



Republic of Zambia

# REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE REPUBLIC FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> DECEMBER, 2017





**REPUBLIC OF ZAMBIA**

**REPORT**

**of the**

**AUDITOR GENERAL**

**ON THE ACCOUNTS OF THE REPUBLIC**

**for the**

*Financial Year Ended 31<sup>st</sup> December 2017*



## **OFFICE OF THE AUDITOR GENERAL**

**VISION:** A dynamic audit institution that promotes transparency, accountability and prudent management of public resources.

**MISSION:** To independently and objectively provide quality auditing services in order to assure our stakeholders that public resources are being used for national development and wellbeing of citizens.

**CORE VALUES:** Integrity  
Professionalism  
Objectivity  
Teamwork  
Confidentiality  
Excellence  
Innovation  
Respect



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## Preface

I am delighted to be able to meet the constitutional mandate of submitting the Annual Audit Report on the Accounts of the Republic of Zambia for the financial year ended 31<sup>st</sup> December 2017 as required by Article 212 of the Constitution. The Constitution gives the Auditor General the mandate to audit all public finances.

In this report, I have highlighted significant audit results bordering on failure to follow legislation, Government regulations and instructions, weaknesses in internal controls resulting in failure to collect or bank revenues on time, failure to account for funds and delays in implementing projects among others. The audit covered areas that cut across all the five (5) Developmental Strategic Areas of the Seventh National Development Plan.

The issues mentioned in this report are those which could not be resolved during the audit process and those which were highlighted in the previous reports, but had not been rectified at the time of producing this report.

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

My Office has issued an opinion on the Consolidated Financial Statements of Government in line with Article 211 of the Constitution of Zambia (Amendment) Act No. 2 of 2016.

My work gives reasonable assurance to Parliament, the Executive and other stakeholders that the Government has applied the resources according to the laws and regulations.



**Davison K. Mendamenda**

**ACTING AUDITOR GENERAL**

## **Executive Summary**

This Report has been produced in accordance with Article 250 of the Constitution (Amendment) Act No. 2 of 2016 of the Republic of Zambia, Public Finance Act No. 15 of 2004 and Public Audit Act No. 13 of 1994.

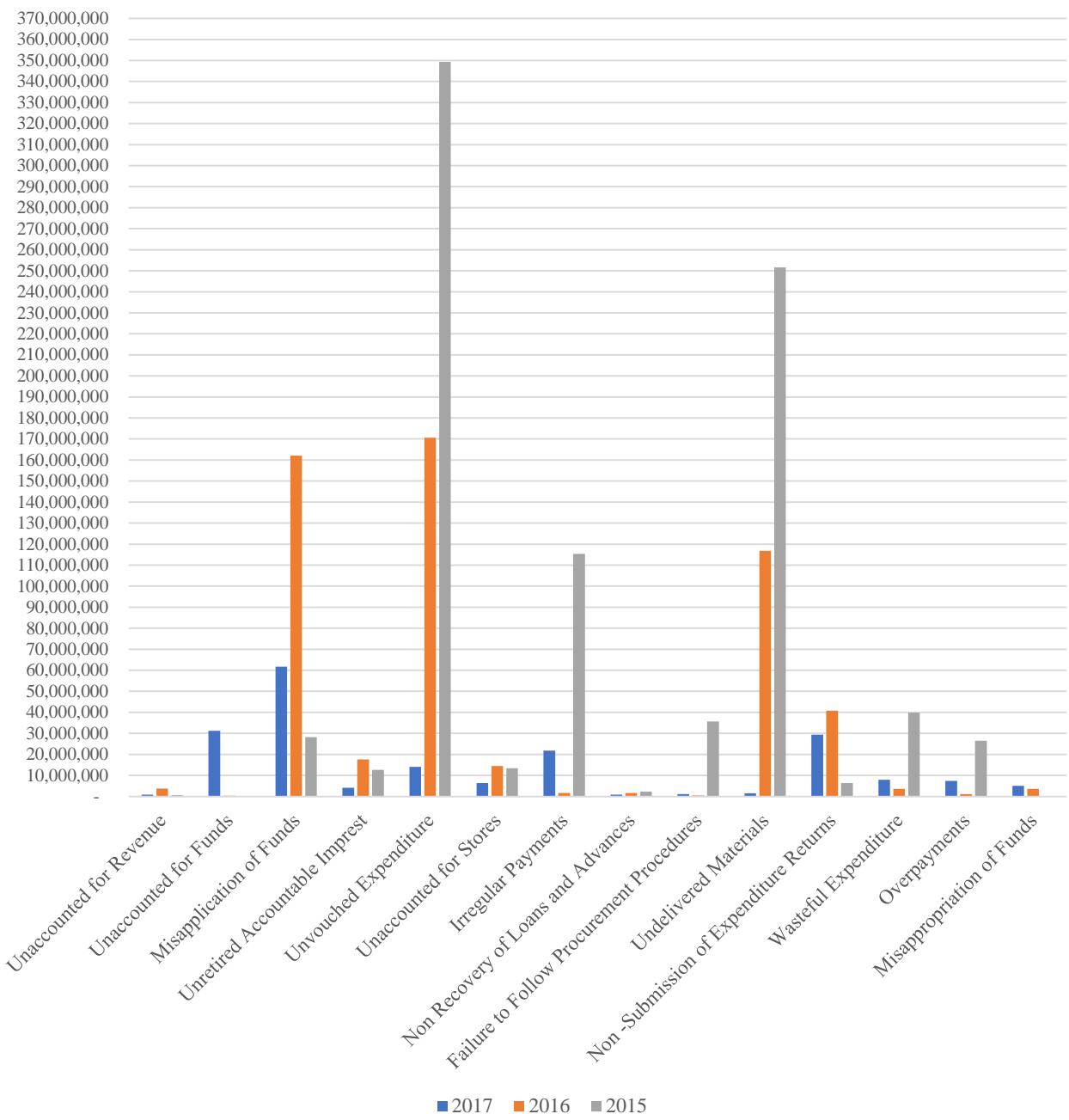
During the audit process, there were various levels at which the Office interacted and communicated with Controlling Officers whose accounts were audited. The purpose of this interaction was to provide an opportunity for the Controlling Officers to clarify and take corrective action on the findings of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

The Report contains seventy four (74) paragraphs consisting of sixty one (61) paragraphs on audit matters and thirteen (13) paragraphs on other matters. The sixty one (61) paragraphs on audit matters reflect issues that could not be resolved during the audit process and whose corrective actions were not undertaken as at 24<sup>th</sup> September 2018. In addition, the Report contains audit recommendations which are aimed at addressing the issues of concern observed during the audit process.

The table below shows a comparative summary of some of the issues contained in the report.

<b>Details</b>	<b>2017 K</b>	<b>2016 K</b>	<b>2015 K</b>
Unaccounted for Revenue	873,649	3,700,509	558,449
Unaccounted for Funds	31,200,930	386,834	193,910
Misapplication of Funds	61,657,450	162,095,699	28,153,997
Unretired Accountable Imprest	4,073,434	17,559,399	12,659,892
Unvouched Expenditure	14,137,189	170,554,478	349,306,160
Unaccounted for Stores	6,370,531	14,428,573	13,460,323
Irregular Payments	21,791,360	1,591,348	115,350,860
Non Recovery of Loans and Advances	901,507	1,689,982	2,352,451
Failure to Follow Procurement Procedures	1,051,686	509,535	35,701,492
Undelivered Materials	1,486,568	116,759,240	251,523,804
Non -Submission of Expenditure Returns	29,409,484	40,705,270	6,308,762
Wasteful Expenditure	7,865,395	3,586,879	39,854,959
Overpayments	7,437,149	1,061,247	26,559,013
Misappropriation of Funds	5,036,051	3,618,127	-

## Issues Raised During the Period from 2015 to 2017



During the period under review, the trend of irregularities raised had remained similar to the previous two (2) years. However, the Report on the Audit of the Accounts of the Republic for the Financial Year ended 31<sup>st</sup> December 2017 shows an increase in irregularities for unaccounted for funds, irregular payments, wasteful expenditure, overpayments, failure to follow procurement procedures and misappropriation of funds compared to the previous year.

