed) at 100%

A review of the Loan Book revealed that between 24th December 2013 and 21st December 2023, the Commission disbursed K44,638,189, to 827 applicants out of the total amount of K127,123,777 approved by the Board leaving a balance of K82,485,589 representing 65% of the approved amount still undisbursed as at 31st December 2023.

However, due to onerous clause on Partially Disbursed Loans, the Commission was not making any recoveries from the partially disbursed loans thereby tying up the funds. This was despite the Commission making new disbursement to 18,795 loan applicants in amounts totaling K396,872,186 in 2023.

In this regard, the rationale of the Commission disbursing Partial Loans for a period ranging from ten (10) months to one (1) year without fully funding the amounted to tying up Public funds to borrowers without recourse to recover the funds.

vi. Disbursed Loans with Zero Repayments

An examination of the loan book revealed that during the period from 29th October 2012 to 31st December 2023, the Commission disbursed 100% of funds requested and approved to 1,494 loan applicants in amounts totalling K393,752,873. However, a review of loan statements and other accounting records revealed that as at 31st December 2024, no repayments had been made towards servicing the loans.

vii. Outstanding Loans with Expired Loan Tenures

A review of the loan book and other accounting records revealed that during the period from 28th February 2009 to 24th December 2022, a total of K178,856,723 was disbursed to 1,473 clients with loan end dates ranging from 31st January 2010 to 24th September 2023.

It was observed that as at 31st December 2023, amounts totalling K127,360,840 remained outstanding despite the expiry of the loan tenure for periods ranging from

127 days to 5,231 days. There was no evidence that the Commission was actively pursuing the outstanding amounts.

viii. Failure to Reconcile Suspense Account

A suspense account is an account used to post accounting entries temporarily before being permanently allocated to proper accounts. In accounting for debtors' payments suspense accounts are used to recognize reduction in the general debtors' balances before the actual individual debtors account are credited with payments.

A review of account balances provided for audit for the period 2020 to 2023 revealed that the suspense account had decreased from K55,933,433 in 2020 to K42,428,454 in 2023 representing a decrease of 24%. However, the suspense balances remained high when compared to the debtors' balances on an annual basis. See table 4 below.

Table 4: Failure to Reconcile Suspense Account

Financial Year	Debtors Balance K	Suspense Account K	Suspense/ Debtors %	Suspense Growth on Year
2020	312,982,674	55,933,433	18%	
2021	326,565,466	55,901,975	17%	0%
2022	331,245,506	47,074,403	14%	-16%
2023	728,117,695	42,428,454	6%	-10%

As can be seen in the table above, the Commission had not reconciled 18%, 17%, 14% and 6% of the debtors for the financial years ended 31st December 2020, 2021, 2022 and 2023 respectively. The seemingly improved percentage of suspense account in 2023 of 7% was attributed to increased loan disbursements as opposed to reconciling the suspense account.

ix. Management of Repossessed Assets

During the period under review, the Commission had repossessed ninety eight (98) properties with outstanding loans in amounts totalling K80,243,901. The status of the repossessed assets as at 31st December 2024 are as shown in table 5 below.

Table 5: Status of Repossessed Assets

No.	Status Description	No. of Assets	Outstanding Loan Amount K	Comment
1	Repossessed Assets under litigation	46	38,191,280	The matter is still in court
2	Sold Repossessed Assets	17	14,883,500	The Commission only provided 7 of the 17 with sale values.
3	Repossessed Assets held for Sale	10	10,878,122	The Commission had not provided the valuation reports.
4	Assets whose status is Unknown	25	16,290,999	The Commission didn't provide records on wether the assets had been repossessed or not.
	TOTAL	**98**	**80,243,901**	

The following were observed:

- **Failure to Recover Loan Amounts from Sale of Assets**

  During the period from 2010 to 2015, the Commission approved and disbursed loans to seven (7) clients in amounts totaling K8,512,138 with a tenure of sixty (60) months and a grace period of six (6) months. The Commission took legal action against defaulting clients for repayment of outstanding loans and foreclosure. The judgements were in favour of the Commission and at the time of foreclosure the outstanding loan amounts were K11,195,036 as tabulated in table 6 below.

  Table 6: Outstanding Loans from Repossessed Assets

No.	Client	Judgement Date	Loan Amount K	Outstanding Loan Amount K	Amount from the sale of property K	Outstanding loan after sale of property K	Reppossessed assets
1	Salunjinga Farm	Not provided	200,000	299,435	56,000	243,435	Bare Land
2	Orbit Techlogistics	Not provided	2,000,000	2,648,201	1,100,000	1,548,201	Industrial yard
3	Chikunto	6/23/2022	870,000	1,018,281	870,000	148,281	Residental property
4	Metez Ltd	Not provided	424,796	967,303	350,000	617,303	Residental property
5	Jubert Time Investment	Not provided	1,950,000	2,540,016	725,000	1,815,016	Residental property
6	Quality Tooling accessories	Not provided	1,000,000	1,134,680	120,000	1,014,680	Commercial plot
7	Si Gold General Dealers	11/2/2022	2,067,343	2,587,119	2,500,000	87,119	Fish Hatchery, Milling Plant and Office block
	Total		**8,512,139**	**11,195,036**	**5,721,000**	**5,474,036**	

  As can be seen in the table above, the Commission only realized amount totaling K5,721,000 against outstanding loan balances in amounts totaling K11,195,036 resulting in a loss of K5,474,036.

  Clause 11.6 of the Credit Manual provides that where the sale price of the repossessed assets is lower than the outstanding loan amount, the client through guarantors shall pay the balance. However, there was no evidence that the Commission had engaged the guarantors of the loans to recover the outstanding after the sale of the property.

- **Failure to Take Possession of Foreclosed Assets**

  During the period from 2017 to 2023, the Commission obtained favorable judgement against

  twenty-five (25) clients for repayments of outstanding loans amounting to K16,290,999. However, as at 30th December 2024, there was no evidence that the Commission had repossessed the assets from the clients for periods ranging from one (1) to seven (7) years after obtaining judgements.

b. Missing Parameters on Issued Loans

During the period from 2020 to 2022, the Commission had a fully paid loan portfolio amounting to K588,210,139 paid to 4,442 applicants and partially disbursed loans amounting to K171,533,967 which were paid to 1001 beneficiaries for various empowerment projects.

The Commission issued loans with a value of K126,697,164 to 664 applicants without indicating the disbursement date, repayment date and loan end date on the system thereby, making it not possible to establish the performance of the disbursed loans.

c. Failure to Recover Loans and Sustain the Revolving Fund

In June 2020, the CEEC and National Arts Council (NAC) signed a fund management agreement for a project titled "Presidential Arts Development and Empowerment Scheme (PADES) for an amount of K30,000,000. The project was to be financed by the National Arts Council with funding from the Ministry of Tourism and Arts. The agreement stated that CEEC, as the Implementing Partner was to charge 5% facility fee from each borrower at the time of disbursement.

On 31st September 2020, the Commission received amounts totalling K27,477,400 of which amounts totalling K27,273,576 had been disbursed to various applicants leaving a balance of K203,824. As at 31st December 2023, the disbursement represented 99.2% of the funds.

The Fund Management Agreement outlined among others the following responsibilities for the implementing partner - (CEEC).

- Upload approved applications into the Loan Tracking System.

- Take the lead in undertaking legal, commercial, financial and operational due diligence on recommended projects in accordance with the CEEC Risk Management Policy and Due Diligence Procedures.
- Charge interest rate at 9% per annum for all loan facilities disbursed.
- Disburse funds to the projects selected by the Independent Project Selection Committee (IPSC);
- Disburse funds to the projects selected by the IPSC.
- Undertake budget performance tracking for all project management and capital funds received by CEEC under the Scheme; and
- Undertake quarterly and annual financial reporting to NAC.

Section 1.1.11 of the Fund Management Agreement provides that the Commission shall undertake loan recoveries and shall be responsible for ensuring the agreed loan recovery rate of 60% for funds disbursed, subject to mid-term review by the parties at end of third (3rd) year.

However, a review of accounting records and bank statements, as at 30th December 2022, out of a total of K28,019,775 expected repayment amounts only amounts, totalling K249,376 were recovered representing a recovery rate of 0.89%. The recovery rate was below the required recovery rate of 60%. In addition, loans amounting to K7,600,905 relating to forty-four (44) clients had been running for a period ranging from 604 to 1,120 days after the grace period of 60 days without any recoveries being made.

d. Missing Information from the Loan Beneficiary File

Clause 5.5 of the Credit Policy of 2015 states that the Commission will ensure that its credit portfolio is properly administered. That is, loan agreements are duly prepared, renewal notices are sent systematically, and credit files are regularly updated.

Contrary to the Clause, twenty-three (23) files for clients who were issued with loans in amounts totalling K21,401,454 had missing important documents such as term sheets, due diligence reports, copy of collateral, disbursement schedules and application letters. See table 7 below.

Table 7: Loans with Missing Key information on loan beneficiary files

No	Date	Project Name	Loan Amount K	Missing Documents	District
1	11.11.22	Jungu Properties	400,000	Term Sheet, Due Dilligence report,Copy of collateral,Disbursement schedule,Application letter	Mbala
2	28.11.22	Katengoka General Dealers	266,945	Term sheet, Due dilligence report,Disbursement schedule	Kasama
3	16.12.22	Sakachi Enterprises	1,604,570	Term sheet, Due dilligence report,Disbursement schedule	Kasama
4	09.11.22	Evonny Fisheries General Dealers	765,500	Term sheet, Due dilligence report, Disbursement schedule and Valuation report.	Kasama
5	18.11.22	Ngolonganeni General Suppliers	258,100	Term sheet, Due dilligence report, Disbursement schedule and copy of collateral.	Kasama
6	21.11.22	Kasama Agro Vet Ltd	323,720	Term sheet, Due dilligence report, Disbursement schedule and copy of collateral.	Kasama
7	25.11.22	Blinkas Ltd	323,720	Loan agreement, Term sheet, Due dilligence, Collateral and Disbursement schedule.	Kasama
8	06.06.17	Chengelo School of Nursing	2,692,592	Disbursement schedule	Kasama
9	28.10.22	Nthombi Distributors	1,060,820	Loan application form, Disbursement schedule, term sheet, loan agreement and Call report	Kabwe
10	01.11.22	GMM Business Associate Ltd	161,350	Loan application form, Copy of collateral, Term sheet and disbursement schedule	Solwezi
11	28.12.22	Coil Synergy Enterprises	330,020	Application letter, Due dilligence report	Kitwe
12	28.12.22	Hardrich Engineering Services Company Limited	2,172,820	Application letter, Due dilligence report	Kitwe
13	28.12.22	Kaychali	187,740	Application letter, Due dilligence report	Kitwe
14	12.11.20	Elma Exhibitors	488,285	Due dilligence report	Chibombo
15	04.11.20	Green Eye Films	157,626	Due dilligence report	Solwezi
16	04.11.20	God's Ability Enterprises	107,865	Due dilligence report	Zambezi
17	02.09.22	Medserve Pharmacy	339,680	Letter of offer, Term sheet, Disbursement schedule	Kabwe
18	08/09.20	Nkumbu Gardens and Suppliers	812,160	Due dilligence report	Kalulushi
19	20.05.20	Tazingwa Mhone	444,618	Valuation report	Kalulushi
20	07.09.18	Leaky Mwiinde	1,121,448	Valuation report	Kaoma
21	28.12.22	Chrimza Investment Ltd	2,137,820	Loan agreement, Due dilligence report	Kalulushi
22	01.05.19	Gore Browne K. Kayuwa	3,048,500	Progress report	Mongu
23	05.01.14	Linroh Enterprises Ltd	2,195,554	Loan application, Loan statement and Disbursement schedule	Choma
		Total	**21,401,454**		

e. Internal Control Weaknesses - Information and Communication Technology

i. Systems Failure to Accurately Age Loans

A review of the loans management system revealed that the system was not accurately calculating outstanding balances on loans and categorizing loans according to the actual age of the loans.

In this regard, loans in amounts totalling K169,220,980 disbursed to 1,560 applicants between 2009 and 2022 had actual repayments in amounts totalling K95,757 resulting in arrears in amounts totalling K169,125,223 as at 31st December 2023. However, an evaluation of the system revealed that a total of K152,901,764 had been repaid resulting in arrears in amounts totalling K16,319,216 an indication that the system was not calculating loan repayment balances accurately.

ii. Failure to Adopt ICT Standards and Frameworks

COBIT APO03 Manage Enterprise Architecture, requires that organisations have a standardized set frameworks and standards for managing ICT operations.

The standard allows for computer systems to exchange and make use of information of technology and establish a common basis for measurement and evaluating performance. It also ensures the technology being used by teams aligns with overall business objectives, industry regulations, and security requirements.

However, as at 31st December 2024, the Commission had not adopted ICT Standards and frameworks upon which its ICT would be managed. This resulted in haphazard implementation of ICT projects, controls and processes.

iii. Lack of Integration Between Loans Management and Accounting Systems

System Integration is the process of combining two or more systems or components into a single, cohesive system that functions as a single unit. It is a key component that helps organizations derive the most value from technology such as increased productivity, better management and analysis, automation and streamlining, accessibility, accuracy and coordination.

However, during the period under review, the Commission operated a Loan Management System (LMS) which was not integrated with the accounting system (Pastel). This rendered the loans data susceptible to errors of omission and transposition when transferring data from Navision to Pastel.

iv. Use of Unsupported Software - Reached End of Support and Life

During the period under review, the Commission operated an Active Directory which was used to administer and manage machines and users on the systems.

ISO/IEC 27001 A12.6.1 on the management of technical vulnerabilities states that an organization obtains in a timely fashion, information about technical vulnerabilities of information systems being used, the exposure to such vulnerabilities should be evaluated and appropriate measures taken to address the associated risk. This control measure aims to prevent exploitation of technical vulnerabilities.

According to Microsoft who are the vendors of windows operating systems, support for Windows 7 ended on 14th January 2020 while support for Windows 8.1

reached end of support on 10th January 2023. In addition, support for Windows Server 2012 and Windows Server 2012 R2 ended on 10th October 2023.

In this regard, after the dates stated above these products no longer receive security updates, non-security updates, bug fixes, technical support, and online technical content updates.

A review of the Commission's Active Directory revealed that fifty-one (51) Operating Systems in use at the CEEC had since reached their end of technical support.

5 INDUSTRIAL DEVELOPMENT CORPORATION

5.1 Background

a. Establishment

The Industrial Development Corporation (IDC) Limited is a wholly State-Owned Enterprise (SOE) which was incorporated in 2014 and is charged with the responsibility to spearhead the Zambian Government's commercial investment agenda aimed at strengthening Zambia's industrial base and job creation.

As at 31st December 2023, the IDC's nominal share capital stood at K1,500,000,000.

In Paragraph 4.1 (a) of the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year ended 31st December 2022, it was stated that the IDC had an investment portfolio of thirty-nine (39) companies comprising of thirty (30) subsidiary companies and nine (9) investment or associate companies. The investment portfolio of the IDC remained the same as at 31st December 2024.

b. Governance

Clause 57 of the Articles of Association of the IDC provides that the Board of Directors shall consist of the following members:

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

ii. Three (3) Cabinet Ministers;

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

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

c. Management

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

d. Sources of Funds

IDC is a self-financing institution that generates funds by leveraging its founding portfolio companies and also obtains funds through project financing which consists of such moneys as;

i. Income from equity disposals in investments,

ii. Dividends income from profitable state-owned enterprises,

iii. Management fees from subsidiaries

iv. Bank borrowings, and

v. Debt issuance in the capital market.

5.2 Audit Findings

An examination of accounting and other records maintained at the IDC Headquarters for the financial year ended 31st December 2023 revealed the following:

a. Annual Performance

i. Budget and Income

During the period under review, the IDC budgeted to generate and receive income in amounts totalling K763,164,926 from various sources which included dividends, management fees, disposal of assets, interest on short term investments, shareholders loans and rental income against which amounts totalling

K783,005,882 were realised resulting in a positive variance of K19,840,956 as shown in table 1 below.

Table 1: Budget and Actual Income

Details	Budgeted Amount K	Actual Amount K	Variance K
Dividends	580,681,978	705,324,715	124,642,737
Rental income	4,062,052	3,212,833	(849,219)
Management fees	76,344,850	18,506,227	(57,838,623)
Other Income	102,076,046	55,962,107	(46,113,939)
Total	**763,164,926**	**783,005,882**	**19,840,956**

An analysis of the total revenue generated showed that K705,324,715 was received as dividends from subsidiaries and associated companies as shown in table 2 below.

Table 2: Subsidiaries that Paid Dividends

No	Name of Subsidiary/ Associates	Dividend Received K
1	Indo-Zambia Bank	40,000,000
2	LSMFEZ	1,705,000
3	ZANACO	105,393,757
4	Kagem Mining	107,841,500
5	ZCCM-IH	436,170,011
6	Zambia Reinsurance Plc	484,947
8	Marcopolo	13,729,500
	Total	**705,324,715**

In addition, the following was observed:

- **Delays in Collecting Shareholder Interest and Loans**

  According to the 2023 Budget and Business plan, the IDC planned to collect a total of K84,389,132 as interest from the shareholder loans as income to be used towards activity implementation during the period under review.

  However, it was observed that only amounts totalling K44,483,449 were collected in respect of interest leaving a balance of K39,905,683 not collected from eight (8) companies. See table 3 below.

Table 3: Budgeted and Actual Interest Received

No.	Subsidiary	Budgeted Interest K	Interest Received K	Amount Outstanding K
1	Infratel	62,225,000	18,000,000	44,225,000
2	MICC - ZMW5M	737,500	516,156	221,344
3	MVCL - ZMW40M	5,900,000	-	5,900,000
4	Zamtel	7,040,000	21,602,850	(14,562,850)
5	Superior Milling	698,632	3,742,668	(3,044,036)
6	Munushi	885,000	-	885,000
7	Kawambwa Tea Industry	3,953,000	621,775	3,331,226
8	Zampalm	2,950,000	-	2,950,000
	Total	**84,389,132**	**44,483,449**	**39,905,683**

Further, as at 31st December 2024, IDC had a total of K390,252,912 in outstanding shareholder loans in respect of ten (10) companies. The repayment periods ranged from fifteen (15) to thirty-six (36) months. See table 4 below.

Table 4: Outstanding Shareholder Loans

No.	Subsidiary	Date of Agreement	Loan Amount K'000	Repayment Date in Months	Outstanding Balance as at 30th November 2024
1	Infratel	27/07/21		180	126,666,614
2	Kawambwa Tea Industry	17/09/21	18,886,343	36	54,388,539
3	Mukuba Hotel	05/06/2017	5,500,000	36	6,973,173
4	Mulungushi International Conference Centre	10/09/2021		60	-
5	Mulungushi Textiles	26/05/19		36	2,628,209
6	Mulungushi Village Complex Ltd	10/08/2021	50,000,000	60	76,340,850
7	Pelidic	09/10/2018	949,455	36	1,601,857
8	ZSIC LIFE		6,519,485	0	6,306,683
9	Superior Milling Co Limited	28/09/20	89,989,656	15 and 36 Months	113,372,201
10	ZAMTEL	25/11/2021	48,000,351	36 Months	1,974,784
	Total				**390,252,912**

ii. Failure to Achieve Annual Performance Targets

During the period under review, the IDC in line with its strategic plan, business plan, budget and annual operational plans set performance deliverables. The deliverables were monitored through a balanced score card considering the financial perspective, stakeholder perspective, internal perspective and organisational capacity. The planned and actual performance are as detailed in table 5 below.

Table 5: Annual Set Targets vs Actual

Objective	Measure	2023 Targets	2023 Actual
Financial Perspective	Key Financial Metrics		
	Percentage revenue growth-group	15%	6.40%
	Percentage growth of non-dividend revenue year on year	K80.4Million (35% YoY)	-0.41%
	Percentage Contribution of non-dividend revenue year on year	22%	8%
	ZMW Capital Raise for IDC project pipeline	K334 Million	0%
	Capital raise for subsidiary transformation	K390 Million	4%
Stakeholder Perspective	Number of Subsidiaries / Associates declaring dividends	8	8
	Number of green field projects commercially operationalised	3	0%
	Number of brown field projects commercially operationalised	0	0%
	Value of co-investment	K439 Million	29%
	Number of direct jobs created	1,303	0
	Number of Indirect jobs created	4,201	0
	Percentage adherence to project timelines	75%	0%

The following were observed:

- **Percentage Revenue Growth – Group**

  The negative variance on Revenue Growth for the Group was attributed to five (5) subsidiaries within the group that recorded negative revenue growth namely Zampalm, Zambia Daily Mail Limited, Nitrogen Chemicals of Zambia, Superior Milling Company Limited and Munushi Fruit Company.

- **Percentage Growth Target of Non-Dividend Revenue**

  According to the Corporate Review Performance Report, the failure to achieve the set target was attributed to Times Printpack's revenue which reduced from K965,000 in 2022 to K80,000 in 2023 translating into a reduction of K885,000. Further, ZamCargo recorded a revenue decline of K115,000, from K1.26 million in 2022 to K1.14 million in 2023.

- **ZMW Capital Raise for IDC Project Pipeline**

  The IDC capital requirements for its projects was K512,360,000 against which IDC set a target to raise K334 million for projects in its pipeline for the financial year ended 31st December 2023.

  A review of the Corporate Performance Report revealed that IDC did not raise the planned capital. The failure to raise the capital was mainly attributed to a lack of project readiness, lack of audited financials, limited balance sheet capacity and a lack of sufficient collateral from IDC. The planned projects are as shown in the table 6 below.

Table 6: Capital Not Raised for Projects

No.	Project Name	Capital Requirment K'000	Capital Provided K'000	Variance K'000
1	Kalene Hills	20,455	-	20,455
2	Eastern Tropical	21,637	-	21,637
3	Fig tree	158,965	-	158,965
4	Agro Luswishi	98,016	-	98,016
5	Mununshi	94,988	-	94,988
6	Chitambo	21,119	-	21,119
7	Luombwa Agro	64,796	-	64,796
8	Tourism Investment	32,384	-	32,384
	Total	**512,360**	-	**512,360**

Failure to raise capital for projects may adversely affect the IDCs mandate of actively investing in key sectors of the economy to drive industrialisation and job creation.

- **Capital Raise for Subsidiary Transformation**

  The IDC set a target to raise K390 million for the transformation of its subsidiaries for the financial year ended 31st December 2023. A review of the 2023 Corporate Performance Report revealed that IDC only raised K15,150,000 (US$750,000) from SADC which represented 4% of the set target.

  The failure to raise the capital was mainly attributed to a lack of project readiness, lack of audited financials, limited balance sheet capacity and a lack of sufficient collateral from IDC.

- **Delays in Operationalising Green Field Projects and Brown fields**

  Section 9.2.9 of the 8th National Development plan on SOEs states that SOEs will undertake various commercial activities to compliment various private sector investments. In this regard, the IDC set out a target to commercially operationalize three (3) green field and three (3) brown field projects during the period under review.

  However, a review of the 2023 Corporate Performance Report revealed that the IDC had not commercially operationalized two (2) green field namely Kalene Hills Fruit Company and Chitambo Cassava Plant and zero brown field projects as at 31st December 2024. See table 7 below.

Table 7: Projects Not Operationalised and Handed Over to Portfolio Directorate

No	Project Name	Budget Amount K'000
1	Eastern Tropical Fruit Company	21,637
2	Mununshi Fruit Company 100 Ha Plantation Expansion	94,988
3	Fig - Tree Tomato Fruit Compant	158,965
4	Luombwa Agro	64,796

- **Non-Adherence to Project Implementation Timelines - Delayed Completion of Projects**

  During the period under review, the corporation had set a target of 75% for adherence to projects milestones. A review of the Corporate Performance Report revealed that IDC achieved 0% of the set target as of 31st December 2023.

  In particular, the corporation had planned to complete and operationalise the following projects. See table 8 below.

Table 8: Uncompleted Projects

No.	Project Name	Planned Completion Date	Revised Completion Date	% completion at 1st January 2023	% Completion as at 31st December to Date	Outstanding Works
1	Kalene Hills Company	2021	2022	97	97	Completion civil and equipment installation works
2	Eastern Tropical Company	2020	2024	95	95	Primary civil works and Equipment Installation
3	Munushi Fruit Company	2019	2020	80	80	Rehabilitation works of the Office Block
4	Fig tree Tomato plant	2023	2026	90	90	Civil and installation works of equipment

As can be seen from the table above, these projects had significantly progressed as indicated by the completion percentage. However, in the extension period the projects stalled and could not meet the set 75% project adherence milestone of the plan to completion. As of November 2024, the projects were still incomplete with overall project completion stages ranging between 80 % and 97%. The projects have been extended for period exceeding 24 (twenty-four months).

iii. Performance of IDC Subsidiaries

i. Profitability of IDC Subsidiaries

The 8th National Development plan requires State-Owned Enterprises (SOEs) to generate resources to complement government revenues for the financing of the Plan.

Further, the IDC was established to create and maximise long-term shareholder value as an active investor and shareholder of successful enterprises. Strategic Objective No. 1 of the 2021 - 2025 Strategic Plan aims at IDC achieving 15% growth in group revenue year-on-year through enhanced group oversight and support. To attain this objective, IDC was to enhance its subsidiaries' financial performance.

A review of the performance of the IDC Subsidiaries portfolio held by the IDC revealed that there was an overall loss of K2,507,427,000. This was due to the fact that, despite eleven (11) companies recording overall profits of K1,940,908,000, the rest of the subsidiaries in the portfolio recorded losses totalling K4,448,334,000. See figures 1 and 2 and table 9 below.

Figure 1: Profit Making IDC Subsidiaries (Zambian Kwacha Thousand)

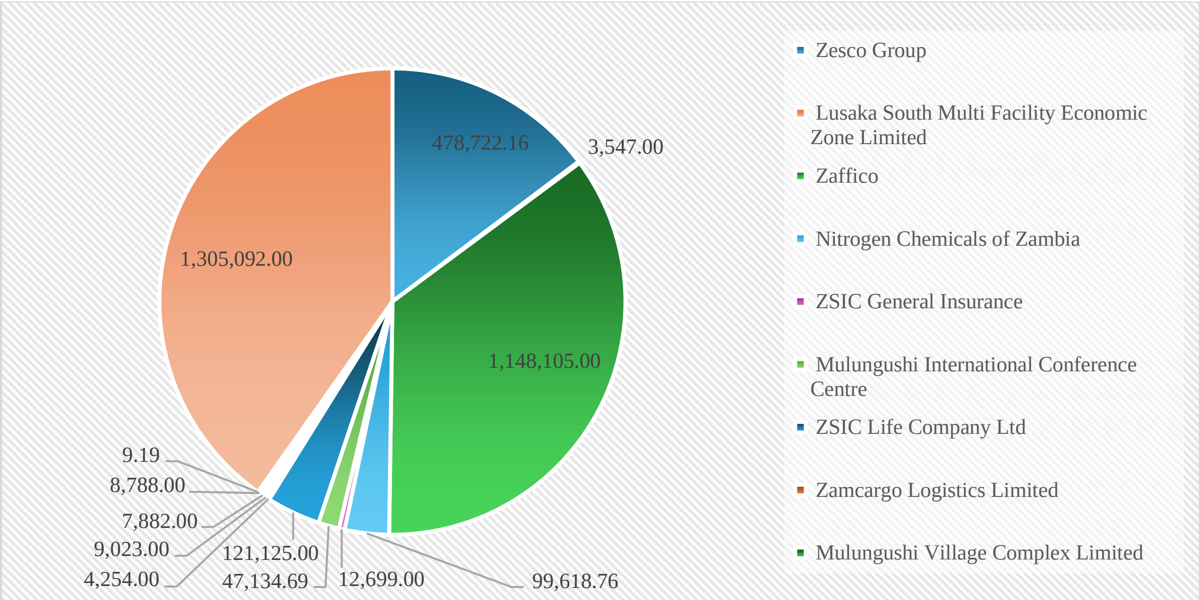


Figure 2: Loss Making IDC Subsidiaries (Zambian Kwacha Thousand)

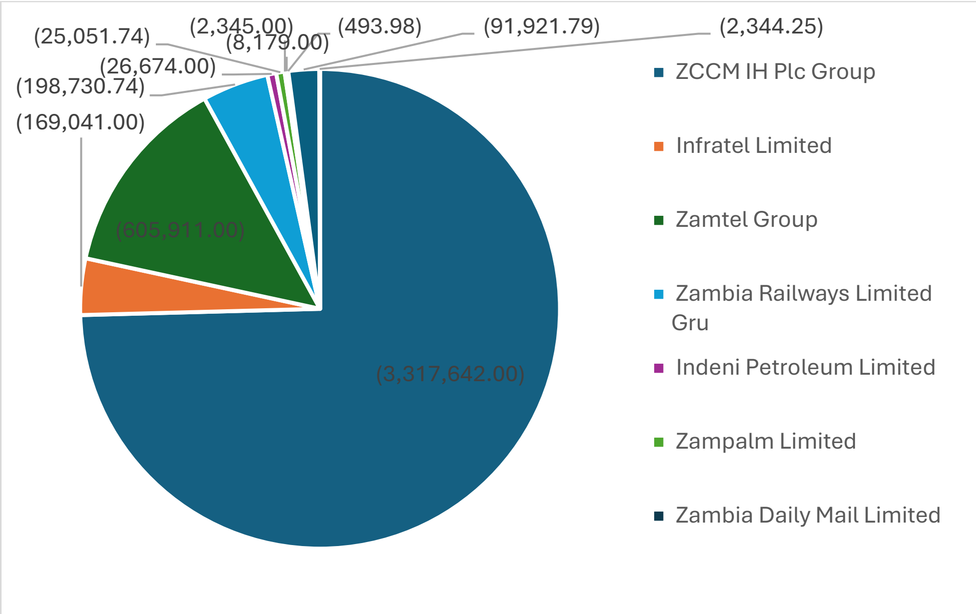


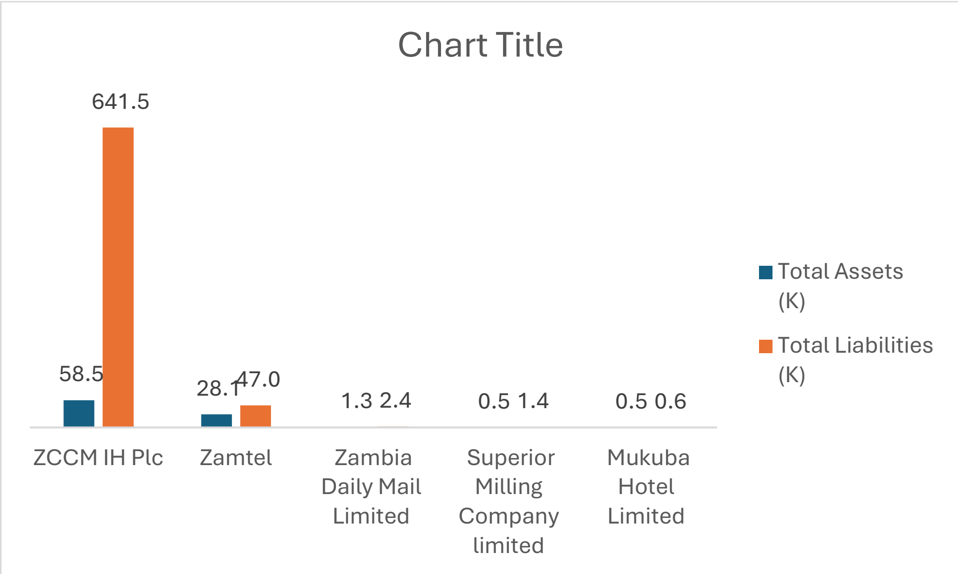
Table 9: IDC Subsidiaries Overall Profit/Loss

No.	Name of Company	Source	Shareholding %	Profitability Status K000	Profit Making K000	Loss Making K000
	Subsidiaries					
1	Zesco Group	Management accounts	100%	478,722	478,722	
2	ZCCM IH Plc Group	Signed Financials	60.28%	(3,317,642)		(3,317,642)
3	Lusaka South Multi Facility Economic Zone Limited	Signed Financials	100%	3,547	3,547	
4	Infratel Limited	Signed Financials	100%	(169,041)		(169,041)
5	Zamtel Group	Signed Financials	100%	(605,911)		(605,911)
6	Zaffico	Signed Financials	100%	1,148,105	1,148,105	
7	Nitrogen Chemicals of Zambia	Management accounts	100%	99,619	99,619	
8	Zambia Railways Limited Gru	Management accounts	100%	(198,731)		(198,731)
9	ZSIC General Insurance	Signed Financials	100%	12,699	12,699	
10	Mulungushi International Conference Centre	Management accounts	100%	47,135	47,135	
11	ZSIC Life Company Ltd	Signed Financials	100%	121,125	121,125	
12	Indeni Petroleum Limited	Signed Financials	100%	(26,674)		(26,674)
13	Zamcargo Logistics Limited	Signed Financials	100%	4,254	4,254	
14	Mulungushi Village Complex Limited	Signed Financials	100%	9,023	9,023	
15	Zampalm Limited	Management accounts	100%	(25,052)		(25,052)
16	Kawambwa Tea	Signed Financials	100%	7,882	7,882	
17	Zambia Daily Mail Limited	Signed Financials	100%	(2,345)		(2,345)
18	Superior Milling Company limited	Management accounts	76.0%	(8,179)		(8,179)
19	Times Printpak (Z) Limited	Dormant	100%	-		
20	Mpulungu Harbour Corporation Limited	Signed Financials	100%	8,788	8,788	
21	Mununshi Fruit Company	Management accounts	100%	(494)		(494)
22	NIEC Business School Trust	Dormant	100%	9	9	
23	Zambia Airways	Management accounts	54.0%	(91,922)		(91,922)
24	Zambia China Mulungushi Textiles Zambia	Signed Financials	100%	-		
25	Zambia Fruit Company	Signed Financials	100%	-		
26	Mukuba Hotel Limited	Management accounts	100%	(2,344)		(2,344)
	Total			**(2,507,427)**	**1,940,908**	**- 4,448,334**

ii. Balance Sheet Status of Subsidiaries

A review of twenty-three (23) balance sheets of subsidiaries revealed that five (5) subsidiaries under the IDC portfolio namely Zambia Daily Mail, Superior Milling, Zamtel, Mukuba Hotel and ZCCM-IH holding; representing 15% of the portfolio had negative shareholders' funds as their total liabilities exceeded their total assets as shown in the figure 3 below.

Figure 3: Shareholders Fund (Zambian Kwacha Million)



As of 31st December 2023, the assets for subsidiaries under IDC's portfolio were valued at K24.8billion. However, four (4) companies namely Zambia Daily Mail, Superior Milling Limited, Zamtel and ZCCM-IH had negative balance sheet status as the total liabilities exceeded the total assets. See table 10 below.

Table 10: Balance Sheet status of Subsidiaries

No.	Name of Company	Source	Share holding %	Net Asset Value K	Total Assets K	Total Liabilities K
1	ZCCM IH Plc	Signed Financials	60.28%	(5,690,634)	58,462,837	64,153,471
2	Zamtel	Signed Financials	100%	(1,884,900)	2,814,902	4,699,802
3	Zambia Daily Mail Limited	Signed Financials	100%	(108,576)	129,955	238,531
4	Superior Milling Company limited	Management accounts	76.0%	(81,314)	54,661	135,975
5	Mukuba Hotel Limited	Management accounts	100%	(8,854)	50,493	59,347

iii. Working Capital Position of IDC Subsidiaries

A review of the working capital for twenty-three (23) subsidiaries revealed that fifteen (15) companies representing 57% of IDC's portfolio had negative working capital in that the current liabilities were more than the current assets. Included in the fifteen (15) companies were ZESCO Limited, ZCCM-IH and NCZ which had the poorest working capital of K11,995,262,000, K34,457,843,000 and K28,614,000 respectively. The figures below show the working capital of the other twenty (20) companies.

Figure 4: Comparison of Current Assets and Current Liabilities by Subsidiaries (Zambian Kwacha Million)

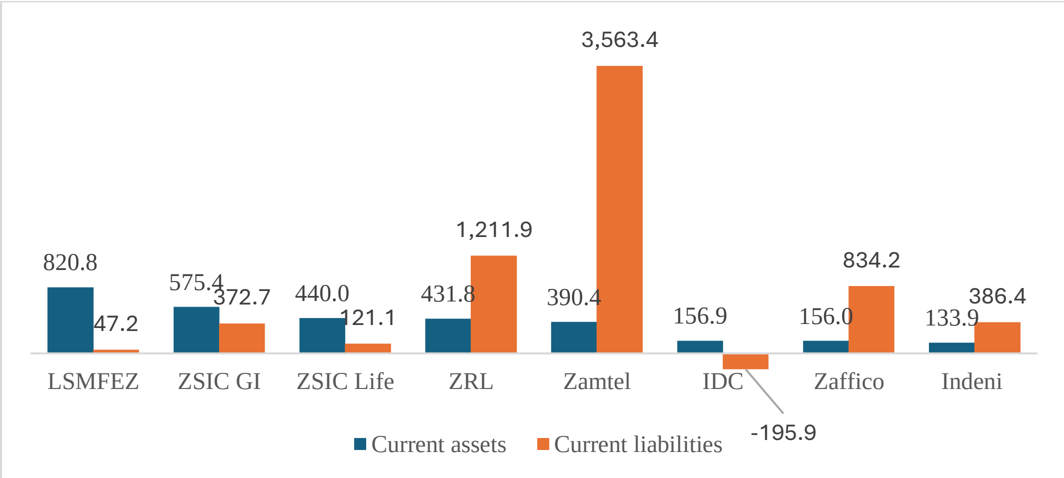
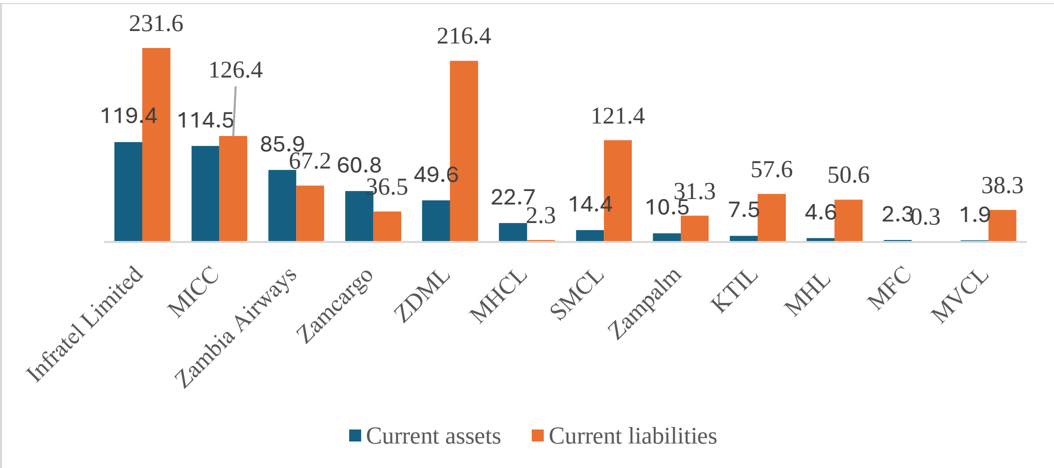


Figure 5: Comparison of Current Assets and Current Liabilities by SOE (Zambian Kwacha Million)



iv. **Dividend Declaration by IDC Subsidiaries**

Clause 2.2 on Dividend policy of Applicable subsidiaries of the Dividend Policy for portfolio Companies of the IDC limited dated August 2017 states, "Any Applicable Subsidiary of IDC shall resolve to pay no less than 35% of unconsolidated Net Profit After Tax (NPAT) for any financial year in which a positive unconsolidated NPAT is recorded. An Applicable Subsidiary may retain up to 65 % of NPAT in any financial year in which a positive NPAT is recorded."

During the period under review, there were eleven (11) companies in the IDC portfolio that recorded a positive unconsolidated NPAT. However, only four (4) subsidiaries declared dividends amounting to K61 million in 2021 and K62million in 2022. In addition, only two (2) subsidiaries declared dividends amounting to K438million in 2023. See table 11 below.

Table 11: Dividends Declared by Subsidiaries

Subsidiary Name	Shareholding	2021 K	2022 K	2023 K
Indeni Petroleum Refinery Limited	100%	3,678,444		
Lusaka South Multi Facility Economic Zone	100%		1,398,681	1,980,000
Mpulungu Harbour Corportion Limited	100%	2,440,361	1,727,401	
Zambia Forestry and Forest Industries	100%	23,267,400	7,515,370	
ZCCM Investments Holding Plc	63%	31,948,400	51,371,135	436,170,011
Total		**61,334,605**	**62,012,587**	**438,150,011**

v. Compliance of Subsidiaries with Companies Act-Financial Reporting

Section 265 (1) of the Companies Act of 2017 states that "Subject to section 253, the board of directors shall ensure that, within three months following the end of the financial year, an audit is conducted, in accordance with subsection (2), and the report of the financial affairs is signed by not less than two directors or, where the company has only one director, by the director."

Furthermore, one of the key aspects of enhanced transparency and accountability is timeliness of financial reporting. In addition, one of the qualitative characteristics of useful financial information according to the Conceptual Framework, is its timeliness.

However, fourteen (14) subsidiaries did not have 2023 audited financial statements of which ten (10) had lagged since 2021 with no audited financial statements and were therefore non-compliant with the Companies Act. See table 12 below.

Table 12: Subsidiaries with no 2023 Audited Financial Statements

No	Name of Subsidiary	Status of Financial Statements		
		FY 2021	FY 2022	FY 2023
1	Mulungushi Textiles	Dormant	Dormant	Dormant
2	Mununshi Fruit Company	Not Audited	Not Audited	Not Audited
3	Niec School of Business Trust	Dormant	Dormant	Dormant
4	Zambia Print Company	Not Audited	Not Audited	Not Audited
5	Zambia Railways	Audited	Audited	Not Audited
6	Zampalm	Not Audited	Not Audited	Not Audited
7	Mukuba Hotel	Not Audited	Not Audited	Not Audited
8	Nitrogen Chemicals of Zambia	Audited	Not Audited	Not Audited
9	Mulugushi International Conference	Audited	Not Audited	Not Audited
10	Zambia International Trade fair	Audited	Not Audited	Not Audited
11	Zambia Airways 2014	Not Audited	Not Audited	Not Audited
12	Zambezi Cashew Company Limited	Not Audited	Not Audited	Not Audited
13	Zambia Power Company	Not Audited	Not Audited	Not Audited
14	Zambia Fruit Company	Not Audited	Not Audited	Not Audited
15	Kalene Hills Fruit Company	Not Audited	Not Audited	Not Audited
16	Eastern Tropical Fruit Company	Not Audited	Not Audited	Not Audited

iv. Tax Indebtedness of the Subsidiaries

A review of the Tax Indebtedness of Subsidiaries revealed that twenty (20) subsidiaries had outstanding tax obligations to the Zambia Revenue Authority in amounts totaling K3,287,979,540 as at 31st December 2023. See table 13 below.

Table 13: Tax Indebtedness by Subsidiaries

No	Name of SOE	31st December 2023 K
1	LS - MFEZ	9,325,055
2	ZSIC General Insurance Limited	121,539,816
3	ZESCO	931,299,668
4	ZAMPALM Limited	1,965,826
5	Nitrogen Chemicals of Zambia	9,448,639
6	Mununshi Fruit Company Limited	17,489
7	ZAMTEL	958,618,592
8	Infratel Limited	-
9	Zambia Daily Mail Limited	194,375,632
10	Zambia Railways Limited	225,272,341
11	Mulungushi Village Complex Limited	16,571,755
12	ZSIC Life Limited	102,323,842
13	Times Printpak Zambia Limited	194,567,698
14	Superior Milling Company Limited	2,196,353
15	Mpulungu Harbour Corporation Limited	6,828,171
16	Indeni Energy Company Limited	207,122,077
17	Mulungushi International Conference Centre	32,553,781
18	ZCCM IH	244,211,487
19	ZAFFICO	10,160,147
20	Zambia Airways (2014) Limited	19,581,171
	Total	**3,287,979,540**

b. Operations of IDC Investments

i. ZAMPALM Limited

Zampalm Limited is an agricultural and milling company specialised in the production of oil which was incorporated in September 2017.The Company has a total of 20,000 hectares of land dedicated to palm plantation development in Kanchibiya District in Muchinga Province.

The IDC acquired 90% shareholding at a consideration of US$18 million in September 2017 from Zambeef Products Plc. The remaining 10% shares are held by Zambeef Products Plc.

The following were observed:

- **Failure to Acquire Required Farming Inputs**

  Turn around initiative No.1 of the performance contracts with the IDC, requires Zampalm to increase Fresh Fruit Bunches (FFB) and Crude Palm Oil (CPO) production by improving plantation productivity through;

  - Timely sourcing and application of fertiliser and pollination stimulant.
  - Exploring alternative of improving long term soil fertility (cost reduction on mineral fertilizer).
  - Establish regime cover plant across the plantation.
  - Manage water table across the plantation (Excavation of drainage)
  - Minimize loss of ripe FFB (Timely harvesting plan)

  A physical inspection of the plant and inquiries with management revealed that although IDC funded Zampalm K13,125,000 on 1st November 2023 for the procurement of farming inputs, the Company had not procured and applied farming inputs such as fertiliser, pollen, agrochemicals to the plantation despite availability of funds.

- **Inadequate Milling Infrastructure**

  The IDC acquired the Company together with a crude oil plant with a 2 tonne per hour capacity to produce from only 900 hectares. The plant was initially installed by Zambeef before acquisition as a trial plant.

  A physical inspection conducted and inquiry with Management of the Company in October 2024 revealed that, the current installed capacity of the milling plant was inadequate to meet the current yield from the planted plantation of 3,200 hectors of palm.

The failure to invest in upgraded milling infrastructure may result in wastage of excess yield of from 2300 hectors of palm plantation.

- **Failure to Invest in Oil Expeller (Bulking Palm Kernel Nuts)**

  Turn around initiative No. 2 (a) of the performance contracts between IDC and Zampalm for the financial year 2023 required that the company explore and invest in the extraction of palm kernel oil.

  However, inquiries with management revealed that the company had not invested in the extraction of palm kernel oil as at 31st December 2023.

  In this regard management was losing out on revenue as they cannot extract oil from the palm kernel nuts which in turn is a financial loss to IDC.

ii. Zambezi Cashew Company Limited - Low Productivity due to Inadequate Financing

The IDC established the Zambezi Cashew Company Limited (ZCCL) in 2018 to spearhead the establishment of 25,000 hectares of cashew plantation and processing in Mongu in the Western Province. IDC has 100% shareholding in ZCCL valued at US$249,000.

A review of the annual report revealed that the company had budgeted to collect a total of 8,645 kgs of cashew against which only 888.8Kgs were collected representing a 10.52% nut collection. The under collection was attributed to the inadequate water supply to the trees due to lack of an irrigation system and capital equipment (tractors and implements) to manage the entire 517 hectares of plantation. Further, it was observed that out of the total 25,000 hectarage, the Company only utilised 517 hectares from inception representing 2 percent of the total available hectarage indicating underutilisation.

In addition, a review of the procurement plan revealed that a total of K9,442,419 was budgeted for to procure the capital equipment as shown in table 14 below.

Table 14: Budgeted Amounts for the Irrigation System

Detail	Budgeted Amount K
Irrigation System	7,400,000
Tractors	1,365,000
Implements	677,420
Total	**9,442,420**

However, a physical inspection carried out in October 2024 revealed that the Company had not procured the irrigation system to irrigate the plantation, as a result the workers were watering the plantation manually using buckets which was ineffective and time consuming and costly. See pictures below.

Figure: Casual workers irrigating the plantation

6 LEVY MWANAWASA MEDICAL UNIVERSITY

6.1 Background

a. Establishment

The Levy Mwanawasa Medical University (LMMU) was established as a Public University on 22nd May 2018 under Section 14 (1) of the Higher Education Act No. 4 of 2013 to offer various education and training programmes for health professionals.

Sections 14 (2) of the Higher Education Act No. 4 of 2013 provides for the establishment of the University Council which is a body corporate with perpetual succession and a common seal capable of suing and being sued in its corporate name and to do all such acts and things as a body corporate may do by law.

b. Governance

Sections 14 (3) and 24(1) of the Higher Education Act provides that, "There shall be established at a higher education institution a Council for the higher education institution."

The Council should consist of the following part-time members appointed by the Minister:

i. the Vice-Chancellor, who shall be an ex-officio member;

ii. a Deputy Vice-Chancellor who shall be an ex-officio member;

iii. one member of staff of a local authority in whose area the higher education institution is located, who shall be nominated by the local authority;

iv. two members of the academic staff of the higher education institution who are members of Senate, who shall be nominated by Senate;

v. one member who is associated with higher education institutions outside the Republic;

vi. one member who is associated with other higher education institutions within the Republic;

vii. one member who is a student of the higher education institution, who shall be nominated by the students of the higher education institution in accordance with such election procedure as the students' union may determine;

viii. one person who is a member of the non-academic staff of the higher education institution, who shall be nominated by the non-academic staff of the higher education institution in accordance with such election procedure as the non-academic staff may determine;

ix. one (1) member of the academic staff of the higher education institution, elected by the academic staff of the higher education institution in accordance with such election procedure as the academic staff may determine;

x. one member who is a graduate of the higher education institution and who is not a member of staff of that higher education institution;

xi. three (3) members representing trade, commerce and the professions, not being employees or students of the higher education institution, public officers or members of Parliament, who shall be nominated by a recognized business or professional association or organization in accordance with such procedure as the business or professional association may determine;

A member of the Council shall hold office for a period of three (3) years but shall be eligible for re-appointment for a further period of three (3) years.

c. Management

The Minister on the advice of the University Council appoints the Vice Chancellor. The Vice Chancellor is responsible for the operations of the University including matters pertaining to academic, financial and administration. In discharging his/her responsibilities, the Vice Chancellor is assisted by Deputy Vice Chancellor, Academics, Deputy Vice Chancellor, Administration, Registrar, Librarian and the Director Finance.

d. Sources of Funds

Section 8 (1), PART II of the Second schedule of the Higher Education Act of 2013, stipulates that funds of a public higher education institution shall consist of such moneys as may;

a. be appropriated by Parliament for its purpose;

b. be paid to the public higher education institution by way of fees, subscriptions, contributions, grants or donations; and

c. otherwise vest in, or accrue to, the public higher education institution.

(2) A public higher education institution may, with the approval of the Minister, accept moneys by way of grants or donations from any source in or outside Zambia, except that the public higher education institution shall not be obliged to accept a grant or donation for a particular purpose unless it approves of the purpose and the conditions, if any, attaching to it.

(3) A public higher education institution may borrow, by way of loan or otherwise, such sums as it may require for meeting its obligations and discharging its functions under this Act, except that the prior consent of the Minister responsible for finance, in consultation with the Minister, shall be obtained.

6.2 Audit Findings

An examination of accounting and other records maintained at LMMU for the financial years ended 31st December 2020,2021,2022 and 2023 revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the period under review, a total provision of K107,883,605 was made to cater for operations of the University against which amounts totalling K85,589,207 were released resulting in an underfunding of K22,294,398.

In addition, the University budgeted to collect revenue in amounts totalling K546,690,313 from internally generated funds such as tuition and accommodation fees and other sources against which amounts totalling K564,955,655 were collected resulting in an over collection of K18,265,342. See table 1 below.

Table 1: LMMU Funding Summary for the Period 2019-2023

Year	Details	Governmnet Funding K	Internally Generated Funds (K)				Grand Total K
			Tuition and Accommodation	Application Foms	Other Income	Subtotal (Internally Generated Funds)	
2019	Budget	1,663,884				-	1,663,884
	Actual	277,313	16,810,142		285,408	17,095,550	17,372,863
	Variance	**1,386,571**	**(16,810,142)**	-	**(285,408)**	**(17,095,550)**	**(15,708,979)**
2020	Budget	21,850,816	58,967,343			58,967,343	80,818,159
	Actual	18,209,013	16,996,279	1,599,555	4,305,305	22,901,139	41,110,152
	Variance	**3,641,803**	**41,971,064**	**(1,599,555)**	**(4,305,305)**	**36,066,204**	**39,708,007**
2021	Budget	22,260,996	117,912,391			117,912,391	140,173,387
	Actual	21,113,247	97,025,518	1,283,868	8,524,137	106,833,523	127,946,770
	Variance	**1,147,749**	**20,886,873**	**(1,283,868)**	**(8,524,137)**	**11,078,868**	**12,226,617**
2022	Budget	26,713,195	137,418,411			137,418,411	164,131,606
	Actual	20,062,678	133,070,661	847,746	15,918,839	149,837,246	169,899,924
	Variance	**6,650,517**	**4,347,750**	**(847,746)**	**(15,918,839)**	**(12,418,835)**	**(5,768,318)**
2023	Budget	35,394,714	124,508,564			124,508,564	159,903,277
	Actual	25,926,956	164,356,905	1,319,352	17,022,734	182,698,991	208,625,946
	Variance	**9,467,758**	**(39,848,341)**	**(1,319,352)**	**(17,022,734)**	**(58,190,427)**	**(48,722,669)**
						-	
	Cummulative Budget	107,883,605	438,806,709	-	-	438,806,709	546,690,313
	Cummulative Actual	85,589,207	428,259,505	5,050,521	46,056,423	479,366,449	564,955,655
	Cummulative Variance	**22,294,398**	**10,547,204**	**(5,050,521)**	**(46,056,423)**	**(40,559,740)**	**(18,265,342)**

b. Audit of Annual Performance

i. Failure to Implement Planned Activities – Directorate of Research and Post Graduate Studies

During the period under review, the Directorate of Research and Post Graduate Studies (DRGS) planned to implement 10 activities at a total cost of K5,083,713 comprising (Grant – K4,870,263 and Fees K213,450).

However, a scrutiny of expenditure reports against the budget revealed that only one (1) activity namely Securing Accreditation and Affiliation to Research Regulatory Authorities was implemented at a total cost of K51,712 leaving a balance of K4,967,743 (Grant – K4,754,293 and Fees – K213,450) for nine (9) activities unimplemented. See table 2 below.

Table 2: Failure to Implement Activities under Directorate of Research and Post Graduate Studies

No.	Operational Scope	Total Budgeted Amount	Total Expenditure K	Variance K
	Un-implemented Activities			
1	To formulate research policy and guidelines 1. Convene stakeholder consultative meeting. 2. Printing of policy documents	158,940	-	(158,940)
2	To train research staff in research supervision and	167,250	-	(167,250)
3	To provide for awards in research and innovation	46,200	-	(46,200)
4	To support research and Publication in clinical and applied research (SOMCS)	60,113	-	(60,113)
5	To support research and Publication in public health research (SOPHES)	1,348,800	-	(1,348,800)
6	To support research and Publication in basic and applied research (IBBS)	545,140	-	(545,140)
7	To support research and publication of clinical research(SOHS)	2,601,300	-	(2,601,300)
8	To support research and Publication in applied health science research (SON)	20,000	-	(20,000)
9	To support research and Publication in applied health science research (DHS)	20,000	-	(20,000)
	Total	**4,967,743**	**-**	**(4,967,743)**
	Implemented Activity			
10	To secure accreditation and affiliation (1. NSTC, 2. ACU, 3. AAU) to the research regulatory authorities, institutions and associations (Academic Office)	115,970	51,712	(64,258)
	Total	**5,083,713**	**51,712**	**-5,032,001**

c. Governance

i. Operating a Public University without a Full Council

Section 1, Part I of the Second Schedule of the Higher Education Act No. 4 of 2013 provides for the appointment of sixteen (16) part-time council members by the Minister. In addition, section 4 of the second schedule provides that the quorum at any meeting of a Council shall be eleven (11) members.

Contrary to the Act, the LMMU Council operated with twelve (12) members. As a result, the Council failed to meet the quorum in fourteen (14) meetings out of seventeen (17) meetings in the period between February 2019 and August 2022.