## **1. Introduction**

This Report has been produced in accordance with Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016 and is being submitted to His Excellency, the President and the National Assembly for tabling in the National Assembly in accordance with the provisions of Article 212 of the Constitution.

### **Audit of Public Accounts**

- i. According to Article 211 (2) of the Constitution, I am required to examine the financial report on the accounts of the Republic and express an opinion on the report.
- ii. Article 212 requires me to, not later than nine months after the end of a financial year, submit an audit report to the President and the National Assembly, on the accounts of the Republic audited in respect of the preceding financial year.
- iii. Article 250 (1) (a) to (d) mandates me to audit the following:
  - a. The accounts of State organs, State institutions, Provincial Administration, Local Authorities and institutions financed from public funds;
  - b. The accounts that relate to the stocks, shares and stores of the Government;
  - c. Financial and value for money audits, including forensic audits and any other type of audit, in respect of a project that involves the use of public funds; and
  - d. Ascertain that money appropriated by Parliament or raised by the Government and disbursed—
    - Has been applied for the purpose for which it was appropriated or raised;
    - Was expended in conformity with the authority that governs it; and
    - Was expended economically, efficiently and effectively.
- iv. The Public Finance Act No. 15 of 2004 under Section 44 requires me to audit the accounts of any statutory corporation. The Act confers to me authority to have access to all the books, records, returns, reports and other documents relating to the accounts of any statutory corporation, Government department or institution under audit examination or inspection. Further, the Act authorises me to have access at any reasonable time of the day to the premises of any statutory corporation, Government department or institution under audit examination or inspection. The Act also authorises me to call for any relevant information from persons responsible for the financial administration of any statutory corporation, Government department or institution under audit examination or inspection.

- v. The Public Audit Act No. 13 of 1994 requires me to carry out audits, express an opinion and report on the accounts of the Republic of Zambia as stipulated in the Constitution of the Republic of Zambia and the Public Finance Act No. 15 of 2004 of the laws of Zambia.

## **2. Submission of Financial Statements by the Minister of Finance**

The Financial Statements of Government are prepared by the respective Ministries, Provinces and Spending Agencies (MPSAs) in accordance with Part II, Section 7 (6) of the Public Finance Act No. 15 of 2004. The Minister of Finance is responsible for the consolidation of the Financial Statements and the preparation of the Financial Report.

Article 211 (1) of the Constitution requires the Minister of Finance to, within three months after the end of each financial year, prepare and submit to me the Financial Report of the Republic in respect of the preceding financial year.

Article 211 (2) requires me to, within two (2) months of receipt of the Financial Report, examine the financial report and express an opinion on the Report.

Article 211 (3) stipulates that the Minister responsible for finance shall, within one month after the receipt of the Auditor General's opinion, lay the Financial Report, with the Auditor General's opinion, before the National Assembly.

Article 211 (4) stipulates the information that should be included in the Financial Report as follows:

- a. Revenue received by the Republic during that financial year;
- b. The expenditure of the Republic during that financial year;
- c. Gifts, donations and aid-in-kind received on behalf of the Republic in that financial year, their value and how they were disposed of;
- d. Debt repayments;
- e. Payments made in that financial year for purposes other than expenditure;
- f. The financial position of the Republic at the end of that financial year; and
- g. Other information as prescribed.

The information is presented as follows in the financial report:

- Statement A - Statement of Cash Receipts and Payments
- Statement B - Statement of Budget Execution
- Statement C - Statement of Detailed Budget Execution

- Statement D - Statement of Revenue and Expenditure by Functional Classification
- Statement E - Statement of Public Debt
- Notes to the Financial Statements

### **3. Scope of Audit**

The audit scope included Government Ministries and Provinces as contained in the Financial Report of the Republic. The audit covered revenue and expenditure on the accounts for the Financial Year ended 31<sup>st</sup> December 2017 as well as physical inspections of projects.

### **4. Constraints**

#### **i. Budget and Funding**

During the year 2018, the Office was allocated a budget of K45,689,870 for Recurrent Departmental Charges to audit the accounts for the financial year ended 31<sup>st</sup> December 2017 against which amounts totalling K30,292,646 (66%) were released as at 30<sup>th</sup> September 2018. The amounts appropriated were inadequate considering the expanded mandate that includes the audit of Local Authorities and the fact that all the audits were supposed to be finalised by 30<sup>th</sup> September 2018.

According to the Constitution, I am required to audit all the Ministries, Provinces, Spending Agencies, Parastatals, Other Statutory Bodies and Local Authorities annually. As a result of the budget constraint, it was not possible to comprehensively audit all clients.

#### **ii. Staff**

The staffing position in the Office has over the years been improving. However, staffing levels are still not commensurate with the number of Government programmes being undertaken throughout the Country. With the new legal requirements to audit all Local Authorities which currently are one hundred and fifteen (115), the Office will require additional staff to adequately carryout its mandate.

In January 2018, the Office was able to recruit thirty nine (39) officers following the unfreezing of some positions at the end of 2017.

In June 2018, Cabinet Office authorised an establishment of seventy eight (78) positions for the Office to audit local authorities. However, the Ministry of Finance is yet to give the Treasury Authority.

### **5. Audit Methodology**

The Report is as a result of programmes of test checks, inspections and examination of accounting, stores, projects and other records maintained by the public officers entrusted with handling public resources. The audit programmes were designed to give reasonable assurance of financial management

in the Government and to enable the expression of an appropriate audit opinion on the financial statements for the year. They were also intended to provide information that would assist the National Assembly in its oversight responsibility over the application of public resources and execution of programmes by the Executive.

In order to ensure optimal utilisation of resources at my disposal, a risk based audit approach was used to prioritise clients so that resources are targeted at the most risky areas of Government operations.

## **6. Reporting Procedures**

The reporting process involves three (3) major stages. The first stage is where the Management Letter is sent to the Controlling Officer and is required to respond to the audit queries raised within fourteen (14) days. Where the Controlling Officer does not respond to the queries or where the responses are not satisfactory, the Management Letter is upgraded to an Audit Reference Sheet (ARS). At ARS stage (second stage), the Controlling Officer is then required to respond within seven (7) days. If the queries in the ARS are not addressed, the ARS is upgraded to a Draft Annual Report Paragraph (DARP). The DARP is the third and final stage and the Controlling Officer is given seven (7) days in which to confirm as to whether or not the contents are factually correct. At every stage where responses received are satisfactory, amendments are made accordingly.

Although there has been improvement in the time in which responses are received, some of the responses are not supported with sufficient documentary evidence. In this regard, some of the issues remain outstanding due to the failure by the Controlling Officers to provide documentary evidence.

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

## **7. Audit Opinion on the Accounts**

*(As reflected in the Government of the Republic of Zambia Financial Report for the Year ended 31<sup>st</sup> December 2017)*

I have audited the financial statements of the Government of the Republic of Zambia in accordance with Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016, Public Audit Act No. 13 of 1994 and Public Finance Act No. 15 of 2004. The financial statements comprise the statements; A-Statement of Cash Receipts and Payments, B-Statement of Budget Execution, C-Statement of Detailed Budget Execution, D-Statement of Revenue and Expenditure by Functional Classification, E-Statement of Public Debt as at 31<sup>st</sup> December 2017, and notes to the financial statements as set out on pages 17 to 79.

In my opinion, the accompanying financial statements of the Government of the Republic of Zambia present fairly, in all material respects, its financial performance and cash flow for the year then ended

in accordance with Generally Accepted Accounting Principles (GAAP) and Principles of International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting.

### **7.1 Basis for Opinion**

I conducted my audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of my report. I am independent of the Ministry of Finance in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Code of Ethics together with the ethical requirements that are relevant to my audit of the financial statements in Zambia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the INTOSAI Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **7.2 Emphasis of Matter – Crash of Integrated Financial Management Information System (IFMIS)**

I draw your attention to paragraph four on the comment by the Accountant General in respect to the IFMIS crash and challenges faced in the audit of financial statements. In light of the IFMIS crash the Ministry used the Commitment Control/Financial Management System (CC/FMS) which was a separate standalone system as an alternative system to prepare the financial statements. The process involved manual inventions in down loading data from the crashed system into the CC/FMS. However, manual records were used in the audit of financial statements.

The outage of the IFMIS and its effect on the audit of financial statements will have no modification on my opinion.