Further following the expiry of the tenure of office of the Council in August 2022, the University had no Council for a period of two (2) years to 30th November 2024.

ii. Unsupported Council and Sub-Committee Sitting Allowances

Section 68 (1) of the Financial Regulations of 2020 states, “Finance payment may be made to a person or firm other than to the person or firm to whom payment is due in the following circumstances: (a) on the written authority of the person or firm to whom the payment is due or on the production of a power of attorney, probate or letter of administration, who shall give a receipt or acquittal sheet for the payment.”

Contrary to the Regulation, an examination of accounting records and minutes of the University Council and Sub-Committees for the period under review revealed that amounts totalling K883,775 paid to the Council and Sub-Committee members were not supported with attendance registers and acquittal sheets. See table 3 below.

Table 3: Unsupported Council and Sub-committee Allowances

No.	Details	Period	Amount K
1	Council Meetings	2019-2022	531,548
2	Extra-Ordinary Council Meetings	2022	25,800
3	Finance and Administration Committee	2020-2022	139,027
4	Audit Risk and Compliance Committee	2020-2022	34,000
5	Training and Standards Committee	2022	42,800
6	Transition ADHOC Technical Committee	2020-2022	100,600
7	Academic and Standards Committee	2020	10,000
	Total		**883,775**

d. Compliance with Legislation and Regulation

i. Offering Unaccredited Learning Programmes

Section 23B (1) of the Higher Education (Amendment) Act No. 23 of 2021 states that, “a higher education institution shall not offer a learning programme which is not accredited and that (2) a higher education institution which contravenes subsection (1) commits an offence and is liable, on conviction, to a fine not exceeding two hundred thousand penalty units or to imprisonment for a term not exceeding two years, or to both.

Contrary to the Act, the University offered fifty-nine (59) programmes as a higher education institution for the period commencing July 2019 to 30th November 2024 without accreditation from the Higher Education Authority.

ii. Failure to Finalise Integration of Levy Mwanawasa Health Institutions into LMMU- Establishment of Levy Mwanawasa Medical University

Section 14 (1) of the Higher Education Act 2013 states, "The Minister may, by statutory instrument, establish or declare an educational institution as a public higher education institution." In this regard, on 22nd May 2018, the Minister of Health issued Statutory Instrument No. 39 of 2018 directing that the Levy Mwanawasa Medical General Hospital and National Health Training Institute be established as the Levy Mwanawasa Medical University.

Section 5 (2) of the of Levy Mwanawasa Medical General Hospital and National Health Training Institute (Dissolution) Regulations of 2018 states that on the appointed date, there shall be transferred to and vest in or subsist against the Levy Mwanawasa Medical University, all property, rights, liabilities and obligations which immediately before the appointed date were the property, rights, liabilities and obligations of the management of the hospital and college management board.

However, as at 30th December 2024, the integration of Levy Mwanawasa General Hospital, National Health Training Institute, Chainama College of Health Sciences, Chainama Hills Hospital and Dental Training School had not been actualized, six (6) years and five (5) months from the date of declaration of LMMU in May 2018. In this regard, it was not possible to determine the value of Levy Mwanawasa Medical University assets to be recognized in the financial statements.

e. Weaknesses in Accounting for Revenue

i. Management of LMMU Student Fees

Levy Mwanawasa Medical University revenue collection is as outlined in the Student Fee Policy which requires that payment of tuition and other fees are made using recommended electronic platforms in order for the funds to sit on the Students Record Management System (SRMS).

In particular, student fees are paid through Bill Master, a transit and collection account, maintained at ZANACO, which are in-turn transferred in block amounts to the fees account maintained at the same bank. Once the fees have been deposited in the designated account, the SRMS is automatically updated indicating total fees paid and outstanding balance for each student.

During the financial years ended 2019 to 2021, the University used the self-issuance receipt system where students would be able to print out receipts from the Students Record Management System (SRMS) once payment of tuition fees has been made through bill master.

Further in 2022 to 2023 the university used edurole system to manage student fees payments where the system is automatically updated once a student makes a payment at the bank through bill master. However, the following were observed:

- **Failure to Reconcile Student Fees -Student Bill Master and SRMS Database**

  During the financial years ended 31st December 2019 to 2021, LMMU collected student fees in amounts totalling K160,743,142 through the Bill Master account. However, a scrutiny of Student Record Management System revealed that the university recorded a total of K159,953,160 as student fees resulting in unreconciled balances of student fees in amounts totalling K789,982.

  It was therefore, questionable as to why the collected student fees in the SRMS database for the financial years ended December 2019 and 2021 was higher than the Bill Master collected fees for the same period. Furthermore, during the financial year ended December 2020 the SRMS database under reported student fees by K23,694,474 compared to the Bill master database. See table 4 below.

Table 4: Failure to Reconcile Student Fees

Details	2019 Amount K	2020 Amount K	2021 Amount K	Total Amount K
LMMU-Student Record Mgt System Payments	55,082,622	375,562	104,494,976	159,953,160
Bill Master Account (LMMU & Chainama)	46,279,398	24,070,036	90,393,708	160,743,142
Difference (Unreconciled Fees)	**8,803,224**	**(23,694,474)**	**14,101,268**	**(789,982)**

- **Under Collection of Revenue – Student Fees**

  A scrutiny of Students Record Management System (SRMS), student chart of fees and other relevant documentation for the financial period commencing 1st January 2019 to 31st December 2021, revealed that LMMU should have collected a total of K182,359,527 as tuition fees against total student population of 7,777 for the same period.

However, a scrutiny of LMMU fees account revealed that the University collected a total of K164,886,385 as tuition fees against the expected K182,359,527 resulting in under collection of student fees in amounts totalling K17,473,142. See table 5 below.

Table 5: Under Collection of Revenue-Student Fees

Details	2019 Amount K	2020 Amount K	2020 Amount K	Total K
Expected Student Fees	58,161,659	509,576	123,688,292	182,359,527
Actual collected Fees - Bank Statement	47,153,202	22,365,269	95,367,915	164,886,385
Under Collection of Revenue	**11,008,457**	**(21,855,693)**	**28,320,377**	**17,473,142**

ii. Review of Student Fees

Section 4.3 of the Students' Fees Payment Policy stipulates that, Student Fees shall be determined and reviewed by the Fees Determination and Review Committee (FDRC) six (6) months before the beginning of the new academic year and submitted for approvals at various levels in readiness for implementation. The Committee shall comprise of representation from the Finance Department, Dean of Students, Open and Distance Learning (ODL), Information and Communication Technology (ICT) and Academic Office. The committee shall be chaired by the Registrar.

The Committee shall develop and submit for recommendation to the Council, a Fee Calculation Model that will determine the student fees. After determination and review by the committee, the proposed student fees shall be submitted to the Council for approval. However, the following were observed:

- **Charging of Student Fees Above Approved Threshold**

  During the period under review, the LMMU reviewed tuition fees for eleven (11) programmes in line with section 4.2 and 4.3 of the Students' Fees Payment Policy and Procedures."

  A scrutiny of Council Paper 10 of the Finance and Administration Committee revealed that on 2nd May 2019 the committee sat and reviewed the student tuition fees and the number of students to be enrolled for the academic year commencing July 2019. The proposed fees and number of students to be enrolled were as shown in table 6 below.

Table 6: Approved Fees per Student

No.	Programme Code	Name of Programme	Number Students per Programme	Cost/Fees per Student	30% Mark up	Approved Fees Plus 30% mark up)
1	BSc. CA	Bachelor Of Clinical Anaesthesia	100	9,124.00	30%	11,861.20
2	BSc. EH	Bachelor Of Science In Environmental Health	100	7,450.00	30%	9,685.00
3	BSc. MHCP	Bachelor Of Science In Mental Health & Clinical Psychiatry	100	7,980.00	30%	10,374.00
4	BSc. MiD	Bachelor Of Science In Midwifery	100	11,538.00	30%	14,999.40
5	Dip. MID	Diploma In Midwifery	150	4,961.00	30%	6,449.30

However, a comparison of the actual fees paid against the approved student fees for (5) programmes namely, Bachelor of Clinical Anaesthesia, Bachelor of Science in Environmental Health, Bachelor of Science in Mental Health and Clinical Psychiatry, Bachelor of Science in Midwifery, and Diploma in Midwifery revealed that the University charged K19,393,459 as tuition fees against the approved K15,154,957 resulting in overcharged tuition fees by K4,238,502 for the period between January 2019 and 31st December 2021. See table 7 below.

Table 7: Unapproved Student Tuition Fees

Details	Approved Fees K	Actual Fees Paid K	Over Charged Fees K
Financial Ended 2019	5,922,827	7,303,769	1,380,942
Financial Ended 2021	9,232,129	12,089,690	2,857,561
Total	**15,154,957**	**19,393,459**	**4,238,502**

A further examination of the SRMS and bill master database for the academic years ended 2019 and 2021 revealed that tuition fees for twenty (20) programmes had been adjusted by K1,225 without being subjected to the University Council resulting in overpayment of fees by K2,688,875.

- **Loss of Revenue Through Under Charging of Tuition Fees - SRMS**

An examination of the student chart of fees for the academic years 2020 and 2021 and actual fees charged as per Student Record Management System revealed that six (6) diploma students in their first year of study for the academic year ended December 2021 were charged K14,586 as tuition fees instead of K51,000 resulting in under charging of tuition fees by K36,414.

iii. Failure to Account for Receipt Books

Regulation 110 (1) of the Public Finance Management (General) Regulations of 2020 states, "An office holder who is required to keep receipt forms shall maintain a register of accountable documents in Accounts Form V set out in the Schedule in which the receipt and issuance of the receipt form is entered within the same day on the receipt or issuance of the receipt form."

However, a scrutiny of records of accountable documents and Account Form 40 from Ministry of Finance and National Planning against the register of accountable documents maintained at LMMU revealed that out of 438 General Receipt books collected from the strong room, 52 general receipt books with serial numbers ranging from 5990001 to 9213750 were not accounted for. See table 8 below.

Table 8: Unrecorded Accountable Documents - Receipt Books

No.	Date Received	Receipt Range	Number of Receipt Books
1	19.06.2019	5990001 to 5993750	2
2	21.08.2019	6161251 to 6162500	1
3	21.08.2019	6163751 to 6170000	14
4	13.12.2019	7880001 to 7885000	3
5	13.12.2019	7980001 to 7983750	5
6	22.07.2020	8391251 to 8397500	11
7	18.09.2020	8523751 to 8531250	2
8	16.11.2020	8560001 to 8563750	4
9	16.11.2020	8680001 to 8687500	9
10	21.05.2021	9206251 to 9213750	1
	Total		**52**

iv. Under Collection of Revenue-Business Houses (University Hub)

Regulations134 (1) of the Public Finance Management (General) of 2020 stipulates that an office holder who collects revenue is required to bring to account daily the total collections received.

Levy Mwanawasa University has fifteen (15) business units under the university Hub.

During the period from 1st October 2020 to 30th September 2023, LMMU leased a unit to Mable's Kitchen for which K1,342,906 was expected to be collected. However, only K110,199 was collected leaving a balance of K1,232,707.

v. **Failure to Remit Collected Student Accommodation Fees to LMMU - Sinazongwe DHO**

LMMU Sinazongwe Hostel based at Sinazongwe Rural Health Centre has a bed capacity of ten (10) and has been operational since January 2019. The health centre maintains an account for management of funds such as student accommodation fees and funding from global fund among others.

Section 8 of the Hostel Agreement between LMMU and Sinazongwe Rural Health Centre states, "If the hostel is being used by visitors or students on attachment other than students of LMMU, the SH Management represented by the assigned person in charge for the hostel at SH is encouraged to charge rent. The revenue generated this way should be used for maintenance of the student hostel.

However, an examination of the bank statements, cashbook and other relevant documents for the period under review, revealed that the Rural Health Centre collected student accommodation fees in amounts totalling K350,469 from students on rural experience practical attachments without using the funds to maintain the hostels as of November 2024.

f. **Procurement of Medical Equipment for the Skills Laboratory**

On 22nd August 2023, Leisley Howards Ltd was awarded a contract to supply, deliver and install various equipment, manikins and consumables for the skills laboratories at LMMU at a total contract sum of K8,050,235 VAT inclusive with a delivery period of twelve (12) weeks from the date of signing the contract. In September 2023, LMMU paid amounts totalling K2,012,559 to Leisley Howards Ltd as advance payment. The terms and conditions of the contract included the following:

- Advance Payment – 25% of the contract Sum
- Performance security – 10% of the contract Sum
- Liquidated damages shall be - 0.05% per Week or Maximum of 10% of the contract Sum
- Warrant period – Three (3) Years after Acceptance

- Period of repair and replacement – three (3) years
- Inspections and tests shall be: At the Manufacturer's premises
- Delivery period – twelve (12) weeks from the date of signing or 22nd November 2023.

However, the following were observed:

i. Failure to Supply and Deliver Medical Equipment for the Skills Laboratory

An examination of the contract and other relevant documents revealed that Leisley Howards Ltd had not supplied and delivered any skills laboratory equipment as at 31st December 2024 which was thirteen (13) months after the expiry of the contract.

A further scrutiny of documentation revealed that the supplier had an outstanding turnover tax amounting to K332,780 on its TPIN Account No. 1001586935. Furthermore, the customs and excise duty on the laboratory equipment stood at K278,224 thereby bringing the total tax bill to K611,004.

ii. Failure to Recover Advance Payment

An examination of accounting records revealed that LMMU paid amounts totalling K2,012,559. Although an advance security bond was provided in line with the requirements of section 14.1 of special conditions of the contract, the bond expired on 27th November 2023.

In addition, an extract of the terms and conditions of the bond stated the following among others: "This guarantee shall expire at the latest, upon our receipt of a copy of the interim payment certificate indicating that 80% of the contract price has been certified for payment or on the 27th November 2023 whichever is earlier. Consequently, any demand for the payment under this guarantee must be received by us at this office on or before that date."

As at 31st December 2024, there was no evidence that the university had recovered the advance payment.

iii. Failure to Claim Liquidated Damages

Section 24.1 of the General Conditions of Contract (GCC) states that "except as provided under GCC 28, if the supplier fails to deliver any or all of the goods by the dates of delivery or perform the related services within the period specified in the contract, the procuring entity may without prejudice to all its other remedies under the contract, deduct from the contract price as liquidated damages a sum equivalent to 0.05% per week or 10% of the contract sum of the delayed goods or unperformed services for each week or part thereof of delay until actual delivery or performance, up to a maximum deduction of the percentage specified in the SCC" Once the maximum is reached the procuring entity may terminate the contract pursuant to GCC clause 31."

Contrary to the Contract Terms, LMMU did not claim liquidated damages amounting to K209,306 at 0.05% per week for 52 weeks or twelve (12) months delay period. See table 9 below.

Table 9: Failure to Claim Liquidated Damages

Details	Lqiuidated Damages Rate per Week	Delay period (Weeks)	Contract Sum K	Liquidaed Damages Claim K
Liquidated Damages @ .05% per Week	0.05%	52	8,050,235	209,306

g. Missing Payment Vouchers

Financial Regulation No. 72 (1) of the The Public Finance Management (General) Regulations, 2020 states, "A payment voucher with supporting documents, and any other forms which support a charge entered in the accounts, shall be filed, secured against loss, and be readily available for audit".

Contrary to the Regulation, twenty one (21) payment vouchers in amounts totalling K605,089 were not availed for audit.

h. Questionable Award of Contracts – LMMU Kabwe Campus

A review of accounting and other documents availed for audit during the period under review revealed that LMMU Kabwe Campus paid amounts totalling K316,304 to various suppliers involving ten (10) transactions for the supply and provision of various goods and services.

However, it was observed that request for quotations sent to bidders, certificate of incorporation and valid tax clearance certificate were not availed for audit.

It was further observed that quotation validity period, terms of payments and delivery period among others were not indicated on the quotations submitted by bidders there by making the awarding of the contracts questionable.

i. Poor Maintenance of University Infrastructure – LMMU

A physical inspection conducted on selected University infrastructure in Southern, Northern, Western, Lusaka and Luapula provinces revealed that student hostels and staff houses were not maintained as shown in table 10 below.

Table 10: Poor Maintenance of Infrastructure

No.	Province	District	Name of Court/ Infrastructure	Status
1	Western Province	Sefula	Chainama Staff House	Dilapidated suspended fisher board, dilapidated spoon drain, uninstalled water reticulation
			Chainama Hostel	Uninstalled Water Reticulation, Collapsed ceiling board, broken doors and windows, hostel out of use due to bad state
2	Southern Province	Livingstone	Student Hostel	water leakages in both male and female ablution blocks, lack of security lights, no security lights, malfunctional kitchen taps, leaking ceiling board, non functional refridgerator.
		Sinazongwe	Chainama Hostel	Collapsing ceiling board, lack of banker beds, malfunctional cooker, one out of two toilets is non-functional, dilapidated door for the common room, malfunctional security lights, broken gate
3	Lusaka Province	Lusaka	Old Campus	Medical Licentiate Hostels: Non-functional cookers, shower wall fungus due to leakages, lack of fire extinguishers, malfunctional deep freezer
				Dyer hostel: Peeling of floor tiles
				Kabompo hostel: Malfunctional hand wash basin taps, urinary bay not in use,
4	Luapula Province	Mansa	Mansa Student Hostel	Leakages on the pipes outside the hostel
		Samfya	Samfya Student Hostel	No mortice locks, broken window panes and no window panes on some windows, leaking cisten, poor sewer system due to intermittent blockages, poor maintenance of the surrounding, leaking ceiling roof, no bulbs and sockets among others
5	Northen Province	Kasama	Student Hostel	No running water inside the hostel, broken window panes, signs of leakages in the roof, no mortice locks on the doors, Unclean surroundings due to lack of general worker, dilapidated motice locks to the entrance and kitchen door, no bulbs in the rooms, no stove and no fridge in the hostel, broken beds, won out mattresses, two (2) malfunctional geysers, damaged wardrope locks, no sockets in some rooms, lack of fire extinguishers.
		Mpulungu	Student Hostel	Broken window panes, faded painting, lack of access in the hostel due to failure to provide the keys to the auditors during physical inspection
			Staff House	No mortice locks, now window panes on some windows, signs of leakages in the ceiling.

j. Staff Related Matters

i. Failure to Fill Key Positions – LMMU Main Campus

LMMU has an approved staff establishment of 645 officers. However, a review of staff assignments and payroll reports revealed that out of 645 established positions, the university operated with an actual structure of 306 employees leaving a balance of 339 positions unfilled.

In particular, the following key positions remained unfilled as of 31st December 2024: Deputy Vice Chancellor-Academics, the Librarian, Director – Human Capital, Legal Counsel, Chief Internal Auditor, Finance Manager, among others.

It was also observed that out of the 309-work force, 289 officers were on attachment from other government institutions and departments such as Chainama Hills College Hospital, University Teaching Hospital, Cancer Diseases Hospital and Lusaka District Health Office among others and only twenty (20) officers were substantive office holders at the institution. See table 11 below.

Table 11: Failure to Fill Key Positions

No.	Schools/Departments	Staff Establishment	Actual Positions Filled	Variance
1	**Office of the Vice Chancellor**			
1.1	The Vice Chancellor	1	1	0
	Support Staff	5	2	3
1.2	Public Relations and Communications	2	2	0
1.3	Internal Audit Unit	3	1	2
1.4	Legal Unit	1	0	1
2	**Office of the Deputy Vice Chancellor-Academics, Research and Innovation**			
2.1	The Deputy Vice Chancellor	1	0	1
2.1.1	Stenographer	1	0	1
2.1.2	Office Assistant	1	0	1
2.2	School of Medicine and Clinical Sciences	111	80	31
2.3	School of Nursing and Midwifery	90	28	62
2.4	School of Public Health	43	35	8
2.5	School of Health Sciences	71	26	45
2.6	Institute of Basic and Biomedical Sciences	80	45	35
2.7	Directorate of Medical and Distance Education	10	0	10
2.8	Directorate of Research and Postgraduate Programmes	3	1	2
2.9	The University Library	14	5	9
3	**Office of the Deputy Vice Chancellor - Administration**			
3.1	The Deputy Vice Chancellor	1	1	0
3.1.2	Stenographer	1	0	1
3.1.3	Office Assistant	1	0	1
3.2	Office of the Registrar	1	0	1
3.2.1	Stenographer	1	0	1
3.2.2	Office Assistant	1	0	1
3.3	Office of the Deputy Registrar	49	22	27
3.4	Academic Office	30	6	24
3.5	Department of Business Development and Planning	8	1	7
3.6	Department of Facilities and Engineering	17	2	15
3.7	Department of Information Communication and Technology (ICT)	14	7	7
3.8	Department of Security	23	21	2
3.9	Office of the Dean of Students	18	4	14
4	Human Capital Department	5	0	5
4.1	Departmnet of Finance	16	12	4
4.2	Procurement and Supplies Unit	22	4	18
	Total	**645**	**306**	**339**

ii. **Irregular Payment of Rural Hardship Allowances to LMMU Attached Officers**

Section 166 of the Terms and Conditions of Service for the Public Service as read together with the Public Service Management Division Circular No. B6 of 2010 states that employees who work in stations classified as rural or remote shall continue to be eligible for Rural and Remote Hardship allowances.

Contrary to the above regulations five (5) officers attached to LMMU, but with payroll stations in Rufunsa, Luwingu, Mpika and Masaiti districts among others, drew rural hardship allowances in amounts totalling K163,463.

7 LOCAL AUTHORITIES SUPERANNUATION FUND

7.1 Background

a. Establishment and Mandate

The Local Authorities Superannuation Fund (LASF) was created by the Local Authorities Superannuation Fund Act (the "LASF Act"), Chapter 284 of the Laws of Zambia.

LASF is a benefits scheme responsible for pension cover of members in local authorities, water utility companies, ZESCO Limited, the National Housing Authority and LASF.

b. Governance

LASF is governed by a Board of Directors comprising seven (7) members who are appointed by the Minister responsible for Local Government and Rural Development on three (3) year renewable terms as follows:

i. A representative each from the Ministry responsible for
   - Local Government; and
   - Finance

ii. A representative of the Attorney General

iii. A representative of the trade unions operating in the Associated Authorities

iv. A representative of the Associated Authorities

v. Two persons with proven knowledge and experience in pension fund management

vi. The Managing Director is an ex-officio member of the Board

c. Management

The operation of the Fund is the responsibility of the Managing Director who is the Chief Executive Officer and is assisted by three (3) Directors responsible for Finance and Investments, Contributions and Benefits, and Corporate Services/Board Secretary. All the Directors are appointed by the Board on a three (3) year renewable term.

d. Source of Funds

The Fund consists of assets vested in the Fund; contributions and interest paid into the Fund in accordance with the provisions of the Act; income and capital appreciation derived from the holding of assets of the Fund in any form; and any other sums or assets accruing to the Fund.

e. Information and Communication Technology System

LASF uses Microsoft Dynamics Navision 2017 as an Enterprise Resource Planning (ERP) system to support the organization's business process automation. The systems host provides services such as revenue collection, payment processing, employee payroll, benefits claims, member record management and reporting. The system has modules for Financial Management, Pension Administration, Human Resource & Payroll, Procurement and Stores, and Dynamics NAV IT Administration. The system was procured in April 2013 and runs on Microsoft SQL Server 2016 as its Database Management System.

7.2 Audit Findings

A review of accounting and other records maintained at the Local Authorities Superannuation Fund for the period from 1st January 2021 to 31st December 2023 revealed the following:

a. Annual Performance

i. Performance of Pension Scheme

- **Delays in Collecting Amounts Owed by Local Authorities**

  A review of the LASF Annual Report for the year ended 31st December 2023 revealed that LASF had outstanding contributions from sixty (60) member institutions in amounts totalling K228,819,333 (principal - K219,823,889 and interest - K8,995,444) for the period 2021 to 2023.

The delay by LASF to collect outstanding contributions may result in the Fund not having adequate funds to pay retirees benefits when they fall due. Furthermore, the Fund is denied the opportunity to timely invest the amounts for it to earn returns.

- **Failure to Collect Expected Contributions**

A review of financial statements revealed that the LASF member contributions declined over the period as shown in table 1 below.

Table 1: Analysis of Member Contributions in Relation to Actual Contributions

Year	Nature of Institution/Name	Expected Contributions Jan'to Dec' K	Actual Contributions Jan'to Dec' K	Over/Under Payment Jan'to Dec' K	Budget % Variance Jan'to Dec' K
2021	Local Authorities	32,446,270	14,130,213	(18,316,057)	-56%
	Water Utilities	2,941,878	2,690,064	(251,814)	-9%
	ZESCO	23,433,785	24,111,106	677,321	3%
	National Housing Authority	444,955	60,000	(384,955)	-87%
	LASF	408,559	2,002,610	1,594,051	390%
	Total	**59,675,446**	**42,993,993**	**(16,681,453)**	**-28%**
2022	Local Authorities	32,773,412	32,546,064	(227,348)	-1%
	Water Utilities	3,130,799	2,785,768	(345,031)	-11%
	ZESCO	18,859,563	18,899,299	39,736	0%
	National Housing Authority	333,902	9,773	(324,129)	-97%
	LASF	419,996	419,996	(0)	0%
	Total	**55,517,673**	**54,660,900**	**(856,773)**	**-2%**
2023	Local Authorities	31,897,679	33,362,763	1,465,084	5%
	Water Utilities	3,061,439	2,829,365	(232,075)	-8%
	ZESCO	15,002,621	15,385,061	382,440	3%
	National Housing Authority	351,846	120,469	(231,377)	-66%
	LASF	428,780	428,779	(1)	0%
	Total	**50,742,365**	**52,126,436**	**1,384,071**	**3%**
	Grand Total	**165,935,484**	**149,781,330**	**(16,154,154)**	**-10%**

As can be seen from the table above, the Fund budgeted to receive contributions in amounts totalling K165,935,484 over a three (3) year period and amounts totalling K149,781,330 representing 10% were received resulting in a negative variance of K16,154,154.

ii. Budget and Income

During the period under review, the Fund budgeted to generate amounts totalling K494,573,457 against which amounts totalling K464,489,995 were generated resulting in a negative variance of K30,083,462. The amounts generated represented 94% of the budgeted revenue. See table 2 below.

Table 2: Budget and Actual Revenue

Source	Budget Amount K	Actual Amount K	Variance Amount K
Pension Contributions	52,411,962	52,146,254	-265,708
Contribution Receivable	59,271,882	16,287,651	-42,984,231
Government Support	300,000,000	300,000,000	0
Government Support -Brought Forward	-	-	
Investment Operations	17,426,453	22,306,616	4,880,163
Refundable Annuities	55,844,248	72,759,694	16,915,446
Disposable of Assets & Other Income	7,317,542	127,719	-7,189,823
Interest on GRZ funds	2,301,370	862,061	-1,439,309
Total	**494,573,457**	**464,489,995**	**-30,083,462**

As can be seen from the table above, the Fund budgeted to receive support from the Government amounting K300,000,000 representing 61% of the budget indicating that the Fund mainly depends on government funding for its revenue. Further, it was observed that the Fund only managed to generate K16,287,651 from Contribution Receivable representing 27% of the budgeted amount and K862,061 from Interest on GRZ funds representing 37% on the expected returns. In this regard, the Fund was not collecting Contributions Receivables as projected, while the investment on GRZ funds were not yielding the expected interest income despite Government funding the Fund in full.

b. Financial Analysis

The Statement of Changes in Net Assets Available for Benefits for the financial years ended 31st December 2021, 2022, and 2023 though audited but not signed due to absence of the Board are shown in table 3 below.

Table 3: Statement of Changes in net Assets Available for Benefits

Statement of Changes in Net Assets Available for Benefits	2023 K	2022 K	2021 K
Contributions	59,737,810	64,954,243	69,531,763
Investment income	25,715,686	17,026,277	13,710,483
Other income	**325,616**	**107,168**	**6,468,839**
Total investment and other income	**26,041,302**	**17,133,445**	**20,179,322**
Total income available for benefits	**85,779,112**	**82,087,688**	**89,711,085**
Benefits paid	**(222,943,228)**	**(183,704,243)**	**(181,802,325)**
Net loss after benefits paid	**(137,164,116)**	**(101,616,555)**	**(92,091,240)**
Employee expenses	(40,602,532)	(40,806,161)	(39,729,664)
Administrative expenses	**(27,385,739)**	**(14,500,626)**	**(52,928,470)**
Net increase in liabilities from fund operations	**(205,152,387)**	**(156,923,342)**	**(184,749,374)**
Sponsor Contribution	300,000,000	300,000,000	52,792,040
Net change in fair value on equity investments	54,885,115	16,597,764	32,178,529.00
Change in fair value of collective investments	621,456	658,331	633,568
Change in fair value of land and buildings	200,000	872,135	582,497
(Loss)/ gain on disposal of equity investments	-	-	(5,419,290)
Change in fair value of investment properties	515,000	966,226	5,390,747
Revaluation loss on investment properties at disposal	-	-	12,852
Unclaimed benefits reserves	1,804,136	408,280	496,339
Write back of provision- PAYE Penalties and Interest	-	**58,712,738**	-
Decrease/ (increase) in net liabilities	152,873,320	221,292,132	(98,082,092)
Net liability at beginning of the year	**(134,580,544)**	**(355,872,676)**	**(257,790,584)**

Source: Unsigned Audited Financial Statements for 2021, 2022 and 2023

The following were observed:

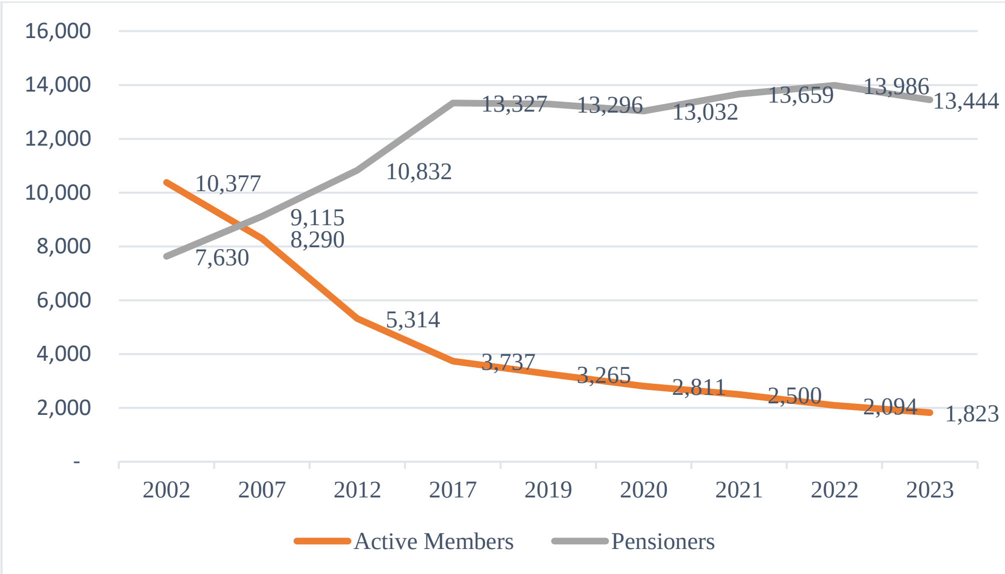
i. Unfavourable Contributor to Retiree Ratio in the Pension Scheme

A review of the International Labour Organisation (ILO) Social Protection Report which suggests an ideal ratio for contributor to retiree in a pension scheme to ensure its financial sustainability recommends that the ratio should be 4:1. This means that there should be four (4) active workers (contributors) for every retiree receiving benefits.

However, a review of documentation submitted for audit revealed that the pension scheme's contributor-to-retiree ratio for the Fund during the period under review reduced from a favourable 7:1 to an unfavourable 1: 7 as at 31st December, 2023. This indicates that there was one (1) active contributor for every seven (7) retirees which was significantly below the recommended International Labour Organisation (ILO) ideal ratio of 4:1. See table 4 and figure 1 below.

Table 4: Pensioner to Contributor Ratio

Year	Active Members	Pensioners	Contributor to Pensioner
1992	27,483	4,167	7:1
1997	15,552	4,961	7:1
2000	17,000	6,000	7:1
2002	10,377	7,630	7:1
2007	8,290	9,115	7:1
2012	5,314	10,832	1:2
2017	3,737	13,327	1:4
2019	3,265	13,296	1:4
2020	2,811	13,032	1:5
2021	2,500	13,659	1:5
2022	2,094	13,986	1:7
2023	1,823	13,444	1:7



The consistent unfavourable contributor to retiree ratio over the years poses a significant financial challenge to the sustainability of the Pension Scheme.

Further, the long-term viability of the pension fund may be at risk, necessitating potential future adjustments such as reduced benefits, increased contribution rates, or additional Government funding.

Management attributed this situation to the non-admission of new members to join the scheme as LASF stopped admitting new members since 2000 after the operationalisation of the National Pension Scheme Authority (NAPSA).

ii. Increase in Net Loss after Benefit Payments

The funds surplus or deficit is measured by assessing the accrued income (contributions from members, investments and other income) less benefits and other expenditure paid.

A review of the pension fund's financial statements revealed that the Fund recorded an increase in net loss after benefits. The net loss increased from K92,091,240 in 2021 to K137,164,116 in 2023. This reflected a cumulative increase in net loss of K45,072,876, representing a 49% increase over the three-year period. See table 5 below.

Table 5: Net Loss after Benefit Paid

Statement of Changes in net Assets Available for Benefits	2023 K	2022 K	2021 K
Contributions	59,737,810	64,954,243	69,531,763
Investment income	25,715,686	17,026,277	13,710,483
Other income	325,616	107,168	6,468,839
Total investment and other income	**26,041,302**	**17,133,445**	**20,179,322**
Total income available for benefits	**85,779,112**	**82,087,688**	**89,711,085**
Benefits paid	**(222,943,228.00)**	**(183,704,243.00)**	**(181,802,325.00)**
Net loss after benefits paid	**(137,164,116)**	**(101,616,555)**	**(92,091,240)**

The increase in net loss was attributed to inadequate contribution levels and higher benefit payouts. The contributions in 2023 stood at K59,737,810 which was 14% lower than that in 2021, whilst the Benefits paid increased by 49% to K222,943,228.

The continued recording of net losses after benefits payments implied that the Fund did not have adequate investments and contributions from members to generate the required revenue to meet its pension obligations as they fell due.

Further, the going concern of the Fund remained questionable in the event of lack of Government support.

In their response, management stated that continued recording of losses after payment of benefits was due to declining pension contributions income arising from non-admission of new members which was as a result of the impact of National Pension Scheme Act No. 40 of 1996 and that the solution was

Government opening the Scheme to new members to improve the contributions income and financing of the actuarial deficit.

iii. Increase In Net Liabilities

The Fund’s total liabilities increased from K184,749,374 in 2021 to K205,152,387 by the end of 2023. This represents a cumulative increase of K48,229,045 or 26%, over the three years. See table 6 below:

Table 6: Increase in Net Liabilities

Statement of Changes in net assets available for benefits	**2023 K**	**2022 K**	**2021 K**
Contributions	59,737,810	64,954,243	69,531,763
Investment income	25,715,686	17,026,277	13,710,483
Other income	325,616	107,168	6,468,839
Total investment and other income	**26,041,302**	**17,133,445**	**20,179,322**
Total income available for benefits	**85,779,112**	**82,087,688**	**89,711,085**
Benefits paid	**(222,943,228.00)**	**(183,704,243.00)**	**(181,802,325.00)**
Net loss after benefits paid	**(137,164,116)**	**(101,616,555)**	**(92,091,240)**
Employee expenses	(40,602,532)	(40,806,161)	(39,729,664.00)
Administrative expenses	**(27,385,739.00)**	**(14,500,626.00)**	**(52,928,470.00)**
Net increase in liabilities from fund operations	**(205,152,387)**	**(156,923,342)**	**(184,749,374)**

The increase in net liabilities was attributed to an increase in the number of beneficiaries payout, and insufficient contributions from active employers and employees.

In this regard, the rise in net liabilities indicates potential challenges in the fund's ability to meet its future obligations. This increase could strain the fund's liquidity and solvency thereby, potentially impacting the Fund’s ability to pay out benefits to pensioners as and when they fall due.

Management stated that the solution in reducing the Fund’s total liabilities depended on Government opening the scheme to new members to improve the contributions income and financing of the actuarial deficit and that the pension reforms once implemented were expected to address the issue of declining contribution levels essential in the generation of profitability or cash flow surplus.

iv. Low Investment Performance of Fund

According to the Investment Policy, the Fund's investment objectives were capital preservation, investment returns and maintenance of liquidity. The investment portfolio of the Fund included investment properties, equity investments, and collective investments, held to maturity, and loans to associated authorities and other receivables. An analysis of the financial statements for the period under review revealed the investment performance as shown in table 7 below.

Table 7: Rate of Investment Performance

Year	2023 K	2022 K	2021 K
Investment Income Generated (Cash-Flow Statement) (K)	(1,274,310)	(873,738)	9,005,439
Total Assets (Statement of Financial Position) (K)	374,706,328	313,267,273	312,541,763
Income / Total	(0.00)	(0.00)	0.029
Average Inflation over three years	14.6%	14.6%	14.6%

Although total assets had increased by 19.8% from K312,541,763 in 2021 to K374,706,328 in 2023, the net cash generated from investment activities reduced from K9,005,439 in 2021 to negative K1,274,310 in 2023 representing a percentage decrease of 119%.

In addition, it was observed that the Fund was not able to generate investment income above the average inflation rate of 14.6%.

This implies that the Fund was unable to sustain its capital preservation, investment returns and maintenance of liquidity as set out in the Funds investment policy and strategic plan for the period under review.

v. Poor Benefits Pay-out Ratio

The benefits pay-out ratio indicates whether the Fund is able to pay all its outstanding benefits from the total income available for benefits (member contributions, investment income) raised by the Fund during any given financial year.

However, a review of financial statements and other accounting records submitted for audit for the period under review revealed that the total income available for benefits raised could not match the benefits payable resulting in a benefit pay-out ratio of 49%, 45% and 38% with a deficit of K92,091,240; K101,616,555 and

K137,164,116 in 2021, 2022 and 2023 respectively. As can be seen from 9 table below, the benefit pay-out ratio during the period under review was not adequate to cover the benefits payable. See table 8 below.

Table 8: Analysis of Income Available and Benefits Payable

Statement of Changesin the Net Assest Available	2023 K	2022 K	2021 K
Total Income Available for Benefit	85,779,112	82,087,688	89,711,085
Total Benefit Payable (K)	222,943,228	183,704,243	181,802,325
Deficit (K)	**(137,164,116)**	**(101,616,555)**	**(92,091,240)**
Pay out Ratio	**38%**	**45%**	**49%**

In this regard, benefit pay-out ratios during the period were consistently inadequate to meet the fund's pension obligations, thereby highlighting a significant financial imbalance. The poor benefit payout ratio was attributed to the decrease in contributions to the fund by active employees and the increase in beneficiaries.

In this regard, as can be seen in the table above, the Fund was only able to settle 49%, 45%, and 38% of the Pension Obligation for the financial years 2021, 2022 and 2023 respectively.

vi. Statement of Net Assets Available for Benefits

During the period under review, the Statement of Net Assets Available for Benefits were as shown in table 9 below.

Table 9: Statement of Net Assets Available for Benefits

Statement of Net Assets Available for Benefits	2023 K	2022 K	2021 K
ASSETS			
Non-current assets			
Property, plant and equipment	23,538,172	24,053,655	23,755,054
Intangible assets	814,199	69,619	79,227
Investment properties	45,490,000	44,975,000	43,989,000
Loans to associated authorities	37,006,556	27,380,304	19,550,802
Equity investments	128,379,013	73,493,898	56,896,134
Collective investment schemes	3,759,773	3,138,317	2,574,389
Government securities	13,135,178	10,017,839	7,639,919
Associated authorities and other receivables	41,965,099	52,225,640	41,141,267
Total non-current assets	294,087,990	235,354,272	195,625,792
Current assets			
Asset Held for Sale	4,430,000	4,430,000	4,370,000
Government securities	2,914,085	-	2,645,196
Other securities	15,517,910	13,574,380	8,267,377
Associated authorities and other receivables	43,684,335	49,657,499	28,507,511
Cash and cash equivalents	14,072,008	10,251,122	73,125,887
Total current assets	80,618,338	77,913,001	116,915,971
Total assets	374,706,328	313,267,273	312,541,763
Liabilities			
Non-current liabilities			
Benefits payable	23,073,929	133,756,161	271,643,937
Annuity fund	90,788,665	111,717,000	134,461,599
Total non-current liabilities	113,862,594	245,473,161	406,105,536
Current liabilities			
Annuity fund	44,902,630	39,126,644	32,145,593
Benefits and other payables	197,648,328	163,248,012	230,163,310
Total current liabilities	242,550,958	202,374,656	262,308,903
Total liabilities	356,413,552	447,847,817	668,414,439
Net liability at end of the year	**18,292,776**	**(134,580,544)**	**(355,872,676)**

The following were observed:

- **Inadequate Working Capital**

  The working capital of the Fund had deteriorated from negative K144,392,932 in 2021 to negative K161,932,620 in 2023 representing a 12% reduction. See table 10 below.

Table 10: Working Capital

Details	2023 K	2022 K	2021 K
Current Assets	80,618,338	77,913,001	116,915,971
Current Liabilities	242,550,958	202,374,656	261,308,903
Working Capital	(161,932,620)	(124,461,655)	(144,392,932)
Current Ratio	0.33	0.38	0.45

In their response, Management attributed the continued inadequacies in the working capital to the continued fall in the active contributing membership due to non-admission of new members and further stated that the solution to improving the working capital depended on Government opening the Fund for admission of new members into the Scheme.

- **Poor Current Ratio**

  The Fund had a poor current ratio of 0.45:1, 0.38:1, and 0.33: 1 for the years 2021, 2022 and 2023 respectively.

  The Fund's current ratio status suggested that the fund was unable to finance its short-term liabilities such as benefits and pensions using normal short-term assets immediately they fell due.

  Management stated that the continued unfavourable current ratio of the Fund was attributable to the continued fall in the active contributing membership due to non-admission of new members and that the Fund was not able to grow both its short term and long-term assets due to declining cash flows. It was further stated that pension reforms once implemented, were expected to improve contribution income levels essential in the generation of profitability or cash flow surplus and hence improve the current ratio.

c. Actuarial Valuation

i. Questionable Going Concern

Section 10 (1) of the LASF Act stipulates that the Fund shall be valued by an Actuary at intervals not exceeding five years. In this regard, in December 2022, LASF engaged an Actuary to evaluate the Fund. This evaluation was based on three (3) scenarios which were:

Scenario 1: Retirement date at age 55 with an accrual rate of 1/660,

Scenario 2 and 3: Retirement date at age 60 with an accrual rate of 1/660 to age 55 and 1/720 to age 60 respectively.

Based on the above scenarios, the Fund was found not to be financially sound as at the valuation date of 31st December 2022 as all three (3) scenarios depicted an actuarial deficit of K1,429,000; K1,732, 000 and K1,618,000 which translated to an actuarial average deficit of K1,593,000.

In addition, an analysis of the performance of the Fund against benchmarks revealed that the Fund performed below targets as indicated in table 11 below.

Table 11: Actual Performance of the Fund against benchmarks

No.	Ratio	Benchmark	Actual		
			2023	2022	2021
1	Contributor to Retiree	4:1	1:7	1:7	1:5
2	Benefit Pay-Out Ratio	1:1	0.38	0.45	0.49
3	Working Capital	2:1	(K161,932,620)	(K124,461,655)	(K144,392,932)
4	Current Ratio	2:1	0.33	0.38	0.45
5	Actuarial deficit			(K1,593,000)	

In this regard, the going concern of the scheme was questionable in that the scheme could be seen not to continue in operational existence without the Government injecting funds in the scheme.

Management attributed the poor financial state and questionable going concern to the impact of the non-admission of new members into the Scheme arising from the enactment of the National Pension Scheme Act and that the reverse to the declining business prospects depended on Government opening the Fund to new members.

ii. Contribution Rate Sufficiency

Contribution rates to the Local Authority Superannuation Fund are crucial for ensuring the sustainability and long-term viability of the fund, particularly because it operates as a defined benefit scheme. In such scheme designs, the benefits are predetermined based on salaries and years of service. Since LASF guarantees these benefits regardless of investment performance, adequate contribution rates from both employers and employees are essential in ensuring that the fund accumulates enough assets to meet its future obligations.

A review of the Statutory Actuarial Valuation report revealed that under the assumption that members undertook early retirement at the age of 55, the current contribution rate would be inadequate to meet obligations to pensioners. The valuation also revealed an increased variance in the required contribution rate from the last valuation. As can be seen in table 12 below.

Table 12: Member Contributions

Details	2019	2022
Required Contributions in respect of Future Service	31.20%	33%
Plus: Fund Expenses	31.40%	34%
Total required Contributio rate	62.60%	67%
less: Member Contribution rate	10%	10%
Current Employer Contribtution rate	23%	23%
Total Contribution Rate	33.0%	33%

Failure to adjust the contribution rate will result in an increased Actuarial Deficit.

Management stated that the financing gap was being addressed through annual capitalization from the Government.

In this regard, the Fund depended solely on the Government for its survival.

iii. Low Funding Ratio

The funding ratio is a key metric that indicates financial health of the pension scheme. It represents the proportion of LASF's assets to its liabilities showing whether the fund has sufficient resources to meet its obligations. As such, maintaining a healthy funding ratio ensures the sustainability of the fund and ensures the protection of the interests of the current and future pensioners.

A review of the Statutory Actuarial Valuations report revealed that LASF has a funding ratio of -56.79%. As can be seen in table 13 below.

Table 13: Debt to Asset Ratio

Details	Values
Market value of assets	(134,580,544)
Present Value Liabilities at 14%	236,982,993
Debt to Asset Ratio	-56.79%

The negative funding ratio implies that scheme does not have the assets to cover its liabilities.

iv. Actuarial Matching

Actuarial Matching is a financial strategy used in pension fund and insurance management in which a fund aligns the fund's assets with its liabilities in a way to minimize risks and to ensure that the timing and amount of cash flows from the fund's assets correspond to the fund's liabilities.

A review of the Statutory Actuarial Valuation report revealed that management had not been matching the long-term liabilities of the Fund to the objectives of Fund. In this regard, there was increased vulnerability to interest rate and trading liquidity risks.

d. Compliance with Legislation / Regulation

i. Failure to Appoint Board of Directors

Section 5(1) of the Local Authorities Superannuation Fund Act Chapter 284 of the Laws of Zambia states in part, "There shall be established a Board to be known as the Board of the Local Authorities Superannuation Fund."

Contrary to the Act, the Fund had been operating without a Board since 2nd March 2022 when the previous board was dissolved.

In this regard, strategic matters such as the review of the LASF Act and approval and signing of audited Financial Statements for the years ending 2021, 2022 and 2023 were still outstanding as at 31st December 2024.

ii. Failure to Pay Retirement Benefits to Members

The LASF Act provides a lump sum payment to members upon retirement. This lump sum is typically a portion of the member's accumulated contributions and interest, along with any additional benefits accrued during their service.

A review of the claims database revealed that 635 members had not been paid their retirement benefits in amounts totalling K190,668,559 as at 31st December 2023. See table 14 below.

Table 14: Aged Outstanding Retirement Benefits Payments to Members

Days	Count	Percent of Count	Lumpsum K	Amount Paid K	Outstanding Lumpsum K
0 - 29	34	5.35%	14,638,713	20,000	14,618,713
30 - 59	36	5.67%	16,188,762	20,000	16,168,762
60 - 89	19	2.99%	11,240,437	72,765	11,167,672
90 - 119	30	4.72%	14,237,225	200,000	13,890,225
120 - 149	37	5.83%	20,248,111	644,000	19,604,111
150 - 10,000	478	75.28%	155,039,894	40,419,247	114,620,647
>10,000	1	0.16%	598,429	-	598,429
Totals	**635**	**100%**	**232,191,571**	**41,376,012**	**190,668,559**

Management stated that this was caused by the financing gap which was created by the enactment of the NAPSA Act and that, part of the K400 million provided in the budget for 2024 would be used to pay lump sum benefits in full to all retirees who retired in 2023.

As at 6th November 2024, amounts totalling K180,000,000 had been disbursed to LASF. However, as at 31st December 2024, management failed to avail the audit verification documentation to confirm that the process for payment of the outstanding lump sum payments had commenced.

8 MUKUBA HOTEL LIMITED

8.1 Background

a. Establishment

Mukuba Hotel Limited was incorporated in 1986 and commenced operations in 1988. Mukuba Hotel Limited is 100% owned by the Industrial Development Corporation (IDC) and its business is the provision of hotel accommodation and related services in Ndola on the Copperbelt Province.

b. Governance

Article 60 of the Articles of Association of Mukuba Hotel Limited provides that members of the Board of Directors of Mukuba Hotel Limited be appointed by the IDC for a period of three (3) years and are eligible for re-appointment for a further three (3) year period. The Board is composed of seven (7) members as follows:

- The permanent secretary or representative of the ministry responsible for sector policy,
- Persons appointed from the private sector,
- Representatives of the ministry responsible for trade, foreign affairs and finance,
- A representative of the Provincial Administration,
- A representative of the Zambia Chambers of Commerce, Associations related to Exhibitions and Industry,
- A representative of the Zambia Development Agency, and
- Eminent persons.

During the period under review, the board consisted of six (6) members.

c. Management

The General Manager is responsible for the day-to-day operations of the Hotel and is assisted by five (5) other executive members. These include; the finance manager, the human resources manager, the sales and marketing manager, the operations manager and the internal auditor.

d. Sources of Funds

Mukuba Hotel Limited generates funds for its operations from the provision of accommodation, meals and beverages and other services.

8.2 Audit Findings

A review of accounting and other records maintained at Mukuba Hotel Limited for the period from 1st January 2021 to 31st December 2023 revealed the following:

a. Failure to Prepare Financial Statements

Section 265 of the Companies Act No. 10 of 2017 provides that; subject to section 253, the board of directors shall ensure that, within three (3) months following the end of the financial year, an audit is conducted, in accordance with subsection 2, and the report of the financial affairs is signed by not less than two directors or, where the company has only one director, by the director.

Contrary to the provisions, Mukuba Hotel Limited did not prepare financial statements for audit for the financial years ended 31st December 2021, 2022 and 2023. As a result the company's financial performance and its financial position could not be determined.

b. Annual Performance - Budget and Income

During the period under review, the Hotel budgeted to generate income in amounts totalling K20,892,800 against which amounts totalling K8,439,815 were generated resulting in a negative variance of K12,452,985 representing 40% of the budgeted income. See table 1 below.

Table 1: Budget and Actual

Year	Budget K	Actual K	Variance K	Actual /Budget %
2023	11,283,812	5,794,879	(5,488,933)	51%
2022	9,608,988	770,015	(8,838,973)	8%
Subtotal	**20,892,800**	**6,564,894**	**(14,327,906)**	31%
2021	-	1,874,922	1,874,922	
Total	**20,892,800**	**8,439,815**	**(12,452,985)**	40%

c. Compliance with Legislation and Regulations

i. Failure to Remit Statutory Contributions – NAPSA and ZRA

A review of management accounts revealed that the Hotel owed statutory institutions amounts totalling K24,453,837 in statutory obligations as at 31st December 2023 some of which had been outstanding since 2000. See table 2 below.

Table 2: Outstanding Statutory Contributions

Institution	Principal K	Interest /Penalties K	Amount K
NAPSA	-	10,351,649	10,351,649
ZRA	11,350,836	2,751,352	14,102,188
Total	**11,350,836**	**13,103,000**	**24,453,837**

ii. Failure to Submit an Asset Disposal Report to the Secretary to the Treasury

Section 44 (6) of the Public Finance Management Act No.1 of 2018 stipulates that a local authority, statutory corporation or state-owned enterprises shall be required to submit to the Secretary to the Treasury a disposal of asset report within thirty days or after conclusion of the disposal process.

A review of the auction sale report dated 8th August 2022 revealed that the Hotel disposed of various old hotel items valued at K495,730. However, as at 31st December 2024, the Hotel had not submitted to the Secretary to the Treasury a disposal of assets report.

d. Internal Control Weaknesses

i. Failure to Constitute Board Committees

Clause 19 of the Board Charter stipulates that the Board shall establish Committees of itself as it deems fit, in which Board Members shall play an important role, to assist it in the execution of its duties, powers and authorities. The committees provided for were the legal committee, the finance and administration committee, the business strategy committee and, the audit and risk committee.

Despite the IDC appointing a Board of Directors in October 2023, no sub committees had been constituted as of August 2024. As a result, the following were observed:

- There was a lack of supervision of the finance and audit functions as evidenced by the failure to prepare financial statements for the periods 2021, 2022 and 2023
- Failure to fill the Internal Audit positions which are key to ensure compliance with internal controls
- Vacancies in key positions including Human Resources and Procurement as there was no committee to directly oversee the staffing and recruitment at the Hotel.

The above situation has the potential of weakening the control environment of the Company.

ii. Operating without Key Management Positions

Mukuba Hotel Limited has an approved establishment of forty-five (45) staff members, out of which Seven (7) are key positions which include general manager, operations manager, sales and marketing manager, finance manager, human resources, internal auditor and senior procurement officer.

However as at 31st December 2024, none of the seven (7) key positions had been substantively filled.

9 NATIONAL PENSION SCHEME AUTHORITY

9.1 Background

a. Establishment and Mandate

The National Pension Scheme Authority (NAPSA) is established under the National Pension Scheme Act No. 40 of 1996 and the Authority's functions are as follows:

i. Implement policies relating to the National Pension Scheme in accordance with the Act; and

ii. Control and administer the Scheme.

Further, the Authority controls and manages, on custodial basis, the assets and liabilities of members who contributed to the defined contribution plan previously established under the defunct Zambia National Provident Fund (ZNPF) Act.

b. Governance

The NAPSA Act No. 40 of 1996 provides for the establishment of the members of the Authority comprising of the following:

- Two (2) representatives from such associations of employees as the Minister designates;
- Two (2) representatives from such associations of employers as the Minister designate;
- A representative and an alternate member from the ministry responsible for finance;
- A representative and an alternate member from the ministry responsible for social security;
- A representative of the Bankers Association of Zambia;
- A representative of the Bank of Zambia; and
- A representative of the Pension Managers Association.

The members are appointed by the Minister on renewable terms of three (3) years. The Chairperson of the Authority is appointed by the Minister while the Vice Chairperson is elected from amongst the members.

c. Management

The Director-General is responsible for the operations of the Authority and is assisted by eight (8) directors responsible for Contributions and Benefits, Investments, Projects, Information Technology, Human Resources and Administration, Strategy and Business Performance, Finance, Internal Audit and the Authority Secretary.

d. Sources of Funds

Paragraph 11 of the First Schedule to the NAPSA Act No.40 of 1996 states that, "The funds of the Authority shall consist of such moneys as may-

i. be paid to the Authority by way of contributions, fees, levy, grants or donations; or

ii. vest in or accrue to the Authority."

Further, the Act provides that the Authority may-

i. accept moneys by way of grants or donations from any source;

ii. raise by way of loans or otherwise, such moneys as it may require for the discharge of its functions; or

iii. charge and collect fees for services provided by the Authority.

e. Information and Communication Technology Systems

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

i. Enterprise Resource Planning System

This is a system that is used for supply chain, financial, treasury, property, projects, employee self-service and payroll management among others.

ii. Pension Management

The system is used to administer contributions from members and administration of benefits to pensioners.

iii. eNAPSA

eNAPSA is a customer facing platform (Web based Application) for managing the submission of returns and registration of employers and members.

iv. Document Management System

The system is used for electronic administration of claim files for members.

v. Siebel System

The system is used for pension administration.

9.2 Audit Findings

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

a. Annual Performance

i. Budget and Income

During the financial years ended 31st December 2022 and 2023, NAPSA budgeted to collect and generate income amounting to K25,640,626,587 from member contributions and investments against which amounts totalling K30,727,498,118 were collected and generated resulting in a positive variance of K5,086,871,531. See table 1 below.

Table 1: Budget and Actual

Income Type	2022		2023		Total		
	Budget K	Actual K	Budget K	Actual K	Budget K	Actual K	Variance K
Contributions Receivable	5,122,567,000	6,981,653,621	6,281,205,680	7,351,981,238	11,403,772,680	14,333,634,859	2,929,862,179
Investments	7,142,666,000	7,824,131,441	7,094,187,907	8,569,731,818	14,236,853,907	16,393,863,259	2,157,009,352
	12,265,233,000	**14,805,785,062**	**13,375,393,587**	**15,921,713,056**	**25,640,626,587**	**30,727,498,118**	**5,086,871,531**

b. Financial Analysis

The financial performance of the Authority is as shown in tables 2 and 3 below.

Table 2: Statement of Changes in Net assets Available for Benefits for the years 2021, 2022, 2023

	2023 K	2022 K	2021 K
Net Assets at the Beginning of the year	59,348,474,406	51,735,453,899	40,959,909,132
Member Service Operations			
Contributions from Members	7,351,981,238	6,981,653,621	5,200,881,575
Normal retirement pensions	(674,319,528)	(568,250,685)	(479,923,380)
Pension Claims and Withdrawals	(455,342,085)	(464,639,510)	(453,687,969)
Pre retirement withdrawals	(9,198,893,281)	-	-
ZNPF	-	(4,889,625,219)	(394,184,974)
Funeral Grants			
Funeral Grants	(23,578,563)	(28,517,996)	(25,021,112)
	(3,000,152,219)	**1,030,620,211**	**3,848,064,140**
Investment Operations			
Investment Income	8,569,731,818	7,824,131,441	7,863,419,584
Changes in Fair value for Investment	1,622,511,521	(78,945,809)	4,813,376,560
Profit/Loss on sale of Investment	546,181	210,817	(129,000)
Recoveries/(Impairment loss) on Investments	554,743,984	(78,443,014)	-
Handing Fees	(42,505,925)	(38,330,720)	(33,924,205)
Bad Debt Recoveries (Provisions)	33,991,138	(6,650,227)	(29,961,061)
Net Exchange gains/Losses	2,035,920,229	309,675,130	(1,068,354,041)
Tax Expense	(657,332,787)	(606,470,258)	(528,570,851)
	12,117,606,159	**7,325,177,360**	**11,015,856,986**
Management Expenses			
Employee Benefit Expense	(568,146,692)	(465,283,202)	(426,618,708)
Administrative Expenses	(246,164,112)	(277,493,862)	(230,965,413)
	(814,310,804)	(742,777,064)	(657,584,121)
Increase in Net Assets	8,303,143,136.00	7,613,020,507.00	13,600,697,916.00
Net Assets at the end of the year	**67,651,617,542.00**	**59,348,474,406.00**	**54,560,607,048.00**

Source: NAPSA Annual Report 2022 and 2023

Table 3: Statement of Net Assets Available for Benefits for the Years Ended 31st December 2021 to 2023

	2023 K	2022 K	2021 K
Members Interest		**Restated**	**Restated**
Members Fund	67,651,617,542	59,348,474,406	54,560,607,048
Represented by:			
Assets			
Investments			
Government Securities	33,380,087,295	26,840,047,516	24,655,285,459
Other Securities	14,755,946,492	14,819,852,205	10,357,452,010
Equity Investments	4,411,954,751	4,407,168,982	4,055,428,892
Loans and Advances	6,960,955,808	8,144,842,608	7,433,920,298
Housing Projects	485,221,678	47,600,776	66,249,396
Investment Properties	7,728,149,565	6,758,849,025	6,228,560,023
	67,722,315,589	**61,018,361,112**	**52,796,896,078**
Other Assets			
Bank and Cash Balances	2,858,537,782	2,059,191,604	915,152,473
Contributions Receivable	381,928,687	334,054,951	707,212,615
Other Receivables	358,600,783	702,554,230	491,409,467
Property and Equipment	216,323,509	225,851,206	262,635,274
	3,815,390,761	**3,321,651,991**	**2,376,409,829**
Total Assets	**71,537,706,350**	**64,340,013,103**	**55,173,305,907**
Liabilities			
Income Tax Payable	(175,164,739)	(132,135,120)	(114,688,997)
Provisions doe claims payable	(21,079,976)	(30,052,936)	(25,654,536)
Other Payables	(3,680,469,812)	(4,824,633,161)	(472,686,638)
Deferred Liabilities	(9,374,281)	(4,717,480)	(10,332,856)
Total Liabilities	**(3,886,088,808)**	**(4,991,538,697)**	**(623,363,027)**
Net Assets	**67,651,617,542**	**59,348,474,406**	**54,560,607,048**

Source: NAPSA Annual Report 2022 and 2023

The following were observed:

i. Reduction in Net Members Service Operations

Member service operations is a comparison showing the extent to which benefit expenditure for the year is being met from contributions collected in that year without the need for the scheme to call on funds invested in various assets.

A review of the financial statements revealed that the net member service operations reduced from K3,848,064,140 in 2021 to negative K3,000,152,219 in 2023.

The reduction was attributed to the revision of the law to allow early access of ZNPF benefits which led to a raise in the payouts from K509,215,553 in 2022 to K1,365,970,243 in 2023. Further, the reduction was attributed to the signing into law of the pre-retirement benefit pay-out which resulted into K9,198,839,281 being paid out to members representing 13.60 percent of the total Assets of the Scheme.

ii. Reduction in Contributions to Benefits Ratio

The contributions to benefits ratio is computed as contributions from members divided by benefits paid which comprise normal retirement pensions, pension claims and withdrawals, pre-retirement withdrawals, ZNPF claims and withdrawals and funeral grants as shown in table 4 below.

Table 4: Contributions to Benefits Ratio

No	Item	2023 K	2022 K	2021 K
1	Contributions from Members	7,351,981,238	6,981,653,621	5,200,881,575
2	Normal Retirement Pensions	674,319,528	568,250,685	479,923,380
3	Pension Claims and Withdrawal	455,342,085	464,639,510	453,687,969
4	Preretirement withdrawals	9,198,893,281	-	-
5	ZNPF claim and withdrawals (Actual amount Paid)	1,365,970,243	509,215,553	394,184,974
6	Funeral grants	23,578,563	28,517,996	25,021,112
	Total	**11,718,103,700**	**1,570,623,744**	**1,352,817,435**
	Ratio	**0.63**	**4.45**	**3.84**

As can be seen from the table above, the ratio reduced from 3.84 in 2021 to 0.63 in 2023. The reduction was attributed to the revision of the law to allow pre-retirement benefits pay out and early access to the ZNPF claims and withdrawals.

The Actuarial Report for the period 2021 to 2023 showed that the reduction in the ratio in 2023 was not expected going forward as the majority of the members eligible for the pre-retirement benefit had already claimed and received their benefits.

iii. Total Income to Total Expenditure

The Total Income to Total Expenditure ratio is computed as total income divided by total expenditure. Where total income is computed as the contribution from members plus Investment operations and total expenditure is computed as benefits paid plus management expenses. This ratio shows the Scheme’s ability to cover its expenses with the income generated with both long and short-term expenses included. See table 5 below.

Table 5: Total Income to Total Expenditure Ratio

No	Item	2023 K	2022 K	2021 K
1	Contributions from Members	7,351,981,238	6,981,653,621	5,200,881,575
	Investments Income	12,117,606,159	7,325,177,360	10,451,078,787
	Total Income	**19,469,587,397**	**14,306,830,981**	**15,651,960,362**
2	Normal Retirement Pensions	674,319,528	568,250,685	479,923,380
3	Pension Claims and Withdrawal	455,342,085	464,639,510	453,687,969
4	Preretirement withdrawals	9,198,893,281	-	-
5	ZNPF claima and withdrawals (Actual amount Paid)	1,365,970,243	509,215,553	394,184,974
6	Funeral grants	23,578,563	28,517,996	25,021,112
7	Management Expenses	814,310,804	742,777,064	**698,445,011**
	Total Expenditure	**12,532,414,504**	**2,313,400,808**	**2,051,262,446**
	Ratio : Total Income /Total Expenditure	**1.55**	**6.18**	**7.63**

As can be seen from the table above, during the period under review, the ratio reduced from 7.63 in 2021 to 1.55 in 2023. The reduction in the ratio was mainly attributed to the signing into law and consequent payment of the pre-retirement benefits as well as the early access to the ZNPF claims and withdrawals made in 2023.

iv. Dependency Ratio

The dependency ratio shows the relationship between the contributions made by active members and the benefits paid out to retired members (pensioners). This ratio provides insight into the sustainability of the pension fund. The ratio also shows how well contributions from the current active population can support pensioners. See table 6 below.

Table 6: Dependency Ratio

Details	2023	2022
No of Active Members	1,044,961	965,548
No of Pensioners	24,671	22,587
Ratio	**42**	**43**

The Actuarial Report for the period 2021 to 2023 projected the ratio to be stable at 42. As can be seen in the table above, although the ratio reduced from 43 in 2022 to 42 in 2023, the ratio was still stable. This means that there were approximately 43 active members supporting one (1) pensioner compared to 42 in 2022. In this regard, Management should continuously monitor the ratio as a reduction directly affects the financial viability of the Scheme.

v. Non- Performing Loans and Advances

During the period under review, the Authority had loan balances to various entities and members of staff as detailed in table 7 below.

Table 7: Loans and Advances

Type	2023 K	2022 K
Kafue Gorge Lower Hydro Power Project	6,061,417,193	4,183,081,939
National Road Fund Agency Loan	1,029,410,962	4,625,090,686
Staff Mortgages	81,620,804	79,430,665
Livingstone Market and Bus Station Management Company Ltd	50,892,118	45,855,970
Phantom Exchange	2,362,592	2,362,592
Other Advances	1,067,087	1,067,087
	7,226,770,756	**8,936,888,939**
Less Impairment	(265,814,949)	(792,046,330)
Total	**6,960,955,807**	**8,144,842,609**

A review of the loans and advance contracts revealed that some of the loans were not performing according to the terms of the contracts in that interest and repayment terms were not being adhered to.

In particular, the following were observed:

- **Livingstone Market and Bus Station Management Company Limited**

  On 14th May 2019, the Authority extended its investment in socially targeted assets via a loan facility in the sum of K33.8 million to the Ministry of Local Government and Rural Development (MLGRD) and Livingstone City Council (LCC), for the completion of the ultra-modern Bus Terminus and Market in Livingstone. The loan amount was disbursed in full between March 2019 and January 2022.

  The loan facility was extended by a further K8 million to K42 million in 2021, out of which a total of K33.6 million was disbursed for the project. However, the Local Authority had not made any repayment and as at the time of audit the total loan outstanding amount stood at K67,003,147.

  The terms of the agreement included:

  - that NAPSA would handover maintenance, management and operation of the Project upon recovery of all the funds and interest, as well as any agreed recoverable amounts, in accordance with the terms and conditions of the Agreement.

- the parties agreed that the License Period would be fourteen (14) years in which it was expected that NAPSA would have recovered its funds. However, the lease period would be extended beyond the fourteen (14) years in the event that NAPSA would not have recovered the monies due to it within the lease period.

The following were observed:

- **Delayed Recovery of the Loan**

  Clause 2.3.4 of the Financing agreement states that NAPSA shall create a Special Purpose Vehicle for the maintenance, management and operation of the project after completion on its behalf. Consequently, the Authority incorporated a company called Livingstone Market and Bus Station Limited (LMBSMCL) as a Special Purpose Special (SPV) created to facilitate the management of the two (2) facilities to recover the investment.

  Further, clause 7.3 of the same agreement states that the interest shall begin to accrue from the date of disbursement not withstanding that repayment shall only commence six (6) months from the completion of the construction of the project.

  The construction of the project was completed in 2020. In breach of the agreement, MLG and LCC decided to assume direct management of the market and bus station after completion of the project. However, the Authority only issued a notice of breach and termination on 31st May and 15th June 2024 respectively. This was 2 years after the official commissioning of the project.

  As at 31st December 2023, the outstanding loan amount was K64,491,971 which had increased to K67,003,146 as at 31st December 2024.

- **Failure to Use Procured System- Bus Terminus and Market Management System (BTMMS)**

  Clause 2.3.2 and 2.3.3 of the Financing Agreement stipulates that NAPSA would not be obliged to provide financing beyond the agreed amount. If there were changes in the project's scope or delays, NAPSA would cover additional costs from its own funds, recoverable through fees during the project's operations. NAPSA would create a Special Purpose Vehicle (SPV) to manage, maintain, and operate the project after completion, and would transfer maintenance, management, and operation of the project after recovering all funds, interest, and any other agreed amounts as per the agreement.

  In this regard, the Authority engaged four (4) contractors for the development and installation of the Bus Terminus and Market Management System at a total contract sum of K9,793,160. The system was to be used by the SPV to manage revenue collection at the Bus Terminus and Market. See table 8 below.

Table 8: Cost Breakdown of BTMMS

No.	Contractor	Works to be Done	Contract Sum K	Contract Extention K	Total Amount K	Amount Paid K
1	Probase Limited	Enrolment Sub-system and Bus Ticketing Management Sub-system	3,196,758	600,000	3,796,758	3,796,758
2	UNZA	Market Sales Sub-system	2,291,375		2,291,375	2,291,375
3	Eye D Limited	Bus Operator and Passenger Management system	2,511,291	643,328	3,154,619	3,154,619
4	Pious Musabaila	System Development Supervision	457,970	92,438	550,408	550,408
	Total		**8,457,395**	**1,335,766**	**9,793,160**	**9,793,160**
	Other Costs					
1	Maintenance Cost				1,801,151	
2	Accrued Interest				136,304	
		Total Cost			**11,730,616**	

However, it was observed that since MLGRD and LCC had assumed direct management of the market and bus station, the procured system by the Authority intended for revenue collection remained unused. In a letter dated 2nd November 2022, the Ministry did not agree to take over the cost of development and maintenance of the management system developed by the contractors engaged by NAPSA citing that the system was not part of the signed agreement. Consequently, the system intended for revenue collection with a total cost of K11,730,616 (K9,793,160 – development of the system and K1,937,456 - maintenance and interest) remained unused.

In response to the Management Letter dated 8th October 2024, Management stated that despite the MLGRD and LCC disputing the cost of developing the system, they had included it in the termination and demand notice. However, there was no documentary evidence to show that the Ministry had agreed to the demanded claim.

Consequently, the failure to use the procured system may result in loss of funds by the Authority.

c. Preretirement Benefits - Fraudulent Claims

Section 21A (1) of the National Pension Scheme Act as amended by Act No. 1 of 2023 entitles a member to a Pre-Retirement Lump-Sum Benefit (PRB), where the member consents in writing to access a PRB, is below pensionable age and has made a minimum of sixty monthly contributions; or attained the age of forty-five (45).

A review of the partial withdrawal payments revealed that sixty-six (66) members fraudulently logged claims using other members details, and were successfully paid amounts totalling K6,173,446.

As at 31st October 2024, the Authority had not recovered the amounts paid..

d. Actuarial Valuation

A review of the Actuarial Report for the financial period from 1st January 2021 to 31st December 2023 revealed the following:

i. Projection of Fund Sustainability

The Fund is projected to remain solvent until 2067, after which expenditure would exceed income at the current contribution levels. By 2041, benefit expenditure is expected to surpass contribution income. However, when investment income and administrative expenses are included, total expenditure is projected to exceed total income by 2057.

Despite these long-term challenges, the Fund is currently in a healthy financial position, with no immediate need to increase contributions or reduce benefit costs.

ii. **Benefit Payments**

Approximately 435,000 active members received benefits in amounts totalling K9.2 billion during the period under review. This level of benefit payment is not expected to recur as most eligible members have already claimed their benefits.

iii. **Investment Performance**

Government securities, deposits, and loans/infrastructure investments provided the highest returns to the Fund throughout the period. Conversely, real estate and investment properties yielded relatively low returns.

These findings underscore the Fund's current financial health while highlighting areas for strategic focus to ensure long-term sustainability.

e. Operational Matters

i. Outstanding Concession Fees to the Department of National Parks and Wildlife (DNPW)

On 7th September 2020, the Authority entered into an agreement with the DNPW and Mosi-oa-Tunya Resort Holding (MORH) for tourism concession rights and obligations relating to plot number 14734/M/A situated in the Mosi-oa-Tunya National Park Livingstone for an initial 15-year term. The objective of the agreement was the development of a four-star hotel and conference centre.

Clause 4.1.2. of the Novation Concession Agreement stated, "the Concessionaire (NAPSA) shall be liable to pay the fixed charge from the effective date of the agreement. The fixed charge shall thereafter be due on 1st January and 1st July of every year during the term granted herein. The Concessionaire shall pay the full amount of the fixed lease fees in the first half of the year and in the second half once due."

A review of records revealed that the Authority had only made one payment amounting to US$17,681.68 towards the fixed lease fees from the time the agreement was entered into in 2022.

As at 31st December 2023, the fees had accumulated to US$526,192.83 excluding the interest charges. As at 31st August 2024, the amount owed was US$600,836,96 excluding interest charges.

In response to the Management Letter dated 8th October 2024, Management indicated that they were in the process of executing a debt swap with DNPW to set off the outstanding Concession.

The proposed debt swap would involve offsetting the US$600,836.96 from the outstanding principal contributions and accumulated penalties amounting to K816,684,190.

As at 31st December 2024, the draft debt swap agreement had been cleared by Attorney General and was awaiting clearance by the Secretary to Treasury. In this regard, the debt swap had not been executed and the owed amount plus interest had not been settled by the Authority.

ii. Contract for Construction of the Housing Units

- **Unrecovered Advance Payment - Earthrow**

  On 8th December 2020, the Authority engaged Earthrow Investments Limited for the construction of fifty (50) low-cost housing units and bulk services in Chinsali at the contract sum of K42,608,715 for a period of twelve (12) months with a completion date of 8th December 2021. Included in the contract sum were amounts totalling K20,495,500 for bulk services which were not carried out and paid for. The completion date was later extended to 4th July 2022. At the time of audit, a total of K11,166,963 had been paid to the contractor.

  However, the contract had been terminated due to several reasons including, failure to renew the performance security, failure to extend the advance payment guarantee, breach of contractual duty of good faith, misapplication of the advance payment and slow progress of work on site.

  General Conditions of Contract (GCC) 45.1 states, "NAPSA may make advance payment to the Contractor of amounts and date stated in the GCC, against provision by the Contractor of an Unconditional Bank Guarantee in a form and by a bank acceptable to the NAPSA in amounts and currencies equal to the advance payment. The Guarantee shall remain effective until the advance payment has been repaid, but the amount of the Guarantee shall be progressively reduced by the amounts repaid by the Contractor. Interest shall not be charged on the advance payment."

A scrutiny of the advance payment guarantee number 126 dated 12th May 2021 revealed that the guarantee was to be paid in the contractors Bank Account which the contractor confirmed as correct.

A review of the Audit Committee Minutes dated 7th February 2023 revealed irregularities in the processing of the Advance payment in the sum of K10,652,179 which was paid into a wrong account held at Bank of China. While the account belonged to the contractor, it was not the designated account for the advance payment as the designated account was a United Bank for Africa Account (UBA). Therefore, the payment into the wrong account invalidated the advance guarantee and upon termination of the contract, the Authority could not call for the guarantee.

As at the time of audit, according to the final account, the contractor was owing the Authority amounts totalling K2.9 million, part of which was the unrecovered advance payment.

In the regard, the non-recovery of the advance payment guarantee may result in loss of funds to the Authority.

- **Prolonged Disposal of the 50 Housing Units**

  In the Board minutes dated 11th September 2023, the Board approved the recommendation to sell the fifty (50) units that had been constructed out of the 564 units in their current state at a cost of K328,845 per unit which incorporated a fifteen (15) percent profit mark up.

  However, none of the units had been sold as at 31st December 2024. In this regard, the prolonged disposal of the 50 housing units may result in loss of funds to the Authority.

iii. Riverview Park - Outstanding Advance Payment

On 11th June 2020, the Authority signed a contract with the Zambia National Service (ZNS) for the development of phase one (1) proposed Riverview Park Infrastructure at NAPSA Twin Palm Land in Lusaka at a contract sum of K478,159,473 The amount was revised to K596,061,193 inclusive of VAT with a revised intended completion period of 638 days commencing 28th September 2020 to 28th June 2022. On 29th November 2022, the contract was terminated and the works were at 59%. The contractor had issued twenty-six (26) Interim Payment certificates and amounts totalling K238,493,158 had been paid against the issued certificates.

The Authority made an advance payment of amounts totalling K119,539,868. However, only amounts totaling K66,969,512 had been recovered leaving a balance of amounts totalling K52,570,356 unrecovered.

In response to the Management Letter dated 8th October 2024, the Authority indicated that they had initiated the recovery of the balance on the advance payment by making a call on the guarantee with ZANACO. However, ZNS wrote to the Attorney General seeking to revive the terminated contract and successfully complete the project. In response, the Attorney General advised the Service to engage NAPSA with a view to enter into a new contract and successfully complete the project. Further, both a call on the advance payment guarantee from ZANACO and a call on the Performance Bond from Goldman Insurance Co Ltd are on hold pending the engagement with ZNS.

As at 31st December 2024, the balance of the advance payment amounting to K54,542,356 had not been recovered and may result in a loss of funds to the Authority.

iv. Irregularities in the Membership Database - Unpaid Member Contributions by Employers

Section 13(1) of the National Pension Scheme Act No. 40 of 1996 requires that every contributing employer shall within one (1) month register with the Authority. Further Section 14(1) of the same Act requires every employer to pay to the scheme a contribution in respect of both employer and employee contributions at the prescribed percentage. The Authority is also required by law to enforce compliance by employers in accordance with the provisions of the Act.

However, a review of Contribution and Benefits reports on the performance of the Authority's collection and claims payments revealed that 61,805 employers from six (6) sectors were owing the Authority amounts totalling K29,833,093,061 in respect of principal member contributions and penalties. See table 9 below.

Table 9: Unpaid Contributions

No.	Sector	No. of Employers	Principal K	Penalty on Unpaid Contribution K	Penalty on Paid Contribution K	Total K
1	Public Administration and Defence	525	523,730,176	3,832,414,075	2,045,169,047	6,401,313,298
2	Central Government	1	124,514,449	93,020,102	6,175,429,269	6,392,963,820
3	Education	3,212	68,442,019	491,913,358	2,759,286,584	3,319,641,961
4	Wholesale and Retail Trade	16,545	186,485,421	1,371,870,437	1,106,266,595	2,664,622,454
5	Professional, Scientific and Technical Activities	5,222	141,519,597	1,282,022,744	604,326,007	2,027,868,348
6	Mining and Quarrying	990	129,888,279	713,629,605	832,125,070	1,675,642,954
7	Transportation and Storage	1,968	72,988,095	194,619,887	1,383,532,965	1,651,140,947
8	Manufacturing	3,982	60,511,885	194,426,359	1,040,145,077	1,295,083,322
9	Water Supply; Sewerage, Waste Management	289	47,747,579	412,410,355	242,669,684	702,827,617
10	Human Health and Social Work Activities	1,684	43,744,031	387,100,198	202,921,851	633,766,079
11	Others	27,387	315,058,634	1,085,069,791	1,668,093,835	3,068,222,260
Total		**61,805**	**1,714,630,165**	**10,058,496,912**	**18,059,965,984**	**29,833,093,061**

v. Delayed Recovery of the Loan - Investment in Non- Listed Equity Assets - Marcopolo Tiles Company Zambia Limited

The Authority holds 16,400 ordinary shares in Marcopolo representing 16.8 percent shareholding. The shares were purchased and paid for in full in June and July 2020 at a purchased consideration of US$ 15 million.

Further to the investments above, according to the shareholders agreement between NAPSA and the Industrial Development Corporation (IDC), the Authority issued a corporate bond to IDC to enable IDC to finance its investment in Marcopolo tiles. The facility amounted to K375,000,000. The disbursements under the corporate bond were made in two instalments in June 2020 and July 2020.

Clause 7.1 of the financing agreement provided that the beneficiary shall repay the facility principal and interest in equal semi-annual instalments through the deposit account created by the parties with the first payment commencing six (6) months after the first disbursement. Further, the agreement provided that the beneficiary shall assign all its rights and interests in specific commercial agreements and draw an assignment of receivables agreement in favour of the lender (NAPSA) and that the borrower (Marcopolo) through the beneficiary and shall cause all revenues from selected commercial agreements to be paid into the deposit account (Escrow Account).

A review of the payment schedule revealed that IDC and Marcopolo had defaulted in the loan repayments as Marcopolo made the last repayment in October 2023. The Authority had written several demand letters to both IDC and Marcopolo. As at 31st October 2024, the outstanding amounts of K486,847,133 had not been settled.

vi. Failure to Carry out an Independent Valuation on Acquisition

In 2020, the Authority acquired a total of 1,336,385 ordinary shares in the Marcopolo tiles Zambia Limited, Wonderful Group Industries Zambia Limited and MTN at total purchase consideration of US$54,900,000 (US$15 million and U$$39,900,000) for Marcopolo and Wonderful group industries Zambia Limited representing 16.8 and 35 percent shareholding respectively and K287,277,372 for MTN representing 8 percent shareholding as shown in table 10 below.

Table 10: Consideration Paid for Non-Listed Equity

Company	No. of Shares	Shareholding %	Consideration Paid	
			US$	K
Marcopolo Tiles	16,400	16.8	15,000,000	
Wonderful Group	42,000	35	39,900,000	
MTN	1,287,985	8		**287,277,372**
Total	**1,346,385**		**54,900,000**	**287,277,372**

However, the Authority did not carry out valuation of the shares at the time of purchase. In this regard, the consideration paid was questionable in that in the absence of an independent valuation it was not clear whether the consideration paid was fairly determined.

As a result, valuations carried out in the subsequent years resulted in a write down of the values of Marcopolo and Wonderful group by an amount of K952,470,513 from K1,350,133,141 to K461,740,000 as at 31st December 2023 indicating that there was a possibility that the shares were over-priced.

10 MULUNGUSHI UNIVERSITY

10.1 Background

a. Establishment

Mulungushi University was established in January 2008 following the upgrading of the National College for Management and Development Studies to a Public University. The University is governed under the Higher Education Act No. 4 of 2013 whose principal functions are to:

i. provide higher education;
ii. create conditions for learners to acquire qualifications and pursue excellence and promote the full realization of the potential of learners;
iii. create conditions for lifelong learning;
iv. prepare learners and academics and strengthen the effect of academic learning and scientific research to enhance social and economic development, and
v. conduct research necessary and responsive to national needs.

b. Governance

The University is governed by a Council comprising seventeen (17) part time members appointed by the Minister responsible for Education as follows:

i. the Vice-Chancellor, who should be an ex-officio member;
ii. the Deputy Vice-Chancellor who should be an ex-officio member;
iii. one (1) member of staff of a local authority in whose area the higher education institution is located, who should be nominated by the local authority;
iv. two (2) members of the academic staff of the higher education institution who are members of Senate, who should be nominated by Senate among others; and
v. the Chairperson and Vice Chairperson are elected by the members of the Council from amongst themselves.
vi. A member of Council holds office for a period of three (3) years and is eligible for reappointment for another term of three (3) years.

c. Management

The operations of the University are the responsibility of the Vice Chancellor who provides policy guidance on the implementation of policies set by the Council. The Vice Chancellor is appointed by the Minister on the advice of the Council and is the academic, financial and administrative head of the University. In discharging his/her responsibilities, the Vice Chancellor is assisted by the Deputy Vice Chancellor, Registrar, Librarian and Chief Finance Officer.

d. Sources of Funds

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

i. be appropriated by Parliament;

ii. be paid to the University by way of fees, subscriptions, contributions, grants or donations, including:

- tuition, lodging, boarding fees and other charges;
- income from University auxiliary enterprises and investments;
- endowments, gifts, trusts and bequests; and
- donor funds and grants.

iii. otherwise vest in, or accrue to, the University

e. Information and Communication Technology Systems

During the period under review, the University operated six (6) critical management information systems as described below:

i. Edurole Students Management System- The Edurole system was used in managing registration, admission, payments, fees, and accommodation.

ii. Exams System – System or platform through which exams were prepared by lecturers and stored.

iii. SAGE 300- Sage 300 was used as the University's financial management system which administered payables, receivables, and preparation of financial statements.

iv. Dove Payroll -The University used Dove Payroll System for payment of staff salaries.

v. Library Information System - The Library Information system was used to handle essential library functions, including cataloguing, circulation, acquisitions, and online public access catalogues.

vi. Moodle E-Learning Platform – This was used for blended learning, distance education and flipped classroom.

10.2 Audit Findings

A review of financial and other relevant records maintained at the University for the financial years ended 31st December 2022 and 2023 revealed the following.

a. Budget and Income

In the Estimates of Revenue and Expenditure for the period under review, a total provision of K65,857,873 was made to cater for operations of the University against which amounts totalling K65,857,869 were released.

In addition, the University budgeted to collect amounts totalling K560,057,174 from internally generated funds such as tuition and accommodation fees and other sources against which amounts totalling K552,232,143 were collected resulting in an under collection of K7,825,031. See table 1 below.

Table 1: Budget and Actual Income

Income	2023		2022		Total		Variance
	Budget K	Actual K	Budget K	Actual K	Budet K	Actual K	K
Government Funding							
Government Grant	32,928,936	32,928,937	32,928,937	32,928,932	65,857,873	65,857,869	(4)
Sub Total	**32,928,936**	**32,928,937**	**32,928,937**	**32,928,932**	**65,857,873**	**65,857,869**	(4)
Internally Generated							-
Tuition and Boarding	270,042,358	257,594,954	246,310,598	228,837,826	516,352,956	486,432,780	(29,920,176)
Other Income	22,449,180	40,236,313	21,255,038	25,563,050	43,704,218	65,799,363	22,095,145
Sub Total	**292,491,538**	**297,831,267**	**267,565,636**	**254,400,876**	**560,057,174**	**552,232,143**	(7,825,031)
Total	**325,420,474**	**330,760,204**	**300,494,573**	**287,329,808**	**625,915,047**	**618,090,012**	(7,825,035)

As at 31st December 2022 and 2023, amounts totalling K258,076,955 and K307,420,941 were spent respectively.

b. Information and Communication Technology Systems

i. Lack of Adequate Off-site Backup

COBIT DSS04.07 *Manage backup arrangements* recommends that entities maintain availability of business-critical information. In addition, an entity should define requirements for on-site and off-site storage of backup data that meet the business requirements.

A review of the backup mechanism for critical systems such as the Edurole Student Management System and Sage 300 revealed that the University had no off-site backup storage. This increased the risk of data loss and operational delays in the event of a disruption.

While management in their response dated 5th September 2024 indicated that a backup server exists at the town campus for offsite storage, no evidence or documentation supporting this arrangement was provided during the audit. As a result, the adequacy of the offsite backup solution could not be verified.

ii. Use of Unsupported Software - Computers

ISO 27001 A.12.6.1 on *Management of technical vulnerabilities,* requires an organization to obtain timely information about technical vulnerabilities of information systems being used, evaluate the organization's exposure to such vulnerabilities, and take appropriate measures to address the associated risk.

During the period under review, twenty-five (25) computers running critical systems such as student management system and financial management system were running on Microsoft Windows 7 software which reached the end of support on 14th January 2020.

In this regard, the information on the Edurole Student Management System and Sage 300 were susceptible to several known vulnerabilities which included code execution, bypass, privilege escalation, denial of service attack and information leaks.

c. Annual Performance - Failure to Achieve Some Strategic Objectives

In January 2019, the Council approved a five-year Strategic Plan covering the period 2019 to 2023. To achieve this, the University formulated strategic goals, objectives, performance indicators and targets to be achieved by 31st December 2023.

As of 30th September 2024, the University had not achieved some strategic objectives and activities as shown in the table 2 below.

Table 2: Mulungushi University Strategic Goals

Strategic Goal	Strategic Objectives	Activities	Performance Indicators	Targets to be Achieved by 2023	Status	Management Comment on the Target	Factors Leading to Partial or non-Achievement	Effects on the Operation of the University on non-Achievement
Develop appropriate infrastructure to support institutional activities No. 5	Provide the requisite quality and quantity infrastructure appropriate for teaching and learning	1.Upadate the university infrastructure site plan and architecture design plans	Complete site plan Completed architectural design plans	1.The University site plan updated and approved 2. The architecture design plans developed	The University Site plans and architecture design had not been updated and approved.	The University Site plan and Architectural plans to be done in 2024. Funds have been set aside in the 2024 Budget.	Constraint on University resources for the activities.	Delayed University expansion.
		2.Build Hostel	Number of bed spaces created Number of PPP's entered into.	Achieve 5300 bed spaces. 2000 additional bed spaces	Partially achieved only 4800 bed spaces were created out of the	540 bed spaces created in 2019 under the 09 open blocks into students hostels project	Constraint on University resources for the activities. Cooperating	Lost revenue from student lodging fees. Students leaving off campus in sub-standard accommodation.

Strategic Goal	Strategic Objectives	Activities	Performance Indicators	Targets to be Achieved by 2023	Status	Management Comment on the Target	Factors Leading to Partial or non-Achievement	Effects on the Operation of the University on non-Achievement
				to be constructed At least two hostel block to be built under a PPP	targeted 5300 bed spaces. No hostels were constructed under PPP	320 bed spaces created in 2022 under the rehabilitation of 10 open blocks into hostels 352 bed spaces created in 2023 under the rehabilitation of 11 open blocks into hostels	partners yet to be identified	Lack of quiet study rooms, common areas, lounges, entertainment areas and kitchens
		4. Expansion of water source	1.Un Interrupted water supply 2. Expand	Deliver at least 4000m^3 of water per day	Not achieved	The Contract to commence the works has not yet been cleared	Clearance by the Attorney General's office.	Limited water supply.

Strategic Goal	Strategic Objectives	Activities	Performance Indicators	Targets to be Achieved by 2023	Status	Management Comment on the Target	Factors Leading to Partial or non-Achievement	Effects on the Operation of the University on non-Achievement
			water storage facilities			by the Attorney General's Office		

Strategic Goal	Strategic Objectives	Activities	Performance Indicators	Targets to be Achieved by 2023	Status	Management Comment on the Target	Factors Leading to Partial or non-Achievement	Effects on the Operation of the University on non-Achievement
		5. Invest in alternative energy source on all University Campuses	Number of buildings powered by alternative sources of energy Number of street lights powered by alternative energy	25% of buildings to be powered by alternative energy source. 75% of all street lighting to be powered by alternative energy solution	Not achieved Not achieved	The University is seeking approval to undertake the project	Constraint on University resources for the activities. Rigorous approval processes.	Interrupted power supply especially in view of load shedding. expected Budget overruns due to excessive purchases of fuel as a result of load shedding, resulting in budget variation to take into account the cost of running gensets.

d. Compliance with Legislation/Regulations

i. Failure to Disqualify Bidders with the Same Beneficial Ownership

On 26th September 2023, the University Procurement Committee evaluated and awarded three (3) bidders for the contract for the procurement of structural steel, cutting, and welding materials for the construction of the main entrance gate at the Main Campus. The three (3) bidders are detailed in table 3 below.

Table 3: Bidders Awarded Contracts to Supply Structural Steel, Cutting and Welding Materials

No.	Bidder Name	Contract Amount K	Location
1	Yamiko Solutions Limited	828,375	Kabwe
2	Famach Hardware and General Dealers Ltd	654,665	Kabwe
3	Navish Suppliers and Contractors	368,888	Kabwe

Regulation 145 (4) (b) of the Public Procurement Regulations, Statutory Instrument No. 30 of 2022 states, "Quotations from different bidders with the same beneficial ownership shall be disqualified."

A review of the procurement process and confirmation of the beneficial ownership details from PACRA revealed that two (2) of the three (3) companies that were awarded contracts in amounts totalling K1,483,040 (K828,375 - Yamiko Solutions Limited and K654,665 - Famach Hardware and General Dealers Ltd) had the same beneficial ownership.

As of September 2024, management had not provided any explanation for not disqualifying the two (2) bidders.

ii. Drilling of Boreholes at Livingstone School of Medicine and Health Sciences

On 25th November 2022, the University entered into a contract with Greenland Water Drilling Zambia Limited for the drilling of two (2) boreholes at the Livingstone School of Medicine and Health Sciences (SoMHS) Campus at a contract sum of K450,312.

A physical inspection carried out on 6th April 2024 at the SoMHS revealed that the two (2) boreholes drilled by Greenland Water Drilling Zambia Limited were non-functional as they were dry boreholes.

Although no payment had been made to the contractor for the works done, the following were observed:

- **Irregular Award of Contract.**

  The procurement for the drilling of the two (2) boreholes for the Livingstone Campus was conducted through simplified bidding where the request for quotations was sent to three (3) suppliers as shown in table 4 below.

  Table 4: Quotations obtained from three (3) bidders

No.	Supplier Name	Location	Bid Amount K
1	Greenland Water Drilling Zambia Limited	Lusaka	450,312
2	United Drilling and exploration Co. Ltd	Choma	330,600
3	Geotechno Rock Rollers Ltd	Choma	354,000

  The quotations underwent a three (3) stages evaluation namely, Preliminary, Technical and Commercial evaluation.

  During the preliminary evaluation, Geotechno Rock Rollers Ltd was disqualified leaving Greenland Water Drilling and United Drilling and Exploration Co. Ltd to proceed to the Technical and Commercial stages.

  In the commercial evaluation, Greenland Water Drilling Zambia Limited was ranked second with a bid price of K450,312 and a payment term of 'After completion of works' whilst United Drilling and Exploration Co. Ltd was ranked first with a bid price K330,600 and a payment term of '100% upfront'.

  Despite Greenland Water Drilling Limited being the most expensive bidder, it was awarded the contract for the drilling of the two (2) boreholes at a total cost of K450,312.

- **Failure to Attend a Mandatory Site Visit**

  Regulation 93. (1) (b) of the Public Procurement Regulations, Statutory Instrument No. 30 of 2022 states that, "A procuring entity may organise a site visit, to enable bidders to gain access to the site for delivery of any proposed works or services."

  Contrary to the Regulations, the University awarded a contract for drilling two boreholes at the Livingstone Campus to Greenland Water Drilling Zambia

Limited, despite not attending the site visit organised by the University for potential bidders to assess the geographical formation of the area.

iii. Irregular Payment of Advance Payment - Supply of Classroom Desks

On 27th October 2022, the University engaged Mambuzi Limited to supply 330 classroom desks at a total contract price of K759,000. The contractor was paid in full as shown in the table 5 below.

Table 5: Payments for the 330 Classroom Desks

Date	Payee	Description	Amount K
11.11.2022	Mambuzi Limited	50% down payment for claaroom desks	379,500
23.12.2022	Mambuzi Limited	Payment of 50% balance on classroom desks	379,500
	Total		**759,000**

The 330 classroom desks were delivered to the University on 21st December 2022.

An examination of the Committee Paper dated 25th October 2022 regarding the procurement of 330 classroom desks for the Main Campus revealed that a Request for Quotation (RfQ) was sent to three (3) suppliers who submitted their bids with the terms and conditions as stated in table 6 below.

Table 6: List of Bidders for the Supply of 330 Classroom Desks

Name of Supplier	Bid Price K	Delivery Period	Payment Terms
Famach Hardware and General Dealers Ltd	775,500	5-14 days	30 Days
Mukobeko Maximum Prison Industries	1,231,230	Not stated	50% Upfront
Mambuzi Ltd	759,000	14 days	75% Unfront

Regulation 197(3) of the Public Procurement Regulations, Statutory Instrument No. 30 of 2022 states, "The total amount of an advance payment referred to under sub regulation (1) shall not exceed twenty-five percent of the total contract price."

However, the University paid Mambuzi Ltd an amount of K379,500 as 50% advance payment before delivery of the desks contrary to the Regulation.

iv. Wasteful Expenditure - Upgrading of SAGE 300 ERP to 2023 Version

On 30th March 2023, the University entered into a contract with IT Centre Zambia Limited for upgrading of Sage 300 ERP to 2023 version at a contract price of US$7,540 (K142,983). On 4th April 2023, the contractor was paid in full.

However, as of 30th June 2024, the contractor had not completed the upgrade fourteen (14) months after receiving full payment. Additionally, the contract did not specify the delivery period.

Due to IT Centre Zambia Limited failure to complete the upgrade, several modules remained non-functional. Consequently, on 17th January 2024, the University engaged Mupuma Management Solutions Limited to complete the upgrade, which IT Centre Zambia Limited had already been paid for, at an additional cost of K49,880 resulting in wasteful expenditure.

v. Irregularity in the Communication and Sourcing of Quotations from Suppliers

Section 17 (1) of the Public Procurement Act, 2020 stipulates that a communication between parties to a procurement proceeding shall be in writing or in form of a data message that provides a record of the content of the information that is accessible and usable for subsequent reference.

Contrary to the Act, the University obtained quotations from suppliers without following proper procedures. Specifically, fifty-three (53) contracts for the supply of various building materials were awarded without issuing Request for Quotations (RfQs) directly to the suppliers during the solicitation process, and there was no acknowledgment of receipt of the RfQs by the suppliers. See table 7 below.

Table 7: Suppliers Contracted without Requests for Quotations Addressed Directly to them

Name of Supplier	Number of Contracts	Description of Contract	Contract Amount K
Mambuzi Limited	6	Various Building Materials	3,278,060
Famach Hardware & General Dealer Ltd	9	Various Building Materials	3,011,985
Jazima General Dealers Limited	9	Various Building Materials	2,957,165
Herocean Supply Chain Management (Z) Ltd	3	Various Building Materials	1,747,255
Tru Connexion Limited	6	Various Building Materials	1,360,530
Yamiko Solutions Limited	2	Various Building Materials	1,190,375
Tapiwa Three Innovations Ltd	3	Various Building Materials	412,170
Wonderful Industry	2	Various Building Materials	495,800
Zambezi Steel	1	Roofing Materials for the Livingstone Project	156,672
Aabrick Zambia Limited	1	Tiling Materials	675,000
Allos Engineering and Construction Company	1	stones, gravel, black soil, river and building sand	834,100
Build Connect Limited	1	Electrical Materials	280,325
Greenland Water Drilling	1	drilling of boreholes	450,312
Kansai Plascon (Z) Limited	1	Paint	311,272
Lamasat International (Z) Limited	1	Plumbing, Tools and Fittings Materials	195,670
Midas Trade	1	procure 65,000 Moroka Pan Bricks	617,500
Murat Investments Limited	1	Bricks	268,800
Navish Suppliers and Contractors	1	Structural Steel, Cutting and Welding Materials	368,888
Rogblock Enterprises Ltd	1	stones, gravel, black soil, river and building sand	277,500
Sonar International Limited	1	Roofing Materials	870,549
Thregeo General Dealers	1	Timber	575,800
Total	**53**		**20,335,728**

The failure to issue RfQs directly to suppliers and obtain their acknowledgment during the solicitation phase of the procurement process made it challenging to verify whether the University conducted competitive procurements. This oversight raised concerns whether all bidders received the necessary information to participate fully in the procurement process and submit quotations that met the University's requirements.

e. Staff Related Matters

A review of the payroll system for the University revealed the following:

i. Over Expenditure

During the period under review, the University had a total budget of K340,464,000 to cater for Personal Emoluments against which amounts totalling K353,828,198 were spent resulting in excess expenditure of K13,364,198, as shown in table 8 below.

Table 8: Budget against Expenditure

Year	Budget	Expenditure K	Variance K
2022	159,407,000	166,221,705	(6,814,705)
2023	181,057,000	187,606,493	(6,549,493)
Total	**340,464,000**	**353,828,198**	**(13,364,198)**

In their response, Management attributed the excess expenditure to the fully sponsored in-house pension/gratuity scheme introduced in December 2021. In addition, the excess expenditure for 2023 was attributed to the negotiations that adjusted housing and transport allowances to 20% and 15% respectively net of tax.

ii. **Failure to Fill Staff Establishment**

A review of the Establishment Register and the University's Strategic Plan for the period 2019 to 2023 revealed that Strategic Goal No. 4 states: Enhance capacities and competences for running the University effectively and efficiently in line with the principals of corporate governance. Its first strategic objective states, human resource planning and staff development, whose activity was to attract, retain and develop a competent and diverse academic and administrative complement.

However, as at 31st December 2023, the University had 395unfilled positions. See table 9 below.

Table 9: Staff Establishment Register Analysis

Period	Establishment Register	Payroll	Unfilled Positions	Percentage
December 2019	745	369	376	50%
December 2020	826	426	400	48%
December 2021	826	428	398	48%
December 2022	826	412	414	50%
December 2023	826	395	431	52%

iii. **Officers with Net Pay Less than 40% of Basic Salary**

Clause B.23 of the Collective Agreement between the Mulungushi University Council and the Copperbelt University and Allied Workers Union-Mulungushi University Branch (CBUAWU-MU) stipulates that the University shall endeavour to facilitate employees to get loans from the private sector provided that the net pay of such employees shall not be lower than 40% of basic salary.

It was however observed that the University had facilitated loans in respect of 151 members of staff whose net pays range between 0% and 39% of their respective basic salaries, contrary to the Conditions of Service of the University and Public Service.

f. Failure to Collect Student Tuition Fees

Section 2.4.4 of the Mulungushi University Financial Policy and Procedures Manual requires that students pay 50% of tuition fees before registration and the remaining 50% before the end of the semester.

However, a review of the student's receivables revealed that the University had uncollected receivables amounting to K80,219,785. In addition, management expressed doubt of the collectability of K9,419,092 owed by 403 students.

As at 30th September 2024, management had not provided justification on non-adherence to the University financial policy and had not sought authority from the University Council to write off the debt.

g. School of Medicine and Health Science (SoMHS) - Unaccounted-for left-over Building Materials

Section 41 (1) of the Public Finance Management Act No.1 of 2018 stipulates that a Controlling Officer is responsible for the management of public assets and stores of the head of expenditure.

During the period under review the University procured various building materials for the construction of a Laboratory, Library, and a 1x4 Classroom Block at the SoMHS out of which materials valued at K1,081,037 were left over.

A physical verification carried out on 31st July 2024 revealed that, the materials were not on site and no documentation was availed for audit to explain utilisation.

11 NATIONAL HERITAGE CONSERVATION COMMISSION

11.1 Background

a. Establishment

The National Heritage Conservation Commission is a statutory body established under the National Heritage Conservation Commission Act No. 23 of 1994.

b. Governance

The National Heritage Conservation Commission Act provides for the establishment of the Commission which consists of the following members;

- A Chairman;
- The Permanent Secretary in the Ministry responsible for Heritage who shall be an ex-officio member; and
- Not less than seven (7) but not more than ten (10) other members who shall be persons with experience in matters related to the functions of the Commission.

The Chairman and the other members, except for the ex-officio, are appointed by the Minister for a term of not more than three (3) years and are eligible for re-appointment upon expiry of their term of office.

c. Management

The Commission, with the approval of the Minister, appoints the Executive Director to manage the day to day operations of the entity. The Executive Director is assisted by four (4) Regional Directors for Northern, East Central, Northwest and Southwest.

The Directors and managers are on five (5) years contracts and the rest of the staff are appointed on a permanent and pensionable basis.

d. Sources of Funds

According to the National Heritage Conservation Commission Act, Cap 173 of the Laws of Zambia, the sources of funds include among other monies;

- Appropriated by Parliament for the purposes of the Commission
- Grants or donations
- Vest in or accrue to the Commission.

The Commission may also accept monies by way of grant or donations from any source in Zambia and with the approval of the Minister, from any source outside Zambia.

11.2 Audit Findings

An examination of accounting and other records for the financial years ended 31st December 2022 and 2023 carried out at the Commission revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial years 1st January to 31st December 2022 and 2023, a total provision of K46,725,792 was made to cater for various activities the whole amount was released. See table 1 below.

Table 1: Budget and Funding

Year	Authorised Provisions K	Actual Released K
2022	23,362,896	23,362,896
2023	23,362,896	23,362,896
Total	**46,725,792**	**46,725,792**

The Commission generated revenue in amounts totalling K13,351,292 and received other funds in amounts totalling K821,218. In 2022, there was a brought forward balance of K3,685,677 bringing the total available funds to K41,221,083.

In 2023, the Commission generated own revenue in amounts totalling K23,400,003 and received other funds in amounts totalling K7,577,682. Further, there was a brought forward balance of K6,466,805 bringing the total available funds to K60,807,386. See table 2 below.

Table 2: Funds Received by the Commission

Details	2022 K	2023 K
Balance B/F	3,685,677	6,466,805
GRZ	**23,362,896**	**23,362,896**
Own revenue	**13,351,292**	**23,400,003**
Other funds		
World Wildlife Funds (WWF)	339,850	667,274
Stanbic WWF	-	348,163
Donor Funds	481,368	8,408
African Heritage Fund	-	302,923
Tourism Development Funds	-	6,250,914
Total - Other funds	**821,218**	**7,577,682**
Grand total	**41,221,083**	**60,807,386**

The Commission had spent K34,754,278 in 2022 and K44,190,277 in 2023 leaving a balance of K6,466,805 in 2022 and K 16,617,109 in 2023.

b. Loss of Revenue

i. Under Collection of Revenue

In 2022, the Commission budgeted to collect revenue in amounts totalling K 22,787,729. However, amounts totalling K13,351,292 were collected resulting in an under collection of K9,436,437. In 2023, the Commission budgeted to collect revenue in amounts totalling K24,017,255 out of which amounts totalling K23,400,002 were collected resulting in an under collection of K617,253. See table 3 below.

Table 3: Under Collection of Revenue

No.	Details	2022			2023		
		Budget K	Actual K	Variance K	Budget K	Actual K	Variance K
1	Entry Fees	18,812,900	12,079,129	(6,733,771)	22,436,254	21,315,203	(1,121,051)
2	Filming Fees	120,000	31,587	(88,413)	53,900	127,775	73,875
3	Rafting Fees	200,000	0	(200,000)	200,000	0	(200,000)
4	Lodging Fees	3,800	1,600	(2,200)	1,500	1,100	(400)
5	Research Permits	165,000	19,998	(145,002)	106,674	293,953	187,279
6	Export Permit Fees	140,000	5,332	(134,668)	0	0	0
7	Consultancy Fees	105,000	131	(104,869)	0	0	0
8	Tender Fees	8,000	1,250	(6,750)	3,000	23,000	20,000
9	Library Fees	2,000	0	(2,000)	1	836	835
10	Lease of Sites/Objects	2,428,000	375,003	(2,052,997)	452,152	597,958	145,806
11	Sale of obsolete Item	100,000	0	(100,000)	100,000	24,109	(75,891)
12	Rent Receivable	503,829	189,280	(314,549)	565,944	430,065	(135,879)
13	Toilet Fees	60,200	30,853	(29,347)	34,430	19,737	(14,693)
14	Interest Receivable	28,000	544,111	516,111	28,000	116,664	88,664
15	Other Income		63,568	63,568	0	439,852	439,852
16	Publications	111,000	9,450	(101,550)	35,400	9,750	(25,650)
	Total	**22,787,729**	**13,351,292**	**(9,436,437)**	**24,017,255**	**23,400,002**	**(617,253)**

ii. Loss of Revenue - Avani Hotel

In 1999, the Commission entered into an agreement with Sun International Hotels Zambia (now Avani) on the vesting and development of the two hotels which were located within the Victoria Falls World Heritage Site. The agreement, which was reviewed in December 2012 provided, among others, that the guests at Sun International Hotel (now called Avani) would have to pay an appropriate and current entry fee on entry to Victoria Falls World Heritage Park/Site which includes the falls, the boiling point pot and immediate environment of the Eastern Cataract of the falls. The Sun International Hotel (Avani) would in turn remit the clients fees to the Commission.

Contrary to the terms of the agreement, Sun International Hotel (Avani) had not remitted entry fees paid by the hotel clients in amounts totalling K10,008,736 since March 2022. As at 30th November 2024, the funds had not been remitted to NHCC and no action had been taken by NHCC to obtain the unremitted amounts.

iii. Failure to Collect Funds from the Debt Collector

Regulation No. 138(1) of the Public Finance Management (General) Regulations of 2020 stipulates that a public body shall apply to the Secretary to the Treasury for authority to abandon revenue. In addition, the application made under sub regulation (1) shall be accompanied by (a) the sum of the revenue to be abandoned; (b) the date on which it was due; and (c) any action taken to collect it and the reasons why it was not possible to collect it.

Contrary to the Regulations, during the period from December 2012 to March 2016, the Commission had engaged a debt collector (Petpaty Agencies (Z) Limited) to collect outstanding amounts of K72,932 on its behalf from nine (9) clients and the whole amount was collected between December 2012 and March 2016 However, as at 30th November 2024, the funds had not been remitted by the debt collector and no action had been taken.

iv. Failure to Collect Rental Income

Section 102 of the National Heritage Conservation Commission Financial Regulation of 2018 stipulates that Outstanding debtors' accounts with late or delinquent payment activity will be handled in a timely and effective manner to ensure maximum collections. The officers who under-take the collection of revenue shall refer all debts which they are unable to recover to the Head of cost center or his designate without undue delay for appropriate action.

Additionally, Section 7 and 8 (d) of the Public Finance Management (General) Regulations of 2020 stipulates that a head of an accounting unit shall ensure prudent and accountable management of financial resources.

Contrary to the Regulations, the Commission had not collected amounts totalling K217,253 for rentals outstanding from as far back as 2012. As at 30th November 2024, the debt had not been collected.

v. **Under Collection of Entry Fee from Non-Residents - Railway Museum**

Section 16. (1)(h) of the Public Finance Management (General) Regulations 2020 provides that a controlling body should ensure that returns are submitted within the stated period -foreign currency cash balances shall be translated into the local currency using the spot rate on the closing date for each financial year.

Section 101 of the National Heritage Conservation Commission Financial Regulation of 2018 stipulates that Accounting Officers may accept entry and user fees in foreign currency in accordance with the Statutory Instruments in force at any time.

A review of financial documents such as ticket books and daily cash collection sheets revealed that the Commission was charging entry fee at the Railway Museum at US$15 per adult and US$7 per child for non-residents, However, the Commission was charging a standardised converted price from Dollar to Kwacha as K150 per adults and K75 per child, contrary to the regulations.

During the period under review, the Commission collected K53,850 (K52,200 adults and K1,650 children) resulting in under collection of entry fees amounting to K79,157 as they did not use the spot rate on the closing date for each financial year.

c. **Management of Payroll and Staff Related Matters - Failure to Fill in Key Vacant Positions**

A review of the Staff Establishment register revealed that the Commission had a total establishment of 260 approved positions, out of which 117 were filled leaving a balance of 146 vacant. Included among the vacant positions were six (6) key positions comprising Executive Director, Director Conservation Services, Director North-West Region, Director South-West Region, Finance Manager and Manager Information and Public Relations which were key to the organisation's operation and had been vacant for periods ranging from two (2) to five (5) years. As at 30th November 2024, the positions had not been filled.

d. Lack of Debt Management Policy

A Debt Management Policy is a document that guides an institution in the way it manages its receivables. It lays the plan between the company and the debtor on how the outstanding debt can be collected and settled.

During the period under review, the Commission had no Debt Management Policy in place. As a result, the Commission had failed to recover accumulated debt in amounts totalling K1,821,455 from its debtors. Some of the debt had been outstanding from as far back as 2012.

e. Infrastructure Development - Failure to Develop Heritage Sites

Section 8 (1) of National Heritage Conservation Commission Act of 1989 states, "The functions of the Commission shall be to conserve the historical, natural and cultural heritage of Zambia by preservation, restoration, rehabilitation, reconstruction, adaptive use, good management, or any other means.

Further Section 8 (3) (m) of the Act provides that the Commission may take such steps as may be necessary to provide or ensure the provision of access roads, shelters, site museums, information centres and campsites within any area or place which is an ancient heritage or has been proclaimed to be a national monument.