### **7.3 Key Audit Matters**

Key Audit Matters are those matters that, in my professional judgement were most significant in the audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole and in forming my opinion thereon and I do not provide a separate opinion on these matters.

<b>Key Audit Matter</b>	<b>How the Matter was addressed in my audit</b>
1. Frequent Road User Discount (FUD) is applied at 25% on a Toll fee of K20 and K40 on eligible vehicles that pass through the tollgate at least ten (10) consecutive times within a month. In view of the above, significant judgement was required in the interpretation of the FUD policy and its application was difficult in assessing compliance by toll stations. Hence the discount was identified as a Key Audit Matter.	<ul style="list-style-type: none"> <li>Determining the eligibility of frequent road users – motorists.</li> <li>Understanding the FUD policy statement.</li> <li>Understanding the configuration of the discount of 25% in the Toll Management System.</li> <li>Checking the awarding of 25% discount to non-eligible motorists.</li> <li>Checking the inconsistency in the application of the FUDs by station Managers.</li> </ul>
2. IFMIS is a key system that is used in capturing and recording of financial data. It is also used in the production of financial reports. At the beginning of 2018, the system crashed. During the audit of 2017 accounts, manual records availed for audit could not be verified with system records. In view of the system outage, IFMIS was considered a Key Audit Matter.	<ul style="list-style-type: none"> <li>Determining the procedures followed in system and data restoration.</li> <li>Interviewing key Personnel on the effect of system outage on Statement ‘C’.</li> <li>Determining the consistency of transactions before and after the IFMIS crash.</li> <li>Conducting a post-crash data validation exercise to check for completeness and integrity of recovered data.</li> <li>Comparing data in pre-IFMIS crash to the restored post-IFMIS crash.</li> <li>Checking the completeness of manual records.</li> <li>Checking the completeness of funding and payments in the manual cash books.</li> <li>Comparing manual cashbook entries to the financial statement ‘C’.</li> </ul>
3. Personal emoluments constitutes 28.89 % of the total expenditure K71,839,547,804. In view of the financial materiality of the component, personal emoluments were identified as a Key Audit Matter	<ul style="list-style-type: none"> <li>Determining the eligibility of staff in Ministries, Provinces and Spending Agencies (MPSAs)</li> <li>Checking the establishment register for the existence of the vacancies against treasury authority</li> <li>Comparing staff registers with Human Resources Records kept by MPSAs.</li> <li>Comparing the Human Resources Staff listing and the Payroll.</li> <li>Checking for the existence of duplicated employees on the Payroll.</li> <li>Reviewing the file of people that have been separated from the entity.</li> <li>Establishing the amount indicated for emoluments in the yellow book to amounts spent</li> <li>Establishing the existence of employees with duplicated National Registration Card Numbers and Account Numbers.</li> <li>Checking for all employees without any payment methods and establish how they were paid.</li> </ul>

## **7.4 Responsibilities of Management and those Charged with Governance for the Financial Statements**

The Minister of Finance is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Principles of International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Government's financial reporting process.

## **7.5 Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- ii. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal controls.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary to the Treasury.

- iv. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit. I also provide those charged with governance with a Statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, I determine those matters that were of more significance in the audit of the financial statement of the current period and are therefore the key Audit Matters. I describe these matters in my audit's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

## **7.6 Report on Other Legal and Regulatory Requirements**

In my Opinion, the Financial Statements of the Government of the Republic of Zambia as at 31<sup>st</sup> December 2017, have been properly prepared in accordance with Article 211(1) of the Constitution of Zambia (Amendment) No. 2 of 2016 and the Public Finance Act No. 15 of 2004.

## **8. Public Finance Management Act No. 1 of 2018**

On 11<sup>th</sup> April 2018, the Government enacted the Public Finance Management Act No. 1 of 2018 to provide for an institutional and regulatory framework for management of public funds; the strengthening of accountability, oversight, management and control of public funds in the public financial management framework; responsibilities and fiduciary duties of controlling officers and Controlling bodies; enhancement of cash management systems to ensure efficient and effective utilisation of cash for the Government; the processes for efficient production of the Financial Report for the Republic; the management and control of public assets and stores and the repeal of the Public Finance Act No. 15 of 2004.

## **9. Weaknesses in Internal Controls**

There were weaknesses in the implementation of internal controls observed in MPSAs which included:

- i. Inadequate follow-up of implementation of Service Level Agreements with Commercial Banks in respect of funds collected on behalf of MPSAs and hence delays in sweeping funds to Bank of Zambia (Control 99),
- ii. Failure and delays in the collection of Government revenue,
- iii. Failure to carry out monthly bank reconciliations resulting in failure to detect anomalies such as overpayments, under/over-banking, unauthorised payments and misappropriation,
- iv. Poor monitoring of implementation of projects and programmes leading to non-adherence to guidelines such as Social Cash Transfer Scheme,
- v. Lack of control by responsible officers in payments of subsistence allowances e.g. where officers are paid days exceeding a calendar year and final payments made not in line with approved budgets,
- vi. Failure to adhere to Cabinet Office and other circulars, Terms and Conditions of Service for the Public Service, Foreign Service Regulations and Conditions of Service and Financial Regulations for example overpayment of foreign service allowances, payments of subsistence allowances at incorrect rates, payments of fuel without using the prescribed formula, payments of meal and subsistence allowances to officers working within the district boundaries, payment of rural and remote hardship allowances for stations not eligible,
- vii. Failure to adhere to contract provisions leading to wrong payments to contractors and payments for goods and services not supplied,
- viii. Poor record keeping leading to failure to maintain books of accounts, missing payment vouchers and unsupported payments,
- ix. Weaknesses in the controls on the use of the Integrated Financial Management Information System (IFMIS) and the Treasury Single Account (TSA), and
- x. Failure to follow the Appropriation Act and Financial Regulations leading to misapplication of funds, that is, use of funds budgeted for a programme on an unrelated programme without authority from the Secretary to the Treasury.

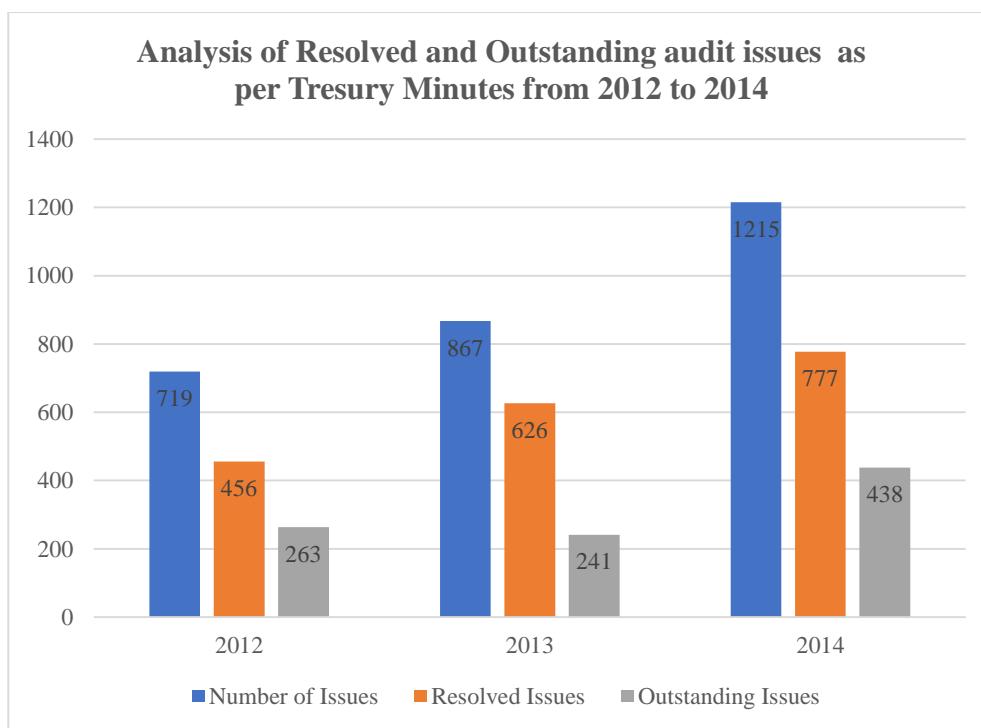
## **10. Trend Analysis of the Resolution of Audit Issues as per Treasury Minutes (2012 to 2014)**

**ISSAI 12 – Value and Benefits of Supreme Audit institutions – Making a Difference to the Lives of Citizens**

*“Supreme Audit Institutions (SAIs) strengthen accountability, transparency and integrity by independently auditing public sector operations and reporting on their findings. This enables those charged with public sector governance to discharge their responsibilities in responding to audit findings and recommendations and taking appropriate corrective action and thus complete the cycle of accountability”*

The trend analysis of audit issues in the reports of the Auditor General on the accounts of the Republic for the financial years ended 2012, 2013 and 2014 shows that there has been a 68% increase in audit issues from 719 in 2012 to 1,215 in 2014.