During the period under review, the Commission had 102 sites throughout the country. It was observed that out of these site, the Commission had not developed thirty-eight (38) of them. Consequently, no revenue was generated from the undeveloped sites.

f. Non-Responsive Tourism Concession Agreement – Kalambo Falls

On 24th November 2016, NHCC entered into a Tourism Concession Agreement (TCA) with Lake Chila Lodge Management for the purposes of carrying out tourism business activities for an initial term of twenty-five (25) years, on and around Kalambo Falls in Mbala District, Northern Province.

Article 9 of the Concession Agreement states that the concessionaire shall pay concession fees of K3,000 per month during the period of the agreement.

However, as at 30th November 2024, the developer had not paid any concession fees citing low visitor numbers to the facility. Further the concession agreement was not specific on the forfeiture of the infrastructure, this may pose legal challenges.

g. Management of Heritage Sites

A review of records at selected Heritage sites revealed that there were weaknesses in the management of the sites infrastructure.

In particular, the following were observed:

i. Conservation Status of Castel Hotel National Monument

The castle hotel is a national monument site built in 1956 in Lundazi District. It displays unique fortified English architectural features both in crude and refined forms. It is constructed of red bricks, with corrugated iron roof.

A physical inspection of the hotel revealed that the building and its surroundings were in a state of despair due to a lack of maintenance. Further, there were encroachments and boundary disputes, and the Commission did not have a title deed.

ii. Encroachment of Heritage Sites

Section 8 (1) of National Heritage Conservation Commission Act of 1989 states, "The functions of the Commission shall be to conserve the historical, natural and cultural heritage of Zambia by preservation, restoration, rehabilitation, reconstruction, adaptive use, good management, or any other means.

Further Section 8 (3) (m) of the Act states that the commission may take such steps as may be necessary to provide or ensure the provision of access roads, shelters, site museums, information centres and campsites within any area or place which is an ancient heritage or has been proclaimed to be a national monument. A review of documents revealed that fourteen (14) Heritage sites had been encroached. See table 4 below.

Table 4: Encroachment of Heritage Sites

No.	Name of Site	Location	Total Area Declared	Area Encroached	Etimated Household within Monument Area
1	Administrators House	Kalomo	62 Hectare	20 Hectares	Cultivated field only
2	Bbililli Hot Spring	Kalomo	Not yet Declared	10 Hectares	Cultivated field only
3	Fort Monze National Monument	Monze	8.2 Hectares	4 Hectares	Cultivated field only
4	Mumbwa Caves	Mumbwa	259.008 Hectares	40 Hectares	60 Household and 20 fields
5	Chinyunyu Hotspring	Rufunsa	24 Hectares	8 Hectares	4 Household and 10 field
6	Kalambo Falls National Monument	Mbala	518 Hectares	100 Hectares	More than 100 Household
7	Chishimba Falls National Monument	Kasama	777 Hectare	300 Hectares	More than 100 Household
8	Mwela Rock Art National Monument	Kasama	1000 Hectares	200 Hectares	More than 100 Household
9	Ntumbachushi Falls National Monument	Kawambwa	186 Hectares	20 Hectares	Less than 50
10	David Livingstone Memorial	Chitambo	259 Hectares	70 Hectares	20 Hectarres and 15 fields
11	Lumangwe/Kabwelume Falls	Kasama	2782 Hectares	150 Hectares	Above 10 Households
12	Mulobezi Open Air Museum	Mulobezi	29 Hectares	20 Hectares	Several Households
13	Thandwe Rock Shelter	Chipata	2.6 Hectares	1 Hectares	3 Households and 5 field
14	Kalundu Mound National Monument	Kalomo	5 Hectares	2 Hectares	1 Household and Cultivated Fields

h. Compliance with Legislation and Regulations

i. Irregular Contract – Printing of Accountable Documents

Cabinet Office Circular No. 11 dated 10th July 2020 abolished the procurement and printing of documents for Ministries, Provinces and other Spending Agencies from private institutions with effect from 1st September 2020

During the period under review, the Commission engaged a private printing company to print accountable documents. In this regard, amounts totalling K21,000 was paid to the company. As at 30th November 2024, no documents such as contract was availed for audit.

It was further observed that there was no authority from the Secretary to the Treasury to engage the private company to print government documents**.**

ii. Irregular Use of Accountable Imprest to Procure Goods and Services

Financial Regulation No. 86 (c) states that accountable imprest is imprest that is issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time.

Contrary to the Regulation, accountable imprest in amounts totalling K219,035 involving twenty four (24) transactions, was issued to six (6) officers to procure goods and services whose values were obtainable on the market. See table 5 below.

Table 5: Irregular Use of Accountable Imprest to Procure Goods and Services

Region	No of Officers	Amount K
South West Region	4	203,790
Northern Region	2	15,245
Total	**6**	**219,035**

iii. Unsupported Payments

Section 104 (1) (2) of the Public Finance Management (General) Regulations, 2020 states that, "a payment voucher relating to purchases shall be supported by a purchase order, the supplier's invoice and proof of delivery or performance and a payment shall not be made on statements of account only".

Contrary to the Regulations, eight (8) payments in amounts totalling K195,474 made at the Headquarters during the year under review were not supported with relevant documents such as receipts and acquittal sheet, among others.

iv. Failure to Obtain Clearance from ZRA before Payment – South West Region

Treasury and Financial Management Circular No. 7 of 2023 requires that all line Ministries and statutory bodies to obtain clearance from Zambia Revenue Authority (ZRA) before payments are made to suppliers. Ministries, Government Departments and Statutory Bodies should withhold VAT, if any, from payments to suppliers for goods and services for onward remittance to ZRA.

Contrary to the Circular, thirty-one (31) payments in amounts totalling K293,485 were made to various suppliers for the procurement of goods and services without obtaining clearance from ZRA.

v. Lack of Title Deeds – Northern Region

Section 41(4) of the Public Finance Management Act No. 1 of 2018 states, "A controlling officer shall ensure that all public properties under the controlling officer's charge are secured with title deeds".

Contrary to the Act, as at 30th November 2024, the Commission had not secure title deeds for six (6) buildings valued at K6,259,180 and thirteen (13) nature sites (falls and caves) which had no values attached. See table 6 below.

Table 6: Lack of Title Deeds

No.	Name of Property	Valuated Amount as at 2017 K
1	RSTA Officers	1,965,000
2	Commission House	895,000
3	Commission House	645,895
4	NHCC Officers	1,467,500
5	Visitor Information Center	1,220,000
6	Guard House	65,785
7	Chilambwe Falls	
8	Chipoma Falls	
9	Chishimba Falls	
10	Kalambo Falls	
11	Kumdabwika Falls	
12	Lufubu Falls	
13	Lumangwe Falls	
14	Mambilima Falls	
15	Mumbuluma Falls	
16	Mwela Rocks Art	
17	Nachikufu Cave	
18	Ntumbachushi Falls	
19	Vonletto Voberg	
	Total	**6,259,180**

vi. Poor Maintenance of Properties – Northern Region

Physical inspections carried out in November 2024 on selected buildings owned by the Commission revealed that the Visitor's Information Centre at Chishimba Falls and the Northern Region Office were in dilapidated state due to lack of maintenance**.** See pictures below.


Dilapidated ceiling board at the Visitor Information Centre at Chishimba Falls


Dilapidated ceiling board and cracked wall plate at the Kasama Regional Office

vii. Failure to Implement Project

A review of the Tourism Development Fund 2023 Annual Work Plan, project proposal and Ledgers revealed that during the period under review, the Commission planned to undertake four (4) projects. On 10th July 2023, the Commission received funding in amounts totalling K5,062,094 for the projects. However, despite the availability of the funds, the projects had not been implemented as at 30th November 2024. See table 7 below.

Table 7: Failure to Implement Projects

No.	Project Name	Funded Amount K
1	Ablution Blocks	3,042,094
2	Barricades	900,000
2	Stairs and Hand Rails to Boiling Pot	300,000
4	Ablution Blocks and fence Look-out tree	820,000
	Total	**5,062,094**

viii. Failure to Withhold Value Added Tax

The Value Added Tax (VAT) Amendment Act No.12 of 2017 read together with the Treasury and Financial Management Circular No. 6 of 2017 requires all institutions which were appointed as tax agents to withhold and remit VAT from payments to suppliers of goods and services to the Zambia Revenue Authority (ZRA).

Contrary to the Act and Circular, it was observed that the Commission did not withhold and remit VAT in amounts totalling K25,005 on payments to various suppliers during the period under review.

ix. Outstanding Statutory Contributions

A review of statutory ledgers revealed that as at 31st December 2023, the Commission owed Zambia Revenue Authority (ZRA), National Pension Scheme Authority (NAPSA), Zambia State Insurance Cooperation (ZSIC-PENSION) and Madison insurance amounts totalling K102,102,625 in respect of statutory obligations out of which K18,650,765 was paid leaving a balance of K83,451,860. Some amounts have been outstanding from as far back as 2014.

12 NATIONAL HOUSING AUTHORITY

12.1 Background

a. Establishment

The National Housing Authority (NHA) was established by an Act of Parliament in 1971 under Cap 195 of the Laws of Zambia with the objective of providing, securing and promoting the provision of housing throughout the Country. NHA also provides accommodation by;

- the erection of houses on any land acquired,
- the conversion of any building into houses,
- acquiring, enlarging and repairing any house or building,
- management and control of houses owned by any person,
- clearing squatter areas and thereafter making necessary improvements and redevelopment of such areas.

b. Governance

Part II (4) of the National Housing Authority Act provides for the appointment of an Authority by the Minister responsible for housing and is comprised of eleven (11) members from both private and public institutions as follows;

- the Commissioner for Town and Country Planning;
- two members from the Local Government Association of Zambia;
- one member representing the Ministry responsible for local government;
- two District Secretaries;
- one member representing the Zambia National Building Society;
- one member representing the University of Zambia;
- one member representing the National Council for Scientific Research;
- one member from the Zambia Federation of Building Co-operatives; and
- one other member who is not a public officer.

The Minister responsible for Ministry of Infrastructure and Housing Units appoints the Chairperson and Vice-chairperson from the members of the Authority.

c. Management

Section 14 (1) and (2) of the NHA Act Cap 195 of the Laws of Zambia, stipulates that the Authority shall appoint a person nominated by the Minister responsible for housing to hold the office of Chief Executive for such period and upon such terms and conditions of service as the Authority may, with the prior consent and approval of the Minister, fix at the time of his appointment. The Chief Executive Officer (CEO) is responsible for the operations of the Authority and is assisted by the Authority Secretary and Directors in charge of finance, construction, real estates and sales and consultancy who are appointed on three (3) year renewable contracts.

d. Sources of Funds

According to Section 30 of the NHA Act, the funds of the NHA shall consist of such moneys as may be;

i. payable to the NHA from moneys appropriated by Parliament for the NHA, and
ii. vest in or accrue to the NHA, whether in the course of its operations or otherwise.

12.2 Audit Findings

An examination of financial and other records for the financial years ended 31st December 2021 to 2023 and physical inspections of selected stations revealed the following:

a. Financial Analysis

The statements of comprehensive income and financial position for the years ended 31st December 2021 to 2023 are as shown in table 1 below.

Table 1: Statement Statements 2021, 2022,2023

Income Statement (Zambian Kwacha)			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Revenue	44,154,376	54,415,192	36,119,434
Sales Cost	26,783,401	25,040,589	15,732,562
Gross Profit	**17,370,975**	**29,374,603**	**20,386,872**
Other Income	4,992,226	11,368,999	28,784,035
Total Income in Year	**22,363,201**	**40,743,602**	**49,170,907**
Expenses	40,258,151	42,382,911	39,850,156
Operating Profit/(Loss)	(17,894,950)	(1,639,309)	9,320,751
Net Profit/(Loss)	**(17,894,950)**	**(1,639,309)**	**9,320,751**
Balance Sheet (Zambian Kwacha)			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Assets			
Current Assets	70,119,449	64,909,843	77,189,212
Cash and Cash Equivalents			
Non-Current Assets	133,006,875	131,150,989	138,604,346
Total Assets	**203,126,324**	**196,060,832**	**215,793,558**
Liabilities			
Current Liabilities	116,843,611	108,389,194	127,891,831
Non-Current Liabilities	42,310,376	37,322,199	35,912,980
Equity			
Share Capital	450	450	450
Reserves	43,971,887	50,348,989	51,988,297
Total Liabilities	**203,126,324**	**196,060,832**	**215,793,558**
Financial Ratios			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Working Capital	(46,724,162)	(43,479,351)	(50,702,619)
Current Ratio	0.60	0.60	0.60
Debt Asset Ratio	0.21	0.19	0.17
Gross Profit Margin	39%	54%	56%
Net Profit Margin	-41%	-3%	26%

Source: *Extracts from the draft NHA Financial Statements 2021, 2022 and 2023*

i. Adverse Key Financial Ratios

A review of the draft financial statements for the NHA revealed that the following key financial ratios were adverse:

- **Profitability - Operating Losses**

  The profitability of the Authority declined by K27,215,701 from an operating profit of K9,320,750 in 2021 to an operating loss of K17,894,949 in 2023 representing 292% decline. In this regard, NHA failed to generate sufficient funds to finance its operations.

- **Poor Current Ratio**

  A current ratio measures the ability of an entity to cover its current liabilities or obligations with the current assets and is calculated by dividing current assets by current liabilities. The desired current ratio for National Housing Authority was 1:1 for 2021, 2022 and 2023.

  However National Housing Authority's current ratio stood at 0.6 throughout the period under review indicating that the Authority was not generating enough revenue to meet its obligations as they fall due.

- **Negative Working Capital**

  Working capital is the difference between the total current assets and the total current liabilities. Although the Authority recorded an increase in working capital by K3,978,457 from negative K50,702,619 in 2021 to negative K46,724,162 in 2023 representing 8%, the company recorded a negative working capital throughout the period under review.

  The negative working capital meant that the Authority did not have the ability to fully pay off it's current liabilities in the short term.

b. Annual Performance

i. Budget and Income -Failure to meet Revenue Targets

During the period from 1st January 2021 to 31st December 2023, NHA budgeted to receive operational grants from the Treasury and generate funds from various sources in amounts totalling K442,978,965, against which amounts totalling K139,253,954 were received and generated resulting in a negative variance of K303,725,011 as shown in table 2 below.

Table 2: Budget and Actual Revenue

Details	2023		2022		2021		Total Budget		
	Budget K	Actual K	Budget K	Actual K	Budget K	Actual K	Budget K	Actual K	Variance K
Contract Income-GRZ	90,704,388	28,157,913	83,212,400	37,840,869	100,930,250	17,330,888	274,847,038	83,329,670	191,517,368
Rental Income	14,470,800	13,039,509	13,364,513	10,369,769	13,355,040	11,225,731	41,190,353	34,635,009	6,555,344
Property sales	14,422,342	1,407,785	12,433,700	419,888	25,954,500	300,000	52,810,542	2,127,673	50,682,869
Other Income	19,241,753	2,396,268	24,267,480	8,027,512	30,621,799	8,737,822	74,131,032	19,161,602	54,969,430
Total	**138,839,283**	**45,001,475**	**133,278,093**	**56,658,038**	**170,861,589**	**37,594,441**	**442,978,965**	**139,253,954**	**303,725,011**

** the Budget does not include Government Grants*

ii. Failure to Achieve the Strategic Objectives

The National Housing Authority had developed a Strategic Plan for the period 2020 to 2024 with five (5) strategic objectives classified in sixteen (16) activity descriptions. However, most of the strategic objectives had not been achieved as at 31st December 2023, one (1) year before the end of the plan's period. See table 3 below.

Table 3: Five Year Strategic and Business Plan (2020-2024)

	Activity Description	Target
1	Internal repositioning	
	• Implementation of Mandate – Regulatory Function	Not achieved
	• Restructuring	Not achieved
2	Rehabilitation and Redevelopment of Investment Properties	
	• Improved Investment properties	Not achieved
3	Improvement of NHA Financial Position	
	• Funds Mobilisation	Not achieved
4	Upgrading and Redevelopment of Unplanned Settlements	
	Upgrading and redevelopment	Not achieved
5	Provision of at least 10,000 Housing units across the country	
	• Construction	Not achieved

The failure to achieve Strategic Plan objectives may lead to stagnation, operational inefficiencies, higher costs and missed opportunities for improvement.

c. Compliance with Rules and Regulations

i. Failure to Submit Annual Report and Audited Financial Statements

The NHA Act cap 195 Clause 56 (1) and (2) requires the Authority to submit to the Minister an annual report on the activities of the Authority not later than six (6) months after the end of the financial year.

Contrary to the Act, management of the Authority had not submitted the annual report with audited accounts for the period under review as at 30th September 2024, thereby abrogating the requirements of the Companies Act No.17 of 2007. The non- submission of audited financial statements in time as required by Act denies stakeholders information for decisions making and assessment of management's performance.

ii. Unsettled Employee Benefits

As at 31st December 2023, the Authority had unsettled employee benefits in amounts totalling K9,761,123 owed to 37 officers who had been separated from NHA between March 2015 and December 2022 through retirement, death, dismissal, resignation, end of contract and retrenchment.

d. Other Information

i. Failure to Acquire Title Deeds for Commercial Properties

Section 41(4) of the Public Finance Management Act No.1 of 2018 stipulates that a Controlling Officer shall ensure that all public properties under the Controlling Officer's charge are secured with title deeds.

Contrary to the Act, NHA had not secured title deeds for parcels of land on which six (6) commercial investment properties were located. See table 4 below.

Table 4: Investment Properties without Title Deeds

No.	Property	Location	Stand #	Status
1	Findeco House	Solwezi	1163	No title deed
2	Kazungula Land	Kazungula		No title deed
3	Rufunsa Land	Rufunsa		No title deed
4	Lusaka Quarry	Lusaka		No title deed
5	Solwezi plot (Kyapatala)	Solwezi	LN-1002431	No title deed
6	Kabwe Land	Kabwe		No title deed

ii. Completion of Low/Medium - Cost Housing in Newly Created Districts – Sinda, Vubwi and Luano

On 29th September 2018, the Ministry of Infrastructure, Housing and Urban Development (MIHUD) signed three (3) contracts with National Housing Authority (NHA) at a total sum of K55,915,474 for the construction of 50 low-cost houses in Sinda, Vubwi and Luano districts. The duration of the contracts was 10 months for each contract. See table 5 below.

Table 5: Awarded Contracts

No.	District	Project	Contract Sum K	Expenditure K	Balance K
1	Sinda	Construction of 20 Low Cost Houses and Associated Works	19,863,863	9,415,306	10,448,557
2	Vubwi	Construction of 20 Low Cost Houses and Associated Works	20,293,246	6,491,804	13,801,442
3	Luano	Construction of 10 Medium Cost Houses and Associated Works	15,758,366	4,823,273	10,935,093
		Total	**55,915,474**	**20,730,383**	**35,185,091**

As of 31st October 2023, amounts totalling K20,730,383 had been received by NHA from the MIHUD for certified works on the three (3) projects. However, the following were observed:

- **Delayed Completion of Projects due to Delayed Settlement of IPCs**

  As at 31st May 2024, the Authority had issued IPCs in amounts totalling K24,047,246 out of which the Ministry had paid amounts totalling K20,730,384 leaving a balance of K3,316,861. The balances were outstanding for periods ranging from 10 to 48 months resulting in failure by the Authority to complete the projects, fifty (50) months after the expected completion period. See table 6 below.

Table 6: Delayed Settlement of IPCs

Project	Certificate No.	Date Submitted	Certified for Payment (Vat Inclusive) K	Amt paid (Vat Exclusive) K	Outstanding Amount K	Date Paid
Luano Project	IPC No.1	29.01.19	3,939,591	3,396,199	543,392	14.05.21
	IPCNo. 2		1,549,060	1,335,396	213,663	04.08.21
	IPC No.3	04.08.21	1,694,992	1,461,200	233,792	10.02.22
	IPC No.4	03.05.22	1,525,972	1,315,493	210,479	
	IPC No.5	03.05.22	578,243	498,486	79,758	20.05.22
	IPC No.6	29.08.22	903,244	778,659	124,585	29.08.22
	IPC No.7		730,653	629,873	100,780	15.12.23
Sub Total			**10,921,755**	**9,415,306**	**1,506,449**	
Sinda Project	IPC No. 1	06.12.18	3,972,773	3,424,804	547,969	19.05.21
	IPC No. 2	12.09.22	1,455,307	1,254,575	200,732	10.11.22
	IPC No.3	10.03.22	493,581	425,501	68,080	01.04.23
	IPC No.4		1,140,453	983,149	157,304	15.12.23
	IPC No.5		468,380	403,776	64,604	10.05.24
Sub Total			**7,530,494**	**6,491,805**	**1,038,689**	
Vubwi Project	IPC No. 1		4,058,649	3,498,835	559,814	19.05.21
	IPC No. 2	09.12.22	925,057	797,463	127,594	10.11.22
	IPC No. 3		157,689	135,939	21,750	15.12.23
	IPC No. 4		453,602	391,036	62,566	10.05.24
Sub Total			**5,594,997**	**4,823,273**	**771,724**	
Grand Total			**24,047,246**	**20,730,384**	**3,316,861**	

As a result of the delayed settlement of IPC's, a review of progress reports, stage completion certificates and physical verification carried out in November 2023 revealed that the projects had delayed and the completion stages were Sinda - 65%, Vubwi-35% and Luano- 87%.

13 NATIONAL ROAD FUND AGENCY

13.1 Background

a. Establishment

The National Road Fund Agency (NRFA or Agency) is a Statutory Body established by the National Road Fund Act No.13 of 2002.

The mandate of the Agency is to mobilise, administer and manage all financial resources in the road sector. Its principal functions among others are to:

i. Administer and manage the Road Fund;
ii. Prepare and publish audited annual accounts of the Road Fund;
iii. Recommend to the Minister fuel levy and other road user charges and tariffs as required;
iv. Recommend to the Minister projects for funding;
v. Allocate resources:
   - for the construction, maintenance and rehabilitation of roads based on a percentage of the annual work programme of the Road Development Agency; and
   - for road transport, traffic and safety management based on a percentage of the annual work programme of the Road Transport and Safety Agency;

vi. in consultation with the Road Development Agency, recommend funding for development of new roads; and
vii. Undertake such other activities as are conducive or incidental to its functions under this Act.

b. Board of Directors

Section 5(1) of the National Road Fund Act No. 13 of 2002, provides that the Agency (Board of Directors) shall consist of fifteen (15) part-time non-executive members appointed by the Minister responsible for Finance as follows:

a) One representative of the Zambia Association of Chambers of Commerce and Industry;
b) One representative of the National Council for Construction;
c) One representative of the Zambia Institute of Chartered Accountants;
d) One representative of the Economics Association of Zambia;
e) One representative of the Transporters: Associations;
f) One representative from the Law Association of Zambia;
g) One representative from the Chartered Institute of Transport;
h) One representative of the Attorney-General;
i) One representative from:
   - The ministry responsible for finance;
   - The ministry responsible for communications and transport; and
   - The ministry responsible for works and supply;
j) The Director of the Road Development Agency;
k) The Director of the Road Transport and Safety Agency; and
l) One other person

The members of the Agency shall hold office for a period of three years from the date of appointment and shall be eligible for re-appointment for one further term of three years.

c. Management

The operations of the NRFA are the responsibility of the Director who is the Chief Executive Officer appointed by the Board of Directors and is supported by five (5) Directors in charge of Fund Management, Monitoring and Evaluation, Corporate Support, Internal Audit and Road Tolling. The Chief Executive Officer and Directors are appointed on three (3) year renewable contracts.

d. Management Information Systems

During the period under review, NRFA operated six (6) systems for administration of inland and weighbridge tolls as follows;

- Yascn Toll Management System;
- NECOR Toll Management System;
- EFKON for administration and collection of inland tolls and weighbridge tolls;
- e-Toll Management Information System;
- WBX; and
- Axle Loop

13.2 Audit Findings

An examination of accounting and other records maintained at the Agency Headquarters and selected stations for the financial years ended 31st December 2021 to 2023 revealed the following:

a. Budget and Funding

The NRFA had a budget of K9,835,739 against which K18,306,713 was released resulting in a positive variance of K8,470,974 as shown in table 1 below.

Table 1: Budget and Funding

Year	Budget K'000	Actual K'000	Varaince K'000
2021	2,755,449	3,299,141	543,692
2022	3,459,000	5,705,758	2,246,758
2023	3,621,290	9,301,814	5,680,524
Total	**9,835,739**	**18,306,713**	**8,470,974**

In addition, amounts totalling US$328,661,145 and €1,408,871 were received from external funding.

b. Compliance with Legislation/Regulations

i. Irregular Payment of Sitting Allowances to Senior Management for Attending Board and Board Committees Meetings

Clause 15(3) of the National Road Fund Act No 13 of 2002 states that "The Agency shall determine the terms and conditions of service of the staff of the Agency".

Following the provisions of the Act, the Board approved the terms and conditions of staff of the Agency on 3rd March 2020, after which they were amended and approved on 24th April 2023.

Cabinet Office Circular No. 11 of 2013 addressed to all heads of departments, all heads of state-owned enterprises, all heads of grant aided institutions and all the heads of statutory bodies abolishing payment of administrative allowances to officers in the public service which under Part 5 of the same Circular states that "In view of the above, all Officers shall only be paid allowances in line with the provisions of the Terms and Condition of Service except for the Committee appointed by His Excellency the President of the Republic of Zambia."

Contrary to the Provisions of the Circular, an examination of payment vouchers revealed that during the period from 26th July 2022 to 31st December 2023, amounts totalling K589,960 were paid to senior management for attending board and committee meetings.

In their response management stated that the circular did not apply to them as they were not a Public Service entity or Public Mainstream Service and that the conditions of service were determined by the Board. Further, management stated that the Board on its sitting held on 7th February 2019 approved payment of sitting allowances to members of staff who attended Committee and Board meetings.

However, management did not provide documentary evidence that exempted the Agency from complying with the provisions of the Circular.

ii. **Payment Against Expired Advance Payment Guarantees/Bonds**

There were seventeen (17) advance payments in amounts totalling K22,820,940 that were made against expired advance payment guarantees.

In this regard, payments against expired advance payment guarantees were questionable and the role of interim payment certificate, technical review and certification by the Monitoring and Evaluation and Risk departments were ineffective.

iii. **Double and Over Payments to Contractors**

A reconciliation of payments made to various contractors between 1st April and 30th June 2021 revealed that there were double payments of K11,778,942 involving four (4) Interim Payment Certificates (IPCs).

Although management stated that the K11,778,942 was fully recovered on subsequent Interim Payment Certificates (IPCs) certified with copies of accounting entries passed, subsequent IPCs showing recoveries from the concerned contractors were not availed for audit verification.

iv. **Questionable Terms of Conditions of Contracts (Payment of Gratuity) Resulting in Financial Loss**

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

However, a review of the contracts of employment for Directors revealed that there was an onerous clause in the employment contracts which stated, "if the Agency terminated the contract before the expiry period, the Agency shall pay the separated employee full gratuity including monthly salaries and allowances as if the contract has been duly served."

Consequently, the Agency paid amounts totaling K17,876,976 to four (4) employees whose contracts were terminated. The amounts paid were calculated at 35% based on full contract period instead of the prorated amount of K11,345,761 for the period served by the employees resulting in an excess payment of K6,531,215.

v. Failure to Pay Withholding and Value Added Tax Due

Circular No. 7 of 2023 instructed Ministries, Government Departments and Statutory bodies to act as Third-Party Collection Agents for the Zambia Revenue Authority (ZRA) in line with the provisions under Section 23 of the VAT Act Cap 331, Section 171A of the Customs and Excise Act Cap 322, and Section 84 of the Income Tax Cap 323 to withhold and remit these taxes to ZRA which are deducted from payments from suppliers of works, goods and services.

During the period under review, it was observed that NRFA did not remit withholding tax in amounts totalling K42,059,166 and VAT in amounts totalling K153,182,011.

14 NITROGEN CHEMICALS OF ZAMBIA

14.1 Background

a. Establishment

The Nitrogen Chemicals of Zambia Limited (NCZ) was incorporated in September 1967 as a limited company. It is wholly owned by the Government of the Republic of Zambia through the Industrial Development Corporation (IDC).

The main aim of establishing the company was to manufacture ammonium nitrate for further processing into explosives for the mining industry and fertilizer production in support of government efforts to promote agriculture

b. Governance

Article 13 (60) of the Articles of Association provides for a Board of Directors for NCZ comprising seven (7) members as follows:

- The permanent Secretary or a representative of the Ministry responsible for Sector Policy;
- Not more than five (5) persons from the private sector; and
- The Managing Director/Chief Executive office (CEO).

The Board of Directors for NCZ is appointed by the Industrial Development Corporation on a three (3) renewable tenure.

c. Management

The operations of NCZ are the responsibility of the Chief Executive Officer (CEO) who is appointed by the Board of Directors on a three (3) year contract. The CEO is assisted by the Chief Operations Officer, Chief Finance Officer and the Chief Internal Auditor, and managers responsible for; Purchasing, Marketing, Technical, Maintenance, Production, and Human Resource.

d. Sources of Funds

The Company generates its income from the sale of fertilizers, grants from the Government, and revenue from provision of other services.

14.2 Audit Findings

A review of accounting and other records maintained at the NCZ headquarters carried out in August 2024 for the financial years ended 31st December 2021 to 2023 revealed the following:

a. Annual Performance

i. Failure to Meet Strategic Objectives - Failure to Grow the Business Through Diversification by 2024;

A review of the 2020 – 2024 Strategic Plan and the Performance based contracts signed with IDC revealed that the Company had among others, four (4) strategic objectives as detailed below.

i. To grow the business through diversification by 2024;

ii. To promote the rebranding of NCZ and improve the stakeholder perception of the company;

iii. To improve the business processes through implementation of an Enterprise Resource Planning (ERP) tool at NCZ; and

iv. Promote a continuous human capital development program and optimization of the human capital head count.

To diversify the business, NCZ planned to introduce a new product range of distilled water, engineering services, battery water, battery acid and a blending plant.

A review of documents submitted for audit and physical verification conducted at the plant earmarked for production of distilled water, battery water and battery acid revealed that the plant was completed but had not been commissioned as of November 2024. Further, no new product range was introduced and the constructing of a blending plant had protracted as the contract was only signed in 2024 and works commencing then.

The delay in diversifying the product range resulted in NCZ's failure to grow its business resulting in missed opportunities for revenue generation.

ii. Failure to Achieve Planned Production

During the period under review, NCZ planned to produce 143,092 metric tons of fertilizer out of which 78,844 metric tons were produced representing 55% of the planned production resulting in a variance of 64,248 metric tons as shown in table 1 below.

Table 1: Failure to Achieve Planned Production

Year	Budgeted (MT)	Actual (MT)	Variance (MT)	% of Actual Production
2021	54,800	26,553	(28,247)	48%
2022	35,000	14,306	(20,694)	41%
2023	53,292	37,985	(15,307)	71%
Totals	**143,092**	**78,844**	**(64,248)**	55%

As can be seen from the table above, NCZ failed to produce the planned production for each of the years under review to meet the estimated demand for the FISP contracts and the open market sales. The failure to produce the required tonnage was attributed to financial challenges, management of procurement of raw materials and plant inefficiencies.

The failure to produce planned production resulted in NCZ failing to grow its market share and profits.

iii. Failure to Produce, Supply, Deliver and Distribute Fertiliser Under FISP - 2022/2023 and 2023/2024 Farming Seasons

On 20th September 2022, NCZ signed a contract for the supply, delivery, warehousing and distribution of 47,338.05 metric tons of Compound D fertilizer with the Ministry of Agriculture at a sum of US$ 55,858,899 inclusive of related service costs such as transport, storage and security for the 2022/2023 farming season. Further, on 9th June 2023 NCZ signed another contract with the Ministry of Agriculture for the Supply, Delivery and Distribution of 43,292.70 metric tons of Compound D fertilizer for the 2023/2024 farming season.

A review of the contracts, board and management minutes revealed that NCZ did not produce the required demand under the FISP contract with the Ministry of Agriculture for each of the years 2022 and 2023. Management attributed this to delayed award of the contract by the Ministry of Agriculture; which strained the logistics of mobilizing the inputs for production.

As a result of this setback, a decision was made to out-source the supply, delivery and distribution of a total of 30,538.05MT and 19,715.15MT for 2022/2023 and 2023/2024 farming seasons respectively; the tonnages being the shortfalls from what NCZ was able to produce under the FISP contract.

The failure to meet agreed contract tonnage led to the NCZ passing on profit to other suppliers and hence failing to meet the NCZ's objective of increasing revenue by 20% year on year; loss of business and failure to command more market share in the industry in line with the objective to increase market share to 30%.

b. Compliance with Legislation / Regulations

i. Failure to Charge Interest – ZAMPALM Contract

On 10th January 2021, NCZ engaged ZAMPALM Ltd to supply and deliver fertilizer and fertilizer raw materials valued at K65,125,362 for the year 2021.

A review of the contract and financial records revealed that as at 30th November 2024, ZAMPALM Ltd had only paid K20,820,981 out of K65,125,362 worth of fertilizer supplied leaving a balance of K44,304,380.

Clause 14.4 of the Contract stated that in the event that the client fails to pay the supplier any payment by its due date or within the period set forth in the Special Conditions of the Contract (SCC), the client shall pay to the supplier interest on the amount of such delayed payment at the rate shown in the SCC, for the period of delay until payment has been made in full, whether before or after judgement or arbitrage award.

Contrary to the Clause, NCZ had not charged interest on the outstanding amounts of K44,304,380 owed by ZAMPALM Ltd.

ii. Contract for Lease of 30 Rail Tank Cars to Sable Chemicals Limited

On 10th January 2017, NCZ entered into a contract with Sable Chemicals Limited of Zimbabwe to lease part of or the entire fleet of thirty (30) tank cars for purposes of carrying imported liquefied anhydrous ammonia from South Africa to Sable's Factory in Zimbabwe. The contract provided for the following terms among others:

- The contract would be for a one (1) year period from 1st January 2017 to 31st December 2017 and would be subject to extension by a period not exceeding six (6) months by mutual understanding between the parties or until the parties agree to terminate the contract;
- The scope of hire included the lessor lease thirty (30) tank cars to the lessee;
- The tank car hire rate would be US$40 per rail tank car per day. Reviews and/or changes in the rate would be considered only when there is material evidence of a significant change in overall cost structures on either side resulting in a change of cost greater than 5%.

A review of the file for Sable Chemicals Limited revealed that the contract had been renewed up to 31st December 2023. However, the following were observed:

- **Failure to adhere to Contract Payment Terms**

  Clauses 5.1 (a)-(c) of the contract provided that, the payment terms agreed by the parties would be executed as follows:

  - 30% of fees for entire tenure payable as down payment within 30 days after signing the contract;
  - 60% of fees payable as monthly hire fees paid in advance by the 7th day of each month; and
  - 10% or any resultant balance payable at the end of each tenure.

  A review of the ledgers and bank statements revealed that at the end of the contract's tenure on 31st December 2023, Sable had outstanding payments of K35,074,836. Included in this amount is debt of K27,999,462 outstanding for periods exceeding 180 days.

  Further, Clause 5.3 of the contracts states that any default on the rental payment shall attract interest at the rate of 9% per annum. However, as of November 2024 NCZ had not charged any interest on the outstanding amount. No plausible reason was advanced for the failure to calculate and charge interest.

  The existence of an outstanding debt at the end of the contract period entails failure to adhere to payment terms.

- **Contract Status**

  Clauses 2.1 and 2.3 of the contract states that the contract shall run from 1st January to 31st December 2023 and would be subject to extension for a period not exceeding six (6) months by mutual understanding between the parties or until the parties agree to terminate the contract.

  The above meant that the contract effectively came to end on 31st December 2023. However, the following was observed:

  - **Failure to Retrieve Tankers**

    On 31st December 2023, the contract naturally terminated in line with clause 2.1. However, it was observed that beginning January 2024 there was no formal contract or intention by either party to extend the contract beyond 2023. As of October 2024, the thirty (30) car tankers valued at K25,107,715 at the time of acquisition had not been handed over to NCZ as they were still in the custody of Sable Chemicals. Further, from 1st January 2024 to 31st October 2024, NCZ did not receive any usage report and monthly car tank usage records which form the basis for invoicing. This means that Sable was not billed for this period.

    In the 157th Meeting of the Board held on 29th February 2024, management was directed to write to Sable to return the car tankers to Kafue. However, it was observed that as of October 2024, this had not been done as the tankers were still in custody of Sable Chemicals.

    It was not clear under what circumstances Sable Chemicals is keeping the tankers given the contract expired. Management did not submit any plausible feedback on the status of the contract with Sable Chemicals Limited.

    In March 2024, a management team undertook a trip to Sable Chemicals Ltd to verify the tankers. It was reported that the team only saw half of the tankers as the others were reported to be in South Africa. The laxity by management to recall the tankers back to Kafue given the current situation may lead to loss of the tankers.

- **Failure to Conduct Physical Inspections of the Tank Cars**

  Clause 7.3 of the contract states that the lessor shall conduct a physical inspection of the tank cars once in a year and prior to renew of the next contract.

  It was observed that NCZ had not conducted physical inspections of the tank cars in each of the subsequent years and prior to renewals of the contract over the seven (7) years that the tank cars have been on lease.

  Further, in line with Clause 8.2.1 of the contract, NCZ was supposed to conduct a general overhaul of the tank cars every six years. As at 31st October 2024 NCZ had not done any general overhauls to the tank cars to maintain them in a good state.

  The lack of physical inspections by NCZ and failure to undertake the scheduled maintenance raises concerns about the current state of the tank cars.

c. Failure to Charge Interest on Overdue Accounts

Clause 5.2 of the Credit Policy stipulates that all customers who have been allowed to buy goods and services on credit, shall be referred to as NCZ debtors and the debt so created calls for prudent debt management. The marketing department shall maintain an updated list of customers (receivables) who have bought goods on credit giving details of value, quantity, effective date of credit, expiry date and interest. Further, that the maximum credit period shall be 90 days from the date of issue of goods after which interest shall be charged at 10% per annum.

Contrary to the provisions of the Credit Policy, NCZ's receivables age analysis for the period under review revealed that the Company had total receivables amounting to K236,648,783 which had been outstanding for periods exceeding the maximum period of ninety (90) days. As at 30th November 2024, NCZ had not charged any interest on the overdue debtors.

d. Other Information

i. Human Resources Matters - Uncleared Travel Advances

According to NCZ's Cash Advance Requisition Form, prior to obtaining a travel advance, a declaration is made that the clearance of the advance will be within three (3) days of return or utilization of the advance.

Contrary to the provision, travel advances in amount totalling K3,122,725 paid during the period under review had not been cleared as at 30th November 2024.

ii. Failure to Remit Statutory Contributions

The Income Tax Act requires Pay As You Earn (PAYE) to be deducted from employees' emoluments and remitted to the Zambia Revenue Authority (ZRA) by the 14th of each month.

In addition, Section 51 and 52 of the National Pension Scheme Act provides that payments for NAPSA contributions should be made to NAPSA on the 10th of each month following the month of payment of salaries.

A review of records revealed that NCZ had outstanding statutory obligations in amounts totalling K568,691,911 as at 31st December 2023 in respect of its employees' pension contributions and tax payments some of which had been outstanding as far back as 2004. See table 2 below.

Table 2: Outstanding Statutory Obligations

Statutory Body	**Amount K**
National Pension Scheme Authority	520,298,437
ZRA	48,393,474
Total	**568,691,911**

15 SUPERIOR MILLING COMPANY LIMITED

15.1 Background

a. Establishment

Superior Milling Company Limited (SMCL or the Company) was established in 1997 initially as a family business. On 23rd November 2017 the company was purchased by IDC which took over 76% shareholding while the original owner retained 24%. IDC took over management control of the company on 24th April 2018. The Core business of SMCL is milling of maize and selling of maize by-products and some trading products such as rice, flour, sugar, and salt.

b. Governance

The Board of the Company currently comprises the following members:

i. Two (2) Representatives;

ii. The Permanent Secretary responsible for the Industry;

iii. Three (3) members from the private sector appointed by the Shareholder; and

iv. Chief Executive Officer of Superior Milling Company

c. Management

The operations of SMCL is the responsibility of the General Manager who is assisted by seven (7) managers responsible for Operations, Finance, Marketing, Human Resource, Procurement, Public Relations, and Production.

d. Sources of Funds

The Company generates revenue from milling and selling maize products and other products that include rice, flour, sugar and salt.

15.2 Audit Findings

A review of accounting and other records maintained at the Company for the period from 1st January 2021 to 31st December 2023 revealed the following:

a. Budget and Income

During the period under review, the Company had an income target of K635,695,655 against which amounts totalling K430,552,567 were generated resulting in a negative variance of K205,143,088. See table 1 below.

Table 1: Budget and Actual Income

Year	Budget K	Actual Income K	Variance K
2023	231,140,700	76,470,808	(154,669,892)
2022	225,969,000	144,323,389	(81,645,611)
2021	178,585,955	209,758,370	31,172,415
Total	**635,695,655**	**430,552,567**	**(205,143,088)**

As can be seen from the table above, the Company's income deteriorated over the three (3) year period with income declining from K209,758,370 in 2021 to K76,470,808 in 2023 representing a 64% reduction. The negative variance was attributed to low plant utilisation resulting from non-availability of maize stock.

b. Audit of Financial Statements

The Statements of Comprehensive Income and Financial Position for the years ended 31st December 2021 to 2023 are as shown in table 2 below.

Table 2: Statements of Comprehensive Income and Financial Position

Income Statement (Zambian Kwacha)			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Revenue	76,470,808	144,323,589	209,758,370
Sales Cost	60,768,776	124,943,582	172,871,397
Gross Profit	**15,702,032**	**19,380,007**	**36,886,973**
Other Income	319,719	2,778,853	3,922,262
Total Income in Year	**16,021,751**	**22,158,860**	**40,809,235**
Expenses	20,949,042	17,631,647	16,077,975
Operating Profit	(4,927,291)	4,527,213	24,731,260
Non-operating Expenses (Tax)	1,590,887	11,209,420	22,710,184
Net Profit/Loss	**(6,518,178)**	**(6,682,207)**	**2,021,076**
Balance Sheet (Zambian Kwacha)			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Assets			
Current Assets	10,363,943	13,722,912	25,295,899
Cash and Cash Equivalents	4,030,693	5,458,131	8,567,136
Total Current Assets	**14,394,636**	**19,181,043**	**33,863,035**
Non-Current Assets	39,554,894	44,007,774	55,565,970
Total Assets	**53,949,530**	**63,188,817**	**89,429,005**
Liabilities			
Current Liabilities	111,126,111	110,079,407	74,739,977
Non-Current Liabilities	14,595,258	18,363,072	74,620,522
Total Liabilities	**125,721,369**	**128,442,479**	**149,360,499**
Equity			
Share Capital	1,500,000	1,500,000	1,500,000
Reserves	(73,271,840)	(66,753,662)	(61,431,494)
Total Equity	**(71,771,840)**	**(65,253,662)**	**(59,931,494)**
Equity and Liabilities	**53,949,529**	**63,188,817**	**89,429,005**
Financial Ratios			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Working Capital	(96,731,475.03)	(90,898,364.00)	(40,876,942.00)
Current Ratio	0.13	0.17	0.45
Debt to Asset Ratio	2.33	2.03	1.67
Debt to Equity Ratio	-175%	-197%	-249%
Gross Profit Margin	20.53%	13.43%	17.59%
Net Profit Margin	-8.52%	-4.63%	0.96%
Trade Receivable Days			

Source: Extracts from Superior Milling Company Limited Audited Financial Statements for the years ended 31st December 2021 to 2022 and Draft Financial Statements for 2023

The following were observed:

i. Reduced Profitability

The Company's profits reduced from K2,021,076 in 2021 to a loss of K6,518,178 in 2023 representing a reduction of 423%. This was attributed to the reduction in revenue by 64% from K209,578,370 in 2021 to K76,470,808 in 2023 and to low plant utilisation and lack of maize stock.

In addition, the company has consistently suffered losses from the acquisition date in 2017 to date although in absolute terms the loss has reduced. The company recorded loses of K20,719,089, K20,179,315 and K12,130,162 in 2018, 2019 and 2020 respectively. In this regard, the Company has been making losses for the past six (6) years.

ii. Profitability - Operating Profit Margin

According to the performance-based contract between IDC and the Board of SMCL, the agreed Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) margins targets were -2%, 4% and 4.52% for 2021, 2022 and 2023 respectively.

An analysis of the EBITDA margins for the period 2021 to 2023 revealed that the Company recorded an increase in 2021 whilst the EBITDA in 2022 and 2023 were below target as shown in table 3 below.

Table 3: EBITDA Margin

Details	2023 K	2022 K	2021 K
EBITDA (K)	(1,861,193)	5,246,605	27,714,688
Revenue (K)	76,470,808	144,323,589	209,758,370
EBITDA Margin (%)	-2.43%	3.64%	13.21%
Target EBITDA Margin (%)	4.52%	4%	-2.00%

The decrease in the EBITDA margin was attributed to the reduced revenue in 2022 and 2023 as a result of the Company operating below break-even activity levels and below plant capacity utilisation. The low EBITDA means that the company has limited profitability which makes it difficult to invest in growth initiatives such as product development and marketing.

iii. Net Profit/Loss Margin

The performance-based contract signed between the IDC and the SMCL Board set the net profit margins targets at -13%, 0.51% and 2.91% for 2021, 2022 and 2023 respectively.

An analysis of the profit margins for the period under review revealed that the Company performed above target in 2021 whilst the net profit margins in 2022 and 2023 were below target. See table 4 below.

Table 4: Net Profit Margin

Accounting Period	2023 K	2022 K	2021 K
Revenue	76,470,808	144,323,589	209,758,370
Profit after Tax	(6,518,179)	(8,997,013)	2,021,076
Actual Net Margin(%)	-9%	-6%	1%
Target Margin(%)	**2.91%**	**0.51%**	**-13%**

This was attributable to limited access to the strategic grain reserves that resulted in operating far below the processing capacity. This had resulted in the Company encountering liquidity problems.

iv. Revenue Per Employee

According to the performance-based contract between the IDC and the Company the revenue per employee targets were set at K1,475,914, K1,738,223 and K1,899,787 for 2021, 2022 and 2023 respectively.

An analysis of the revenue per employee for the period 2021 to 2023, revealed that the Company failed to achieve the agreed targets in 2022 and 2023. See table 5 below.

Table 5: Revenue Per Employee

Details	2023 K	2022 K	2021 K
Revenue	76,470,808	144,323,589	209,758,370
Number of Employees	102	114	132
Target	1,899,787	1,738,223	1,475,914
Actual	749,714	1,270,641	1,595,120.68

The low levels of revenue per employee was attributed to the low production activity levels and earnings performance in 2022 and 2023.

In this regard, the low revenue per employee ratio implies that the company is not efficiently utilizing its employees due to low productivity, which may lead to high operational costs and low profitability.

v. Negative Working Capital

The working capital of the company had deteriorated from negative K40,876,942 in 2021 to negative K96,731,475 in 2023. See table 6 below.

Table 6: Working Capital

Details	2023 K	2022 K	2021 K
Total Current Assets	14,394,636	19,181,044	33,863,035
Total Current Liabilities	111,126,111	110,079,407	74,739,977
Working Capital	(96,731,475)	(90,898,363)	(40,876,942)

The negative working capital was attributable to legacy issues with the indebtedness standing at K78,827,571 at acquisition in 2018. The poor working capital had negatively affected the day-to-day operations of the company as evidenced by the low plant utilisation.

vi. Deteriorating Liquidity- Current Ratio

The performance-based contract between IDC and the Board of SMCL set the current ratio targets at 0.16, 0.86 and 1.5 in 2021, 2022 and 2023 respectively.

However, the Company did not meet the targets in 2022 and 2023 as current liabilities exceeded current assets as shown in table 7 below.

Table 7: Current Ratio

Year	2023 K'000	2022 K'000	2021 K'000
Current Assets	14,394,636	19,181,044	33,863,035
Current Liabilities	111,126,111	110,079,047	74,739,977
Current Ratio	0.13	0.17	0.45
Target Ratio	1.5	0.86	0.16

The poor ratio was attributable to the negative working capital position and indicates that the company has liquidity problems and may fail to meet its short term obligations as they fall due.

vii. Trade Payable Days

The performance-based contract signed between the IDC and the Board of SMCL set the trade payable days at 30, 17 and 30 for 2021, 2022 and 2023 respectively.

A comparison of the actual trade payable days against the target trade payable days revealed that the actual trade payable days for all the years exceeded the targeted days as shown in table 8 below.

Table 8: Trade Payable Days

Year	Trade Payables	Cost of Sales	Actual Payable Days	Target
2023	17,030,722	(60,768,776)	102	30
2022	18,507,045	(124,943,582)	54	17
2021	33,272,957	(172,871,397)	70	30

The deterioration in trade payable days was attributed to working capital challenges. This exposes the company to litigations and possible payments of interest and penalties.

viii. Inventory Days of Raw Materials

The performance-based contract signed between the IDC and the Board of SMCL set the inventory days at 60, 39 and 60 for 2021, 2022 and 2023 respectively.

However, a review of the company's financial statements revealed that the Company had not met the performance thresholds set by IDC as shown in table 9 below.

Table 9: Raw Material Inventory Days

Details	2023	2022	2021
Raw Materials	0	2,223,903	15,951,420
Raw Materials Consumed	50,797,086	111,087,243	156,272,390
Period Length	365	365	365
Target	60	39	60
Actual	-	7	37

The low inventory levels (raw materials) is attributed to lack of working capital to finance minimum buffer stock requirements. In this regard, the company may fail to meet production targets and customer orders as they come due.

ix. Return on Assets

The performance-based contract signed between the IDC and the Board of SMCL set the Return On Asset targets at -5.3%, 4.3% and 7.61% for 2021, 2022 and 2023 respectively.

A review of the Company's Statement of Financial Position revealed that Return on Asset was negative for 2023 as shown in table 10 below.

Table 10: Return on Assets

Details	2023 K	2022 K	2021 K
EBIT	(4,927,291)	2,212,407	24,731,260
Total Assets	53,949,530	63,188,817	89,429,005
Targets	7.61%	4.30%	-5.30%
Actual	-9.1%	3.5%	27.7%

The ROA reduced from 27.7% in 2021 to -9.1% in 2023. This was attributable to the low earnings performance in 2022 and 2023. In this regard, the poor ratio may lead to reduced revenue as the assets are inefficient in generating revenue.

x. Asset Turnover Ratio

The performance-based contract signed between the IDC and the Board of SMCL set the Asset Turnover Ratio target at 4.54, 3.2 and 2.57 in 2021, 2022 and 2023 respectively.

A review of the Company's Statement of Financial Position revealed that SMCL Asset Turnover Ratio deteriorated from 2.35 in 2021 to K1.42 in 2023 representing a decline of 40% resulting in failure to meet the set targets. See table 11 below.

Table 11: Asset Turnover Ratio

Year	Sales Revenue K	Total Assets K	Actual Asset Turnover Ratio	Target
2023	76,470,808	53,949,530	1.42	2.57
2022	144,323,589	63,188,817	2.28	3.2
2021	209,758,370	89,429,005	2.35	4.5

The low Asset Turnover was attributed to the low activity levels and earnings performance in 2022 and 2023. In this regard, the poor Asset Turnover ratio showed that there was inefficient utilisation of assets to generate sales.

xi. Gearing (Debt /Equity) Ratio

The Company uses the industry average of 2:1 as a benchmark for assessing the gearing ratio. A review of the Financial Position revealed that the Company was highly geared in that the Company had more Debt than Equity and in this regard, the ratio ranged between -1.94% or 194% and -1.47% or 147% which was above the targets set as shown in table 12 below.

Table 12: Debt to Equity

Details	2023 K	2022 K	2021 K
Debt	105,291,496	108,202,461	116,087,371
Equity	(71,771,840)	(73,134,757)	(59,931,494)
Ratio	-1.47	-1.66	-1.94
Target	0	-1.6	0

The negative Debt Equity ratio was attributed to the shareholder loans acquired in the period 2021 to 2023 and the payables of K78,827,571 which were outstanding coupled with the negative equity of K29,534,544 at the time of acquisition.

xii. Solvency Ratio

The Solvency ratio is a key metric that measures a company's financial health. In particular, it helps determine whether a company can meet its financial obligations in the long term.

According to the performance-based contract signed between the IDC and the Board of SMCL, the agreed solvency ratio targets were 0.2 in 2021, 0.06 in 2022 and 0.43 in 2023 which meant that SMCL was expected to repay its debt within approximately 5 years, 17 years and 2 years for 2021, 2022 and 2023 respectively.

A review of the Company's financial Statements revealed that the Company did not meet its solvency ratio targets for the years 2022 and 2023 with the actual period of repayment of debt being 25 years and 100 years respectively as shown in table 13 below.

Table 13: Solvency Ratio

Details	2023	2022	2021
EBITDA (K)	(1,861,193)	5,246,605	27,714,688
Total Liabilities (K)	125,721,369	128,442,479	149,360,499
Target	0.43	0.06	0.20
Actual	(0.01)	0.04	0.19

Further, during the period under review, the Company had negative equity of K59,931,494 in 2021 which deteriorated to K65,253,661 and K71,771,841 in 2022 and 2023 respectively. See table 14 below.

Table 14: Negative Equity

Details	Shareholder's Equity		
	2023 K'000	2022 K'000	2021 K'000
Share Capital	1,500,000	1,500,000	1,500,000
Share Premium	9,681,839	9,681,840	9,681,840
Revaluation Reserves	34,095,459	34,095,459	31,780,653
Accumulated Losses	(117,049,139)	(110,530,960)	(102,893,986)
Total Equity	**(71,771,841)**	**(65,253,661)**	**(59,931,493)**

This was attributable to the negative shareholders' equity position of K29,534,544 at the time of IDC's acquisition of a controlling interest in the Company on 23rd November 2017.

xiii. Failure to Liquidate Shareholders Loan

On 23rd November 2017, a sale and purchase agreement was signed in which IDC acquired 76% ordinary shareholding in Superior Milling Company Limited at a consideration sum of K52,000,000.

In the period between January 2019 and November 2021, IDC advanced four (4) shareholder loans in amounts totalling K97,318,076 to SMCL as bridging finance to enable them meet pre take over obligations such as payment of debt, retirement benefits, refinancing Zanaco Loan and procurement of maize from Food Reserve Agency. The repayment period was thirty-six (36) months. See table 15 below.

Table 15: Shareholders Loan

Date Signed	Loan Amount K	Amount Disbursed K	Disbursement Date	Repayment Period
26.08.2020	40,000,000	35,647,159	18.09.2020	36 months from the date of the last disbursement
07.02.2020	20,429,334	20,429,334	12.07.2021	36 months from the date of the issuance
23.01.2019	21,280,682	21,280,682	23.01.2019	36 months from the date of the last disbursement
21.12.2021	19,960,901	19,960,901	19.11.2021	36 months from the date of the last disbursement
Total	**101,670,917**	**97,318,076**		

As at 31st December 2023, the loan amount stood at K105,291,491 (principal - K80,039,792 and accumulated interest - K25,251,703) out of which amounts totalling K19,545,048 had been paid leaving a balance of K85,746,443.

c. Operational Matters

i. Low Plant Utilisation

A review of Board Minutes and Production Reports revealed that the Company had an installed mealie meal production capacity plant of 8,428 metric tonnes monthly and 98,988 metric tonnes annually.

It was observed that there was a drastic reduction in the percentage of plant utilisation against installed plant capacity from 52 % in 2021 to 20% in 2023. In addition, the Company operated below the target plant utilisation as per performance management contract as shown in table 16 below.

Table 16: Plant Utilisation Capacity

Years	2023	2022	2021
Installed Plant Capacity (MT)	98,988	98,988	98,988
Production (Actual- MT)	19,935	29,724	51,338
% of Plant Utilised/ Installed Plant Capacity	20%	30%	52%
Planned Target (MT)	42,892	56,850	49,000
Planned Target (%) as per PMC	46%	73%	50%
Variance Target -Actual (%)	-26%	-43%	2%

The low plant utilisation has resulted in reduced revenue by 64% from K209,758,370 in 2021 to K76,470,808 in 2023 and reduced profitability from K2,021,076 in 2021 to a loss of K6,518,178 in 2023.

ii. Lack of Board Charter

A board charter is a policy document that defines the respective roles, responsibilities and authorities of the board of directors (both individually and collectively) and management in setting the direction, the management and control of the organisation. Best practice requires that a board should have a charter in place.

A review of records at the Company revealed that there was no board charter in place.

iii. Lack of An Internal Audit Function

The Terms of Reference for the Board of Directors and Committees of the Company dated April 2019 states, "To facilitate the work of the Board, Audit Committee shall be constituted and will be responsible for all audit and enterprise risk related matters i.e. internal audit matters as well as statutory audits and risk management pertaining to the SMCL as well as approval of financial reports."

Further, Section 3.1 (J) on Audit and Risk Management Committee Terms of Reference dated April 2019 provided that the Audit Committee shall ensure that the internal audit function has been effectively carried out and the internal audit function has adequate resources.

During the period under review, the Company did not have an internal audit function. The absence of the Internal Audit function exposed the Company to various risks such as management override of internal control processes, failure to detect and prevent fraud.

iv. Failure to Collect Debt from Credit Sales

During the period under review, the Company entered into maize meal supply contracts with various buyers. The payment terms were 30 days credit upon delivery.

A review of the trade receivables ledger revealed that the company had failed to collect debt from credit sales in amounts totalling K6,822,033.

As a result of failure to collect trade receivables, the company's working capital deteriorated to negative K96,731,475 as at 31st December 2023.

d. Staff Related Matters - Operating without an Approved Structure

An organisation chart visually represents a company's departments and positions. They also assist in decision -making processes, resource management and workforce planning in order to enhance efficiency and effectiveness in business.

A review of records and engagement with management revealed that the Company was operating without an approved organisation structure, and did not have salary grades/scales. Further enquiry with management revealed that the Company did not have a staff establishment report for the period under review which should have indicated actual positions filled against the authorized establishment. As such, there was no information availed for audit to verify the number of staff employed by the Company making it impossible to ascertain the correctness of staff salaries reported in the financial statements in amounts totalling K6,655,705 in 2022 and K6,133,436 in 2023.

e. Other Information – Failure to Settle Statutory Obligations

As at 31st December 2023, the Company owed amounts totalling K7,326,429 in respect of statutory obligations due to the National Pension Scheme Authority which had been outstanding for periods of over forty eight (48) months. See table 21 below.

16 ZAMBIA AIRPORTS CORPORATION LIMITED

16.1 Background

a. Establishment

The Zambia Airports Corporation Limited (ZACL) was established on 29th March 1989 as the National Airports Corporation under the Aviation (Amendment) Act No. 16 of 1989. In September 1989, it was incorporated under the Companies Act and commenced operations as a subsidiary of the Zambia Industrial Mining Corporation (ZIMCO). Zambia Airport Corporation Limited took over the operations of the Department of Civil Aviation (DCA) at Lusaka, Livingstone, Ndola and Mfuwe International Airports which included providing air traffic control services, aircraft services, security at the designated airports and terminal facilities for passengers and cargo and maintaining navigational and telecommunication equipment countrywide.

The Corporation's mandate was expanded to include eleven (11) aerodromes namely: Chipata, Solwezi, Mansa, Kasama, Chinsali, Mongu, Choma, Southdowns (Kitwe), Kasaba Bay (Mpulungu) and Mbala following the issuance of Statutory Instrument No. 13 of 2018 by the Ministry of Transport and Communications.

The Corporation is wholly owned by the Government and falls under the portfolio of the Ministry of Transport and Logistics.

b. Governance

Clause 7 (a) of the ZACL Board Charter provides that members of the board of Directors of ZACL be appointed by the Minister for a period of three (3) years and are eligible for re-appointment for a further three-year period. However, a member may not be appointed for more than two (2) consecutive terms. The Board is composed of nine (9) members and the CEO is an Executive Board Member. The Board Chairperson and

Vice Chairperson, who are not from government institutions, are elected from amongst the members of the Board.

c. Management

The operations of ZACL is the responsibility of the Managing Director who is assisted by the Corporation Secretary, and six (6) Directors responsible for Finance, Air Navigation Services, Commercial Services, Airport Services, Human Resources and Corporate Services. Management is appointed by the Board on three (3) year renewable contracts.

d. Source of Income

The Corporation generates income from aviation and non-aviation sources. The aviation sources include overflight, landing and navigational fees while the non-aviation sources include rental charges, government grants, ground handling fees, concessions, parking fees, passenger service charges, advertising and other sources.

e. Information and Communications Technology Systems

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

i. Infor Sun Systems

This system contains functions for recording transactions and storing information for Finance, Sales, Procurement and Stores.

ii. Online Payment Portal

This is used to facilitate online payments to ZACL for various services.

iii. Micro Pay Payroll System

The system is designed and used for processing employees' salaries through the Payroll Administration Office.

16.2 Audit Findings

A review of the Corporation's accounting records and other records for the period 2021 to 2023 revealed the following:

a. **Budget and Income**

In the financial year ended 31st December 2023, the Corporation budgeted to generate revenue in amounts totalling K776,904,999 and a total of K942,229,883 was generated resulting in a positive variance of K165,324,884.

b. **Section on The Audit of Annual Performance**

i. **Failure to Implement Planned Capital Projects**

The Corporation in its 2022 to 2026 Strategic Plan anticipated the full recovery to pre- COVID-19 pandemic business activity by 2024. Arising from the same, the Corporation planned the identification and execution of recovery measures which included the application of a strict project selection and prioritisation process for the financial years 2022 to 2026.

The following factors were selected as determinants of the same:

- Repairs and maintenance that support the Corporation's principal business activity;
- Projects impacting airport regulations, licensing, security and safety;
- Projects for improving customer experience, revenue maximisation, cost optimisation, process improvement / efficiencies; and
- Aerodrome Development Plan - Prioritized developments based on market potential analysis.

However, a review of the Corporation's 2022-2026 Strategic Plan Project Review Report as at 31st August 2024 revealed that the planned projects and activities were still outstanding as shown in tables 1, 2, 3 and 4 below.

Table 1: Airport Services Project not Implemented

No.	Project Name	Objective	Target	Cost K	Airport	Status of Implemenatation
1	Overhaul of Water Reticulation System	To improve adequate and safe water to customers and staff for the safety of the Airport environment	Q2, 2022	1,000,000	Mansa, Kasama & Mongu	**Mansa**: Not yet done. **Kasama**: Not yet done. **Mongu**: Not yet done (there is no scope in current works).
2	Airfields Erosion Gully Control	To provide safe and secure airfield	Q4, 2022	8,000,000	Solwezi	The contract for the works was awarded to Brickworld Zambia Limited, but it was recommended for termination due to "Employer's Convenience." The contractor disputed a valuation showing he owed ZACL K128,198.69 and has decided to invoke the contract's arbitration clause.
3	Power upgrade and installation of power supply Genset	To improve power supply and provide a more reliable power supply	Q1, 2023	750,000	Solwezi	Gen set not installed
4	Rehabilitation of Terminal, ATC and Transmitter Buildings	To improve airport infrastructure in order to enhance customer experience	Q4, 2022	1,200,000	Solwezi, Mansa, Kasama & Mongu	Snags not attended to for Kasama, 90% works completed for Mongu, 27% works done for Mansa and works currently halted and arbitration process commenced
5	Construction of Perimeter Fence	Provide a safe and secure airfield to protect aircraft manouevering area	Q2, 2023	4,000,000	Mansa	Not implemented
	Total			**14,950,000**		

Table 2: Air Navigation Services Projects

Projects relating to Air Navigation Services						
No.	**Project Name**	**Objective**	**Target**	**Cost (K)**	**Airport**	**Status**
1	SITA FANS1 Suite Facility	Implement FANS1 Suite Facility for air navigation and safety enhancement	Q2, 2023	225,615	Unspecified	Contract still under review by legal
2	ATN Bypass Radio Link	Implement ATN Bypass by Radio for air navigation and safety enhancement	Q2, 2023	640,000	KKIA	In Progress
3	Safety Case Study	Safety Case Study to obtain a safety certificate	Q1, 2023	4,800,000	SMKIA	In Progress
4	Control; Block Equipment	Equipping of the New Control Block for air navigation and safety enhancement	Q3, 2023	89,089,000	KKIA	Not done
5	Distributed Ancillaries information Display (DAID)	Implement RCm and Security Monitoring of Facility for air navigation and safety enhancement	Q3, 2023	16,000,000	Unspecified	Not Done
	Total			**110,754,615**		

Table 3: Technical Services Project

Project Name	Objective	Target	Cost K	Airport	Status
Resurface of the runway and taxiway pavement	safety enhancement in compliance with regulatory requirements	Q1, 2023	140,000,000	MIA	Not Done
Generator sets	Stable Power to improve Corporate image and enhance customer experience	Q1, 2023	750,000	Solwezi	Not Done
Total			**140,750,000**		

Table 4: Commercial Services Projects

Project Name	Objective	Target	Cost (K)	Airport	Status
Consultancy Services for Survey and Bulk Services	Layout plan of the utilities and road networks with particular details , bill of quantities to increase non -aeronautical revenue	Q2, 2023	6,400,000	N/A	1. Notification of award issued on 28th May 2024 2. Negotiations were scheduled for 10th July 2024
Total			**6,400,000**		

As can be seen in the tables above, the Corporation failed to implement the twelve (12) planned projects with a budget amounting to K272,854,615. In this regard, failure to implement planned activities may result in the failure to increase revenue and improve customer service.

c. Questionable Management of Infrastructure Development Projects

During the period between 14th April 2023 and 27th September 2023, the Corporation engaged three (3) contractors for the rehabilitation of four (4) airports and aerodromes across the Country at contract sums amounting to K16,165,786 of which payments amounting to K10,692,615 had been made to the contractors leaving K5,473,171 outstanding as at 31st August 2024. See table 5 below.

Table 5: Infrastructure Development Contracts

No.	Contract Date/ Duration	Contractor	Contract Amount K	Amounts Paid K	Balance Outstanding K	Project / Scope of Works
Rehabilitation of Solwezi Airport						
1	14.04.2023 8 weeks	Alinta Corp	4,497,966	4,238,017	259,950	Rehabilitation of Terminal Building Rehabilitation of Air Traffic Control (ATC) and Tower Rehabilitation of Police External works (Car Park) Installation of 450kvA three (3) phase generator set complete with an automatic change over scheme
Rehabilitation of Kasama Airport						
2	27.04.2023 8 weeks	Mach Tech	2,645,839	2,645,839	-	Rehabilitation of Terminal Building Rehabilitation of ATC and Tower External Works Perimeter Fence
Rehabilitation of Mansa Airport						
3	25.08.2023 8 weeks	Mach Tech	6,820,150	1,795,037	5,025,112	Rehabilitation of the Terminal Building Rehabilitation of the ATC Building and Tower External Works which included paving the Carpark and supply of concrete Construction of a perimeter fence
Rehabilitation of Mongu Airport						
4	27.09. 2023 4 months	Glass Glazer	6,699,798	6,251,739	448,059	Rehabilitation of Terminal building ATC Tower Rehabilitation Fire and Rescue Building Construction of Perimeter fence External works
	Total		**16,165,786**	**10,692,615**	**5,473,171**	

The following were observed:

i. **Weaknesses in Management of Construction Contracts**

On dates between 14th April and 27th September 2023, the Corporation engaged three (3) contractors to undertake rehabilitation works at four (4) airports namely Kasama, Mansa, Mongu and Solwezi at a total contract sum of K20,663,752 which after variations increased to K22,427,306. See table 6 below.

Table 6: Contract Variations

No.	Contractor	Contract Date	Amounts Contracted before Variation K	Amounts Contracted After Variation K	Cost of Variation K	Duration before Variation	Duration After Variation	Project Status as at July 2024
1	Mach Tech Limited - Rehabilitation of Kasama Airport	27.04.2023	2,645,839	3,612,160	966,321	8weeks	10weeks	Snags not attended to
2	Mach Tech - Rehabilitation of Mansa Airport	25.08.2023	6,820,150	6,820,150	-	8weeks	n/a	Discontinued and in Arbitration
3	Alinta Corp Rehabilitation of Solwezi Airport	14.04.2023	4,497,966	4,497,966	-	8weeks	n/a	Not completed
4	Glass Glazers Rehabilitation of Mongu Airport	27.09.2023	6,699,798	7,497,030	797,232	4months	7months 2 weeks	Not completed
	Total		**20,663,753**	**22,427,306**	**1,763,553**			

ii. Delayed Completion of Works – Mongu Airport

A review of documentation revealed that as at 31st July 2024, the contractor had been paid amounts totalling K6,251,739. Included in the scope of works of this contract was rehabilitation and extension of the Fire Rescue Services Building costing K382,010 and rehabilitation of the VVIP lounge.

A physical inspection carried out in July 2024 revealed that, although exterior works were completed at the VVIP lounge, interior works had not been completed five (5) months after the expected completion date.

Further, it was observed that the fire house had not yet been completed as it was still under construction. See picture below.

Incomplete Fire House

Management failed to formally extend the completion date and neglected to charge liquidated damages in amounts totalling approximately K334,989 for failure on the part of the contractor to complete works as agreed.

d. Financial Analysis

The Statements of Comprehensive Income and Financial Position for the years ended 31st December 2021 to 2023 are as shown in the table 7 below.

Table 7: Financial Statements

Income Statement (Zambian Kwacha)			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Revenue	942,229,883	617,966,177	396,936,610
Sales Cost	-	-	-
Gross Revenue	**942,229,883**	**617,966,177**	**396,936,610**
Other Income	97,864,242	35,673,018	25,330,186
Total Income in Year	**1,040,094,125**	**653,639,195**	**422,266,796**
Expenses	833,624,409	564,698,882	560,856,046
Operating Profit	206,469,716	88,940,313	(138,589,250)
Net Profit/Loss	**206,469,716**	**88,940,313**	**(138,589,250)**
Balance Sheet (Zambian Kwacha)			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Assets			
Current Assets	254,537,378	137,712,244	63,702,551
Cash and Cash Equivalents	203,063,017	179,655,833	10,111,065
Total Current Assets	**457,600,395**	**317,368,077**	**73,813,616**
Non-Current Assets	844,505,618	613,741,153	603,535,447
Total Assets	**1,302,106,013**	**931,109,230**	**677,349,063**
Liabilities			
Current Liabilities	348,106,830	271,834,089	266,157,021
Non-Current Liabilities	737,852,219	650,489,256	491,346,470
Total Liabilities	**1,085,959,049**	**922,323,345**	**757,503,491**
Equity			
Share Capital	16,458,500	16,458,500	16,458,500
Reserves	199,688,464	(7,672,615)	(96,612,928)
Total Equity	**216,146,964**	**8,785,885**	**(80,154,428)**
Equity and Liabilities	**1,302,106,013**	**931,109,230**	**677,349,063**
Financial Ratios			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Working Capital	109,493,565.00	45,533,988.00	(192,343,405.00)
Current Ratio	1.31	1.17	0.28
Debt to Asset Ratio	0.83	0.99	1.12
Debt to Equity Ratio	502%	10498%	-945%
Gross Profit Margin	100%	100%	100%
Net Profit Margin	22%	14%	-35%
Trade Receivable Days	90	71	37

Source: Extracts from the audited financial statements for 2021, 2022 and 2023

i. Statement of Comprehensive Income

A review of the Corporation's statement of comprehensive income for the period under review revealed the following:

- **Failure to Achieve Strategic Performance Scorecard Target**

  According to ZACL strategic performance scorecard for the year 2022 to 2023, management had set a target for operating costs to be below 87% and 90% of total revenue for 2023 and 2022 respectively.

  An analysis of the Statement of Profit or Loss and Other Comprehensive Income revealed that although the Corporation managed to operate within the set Corporate Strategic goal of below 90% in 2022, it failed to ensure that the operating expenses remained below 87% of Revenue in 2023 as shown in the table 8 below.

Table 8: Operating Expenses % of Revenue

Operating Expenses as a Percentage of Revenue = (Operating Expenses)/(Revenue) x 100			
Details	**2023**	**2022**	**2021**
Operating expenses (K)	821,604,762	534,779,183	498,396,024
Revenue (K)	942,229,883	617,966,177	396,936,610
Operating expenses to revenue	**87%**	**87%**	**126%**
Corporate Strategic Goal Score	87%	90%	

  In this regard, the failure to maintain the operating expenses below the set target may lead to reduced profitability of the operations of the Corporation and challenges in meeting future obligations

- **Employee Related Costs to Revenue Ratio**

  A review of the financial statements revealed that the Corporation's operational expenses in relation to revenue had reduced from 77% in 2021 to 51% in 2023 resulting from increased revenue generation. However, employee costs as a cost driver increased significantly in 2023 by amounts totalling K134,679,493 as compared to 2022 were the costs increased by K37,233,324. See table 9 below.

Table 9: Employee Related Costs to Revenue

Employee related costs to revenue ratio= (Employee costs)/(Revenue) x 100			
Description	**2023**	**2022**	**2021**
Employee costs (K)	477,214,942	342,535,449	305,302,125
Increase in employee costs (K)	134,679,493	37,233,324	
Revenue (K)	942,229,883	617,966,177	396,936,610
Operating expenses to revenue	51%	55%	77%

In this regard, failure to maintain employee costs can lead to reduced profits.

- **Net Profit Margin**

  A review of the financial statements revealed that the Corporation had a negative net profit margin of 35% in 2021.This was attributed to the Covid-19 pandemic effects which affected its operations adversely. The Corporation had an increase of only 8% of net profit margin in 2023 as compared to the substantial increase in net profit margin of 49% recorded in 2022.

  In this regard, the substantial increase in profit margin in 2022 of 49% was attributed to the reopening of international boarders which led to an immediate positive impact on revenues this was demonstrated by 8% growth in 2023 when it was not dependent on reopening of boarders. See table 10 below.

Table 10: Net Profit Margin

Net Profit Margin= (Net Profit)/ (Revenue) x 100			
Description	**2023**	**2022**	**2021**
Profit (K)	207,361,079	88,940,313	(138,589,250)
Revenue (K)	942,229,883	617,966,177	396,936,610
Operating Expenses to Revenue	22%	14%	-35%
Net Profit Margin Variance	8%	49%	

ii. Statement of Financial Position

A review of the Corporation's statement of financial position for the period under review revealed the following:

- **Return on Capital Employed**

  Return on Capital Employed (ROCE) is a measure of the returns that a business achieves from the capital employed. An analysis of the ZACL Corporate Scorecard revealed that no benchmark was set for the ROCE. Notwithstanding, the failure by the Corporation to provide for ROCE benchmark, the Bank of

Zambia (BOZ) average interest rate is often used as an alternative benchmark for determining whether an entity's ROCE was favorable or not. The BOZ average interest rates for the periods 2023, 2022 and 2021 were 9.5%, 9% and 9% respectively.

A review of the Financial Statements for the period under review revealed that the Corporation's ROCE for 2021 was negative 19%. This was attributed to the effects of the Covid-19 pandemic which affected its operations adversely. Although the Corporation achieved a ROCE above the BOZ benchmark in 2022 and 2023, the Corporation had an increase of only 1% in 2023 as compared to the substantial increase of 37% recorded in 2022.

In this regard, the increase of only 1% of ROCE in 2023 was attributed to the Corporation's failure to effectively employ its assets or due to the Corporation holding of substantial amounts of Cash (i.e., the Corporation had cash amounts totaling K203,063,017 and K179,655,833 in 2023 and 2022 respectively) which represent assets not employed. See table 11 below.

Table 11: Return on Capital Employed

ROCE= (Profit before interest and tax) / (Capital employed) x 100			
Details	**2023**	**2022**	**2021**
PBIT (K)	176,872,027	118,860,012	(76,129,228)
Capital Employed (K)	953,999,183	659,275,141	411,192,042
ROCE	19%	18%	-19%
ROCE Variance	1%	37%	
BOZ interest rates	9.50%	9%	9%

The low performance of ROCE, may lead to failure to increase shareholder's wealth and failure to maximize shareholder's contribution

- **Current Ratio**

A review of the Financial Statements for the period under review revealed that the Corporation's current ratio in 2021 was 0.28 which was indicative of the Corporation having liquidity problems thereby, affecting the corporation's ability to meet its short-term obligations. The lower ratio was attributed to the negative effect of Covid-19 pandemic on the aviation industry as international travel was restricted. However, in the years 2023 and 2022 the Corporation had attained current ratios of 1.31 and 1.17 respectively indicating that the

Corporation had adequate liquidity to meet its short-term obligations. See table 12 below.

Table 12: Current Ratio

Current ratio= (Current assets) /(Current liabilities)			
	2023	2022	2021
Current assets (K)	457,600,395	317,368,077	73,813,616
Current liabilities (K)	348,106,830	271,834,089	266,157,021
Current ratio	1.31	1.17	0.28

In this regard, the Corporation's failure to attain a current ratio of 2:1 may lead to failure to meet obligations as they fall due.

- **Increased Gearing Ratio**

  A review of the financial statements for the period under review revealed that, for every kwacha invested the Corporation borrowed K2.51 and K52.49 in 2023 and 2022 respectively. However, in 2021 the Corporation had negative equity implying the company was wholly debt financed as the shareholders 'fund was swallowed up by debt owing to the Corporations' failure to generate enough revenue. Further, the Corporation's debt to equity ratio was 10498% in 2022 and 502% in 2023 which were above the acceptable gearing ratio of 0 to 50%. See table 13 below.

Table 13: Debt to Equity Ratio

Description	2023	2022	2021
Debt (K)	1,085,959,049	922,323,345	266,157,021
Equity (K)	432,293,928	17,571,770	(160,308,856)
Debt to equity	251%	5249%	-166%
Acceptable Gearing Ratio	0 to 50%	0 to 50%	0 to 50%

In this regard, the Corporation remains highly geared thereby exposing the company to high financing costs.

e. Compliance with Laws and Regulations – Failure to Adhere to Circular on Personal to Holder Motor Vehicles

Cabinet Office Circular No.17 of 2016 abolished the provision of personal-to-holder motor vehicles and household furniture for VIPs in the Public Service, State-Owned Enterprises and Statutory Bodies.

A review of contracts of employment entered into by the Corporation and eight (8) directors between 2018 and 2020 revealed that the directors were entitled to personal to holder motor vehicles.

On 22nd February 2024, the ZACL wrote to the Attorney General requesting for an opinion on disposal of director's personal to holder vehicles and whether the said disposal was affected by the following Cabinet Circulars; Cabinet Circular No. 17 of 2016 on implementation of austerity measures related to procurement and allocation of motor vehicles, Cabinet Circular No. 1 of 2021 on implementation of austerity measures to procurement and allocation of motor vehicles, Cabinet Circular Minute of 2018 on measures to address fiscal and debt challenges for sustained macroeconomic stability and growth; and Cabinet Circular Minute of 2015 on implementation of cost saving measures.

In his opinion dated 13th May 2024, the Attorney General noted that there was a fundamental breach of the law by not amending the contracts to be in line with the law as there was no adherence to the Circular of 2016 which rendered the contracts illegal at formation. He advised that refunds be given to all directors that made payments so as to revert the parties in the position they ought to have been had it not been for the illegality. The Attorney General further advised for the amendment of all employment contracts signed after the Circular took effect on the issue pertaining to personal to holder vehicles so that the company should not find itself in such a position and that it should ensure the conditions being offered to its employees are in tandem with the law.

Despite this guidance, as at 31st October 2024, the Corporation did not effect the refunds.

f. Other Information

i. Questionable Cost of Hire of Transport for Staff

A review of the financial statements of Zambia Airports Corporation Limited for the period 1st January 2021 to 31st December 2023 revealed that the Corporation incurred expenditure on hire of transport for its staff in amounts totalling K40,038,941 cumulatively over the three (3) year period under review as shown in table 14 below.

Table 14: Cost of Hire of Transport

Year	Prior Year Cost of Hire	Increase / Decrease K	Cost of Hire K
2021	7,235,758	2,299,856	9,535,614
2022	9,535,614	2,001,145	11,536,759
2023	11,536,759	7,429,809	18,966,568
	Total		**40,038,941**

A further review of the cost benefit analysis which informed management's decision to hire transport and not buy buses to run transportation for staff in-house revealed that management should have spent K16,436,622 on hire of transport for the period under review as opposed to K30,913,242 should it have opted to buy buses and run them in-house which would result in a saving of K14,476,620. See table 15 below.

Table 15: Cost Benefit Analysis

In Housed runing of Transport Fleet	**Total Cost Year 1 K**	**Total Cost Year 2 K**	**Total Cost Year 3 K**	**Total in 3 Years K**
KKIA	6,699,672	6,699,672	6,699,672	20,099,016
SMKIA	1,802,371	1,802,371	1,802,371	5,407,113
HMKIA	1,802,371	1,802,371	1,802,371	5,407,113
Grand Total after 3 Years				**30,913,242**
Hire of Transport Fleet	**Total Cost Year 1 K**	**Total Cost Year 2 K**	**Total Cost Year 3 K**	**Total in 3 Years K**
KKIA	3,024,474	3,024,474	3,024,474	9,073,422
SMKIA	1,238,000	1,238,000	1,238,000	3,714,000
HMKIA	1,216,400	1,216,400	1,216,400	3,649,200
Grand Total after 3 Years				**16,436,622**

According to the cost benefit analysis, the cost of buying buses which stood at K30,913,242 included the cost of purchasing 7 buses; hire of seven (7) drivers, salaries for the 7 drivers for the period under review plus all incidental costs associated with running the fleet.

However, it was observed that the Corporation ended up spending a total of K40,038,941 as reported in the financial statements for the period under review on hire of transport as opposed to the K16,436,622 shown in the cost benefit analysis which formed the basis for Management's decision to hire and not buy. In addition, the amounts spent on hire of buses exceeded the buy option amount depicted in the cost benefit analysis of the Corporation which stood at K30,913,242.

In this regard, the Corporation lost funds which could otherwise have been saved for other purposes.

Although management submitted that the approved cost benefit analysis which was submitted for review at the time was for the financial year ended 31st December 2019 and a that a new analysis was carried out in 2022 and 2024 respectively which showed that the hire option was cheaper than the buy option, no evidence of submission of the subsequent analysis to the Board or its approval by the Board was availed for audit verification making it not possible to ascertain the authority under which the analysis was used to inform the decision to hire transport as opposed to outright purchase.

Further, in the subsequent analysis provided by management in their submission, the basis of the high estimated fuel cost of K1,000 per vehicle per day and the maintenance cost of K200,000 per vehicle per year could not be established as each vehicle is assigned a designated route for which the consumption of fuel amounting to K1,000 and the requirement for maintenance works worth K200,000 per year for each vehicle would be doubtful and questionable as the vehicles would be restricted to operate within a limited radius within the town where they are allocated. Further, management did not provide evidence to support the maintenance cost of K200,000 per annum and K1000 fuel consumption per day.

ii. Encroachment of Airport Perimeter

A physical inspection carried out at the Mongu Airport in July 2024 revealed that the airport inner perimeter fence facing runway twenty – eight (28) was heavily encroached by residential houses occupied by families who have settled approximately fifty (50) meters away from the emergency landing gate.

In this regard, the corporation failed to safeguard the airport and its surroundings. The encroachment poses a hazard not only to aircrafts but also to the encroachers in an event of an accident.

17 ZAMBIA CARGO AND LOGISTICS LIMITED

17.1 Background

a. Establishment

Zambia Cargo and Logistics Limited (ZCL), formerly MOFED Tanzania Limited is a freight and forwarding service provider based in Dar es Salaam, Tanzania. ZCL is wholly owned by the Government of the Republic of Zambia, through the Industrial Development Corporation (IDC).

The Company's Corporate Head Office and operating centre is located at Mukuba Depot in Kurasini area of Dar es salaam in Tanzania. The company's major operating services include Container Freight Station (CFS), Inland Container Depot (ICD), Clearing and Forwarding (C&F) and Transportation of Cargo.

b. Governance

The ZCL's Board of Directors is appointed by the Group Chief Executive Officer (GCEO) of the IDC. The Board comprises of six (6) members whose skills as a minimum include business management, engineering, accounting, transport and logistics and legal affairs.

Board Members hold office for a period of three (3) years and are eligible for re-appointment, but a member may not be appointed for more than three (3) consecutive terms.

During the period under review, the Board had a full complement as provided for in the Board Charter.

c. Management

The management of the Company is the responsibility of the Chief Executive Officer who is assisted by two (2) Directors responsible for Finance and Operations respectively. The three (3) officers are recruited by the Board of Directors on a three (3) year renewable contract.

d. Sources of Funds

ZCL receives its income from fees charged on customers' export and import of cargo, offloading, stacking and storage, stuffing into containers and delivering to the harbour; Tanzania International Container Terminals (TICTS).

17.2 Audit Findings

A review of accounting and other records maintained at the ZCL Head Office for the financial years ended 31st December 2021, 2022, and 2023 revealed the following:

a. Budget and Income

During the period under review, the ZCL generated income from its major operating services including Container Freight Station (CFS), Inland Container Depot (ICD), Clearing and Forwarding (C&F) and Transportation of Cargo as shown in table 1 below.

Table 1: Income

Source of Funding	2023		2022		2021	
	TZS '000	K '000	TZS '000	K '000	TZS '000	K '000
Container Handling	6,177,495	63,210	5,771,679	45,176	4,762,450	40,897
Storage charges and other incomes	2,003,731	20,503	1,460,310	11,430	1,147,033	9,850
Total Actual Incomes	**8,181,226**	**83,713**	**7,231,989**	**56,606**	**5,909,483**	**50,747**
Budgeted Income	**7,954,590**	**81,394**	**19,961,567**	**156,243**	**9,762,553**	**83,835**
Variance	**226,636**	**2,319**	**(12,729,578)**	**(99,637)**	**(3,853,070)**	**(33,088)**

As can be seen from the table above, the revenues of the company increased from K50,747,000 (TZS 5,909,483,000) in 2021 to K83,717,000 (TZS8,181,226,000) in 2023. The growth in revenue represented a 38 % upward movement. It was also observed that in 2021 and 2022, ZCL did not achieve its budget targets by K33,088,000 (TZS3,853,070,000) and K99,637,000 (TZS12,729,578,000) respectively.

b. Compliance To Laws and Regulations

i. Failure to Transfer Shareholding from the Ministry of Finance and National Planning to the Industrial Development Corporation.

In the year 2016, Government of the Republic of Zambia made policy pronouncements that all State-Owned Enterprises (SOEs) would have their Government shares transferred to the Industrial Development Corporation (IDC). This meant subsequently that company management and policy direction would now be under the IDC.

However, an inspection of the Company’s share certificates and shareholding structure in the Financial Statements for the period 2021 to 2023 revealed that the

Company's Shareholding Structure had remained with the Ministry of Finance and National Planning holding 99% shares while the other 1% shares were being held by the Minister responsible for Finance and National Planning. This was despite the directive being given eight (8) years earlier.

ii. Failure to Implement Cabinet Circular Minute of 2016 – Mandatory Utilisation of the Zambia Cargo and Logistics Dry Port by Government and Its Agencies

According to Cabinet Circular Minute of 2016 referred CO101/12/26 SEC dated 29th June 2016, Government directed the mandatory utilisation of ZCL for all cargo handling of Government and Government Owned Institutions, including donations being imported and exported through the Port of Dar es Salaam. According to the Cabinet Memorandum, the use of ZCL was to reduce the cost of procurements for Government Institutions due to lower landed costs for their goods.

A review of the ASYCUDA files from Zambia Revenue Authority for fifteen (15) selected Government Ministries, Parastatals and Other Spending Agencies revealed that 2603 imports in amounts totalling K6,013,318,000 were cleared through Nakonde Boarder post by the Revenue Authority.

It was however observed that contrary to the Cabinet Memorandum which made it mandatory for all cargo handling of Government and Government Owned Institutions, including donations being imported and exported through the Port of Dar es Salaam, none of the imports were cleared by ZCL. In this regard, ZCL lost revenue in amounts totalling K60,133,000 in Agency and other handling fees during the period under review. Furthermore, a review of the Board minutes and other correspondences, revealed that ZCL did not make any efforts to engage the Government Ministries, Parastatals and Other Spending Agencies to actualise the Cabinet Memorandum. See table 2 below.

Table 2: Value of Imports by Government Agencies

No	Name of Ministry/Agency	2021		2022		2023		Total No.of Imports	Total Import Value K'000	1% Agency Fees K'000
		No.of Imports	Value K'000	No.of Imports	Value K'000	No.of Imports	Value K'000			
1	Ministry of Finance & National Planning	-	-	16	22,949	0	-	16	22,949	229
2	Ministry of Health	228	344,777	515	1,190,180	292	2,252,048	1035	3,787,005	37,870
3	Ministry of Foreign Affairs and International Corporation	37	8,179.30	203	27,345	174	38,969	414	74,494	745
4	Ministry of Home Affairs & Internal Security	10	189,414	115	251,078	23	232,385	148	672,878	6,729
5	Ministry of Education	97	535,625	54	16,734	6	9,277	157	561,636	5,616
6	Ministry of Agriculture	79	169,616	1	218	0	-	80	169,834	1,698
7	Ministry of Community Development and Social Services	0	-	12	5,237		-	12	5,237	52
8	Zambia Air Force	90	23,781	5	9,809	9	2,103	104	35,693	357
9	Zambia Army Headquarters	38	47,705	19	297,946	142	166,402	199	512,054	5,121
10	Zambia National Service	5	3,224	6	4,321	21	40,360	32	47,905	479
11	ZESCO	276	61,582	85	34,390	11	19,667	372	115,639	1,156
12	ZAMTEL	1	5,831	0			-	1	5,831	58
13	Indeni Petroleum Refinery Company Ltd	0	-	0	-	2	887	2	887	9
14	Indeni Energy Company Limited	0	-	0	-	24	21,041	24	21,041	210
15	TAZAMA Pipelines Limited	0	-	0	-	7	3,183	7	3,183	32
	TOTAL	**861**	**1,389,736**	**1031**	**1,837,258**	**711**	**2,761,212**	**2603**	**6,013,318**	**60,133**

c. Financial Analysis

The Statements of Comprehensive Income and Statement of Financial Position for the financial years ended 31st December 2021,2022 and 2023 are as shown in table 3 below.

Table 3: Financial Statements

Statement of Comprehensive Income K'000			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Revenue	64,593	47,607	42,742
Sales Cost (Direct Costs)	33,312	25,873	35,235
Gross Revenue	**31,281**	**21,734**	**7,507**
Other Income	8,313	9,094	8,005
Total Income in Year	**39,594**	**30,828**	**15,512**
Expenses	(45,004)	(27,904)	(26,025)
Operating Profit	**(5,410)**	**2,924**	**(10,513)**
Financing Costs	(1,178)	(809)	(1,380)
Tax Credits	(91)	(468)	
Net Profit/Loss	**(6,679)**	**1,647**	**(11,893)**
Other Comprehensive Income	**(26,539)**	**(5,889)**	
Total Comprehensive Income	**(33,218)**	**(4,242)**	**(11,893)**
Statement of Financial Position K'000			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Assets			
Non Current Assets	409,502	407,297	392,370
Current Assets	60,773	7,081	4,577
Total Assets	**470,275**	**414,378**	**396,947**
Equity and Liabilities			
Equity	293,578	274,130	238,504
Non-Current Liabilities	140,187	111,126	128,519
Current Liabilities	36,510	29,122	29,924
Total Equity and Liabilities	**470,275**	**414,378**	**396,947**

Source: Extracts of audited financial statements for 2021, 2022 and 2023

The following were observed:

i. Lack of Receivables Management Policy

Section 9.2.1 of the ZCL Financial Policies and Accounting Manual requires that the maximum credit period and associated conditions be specified in the Company's Credit Management Policy.

An inquiry with management revealed that the ZCL did not have a Credit Management Policy in place to govern the approval of credit facilities, specify credit payment terms and a criteria for writing off bad debts.

As a result, the accounts receivable balance increased significantly from K30,508,000 as at 31st December 2021 to K72,356,000 as of 31st December 2023. The increase of K23,748,838, represented a 65% increase over the review period.

A further analysis of the receivables revealed that as at 31st December 2023, K41,721,840 representing 57% of the outstanding receivables, had been outstanding for over 120 days.

ii. Lack of Efficiency in Debt Collection

An analysis of trade receivables days ((Trade Receivables / Turnover) X 365 days)) revealed that the company was less efficient at collecting from its credit customers. See table 4 below.

Table 4: Receivable Days

Description	2023 K'000	2022 K'000	2021 K'000
Trade Receivables	72,356	34,556	72,356
Turnover	64,593	47,607	42,742
Debt collection period	**408 days**	**264 days**	**617 days**
Average Collection Period Over 3 years			**430**

As can be seen from the table above, in 2021 the company was taking 617 days, in 2022 it decreased to 264 days and in 2023 the collection period increased to 408 days to collect debts. In this regard, the debt collection period averaging 430 days over the period under review entailed that the Company was tying working capital in the receivables for longer periods.

d. Other Information

i. Failure to Account for Property – Lack of Ownership Details Mtwara

Mention was made in the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial years ended 31st December 2013, 2014, 2015 and 2016 that on 30th July 2012, the Zambian High Commissioner to the United Republic of Tanzania wrote to the Permanent Secretary, Ministry of Transport, Works, Supply and Communication on the lease of the Shed by Tanzania Ports Authority where it was revealed that Zambia had three (3) sheds in Mtwara which were constructed by ZCCM and were run and managed by ZCL.

It was revealed that one (1) of the three (3) sheds at Mtwara Port had been leased by Tanzania Ports Authority (TPA).

A review of the status on three (3) leased sheds revealed that the three properties were still unaccounted for as at 31st July 2024. Further, there was no evidence to show that Management was actively following up on this matter through the Zambian High Commissioner to Tanzania. In this regard the three sheds remain accounted for and this may lead to loss of property.

ii. Failure to Account for Property – Nakonde Dry Port Land

Mention was made in the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial years ended 31st December 2013, 2014, 2015 and 2016 on the questionable dealing at Nakonde Dry Port in which Nakonde District Council allocated 250,000 square metres of land to MoFED (T) Limited following the recommendation by the Ministry of Local Government and Cabinet Office to be used as a dry port. A review of the matter in July 2017 revealed that MoFED (T) Limited had lost the land through transfer to its partner ZAMESCO and had instead opted to apply for another piece of land on 16th September 2014. However, as at 31st August 2017, the land had not been issued.

A review of the status of the Nakonde land as of 31st July 2024 revealed that in November 2019 the Public Accounts Committee directed Management to lodge a complaint with the Lands Tribunal in Lusaka. However, the Company lawyers, Messrs Eric Silwamba advised the Company to withdrawal the case as it was weak and had potential to expose organisation to further losses.

A further review of the affidavit in opposition filed with the Lands tribunal dated 18th November 2019 by the Nakonde Town Council revealed that the change of land ownership details from MOFED to ZAMESCO was made by ZAMCARGO on the understanding that ZAMESCO was a partner to ZAMCARGO. At the time of audit, there was no evidence that ZAMESCO was in partnership with ZAMCARGO, further there was no evidence of any proceeds from the transfer of land from ZAMCARGO to ZAMESCO.

iii. Concessional Agreement – Walvis Bay Port

On 12th January 2009, the Government of Zambia, through the Ministry of Communications, Transport, and Logistics, signed a 25-year Build-Operate-Transfer (BOT) agreement with African Union Financial Services (Private) Limited for the development and management of the Walvis Bay Dry Port. The private firm was selected based on its experience, capacity, and detailed project proposal. However, in July 2023, the concession was terminated eleven (11) years before its scheduled transfer to the Government.

The following irregularities were observed prior to the takeover by Zambia Cargo Logistics Company at the time of concession termination. See tables 5 below.

Table 5: Responsibilities of the Concessionaire

Clause No.	Responsibility of AUFS	Ministry to Ensure Implementation	Status as of November 2024
2.1.1	Source all the finances required to build and operate the project at its own risk and cost.	• Ministry of Finance and National Planning • Ministry of Transport and Logistics	No documentary evidence was availed to show that Concessionaire shared its financial capacity to develop the Dry Port with the Ministries
2.1.2	Prepare all the required plans.	Ministry of Transport and Logistics	No documentary evidence was availed to show that Concessionaire shared plans to develop the Dry Port with the Ministry
2.1.3	Seek the signed approval of the relevant Namibia Port Authority agencies for various plans.	Ministry of Transport and Logistics	
2.1.4	Submit to the Ministry of Communications and Transport Steering Committee the Namibia approved plans for records purposes only	Ministry of Transport and Logistics	
2.1.5	Source and provide all experts and expertise	Ministry of Transport and Logistics	
2.1.6	Complete the construction stage within the project time	Ministry of Transport and Logistics	

Clause No.	Responsibility of AUFS	Ministry to Ensure Implementation	Status as of November 2024
2.1.7	Provide maintenance services in order to keep the inland Port facilities (Dry Ports) in running condition throughout the concession period.	Ministry of Transport and Logistics	No documentary evidence availed to show that Concessionaire provided maintenance services on the condition of the Dry Port facilities with the Ministry
2.1.9	Transfer back to the Government, at the end of the concession period all the Inland Port facilities (Dry Ports) in running condition	Ministry of Transport and Logistics	Although the Concession was terminated in July 2023, fourteen (14) years after it was operationalised, only the following developments were found at the Dry Port • four (4) container officers, • Four (4) stripped non-functioning Cat walks with plug points that used housed 96 refrigerated containers. • Palisade fencing of both the 10,000 and 18,000 square metres • Guard house • 2 x Spotlight Electric Poles. Further, contrary to clause 6 of the MOU, which provided that the Concessionaire shall handover the asset free from any liabilities, debts, pledge or encumbrances, it was observed that at the point of

Clause No.	Responsibility of AUFS	Ministry to Ensure Implementation	Status as of November 2024
			takeover in July 2023, the Concessionaire was owing the Namibia Port Authority amounts totalling US$1,636,301.40 (N$29,453,424.80) and as at 30th November 2024 the Ministry of Transport and Logistics and Zambia Cargo Logistics Company had paid amounts totalling US$1,582,257.42 (N$28,480,633.64) .
2.1.10	Share with the Government (The Zambia Port Authority once established) all relevant data available with the concessionaire in terms of finance, volume of traffic etc, upon Government's request.	• Ministry of Finance and National Planning • Ministry of Transport and Logistics. • Ministry of Justice	The Zambia Ports Authority had not been established at the time of audit in August 2024 There was no evidence that was availed to show that the Concessionaire shared relevant data available in terms of finance and volume of traffic. In this regard the completeness of the income due from the concessionaire during the period of operation could not be independently verified.
2.1.11	Pay to Government (The Zambia Port Authority) 2% of annual turnover of the company within 90 days of completion of the audited financial statements.	• Ministry of Finance and National Planning • Ministry of Transport and Logistics	According to the documents availed for audit, for the period from 2012 to 2021, the Concessionaire through the Zambia High Commission in Namibia paid a total

Clause No.	Responsibility of AUFS	Ministry to Ensure Implementation	Status as of November 2024
			of US$103,893.43 for renting 28,000 Square metres of the Dry Port.
2.1.12	Provide at no cost. Shared transient office facilities for the following government agencies. i. The Zambia Police Service and/ or Nambian Police Service ii. The National Ports Authority iii. The Government Road Transport Agencies iv. The Governments Revenue Authority (Customs and Excise Dept) v. The Bureau of Standards Agency vi. The Government Immigration Department vii. The Energy Regulation board (on rental basis) viii. Clearing and Forwarding companies (on rental basis)	• Ministry of Finance and National Planning • Ministry of Transport and Logistics	Further review of the operations of AUFS / AUC revealed that the Concessionaire was operating from building whose ownership could not be ascertained at the time of the audit in August 2024 from the Central Businesses District of Walvis Bay (see pictures below).

Clause No.	Responsibility of AUFS	Ministry to Ensure Implementation	Status as of November 2024
	ix. Transport Logistics Companies (on rental basis) x. Insurance agency and other (on rental basis) xi. Relevant agencies (on rental basis)		

Part of the Stripped non-functioning plug point That used to connect 96 refrigerated Containers

One of the four (4) Cat walks housing up to 96 Plug points for Refrigerated Containers

Part of the four Container Offices at Dry Port

Part of unpaved 18000sqm of the Dry Port

Offices used by Concessionaire outside

Another view of the AUFS / AUC offices Dry point in CBD of Walvis Bay

As can be seen in table above, the Concessionaire did not fulfil most of its responsibilities outlined in the MOU at the time the concession was terminated.

iv. Irregularities before the Take-over by Zambia Cargo Logistics Company

According to the Memorandum of Understanding, the responsibilities of the Government included the following:

Table 6: Responsibilities of the Government

Clause No.	Responsibility of Government	Ministry to Ensure Implementation	Status as of August 2024
2.1.13	Establish a Port Authority as regulator of all Port activities	Ministry of Transport and Logistics	At the time of audit in August 2024, the Zambia Ports Authority had not been established.
2.1.14	Create the legal framework to allow the operation of Dry Ports on a BOT approach	• Ministry of Transport and Logistics. • Ministry of Justice	There was no evidence that Government through the Ministry of Transport and Logistics and the Ministry of Justice had set-up a Legal Framework to allow the operation of a Dry Port.
2.1.15	Create the operational environment to allow the operation of Dry Ports on a BOT approach	• Ministry of Transport and Logistics. • Ministry of Justice	There was no evidence that Government through the Ministry of Transport and Logistics and the Ministry of Justice had set-up an Operational Environment to allow the operation of a Dry Port.
2.1.19	Take all necessary action towards securing the constructed Dry Port	Ministry of Transport and Logistics	There was no evidence that the Concessionaire had constructed a Dry Port at the location given to the Government by the Nambian authorities except for the following: • four (4) container officers, • Four (4) stripped non-functioning Cat walks with plug points that used housed 96 refrigerated containers. • Palisade fencing of both the 10,000 and 18,000 Square Metres • Guard house • 2 x spotlight Electric Poles.

As can be seen from the table above, Government through the Ministry of Transport and Logistics and the Ministry of Justice did not implement some of their responsibilities as set out in the MOU.

v. Net Loss as a Result of Liquidating Utility Bills on Behalf of African Union Financial Services

On 25th July 2023, Government terminated the Memorandum of Understanding for Concessional Agreement with African Union Financial Services and appointed Zambia Cargo Logistics Company to take over the operations of the Zambian Dry Point at Walvis Bay in Namibia. Clause 8.1 provides that termination could occur where the parties have mutually decided to terminate the Memorandum of Understanding. Further Clause 6.1 provides that at the expiry of the concession period, the concessionaire shall handover of the Project back to the Zambian Government free from any liabilities, debts, pledges and encumbrances.

A review of the audited Financial Statements and other records revealed that at the time of termination of the concession, African Union Financial Services was owing Namibia Port Authority amounts totalling US$1,636,301.40 (N$29,453,424.80) and as at August 2024 the Ministry of Transport and Logistics and Zambia Cargo Logistics Company had paid amounts totalling US$1,582,257.42 (N$28,480,633.64) leaving a balance of US$54,043.95 (N$972,791.16).

In this regard, a review of Concession Income against the utility bills paid on behalf of African Union Financial Services had costed the Government amounts totalling US$1,478,363.99 as shown in the table 7 below.

Table 7: Concessional Fees Received

No.	Description	Amount in US$
1	Utility Bills Accrued by AUFS at the time of Termination	1,636,301.40
2	Utility Bills liquidated by Government through Ministry of Transport & Logistics & ZCLC	1,582,257.42
3	Concessional fees Received by Government over 14 years of Dry Port operation by AUFS	103,893.43
4	**Net Loss from Concession fees against Utility Bills paid**	**1,478,363.99**

As can be seen from the table above, a comparison of Concessional fees received over a period of fourteen (14) years against the utility bills accrued by AUFS resulted in a net loss of US$1,478,363.99.

18 ZAMBIA TELECOMMUNICATION CORPORATION LIMITED

18.1 Background

a. Establishment

Zambia Telecommunications Corporation Limited was incorporated in 1994 under the Companies Act, as a private limited liability company. The Government was the sole shareholder until October 2015 when it transferred its shareholding to the Industrial Development Corporation (IDC) which now holds all shares on behalf of the Government.

The core business of ZAMTEL is the provision of telecommunication services including fixed line, mobile and data services.

b. Governance

The Articles of Association of ZAMTEL provide for a Board of Directors with a maximum of seven (7) members comprising:

- The Permanent Secretary or a representative of the Ministry responsible for sector policy;
- Five (5) persons from the private sector; and
- the Managing Director of the Company.

The Members of the Board are appointed on a renewable three (3) years term.

c. Management

The Company is headed by the Chief Executive Officer (CEO) and is assisted by the Chief Legal and Regulatory Officer, Chief Finance Officer, Chief Technical Officer, Chief Commercial Officer, Chief Audit and Risk Officer, Chief Human Resources and Administration Officer and Chief Information Officer who are appointed on three (3) year renewable contracts.

d. Sources of Funds

ZAMTEL derives its income from the provision of communication services such as sale of mobile services, value added services (caller tunes, borrowing of talk time), fixed services, interconnectivity, roaming and the sale of devices as well as from rental income.

e. Information and Communication Technology

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

i. Online Charging System (OCS)

This system is used for the management of calls, short messaging system (SMS) and data (billing section of core network).

ii. Oracle E-Business Suite R12

This system is used for the administration of payroll, procurement, inventory and financial management.

iii. Voucher Management System

This system is used to produce Personal Identification Numbers (PINs) distributed through the Electronic Voucher Distribution System and Scratch Cards.

iv. Digital Channels Platform

This system enabled customers to buy and sell talk-time electronically.

v. IP Contact Centre (IPCC)

This system is used in the call centre for the management and routing of calls.

18.2 Audit Findings

An examination of accounting and other records for the financial year ended 31st December 2023 revealed the following:

a. Annual Performance

i. Budget and Income

ZAMTEL had an income budget of K4,035,789,000 for the financial years ended 31st December 2021, 2022 and 2023 out of which income in amounts totaling K2,741,600,000 was generated resulting in negative variance of K1,294,189,000. See table 1 below.

Table 1: Budget and Income

Year	Budgeted K'000	Actual Gross Revenue K'000	Variance (Under)/ Over Budget K'000
2023	1,243,129	994,325	(248,804)
2022	1,173,743	898,442	(275,301)
2021	1,618,917	848,833	(770,084)
Total	**4,035,789**	**2,741,600**	**(1,294,189)**

ii. Failure to Increase Market Share

Objective No 2.1 of the 2020 to 2024 Corporate Strategic Plan for ZAMTEL required the company to increase market share by providing a rich product mix.

In addition, section II of the ZAMTEL Performance Management Contract with Industrial Development Corporation (IDC) for the periods 2022 and 2023 specified that the Company shall increase its market share to 25% in 2022 and 34% in 2023.

However, a review of the ZICTA Annual Sector Report revealed that ZAMTEL failed to meet its performance target for the year 2022 and 2023 in that it maintained a market share of 17.3% and 20.5% which was below the set target.

b. Information and Communication Technology Systems

A review of systems and associated records revealed the following:

i. Failure to Upgrade to 5G Network

Objective 2.5 of the 2020-2024 Corporate Strategic Plan for ZAMTEL provided for innovation and development of new products leveraging 4G and 5G network capabilities. To achieve this, management formulated an ICT Strategic Plan which among others included the 5G implementation roadmap which included the following phases:

- Trial sites in 2022;
- Deployment of 35 sites in Lusaka and the Copperbelt provinces in 2023; and
- Expansion to 60 sites country wide by 2024.

However, a review of the strategic plan's progress as at 31st December 2024 revealed that the 5G network had not been deployed to the 35 planned sites, despite a successful trial due to the Company's inability to source funds to finance the upgrade.

This resulted in the company’s failure to innovate and develop new products that leverage on 4G and 5G network capabilities to increase the market share. This delay has affected the focus on enhancing customer satisfaction and driving revenue growth.

ii. Weaknesses in Management of Oracle Database

During the period under review, ZAMTEL operated an Oracle 19C Database for its Online Charging Systems and Oracle E-Business Suite R12 (ERP).

A review of the administration and management of the database revealed the following security weaknesses:

- **Failure to Apply Patches to the OCS Database**

  Clause 8.8 of ISO/IEC 27001:2022 on management of technical vulnerabilities, requires that information about technical vulnerabilities of information systems in use should be obtained, the organization’s exposure to such vulnerabilities should be evaluated and appropriate measures should be taken.

  A patch is a security update designed to fix vulnerabilities in an application or software. Patch management involves determining which patches should be applied to specific applications or software and when.

  A review of the company’s databases revealed that no patch management procedure was in place. As a result, patches for the OCS databases had not been applied, increasing the risk of unauthorized access to these systems. The last patch was done in November 2021.

- **Failure to Activate Logs and Enable Audit Trail on the Database**

  CoBIT DSS06.03 stipulates that logging and monitoring of activities should include successful and failed login attempts to ensure that all access to information and systems is traceable.

  A review of the system revealed that even though the logs were implemented, they were not enabled, making it not possible to account for activities on the system.

c. Financial Analysis

i. Statement of Comprehensive Income

The Statement of Comprehensive Income and Financial Position for the years ended 31st December 2021, 2022, and 2023 are as shown in table 2 below.

Table 2: Statements of Comprehensive Income and Financial Position

Income Statement (Zambian Kwacha)			
	K'000	**K'000**	**K'000**
Item	**Year 2023**	**Year 2022**	**Year 2021**
Revenue	884,026.00	800,968.00	773,740.00
Cost of Sales	442,671.00	529,691.00	561,051.00
Gross Profit	**441,355.00**	**271,277.00**	**212,689.00**
Other Income	41,985.00	10,033.00	101,287.00
Total Income in Year	**483,340.00**	**281,310.00**	**313,976.00**
Expenses	1,082,844.00	711,565.00	705,874.00
Operating Profit	- 599,504.00	- 430,255.00	- 391,898.00
Non-operating Expenses (Tax)	2,921.00	96,601.00	42,201.00
Net Profit/Loss	**- 602,425.00**	**- 526,856.00**	**- 434,099.00**
Balance Sheet (Zambian Kwacha)			
	K'000	**K'000**	**K'000**
Item	**Year 2023**	**Year 2022**	**Year 2021**
Assets			
Current Assets	214,154.00	182,963.00	230,129.00
Cash and Cash Equivalents	61,192.00	52,565.00	230,129.00
Total Current Assets	**275,346.00**	**235,528.00**	**460,258.00**
Non-Current Assets	2,484,830.00	2,528,401.00	3,059,263.00
Total Assets	**2,760,176.00**	**2,763,929.00**	**3,519,521.00**
Liabilities			
Current Liabilities	3,428,816.00	3,197,988.00	3,016,094.00
Non-Current Liabilities	1,136,369.00	1,054,236.00	1,240,574.00
Total Liabilities	**4,565,185.00**	**4,252,224.00**	**4,256,668.00**
Equity			
Share Capital	6,000.00	6,000.00	6,000.00
Share Premium	4,732,019.00	4,732,019.00	4,714,521.00
Reserves	- 6,543,028.00	- 6,226,314.00	- 5,687,797.00
Total Equity	**- 1,805,009.00**	**- 1,488,295.00**	**- 967,276.00**
Equity and Liabilities	**2,760,176.00**	**2,763,929.00**	**3,289,392.00**
Financial Ratios			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Working Capital	- 3,153,470.00	- 2,962,460.00	- 2,555,836.00
Current Ratio	0.08	0.07	0.15
Debt to Asset Ratio	1.65	1.54	1.21
Debt to Equity Ratio	-253%	-286%	-440%
Gross Profit Margin	50%	34%	27%
Net Profit Margin	-68%	-66%	-56%
Trade Receivable Days			

Source: ZAMTEL audited financial statements for the years end 31st December 2021, 2022 and 2023

A review of the Statement of Comprehensive Income revealed the following:

- **Recurring Losses**

During the period under review, ZAMTEL recorded operating losses of K391,898,000 in 2021, K430,255,000 in 2022 which rose to K599,504,000 in 2023. The losses were mainly attributed to high operating expenses which were 91.2% in 2021, 89% of the revenue in 2022 and 122% of the revenue in 2023.