The analysis further shows that despite the Public Accounts Committee (PAC) making recommendations to resolve the issues, the outstanding issues have only reduced by 47% from 927 reported in September 2017 to 438 as at 30<sup>th</sup> September 2018. See chart below.



*Note: The 2015 and 2016 Treasury Minutes are still being compiled by the Ministry of Finance.*

As can be seen from the trend analysis above, there is need for the Secretary to the Treasury to ensure that audit recommendations of the Auditor General and PAC are implemented in order to enhance public financial management. Further, the failure to promptly implement the recommendations could lead to matters being statute barred.

## REVENUE

### **Programme: 2011 Tax Revenue – Zambia Revenue Authority**

#### **Activities: 111 Income Tax**

#### **112 Customs and Excise Duty**

**11.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a total provision of K37,936 million was made against which amounts totalling K39,150 million were collected resulting in a surplus of K1,214 million as shown in the table below.

<b>Tax Type</b>	<b>E s t i m a t e s K</b>	<b>A c t u a l C o l l e c t i o n K</b>	<b>(U n d e r) O v e r C o l l e c t i o n K</b>
<b>Income Tax</b>			
Company Tax	4,899,156,997	4,452,525,022	(446,631,975)
Individuals (self-employed)	78,763,182	76,584,791	(2,178,391)
Back Duty	-	-	-
Pay As You Earn	9,116,676,345	8,653,383,902	(463,292,443)
Employed Individuals	-	-	-
Withholding Tax (Rent, Interest and Royalties)	2,509,534,664	2,405,390,960	(104,143,704)
Withholding Tax (Dividends)	204,689,972	165,120,970	(39,569,002)
Withholding Tax (Lump Sum Payment)	59,013,895	32,880,156	(26,133,739)
Withholding Tax (Contractors)	118,361,397	163,870,715	45,509,318
Property Transfer Tax	176,422,410	268,813,448	92,391,038
Insurance	65,319,905	67,615,533	2,295,628
Advance Income Tax	184,276,508	156,681,1595	(27,594,913)
<b>Sub - Total</b>	<b>17,412,215,275</b>	<b>16,442,867,093</b>	<b>(969,348,182)</b>
<b>Customs and Excise</b>			-
Customs Duty	2,640,187,610	2,618,336,214	(2185,1396)
Excise Duty - Soft Drinks	4,371,526	11,623,585	7,252,059
Excise Duty - Cigarettes	16,1280,488	122,341,786	(38,938,702)
Excise Duty - Opaque Beer	30,422,360	43,166,565	12,744,205
Excise Duty - Clear Beer	543,625,265	242,908,558	(300,716,707)
Excise Duty - Hydro - Carbon Oils	379,552,351	519,622,688	140,070,337
Excise Duty - Spirits	38,921,507	37,832,328	(1,089,179)
Rummage Sales	196,807	1,800,155	1,603,348
Fines, Penalty and Interest	51878,167	34,341,652	(17,536,515)
Warehouse Rent	570,601	580,183	9,582
Accounting Fees	698,707	646,942	(51,765)
Licence Fees	5,913,981	4,546,200	(1,367,781)
Other Revenue	631,160	508,438	(122,722)
Excise Duty - Motor Vehicles	456,408,677	305,766,858	(150,641,819)
Excise Duty - Electrical Energy	16,1540,706	166,983,730	5,443,024
Excise Duty - Water	205,792	-	(205,792)
Excise Duty - Wine	60,871,343	44,114,094	(16,757,249)
Excise Duty - Air time	677,287,282	614,873,087	(62,414,195)
Export Duties - Scrap Metal	-	-	-
Excise Duty - Cosmetics	42,115,936	29,664,306	(12,451,630)
Excise Duty - Carbon	34,214,214	-	(34,214,214)
Export Levy - Cotton Seed	-	-	-
Export Levy - Copper Concentrates	16,361,376	5,759,349	(10,602,027)
Excise duty - Plastic sacks	10,010,035	8,400,699	(1,609,336)
Sacks and Bags	-	-	-
Gases	-	683,079	683,079
Export Levy - Timber	12,230,907	3,155,206	(9,075,701)
Maize Seed	17,915,448	4,622,843	(13,292,605)
Cement copper	-	26,000	26,000
<b>Sub - Total</b>	<b>5,347,412,246</b>	<b>4,822,304,545</b>	<b>(525,107,701)</b>
Mineral Revenue	-	-	-
Mineral Royalty Tax	2,313,230,260	2,435,300,533	122,070,273
<b>Sub - Total</b>	<b>2,313,230,260</b>	<b>2,435,300,533</b>	<b>122,070,273</b>
Value Added Tax	-	-	-
Domestic VAT	3,147,456,048	5,850,678,895	2,703,222,847
Import VAT	8,078,173,551	8,127,600,343	49,426,792
<b>Sub - Total</b>	<b>11,225,629,599</b>	<b>13,978,279,238</b>	<b>2,752,649,639</b>
Exceptional Revenue	-	-	-
Fuel Levy	984,600,438	854,399,842	(130,200,596)
Medical Levy	-	-	-
Motor Vehicle - License	78,908,863	24,167,111	(54,741,752)
Motor Vehicle Surtax	-	57,972,000	57,972,000
Mining Tax Arrears	-	-	-
Selected Goods Surcharge	371,911,824	366,673,338	(5,238,486)
Skills Development Levy	19,1784,348	155,922,389	(35,861,959)
Tourism Levy	10,010,476	11,806,645	1,796,169
<b>Sub - Total</b>	<b>1,637,215,949</b>	<b>1,470,941,325</b>	<b>(166,274,624)</b>
<b>Grand Total</b>	<b>37,935,703,329</b>	<b>39,149,692,734</b>	<b>1,213,989,405</b>

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at ZRA Headquarters and a visit to thirteen (13) selected stations carried out in June 2018 revealed the following:

### **a. Domestic Taxes**

#### **i. Worsening Arrears of Domestic Tax**

In paragraph 14 of the report of the Auditor General for the financial year ended 31<sup>st</sup> December 2016, mention was made on the inefficiencies in collecting taxes which resulted in tax arrears increasing from K24,430,797,316 in 2015 to K28,225,582,971 in 2016.

A review of the domestic tax debt records in 2017 revealed that the trend had continued in that debt stock escalated from amounts totalling K28,225,582,971 (Principal – K12,859,279,897, Interest - K1,351,717,732 and Penalties K14,014,585,342) in 2016, to K31,144,696,256 in 2017 (Principal – K13,838,239,156; Interest - K1,230,215,749 and Penalties - K16,076,241,350) thereby increasing the tax debt by 10% as tabulated below.

TAX TYPE	2015		2016		2017	
	No. of Tax Payers	Amount K	No. of Tax Payers	Amount K	No. of Tax Payers	Amount K
Domestic Excise	34	58,361,231	98	306,084,622	86	193,034,953
Employment Tax (Pay as You Earn)	8,973	2,200,112,209	11,948	5,465,896,402	10,234	5,934,065,098
Income Tax	6,531	3,633,854,938	10,235	4,260,547,657	14,669	3,566,522,909
Insurance Premium Levy	-	-	45	2,484,608	61	74,792,234
Medical Levy Tax	-	-	5	67,283	14	225,326
Mineral Royalty Tax	152	1,288,672,950	225	1,655,174,205	252	2,015,743,308
Presumptive Tax		-	-	-	723	1,024,827
Property Transfer Tax	20	20,443	85	235,625	100	513,174
Turnover Tax	38,509	496,201,583	50,877	1,068,087,394	55,366	1,492,998,564
Value Added Tax	7,341	15,620,340,165	8,602	14,679,132,909	7,174	17,060,432,881
Withholding Tax	4,259	1,133,233,797	5,647	787,872,267	5,007	805,342,982
<b>Totals</b>	<b>65,819</b>	<b>24,430,797,316</b>	<b>87,767</b>	<b>28,225,582,972</b>	<b>93,686</b>	<b>31,144,696,256</b>

#### **ii. Failure to Configure Tax Amnesty on Penalties and Interests on Tax Online**

In April 2017, the ZRA launched the tax amnesty on interests and penalties on all duty accounts in order to encourage tax payers to dismantle their long outstanding tax debt. The Authority was expected to collect about K8 billion after waiving all interest and penalties for tax-payers with outstanding tax returns and debts.