- **Failure to Achieve Revenue Target**

According to the performance-based contract between IDC and ZAMTEL, the target revenue for the period under review was agreed at K4,027,623,000 against which amounts totalling K2,741,600,000 were generated resulting in a negative variance of K1,286,023,000 representing 32%of the target revenue. See table 3 below.

Table 3: Revenue Target and Actual Gross Revenue

YEAR	2023	2022	2021	Total
	K'000	K'000	K'000	K'000
Target Revenue	1,243,129	1,173,743	1,610,751	4,027,623
Actual Revenue	994,325	898,442	848,833	2,741,600
Variance	(248,804)	(275,301)	(761,918)	1,286,023

The failure to achieve revenue targets may affect the liquidity of the company and there by exposing it to potential going concern issues.

- **Gross Profit Margin**

According to the Performance based contract for 2021, 2022 and 2023 between IDC and the Board of ZAMTEL, the gross profit margin targets were set at 77.44% in 2021, 72% in 2022 and 77% in 2023. However, the Company's gross profit margins were 68% in 2021, 63% in 2022 and 66% in 2023 which were below the targets. See table 4 below.

Table 4: Gross Profit Margin

	2023	2022	2021
Turnover (K)	994,325,000	898,442,000	848,833,000
Gross Profit for the year (K)	657,095,000	569,648,000	574,166,000
Gross Profit Margin (%)	66	63	68
Target Gross Margin (%)	77	72	77.44

- **Failure to Achieve set Net Profit/ Loss Margin**

According to the Performance based contract between IDC and the Board of ZAMTEL for 2021, 2022 and 2023, the net profit margin targets were set at -77.40%, 34.59% and -19.71% respectively.

An analysis of the net loss margins for the period under review revealed that ZAMTEL failed to achieve the agreed targets in that the net loss margins for the Company were negative -48% in 2021 -58% in 2022 and -37% in 2023. See table 5 below.

Table 5: Net Loss Margin

Details	2023 K'000	2022 K'000	2021 K'000
Gross Revenue (K)	994,325	898,442	848,833
Profit/(Loss) Before Interest & Tax	(371,344)	(521,019)	(409,959)
Net Margin	**-37%**	**-58%**	**-48%**
Target Margin	-19.71%	-34.59%	77.40%

- **Administrative Expenses as a Percentage of Revenue**

According to the Performance Based Contract between IDC and the Board of ZAMTEL Limited for 2021, 2022 and 2023, the agreed administrative expenses as a percentage of revenue were 8%, 11% and 10% respectively.

However, an analysis of administrative expenses as a percentage of revenue revealed that the Company was not able to achieve the set targets as the Company posted a percentage of 25% in 2021, 20% in 2022 and 22% in 2023. See table 6 below.

Table 6: Administrative Expense as % of Revenue

Details	2023	2022	2021
Administrative expenses (K)	216,171,000	178,489,000	213,552,000
Gross Revenue (K)	994,325,000	898,442,000	848,833,000
Actual %	22	20	25
Target %	10	11	8

Further, an analysis of the staff costs against revenue for each of the years under review revealed that staff costs accounted for 20% of revenue in 2021 and 19% of revenue in 2022 and 2023. See table 7 below.

Table 7: Staff Costs as a % of Revenue

Details	2023	2022	2021
Staff expenses (K)	185,702,000	168,537,000	168,438,000
Gross Revenue (K)	994,325,000	898,442,000	848,833,000
Actual %	19	19	20
Target %	12	15	11

- **Liquidity – Current Ratio**

According to the Performance Based Contract between IDC and the Board of ZAMTEL Limited for the 2021, 2022 and 2023, the agreed current ratio targets were 0.387, 0.123 and 0.102 respectively.

However, ZAMTEL Limited's current ratios were below the targets as shown in table 8 below.

Table 8: Current Ratio

Year	2023 K'000	2022 K'000	2021 K'000
Current Assets	275,346	235,528	230,129
Current Liabilities	3,428,816	3,197,988	3,016,094
Current Ratio	**0.080**	**0.074**	**0.076**
Target Current Ratio	0.102	0.123	0.387

In this regard, ZAMTEL was not able to meet its obligations as they fell due as it had more liabilities than current assets.

- **Gearing - Debt Equity Ratio**

The gearing ratio measures the proportion of debt an entity has contracted in relation to the amount of equity invested. It also measures the company's ability to repay its obligations. If the ratio increases, the company is being financed by creditors rather than from its own financial sources.

ZAMTEL Limited uses the industry average of 70% as a benchmark for assessing the gearing ratio.

A review of the Company's Statement of Financial Position revealed that the gearing ratio was -440% in 2021, -286% in 2022 and -253% in 2023 as shown in table 9 below.

Table 9: Debt Equity Ratio

Details	2023 K'000	2022 K'000	2021 K'000
Total Debt	4,565,185	4,252,224	4,256,668
Equity	1,805,009	1,488,295	967,276
Gearing Ratio %	**253**	**286**	**440**

ZAMTEL has more debt relative to its equity which can lead to financial instability and higher financial risk. As a result of poor Debt to Equity ratio, ZAMTEL was not able to meet its obligations with respect to the repayments for loans contracted with ZTE Corporation amounting to K743,436,533, Huawei amounting to K5,210,875 and IDC amounting to K14,310,321.

d. Compliance with Legislation / Regulations - Procurement Matters

i. Failure to Settle Obligations

A review of the payable's ledger revealed that the company owed various local and foreign suppliers and other institutions amounts totalling K2,995,504,146 as at 31st December 2023. Out of the total amount owing, K1,189,428,482 was owed to local creditors while K692,478,323 was owed to foreign creditors. See table 10 below.

Table 10: Outstanding Obligations

Details	0-30 Days K	31-60 Days K	61 - 90 Days K	Over 90 Days K	Total K
Local Creditors	67,160,715	56,928,334	30,448,490	1,034,890,943	1,189,428,482
Foreign Creditors	-	-	2,279,450	690,198,873	692,478,323
Foreign Interconnect	3,444,828	4,402,394	-	20,207,466	28,054,688
Local Interconnect	-	-	-	5,551,328	5,551,328
Gratuity for Year ending 21.12.2022	-	-	-	34,286,328	34,286,328
Leave for Year ending 21.12.2022	-	-	-	4,145,378	4,145,378
Accruals	-	-	-	49,538,999	49,538,999
Taxes	-	-	-	992,020,620	992,020,620
Totals	**70,605,542**	**61,330,728**	**32,727,940**	**2,830,839,935**	**2,995,504,146**

A further analysis of the ledgers revealed that the Company delayed paying twenty-two (22) key service providers amounts totalling K908,816,792 in 2022 and K1,029,530,551 in 2023 for periods of over 365 days. See table 11 below.

Table 11: Failure to Pay Debt for Key Services

No	Supplier Name	Service Provided	Balance-2022	Balance-2023
1	Zcom Systems Limited	Digital and data warehouse	3,243,201	4,623,299
2	Whale Cloud Technology Co. Limited	Surpport for Online Charging System	15,947,032	694,501
3	Oracle Systems Limited	Database and ERP system	9,026,622	1,185,370
4	Huawei Technologies Zambia Ltd	Mobile money platform, SMS,USSD and VAS Cloud services	18,222,447	32,215,219
5	ZTE Zambia Service Limited	Tower services	46,382,046	64,723,494
6	ZESCO Ltd	Electricity and internet services	113,777,601	103,686,189
7	ZICTA	Operating aLicenses	176,446,529	225,913,592
8	Infratel	Tower and Storage services	245,647,729	231,488,277
9	IHS Towers	Tower Services	272,541,685	326,105,217
10	U2Opia	Internet Servicea		3,427,384
11	Apelby	International Connection Services	1,278,208.52	1,973,222.78
12	Bofinet		1,002,958.00	1,664,664.72
13	Telecom Namibia		3,829,476.00	4,676,285.36
14	EaSSY Submarines		1,444,608.55	2,731,603.97
15	SAP France		26,647.68	26,914.65
16	BICs		-	1,024,457.22
17	MTN Global		-	153,808.62
18	Netone Zimbabwe		-	446,016.00
19	Sparkle Italia		-	6,642,461.08
20	Telco USA		-	868,031.95
21	MTN	Interconnect services		5,551,327.75
22	Airtel			9,709,215.00
	Total		**908,816,792**	**1,029,530,551**

ii. Debtors Management

According to the 2022 and 2023 signed performance-based contracts between the IDC and ZAMTEL, the receivable days target was set at 160 days and 108 days.

However, a review of the receivables age analysis as at 31st December 2023 revealed that customers owed ZAMTEL amounts totalling K622,164,113.

Further, out of these receivables, 88% of the receivables in amounts totalling K548,082,850 had been outstanding for periods exceeding 181 days. See table 12 below.

Table 12: Debtors Age Analysis

No.	Source	Days Past Due						Total
		0-30 Days	31-60 Days	61-90 Days	91-180 Days	181-360 Days	Over 361 Days	
		K	K	K	K	K	K	K
1	Rentals	1,113,291.71	928,088.15	1,057,776.82	888,008.50	1,435,252.52	14,444,208.35	**19,866,626.05**
2	Distributors	6,322,392.41	-	-	-	-	11,702,838.98	**18,025,231.39**
3	Global System for Mobile Communications (GSM)	194,785.83	189,567.42	189,358.42	612,283.93	580,820.44	38,965,788.79	**40,732,604.83**
4	Public Switched Telephone Network(PSTN)	15,799,952.17	15,568,917.02	15,694,902.88	15,521,937.80	31,264,701.59	449,689,238.95	**543,539,650.41**
	Total	**23,430,422.12**	**16,686,572.59**	**16,942,038.12**	**17,022,230.23**	**33,280,774.55**	**514,802,075.07**	**622,164,112.68**

19 ZAMBIA POSTAL SERVICES CORPORATION

19.1 Background

a. Establishment

The Zambia Postal Services Corporation (ZAMPOST) was established under the Postal Services Act of 1994 for the purpose of providing postal services to the public, banking and other financial services. The Postal Services Act of 1994 was repealed and replaced with the Postal Services Act No. 22 of 2009 for the continuation of the provision of postal services by ZAMPOST. The Corporation falls under the Ministry of Technology and Science. The Corporation is wholly owned by the Government of the Republic of Zambia.

In order to improve its revenue base, the Corporation diversified its operations into public transport, clearing and forwarding and travel and tours. In this regard, ZAMPOST incorporated three (3) subsidiary companies which are wholly owned by the Corporation. See table 1 below.

Table 1: Subsidiaries

No.	Name of Subsidiary Company	Date of Incorporation
1	Post Bus Limited	19th December 2002
2	Zampost Travel and Tours	15th July 2014
3	Zampost Clearing and Forwarding	1st July 2013

Each subsidiary is managed by a General Manager, who reports directly to the Postmaster General.

b. Governance

ZAMPOST is governed by a Board of Directors consisting of nine (9) members appointed by the Minister for renewable three (3) year terms. A member whose term expires continues on the board until a successor is appointed but the extension does not exceed three (3) months.

c. Management

The operations of the Corporation are the responsibility of the Post Master General (PMG) who is the Chief Executive of the Corporation and is appointed by the Board of Directors on a three (3) years renewable contract. The Post Master General also sits on the Board as ex-officio.

The Postmaster General is assisted by five (5) Directors namely, Director Finance, Operations, Human Resources, Corporation Secretary and Director Internal Audit who are appointed on a permanent and pensionable basis.

d. Information and Communication Technology Systems

During the period under review, the Corporation operated ten (10) Management Information Systems (MIS) as shown in table 2 below.

Table 2: Systems Operated by ZAMPOST

No.	Application	Provider	Ownership	Purpose	Status
1	Motor Vehicle Insurance	Zampost	Zampost	Insurance Sales	Active
2	Property Rentals System (Db Creation)	Zampost	Zampost	Property Rentals Management	Active
3	Website	Zampost	Zampost	Communication And Marketing	Active
4	Box Rental	Zampost	Zampost	Post Office Boxes Management	Active
5	Car Sales & Clearing	Rashmitha Information Systems	Zampost	Car Sales And Clearing	Active
6	Post Global Net smart	Reason Solutions	Zampost	Counter Automation	Active
7	Payroll & Manpower Control System (MCS)	Coppernet Solutions	Zampost	Payroll Management	Active
8	Sage 300	Mupuma Management Solutions	Zampost	Management of Financials	Active
9	Zampost Invoicing	Zampost	Zampost	Generate invoice for box rental annually and EMS monthly	Active
10	Customs Declaration System (CDS)	Zampost	Zampost	Clearance of postal items	Active

e. Sources of Funds

According to paragraph 11 of the Third Schedule to the Zambia Postal Services Act No. 22 of 2009, funds of the Corporation shall consist of:

i. Such sums as may be payable to the Corporation from moneys appropriated by Parliament for the purpose;

ii. Such sums as may be payable to the Corporation under this Act or any other written law;

iii. Such sums as may be levied by the Corporation by way of postal charges, transaction commission and any other levies; and

iv. Such sums of money or such other assets as may accrue to or vest in the Corporation.

19.2 Audit Findings

An examination of accounting and other records for the financial years ended 31st March 2023 and 2024 maintained at the Corporation Headquarters, subsidiary companies and site visits to three (3) selected Postal Areas in five (5) districts conducted in September 2024 revealed the following:

a. Budget and Income

During the period under review, ZAMPOST generated income from its operations such as Local, International and Expedited Mail services, post box and property rentals, money transfer services, Post Boat operations and other agency arrangements in amounts totalling K127,196,624 against a budget of K212,860,564 resulting in a negative variance of K85,663,940. In addition, the Corporation also received K24,966,576 Government support in form of revenue grants to cater for Post Boat operations bringing total income for the period to K152,163,200. See table 3 below.

Table 3: Budgeted and Actual Income

Revenue from Operations	2022-23		2023-24		Total		Variances
	Budget K	Actual K	Budget K	Actual K	Budget K	Actual K	K
Local Mail Services	1,540,732	2,886,717	4,539,833	3,540,102	6,080,565	6,426,819	346,254
International Mail Services	6,485,000	5,522,729	6,355,812	5,822,908	12,840,812	11,345,638	(1,495,174)
Expedited Mail Service	13,073,716	18,522,504	15,542,400	17,457,502	28,616,116	35,980,006	7,363,890
Post Box Rentals	25,000,000	14,337,184	28,481,480	27,034,630	53,481,480	41,371,814	(12,109,666)
Western Union	1,794,113	987,290	1,106,881	501,169	2,900,994	1,488,458	(1,412,536)
Money Gram	923,160	329,365	560,943	277,169	1,484,103	606,534	(877,569)
Postboat	964,000	1,263,320	1,475,000	1,294,555	2,439,000	2,557,875	118,875
Philately	29,936	6,787	163,507	223,140	193,443	229,926	36,483
Zampost E Wallet	277,940	28,322	11,246	7,607	289,186	35,929	(253,257)
Other Agency Services	9,281,502	7,103,583	7,824,187	9,580,890	17,105,689	16,684,473	(421,216)
Guest House/Canteen	240,000	180,000	144,000	96,000	384,000	276,000	(108,000)
Business Centres	1,761	3,000			1,761	3,000	1,239
Rental income	6,385,745	3,749,552	5,892,984	4,268,936	12,278,729	8,018,488	(4,260,241)
Sundry income	101,352	649,062	877,146	628,474	978,498	1,277,536	299,038
Management Fees - Subsidiaries	527,051	751,357	445,137	142,771	972,188	894,128	(78,060)
Electronic Govrnment Service Bus	23,814,000	-	14,000,000	-	37,814,000	-	(37,814,000)
Virtual Boxes	-	-	35,000,000	-	35,000,000	-	(35,000,000)
Total Revenue from Operations	**90,440,008**	**56,320,772**	**122,420,556**	**70,875,853**	**212,860,564**	**127,196,624**	**(85,663,940)**
Grant Operations / Post Boat	12,483,288	12,483,288	12,483,288	12,483,288	24,966,576	24,966,576	-
Total Income	**102,923,296**	**68,804,060**	**134,903,844**	**83,359,141**	**237,827,140**	**152,163,200**	**(85,663,940)**

The following were observed:

i. Poor Budget Performance from Revenue Streams

Two (2) key revenue streams, post box and property rentals had negative variances above 10%. Further the Corporation budgeted to generate income from the

Electronic Government Service Bus eGSB in amounts totalling K37,814,000. However, no income was generated under the revenue stream. See table 4 below.

Table 4: Poor Budget Performance from Nine Revenue Streams

No.	Reveune Stream	Total Budget K	Total Actual K	Variances K	Percentage
1	Post Box Rentals	53,481,480	41,371,814	(12,109,666)	-23%
2	Rental income	12,278,729	8,018,488	(4,260,241)	-35%
3	Electronic Government Service Bus	37,814,000	-	(37,814,000)	-100%
	Total	**103,574,209**	**49,390,302**	**(54,183,907)**	-52%

b. Weaknesses in Information Technology Systems and Other Internal Controls

i. Lack of an ICT Strategic Plan

An Information and Communication Technology (ICT) Strategic Plan helps an organization to identify ICT priority projects. The plan also outlines, among others, what has to be done and how to measure its success.

During the period under review, ZAMPOST operated without an ICT Strategic plan to guide the development of ICT in the Corporation.

ii. Lack of Integrated ICT Systems/Applications

During the period under review, ZAMPOST used ten (10) systems namely, Netsmart, Sage 300, Pay Master General and Manpower Control System, International Postal System (IPS), Customs Declaration System, Property Rental Systems, Box Rental System, ZAMPOST Invoicing System and Car Sales System for processing transactions.

It was however observed that financial data was manually exported to Sage 300 accounting system from the other systems as it was not integrated with the other systems posing a risk of misstatement of the financial information.

c. Financial Statements Analysis – Lack of Audited Financial Statements

Section 164 of the Companies Act Chapter 388 provides that the directors of a company should prepare or cause to be prepared audited Financial Statements within three (3) months after the end of each financial year.

Further, Section 265 (1) of the Companies Act No. 10 of 2017 requires the board of directors to ensure that, within three (3) months following the end of the financial year, an audit is conducted, and the report of the financial affairs is signed by directors.

Contrary to the Act, financial statements for the financial years ended 31st March 2023 and 2024 had not been prepared and audited.

In addition, on 12th October 2023, Mark Daniels Chartered Accountants were awarded a contract to provide external audit services to ZAMPOST for four (4) financial years from 2019 to 2022 at a contract sum of K453,096 with a contract duration of five (5) months. However as at 30th September 2024, six (6) months after the date of contract expiration the audit of the financial statements had not been finalised.

As at 30th September 2024, Mark Daniels had been paid amounts totalling K150,000 leaving a balance of K303,096.

d. Human Resource and Personnel Related Matters

i. Failure to Settle Outstanding Terminal Benefits to Retirees

A review of accounting and Human Resource records revealed that during the period under review, the Corporation was owing 708 officers who had been retired, retrenched, resigned, dismissed or had their contracts expired amounts totalling K118,560,667 in respect of terminal benefits, gratuity, housing allowance, repatriation, leave days and salary arrears. It was observed that the amounts had been outstanding from as far back as 2012. See table 5 below.

Table 5: Categories of Terminal Benefits and Amounts Due

No	Details	No. of Officers	Total Due K	Payments To Date K	Outstanding Amount K
1	Officers on Normal, Early Retirement or Retrenchment before and after 2016 when the retirement law changed have not been paid their terminal benefits. They are still on Zampost payroll on full salary or housing allowance. Forty-three (43) out of 260 have since died without getting their terminals.	260	130,046,191	29,885,106	100,161,086
2	Serving Management and Operational Staff, including officers whose terminal benefits crystalised by switching from permanent to contractual work and Security officers who are owed Gratuity	323	17,974,769	3,799,390	14,175,379
3	Separated Management and Operational staff including those who resigned, had contracts not renewed or were dismissed	125	7,303,177	3,078,974	4,224,203
	Total	**708**	**155,324,137**	**36,763,470**	**118,560,667**

As at 31st December 2024, only amounts totalling K709,126 had been paid leaving a balance of K117,851,541.

ii. Matters Affecting Current Staff Members

A review of the Staff Listing revealed that the Corporation had a total of 603 staff out of which 404 were male and 199 were female. It was further observed that 274 employees were on contract whereas 329 were on permanent and pensionable employment. See table 6 below.

Table 6: Employees Categories and Composition

Category	Male	Female	Total
Employees on Contract	198	76	274
Permanent and Pensionable	206	123	329
Total	**404**	**199**	**603**

The following were observed.

- **Lack of an Approved Staff Establishment Register**

  An establishment register is a document showing the names and number of authorised positions in an institution. In the case of a Parastatal Company, it is the responsibility of the Board of Directors to approve an establishment register as recommended by management. Creation, scrapping and filling of vacancies can only be done with the approval of the Board.

  A review of Human Resource and Payroll records revealed that the Corporation did not have an approved staff establishment register to guide the recruitment, promotion and filling of vacancies. It was further observed that the Corporation was using the ZAMPOST Organogram as an establishment register.

e. Management of Assets – Water Vessels (Post Boats)

During the period under review ZAMPOST owned five (5) water vessels which were being used as post boats in Luapula, Western and Southern Provinces. The vessels were transferred to ZAMPOST by the Government of the Republic of Zambia over the years in order to provide postal services as well as to increase the revenue base for the Corporation. See table 7 below.

Table 7: Water Vessels Operated by ZAMPOST

No.	Name of Vessel/Boat	Location	Capacity (Passengers)	Status
1	Kapale	Nchelenge	120	Non-Runner
2	Luchelenganga	Samfya	120	Runner
3	Bangweulu	Samfya	120	Runner
4	Zambezi Marine	Mongu	120	Non-Runner
5	Delta	Siavonga	50	Runner
	Total		**530**	**-**

The following were observed:

i. Abandonment of the Zambezi Marine Vessel – Mongu

The Zambezi Marine Vessel was acquired in 1991 by the Postal and Telecommunications Corporation (PTC) before the Corporation was dissolved in 1994 to form two (2) companies in the names of Zambia Telecommunications Limited (Zamtel) and Postal Services Corporation (Zampost). The Vessel came as a complete unit with a 5,000-liter underground fuel tank and has a capacity to carry 120 passengers.

It is stationed at the Mongu Harbour in Western Province and had been in a non-runner state as it had been abandoned by Zampost for over twenty (20) years. Although the Corporation had carried out an assessment of the repair works estimated at K2,300,000 the vessel had not been rehabilitated.

The Government Valuation Department carried out a valuation exercise and valued the vessel at three (3) million United States Dollars.

A physical inspection carried out in September, 2024 revealed the following.

- Seats had been removed by the Corporation but could not be accounted for in that they could not physically be availed for audit verification.
- The fuel tank had been dug out and sold out for scrap by two (2) staff at the Mongu Post Office. Although the officers had been suspended from work the matter of theft had not been reported to the police.
- The Vessel had been vandalised and was being used as shelter by unknown individuals.
- The Vessel was in a state of disrepair in that it was dilapidated and water was slipping into the boat. See pictures below.

Abandoned and Vandalized Zambezi Marine *The Abandoned Zambezi Marine Vessel*

f. Management of Liabilities – Failure to Settle Outstanding Obligations

An examination of financial and other records maintained at the Corporation and its subsidiaries revealed that as at 30th September 2024, the Corporation owed amounts totalling K1,813,556,599 in statutory and other obligations as shown in table 8 below.

Table 8: Failure to Settle Outstanding Obligations

No.	Category	Amount K
1	Statutory Obligations Penalties	1,353,932,694
2	Statutory Obligations	274,776,452
3	Staff Liabilities	106,271,258
4	Agency Services	25,893,485
5	Trade Creditors	46,004,070
6	Air Transport and Handlers	2,445,291
7	Corporate Loans	1,398,705
8	Inter-Company Borrowings	2,834,643
	Total	**1,813,556,599**

g. Management of Subsidiaries

With the advancement of technology over the years, mail volumes declined thereby affecting the Corporation's revenue generation from its traditional postal services business. In order to improve its revenue base, the Corporation diversified its operations into travel and tours, public transport, and clearing and forwarding by incorporating three (3) subsidiary companies.

An examination of accounting and other records maintained by the subsidiary companies for the period under review revealed the following:

i. Postbus Company Limited

An examination of records of the Postbus Company Limited revealed the following:

- **Lack of Financial Statements**

  Contrary to Part XII, Paragraph 265, Section 1 of the Companies Act No. 10 of 2017 which provides that the directors of a Company shall prepare or cause to be prepared audited financial statements within three (3) months after the end of each financial year of the Company.

  Contrary to the Act, the financial statements for the years ended 31st March 2023 and 2024 had not been prepared as at 31st December 2024.

- **Lack of Fleet of Buses**

  During the period under review, Post Bus Limited had no fleet of its own. The Company auctioned seven (7) non-runner buses leaving one (1) non-runner. Consequently, the Company could only operate through a franchise with Tembozi Trading Limited.

  It was observed that the franchisee operated two (2) buses on one route between Lusaka and Solwezi. Further, there was no evidence that the franchise was yielding positive cashflows in that the budget and actual revenues earned were not availed for audit.

- **Lack of a Strategic Plan for the Subsidiary**

  A strategic plan is a document which defines an organisation's vision for the future as well as set the organisation's goals and objectives. It was observed that, as at 30th November 2024, the company did not have a strategic plan in place.

ii. ZAMPOST Freight and Forwarding Ltd

ZAMPOST Freight and Forwarding Limited (ZFFL) was established on 13th March, 2013 with 500,000 share capital of K1 nominal value. ZAMPOST owns 490,000 shares while Postbus Limited owns 10,000 shares. The Company was established to provide clearing and forwarding services to the public.

The following were observed:

- **Lack of Financial Statements**

  Contrary to Part xii Paragraph 265, Section 1 of the Companies Act No. 10 of 2017 which provides that the directors of a Company shall prepare or cause to be prepared audited financial statements within three (3) months after the end of each financial year of the Company, the financial statements for the years ended 31st March, 2023 and 2024 had not been prepared as only management accounts had prepared as at 31st August, 2024.

- **Budget and Income**

During the period under review, ZAMPOST Freight and Forwarding generated income from its operations such as commission, mark-up on delivery, handling fees, and other income in amounts totalling K1,261,664 against a budget of K3,243,626 resulting in a negative variance of K1,981,963. See table 9 below.

Table 9: Budget and Actual Income

Source of Funds	2022-23		2023-24		Totals		Variance	
	Budget K	Actual Income K	Budget K	Actual Income K	Budget K	Actual Income K	Amount K	%
Commission Earned From Dar-Es-Salaam	428,400	700,134	428,400	509,989	856,800	1,210,123	353,323	41.24
Clearing Fees Earned At Nakonde	455,000	-	455,000	-	910,000	-	(910,000)	(100)
Handling Fees Earned	36,000	-	36,000	-	72,000	-	(72,000)	(100)
Processing Fee	36,000	-	36,000	-	72,000	-	(72,000)	(100)
Transfer Fees Earned	36,000	-	36,000	-	72,000	-	(72,000)	(100)
Mark up on delivery	288,000	-	165,072	-	453,072	-	(453,072)	(100)
Local Removals	99,000	40,137	99,000	11,404	198,000	51,541	(146,459)	(74)
Loose Cargo/contaiers	80,000	-	-	-	80,000	-	(80,000)	(100)
New Business	301,437	-	228,317	-	529,754	-	(529,754)	(100)
Total	**1,759,837**	**740,271**	**1,483,789**	**521,393**	**3,243,626**	**1,261,664**	**(1,981,963)**	(61)

- **Failure to Operationalise the ZAMPOST Clearing and Logistics (ZCL) Organisation Structure**

A review of the organisation structure for ZCL revealed that the subsidiary was incorporated with an establishment of fifteen (15) authorized positions.

However, out of fifteen (15) authorized positions, only four (4) had been filled leaving eleven (11) vacancies. Among the vacancies, were key positions such as Manager Clearing, Marketing Officer and Supervisors at border posts that remained unfilled as at 31st December 2024.

- **Failure to Settle Outstanding Obligations**

It was observed that ZCL had outstanding obligations in amounts totalling K655,876 in statutory contributions, trade payables and staff terminal benefits. Included in the statutory contributions were NAPSA penalties and interest in amounts totalling K366,323. As at 31st December 2024, the amounts remained outstanding.

20 ZAMBIA AGENCY FOR PERSONS WITH DISABILITIES

20.1 Background

a. Establishment and Mandate

The Zambia Agency for Persons with Disabilities (ZAPD) was established by the Persons with Disabilities Act No. 6 of 2012. The functions of the Agency included the following:

i. To plan, promote and administer services for persons with disabilities,

ii. Develop and implement measures to achieve equal opportunities for persons with disabilities by ensuring, to the maximum extent possible, that they obtain education and employment, participate fully in sporting, recreation and cultural activities and are afforded full access to community and social services,

iii. Facilitate and coordinate habilitation, rehabilitation, training and welfare services for persons with disabilities,

iv. Cooperate with state institutions and other organisations in the provision of preventive, educational, trainings, employment, rehabilitation and habilitation services and other welfare services for persons with disabilities,

v. Register persons with disabilities, organisations of, and for persons with disabilities, and institutions rendering services to persons with disabilities,

vi. Advise the Minister on matters relating to the social and economic development and the general welfare of persons with disabilities, and

vii. Advise relevant state organs and institutions on the provision of equal opportunities, empowerment programmes and facilities to persons with disabilities.

b. Governance

Part III Section 13 of the Persons with Disabilities Act No. 6 of 2012 provides for the establishment of the Board for the Agency which should comprise of the following members:

i. Eight (8) representatives, of whom four (4) shall be women, of the following categories of disabilities:

- Mental disability;
- Visual impairment;
- Physical disability; and
- Hearing impairment

ii. a representative of the federation of employers;

iii. a representative of the Ministry responsible for works and buildings;

iv. a representative of the Ministry responsible for education, science and technology;

v. a representative of the Ministry responsible for community development and social welfare;

vi. a representative of the Ministry responsible for finance;

vii. a representative of the Ministry responsible for broadcasting services;

viii. a representative of the Ministry responsible for labour;

ix. a representative of the Ministry responsible for health;

x. a representative of the Attorney General; and

xi. a representative of a youth disability organisation.

In addition, the members shall elect the Board Chairperson and Vice Chairperson from amongst themselves, except that a public officer shall not be elected Chairperson.

c. Management

The operations of the Agency are the responsibility of the Director General who is the Chief Executive Officer and is assisted by Directors responsible for Finance and Administration, Planning and Programs, Rehabilitation and Research, and Inspectorate who apply for the positions and are engaged on three (3) year contracts which can be renewed up to three (3) times.

The Director General is appointed by the Board on a three (3) year contract.

d. Sources of Funds

First Schedule Part II Section No. 8 (1 a-c) of the Persons with Disabilities Act No. 6 of 2012 provides that the funds of the Agency should consist of such moneys as may;

i. be appropriated by Parliament for the purposes of the Agency,
ii. be paid to the Agency by way of fees, levies, grants or donations, and
iii. vest in or accrue to the Agency.

20.2 Audit Findings

A review of accounting and other records for the financial years ended 31st December 2022 and 2023 conducted at the Agency Headquarters and selected stations revealed the following:

a. Budget, Income and Expenditure

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2022 and 2023, a total provision of K33,409,037 was made to cater for the operations of the Agency against which amounts totalling K37,061,515 were realised resulting in a positive variance of K3,652,479. See table 1 below.

Table 1: Budget and Income

Type	Budget (K)		Total Budget	Actual K		Total Actual	Variance
	2022	2023	K	2022	2023	K	K
GRZ Grant	16,089,345	14,201,876	30,291,221	16,089,345	18,935,768	35,025,113	4,733,893
Income from Rentals (Properties)	1,050,100	1,216,160	2,266,260	684,321	1,198,416	1,882,737	(383,523)
Rental Debt Collection	-	770,000	770,000	-	-	-	(770,000)
Farm Revamping	81,556	-	81,556	153,665	-	153,665	72,109
Sub-Total	**17,221,001**	**16,188,036**	**33,409,037**	**16,927,331**	**20,134,184**	**37,061,515**	**3,652,479**
Balance B/F	-	-		2,012,222	551,032	2,563,254	2,563,254
Grand Total	**17,221,001**	**16,188,036**	**33,409,037**	**18,939,553**	**20,685,216**	**39,624,769**	**6,215,732**

In addition, amount totalling K2,563,254 were brought forward bringing the total available funds to K39,624,769.

As at 31st December 2023, amounts totalling K37,778,941 had been spent leaving a balance of K1,845,828. See table 2 below.

Table 2: Unspent Balances

Year	Amounts Realised K	Amounts Spent K	Balance K
2022	18,939,553	18,388,521	551,032
2023	20,685,216	19,390,420	1,294,796
Total	**39,624,769**	**37,778,941**	**1,845,828**

b. Compliance with Legislation/Regulations

i. Failure to Remit Statutory Obligations

As at 31st December 2023, the Agency owed statutory and other institutions amounts totalling K5,551,901 in respect of tax, pension contributions and health insurance, some of which had been outstanding from as far back as December 2020. See table 3 below.

Table 3: Unremitted Statutory Obligations

Institution	Opening balance as 1/1/2022	Amount due		Payments		Outstanding as at 31/12/2023		Total
		2022 K	2023 K	2022 K	2023 K	2022 K	2023 K	K
ZRA	2,213,439	1,251,277	2,144,420	102,672	-	1,148,605	2,144,420	**5,506,464**
NHIMA	-	73,920	130,365	54,723	104,125	19,197	26,240	**45,437**
Total	**2,213,439**	**1,325,197**	**2,274,785**	**157,395**	**104,125**	**1,167,802**	**2,170,660**	**5,551,901**

ii. Delayed Payment of NAPSA Contributions

Clause 14 (1) of the National Pension Scheme Authority (NAPSA) Act of 1996, states that a contributing employer shall pay to the Scheme a contribution in respect of an employee in his or her employment consisting of the employer's contribution and the employee's contribution at a prescribed percentage.

Contrary to the Regulation, the Agency owed NAPSA amounts totalling K29,824,496 in respect of penalties on delayed payment of pension contributions dating from as far back as February 2000.

iii. Irregular Payment of Cash to Officers

Section 3.26 of the Ministry of Finance Treasury and Finance Management Circular No. 1 of 2022 states, "No cash shall be withdrawn for payment of subsistence allowances, fuel refunds and any other allowances as these should be paid directly into the beneficiary's account."

Contrary to the Circular, a review of the cashbook and bank statements revealed that the Agency irregularly made payments in amounts totalling K854,622 to two

(2) officers to facilitate payment of allowances to various officers for various activities. See table 4 below.

Table 4: Irregular Payments

Year	Amount K
2022	803,611
2023	51,011
Total	**854,622**

iv. Inadequately Supported Payment Vouchers

Regulation 72 (1) of the Public Finance Management (General) Regulations of 2020 provides that a payment voucher with supporting documents, and any other forms which support a charge entered in the accounts, shall be filed, secured against loss, and be readily available for audit.

Contrary to the Regulation, ninety-five (95) payment vouchers in amounts totalling K4,555,100 drawn from the Main Account were not supported with relevant documents such as approval memos, termination letters, approved leave application forms, authorities, quotations, invoices, delivery notes and goods received notes. See table 5 below.

Table 5: Inadequately Supported Payments

Year	Amount K
2022	161,325
2023	4,393,775
Total	**4,555,100**

v. Questionable Payment

On 29th December 2022, ZAPD sent funds totalling K89,800 for the purchase of materials for the construction of a tractor shelter at Luminu, cottage tank and cottage kraal materials in Chipili District in Luapula Province.

However, it was observed that officers were paid both meal and subsistence allowances. In addition, the officers were not eligible to subsistence allowance as they were operating within district boundaries.

vi. Questionable Payment of Sitting Allowances

A review of the payment vouchers revealed that the Agency paid amounts totalling K506,733 (K215,028 for 2022 and K291,705 for 2023) to various officers for sitting allowances for meetings such as board meetings, procurement committee, recruitment committee, estates committee during the period under review. However, the agency failed to avail minutes of the sittings for audit verification rendering the payments questionable. See table 6 below.

Table 6: Questionable Sitting Allowances

Year	Amount K
2022	215,028
2023	291,705
Total	**506,733**

c. Management of Properties

During the period under review, the agency owned properties such as houses, buildings, and farms among others. See table 7 below.

Table 7: Properties

Property	No. of Properties
Houses	114
Farms	17
Buildings	14
Total	**145**

A review of records and physical inspection of selected properties revealed the following:

i. Failure to Collect Rentals

Public Finance Management (general) Regulations of 2020 Part XV on Loss of Public Monies and Stores section 178 (a) states that Subject to section 48 of the Act, a loss of public monies and stores may occur when an office holder, through wilful default or gross neglect of duty, fails to collect any money, whether revenue or other payment, due to the Government.

ZAPD had thirty-eight (38) properties which were rented out to the public and expected to collect K4,486,433 in rentals between 2011 and 2023 out of which a total amount of K2,353,027 was collected leaving a balance of K2,511,406. See table 8 below.

Table 8: Uncollected Revenue

Period	Balance B/F K	Budgeted Collection K	Total expected Collection K	Collected K	Outstanding K
2023		1,216,160	1,216,160	1,198,416	17,745
2022	-	1,050,100	1,050,100	684,321	365,779
2011 - 2021	1,828,173	770,000	2,598,173	470,290	2,127,883
Total	**1,828,173**	**3,036,260**	**4,864,433**	**2,353,027**	**2,511,406**

In addition, twenty-nine (29) tenants who were occupying houses in Kambowa and Kang'onga in Ndola district neither paid rentals nor vacated the houses.

ii. **Retirees Still Occupying Agency Houses**

As at 31st December 2023, seventeen (17) employees that retired and were paid retirement benefits and repatriation allowances were still occupying ZAPD houses for periods of upto six (6) years. Consequently, the Agency did not collect rental income in amounts totalling K173,259. See table 9 below.

Table 9: Retirees Occupying Institutional Houses

Station	Number of Retirees	Number of Months	Total K
Mimosa Farms	4	65	72,503
Ndola	13	51	100,756
Total			**173,259**

iii. **Failure to Maintain a General Revenue Cashbook**

Regulation 17 (1) of the Public Finance Management (General) Regulations of 2020 requires that the following accounting records shall be maintained for the following periods:

a) Main cash books and ledgers, ten years;

b) Receipts of all types, ten years;

c) Payment and journal vouchers seven years;

d) Staff establishment and salary records required for pension and superannuation purposes, sixty years from the date on which a pensionable officer leaves the service; and

e) Accounting records in electronic form, ten years.

Contrary to the Regulation, Masaiti and Linda Farms in Masaiti and Livingstone District respectively did not maintain cashbooks during the period under review. Consequently, it was not possible to ascertain the revenue collected at the stations.

iv. Failure to Secure Title Deeds

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

Contrary to the Act, eleven (11) parcels of land owned by the Agency were not secured with title deeds.

v. Maintenance of Infrastructure

Section 11(n) of the Public Finance Management Act No. 1 of 2018 states, "a Controlling Officer is responsible for management and safeguarding of public assets and revenue."

A physical inspection carried out in January 2023, revealed that 106 properties were poorly maintained in that the houses and shops were dilapidated. See pictures below.

Cracks on the house - Livingstone

Poorly maintained house -Kasama

Shops not maintained - Kasama

d. Wasteful Expenditure- Payment of Salaries

A review of records for the period under review revealed that the Agency had seventeen (17) farms, out of which, two (2) were operational whilst fifteen (15) were non-operational.

It was however observed that during the period from 1st January 2022 to 30th September 2023, the Agency paid salaries in amounts totalling K2,229,711 to twenty-three (23) employees from fifteen (15) non-operational farms rendering the payment wasteful.

e. Farming Support Programme - Questionable Payments

During the period under review the Agency paid K40,000 to twenty (20) persons under the Farmer support programme to assist members for cultivation and weeding. It was however observed that the twenty (20) persons paid were not on the beneficiary list in the Disability Management Information System (DIMIS) rendering the payment questionable. See table 10 below.

Table 10: Payments to Non-members

No.	Station	Number of Beneficiaries	Amount Paid K
1	Lusaka - Chifwema	5	10,000
2	Muchinga - Kanchibiya	4	8,000
3	Copperbelt - Ndola	11	22,000
	Total	**20**	**40,000**

21 ZAMBIA DAILY MAIL LIMITED

21.1 Background

a. Establishment

The Zambia Daily Mail Limited (the Company) is a newspaper publishing company which was incorporated in 1978 under the Companies Act and is wholly owned by the Government through the Industrial Development Corporation (IDC).

The Company's core business includes news publishing and distribution, advertising, commercial printing and courier services.

b. Governance

The Company is governed by a Board of Directors comprising seven (7) members, one (1) from the sector ministry and not more than five (5) persons appointed from the private sector and the Managing Director.

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

c. Management

The Managing Director is responsible for the operations of the company and is assisted by the Managing Editor, Company Secretary/Legal Counsel and Directors responsible for Finance, Human Resources and Administration, Commercial, and the Chief Internal Auditor.

d. Sources of Funds

The sources of funds for the Company include daily sales of newspapers, advertisements, printing and courier services.

e. Information and Communication Technology Systems

During the period under review, the Company operated the following systems:

- SAGE Evolution Accounting - the system is used for processing accounting transactions and generation of financial statements;
- SAGE 300 People/HR - the system is used to process payroll and personnel related issues;
- Wages 360 - the system is used for the processing of the payroll and other issues such as leave days and staff listing;
- CTP System Software – the system is used for setting and printing of images from the computer to print plates; and
- DCOS Automation and Control System - the system is used for operation of the automation controls for the main printing machine set.

21.2 Budget and Income

During the period under review, the Company budgeted to generate income from sale of newspapers, advertising, E-paper, courier services and commercial printing in amounts totalling K272,969,341 against which amounts totalling K312,147,981 were generated resulting in a positive variance of K39,369,432. See table 1 below.

Table 1: Budget and Income

Year	Budget K	Actual Income K	Variance K
2021	91,395,883	99,751,572	8,355,689
2022	95,342,291	92,864,622	-2,477,669
2023	86,040,375	119,531,787	33,491,412
Total	**272,778,549**	**312,147,981**	**39,369,432**

21.3 Audit Findings

An examination of accounting and other records maintained at the Company Headquarters for financial years ended 31st December 2021, 2022 and 2023 and physical inspections of selected stations revealed the following:

a. Information and Communication Technology Systems

i. Lack of Governance Framework

There are several standards and frameworks, which are applicable internationally and generally used in the implementation, operation and auditing of Information and Communication Technology (ICT) environments. These include:

- Information System Audit and Control Association (ISACA) - Control Objectives for Information and related Technology (CoBIT);

- The Information Technology Infrastructure Library (ITIL); and
- ISO/IEC 27001:2022 and ISO 20000 Information Security Management Systems.

It was however observed that during the period under review, the Company operated its IT environment and processes without any prescribed ICT Standards and governance framework.

In this regard, the Company did not have systematic means for benchmarking or measuring performance of IT activities or processes.

ii. Use of Unsupported Software

ISO/IEC 27001:2013 A12.6.1 on management of technical vulnerabilities, requires that an organisation obtains in a timely fashion, information about technical vulnerabilities of information systems being used, the exposure to such vulnerabilities should be evaluated and appropriate measures taken to address the associated risk. This control measure aims to prevent exploitation of technical vulnerabilities.

According to Microsoft Corporation, the support services for the operating systems ended as tabulated.

It was observed that ZDML had twenty-five (25) computers in its network that were running operating systems which were not supported.

This implied that the computers and servers would not receive new security updates, fixes to non-security related problems or receive online technical content updates. This exposed the computers to malware and virus attacks that could compromise and/or corrupt data on the system.

iii. Lack of an ICT Security Policy

Best practices in ICT governance and information security require that an organisation implementing and operating ICT systems and equipment have in place, an approved ICT Security Policy that considers information security requirements and procedures that align with the entity's business objectives.

However, as at 31st December 2024, ZDML did not have an approved ICT Security Policy. As a result, procedures related to backups, password management, change management user acceptance administration and privacy issues are implemented without a formal security framework and policy direction.

iv. Lack of Business Continuity Plan and Disaster Recovery Plan

A Business Continuity Plan and Disaster Recovery Plan addresses the preparation, processes and practices required to ensure the preservation of the business in the face of major disruptions to normal business operations.

CoBIT DSS04.03 IT Continuity Plans, require organizations to develop IT Continuity plans based on a framework that is designed to reduce the impact of a major disruption on key business functions and processes.

As of October 2024, ZDML had no Business Continuity Plan (BCP) in place.

Therefore, in the event of an incident such as a fire, corruption of data or significant damage to its infrastructure, ZDML had no documented procedures to ensure that it resumes normal operations for its critical systems to ensure business continuity.

v. Lack of Redundancy Arrangements for Printing Services

During the period under review, the Company had only one printing machine set (Hong Hwa) for printing of its two publications, the *Daily Mail* and *Times* and there was no backup arrangement to ensure continuity of business operations in the event of a major disruption or breakdown of the sole printing machine.

b. Financial Performance Analysis

The financial statements and associated financial ratios for the financial years ended 31st December 2021, 2022 and 2023 are as shown in table 2 below.

Table 2: Financial Statements and Ratios

Statement of Comprehensive Income (Zambian Kwacha)			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Revenue	115,564,359	90,549,244	94,592,283
Cost of Sales	64,183,313	52,632,455	51,499,759
Gross Profit	**51,381,046**	**37,916,789**	**43,092,524**
Other Operating Income	3,967,428	1,881,763	4,828,132
Other Operating Expenses	50,038,433	51,201,214	38,703,657
Operating Profit	**5,310,041**	**(11,402,662)**	**9,216,999**
Other Gains (net loss)	151,204		49,606
Finance Income (Loss)	1,134,773	152,194	(510,124)
Profit(Loss) before Taxation	**6,596,018**	**(11,250,468)**	**8,756,481**
Taxation (Expense)/Credit	(8,941,090)	21,068,778	(10,983,239)
Profit(Loss) After Taxation	**(2,345,072)**	**9,818,310**	**(2,226,758)**
Other Comprehensive Income			(5,798,670)
Total Comprehensive Income/(Loss)	**(2,345,072)**	**9,818,310**	**(8,025,428)**
Statement of Financial Position(Zambian Kwacha)			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Assets			
Non-Current Assets	80,398,205	89,588,582	70,795,107
Current Assets	29,593,000	22,788,619	18,190,300
Cash and cash equivalents	19,963,812	11,947,303	10,937,597
Total Assets	**129,955,017**	**124,324,504**	**99,923,004**
Liabilities			
Non-Current Liabilities	22,160,000	30,566,000	40,331,208
Current Liabilities	216,371,295	200,314,381	191,838,867
Equity			
Share Capital	25,000	25,000	25,000
Revaluation reserves	38,348,401	40,963,063	43,577,725
Retained earnings	(146,949,679)	(147,543,940)	(176,432,113)
Total Liabilities and Equity	**129,955,017**	**124,324,504**	**99,340,687**
Financial Ratios			
Ratio	**Year 2023**	**Year 2022**	**Year 2021**
Gross Profit Margin Ratio (%)	44	42	46
Operating Profit Margin Ratio (%)	5	- 13	10
Staff Cost to Revenue Ratio (%)	48	48	44
Current Ratio	0.23:1	0.17:1	0.15:1
Quick Ratio	0.20:1	0.12:1	0.12:1
Working Capital	(166,814,483)	(165,578,459)	(162,710,970)
Equity	(108,576,278)	(106,555,877)	(95,059,254)

The following were observed:

i. Gross Profit Margin Ratio

The Gross Profit Margin measures how much of an entity’s turnover is retained after all its cost of sales are deducted. An analysis of the gross profit margins for the period under review revealed declining margins as shown in the table above.

Despite an increase in gross profit from K43,092,524 in 2021 to K51,381,046 in 2023, the company's gross profit margin declined by 2%, dropping from 46% in 2021 to 44% in 2023. The decline was attributed to the high production and employee costs which stood at K55,750,425, K43,552,457 and K41,933,800 for 2021, 2022 and 2023 respectively.

ii. Operating Profit Margin Ratio

The Operating Profit Margin of an entity measures the amount of revenue and other incomes it retains after all of its operating expenses are deducted.

Although gross profits increased from K43,092,283 in 2021 to K51,381,046 in 2023, the company's operating profit margins dropped from 10% in 2021 to -13% in 2022, before recovering to 5% in 2023.

The negative operating profit in 2022 was attributable to provision for doubtful debts, management fees and employee costs.

iii. Failure to Attain Net Profit Targets

The Industrial Development Corporation (IDC) set performance contract targets for the Board of the Zambia Daily Mail to achieve net profits for the financial years 2021, 2022, and 2023. The company did not meet all the targets as shown in table 3 below.

Table 3: Net Profit (Loss)

Details	2023 K	2022 K	2021 K
Target Net Profit	11,992,955	1,500,000	300,000
Actual Net Profi/(Loss)	(2,345,072)	9,818,310	(8,025,428)

As reflected in the statement of comprehensive income, the company recorded net loss of K8,025,428 in 2021. In 2022, a profit of K9,818,310 was posted, driven by a tax credit of K21,068,778, which offset a negative operating profit of K11,250,468 in 2023, the company reported an after-tax loss of K2,345,072.

iv. Staff Cost to Revenue Ratio

The staff costs to revenue ratio is the amount of money an organisation spends on its employees compared to the amount of revenue generated by the workforce. It is the return on investment that an entity gets from its labour force, thus a measure of the operational efficiency.

The Industrial Development Corporation (IDC) set performance targets for Zambia Daily Mail Ltd to achieve Staff Cost -to- Revenue ratio of 35% for 2021 and 2022 and 26% for 2023.

However, as can be seen from the table 2 above, the company failed to achieve the set targets in that from the revenues generated, the company spent 44% in 2021 and 48% in 2022 and 2023 on employee costs.

v. Liquidity

The liquidity position of a business entity provides information about the company's ability to meet its short-term financial obligations. An analysis of the financial statements for the period under review revealed the following:

- **Current Ratio**

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

  The IDC set performance targets for the Board of the Company to achieve current ratios of 0.2:1 for 2021 and 2022 and 0.38:1.

  However, the Company recorded current ratios of 0.15:1 in 2021, 0.17:1 in 2022 and 0.23:1 in 2023 which were below the set targets.

- **Quick Ratio**

  The Quick Ratio is a liquidity ratio which measures the ability of the business to discharge its short-term obligations with the liquid assets at its disposal. It includes only current assets readily convertible into cash in the short-term. For a quick ratio to be deemed appropriate, it should be at least 1:1.

Table 4: Quick Ratio

Details	2023 K	2022 K	2021 K
Current Assets	49,556,812	34,735,922	29,127,897
Less Inventories	-5,872,216	-10,233,925	-5,842,340
	43,684,596	**24,501,997**	**23,285,557**
Current Liabilities	**216,371,295**	**200,314,381**	**191,838,867**
Quick Ratio	0.20:1	0.12:1	0.12:1

  As can be seen from table 4 above, the quick ratios for the company remained below 1:1. The current liabilities increased by K24,532,428 from K191,838,867 in 2021 to K216,371,295 in 2023 while the liquid current assets increased by K20,399,059 from K23,285,557 in 2021 to K43,684,596 in 2023.

- **Adverse Working Capital**

  Working capital is the difference between current assets and current liabilities. It measures whether an entity has enough short-term assets to meet operational needs. The Company operated with negative working capital, which worsened from a deficit of K162,710,970 in 2021 to K166,814,483 in 2023. Refer to Table 3 for details.

- **Deteriorating Equity**

  The equity for the Company deteriorated from negative K95,059,254 in 2021 to negative K108,576,278 in 2023.

  This was as a result of accumulated losses over the three (3) year period under review.

c. Failure to Collect Receivables

Contrary to Clause 4.4 of the Credit Policy which requires credit customers to pay within thirty (30) days, a scrutiny of the receivables age analysis revealed that the Company was owed amounts totalling K62,057,626 which had been outstanding for periods ranging from 30 days to more than 180 days as at 31st December 2023. See table 5 below.

Table 5: Outstanding Receivables

Period	180 days + K	150 days K	120 days K	90 days K	60 days K	30 days K	Total K
2021-2023	50,718,653	3,530,447	551,289	1,440,717	3,555,716	2,260,805	62,057,626

Although the management had submitted that they had revised the credit policy and engaged debt collectors, as 31st December 20204, the uncollected receivables had continued to rise.

d. Review of Implementation of the 2021 to 2025 Strategic Plan

In 2020, the Company developed a five (5) year strategic plan for the period 2021 to 2025 with six (6) strategic objectives and expected outcomes anchored on optimal utilization of financial resources, improving human capital management, business processes and systems.

A review of the implementation of the strategic plan revealed that some strategic objectives and outcomes were not achieved. See table 6 below.

Table 6: Failure to Achieve Strategic Targets

Strategic Objectives	KPI (Measure)	Target	Target Timeline	Strategy	Achievement Status
Strategic Objective 2: To Gain Competitive advantage in News, Advertising, Courier and Commercial Printing	No. of enhanced product/service	Enhance existing product by end of 2023	Quarter 4 of 2024	Acquire new speed master printing machine	Not Achieved
	No. of publications redesigned	Redesign all publications by end of 2024		Acquire a design and distribution software	Not Achieved
	Tracking system implemented	To implement courier tracking system by the end of 2021	Quarter 4 of 2021	Acquire and implement courier tracking system	Not Achieved
Strategic Objective 3: To improve Business Processes and Systems	Equipment purchased	All printing and finishing equipment purchased by the end of 2022	Quarter 4 of 2022	Ensure printing and finishing equipment purchased	Not Achieved
Strategic Objective 5: To Enhance Human Capital Management	Approved structure	Approved organizational structure by Q2 2021	Quarter 2 of 2021	Conduct HR Audit and job evaluation	Not Achieved
	Policy developed	Develop a promotions policy by end of 2021	Quarter 4 of 2021	Develop and implement a promotions policy by end of 2021	Not Achieved
	Conditions of service	Review and implement conditions of service by end of Q2 2022	Quarter 2 of 2022	Review and implement conditions of service	Not Achieved
Strategic Objective 6: To Attain Profitability by Improving Financial Management and Growing Revenues by an average of 5.5% annually	Breakeven point	Break -even by financial year 2022	Quarter 4 of 2022	Develop and implement product costing model	Not Achieved
	% performance	75% of outstanding credit collected by end of 2022	Quarter 4 of 2022	Ensure adherence to credit policy	Not Achieved
	% performance	60% credit accrued collected within 30 days end of 2022	Quarter 4 of 2022		Not Achieved
	Restructured debt	Debt restructured by Q4 2022	Quarter 4 of 2022	Balance sheet restructuring	Not Achieved
	Equity raised	Equity raised by end of 2022	Quarter 4 of 2022:	Engage the shareholder to increase share capital	Not Achieved

As shown in the table above, the Company did not meet several key targets, including acquiring design and distribution software, implementing a courier tracking system, disposing of obsolete plant and equipment, conducting an HR audit and acquisition of commercial printing equipment.

Additionally, according to Section 5.2 of the Strategic Plan, the Company was scheduled to conduct a mid-term review in 2023 to evaluate the progress of strategy implementation and its impact on operations. However, as at 30th November 2024, the review had not been conducted.

e. Management of Revenue Collection

During the period under review, the Company budgeted to collect revenue in amounts totalling K269,092,637 from its core business operations. See table 7 below.

Table 7: Budgeted Revenues from Core Business

Revenue Stream	2023	2022	2021	Total
Advertising	63,119,780	60,568,667	56,758,400	180,446,847
Circulation	17,360,055	17,758,765	20,723,508	55,842,328
E-Paper	1,509,116	1,371,924	1,800,000	4,681,040
Courier	1,356,411	2,800,000	862,495	5,018,906
Printing	1,805,004	11,511,708	9,786,804	23,103,516
	85,150,366	**94,011,064**	**89,931,207**	**269,092,637**

In addition, the performance-based contracts between the IDC and the Board of the Company outlined specific revenue growth targets for the core business.