The authority offered a 100% waiver on interests and penalties provided the principal tax liabilities were fully liquidated. Tax payers were required to submit all outstanding returns, pay principal tax liabilities prior to 1<sup>st</sup> March 2017. Initially the amnesty ran from 24<sup>th</sup> April to 31<sup>st</sup> July 2017 but was later extended to 31<sup>st</sup> December 2017.

The administration of domestic taxes is done by the Tax Online System where penalties and interest are automatically charged on tax defaulters' accounts. In this regard, it was expected that the tax online system would be configured to respond to the tax amnesty incentive.

However, a review of tax records relating to the Tax Amnesty revealed that although 12,280 defaulter accounts had settled their tax principal liabilities, amounts totalling K3,774,834,402 in respect of interest and penalties had not been waived off the Tax Online System.

The following were further observed:

- As at 31<sup>st</sup> August 2018, the Tax Online System had not been configured to take into account the effects of the Tax Amnesty on debt reduction thereby increasing the tax debt.
- The records pertaining to the revenue collected as a direct result of the tax amnesty were not availed for audit. In this regard, it was not possible to ascertain whether the target of collecting K8 billion was achieved.

### **iii. Tax Refunds Paid to Tax Payers owing ZRA in Other Tax Types**

The ZRA Treasury Procedure Manual states that, 'the operating divisions shall ensure that lists that are sent for refund processing have offsets indicated to avoid payment to taxpayers who owe ZRA. Treasury department will ensure that refunds are not made to taxpayers who owe ZRA money as advised by the divisions".

Contrary to the above guideline, ZRA paid VAT refunds in amounts totalling K5,490,273,003 to five hundred seventy three (573) taxpayers who owed ZRA amounts totalling K2,648,871,995 in unpaid taxes.

### **iv. Failure to Enforce Honouring of Time to Pay Agreements (TPAs)**

The Income Tax Act CAP 323 provides for taxpayers to settle the tax due by instalments through Time to Pay Agreements (TPAs) between taxpayers and ZRA agreeing the dates on which payments are to be made.

In addition, ZRA guidelines require that any outstanding domestic tax liabilities should be recovered in full using recovery instruments such as Warrant of Distress, Garnishee or Appointment of Agent, Charge on Land and Recovery through Courts in any order.

In Paragraph 14 of the report of the Auditor General for the financial year ended 31<sup>st</sup> December 2016, mention was made of the failure to honour Time to Pay Agreements (TPAs) in amount totalling K805,191,407 involving two hundred and fifteen (215) taxpayers and the Authority had not invoked any of the other debt recovery instruments available to it.

In their Report for the First Session of the Twelfth National Assembly, the Public Accounts Committee strongly recommended that the Secretary to the Treasury should ensure that ZRA management develops a payment plan for defaulters. Should they fail to pay, appropriate provisions of the Income Tax Act No. 45 of 2016 should be invoked in order to ensure that all the outstanding funds are collected.

A review of the TPAs signed during the period under review revealed that the practice had continued in that out of K4,149,176,948 in respect of 3,282 TPAs, only K522,717 was honoured leaving a balance of K4,148,654,231 outstanding as at 31<sup>st</sup> August 2018.

## **b. Customs Taxes**

### **i. Unaccounted for Removals in Transit (RIT)**

Automated System for Customs Data (ASYCUDA) has a transit module that handles transactions for Removals in Bond (R.I.Bs) and Removals in Transit (R.I.Ts) such as goods moving from one customs control area to another without duty being paid but under surety of a bond issued by banks or insurance companies.

According to the Customs procedures, transit documents are generated at the port of entry and are acquitted at the port of exit as the goods are leaving the country within fifteen (15) days for R.I.Bs and five (5) days for R.I.Ts. Therefore, clearance of all transits on the system is done by the destination exit office as indicated on the transit documents after checking that all goods that entered the country were not consumed within the country in case of R.I.Ts and that taxes have been paid before ex-bonding in case of R.I.Bs.

An examination of records revealed that one hundred and eighteen (118) RITs with guaranteed amounts totalling K15,040,048 that had entered the country had not exited as at 31<sup>st</sup> December 2017. See table below.

<b>Station</b>	<b>Guaranteed Amount K</b>	<b>No of Transactions</b>
Chirundu	788,105	31
Kasumbalesa	2,216,757	45
Kazungula	1,841,123	7
Lusaka International Airport	740	1
Mwami Border Post	255,617	7
Nakonde	8,440,796	19
Ndola Port Office	1,428,049	5
Victoria falls	68,860	3
<b>Total</b>	<b>15,040,048</b>	<b>118</b>

As at 31<sup>st</sup> August 2018, ZRA had not called on the bonds despite the lapse of the allowable period.

**ii. Amounts Owed in Customs Taxes**

A scrutiny of customs tax records revealed that at the close of the financial year 2016, ZRA was owed amounts totalling K487,803,271 and the debt increased to K781,336,097 as of December 2017 representing a percentage increase of 60%.

**iii. Unlicensed Bonded Warehouses with Goods in Bond**

According to the customs procedures, unaccustomed goods can only be carried by persons licensed pursuant to Section 43 of the Custom Act. Further Section 44 of the Act stipulates that the carrier licensed for that purpose will be responsible for the payment of duties and taxes that may be levied by the Customs authorities in the event that unaccustomed goods go into home consumption or are not accounted for to the satisfaction of the Customs Services Division. Exceptions are made to cases where the Authority to transact is obtained, in writing, from the Commissioner General.

Contrary to the customs procedures, a review of tax records and reports on ASYCUDA World with regards to the operations of bonded warehouses revealed that six (6) stations transacted with nineteen (19) unlicensed bonded warehouses with Goods in Bond in amounts totalling K3,817,752,077 without written authority from the Commissioner General. It was not clear why the six (6) stations transacted with the unlicensed bonded warehouses. In this regard, it was possible that the nineteen (19) unlicensed warehouses may not have paid duties and taxes.

**iv. Unaccounted for Report Orders - Livingstone**

A Report Order (RO) is an instrument used by the Authority to request an importer to move their goods from the entry port due to limited facilities to an inland port where tax formalities can be finalised.

During the period under review, Victoria Falls and Kazungula border posts issued sixteen (16) ROs with customs taxes in amounts totalling K1,114,154 to Livingstone for final clearance. However, there was no evidence that the importers reported to the Port Office and that they paid for their assessed consignments.

**v. Missing Goods – Nakonde Warehouse.**

According to the Customs Compendium of Policies and Procedures, when officers detain goods, Receipts for Items Held (RIH) must be issued to the importer without fail. Goods should be detained when the importer is unable to pay or when an investigation is to be carried out.

However, various goods with Value for Duty Purposes in amounts totalling K563,821 placed on Receipts for Items Held (RIH) from 30<sup>th</sup> June 2017 to 6<sup>th</sup> May 2018 did not have acquittal details and were not in the Warehouse.

**vi. Missing Motor Vehicles – Nakonde and Mwami State Yards**

Section 33 and 162 of the Customs and Excise Acts stipulates the procedure for disposing of imports under seizure.

Contrary to the Act it was noted that two (2) motor vehicles with Value for Duty purposes exceeding K369,702 had no disposal details and were not found in the State yards as at 30<sup>th</sup> June 2018.

**Programme: 2021 Non Tax Revenue – Road Transport and Safety Agency**

**Activity: 122070 Road Traffic Collections**

**12.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K432,780,000 was made in respect of revenue collection at the Agency against which amounts totalling K365,230,402 were collected resulting in an under collection of K67,549,598.