The following were observed:

i. Circulation

According to the performance-based contracts, the agreed circulation revenue growth rate targets and budgeted circulation revenues for the years under review were as shown in table 8 below.

Table 8: Circulation of Manual Copies

Details	2,023	2,022	2,021
Set Revenue Target (K)	17,360,055	17,758,765	20,723,508
Actual Achieved (K)	14,071,307	15,307,803	17,498,922
Variance	- 3,288,748	- 2,450,962	- 3,224,586
Target Growth Rate (%)	65%	5%	5%
Actual Growth Rate (%)	23%	-14%	-11%

As can be seen from the table above, the actual revenues fell short of the expected targets by K3,224,586 in 2021, K2,450,962 in 2022 and K3,288,748 in 2023.

In this regard, the Company failed to meet the agreed targets and budgeted revenues with respect to circulation for the period under review.

ii. Unaccounted for Newspapers – Unsold Copies

A review of the production, circulation, and sales records conducted in September 2024 revealed that during the period under review, a total of 6,831,598 newspapers were printed, out of which 6,417,213 copies were circulated. Out of the circulated copies, 4,687,803 were sold leaving a balance of 1,729,410 copies.

However, as at 31st December 2024, the Company had not accounted for the 1,729,410 copies valued at K17,294,410 which were not sold.

iii. Electronic-Paper (E-Paper)

According to the performance-based contracts, the agreed revenue growth rate targets as well as the budgeted revenue activity in respect of the E-Paper subscription for the period under review were as shown in table 9 below.

Table 9: E-Paper Subscription

Details	2023	2022	2021
Set Revenue Target(K)	1,509,116.00	1,371,924.00	1,800,000.00
Actual Achieved (K)	1,086,943.92	1,254,597.01	1,121,641.23
Variance	422,172.08	117,326.99	678,358.77
Target Growth Rate (%)	52%	20%	10%
Actual Growth Rate (%)	18%	-1%	144%

As can be seen above, the Company performed below the set revenue and growth targets in 2022 and 2023.

iv. Courier Services - Unaccounted for Funds

A review of the Internal Audit Report on courier services revealed that during the period from December 2022 to August 2023, amounts totalling K86,316 were collected by the sales staff at Intercity Bus Terminus from which amounts totalling K62,803 were receipted while the balance of K23,513 was not accounted for. See table 10 below.

Table 10: Unaccounted for Funds

Date	Total Collections K	Total Receipted K	Shortage K
07.12.22	6,162.0	4,041.0	2,121.0
26.01.23	6,379.0	4,805.0	1,574.0
27.01.23	10,871.0	5,962.0	4,909.0
30.01.23	10,084.0	9,948.0	136.0
31.01.23	10,554.0	7,820.0	2,734.0
01.02.23	5,630.0	4,762.0	868.0
29.08.23	9,797.0	8,459.0	1,338.0
30.08.23	13,376.0	8,874.0	4,502.0
31.08.23	13,463.0	8,132.0	5,331.0
Total	**86,316.0**	**62,803.0**	**23,513.0**

As at 31st December 2024, the funds had not been recovered and no action had been taken by management against the existing officers.

v. **Review of Key Printing Equipment and Systems**

A review and inspection of the status of the Company's key equipment, systems and software critical for its efficient, effective and competitive operations revealed the following:

Table 11: Key Equipment

Equipment	Purpose (Function)	Condition/Status	Possible Impact/Risk
Hong Hwa Printing Machine Set *(4x4 tower full colour unit)*	For final printing of the company's daily publications of the *Daily Mail* and *Times* publications from the plates	▪ The machine is operated by a specialised automation and control software. ▪ Current print capacity of 17,000 copies per hour. ▪ However, the colour management and control application is currently running on Windows XP operating system.	Windows XP is no longer supported by Microsoft; this poses a risk of system failure.

Heidelberg Speedmaster Printing Machine	Main machine for printing of various commercial printing jobs	The Machine has been broken down for more than a year.	Company unable to undertake commercial printing services

As can be seen in the table above, the Company was unable to undertake commercial printing services as the main printing machine had broken down. Although management outsourced some printing jobs, the company effectively recorded significant loss of revenue as shown by a drop in recorded revenues from commercial printing from K11,511,708 2022 to K1,805,708 in 2023

In this regard, the company was not achieving the expected revenue growth and increased market share of commercial printing as planned in the 2021-2025 strategic plan.

f. Outstanding Taxes and other Statutory Obligations

A review of records revealed that the Company owed taxes and other statutory obligations in amounts totalling K73,185,882 as at 31st December 2023. See table 12 below.

Table 12: Outstanding Taxes and other Statutory Obligations

Details	Detail	Total K
ZRA	PAYE,VAT, Income Tax & WHT	69,597,324
NAPSA	Statutory Contributions - Penalties	3,588,558
	Total	**73,185,882**

Although management stated that they had entered into settlement agreements with ZRA and NAPSA, some of the obligations have been outstanding from as far back as 2018.

g. Staff Related Matters

i. Staff Establishment

Clause No. 2 of the Recruitment and Selection Policy and Procedures stipulates that departments shall not exceed their total approved Establishments without the Board's approval. A review of the ZDML Staff Establishment revealed that the Company had a total of 138 approved positions.

A comparison of staff establishment, staff returns and payroll revealed that Contrary to the Recruitment and Selection Policy and Procedures ZDML exceeded their total approved establishment resulting in over employment of 28, 23 and 62 staff for the years 2021, 2022 and 2023 respectively. See table 13 below.

Table 13: Staff Establishment

Year	Establishment	Payroll	Over Employment
2021	138	166	28
2022	138	161	23
2023	138	200	62

As at 31st December 2024, no board approval was availed for excess recruitment.

ii. Irregular Payment of Responsibility Allowance to Officers on Staff Leave

Clause 26.2 of the Terms and Conditions of Service for Middle Management Staff of 2022 provides that an employee who is accorded added responsibilities over and above his/her normal duties for a period of not less than fourteen (14) working days shall be paid added responsibilities allowance of 25% of his/her monthly basic salary.

A review of payroll details and personal files revealed that two (2) employees who were paid responsibilities allowance in amounts totalling K23,285.90 during the period they were on staff leave. See table 14 below.

Table 14: Responsibility Allowance to Officers on Official Leave

Date	Employee Code	Basic Pay (Earning) K	Leave Pay (Earning) K	Responsibility Allowance (Earning) K
25.07.2022	0030	33,393.80	7,131.00	8,348.45
25.05.2022	1019	59,749.80	8,600.00	14,937.45
	Total	**93,143.60**	**15,731.00**	**23,285.90**

In response management stated that the officers did go on leave but their leave was staggered due to work demands making it difficult to suspend their responsibility allowance as they were still performing their duties.

However, management had not provided any documentary evidence to support their response.

iii. **Failure to Pay Tax on Cash Benefits - Education Allowance**

Clause 30 (iii) of the Zambia Revenue Authority (ZRA) Practice Note No. 1/2021 provided that all cash benefits paid in the form of allowances are taxable on the employee under Pay As Earn (PAYE). These allowances included Education Allowance which was to be taxed at the rate of 37.5 percent of the total paid out allowance.

A scrutiny of ledgers for the period under review revealed that education allowance in amounts totalling K4,654,728 were paid to employees out of which amounts totalling K757,925 were paid to senior management without deducting PAYE in amounts totalling K284,222 contrary to the practice notes.

iv. **Over-Payment of Fuel Allowance - Senior Management**

According to the Terms and Conditions of Service outlined in their employment contracts, senior management employees were entitled to a monthly fuel allowance, either as a fixed quantity—500 litres for the Managing Director and 350 litres for other senior management employees—or the cash equivalent. The cash equivalent was to be calculated by multiplying the fuel entitlement in litres by the prevailing fuel price per litre.

A review of the payroll and related records indicated that during the period under review, fuel allowances totalling K2,060,041 were paid to senior management employees. Further analysis revealed that the amount paid was inflated by a factor of 1.6, leading to an overpayment of K715,119 in fuel allowances without any justification.

As at 30th November 2024, the overpaid amounts had not been recovered.

v. **Over-payment of Car Allowance – Senior Management**

According to the employment contracts, senior management employees were entitled to monthly car allowances ranging from K3,500 to K25,000 during the period under review.

In this regard, five (5) senior management employees received car allowances in amounts totalling K3,169,058. However, the car allowances were inflated by a factor of 1.6, resulting in overpayments in amounts totalling K1,272,558 without any justification.

As at 30th November 2024, the overpaid amounts had not been recovered.

22 ZESCO LIMITED

22.1 Background

a. Establishment

ZESCO Limited (the Company) is a vertically integrated utility company whose core function is to generate, transmit, distribute and supply electricity. The Government of the Republic of Zambia is the sole shareholder through the Industrial Development Corporation (IDC).

b. Governance

ZESCO Limited is governed by a Board of Directors comprising not less than seven (7) but not more than nine (9) members. The members are appointed by the Government through the Industrial Development Corporation (IDC) on three (3) year renewable contracts.

c. Management

The Managing Director (MD) is responsible for the operations of the Company and is appointed by the Board on a three (3) year renewable contract. The MD is assisted by eight (8) Directors namely Director - Power Generation, Director - Transmission, Operations and Trade, Director - Distribution and Customer Services, Director - Planning and Projects, Director - Human Capital and Development, Director - Investment and Finance, Company Secretary and Director - Audit and Risk who are appointed by the Managing Director on three (3) year renewable contracts.

d. Sources of Funds

The sources of funds for the Company included such sums of money as may -

i. Be levied by the company by way of sales arising from generation, transmission, distribution and supply of electricity; and

ii. Accrue to or vest in the Company from time to time, whether during the exercise of its function or otherwise.

e. Management Information Systems

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

i. **Customer Management System (CMS)**

This is a post-paid meter system used for market management and customer management of the Company's post-paid customers.

ii. **3E/EVG Prepaid Meter System**

This is a prepaid meter system used for meter operation management, customer management, financial management, and management control and security management of prepaid customers.

iii. **Oracle Financials**

This is a system that is used for financial management.

iv. **Payroll and Human Resource Integrated System (PHRIS)**

This is a system that is used for human resource management and payroll processing.

v. **Stores and Procurement Management System (SPMS)**

This is a system that is used for procurement and stores management.

22.2 Audit Findings

A review of accounting and other records for the financial years ended 31st December 2022 to 2023 revealed the following:

a. **Budget Vs Income**

During the period under review, ZESCO budgeted to generate revenue totalling K54,569,111,586 from several sources against which amounts totalling K48,649,761,349 were realised resulting in a negative variance of K5,919,350,237.

The variance was attributed to a drop in mining and exports revenue that was as a result of reduced sales due to reduced hydro power generated. Details are as shown in table 1 below.

Table 1: Budget and Actual Sales

Year	Sources of Revenue	Budgeted Revenue K	Actual Revenue/Sales K	Variance K
2022	Domestic	5,173,202,566	6,457,677,000	1,284,474,434
	Mining	18,507,828,895	9,241,820,000	(9,266,008,895)
	Exports	9,667,960,984	4,745,750,000	(4,922,210,984)
	Subtotal	**33,348,992,445**	**20,445,247,000**	**(12,903,745,445)**
2023	Domestic	7,673,461,256	7,194,245,712	(479,215,544)
	Mining	9,007,024,417	12,726,411,073	3,719,386,656
	Exports	4,539,633,468	8,283,857,564	3,744,224,096
	Subtotal	**21,220,119,141**	**28,204,514,349**	**6,984,395,208**
	Total Revenue	54,569,111,586	48,649,761,349	**(5,919,350,237)**

In their response management stated that the mining customers had projected an increase in energy requirements in 2022 and 202. However, some projected consumption by mining customers did not occur and resulted into the adverse budget performance.

b. Information and Communication Technology Systems

i. Use of Unsupported Operating Systems

ISO/IEC 27001:2022(E) 8.8 *on management of technical vulnerabilities,* requires that information about technical vulnerabilities of information systems in use shall be obtained, the organization’s exposure to such vulnerabilities shall be evaluated and appropriate measures shall be taken. This control measure aims to prevent exploitation of technical vulnerabilities.

According to Microsoft Corporation, support services for Red Hat Linux 5.8, Windows Server 2008, and Windows Server 2019 ended in August 2020, November 2020, and January 2024, respectively.

During the period under review, the Company operated three (3) systems that had attained end-of-life support. In this regard, the systems could no longer receive security updates, fixes for non-security issues, or online technical content updates.

ii. Missing Customer Details

Section 7.5.2 of the ISO-IEC 27001 of 2022 stipulates that when creating and updating documented information, the organization shall ensure appropriate: a) identification and description (e.g. a title, date, author, or reference number); b) format (e.g. language, software version, graphics) and media (e.g. paper, electronic); and c) review and approval for suitability and adequacy.

A review of customer enrolment data revealed that, out of a total of 148,339 enrolled customers, 12,227 records were missing critical information such as customer names, addresses, and service numbers, as illustrated in table 2 below.

Table 2: Missing Customer Details

No.	Missing Details	No. Records
1	Customer Names	100
2	Service number and Tarrif	26
3	Customer Address	12,101
	Total	**12,227**

c. Financial Analysis

i. Lack of Performance Contract with Industrial Development Corporation

According to Circular No 1 of 2017 of the Performance System Framework for the IDC Group of Companies:

- The Board of Directors of the Industrial Development Corporation (IDC) resolved to implement a Performance System for companies in the IDC Group. The objective of the Performance System Framework is to monitor the performance of an Enterprise, the Board of Directors and the Chief Executive Officer (CEO).
- The Performance System Framework comprises a three-tier structure which includes a Performance Monitoring Framework, Mandatory Benchmarks for Performance Contracts and a Recognition and Award System.
- The components of each tier included among others, the Performance Monitoring Framework,
    - All Boards of Directors of a subsidiary of the IDC shall be subject to performance contracts to be agreed between the IDC and the respective Boards. The review of Board performance and tenure shall primarily be premised on the outcome of annual performance reviews.
    - All CEOs shall have Performance Contracts which shall be agreed between the Board of Directors of the subsidiary and the CEO. The Performance Contract for the CEO shall be subject to ratification by the IDC. In situations where a Board is not in place, IDC shall agree the performance contract with the CEO.

A review of Board documents revealed that there was no performance contract signed between ZESCO Ltd Board of Directors and IDC for the financial years 2022 and 2023.

ii. Financial Statement Analysis

The Statements of Profit or Loss or Other Comprehensive Income and the Statement of Financial Position for the financial years ended 31st December 2021, 2022and 2023 are as shown in table 3 below.

Table 3: Statements of Comprehensive Income and Financial Position

Statement of Comprehensive Income			
Item	**Year 2023 K'000**	**Year 2022 K'000**	**Year 2021 K'000**
Revenue	28,204,514	20,445,248	21,897,616
Cost of Sales	26,130,583	11,904,858	9,914,063
Gross Revenue	**2,073,931**	**8,540,390**	**11,983,553**
Other Income	5,800,399	457,199	8,365,499
Total Income in Year	**7,874,330**	**8,997,589**	**20,349,052**
Expenses	41,455,187	10,917,842	11,732,702
Operating Profit	(33,580,857)	(1,920,253)	8,616,350
Non-operating Expenses (Tax)	33,097	35,412	33,922
Net Profit/Loss	**(33,613,954)**	**(1,955,665)**	**8,582,428**

Statement of Financial Position			
Item	**Year 2023 K'000**	**Year 2022 K'000**	**Year 2021 K'000**
Assets			
Current Assets	9,012,443	10,563,708	8,959,659
Non-Current Assets	179,707,477	66,674,344	63,824,690
Total Assets	**188,719,920**	**77,238,052**	**72,784,349**
Liabilities			
Current Liabilities	55,773,238	41,737,289	34,524,002
Non-Current Liabilities	34,520,717	22,944,999	23,748,918
Total Liabilities	**90,293,955**	**64,682,288**	**58,272,920**
Equity			
Share Capital	2,825,118	2,825,118	2,825,118
Revaluation Reserves	138,380,522	19,570,303	20,244,239
Accumulated Losses	(42,779,675)	(9,839,657)	(8,557,928)
Total Equity	**98,425,965**	**12,555,764**	**14,511,429**
Equity and Liabilities	**188,719,920**	**77,238,052**	**72,784,349**

Financial Ratios			
Item	**Year 2023**	**Year 2022**	**Year 2021**
Working Capital	(46,760,795.00)	(31,173,581.00)	(25,564,343.00)
Current Ratio	0.16	0.25	0.26
Debt to Asset Ratio	0.48	0.84	0.80
Debt to Equity Ratio	92%	515%	402%
Gross Profit Margin	7%	42%	55%
Net Profit Margin	-119%	-10%	39%

A review of the Statement of Profit and Loss and Other Comprehensive Income and the Statement of Financial Position revealed the following:

- **Reduced Profitability**

  As can be seen from table 8 above, the Company's profitability reduced by K25,031,472,000 from a profit of K8,582,428,000 in 2021 to a loss of K33,613,954,000 in 2023.

  The reduction in profit was mainly due to the following:

  - Increase in the cost of sales from K9,914,063,000 in 2021 to K26,130,583,000 in 2023. The increase in cost of sales was a result of increased cost of power purchases which doubled from K6,692,226,000 in 2021 to K21,877,570,000 in 2023.

  - Increase in operating expenses by K29,722,485,000 from K11,732,702,000 in 2021 to K41,455,187,000 in 2023.

- **Poor Working Capital**

  During the period under review, the Company consistently recorded a negative working capital which deteriorated by K21,196,452,000 from K25,564,343,000 in 2021 to K46,760,795,000 in 2023. See table 4 below.

Table 4: Poor Working Capital

Details	2023 K'000	2022 K'000	2021 K'000
Total current assets	9,012,443	10,563,708	8,959,659
Total current liabilities	55,773,238	41,737,289	34,524,002
Working Capital	(46,760,795)	(31,173,581)	(25,564,343)

- **Liquidity – Current Ratio**

  This is one of the ratios used to the measure liquidity of a company and is defined as current assets over current liabilities. The generally accepted ratio is 2:1. During the period under review, the Company's current liabilities exceeded current assets resulting in current ratios that were below the recommended targets. See table 5 below.

Table 5: Current Ratio

Year	2023 K'000	2022 K'000	2021 K'000
Current Assets	9,012,443	10,563,708	8,959,659
Current Liabilities	55,773,238	41,737,289	34,524,002
Current Ratio	**0.16:1**	**0.25:1**	**0.26:1**

The current ratio deteriorated from 0.26 in 2021 to 0.16 in 2023 on account of the continued increase in trade payables relating to power purchases from independent power producers.

- **Gearing Ratio**

  A review of the Financial Position revealed that the Company was geared as the ratio ranged between 402% in 2021 and 92% in 2023 which was above the benchmark of 70% for the Industry. See table 6 below.

Table 6: Debt to Equity Ratio

Details	2023 K'000	2022 K'000	2021 K'000
Total Debt	90,293,955	64,682,288	58,272,920
Equity	98,425,965	12,555,764	14,511,429
Gearing Ratio %	**92%**	**515%**	**402%**

The gearing ratio was attributed to loans obtained for the payment of the Independent Power Producer (IPP) debt and dismantling of customer connection backlog.

- **Increase in Trade Receivable Days**

  According to the Company's credit policy, the average credit period on sale of services is forty-five (45) days. However, during the period under review, the trade receivable days ranged from 229 days to 304 days. See table 7 below.

Table 7: Trade Receivable Days

Year	Gross Trade Receivables K 000	Sales Revenue K 000	Receivables Days
2021	17,325,816	21,897,616	289
2022	12,812,137	20,445,248	229
2023	23,482,612	28,204,514	304

As a result of the inefficiencies in the collection of trade receivables when they fell due, the Company made significant provisions for doubtful debts. It was observed that out of the total gross trade receivables of K53,260,565,000 for the period under review, K46,131,798,000 was an allowance for doubtful debts. See table 8 below.

Table 8: Allowance for Doubtful Debts

Details	2023 K	2022 K	2021 K	TOTAL K
Gross trade receivables	23,482,612,000	12,812,137,000	17,325,816,000	53,620,565,000
Allowance for doubtful debts	18,891,543,000	10,742,962,000	16,497,293,000	46,131,798,000
Net Trade Receivables	**4,591,069,000**	**2,069,175,000**	**828,523,000**	**7,488,767,000**

- **Return on Capital Employed (ROCE)**

  According to the ZESCO Corporate Business Strategy for 2018 to 2025, the Company had set the ROCE at 15% during the strategic period. Although in 2021 the Company's ROCE exceeded the target, the Company did not meet the target ROCE in 2022 and 2023 in that the Company posted operating losses as shown in table 9 below.

Table 9: Return on Capital Employed

Year	2023 K'000	2022 K'000	2021 K'000
Net Operating Profit	(30,567,282)	(1,001,691)	9,491,321
Total Assets Less Current Liabilites	132,946,682	35,500,763	14,511,429
Return on Capital Employed	0	0	0.65
Return on Capital Employed %	0%	0%	65%

d. Operational Matters

i. Failure to Meet Energy Regulation Board (ERB) Key Performance Indicators

In 2023, the ERB and ZESCO agreed on and implemented a three-year KPI Framework covering the period January 2023 to December 2025 to be used by the ERB to monitor the performance of ZESCO using thematic areas and assigned weighted scores as shown in the table 10 below.

Table 10: KPI Framework Annual Scores

No.	Key Performance Indicator (KPI)	Target	2023 (Actual)
1	New customer connections	10	2.8
2	Financial Performance	10	6.3
3	Efficiency	15	10.2
4	System Losses	5	3.2
5	Safety	10	3.8
6	Customer Service	10	8.7
7	Staff productivity	8	7.5
8	Quality of service	20	12.3
9	Power generation	5	5
10	Power quality	8	6.7
	Total	**100**	**66.5**
	Minimum required score 75		
	Average Score	66.5	

The table above shows that ZESCO Limited underperformed as they scored 66.5 which was below the minimum annual target score of 75. In particular, the Corporation failed to meet targets under new customer connections, financial performance, quality of service, safety and efficiency.

ii. Failure to Achieve Strategic Target – Smart Metering

In the 2022 – 2023 Operational Plan, the Company planned to install 14,000 smart meters on non-prepaid and contract customers to enhance security and timely collection of revenue. However, as of October 2024, only 7,010 smart meters had been installed representing 50% installation.

iii. Failure to Connect Clients

According to the regulatory timeframes for standard connection issued by Energy Regulation Board, connections are to be done twenty (20) days upon making payment and ninety (90) days for non-standard connections.

A scrutiny of the client data base carried out in October 2024 revealed that there were 4,361 (Standard 18 and Non-standard 4,343) paid up clients. However, as at 30th November 2024, the clients had not been connected with electricity with delays up to 370 days.

iv. Non-Vending Clients – Pre-Paid

Section 5.3.5 of the Billing Policy requires that pre-paid billing be done at the point of purchasing electricity units. The billing shall be based on the prevailing approved tariff structure.

A review of the Customer Service Management System revealed that 18,625 clients migrated from post-paid to pre-paid had not purchased electricity units for periods ranging from 4 to 18 years.

A physical inspection conducted at selected properties belonging to the Non-Vending Clients in Lusaka revealed that some non-vending customers had either illegally reconnected their properties to the grid or used meters that did not trip after units were exhausted, enabling continued electricity usage without payment which ultimately resulted in revenue losses for the Company.

v. Interest on Delayed Payment of Invoices on Power Purchase Agreement

Power Purchase Agreements (PPAs) are contracts between a seller and a buyer of electricity in bulk quantities.

ZESCO Ltd entered into Power Purchasing Agreements with Independent Power Producers namely; Electricidade de Mozambique, Itezhi Tezhi Power Corporation, Lunsemfwa Hydro Power Company Limited, Karpower, EDM and Ndola Energy Company. The agreements provided that if any bill was not paid in full by ZESCO Ltd on or before the due date of payment, ZESCO Ltd should pay in addition a late payment charge, an amount equal to interest calculated at the default interest rate on the unpaid amount for the number of days the payment was overdue, compounded monthly.

During the period 2022 to 2023 ZESCO Ltd incurred interest charges of US$70,639,770.65 and US$85,394,669.90 respectively resulting from delayed payments on unsettled invoices as shown in the table 11 below.

Table 11: Interest Charges on delayed Payments to Independent Power Producers

No.	Name	2022 Amount US$	2023 Amount US$
1	ITPC	25,650,312.00	7,174,855.00
2	Lunsenfwa	516,622.43	18,682.71
3	Ndola Energy	12,257,152.91	40,194,735.93
4	EDM	833,718.31	114,420.43
5	Maamba Colleries	31,381,965.00	-
6	Karpower	-	37,891,975.83
	Total	**70,639,770.65**	**85,394,669.90**

In their response, management stated that the delays in paying IPPs was attributed to liquidity challenges resulting from uneconomical tariffs.

vi. Delayed Payments for Water Supply Invoices to Zambezi River Authority

Section 5.1 and 5.2 of the Zambezi River Authority (ZRA) Water Purchase Agreement with ZESCO on Payment of Accounts states, "ZESCO and Kariba Hydro Power Company (KHPC) agree that each water supply invoice is due for payment within forty-five days (45) from the date of the water supply invoice. Should payments in point 5.1 not be made within forty-five (45) days, the amount outstanding shall bear interest at the rate of 6% per annum on the US Dollar balance."

It was observed that there was a delay in settling water supply invoices by Kariba North Bank Power Station (KNBPS) to the regulator, Zambezi River Authority (ZRA), for water usage contrary to the payment agreement which resulted in accrued interest costs of US$3,149,978 in the period 2018 to 31st December 2023.

As of August 2024, the outstanding debt inclusive of the interest amount stood at US$ 46,030,947

In response, management stated that the delay in paying the Zambezi River Authority was attributed to liquidity challenges exacerbated by uneconomical domestic tariffs.

vii. Failure to Remit Funds into The ERB Strategic Reserve Fund

Section 43(3)(c) of the Energy Regulation Board provides that; Subject to the approval of the Minister, the Energy Regulation Board may charge and collect fees for services provided by the Energy Regulation Board. Consequently, ZESCO Limited is compelled under this provision to make payments into the ERB Strategic Reserve Funds.

Contrary to the above provision ZESCO Limited defaulted in making payments to the ERB Strategic Fund in amounts totalling K7,773,228 for the financial year ended 31st December 2023. As of August 2024, the amount had not been remitted into the fund.

e. Failure to Remits Statutory obligations.

Section 15(1) and (2) of the National Pension Scheme Act of 1996 states in part that a contributing employer shall pay contributions to the Authority at the end of each month and submit such payments to the Authority.

However, as at 30th November 2024, the Company owed National Pension Scheme Authority (NAPSA) amounts totalling K 16,116,979.04 being the principal amounts and penalties in respect of unremitted pension contributions.

23 ZSIC GENERAL INSURANCE

23.1 Background

a. Establishment and Mandate

ZSIC General Insurance (ZSIC GI) Limited was incorporated in 2008 under the Companies Act. The Company's principal activity is transacting in all classes of non-life insurance business.

ZSIC GI Limited is wholly owned by the Government through the Industrial Development Corporation (IDC).

b. Governance

The Company is governed by a Board of Directors who are appointed by IDC on three (3) year renewable contracts.

Section 8.2 of the ZSIC GI Limited Board Charter stipulates that the number of members of the Board of Directors is expected to be between six (6) and eight (8), of which the majority are required to be non-executive. As at 31st August 2024, the Board comprised six (6) members including the Chairperson.

c. Management

The operations of the Company are the responsibility of the Managing Director who is the Chief Executive Officer and is assisted by Directors of Legal, Finance, Technical Operations and Branch Operations. The Managing Director is appointed by the Board of Directors on a three (3) year renewable contract. The Managing Director is responsible for the recruitment of the Directors on three (3) year renewable contracts with the approval of the Board and IDC.

d. Sources of Funds

The Company derives its income from the provision of insurance services. The classes of business include fire, accident, motor, aviation, engineering, marine and agriculture.

e. Information and Communication Technology Systems

During the period under review, ZSIC GI operated the following Information and Communication Technology Systems:

- **Micro Pay Payroll System**

  The system is used for administration of general and management employees' payroll.

- **Infoins Insurance System**

  This system is used for the administration of underwriting, claims, accounts, reinsurance and parameters. This system is also used for managing financial transactions.

23.2 Audit Findings

A review of accounting and other records for the financial years ended 31st December 2021, 2022 and 2023 conducted at the ZSIC GI headquarters and selected stations revealed the following:

a. Annual Performance

i. Failure to Fully Achieve Strategic Plan Objectives

According to the ZSIC GI Limited Strategic Plan for the years 2021-2023, the Company set out to increase its market share from 11% to 20% by the end of the Plan. To achieve this, twenty-one (21) Strategic Objectives and initiatives were put in place out of which four (4) were achieved and seventeen (17) were either partially achieved or not achieved. See table 1 below.

Table 1: Status on Achievement of Strategic Plan

Strategic Objective	Strategic Initiative	Results
Strengthen the financial base	Increase gross premium income by 12% in 2021, 12% in 2022 and 12% in 2023.	Achieved
	Increase EBIT by not less than 2%	Not Achieved
	Grow the investment portfolio by not less than 5% per annum	Achieved
	Optimize revenue collection - 80% on new business and 80% of old debt	Partially Achieved 80% New Business 53% old Business
	Improve current ratio to 0.95:1, 1:1 and 1.1:1 in 2021,2022 and 2023 respectively	Achieved
	Restructure and improve the balance sheet.	Achieved through debt write offs amounting to over K165miilion
	Solvency Margins 98.91% in 2021, 100% in 2022 and 110% in 2023	Achieived in 2021 only
Enhance Customer Satisfaction	Settlement within 21 days. Reduce old outstanding claims to zero by Q4	Not Achieved
	Target positive comments by 80% customer respondents and by Q4, 80% top 10 brokers by Q4 2023	Partially Achieved 90% Customers 70% Brokers
	Customer service training for staff. 100% trained by end Q4 each year	Partially Achieved not all members trained
	One product or service innovation'launched each year by Q4	Not fully Achieved
	Optimize the Utilization ICT (SMS,CRM, Customer Portal, short code, APP) to enhance the customer experience with utilisation of 70%,80%, 95% 2 in the years 2021, 2022 and 2023 respectively	Not fully Achievedas Customer Portal not launched
Improve operational efficiency and work systems	Perfecting the bespoke information management system that was procured.	Not achieved as business system not fully implemented as some aspects remained unresolved by the supplier
	Automate all processes that are currently manual	Partially Achieved Not all processes that were planned for automation were automated
	Enhance adherence to operational policies and procedures.	Not achieved adherence was below 50%
	Introduction of a change management strategy	Not Achieved. Change mangement Strategy Was not implemented.
enhance levels of motivation, dedication and productivity of the human capital	Enhance the staff performance management and monitoring systems	Not achieved as the staff performance management system was not procured
	Develop and implement an effective staff learning & development program	Partially achieved as training was done but was below target by 25%
	Implementing a harmonized salary structure	Not achieved as salary structure not harmonised
	change the organization culture and introduce dynamic thinking	Not fully achieved
	To attain and maintain an optimum staff establishment	Was not fully achieved because twenty (20) members of staff were retired against the planned twenty eight (28)

ZSIC GI market share grew from the baseline of 8% to 12% in 2021 and 15% in 2022 as reported in the Pension and Insurance Authority (PIA) Annual Report for both years and set to meet a target of 20% by 2023. The ZSIC GI Market share for 2023 could not be established as the PIA was yet to publish its Annual Report for the year.

ii. Budget and Income

During the period under review, the Company budgeted to generate income from fire, accident, motor and agriculture insurance among others amounting to K1,472,944,907 against which amounts totalling K1,743,683,000 were realised resulting in a positive variance of K270,783,093. See Table 2 below.

Table 2: Budget Vs. Income

Year	Budget K	Actual K	Variance K
2021	377,957,897	431,915,000	53,957,103
2022	506,944,044	563,904,000	56,959,956
2023	588,042,966	747,864,000	159,821,034
Total	**1,472,944,907**	**1,743,683,000**	**270,738,093**

b. Financial Analysis

i. Statements of Profit and Loss and Other Comprehensive Income

The Statements of Profit and Loss and Other Comprehensive Income for ZSIC GI for the financial years ended 31st December 2021, 2022 and 2023 were as shown in table 3 below.

Table 3: Statement of Profit and Loss and Other Comprehensive Income

Statement of profit and loss and other comprehensive	2023 ZMW'000	2022 ZMW'000	2021 ZMW'000
Insurance revenue	747,864	563,904	431,915
Insurance service expenses	(321,157)	(250,012)	(207,262)
Insurance service results before reinsurance contracts held	426,707	313,892	224,653
Allocation of reinsurance premiums	(453,875)	(266,226)	(241,652)
Amounts recoverable from reinsurers for incurred claims	148,829	91,798	67,036
Net expense from reinsurance contracts held	(305,047)	(174,428)	(174,616)
Insurance service result	121,669	139,464	50,037
Interest revenue calculated using the effective interest method	1,656	2,710	7,607
Net impairment of financial assets	(53,771)	(22,173)	
Net insurance and investment return	69,545	120,001	57,644
Other income	52,297	34,676	51,527
Other expenses	(95,226)	(106,485)	(79,916)
Profit before tax	26,617	48,192	29,255
Tax	(13,918)	(14,300)	(13,550)
Profit after tax	12,699	33,848	15,705
Other comprehensive income (net of tax)			
Gain on revaluation of properties	8,545	13,188	35,547
Actuarial gain for the year	3,015	13,277	(11,102)
	11,560	26,465	24,445
Net Value loss investments at FVTPL		(83)	(521)
Total other comprehensive income for the year, net of income tax	11,560	26,381	23,924
Total comprehensive income for the year	24,259	60,230	39,629

Source: ZSIC GI Audited Financial Statements for the Financial Years ended 31st December 2021, 2022 and 2023

As can be seen from table 7 above, ZSIC GI reported a profit after tax of K15,705,000 in 2021 which increased to K33,848,000 in 2022 and reduced to K12,699,000 in 2023. The decrease in profit was mainly attributed to insurance service expenses, allocation of reinsurance premiums and net impairment of assets which increased by 55%, 88% and 143% respectively from 2021 to 2023. See table 4 below.

Table 4: Net Impairment of Financial Assets

Description	2023 ZMW'000	2022 ZMW'000	2021 ZMW'000	% Change
Insurance service expenses	321,157	250,012	207,262	55%
Allocation of reinsurance premiums	453,875	266,226	241,652	88%
Net impairment of financial assets	53,771	22,173		143%

- **Asset Turnover**

The performance-based contract between the Industrial Development Corporation and the Board of the ZSIC GI set the deliverable for the Asset Turnover Ratio at 2 for the three years under review. However, the Company achieved an Asset Turnover Ratio of 1.1, 1 and 0.7 for the years 2023, 2022 and 2021 respectively. This meant that the Company was not efficiently using its assets to generate revenue to the expected target. See table 5 below.

Table 5: Asset Turnover Ratio

Asset Turnover = Gross Written Premium/Total Assets			
Details	2023	2022	2021
	K'000	K'000	K'000
Gross Written Premium	824,649	579,640	431,915
Total Assets	772,099	606,277	592,097
Asset Turnover Ratio	1.07	0.96	0.73

A review of IDC Performance Review Feedback revealed that the lower performance was attributed to high receivables. The receivables represented 60%, 79% and 52% of the total assets for the years 2023,2022 and 2021 respectively as shown in the analysis in table 6 below.

Table 6: Receivables Percentages

Details	2023	2022	2021
	K'000	K'000	K'000
Total Assets	772,099	606,277	592,097
Insurance Contract Assets	195,825	307,152	161,882
Reinsurance Contract Assets	268,548	172,345	143,142
Total Receivables	**464,373**	**479,497**	**305,024**
Receivables as percentage of Total Assets	60%	79%	52%

- **Retention Ratio**

The performance-based contract between IDC and the Board of the ZSIC GI set the deliverable for the retention ratio at 45%, 45% and 53% for the years 2023, 2022 and 2021 respectively.

However, the company recorded retention ratios of 36.59%, 39.53% and 44.05% for the years ended 2023, 2022 and 2021 respectively which was below the IDC set deliverable. This meant that the company was ceding more premiums to reinsurers. See table 7 below.

Table 7: Retention Ratio

Retention Ratio = Net Premium/Gross Written Premium			
Details	**2023**	**2022**	**2021**
	K'000	**K'000**	**K'000**
Gross Written Premium	824,649.00	579,610.00	431,915.00
Premium ceded to Reinsurance	522,869.00	350,482.00	241,652.00
Net Premium Income (after premium ceded to Reinsurance)	301,780.00	229,128.00	190,263.00
Retention Ratio	36.59%	39.53%	44.05%

Source: ZSIC GI Audited Financial Statements

According to the PIA Annual reports, the low retention levels were attributed to low capitalisation of the Company.

ii. Statement of Financial Position

The Statement of Financial Position for ZSIC GI for the financial years ended 31st December 2021 to 2023 were as shown in table 8 below.

Table 8: Statement of Financial Position

Details	2023 K'000	2022 K'000	2021 K'000
Assets			
Cash and cash equivalents	53,266	52,434	74,618
Investment assets	42,316	33,896	20,368
Insurance contracts assets	195,825	307,152	161,882
Reinsurance contract assets	268,548	172,345	143,142
Other assets	10,851	14,458	20,920
Deferred tax asset	7,319	6,853	
Intagible assets	-	103	314
Investments properties	103,004	98,356	90,909
Property and equipment	90,970	84,147	79,944
Total assets	**772,099**	**769,744**	**592,097**
Liabilities			
Current tax liabilities	34,248	28,642	7,868
Other payables	133,310	128,019	225,991
Insurance contract liabilities	168,987	118,258	140,591
Reinsurance contract liabilities	140,342	146,857	37,639
Retirement benefit obligation	34,156	35,399	41,173
Total liabilities	**511,043**	**457,175**	**453,262**
Equity			
Issued capital	90,222	90,222	90,222
Retained earnings	(24,362)	35,696	(124,761)
Fair value reserve	195,196	186,651	173,464
	261,056	312,569	138,925
Total equity and liabilities	**772,099**	**769,744**	**592,187**

Source: ZSIC- GI Audited Financial Statements for the Financial Years ended 31st December 2021 to 2023

The following were observed:

- **Failure to Meet Capital Adequacy Requirement Ratio**

  Regulation 24 (2) of the Insurance (General) Regulations of 2022 states, "A licensed insurer or reinsurer shall maintain a capital adequacy requirement ratio of at least one hundred and fifty percent."

  The Capital Adequacy Requirement ratio is an indicator of how well a company can meet its obligations. The ratio is calculated by dividing a company's capital by its risk-weighted assets. See table 9 below.

Table 9: Calculation of Capital Adequacy Requirement Ratio

	CALCULATION OF AVAILABLE CAPITAL REQUIREMENT	K	K
1	**TOTAL VALUE OF ASSETS (Statement of Financial Position)**	**772,099**	
2	**LESS: TOTAL DISALLOWED ASSETS**		**33,735**
2.1	Loans to Shareholders, Directors, employee, Agents		**1,999**
2.2	Prepayments		**12**
2.3	Deferred acquisition costs		**(8,357)**
2.4	Insurance receivable over 14 days (Brokers)		**40,082**
3	**NET ALLOWABLE ASSETS: (1) - (2)**		**738,364**
4	**TOTAL VALUE OF LIABILITIES (Statement of Financial Position)**		**511,043**
5	**Total Policyholder Liabilities**		**246,076**
	Reinsurance contract liabilities		**140,342**
	Outstanding Claims Reserves (OCR)-Insurance contract liabilities		**105,734**
	Incurred but Not reported claims (IBNR)		**63,253**
6	**Current Liabilities**		**167,557.94**
7	**Non-Current Liabilities**		**34,156**
8	**AVAILABLE CAPITAL REQUIREMENTS: (3) – (4)**		**227,321**
PART B: CALCULATION OF MINIMUM CAPITAL REQUIREMENTS			
			Mar-23
			K'000
9	**RISK BASED MINIMUM CAPITAL REQUIREMENT: (7.1)+(7.2)+(7.3)+(7.4)+(7.**		**225,483**
7.1	Capital Required for Balance sheet Assets		141,976
7.2	Capital Required for investing above Concertation limit		2,579
7.3	Capital Required for policy liabilities		8,515
7.4	Capital Required for catastrophe risks		3,154
7.5	Capital Required for Reinsurance risks		6,914
7.6	Capital Required for Operational Risks		37,393
7.7	Capital required for guarantees issued		24,950
10	**ENTRY MINIMUM CAPITAL REQUIREMENT:**		**10,000**
11	**MINIMUM CAPITAL REQUIREMENT = HIGHER OF (9) OR (10)**		**225,483**
12	**CAPITAL ADEQUACY REQUIREMENT RATIO = PART A(8) ÷ PART B(11)**		**100.8%**

This ratio is calculated for 2023 only because the regulation came into effect on 31st December 2022

As can be seen from the calculation of the ratio, ZSIC GI achieved a Capital Adequacy Requirement Ratio of 100.8% in the year ended 31st December 2023 against the required one hundred and fifty percent (150%).

In this regard, the Company may fail to pay its debts when they fall due.

- **Failure to Collect Unremitted Premiums from Brokers – Inaction against Brokers**

Section 21(1) and (2) of the Insurance Act No. 38 of 2021 requires a licensed broker to transmit a paid premium less any agreed commission to a licensed insurer within fourteen days failure to which the broker shall pay interest at prevailing Bank of Zambia policy rate plus ten percent. Further, the ZSIC GI Intermediary Agreement with brokers adopted these requirements under clause 6.3.

A review of the broker debt age analysis availed for audit revealed that the Company was owed amounts totalling K54,451,993 by brokers as at 31st December 2023 which exceeded the fourteen-day allowable period provided for in the Act and the Intermediary Agreement debt had been outstanding for periods ranging from 15 days to over 365 days.

c. Compliance with Legislation/Regulation

i. Failure to Collect Premiums and Claims from Reinsurance

Clause 9.23 of the Credit Management Policy stipulates that all debts that remain outstanding after the normal recovery process has been exhausted and where the debt has reached 30 days past the due date would be passed on and followed up by the Debt Recovery Manager before being referred to a debt collection agency or for legal action.

ZSIC GI had reinsurance claims in amounts totalling K268,548,000 as at 31st December 2023 out of which K185,375,730 was collected leaving a balance of K83,172,270 as at 31st October 2024.

Additionally, it was noted that the Company had not remitted reinsurance premiums to the reinsurance companies in amounts totalling K140,342,000 as at 31st December 2023 which had reduced to K82,726,000 as at 31st December 2024.

ii. Failure to Collect Subrogation Fees

Subrogation is a right held by insurance carriers to legally pursue a third party that caused an insurance loss to the insured. This is done in order to recover the amount of the claim paid by the insurance carrier to the insured for the loss.

A physical verification of ZSIC GI branches revealed that amounts totalling K12,899,873 in unpaid subrogation fees remained outstanding as at 30th June 2024 for periods ranging from 181 days to above 365 days. See table 10 below.

Table 10: Stations that did not collect Subrogation Fees

No.	Station	Uncollected subrogation- 31.12.2023 K	Subrogation Collected Amount K	Unpaid Subgrogation - 31.05.2024 K	No of Clients	Period of Delay
1	Premium House	12,512,412	4,452,926	8,059,486	93	Above 365 days
2	Lusaka Branch	1,926,140	87,710	1,838,430	35	Above 365 days
3	Mazabuka	256,805	239,255	17,550	5	273 days
4	Choma	63,209	7,499	55,710	2	181 days
5	Kabwe	1,542,742	36,000	1,506,742	13	Above 365 days
6	Ndola	1,137,409		1,137,409	21	Above 365 days
7	Mongu	40,950		40,950	1	Above 365 days
8	Chipata	47,398		47,398	1	Above 365 days
9	Kafue	196,200		196,200	2	Above 365 days
	Total	**17,723,264**	**4,823,391**	**12,899,873**		

iii. Failure to Collect Insurance Premiums

Section 12(v) of the Credit Policy states that where the insured fails to pay the outstanding premium within thirty (30) days, the Company reserves the right to cancel the policy and take legal action to recover the outstanding premium with interest and legal costs.

A review of the financial statements revealed that as at 31st December 2023, there were uncollected premiums in amounts totalling K258,211,617. As at 30th June 2024, K66,898,041 had been collected leaving a balance of K191,312,200 as outstanding debt for periods ranging from 151 to 365 days .as shown in table 11 below.

Table 11: Stations with Uncollected Premiums

NO.	STATION	UNCOLLECTED 31.12.2023 K	COLLECTED AMOUNT K	UNCOLLECTED 31.05.2024 K	NUMBER OF CLIENTS	PERIOD OF DELAY
1	SOLWEZI DISTRICT OFFICE	2,686,521	995,755	1,690,766	108	151 - 365
2	CHINGOLA SUB BRANCH	4,972,251	1,531,305	3,440,946	209	
3	NDOLA	33,905,877	9,409,069	24,496,808	3,020	
4	CHOMA	2,465,677	858,544	1,607,133	406	
5	CHILILABOMBWE	947,423	10,197	937,226	61	
6	CHINSALI DISTRICT OFFICE	1,733,911	294,586	1,439,325	138	
7	CHIPATA DISTRICT OFFICE	2,403,519	626,521	1,776,998	117	
8	CHIRUNDU SALES POINT	751,390	442,676	308,714	66	
9	KABWE	10,975,427	2,160,956	8,814,471	501	
10	KASAMA DISTRICT OFFICE	3,166,145	204,142	2,962,003	206	
11	KITWE	61,867,712	3,158,906	58,708,806	1,024	
12	LIVINGSTONE SUB BRANCH	2,548,280	783,723	1,764,557	392	
13	LUANSHYA DISTRICT OFFICE	664,582	275,699	388,883	96	
14	LUSAKA BRANCH	25,692,143	14,425,749	11,266,394	1,120	
15	MANSA DISTRICT OFFICE	5,550,183	710,261	4,839,922	354	
16	MAZABUKA DISTRICT OFFICE	1,790,463	361,048	1,429,415	187	
17	MKUSHI DISTRICT OFFICE	1,537,702	654,885	882,817	81	
18	MONGU DISTRICT OFFICE	3,616,821	689,210	2,927,611	256	
19	MPIKA SALES POINT	972,519	22,339	950,181	73	
20	MUFULIRA DISTRICT OFFICE	1,944,131	62,182	1,881,949	231	
21	NAKONDE SALES POINT	567,728	1,260	566,468	22	
22	PREMIUM HOUSE	84,213,034	27,941,524	56,270,134	1,376	
23	WOODLANDS BRANCH	1,979,357	952,267	1,027,090	86	
24	KAFUE SALES POINT	976,456	235,875	740,581	75	
25	PETAUKE SALES POINT	282,365	89,362	193,003	62	
	GRAND TOTALS	**258,211,617**	**66,898,041**	**191,312,200**		

iv. Uncompetitive Procurement - Award of Service Level Agreement to Jaques and Partners Legal Practitioners

On 31st August 2020, ZSIC GI entered into a Service Level Agreement with Jaques and Partners Legal Practitioners for services which included undertaking on behalf of ZSIC GI, debt collection, litigation, legal opinions and such other legal services as shall be required or instructed upon by ZSIC GI through the Legal Counsel or anyone acting in that capacity. The Service Level Agreement expiry date was 27th August 2021 subject to renewal. A review of payment vouchers and other financial records revealed that ZSIC GI had paid the Firm an amount of K6,719,170 for the period between February 2021 and November 2022 for debt collection services on behalf of the Company.

Section 59 of the Public Procurement Act No. 12 of 2008 states, “The Authority may, in a prescribed manner and form permit a procuring entity to deviate from the use of a public procurement method, rule, process or document— (a) where exceptional requirements make it impossible, impractical or uneconomical to comply with the provisions of this Act; (b) where market conditions or behaviour do not allow the effective application of the procurement methods, rules, processes or documents; or (c) specialised or particular requirements are regulated or governed by international standards or practices."

Contrary to the Act, a review of the documentation availed for audit revealed that ZSIC GI contracted Jacques and Partners Legal Practitioners for debt collection, litigation, legal opinions and such other legal services.

In response management stated that it had considered Rule 16 of the Legal Practitioners Rules Statutory Instrument No. 51 of 2002 that prohibits any legal practitioner from tendering for legal professional business. Although the Public Procurement Act applies to all public procurements, procurement of legal services cannot ordinarily be done within the provisions of the Public Procurement Act by virtue of the prohibition on legal practitioners against tendering for legal professional business whether public or private. Consequently, Management recommended the names of firms that it intended to use for debt collection to the Board and was granted permission to do so which included Jaques and Partners.

However, this did not discharge management from seeking a waiver to use a different procurement method from that prescribed by the Public Procurement Act.

v. Failure to Pay Outstanding Statutory Obligations – ZRA

A review of the financial statements for ZSIC GI revealed that the Company owed Zambia Revenue Authority amounts totalling K29,415,473 in respect of Value Added Tax (VAT) as at 31st December 2023 some of which had been outstanding from as far back as 2008.

vi. Irregular Purchase of Motor Vehicles more than 10 years old.

According to the 2021 to 2022 Conditions of Service, a car loan shall be paid based on the following conditions:

- Employee is confirmed,
- The vehicle being purchased is less than 10 years old.
- Absolute owner of the vehicle shall be the employer.
- Vehicles should be comprehensively insured.
- Interest shall be charged at 8% reducing balance.

A review of the white books for the vehicles which were purchased through the car loan scheme revealed that contrary to the Conditions of Service, there were fourteen (14) vehicles which were more than 10 years old at the time they were procured. See table 12 below.

Table 12: Vehicles Purchased which are more than 10 years old

No.	Name	Loan Amount K	Car Name	Date of Purchase	Year of Make	Car Age (Years)
1	Employee 1	150,000	Toyota Vanguard	12/12/2023	2011	12
2	Employee 2	120,000	Toyota Auris	3/6/2023	2008	15
3	Employee 3	81,000	Nissan Wingroad	9/2/2022	2010	12
4	Employee 4	93,951	Toyota Corolla Axio	7/28/2022	2009	13
5	Employee 5	145,000	Toyota Mark X	5/24/2022	2010	12
6	Employee 6	150,000	Mercedes Benz C Class	4/26/2022	2007	15
7	Employee 7	145,000	Toyota Auris	2/4/2022	2011	11
8	Employee 8	145,000	Nissan X Trail	6/6/2022	2008	14
9	Employee 9	150,000	Toyota Premio	2/3/2022	2009	13
10	Employee 10		Toyota Rav 4	4/5/2022	2008	14
11	Employee 11	149,049	Mercedes Benz C Class	5/4/2022	2010	12
12	Employee 12	79,519	Honda Fit	3/1/2022	2008	14
13	Employee 13	150,307	Mercedes Benz C Class	4/7/2022	2011	11
14	Employee 14	145,000	Toyota Allion	2/4/2022	2009	13

d. Other Information

i. Failure to Adopt ICT Standards and Frameworks

There are several standards and frameworks, which are applicable internationally and generally used in the implementation, operation and auditing of Information and Communication Technology (ICT) environments. These include, among others:

- Information System Audit and Control Association (ISACA) - Control Objectives for Information and related Technology (CoBIT),
- The Information Technology Infrastructure Library (ITIL),
- ISO 27001: 2022 Information Security Management Systems,
- Smart Zambia Information Communication Technology (ICT) governance guidelines.
- ISO/IEC 20000 – Information Technology Security Management Standard, Generic Framework for Information Management

However, despite the availability of various frameworks which ZSIC GI could have utilized or adopted, the company did not adopt any ICT Standards and frameworks for managing its ICT operations during the period under review.

As a result of not adopting any ICT framework or standards the Company did not have a sound basis or systematic means for benchmarking or measuring performance of IT activities or processes. Consequently, it was difficult to identify, improve and modify any weaknesses in the various IT controls.

ii. Disaster Recovery and Business Continuity

Business continuity planning is the process an organisation uses to plan and test the recovery of its business processes after a disruption. It also describes how an organisation will continue to function under adverse conditions that may arise (for example, natural or other disasters, or even in the absence of key personnel).

The following was observed.

- **Failure to Conduct Business Impact Analysis**

  CoBIT BAI 04.02 provides that; an Institution should assess business impact by identifying important services to the enterprise, map services and resources to business processes, and identify business dependencies and ensure that the impact of unavailable resources is fully agreed on and accepted by business users.

  A review of DRP and BCP revealed that ZSIC GI had not conducted a business impact analysis as there was no evidence of the recovery time objective and the recovery point objective being defined in the BCP/DRP. In this regard, the company had not determined the acceptable downtime and the acceptable data loss in case of disruption of operations which may result in loss of funds.

- **Failure to Test Backup Restoration**

  ISO/IEC 27001:2013 A12.3.1 on information backup emphasizes the importance of backup procedures to safeguard critical data, software, systems, and the need to test restoration of the backed-up information so that in an event of disruption, business continues as a going concern.

  During the period under review, it was observed that ZSIC GI Limited did not test the backup information to assess whether it fully restores information in an event of an incident. This may result in failure to restore Infoins application systems, loss of data in an event of an incident.

iii. Use of Unsupported Database

ISO/IEC 27001:2013 A12.6.1 on management of technical vulnerabilities, requires that an organisation obtains in a timely fashion, information about technical vulnerabilities of information systems being used, the exposure to such vulnerabilities should be evaluated and appropriate measures taken to address the associated risk. This control measure aims to prevent exploitation of technical vulnerabilities.

It was observed that ZSIC GI was operating the Oracle database 12 C for the Info ins system. However, according to Oracle Corporations, support for Oracle 12 C ended on July 31st July 2022.

This implied that the database does not receive new security updates, fixes to non-security related problems or receive online technical content updates. This exposed the database to malware and virus attacks that could compromise and/or corrupt data on the system.

iv. Failure to Enable Logs on the ZSIC GI Limited Database- Agent Portal Module

CoBIT DSS06.03 stipulates that logging and monitoring of activities should include successful and failed login attempts to ensure that all access to information and systems is traceable.

Further, the system user requirements for InfoIns Part 5.2.13 Controls in the Agent Portal Module Part 11 specified that separate event log shall be maintained for successful and rejected access attempts and all security logs and event logs shall be done for portal users, core application users and administrators.

A review of the system revealed that even though the logs were implemented, they were not enabled, making it difficult to account for activities on the system.

24 ZAMBIA STATE INSURANCE CORPORATION – LIFE

24.1 Background

a. Establishment

ZSIC Life Plc was incorporated on 23rd April 2008 under the Companies Act, CAP 388 of the Laws of Zambia and commenced business on 1st January 2009. It is a subsidiary of the Industrial Development Corporation (IDC), an entity which is wholly owned by the Government of the Republic of Zambia. The Company is licenced to underwrite all classes of Life Insurance Business and is also an authorised pension fund administrator for various participating employers through the Zambia State Insurance Pension Trust Fund (ZSIPTF), registered as a trust, and other standalone schemes. The products of the Company include; financial protection savings, investment, education plan, employee benefit, retirement plan and financial planning.

b. Governance

i. Board of Directors

ZSIC Life Plc is governed by a Board of Directors appointed by the Industrial Development Corporation (IDC) on three (3) year renewable terms. Section 8.2 of the ZSIC Life Plc Board Charter stipulates that the number of the Board of Directors shall be large enough to ensure a range of knowledge, view and experience and that the number of members would be between six (6) and eight (8) of which the majority would be non- executive.

The Corporation's Board of Directors provides overall guidance in the planning and implementation of the Corporation's activities. As of October 2024, the Board of Directors consisted of five (5) Non-Executive members and one (1) Executive member who was the Managing Director, bringing the total members to six (6).

ii. Management

ZSIC – Life Plc is headed by a Managing Director and is assisted by six (6) Directors and two (2) heads of departments. The Directors include Director Legal, Director Group Risk, Director Technical and Actuarial Services, Director Finance, Director Pensions and Director Information Technology, while Investment and Human Capital and Administration are headed by Heads of Departments.