**Accounting and Other Irregularities**

An examination of accounting and related records maintained at RTSA Headquarters Premium House and other stations carried out from January to June 2018 revealed the following:

**a. RTSA Revenue Matters**

**i. Delayed Transfer of Revenue to Bank of Zambia**

The Service Level Agreement signed between the Ministry of Finance and commercial banks stipulates that banks shall remit funds collected and deposited in the revenue accounts twice a week on Tuesday based on Monday's balances and on Friday based on Thursday's balances and that remittances shall be through the Real Time Gross Settlement System (RTGS) into the relevant accounts at the Bank of Zambia and that any delays shall attract a penalty of 10% simple interest, calculated on the overnight balance remaining on the account.

However, there were delays ranging from (1) to three (3) days in the transfer of revenue in amounts totalling K2,214,376 to Control 99 as indicated in table below.

BANK	AMOUNT K
UBA	1,991,275
INVESTRUST	223,101
<b>TOTAL</b>	<b>2,214,376</b>

As at 31<sup>st</sup> August 2018, RTSA had not initiated the process to charge the defaulting banks with penalties in line with the Service Level Agreements (SLAs).

## ii. **Uncollected Revenue - Towing Trucks**

The Agency provides towing services at a fee to motorists whose motor vehicles have broken down causing obstructions to road users.

A scrutiny of records revealed that the Agency had provided towing services to thirty two (32) motorists who were charged fees totalling K134,860. However, as at 31<sup>st</sup> August 2018, the fees had not been collected.

## iii. **Lack of Mechanism to Verify Accuracy of Gross Vehicle Mass**

A review of the motor vehicle registration process revealed that the Agency had no mechanisms for verification of Gross Vehicle Mass (GVM) of all vehicles that were being registered.

Further third-party documentation such as bill of lading and invoices which contains the correct GVM were neither used nor retained by the Agency for confirmation.

Therefore, there was no assurance that the captured GVM was the true reflection of the actual weight of the vehicles. In particular the following was observed:

- **Revenue Loss from Under Declared GVM - J & J Transport Zambia Limited**

On 6<sup>th</sup> June 2008 and 17<sup>th</sup> December 2012, RTSA registered one (1) and ten (10) trailers respectively, belonging to J & J Transport Zambia Limited, a Company based in Lusaka.

According to the Registration Certificates issued by the Agency, the GVM of the trailers were 12,000 kgs for the one (1) and 6,000 kgs for ten (10).

However, in January 2017, J & J Transport Zambia Limited wrote to the Agency indicating that the company had realized that there were errors in the declaration of the GVM of the trailers and wished to effect changes to reflect the correct GVMs.

In January 2017, the Agency re-examined the trailers and effected the changes accordingly. In this regard, J & J Transport had been under paying road tax for four (4) years in amounts totalling K109,000.

- **Revenue Loss from Under Declared GVM – Freight and Passenger Services**

Between 7<sup>th</sup> August 2009 and 10<sup>th</sup> September 2012, RTSA registered eight (8) trailers belonging to Freight and Passenger Services, a company based in Lusaka.

According to the Registration Certificates issued by the Agency, the GVM of the trailers were between 14,000 kgs and 28,000 kgs. However, in January 2017, Freight and Passenger Services wrote to the Agency, advising that the GVM indicated on the Registration Certificates were not correct and wished to effect changes to reflect the correct ones.

In January 2017, the Agency re-examined the trailers and effected the changes accordingly. In this regard, Freight and Passenger Services had been under paying road tax for four (4) years in amounts totalling K51,000.

**b. RTSA's Strategic Partners**

On 17<sup>th</sup> August 2012, RTSA entered into contracts with Zambia Postal Services (ZAMPOST) and Zambia State Insurance Cooperation (ZSIC) as strategic partners for the outsourcing of the road licensing function on behalf of RTSA.

According to Section 4.0 of the contract on the scope of works, the strategic partners were required to perform the following:

- Ensure all monies paid by road users to the appointed service provider in relation to road tax licenses are appropriately receipted and deposited in designated Government revenue accounts
- Issue road tax license to road users in accordance with the provisions of the road traffic act No. 11 of 2002.
- Reconcile banking with accountable documents and receipts issued by the ZAMTIS
- Provide RTSA with monthly returns showing serial numbers of stationery used, detail of amount received, licenses issued to road users amount banked on each accountable document, amount banked in commercial banks and commercial bank confirmation of receipts
- Report on all the transactions and revenues raised to the Agency in standard formats and

- Reimburse RTSA of any losses that may arise in receipting Government revenues, among other works.

In addition, the contract stated that as payment for providing the services, the partners would be paid each, 4% of revenue collected as commission.

An examination of accounting and other records in respect of road traffic collections (Road Tax Licensing) for the financial year ended 31<sup>st</sup> December 2017, carried out in April and May 2018 at Lusaka Main, Kitwe Main, Ndola Main, Mufulira Main, Woodlands, Freedom Way, Ridgeway, Kasama and Mansa post offices revealed the following:

**i. Failure to Renew the Contract – ZAMPOST and ZSIC**

According to the Special Conditions of Contract signed between RTSA and its strategic partners, the contract duration was one year, renewable subject to good performance of strategic partners.

However, since 2012, the contract has not been renewed thereby disregarding the purpose and objectives of the duration and renewal clauses. In this regard, the two institutions are collecting revenue on behalf of Government without agreements.

**ii. Under Banking of Revenue - Zampost**

Financial Regulation No.130 states that collectors of revenue shall deposit into the Treasury account all the revenue collected. Further section 4 of the contract between RTSA and Strategic partners requires that all funds collected are deposited.

However, a review of records revealed that revenue in amounts totalling K101,411,775 was collected and received, out of which amounts totalling K96,208,430 were deposited leaving a balance of K5,203,344 unbanks as it was used at source.

In their response dated 27<sup>th</sup> July 2018, management stated that all recoveries of under deposited amounts had been forfeited against earned commissions for 2017 and 2018.

A review of correspondence from RTSA to National Road Fund Agency revealed that the forfeiture had not taken place as at 31<sup>st</sup> August 2018.

**c. Management Information System**

**i. Delayed Completion of System Implementation/Hand Over of e-ZAMTIS**

In Paragraph 21 of the Report of the Auditor General for the financial year ended 31<sup>st</sup> December 2016, mention was made on the incomplete works of e-ZAMTIS Phase I for which an amount of US\$17,557,035 representing 99% of the phase I Contract was paid.

In their Report for the First Session of the Twelfth National Assembly, the Public Accounts Committee called upon the Secretary to the Treasury to sternly caution management for this serious anomaly and urged him to take keen interest in this matter and pursue it expeditiously to its logical conclusion as public funds were at risk of being lost in the process.

In July 2017, the Agency had already paid the full amount for Phase I which was supposed to cater for the design, development, implementation and commissioning of e-ZAMTIS. However as of May 2018 the system had not been handed over despite the vendor having been paid in full.

It was further observed that the vendor was not on site and management was not aware of his whereabouts. Additionally, the Agency had not signed an escrow agreement with the vendor for them to have access to the source code in an event of any unforeseen circumstances.

A review of the situation carried out in June 2018 revealed that on 30<sup>th</sup> October 2017, the Agency paid K5,970,149 (US\$597,014.93) for Phase II. It is however questionable as to why the Agency was paying for Phase II when the consultant had not completed the deliverables for Phase I.

## **ii. Failure to Implement Interfaces with Other Systems**

According to the User Requirement Specification, e-ZAMTIS was to be interfaced with systems for stakeholders such as the Zambia Revenue Authority (ZRA), the Patents and Company Registration Agency (PACRA), Local Councils and the Zambia Bureau of Standards.

It was however observed that the interface had not been implemented as at 31<sup>st</sup> August 2018 despite the vendor having been paid under Phase II to implement this.

## **iii. Incomplete Works**

It was observed that the Consultant was not on site and also not responding to various correspondences from Agency requesting OTI to come and attend to all the outstanding issues for the first Phase for which the consultant had been paid in full. See table below.

ISSUE	STATUS
Process flows for transactions like Road Tax should be streamlined to reduce processing time	Not Done
Red Book Registration function not operational –	Not Done
Slow processing due to migration from ZAMTIS to e-ZAMTIS compounded by Migration failure for some Vehicles and Drivers	Not Done
Correct Short term RSL process and charge correct fees	Not Done
e-ZAMTIS should be more resilient to network latency - Requesting lighter system.	Not Done
Preventive Maintenance for Servers, PCs and peripherals now due	Not done
Routes Missing in Toll Module and incorrect distances	Not done
When reverting Personalised to ordinary number, new number is given instead of original number	Not Done
Upgrade of the E-ZAMTIS to the latest version	Not Done
Training of Technical staff from ICT	Not Done
Source Code Handover	Not Done
Delivery of enforcement gadgets	Not Done
Website completion and training of users	Not Done
Website interface to e-ZAMTIS for Online Service	Not Done
Interface with various systems in the country	Not Done
Enforcement Module not fully functional	Not Done

**Programme: 129 National Road Fund Agency**

**Activities: 129047 Weighbridge Charges**

**129049 Road Tolls**

**13.** In the Estimate of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a total provision of K586,085,000 was made for the collection of revenue against which amounts totalling K682,346,233 were collected resulting in an over collection of K96,261,233 as shown in the table below.

Revenue Type	Approved Estimate K	Actual Revenue K	(Under) / Over Collections K
Weighbridge Charges	22,620,000	17,890,845	(4,729,155)
Road Tolls	563,465,000	664,455,388	100,990,388
<b>Total</b>	<b>586,085,000</b>	<b>682,346,233</b>	<b>96,261,233</b>

#### **Accounting and Other Irregularities**

Inland tolls are road user fees collected from local vehicles within the country. The fees are regulated by Statutory Instrument No. 85 of 2016.

An examination of accounting and other records maintained at NRFA headquarters carried out in November 2017 and a follow up audit to eighteen (18) Toll Points in December 2017 to January 2018 revealed the following:

**a. Information Technology Matters – Failure to Provide Adequate Controls Over the Server Room**

CoBIT DSS01.04 Manage the Environment stipulates that an organisation should regularly monitor and maintain devices that proactively detect environmental threats (e.g. fire, water, smoke, humidity) and keep the ICT sites and server rooms clean and in a safe condition at all times (i.e. no mess, no paper or cardboard boxes, no filled dustbins, no flammable chemicals or materials).

Best practice requires that a server room is in a conducive environment with ambient temperatures maintained from 18°C to 25°C and has restricted access.

However, the following were observed in all the inland tollgates:

- Physical security to the server room was through a door secured by a mortice lock only instead of logical access controls such as bio-metrics to restrict access to authorised staff only.
- The server rooms were not installed with Automatic Fire Suppression or smoke / fire detectors and the roofing of the server rooms were not water-proofed, thus exposing the equipment to damage through water leakages.

**b. Revenue Matters**

**i. Unclaimed Interest on Delayed Transfer of Revenue to Control 99**

The Service Level Agreement (SLA) stipulates that funds in the Revenue Transit Account held at Commercial Banks shall be transferred to Control 99 on Tuesdays, Fridays and the last working day of each month, and that any delays shall attract a penalty of 10% simple interest, calculated on the overnight balance remaining on the account.

A review of the bank statements revealed that there were delays in remittance of funds from the Zanaco Revenue Transit Account to Control 99.

In particular the following were observed

- A sum of K17,026,982 collected during the period under review had been delayed for periods of two to seven days before being transferred to Control 99 from the Bank Tolling Account.

- Similarly, a sum of K1,489,370 collected during the period under review had been delayed between one to eleven days before being remitted to Control 99 from the Zanaco weighbridge Kwacha Account.
- A sum of US\$8,202.86 collected during the period under review had been delayed for periods of three to fourteen days before being remitted to Control 99 from the Zanaco weighbridge Dollar Account.

In this regard, NFRA failed to claim from Zanaco estimated interest on delayed transfer of funds totalling K1,368,066 and US\$1,586.13 respectively as shown in the table below.

Accounts	Interest Not Claimed	
	K	US\$
Tolling	1,225,575	-
Weighbridges	142,491	-
Weighbridges	-	1,586.13
<b>Total</b>	<b>1,368,066</b>	<b>1,586.13</b>

## ii. Weaknesses in E-Toll Payments

### • Irregular Use of DotCom Technologies

Cabinet Office Circular No. 1 of 2016, stipulates that all e-Government and ICT projects/initiatives in all MPSAs will be coordinated and approved through the Centre of Excellence for e-Government and ICT.

In August 2017, National Road Fund Agency engaged DotCom (Z) Ltd as its local distributor of Road Tolls, Toll Cards, Electronic Tolls and E-Tags in line with the provision of the Statutory Instrument No. 85 of 2016 at no cost to NRFA. The rights and responsibilities of the Toll Distributor included the following:

- To develop the business and promote the sale of products in the Zone
- To purchase the products upfront from NRFA
- To distribute the products and;
- To insure all stocks held by the distributor among others.

The purpose was for DotCom to test its electronic toll platform or technologies by using Zesco and Dangote vehicles at Dotcom's cost.

Although the testing and use of DotCom's e-toll technologies by NRFA had continued, there was no clearance from Smart (Z) and Ministry of Finance to determine the safety of DotCom technologies in e-Tolling contrary to the circular.

- **Irregularities in the ZESCO Advance Account**

A review of Zesco Ltd prepaid account revealed the following

- Contrary to Statutory Instrument No. 85 of 2016 Third Schedule (Regulation 5) Part "d" which stipulates that buses with over 30 seats shall pay a fixed charge of K80 per single access, it was however observed that thirteen (13) Zesco Ltd buses were charged K50 instead of K80 per single access resulting in a revenue loss of K4,480 due to improper configuration of the fee chart in the Toll Management System.
- There were 4,539 vehicles with no registration number plates on the Zesco Ltd prepaid account in amounts totalling K114,005. Consequently, it was not possible to establish whether the vehicles actually belonged to Zesco Ltd.

- iii. **Irregular Payment of Frequent User Discounts (FUDs)**

Ministerial Statement on Frequent Road User Discounts (FUDs) provides for a discount of 25% on qualifying motorist applied on the toll of K20 and K40.

For a motorist to qualify, the vehicle must pass through a toll station at least ten (10) consecutive times within a thirty (30) day period. Thereafter, such a vehicle shall qualify to pay at discounted rates for a closed period of another thirty (30) days.

A review of records relating to FUDs at eight (8) stations revealed that various vehicles paid for tolls at discount rates before passing through the toll gate at least ten (10) consecutive times within a thirty (30) day period resulting in a revenue loss of K1,091,814 as shown in the table below.

Stations	No. of Vehicles	Amount K
Mumbwa	787	54,229
Shimabala	6,050	378,855
Katuba	2,523	195,800
Chongwe	15	885
Kafulafuta	557	134,835
Manyumbi	1,416	327,210
<b>Total</b>		<b>1,091,814</b>

**iv. Under Banking of Revenue– Katuba**

A comparison between amounts collected against banking revealed that the station had an under banking of K7,594 as shown in the table below.

<b>Months</b>	<b>Amounts Collected K</b>	<b>Amounts Deposited K</b>	<b>Under Banking K</b>
April	627,100	625,313	(1,787)
May	5,617,422	5,616,045	(1,377)
June	5,505,782	5,502,704	(3,078)
July	5,144,855	5,143,503	(1,352)
<b>Total</b>			<b>(7,594)</b>

**v. Unaccounted for Revenue – Shimabala**

Contrary to Financial Regulations No. 129, amounts totalling K5,275 collected at Shimabala Toll gate in respect of toll fees were unaccounted for in that the funds were neither banked nor was cash found on hand.

**vi. Revenue Loss – Improper Configuration of Fee Chart**

Statutory Instrument (SI) No 85 of 2016, third schedule (Regulation 5) provides for toll tariffs for Zambian registered vehicles according to vehicle type and fees. Buses with over 30 seats capacity are supposed to pay K80 per single access.

A review of the fee chart on the system revealed that although the fee chart was configured correctly on the system, a tariff of K80 for buses with over 30 seats was omitted in the system resulting in the system under collecting on the buses with over 30 seats.

Consequently, during the period under review, various buses with over 30 seats paid K50 per instead of the K80 per single access as stipulated in the Statutory Instrument resulting in a revenue loss of K4,665,433 as shown in the table below.