The management team is appointed by the Board on a five (5) year renewable contract.

c. Information and Communication Technology System

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

i. Zamsure ERP

The System is used to manage individual life insurance, pension's administration, group risk, annuities and real estate.

ii. Micro Pay Payroll:

The system is used to manage the payroll.

iii. Sun System:

The System is used to manage financial accounting, asset management, budgeting and procurement.

d. Source of Funds

The Company draws its funds from:

i. Premium Income;

ii. Investment Income and

iii. Other incomes

24.2 Audit Findings

A review of accounting and other records for the financial years ended 31st December 2021, 2022 and 2023 conducted at the ZSIC Life Plc and selected stations revealed the following:

a. Failure to Achieve Targets in the Strategic Business Plan

ZSIC Life PLC had developed a Strategic Business Plan (SBP) for the period 2021 to 2023 with a theme of enhancing customer experience through digital transformation. It had four (04) strategic themes namely;

- Grow Shareholder value
- Customer Centricity

- Operational Excellence
- Effective Human Capital Development

The main objective of the ZSIC Life PLC Strategic Plan was to increase ZSIC Life's Market Share to 15% of the Long-Term Insurance industry and gain a full listing on the Lusaka Stock Exchange (LUSE) by the end of the plan on 31st December 2023.

A review of the Strategic Themes Targets against actual results stated in the "Past Performance review of the 2021 to 2023 Strategic Plan" revealed the following as shown in table 1 below.

Table 1: Strategic Business Plan 2021-2023

No.	Expected Outcome	Measures	Baseline (2020)	Target	Actual	Achieved
STRATEGIC THEME: GROW SHAREHOLDER VALUE						
1	Increased GWP	GWP Growth (ZMW Million)	150	331	250	No
2	Increased Other Income	Increase In Other Income (ZMW Million)	97	129	65	No
3	Increased Profitability	Profit Before Tax (ZMW Million)	25	19	7.2	No
		Profit After Tax (ZMW Million)	16	12.1	4.7	No
4	Capital Raising	Full listing	Quoted 2nd tier	1	0	No
5	Presxcribed Solvency Margin	Solvency Margin	104%	150%	135%	No
6	Restructured Real Estates Portfolio	Percentage of rent revenue collection P/A	50%	80%	88%	Yes
7	Improved Liquidity Target Ratio	Liquidity ratio	2.6:1	2.8:1	1.9:1	No
8	Reduced OPEX	Percentage of expenses to revenue	94%	88%	64%	`No
STRATEGIC THEME: CUSTOMER CENTRICITY						
9	Reduced Customer Complaints	Percentage of complaints resolved	50%	70%	35%	No
		(No of complaints resolved)		(1,400)	(700)	
10	Increased Customer Retention	Number of cancellations and surrenders	3000	500	3000	Yes
		Percentage of Non-Renewals	0%	0%	15.00%	
11	Increased New Customer Acquisition	Number of new policies sold	12000	13,000	18,000	Yes
		Number of new schemes (Value of new business)	17	20 (K10m)	13 (K5.2m)	No
12	Improved Customer Satisfaction	Customer satisfaction index	Below 50%	70.00%	53.00%	No
13	Increased Market Share	Percentage	8.26%	15.00%	11.30%	No

No.	Expected Outcome	Measures	Baseline (2020)	Target	Actual	Achieved
STRATEGIC THEME: OPERATIONAL EXCELLENCE						
14	Increased Number of Products Reviewed	Number of products reviewed	21	2	3	Yes
15	Improved Engagement with Intermediaries through Digital Platforms	Percentage of interactions through Digital Platforms	40%	90%	5%	No
		(Number of agent interactions with the system)		450	25	
16	Reduced Fraud	Reduction in fraudulent business (P/M)	100	20	50	Yes
17	Increased Level of Automation	Percentage of business process automated	25%	90%	85%	No
		(Business Modules)		40	34	
18	Call Centre Setup	Fully functional Call Centre	0%	0%	100%	Yes
19	Improved Claims Payment Turnaround Time	Average Turnaround time (Days)	150	30	150	Yes
20	Outstanding Claims Settled	Individual Life Outstanding Amount (K 'million)	70	0	81	Yes
		Group Life Outstanding Amount (K 'million)	27	0	20	
21	Compliant with Statutory Requirements	Percentage of Compliance	60%	100%	67%	No
22	Company Policies			100%	50%	No
23	Improved Budget Adherence	Percentage of Adherence	85%	95%	95%	Yes
STRATEGIC THEME: EFFECTIVE HUMAN CAPITAL DEVELOPMENT						
24	Improved Productivity	Per Capita Productivity	K1.7 Million	K2.1 Million	K1.6 Million	No
25	Improved Knowledge and Skills	Percentage of Employees Trained	70%	80%	50%	No
26	Best Talent Attracted and Retained	Staff Turnover	3%	3%	4%	Yes
27	Employee wellness (health and safety of employees) in the work environment	Number of wellness campaigns per year	2	16	16	Yes

As can be seen from the table above, out of the twenty-seven (27) planned outcomes only eight (8) were achieved leaving a balance of nineteen (19) unachieved.

b. Budget and Income

During the period under review, the Corporation budgeted to generate and receive funds from premiums, annuities and health insurance administration fees in amounts totalling K1,455,720,000 towards which amounts totalling K843,608,000 were received and generated resulting in a negative variance of K612,112,000 as shown in table 2 below.

Table 2: Budget and Income

Year	Budget K'000	Actual K'000	Variance K'000
2021	489,716	181,236	308,480
2022	558,841	235,489	323,352
2023	407,163	426,883	(19,720)
Total	**1,455,720**	**843,608**	**612,112**

c. Financial Analysis

i. Statement of Profit or Loss and Other Comprehensive Income

The Statements of Profit or Loss and Other Comprehensive Income of ZSIC Life for the financial years ended 31st December 2021, 2022 and 2023 were as shown in table 3 below.

Table 3: Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	2023 K'000	2022 K'000	2021 K'000
Insurance service revenue	200,891	210,346	181,236
Insurance service expenses	(226,016)	(245,645)	(217,580)
Net expenses from reinsurance contracts	(1,804)	(5,424)	(416)
Insurance Service Result	**(26,929)**	**(40,723)**	**(36,760)**
Investment Income	**155,464**	**79,707**	66,455
Expected Interest on Fulfillment Cashflows	(30,009)	(57,789)	
Interest accreted to CSM	(30,415)	(16,317)	
Insurance finance expenses	**(60,424)**	**(74,106)**	**(64,331)**
Investment result	95,039	5,602	
Other income	**70,528**	**41,248**	24,775
Other expenses	**(20,041)**	**(25,490)**	21,962
Profit/(loss) before tax	118,596	(19,364)	(34,763)
Income tax expense	0	(4,017)	5,570
Profit/(loss) for the year	**118,596**	**(23,381)**	**(29,193)**
Other comprehensive income			
(Loss)/Gain on revaluation of PPE	(13,331)	3,242	1,949
Disposal of revalued asset	0	(344)	0
Change in Defined Benefit deficit	200	(26,911)	40,907
Total other comprehensive (loss)income	**(13,131)**	**(24,013)**	**42,856**
Total Comprehensive Income	**105,465**	**(47,394)**	**13,663**

Source: ZSIC Life financial statements for the year ended 2021-2023

An analysis of the Statement of Profit or Loss and other Comprehensive Income over the three (3) years revealed the following:

- **Failure to Declare and Pay Dividends**

  The Performance based contract between the Industrial Development Corporation (IDC) and ZSIC Life PLC set the dividend pay out ratio at 35% of the Profit After Tax for each of the years 2021, 2022 and 2023.

  A review of the financial statements revealed that the company posted Losses of K29,193,000 and K23,381,000 in the years 2021 and 2022 respectively and a profit of K118,596,000 in 2023. As a result of the losses posted in 2021 and 2022 the company was not able to declare and pay dividends. However, there was no evidence that dividends were declared in 2023 when the Company posted a profit.

- **High Claims Ratio**

  Claims ratio measures net claims paid as a percentage of net earned premium. The performance based contract between the Industrial Development Corporation and the Board of the ZSIC Life Insurance Ltd set the target ratio at 53%, 50% and 46% for the years ended 2023, 2022 and 2021 respectively.

  However, the Company exceeded the target claim ratio and recorded ratios of 59%, 67% and 70% in the respective financial years. See table 4 below.

Table 4: Claims Ratio

Claim Ratio = Claims Incurred/Net Earned Premium			
Year	**2023**	**2022**	**2021**
Denomination	**K'000**	**K'000**	**K'000**
Net premium	241,910	223,305	180,820
Claims	143,351	148,891	127,399
Claims raito	59%	67%	70%
Target by IDC	53%	50%	46%

As shown in the table above, the Company was spending a higher proportion of its premium income on claims than the set target by IDC.

The high claims ratios led to a subsequent increase in ZSIC life's outstanding claims of K97,100,000 in 2023, K75,600,000 in 2022 and K91,900,00 in 2021 due to the financial strain caused by the high claims ratio.

- **High Retention Ratio**

  A retention ratio is a percentage of the business covered by insurance companies that is not transferred to reinsurance. According to the Pensions and Insurance Authority (PIA) Annual reports the Long Term Insurance Industry Retention Ratios were set at 87.53%, 84.84%, and 81.45% for the years 2023, 2022 and 2021 respectively.

  However, a review of the Financial Statements revealed that the Company recorded retention ratios of 95.36%, 94.23% and 99.77% for the years ended 2023, 2022 and 2021 respectively. This was above the Long Term Insurance Industry ratios. See table 5 below.

Table 5: Retention Ratio

Retention Ratio = Net Premium/Gross Written Premium			
Year	**2023**	**2022**	**2021**
Denomination	**K'000**	**K'000**	**K'000**
Gross written premium	254,049	235,489	181,236
Net premium	241,910	223,305	180,820
Retetion ratio	95.22%	94.83%	99.77%
Insurance Service Result	(26,929)	(40,723)	(36,760)
Industry Wide as per PIA	87.53%	84.84%	81.45%

Source: ZSIC Life Audited Financial Statements

According to the PIA Annual reports, the low retention levels were attributed to low capitalisation of insurance companies which may expose the company to higher proportions of claims which they may not be able to settle.

ii. Statement of Financial Position

The Statements of financial position of ZSIC Life for the financial years ended 31st December 2021, 2022 and 2023 were as shown in table 6 below.

Table 6: Statement of Financial Position

Ststement of Financial Position	2023 K'000	2022 K'000	2021 K'000
Assets			
Cash and Cash Equivalent	10,669	11,658	32,158
investment Assets	117,379	92,104	122,900
Insurance Contract Assets	41,565	29,146	17,501
Deferred Assets	61,108	51,654	-
Other Assets	47,573	40,720	91,417
Intangible Assets	11,370	11,731	-
Investment Properties	411,805	280,155	150,040
Property and Equipment Owned	65,329	78,367	78,217
Total Assets	**766,798**	**595,535**	**492,233**
Liabilities			
Current Income Tax Liabilities	13,444	9,374	7,090
Other Liabilities	239,625	209,874	218,290
Insurance Contract Liabilities	335,914	300,220	277,166
Reinsurance Contract Liabilities	7,802	8,145	2,724
Provisions	21,744	12,861	3,505
Employee benefit Obligations	53,487	54,511	13,347
Total Liabilities	**672,016**	**594,985**	**522,121**
Equity			
Share Capital	12,000	12,000	12,000
Share premium	80,000	80,000	80,000
Retained Earnings	(177,029)	(284,592)	(312,132)
Other Reserves	179,811	193,142	190,244
	94,782	550	(29,888)
Total Equity and Liabilities	**766,798**	**595,535**	**492,233**

The following were observed:

- **Failure to Meet Capital Adequacy Requirement Ratio**

  Regulation 24(2) of the Insurance (General) Regulations of 2022, states, “A licensed insurer or reinsurer shall maintain a capital adequacy requirement ratio of at least one hundred and fifty percent.”

  It was observed that ZSIC Life had a Capital Adequacy Requirement of 16.2% in 2022 and negative 2.03 in 2023. These ratios were far below the required ratio of 150%. See table 7 below.

Table 7: Statement of Capital Adequacy Requirement Ratio as at 31st December 2023

PART A CALCULATION OF AVAILABLE CAPITAL REQUIREMENT		
Details	**2023 ZMW'000**	**2022 ZMW"000**
Tier 1 Capital (Total Equity + Bal Sheet Assets)	766,798	819,972
Tier 2 (Preference Share, Ordinary Share Stocks)	-	
(1) TOTAL VALUE OF ASSETS (Statement of Financial Position)	766,798	819,972
(2) LESS: TOTAL DISALLOWED ASSETS (as per Section 2 of SI 105 of 2022)	108,409	176,952
(3) NET ALLOWABLE ASSETS: (1) - (2)	658,389	643,020
(4) TOTAL VALUE OF LIABILITIES (Statement of Financial Position)	672,016	624,944
(5) AVAILABLE CAPITAL REQUIREMENTS: (3) - (4)	(13,627)	18,076
PART B: CALCULATION OF MINIMUM REQUIREMENTS		
Details	**Date: Current Period**	
(1) IOCAR	189,604	111,603
(2) INVESTMENT ADJUSTMENT FACTOR:	0.72	
(3) OCAR	672,748	111,603
(4) ENTRY MINIMUM CAPITAL REQUIREMENT	12,000	12,000
(5) MINIMUM CAPITAL REQUIREMENT: HIGHER OF (3) OR (4)	672,748	111,603
(6) CAPITAL ADEQUACY REQUIREMENT = PART A(5)/ PART B (5)	**-2.03%**	**16.20%**
*The ideal regulatory target CAR ratio is 150%. An insurer is considered insolvent if its CAR ratio is below 110%		

In this regard, the going concern of ZSIC Life Ltd was questionable owing to its failure to meet the required Capital Adequacy Ratio as the company may fail to pay its debts when they fall due.

- **Asset Turnover Ratio**

  The performance-based contract between the Industrial Development Corporation and the Board of the ZSIC Life PLC set the target for the asset turnover ratio at 45%, 138%, and 80% for the three years ended 31st December 2021, 2022 and 2023. However, the company achieved an asset Turnover Ratio of 33%, 40% and 37% for the years 2021, 2022 and 2023 respectively, which were below the set targets as shown in table 8 below.

Table 8: Asset Turnover Ratio

Asset Turnover = Insurance Service Revenue (GWP)/Total Assets			
Year	**2023**	**2022**	**2021**
Denomination	**ZMW'000**	**ZMW'000**	**ZMW'000**
Gross Written Premium	254,049	235,489	181,236
Total Assets	766,798	595,535	492,233
Asset Turnover Ratio Achieved	33%	40%	37%
Targetted Asset Turnover Ration	80%	138%	45%

The low asset ratios indicate that the company was not efficiently using the assets to generate revenue to the expected targets.

- **Accounts Receivable Days**

  Accounts Receivable Days is a financial metric that provides insight into how quickly a company collects cash from its credit sales.

  The performance-based contract between the Industrial Development Corporation and the Board of the ZSIC Life PLC set the target for accounts receivable days as 55 days for Corporate Business. Although, the accounts receivable days of 35 days in 2021 and 51 days in 2022 were within the set target of 55 days, the 76 days posted in 2023 was above the set target. See table 9 below.

Table 9: Receivable Days

Receivable Days= Insurance Receivable /Insurance Service Revenue x 365 days			
Year	**2023**	**2022**	**2021**
Denomination	**ZMW'000**	**ZMW'000**	**ZMW'000**
Insurance receivables	41,565	29,146	17,506
Insurance service revenue	200,891	210,346	181,236
Receivable Days	76	51	35
Target Receivable Days	55	55	55

As can be seen from the table above the insurance receivables increased by K24,059,000 from K17,506,000 in 2021 to K41,565,000 in 2023 which was similar to the increase in accounts receivable days from 35 days in 2021 to 76 days in 2023. This has an implication on the Company's cashflows which may affect the ability to settle obligations as they fall due.

d. Operational Matters - Management of Premiums and Claims

i. Failure to Meet Revenue Targets

During the period under review, a revenue target of K317,447,277 was set for individual policies. However, only K115,744,723.14 was collected, resulting in a shortfall of K201,702,554. See table 10 below.

Table 10: Comparison of Actual Revenue against Targets

Description	2023 ZMW	2022 ZMW	2021 ZMW	Total K
Budgeted	86,543,757	113,750,400	117,153,120	317,447,277
Actual Collections	53,770,003	32,060,166	29,914,555	115,744,724
Variance	32,773,754	81,690,234	87,238,565	201,702,553
Outstanding Claims	97,100,000	75,600,000	91,900,000	264,600,000

As can be seen in the table above, the company did not generate sufficient revenue to enable it settle its outstanding claims which may lead to liquidity challenges.

ii. Failure to Collect Premiums

Section 21(1) and (2) of the Insurance Act No 38 of 2021 provides that; a licenced broker shall transmit a paid premium less any agreed commission to a licenced insurer within fourteen (14) days.

However, during the period under review, amounts totalling K62,859,000 in premiums were collected by brokers out of which amounts totalling K25,144,000 were transmitted leaving a balance of K37,715,000 representing 60% of uncollected premiums. These premiums have been outstanding for periods of over ten (10) months.

iii. Failure to avail Claims Policy

Section 28 (1) of the Insurance Act of 2021 provides that a licensed insurer shall, where a claim is made, in writing, by a policyholder and the licensed insurer accepts liability, the licensed insurer shall settle the claim within a prescribed period.

Contrary to the above section, ZSIC Life PLC did not have a policy that stipulated the period within which claims were to be settled. A scrutiny of the audited financial statements for the period under review revealed that as a result of the lack of the policy, the Company had outstanding claims in amounts totalling K97,151,000 and reinsurance claims in amounts totalling K7,802,000 had been outstanding as at 31st December 2023.

iv. Onerous/Loss Making Products

IFRS 17 Insurance Contracts stipulates in part that an insurance contract is deemed to be onerous when the expected future cash outflows such as claims and benefits exceed the expected future inflows such as premiums thus making the contract loss making.

A review of the Company's Profitability Assessment for the period 2018-2022 as presented in the 2024 to 2026 Strategic Business Plan revealed that the ZSIC Life

Plc product portfolio had onerous contracts resulting in a market leading loss ratio of 68% in 2022, which was 24.11% higher than the industry average. The table below shows the volume of onerous contracts per policy.

Table 11: Onerous Products

No.	Name of Policy	Volume of Onerous Products
1	Anticipated Endowment	2,049
2	Annuity	14
3	Anticipated Whole Life Endowment	6,576
4	Child Endowment	31
5	Credit Life	13,631
6	Endowment	691
7	Family Funeral Expenses	3,547
8	Gratuity	46
9	School Fees	1,470
10	Whole Life	32
11	Chikwama	590
12	Classic Invest	1
13	Kwacha Plus	7

In this regard, ZSIC life's failure to adjust its underlying pricing assumptions resulted in selling its products at a loss. The situation was also attributed to inefficient underwriting processes resulting in undercharged premiums and increased claims and benefit payments.

e. Management of Real Estates

i. Loss Making Properties

A review of Property Management Reports for the period under review, revealed that there were four (4) properties which made losses in amounts totalling K818,219. These resulted in a negative impact on the overall profitability of the investment. See table 12 below.

Table 12: Loss Making Properties

No.	Property Name	2023 (K)			2022 (K)			2021 (K)		
		Revenue	Expenses	Loss	Revenue	Expenses	Loss	Revenue	Expenses	Loss
1	Zamsure Sports Complex	6,800	463,925	(457,125)	24,487	425,056	(400,569)	21,329	581,744	(560,415)
2	30 Kopa Flats	-	79,595	(79,595)	-	111,445	(111,445)	2,000	67,925	(65,925)
3	70 Kwacha Guest House	-	28,799	(28,799)	-	-	-	51,000	99,145	(48,145)
4	Biverks Flats	-	91,194	(91,194)	19,012	74,197	(55,185)	15,528	159,262	(143,734)
	Total	6,800	663,513	(656,713)	43,499	610,698	(567,199)	89,857	908,076	(818,219)

ii. Failure to Collect Rent

Section 4(a) of the Lease Agreements between ZSIC Life PLC and the respective tenants' states that rent shall be payable in advance on the first day of the month when due. Further section 9 (a) states that if the tenant fails to pay rent or any amount due in terms of the lease on the due date, the landlord shall be entitled to terminate the lease on written notice within seven (7) days to the tenant and to resume possession of the demised promises.

A review of the receivable's ledger for the Zamsure ERP-Real Estates Management Module revealed that there were 700 tenants who had not paid rent in amounts totalling K23,493,959 for periods ranging from 2 to 102 months and no action had been taken against the tenants.

f. Administrative Issues - Fuel without Receipt and Disposal Details

Regulation 7 of the Public Finance Management (Public Stores) Regulations of 2022 states, "An office holder in charge of stores shall maintain the following books, records or registers: stores ledger; stores demand, issue and receipt vouchers; Stock Receipt Cost Sheet; or any other document as may be determined by the Secretary to the Treasury or a controlling body."

During the period under review Management paid a total of K11,832,599 for the procurement of fuel. However, there was no documentary evidence in form receipt and disposal details availed to show how the fuel was utilised.

g. Failure to Remit Statutory Obligations

Contrary to Income Tax Act Chapter 323 of the Laws of Zambia, amounts totalling K101,820,046 deducted from employees and due to Zambia Revenue Authority had not been remitted to the Authority as at 31st July 2024.

Further, amounts totalling K51, 252,650 deducted from various officers at ZSIC Life Plc as pension contributions to ZSIC Pensions Trust Fund had not been remitted as at 31st July 2024.

25 THE ZAMBIA STATISTICS AGENCY

25.1 Background

a. Establishment

The Zambia Statistics Agency was established by the Statistics Act No 13 of 2018 which is the sole designated entity responsible for the publication of official statistics. The functions among others are to develop and coordinate an integrated National Statistical System, compile, analyse, abstract and disseminate demographic, social, economic, financial, agricultural, environmental and other statistics.

b. Governance

Section 8 (1) of the Statistics Act provides for the appointment of the Board of the Agency by the Minister, which consists of the following part-time members:

(a) the Chairperson, who is qualified and experienced in the field of statistics relating to demography, economics, social sciences, mathematics or any related field;

(b) a representative of the Attorney - General;

(c) a representative of the ministry responsible for national statistics;

(d) a representative of the Bank of Zambia;

(e) a representative each from—

(i) the private sector;

(ii) a research institution;

(iii) a public higher education institution;

(iv) a private higher education institution; and

(f) one person with proven knowledge and experience in matters relevant to the Act.

Section 8 (2) of the Act states "the members shall elect the Vice-Chairperson from among themselves."

Section 11 (1) and (3) of the Act states "the Board shall appoint a Statistician-General, on the terms and conditions that the Emoluments Commission may determine, and that the Statistician-General is the Chief Executive Officer of the Agency and is responsible, under the direction of the Board, for the day-to-day administration of the Agency."

c. Management

The Chief Executive officer who is the Statistician-General is responsible for day-to-day operations of the Agency and is assisted by Director of Administration, Assistant Director economics and financial statistics, Assistant Director Population and Social, Assistant Director Agriculture, Environment and Fisheries, Assistant Director Research, Information and Dissemination and ten (10) Provincial Statistician Officers.

d. Sources of Funds

According to the Act, the funds of the Agency shall consist of such moneys as may:

(a) be appropriated to the Agency by Parliament for the purposes of the Agency;

(b) be paid to the Agency by way of grants or donations;

(c) be obtained through sale of publications; and

(d) otherwise vest in or accrue to the Agency.

e. Management Information Systems

During the period under review the Agency operated six (6) standalone Management Information Systems namely:

- Consumer Price Index (CPI) Management Information System and Rate of Inflation Management – This was used to measure various facts such as the consumer price index and the rate of inflation.
- CS-Pro Management Information System – This was used for census survey processing.
- Zamstat Portal – This was used for dissemination of information.
- Zamstat Website – This was used for dissemination of information.
- NADABUS – This was used for producing gross domestic product-GDP.
- Survey Solutions

f. Budget and Income

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2021, 2022 and 2023, a total provision of K223,180,486 was made to cover for Grants and Population Census against which amounts totaling K1,024,655,397 were released resulting in an over funding of K801,474,911 as detailed in table 1 below.

Table 1: Budget Vs Actual

Details	2023		2022		2021		Grand Totals		
	Budget (K)	Actual (K)	Budget (K)	Actual (K)	Budget (K)	Actual (K)	Budget (K)	Actual (K)	Variance (K)
Population Census	30,000,000	16,500,000	85,000,000	732,599,670	100,000,000	267,119,736	215,000,000	1,016,219,406	(801,219,406)
Grant	2,850,772	2,850,765	2,850,772	3,139,177	2,478,942	2,446,048	8,180,486	8,435,991	(255,505)
	32,850,772	**19,350,765**	**87,850,772**	**735,738,847**	**102,478,942**	**269,565,784**	**223,180,486**	**1,024,655,397**	**(801,474,911)**

In addition, an amount of K121,000,000 was retained from the year 2021 for the purpose of conducting Census in 2022 bringing the total funds received for the period under review to K1,145,655,397

25.2 Audit Findings

An examination of accounting and other records maintained at the Agency Headquarters and selected stations for the financial years ended 31st December 2021, 2022, and 2023 and the physical inspections revealed the following:

a. Lack of Strategic Plan

A Strategic Plan serves as a guiding framework for an organization's future outlook, setting strategies to achieve its goals and defining the allocation of resources to priority areas.

It was observed that during the period under review, the Agency operated without a strategic plan. As at 31st December 2024, the strategic plan was not in place.

b. Information and Communication Technology Systems

A review of the Agency’s management information systems and their operations revealed the following:

i. Failure to Adopt ICT Standards and Frameworks

Cobit 5 EDM01 *Ensure Governance Framework Setting and Maintenance* provides that an organisation should analyse and articulate the requirements for the governance of enterprise IT, and put in place and maintain effective enabling structures, principles, processes and practices, with clarity of responsibilities and authority to achieve the enterprise’s mission, goals and objectives.

There are several standards and frameworks, which are applicable internationally and generally used in the implementation, operation, management and auditing of Information and Communication Technology (ICT) environments. These include:

- Control Objectives for Information and related Technology (COBIT)
- Information Technology Infrastructure Library (ITIL),
- ISO/IEC 27001:2022 and ISO 20000 Information Security Management Systems,

Despite the availability of various frameworks which the Agency could have adopted, the institution had not adopted any ICT Standards and framework for managing its ICT operations as at 31st December 2024.

As a result of not adopting any ICT framework or standards, the institution did not have systematic means for benchmarking or measuring performance of its ICT activities or processes.

ii. Lack of IT Strategic Plan

According to COBIT APO02.05, an organization should define the strategic plan and road map in co-operation with relevant stakeholders on how IT- related goals will contribute to the enterprise strategic goals. The plan should describe how IT will support IT-enabled investment programs, business processes, IT services and IT assets.

However, it was observed that as of September 2024, Zambia Statistics Agency was operating without an ICT Strategic Plan. It was therefore difficult to establish whether IT investments and activities such as the procurement of computers and accessories and maintenance of management information systems were being driven by a clear business objective in the Strategic Plan.

iii. Lack of IT Steering Committee

CoBIT APO01.01 requires institutions to establish an internal and extended organizational structure that reflects business needs and IT priorities. In addition, institutions must put in place the required management structures (e.g., committees) that enable management decision-making to take place in the most effective and efficient manner.

It was however, observed that Zambia Statistics Agency had not constituted an IT Steering Committee or its equivalent to oversee the process of implementing and monitoring the institution's IT projects and activities.

Consequently, IT enabled investments such as the CP-Pro, CPI, Survey Solutions among others for capturing and processing of census and other data were implemented without guidance of the IT Steering committee.

iv. Lack of ICT Security Policy

A review of documentation and interviews with the IT and Census Manager at the Agency revealed that although the Agency, had in use a number of information systems such as CPI Management Information System, CS-Pro, Survey Solutions and NADABUS for capturing and processing data, there was no evidence availed to indicate that the Agency had a Security Policy in place.

c. Accounting and other irregularities

i. Misapplication of Funds

Section 11 (1) (j) of the Public Finance Management Act No. 1 of 2018 states, "A controlling officer is responsible for planning and controlling of revenue collection and expenditure of public funds appropriated under that controlling officer's control including - preventing irregular or wasteful expenditure, misapplication of funds, theft,

or losses resulting from negligence or criminal conduct and immediately report, in writing, particulars of that wasteful expenditure, misapplication of funds, theft or loss

to the Secretary to the Treasury."

During the period under review, the Agency spent amounts totalling K10,026,252 meant for the conducting of the Census of Population and Housing on unrelated activities such as settling in allowances, travel abroad allowances, DSA allowances for Consumer Price Index (CPI) and economic indicators data collection among others.

ii. Failure to Prepare Bank Reconciliations

Regulation 146 (3) of the Public Finance Management (General) Regulations, Statutory Instrument No. 97 of 2020 stipulates that an accounting authority of a Local Authority or state-owned enterprise should ensure that a bank account is reconciled not later than the fifteenth (15th) day after the end of each month.

The following were observed:

- An examination of the funding details and expenditure ledgers revealed that in 2023, a total funding of K117,019,779 was received through the Grants and Census accounts against which amounts totalling K84,213,336 were spent leaving a balance of K32,806,443.85. See table 2 below.

Table 2 - 2023 Funding Against Expenditure

Details	FUNDING 2023(K)	Bank Opening Balance	Total Funds 2023	Total Expenditure-Ledgers	Unspent	Bank Closing Balances	Variance Between Unspent and Bank Closing Balance
Population Census	16,500,000.00	88,729,284.11	105,229,284.11	84,213,335.78	21,015,948.33	33,687,012.71	12,671,064.38
Grant	2,850,764.99	8,939,730.53	11,790,495.52	0.00	11,790,495.52	183,067.04	(11,607,428.48)
	19,350,764.99	**97,669,014.64**	**117,019,779.63**	**84,213,335.78**	**32,806,443.85**	**33,870,079.75**	**1,063,635.90**

It was observed that although ZamStats, reported an amount of K32,806,444 as unspent at the end of 2023, the actual bank balances were K33,870,080 resulting in a difference of K1,063,636.

- A review of the Census Account Bank Statements revealed that between 18th August and 30th December 2022, amounts totalling K17,181,458 were marked as not effected with the bank statement noting these as ‘unpaid EFT’.

- It was observed that amounts totalling K71,510,518 initially paid out as remunerations were marked creditors an indication that the funds were received. However, no reconciliations on the unpaid EFT had been availed as at 30th November 2024.

- It was also observed that amounts totalling K66,902,719 involving 125 transactions that were reflected on the bank statements were not supported with Payment Vouchers or any other supporting documentation and were not recorded in the cash book.

As at 31st December 2024, the above unreconciled transactions in the cash book and bank statement balances had not been reconciled.

d. Operational Matters

i. 2022 Census of Population and Housing - Use of Accountable Imprest

Ministry of Finance and National Planning Circular No. 5 of 2018 abolished the issuance of accountable imprest on all local trips and procurement of goods and services.

On 29th July 2022, the Interim Statistician General requested the Secretary to the Treasury for authority to draw accountable imprest amounting to K15,670,481 to facilitate various expenses for the 2022 Census of Population and Housing. See table 3 below.

Table 3: Accountable Imprest

No.	Details	Province	District	Cost per District K	Budget K
1	Census and Publicity Assistants	10	116	71,884	8,338,500
2	Homage for the Chiefs	10	116	2,483	288,000
3	Coxswain and Boat Hire	10	22	9,080	199,760
4	Census Materials and Equipment, Loader/Off Loaders	10	116	3,729	432,600
5	Hiring of Wildlife Officers/Police	10	116	2,619	303,820
6	Social Welfare Officers/Street Outreach Workers	10	20	5,390	107,800
7	Miscellaneous Census Staff	10	116	51,724	6,000,000
	Total				**15,670,481**

On 16th August 2022, the Secretary to the Treasury granted authority for the Agency to draw the accountable imprest stipulating that the Agency should utilize the funds for the purpose for which they were requested and retirements are made immediately the activities are undertaken. Further, an Internal Audit Report was to be submitted to the treasury after the completion of the exercise.

It was however observed that accountable imprest totalling K20,418,026 was drawn, exceeding the approved amount of K15,670,481 resulting in unauthorised excess drawing of K4,747,545 as at 31st December 2024.

The following were observed:

- **Unretired Accountable Imprest**

  Contrary to the Section 104 (1) of the Public Financial Regulations of 2020, accountable imprest in amounts totalling K8,813,933 out of the K20,418,026 had not been retired as at 31st December 2024.

- **Failure to Submit Internal Audit Report to Ministry of Finance**

  Despite being instructed by the Secretary to the Treasury to submit an Internal Audit Report after the completion of the Census exercise, the Agency had not submitted any Internal Audit Report in respect of the drawn imprest as at 30th November 2024.

ii. Failure to Appoint Cashiers through Accountant Generals Office

Clause 12 of the Census Financing and Disbursement Guidelines stated that the cashiers who were to handle Census funds were to be appointed through the Accountant Generals Office.

Contrary to the Guidelines, there was no evidence such as minutes of the appointment committee or appointment letters to establish whether six (6) cashiers who drew imprest in amounts totalling K6,263,206 were appointed through the Accountant General's Office. See table 4 below.

Table 4: Cashiers who were to Withdraw Imprest

No.	Cashier	Position	Bank Branch	Total K
1	Cahsier 1	Accounts Assistant	Choma	761,000.00
2	Cahsier 2	Accounts Assistant	Lusaka	1,821,548.00
3	Cahsier 3	Accounts Assistant	Ndola	754,500.00
4	Cahsier 4	Accounts Assistant	Mongu	678,500.00
5	Cahsier 5	Accounts Assistant	Solwezi/Mansa	744,750.00
6	Cahsier 6	Accounts Assistant	Kasama/Chinsali	1,502,908.00
	Total			**6,263,206.00**

iii. Unaccounted for Funds meant for Fuel

During the period under review, amounts totalling K34,625,368 were paid out as fuel imprest out of which K28,850,230 was acquitted for leaving a balance of K5,775,138.

Further, although amounts totalling K28,850,230 was paid there were no activity reports availed for audit scrutiny to establish whether the activities were undertaken.

e. Procurement and Stores

A review of the procurement plans and expenditure details for the period under review revealed that amounts totalling K1,885,247,590 were budgeted for the procurement of various goods and services, out of which amounts totalling K269,344,111 were unspent. See table 5 below.

Table 5: Procurement Plan

Year	Amount Budgeted K	Unspent Amounts K
2021	897,748,295	-
2022	897,748,295	209,344,111
2023	89,751,000	60,000,000
Total	**1,885,247,590**	**269,344,111**

The following were observed:

i. Failure to Award or Execute Recommended Procurements

Section 69 (2) of the Public Procurement Act 2020 requires that a procuring entity that terminates or cancels procurement proceedings should within fourteen days from the date of the termination or cancellation submit to the Authority a written report on the termination or cancellation stating the reasons for the termination or cancellation and notify in writing, the person that submitted bids of the reasons for the termination or cancellation.

The Procurement Committee recommended forty-eight (48) procurements for contract awards, in amounts totalling K262,397,280 for various items. However, it was observed that out of these forty-eight (48) procurements, eighteen (18) that were recommended for award in amounts totalling K97,609,859 were neither awarded nor executed. Additionally, there was no evidence indicating that the Procurement Committee cancelled the proceedings for these cases.

Further, despite full funding in 2023, the Agency did not proceed with the mentioned forty-eight (48) procurements and Management did not explain how the K97,609,859 budgeted for the procurements was utilised.

ii. Failure to Execute Procurements that were Deferred

It was established that ZamStats had planned to procure statistical software, anti-viruses, electronic signature software and security tracking system at the total cost of K43,102,400. It was observed that the procurements were deferred to be procured at a later date through Limited Bidding as the terms of reference were said not to be sufficient. See table 6 below.

Table 6: Deferred Lots

No.	Description	Quantity	Budgeted Amount K
1	Statistical Software	lots	40,000,000
2	Anti-Viruses (Viper Business Premium) up to 1000 pcs	1	2,400
3	Electronic Signature Software	130	1,100,000
4	Security Tracking System for Motor Bikes	lots	2,000,000
	Total		**43,102,400**

It was observed that the deferred procurements stated above were not executed and there was no evidence that the procurement proceedings were cancelled by the procurement committee.

Further, management did not provide information on how the amount of K43,102,400 that was budgeted for the five (5) procurements was spent considering that the procurements were not executed.

iii. Engagement of Suppliers without Clearance from the Attorney General

Section 72 (2) (e) of the the Public Procurement Act No 8 of 2020 stipulates that a contract, purchase order, letter of bid acceptance or other communication in any form conveying acceptance of a bid or award of contract should not be issued prior to any other approvals required, including clearance of the contract by the Treasury and the legal advice of the Attorney-General.

Contrary to the Act, the Agency engaged a total number of four (4) suppliers for the procurement of various goods and services at contract sums of K55,125,000 and US$10,053,200 without obtaining clearance from the Attorney General. See table 7 below.

Table 7: Contracts Issued Without Clearance from Attorney General

No	Name of Supplier	Contract Details	Contract Prices K	Contract Prices US$
1	Rapidus Sourcing Africa Ltd	supply and delivery of 45,000 Mobile Device Management Software (Scale Fusion) Licenses	55,125,000	-
2	Konic Solutions Ltd	supply and delivery of 35,000 Solar Power		1,330,000
3	Honda Zambia Ltd	supply and delivery of 400 Motor Bikes		1,313,200
5	Shanyos Zambia Ltd.	supply and delivery of 30,000 Tablets		7,410,000
			55,125,000	**10,053,200**

iv. Contract between ZamStats and Rapidus Sourcing Africa Limited

A review of the minutes of the 6th extraordinary ZamStats procurement committee meeting revealed that on 11th August 2021, the Ministerial Procurement Committee (Ministry of National Development Planning) granted authority to the Interim Statistician General to award the contract to Rapidus Sourcing Africa Limited for supply and delivery of 45,000 Mobile Device Management Software (Scale Fusion) Licenses at a sum of K55,125,000.

On 20th August 2021, ZamStats signed a contract with Rapidus Sourcing Africa Limited for the supply and delivery of 45,000 Mobile Device Management Software (Scale Fusion) at a contract sum of K55,125,000 with the delivery period of ex-stocks.

It was observed that on 22nd November 2021, ZamStats appointed Smart Zambia Institute as contract manager for the operation of Mobile Device Management Software.

The following were however observed:

- **Failure to Avail Procurement Records**

  A review of the minutes of the meeting held on 27th December 2021, by ZamStats and the contract manager revealed that the engagement of Rapidus was done through limited bidding as opposed to direct bidding. However, there were no procurement records such as procurement minutes, solicitation document and the evaluation report availed for audit to establish the process of how Rapidus Sourcing Africa Ltd was engaged for the supply of the software.

- **Recommendation for Termination of Contract**

  In July 2022, the Agency Procurement Committee granted authority to the Census Manager to terminate the contract with Rapidus Sourcing Africa Limited. The justification for termination was based on the report by ZamStats and Smart Zambia Institute which indicated that the software had failed comprehensive User Testing Acceptance (UTA) and that the software neither met the requirements of the Census nor was fit for the purpose.

  However, there was no evidence at ZamStatas to show that the contract had been terminated.

- **Contract Price above the Budgeted Amount**

  The contract price of K55,125,000 at which Rapidus Sourcing Africa Limited was to supply and deliver the 45,000 Mobile Device Management Software, was above the procurement plan budgeted amount of K45,000,000 by K10,125,000. There was no evidence that the additional amount of K10,125,000 was approved by the relevant authorities.

- **Failure to Carry out a Due Diligence**

  The Public Procurement Act No 8 of 2020 defines "due diligence" as the assessment of a bidder or supplier's technical, financial, commercial, historical background and management capabilities and the bidder's or supplier's governance record to effectively execute a contract.

  There was no evidence that due diligence or a post-qualification of Rapidus Sourcing Africa Limited was conducted prior to signing the contract.

- **Failure to Avail a Statement of Requirements**

  According to Section 35 (1) and (2) of the Public Procurement Regulations of 2011, each requisition for the procurement of services must include a complete, clear, and precise statement of requirements. This statement should consist of terms of reference, including a background narrative of the required services, objectives, performance targets, and any inspection or quality testing requirements or indicators of successful performance.

Contrary to the regulation, ZamStats did not avail for audit a statement of requirements that was prepared for the requisition for the procurement of 45,000 Mobile Device Management Software prior to the procurement proceedings.

In this regard, it was not possible to determine the background, of the required Mobile Device Management Software, the objectives and targets, or any criteria for inspection, quality testing, or indicators of successful performance.

- **Failure to Seek Technical Advice**

Section 30 subsection (2) (a) and (b) of the Public Procurement Regulations of 2011 stipulates that a user department shall in preparing the statement of requirements, ensure that it seeks technical advice and in estimating the value of the goods, works or services, ensure that the estimate is realistic and based on up-to-date information on economic and market conditions.

Contrary to the regulation, there was no evidence that the user department at ZamStats sought technical advice prior to the signing of the contract for the supply and delivery of the Mobile Device Management Software Licenses by Rapidus Sourcing Africa Ltd.

A review of the Zambia Statistics Agency and SMART Zambia Institute Scale Fusion (Mobile Device Management) Software User Acceptance Testing Report dated January 2022 revealed that the Scale Fusion MDM Software did not meet the required technical standard and it was recommended that it should not be accepted.

- **Demand for Payment by Rapidus Sourcing Africa Limited**

It was observed that Rapidus Sourcing Africa Limited issued an Invoice dated 2nd July 2022, for an amount of K55,125,000. The invoice indicated that the 45,000 Mobile Device Management Software Licences were delivered on 5th October 2021. However, there were no records, such as acceptance certificates at ZamStats to enable us establish whether the licenses were received.

Further, Rapidus Sourcing Africa Ltd issued additional invoices of K81,200 for field testing and K22,380,750 being interest on delayed payment for delivery of the Mobile Device Management Software. See table 8 below.

Table 8: Invoices Issued by Rapidus Sourcing Africa Ltd

No.	Invoice No.	Date of Invoice	Delivery Date	Invoiced Amount K	Amount Demanded K	Description
1	055	2022.02.07	2021.10.05	55,125,000	41,674,500	Mobile Device Management Software - Applicable Annual License - 90% of subtotal amount of K46,305,000
2	057	2022.02.07	2022.01.27	81,200	70,000	Mobile Device Management Software - System Field Testing
3	070	2022.07.18	2021.10.06	22,380,750	22,380,750	Interest on delayed payment for the delivery of Mobile Device Management Software for 7 months starting Janaury 2022 at 5% per month
	Total			**77,586,950**	**64,125,250**	

As at 30th September 2024, there was no evidence that ZamStats had made any payments to Rapidus Sourcing Africa Limited for the supply and delivery of Mobile Device Management Software Licences.

v. Failure to Maintain a Complete Asset Register

Section 41 (2) of the Public Finance Management Act No. 1 of 2018 requires the Controlling Officer to maintain a register of public assets and stores in respect of every head of expenditure.

It was however observed that the Agency procured various assets such as power banks, tablets, projectors, Chromecasts, bar scanner lasers and suitcases costing US$9,461,048.86 and K215,296 from five (5) different suppliers. See table 9 below

Table 9: Items Procured

No	Supplier	Item Procured	Contract Date	Quantities Procured	Contract Price US$	Contract Price K
1	Konic Solutions Ltd	Solar Power Banks	09.04.21	35,000	1,330,000	
2	Shanyos Zambia Ltd	Tablets	02.04.20	30,000	7,410,333	
3	Fongda Corporation Ltd	Projectors	29.06.22	700	435,160	
4	Fongda Corporation Ltd	Chromecast	29.06.22	450	20,556	
5	Kakula Investments Ltd	Barcode Scanners Lazer	29.07.22	232	-	215,296
6	Songera General Dealers	Suitcases	24.06.21	1,000	265,000	
	Total				**9,461,049**	**215,296**

The following were observed:

- **Failure to Indicate Location of Assets**

  It was observed that although details such as serial codes and the condition of all the 35,000 Solar Power Banks, 700 Projectors, 450 Chromecasts, 232 Bar Code Scanner Lasers and 1,000 suitcases were recorded in the asset register, the location of the assets was not indicated in the asset register.

- **Unaccounted for Tablets**

  Out of the 30,000 Tablets, only details for a total number of 29,995 Tablets were recorded in the asset register leaving a balance of five (5) not accounted for. The location of the 29,995 Tablets was also not indicated in the register.

- **Failure to Inscribe Assets**

  Regulation 52 (1) of the Public Financial Management (Public Stores) Regulations of 2022 states, “The Office Equipment Supervisor shall assign to each ministry, province and Government agency a range of Government serial numbers to be inscribed on office machinery by that ministry, province and Government agency and that serial numbers shall be quoted in all correspondence or documents relating to the office machinery.”

  Contrary to the Regulation, Chromecasts and Bar Code Scanner Lasers costing US$20,556.36 and K215,296 that were procured during the period under review were not inscribed with GRZ identification marks.

  It was established that the Solar Power Banks, Projectors, Chromecasts, Bar Code Scanner Lasers, Tablet and Suitcases were stored in a storeroom at ZamStats Head Office.

Figure 1 - Suitcases Containing Tablets

Figure 2 - Boxes containing solar power banks and cables

Figure 3 - Box containing Chromecasts

It was however observed that there were no internal stores records, such as bin cards and ledger cards in the storeroom where the mentioned items were kept. As at 31st December 2024, the documentation had not been availed for audit and physical verification could not be conducted.

vi. Failure to Maintain an Asset Register

Section 41 (2) of the Public Finance Management Act No. 1 of 2018 requires the Controlling Officer to maintain a register of the public assets and stores in respect of every head of expenditure.

It was however observed that the Agency procured 13,000 bicycles and 400 motor bikes from two (2) different suppliers. See table 10 below.

Table 10: Bicycles and Motor Bikes Procured

Supplier	Item Procured	Contract Date	Quantities Procured	Contract Price US$
BSBK Ltd	Bicycles	30.09.2021	13,000	1,274,000.00
Honda Zambia Ltd	Motor Bikes	09.04.2021	400	1,313,200.00
Total				**2,587,200.00**

It was observed that there was no Asset Register in which the 13,000 bicycles and 400 motor bikes that were procured from BSBK Ltd and Honda (Z) Ltd were recorded.

vii. Unaccounted for Computers

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

Contrary to the regulation, ninety (90) desktop computers and 40 laptop computers costing K5,308,945 procured during the period under review were not accounted for in that there were no disposal details.

f. Census Recruitment Management

i. Claim of Unpaid Allowances

A total amount of K828,790 claimed by nine (9) Provincial Regional Statistician offices as training and field allowances for enumerators and supervisors had not been paid as at 31st December 2024 despite funds being available to settle the claims. See table 11 below.

Table 11: Unpaid Allowances

Province	Unpaid Training Allowance K	Unpaid 40% Field Allowances K	Unpaid 60% Field Allowance K	Total K
Central	36,960	84,240	48,600	169,800
Eastern	1,750	3,240	4,860	9,850
Luapula	105,600	64,800	92,940	263,340
Lusaka	5,280	9,720	14,580	29,580
Muchinga	14,080	29,560	55,640	99,280
Northern	19,360	19,440	113,580	152,380
Northwestern	21,120	23,080	34,020	78,220
Southern	5,280	12,960	4,860	23,100
Western	-	3,240	-	3,240
Totals	**209,430**	**250,280**	**369,080**	**828,790**

ii. Census Allowances

Clause 7.1.4 of the 2022 Census of Population and Housing Financing and Disbursement Guidelines stated that a stipend fee which was a fixed amount was to be paid to the Census Field Staff. The guideline provided the rates for payment of Census Staff as shown in table 12 below.

Table 12: Census Allowances Monthly Rates

Position	Months	Rate K
Supervisors	1	9,100
Enumerator	1	8,100
Zonal Coordinators	2	12,000

The following were observed:

- **Double Payment of Enumerator Allowances**

  A review of the Payflex data for various districts revealed that amounts totalling K671,920 were paid as enumeration allowances to census staff. However, it was observed that some staff members received duplicate payments, with the same names and bank account numbers credited multiple times for allowances they were entitled to receive only once. This resulted in an overpayment of K335,960.

- **Questionable Use of Single National Registration Cards (NRCs)**

  A review of the Payflex data revealed that sixty-two (62) Census Field Staff shared thirty-one (31) National Registration Card (NRC) numbers and were paid allowances in amounts totalling K202,480.

  As at 31st December 2024, Management did not provide explanations why the sixty-two (62) Census Field staff shared thirty-one (31) National Registration Card (NRC) numbers.

g. Management of Assets - Failure to Acquire Title Deeds

The Land Act No. 29 of 1995 requires that institutions or individuals owning land should have or possess title deeds as proof of ownership. Further Section 41(4) of the Public Finance Management Act No. 1 of 2018 states that, “A controlling officer shall ensure that all public properties under the controlling officer’s charge are secured with title deeds”.

Contrary to the Act, the Agency did not secure title deeds for the land on which its offices are built.

26 RECOMMENDATIONS

To address the weaknesses identified in this report, I recommend the following:

a. The boards of directors for IDC subsidiaries must ensure that financial reports are prepared and audited annually in compliance with the principles of increased transparency and accountability;

b. The boards of directors for Industrial Development Corporation (IDC) subsidiaries must implement cost-cutting measures to ensure improved financial performance and profitability of the subsidiaries

c. The management of IDC must devise recapitalization plans and consider restructuring the balance sheets of its underperforming subsidiaries to improve the financial and operational performance of its subsidiaries.

d. The performance of all the Boards of Directors in IDC subsidiaries should be evaluated at the end of their first period of appointment or mid-term and the renewal of contracts should be based on performance.

e. The management of the IDC subsidiaries must ensure that weaknesses in Information Technology Governance issues identified in this report are urgently addressed to enhance the ability of the affected entities to execute their mandates effectively; and

f. Management of IDC should address the internal control weaknesses identified in this report to enhance systems and protect assets. The controls include putting in place strong Investment Policies to avert acquisition of non-performing assets.

26.1 OTHER RECOMMENDATIONS

The following are the recommendations applicable to statutory bodies:

a. The appointing authorities must always ensure that statutory institutions have functional boards of directors to strengthen corporate governance;

b. Management of Local Superannuation Fund must ensure speedy revision of the LASF Act to address issues that are affecting the performance of the Fund.

c. All matters bordering on impropriety should be acted upon as provided for in the Public Finance Management Act No. 1 of 2018.

27 ACKNOWLEDGEMENTS

I wish to thank all my staff for their hard work during the course of the audits to ensure that this report is produced despite challenges faced during the audit process. I also wish to express my gratitude to the Controlling Officers of Line Ministries and Chief Executive

Officers of Industrial Development Corporation and Subsidiaries and Other Statutory Bodies and their staff for their cooperation. It is because of their cooperation that I was able to carry out the audits in an objective, efficient and effective manner.

28 RECOMMENDATIONS OF THE COMMITTEE ON PARASTATAL BODIES

The status on the Outstanding Issues remains unchanged from what was reported in the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year ending 31st December 2022.

Refer to the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2022.

29 CONCLUSION

This Report has highlighted various areas of weaknesses in the management of Parastatal Bodies and Other Statutory Institutions which need to be addressed in order for these institutions to effectively execute their mandates.

APPENDIX 4 - Glossary of Terms

1. **Audit Finding -** The result of audit procedures and tests conducted by the auditor.
2. **Committee on Parastatal Bodies -** A sessional committee of the National Assembly established in terms of the standing orders. The committee examines the Reports of the Auditor General, as part of its mandate of examining the accounts of Parastatal Bodies and Other Statutory Institutions.
3. **Outstanding Issues -** Audit queries that remain unresolved in the Treasury Minutes (Action Taken Reports) prepared by the Ministry of Finance on the Reports of the Auditor General.
4. **Statutory Obligations -** Obligations that do not arise out of a contract but are imposed by law
5. **Unaccounted for Revenue -** Revenue collected but neither banked nor cash found on hand.
6. **Unretired Accountable Imprest -** Imprest not accounted for.
7. **Unaccounted for Stores -** Missing stores items without evidence of how they were received and utilised.
8. **Wasteful Expenditure -** Expenditure incurred without benefits derived.
9. **Accountability** - Acceptance of responsibility for honest and ethical conduct toward others. A company's accountability extends to its shareholders, employees, and the wider community in which it operates.
10. **Audit Finding** -The result of audit procedures and tests conducted by the auditor, identifying any irregularities, weaknesses, or areas of concern in the management and use of public resources.
11. **Audited Financial Statements** - These are statements that include a signed statement from the auditor attesting to the fair presentation of financial results, position and cash flows of an entity.
12. **Audit Methodology** - The systematic process and techniques used by auditors to plan, conduct, and report on audits.
13. **Annual Report** - A comprehensive report prepared by an organization about its activities during the preceding year, including its financial performance and operations.
14. **Board** - A group of individuals, often elected or appointed, who jointly oversee the activities of an organization, such as a parastatal body or statutory institution.
15. **Budget Line** - A specific item or category within a budget, detailing planned income and expenditure for a particular purpose.
16. **Bill of Quantities (BoQ)** - A document used in construction projects that itemizes materials, parts, and labor with their associated costs.
17. **Corporate Governance** - Systems, principles, and processes by which a company is directed and controlled.

18. **Controlling Officer** - An officer designated by the Secretary to the Treasury to maintain the accounts of a Ministry, Province, or Agency, ensuring proper financial management and reporting.
19. **Debt Issuance** - The process by which an organization raises funds by selling bonds or other forms of debt to investors.
20. **Dividend** - A distribution of profits by a corporation to its shareholders, usually in the form of cash or additional shares.
21. **Financial Year** - The period over which an organization's financial transactions are accounted for, typically one year, ending on a specific date.
22. **Strategic Business Plan** - A document that outlines an organization's long-term goals, the actions needed to achieve them, and the resources required.
23. **Project Implementation Unit (PIU)** - A dedicated unit within an organization responsible for the day-to-day management and implementation of a specific project.
24. **Other Income** - Revenue generated from sources other than the primary business activities of an organization.
25. **Parastatal Bodies** - State owned enterprises or controlled by the government, often involved in commercial activities.
26. **Internal Control** - Processes and procedures designed to ensure effective and efficient operations to ensure reliable financial reporting and compliance with laws and regulations.
27. **Parliament** - The legislative organ of the government, responsible for making laws and overseeing the executive branch, including the management of public finances.
28. **Irregularity** - A breach of laws, regulations, or rules, which may include financial improprieties or administrative failures.
29. **Imprest** - Funds issued to facilitate payments for minor expenses, for travel purposes, or to purchase goods and services whose value cannot be determined in advance.
30. **Technology (ICT) Systems** - Information and Communication Technology systems implemented by organizations to improve the efficiency and effectiveness of service delivery.
31. **Transparency** - open sharing of honest information about various company operations with shareholders, partners, employees, and customers.
32. **Procurement** - The process of acquiring goods, services, or works from an external source through various ways as prescribed by law.
33. **Subsidiaries** - Companies that are controlled by a parent company, often through majority shareholding.
34. **Risk Assessment** - The process of identifying, analyzing, and evaluating potential risks that could impact an organization's objectives.
35. **Value Added Tax (VAT)** - A tax on the added value of goods and services at each stage of production or distribution, ultimately borne by the end consumer.

36. **Loan Agreement** - A contract between a borrower and a lender that outlines the terms under which the loan is provided.
37. **Operational Matters** - Issues relating to the day-to-day operations of an organization, including management of resources, processes, and people.
38. **Interim Payment Certificates (IPCs)** - Documents issued by the project manager to certify the amount of work completed and the payment due to the contractor.

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