<b>Tollgates</b>	<b>Amount K</b>
Mumbwa	33,870
Shimabala 1	114,587
Shimabala 2	14,526
Katuba	1,247,880
Chongwe	4,290
Livingstone 1	84,840
Livingstone 2	300
Kazungula	19,370
Kafulafuta	1,333,320
Manyumbi	1,812,450
<b>Total</b>	<b>4,665,433</b>

#### **vii. Uncollected Revenue - Weighbridge Offenders**

During the period under review, weighbridge fees in amounts totalling K152,805 had not been collected from ten (10) offenders in respect of overload and parking fees which were charged. See table below.

<b>Customer Details</b>	<b>Amounts Owing K</b>
Mercury Express	5,847
Continental Labour Based	43,702
Shamrock	6,664
AM Mastone	3,808
Sholi Logistics	15,000
Cnk Limited	14,900
AB Gilmans	27,841
Given Muntanga	16,010
Power Surge Contractors	14,893
Mack Transport	4,139
<b>Total</b>	<b>152,805</b>

As at 31<sup>st</sup> July 2018, no action had been taken to recover the debt.

#### **Programme: 2021 Non Tax Revenues – Department of Immigration**

##### **Activities: 123018 Immigration Fees and Charges**

14. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a revenue provision of K265,065,761 was made against which amounts totalling K297,254,171 were collected resulting in an over collection of K32,188,410.

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at Immigration headquarters and a visit to twenty (20) selected stations carried out between May and August 2018 revealed the following:

### **a. Delays in Banking Revenue**

#### **i. Kenneth Kaunda International Airport – KKIA**

Contrary to Financial Regulation No.121 which states that all money received by any accounting officer shall be deposited not later than the next business day following the day of receipt, there were delays in banking revenue in amounts totalling K263,500 (US\$26,350) for periods ranging from 4 to 425 days.

#### **ii. Mongu Office**

Contrary to Financial Regulation No.121 which states that all money received by any accounting officer shall be deposited not later than the next business day following the day of receipt, there were delays in banking revenue in amounts totalling K37,650 for periods ranging from 4 to 13 days.

### **b. Mokambo Border Control – Visa Fees**

Revenue in amounts totalling K5,799,600 (US\$579,960) was collected during the period from 1<sup>st</sup> January 2015 to July 2017 at Mokambo Border Post. The following was observed:

#### **i. Unaccounted for Revenue**

A review of visa fees receipt books, general revenue cash books, deposit slips and the bank statement in respect of Visa Fees showed that Visa Fees in amounts totalling K300,320 (US\$30,320) were collected during the period from 10<sup>th</sup> November 2016 to 11<sup>th</sup> July 2017.

However, it was noted that only amounts totalling K2,400 (US\$240) were banked leaving a balance of K300,800 (US\$30,080) unaccounted for in that no cash was found on hand and the deposit slips to support the banking of revenue were missing. See the table below.

Receipt Serial No.		Amounts Collected	Amounts Banked	Unaccounted for Funds
From	To	US\$	US\$	US\$
094326	094400	6,000	240	5,760
074601	074604	320	-	320
064401	064500	8,000	-	8,000
074901	075000	8,000	-	8,000
094201	094300	8,000	-	8,000
<b>Total</b>		<b>30,320</b>	<b>240</b>	<b>30,080</b>

**ii. Misappropriation of Revenue**

Although revenue in amounts totalling K2,882,700 (US\$288,270) was deposited and traced on the Zanaco Ministry of Finance Dollar Transit account bank statement, a balance of K2,919,600 (US\$291,960) was misappropriated as the deposit slips were falsified.

**Programme: 2021 Zambia Information and Communication Technology Authority**

**Activities: Various**

- 15.** In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2017, a provision of K561,820,280 was made for the collection of revenue against which amounts totalling K298,834,270 were collected, resulting in an under collection of K262,986,010.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at ZICTA headquarters carried out in July 2018 revealed the following:

**a. Spectrum Users – Expired Licences**

According to the ICT Act No.15 of 2009 section 11(1) and Statutory Instrument No.34 of 2010 (schedule of fees), a radio license shall be valid for a period of twelve (12) months from the date of issue.

During the period under review, there were fourteen (14) radio operators who were operating with expired licenses. Consequently, ZICTA did not collect revenue in amounts totalling K1,296,244.

**b. Delayed Remittances to Control 99**

Treasury and Financial Management Circular No.06 of 2015, Part III 3.2 requires that Revenue Transit Accounts “sweep all funds clearing on the Revenue Transit Accounts to the designated Bank of Zambia (BOZ) accounts every Tuesday, Friday and the last working day of every month”.

A review of records pertaining to the transit account revealed that there were delays for periods ranging from five (5) to thirty seven (37) days in remitting funds totalling K960,615,690 to the BOZ account.

**c. Outstanding Fees – Zamtel Limited**

In Paragraph 23 of the Auditor General’s report for the financial year ended 31st December 2016, mention was made on the outstanding fees by Zamtel in amounts totalling K105,029,725 (K96,072,855 - licences and annual operating fees and K8,956,870 - international traffic minutes fees).

In their Report for the First Session of the Twelfth National Assembly, the Public Accounts Committee cautioned management over the failure to settle the fees and urged the Controlling Officer to ensure that the outstanding debt is fully liquidated.

However, a review of the situation in August 2018 revealed that the outstanding fees had increased to K111,257,412.

**Programme: 2021 - Non Tax Revenues (MPSAs) – Judiciary**

**Activities: 102 - Fees**

**123045 - Library Services**

**123043 - Court Fees**

**103 - Fines**

**121010 - Fines of Court**

**16.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K24,434,965 was made for the collection of revenue against which amounts totalling K26,104,679 were collected resulting in an over collection of K1,669,714. See table below.

<b>Revenue Type</b>	<b>Provision K</b>	<b>Collections K</b>	<b>Over/(Under) Collection K</b>
Fines of Court	5,920,117	9,726,841	3,806,724
Court Fees	18,179,350	16,076,057	(2,103,293)
Library Services	335,498	301,781	(33,717)
<b>Total</b>	<b>24,434,965</b>	<b>26,104,679</b>	<b>1,669,714</b>

**Accounting and Other Irregularities**

An examination of the accounting and other records maintained by the Headquarters and selected provincial offices carried out in April 2018 revealed the following:

**a. Unaccounted for Revenue**

Financial Regulation No. 129, stipulates that collectors of revenue must bring to account daily the whole amount of their collections. However, it was observed that amounts totalling K331,752 in respect of court fees and fines collected during the period under review were not accounted for in that they were neither banked nor was the cash found on hand. See table below.

<b>Station</b>	<b>Unaccounted for Revenue K</b>
Kitwe Subordinate Court - RMS	257,859
Chisamba Magistrate Court - RMS	62,234
Chisamba Magistrate Court - Fees	11,659
<b>Total</b>	<b>331,752</b>

**b. Deposits without Supporting Receipts**

Financial Regulation No. 123 states that a receipt form shall be issued by the receiving officer whenever a sum of public money is received.

Contrary to the regulation, during the period under review, amounts totalling K38,648 were received and deposited at Ndola Subordinate Court without issuing General Receipts. Consequently, it was not possible to ascertain the actual amounts collected.

**c. Delayed Banking**

Financial Regulation No. 121 provides that all monies received by any accounting officer shall be deposited not later than the next business day following the day of receipt.

Contrary to the regulation, it was observed that, there were delays in banking of revenue in amounts totalling K1,098,922 for periods ranging from 4 days to 314 days. See table below.

<b>Province</b>	<b>Local Courts</b>	<b>Total K</b>	<b>Delay in Days</b>
Central	Liteta	18,539	11 to 15
Luapula	Mansa	32,553	4 to 147
	Mansa	3,370	4 to 314
Muchinga	Nakonde Boma	16,895	4 to 23
	Nakonde Boma	100	5 to 7
Eastern	Chipata	3,053	4 to 14
	Chipata	765	5 to 13
	Chadiza	4,421	4 to 21
	Chadiza	320	4 to 15
Western	Mongu Urban	3,041	4 to 12
	Leahui	2,734	4 to 12
	Naliele	7,420	4 to 49
	Naliele	154	6 to 7
	Mulamatila	18,399	5 to 35
	Mwandi	7,039	7 to 42
	Lukulu Urban	6,642	5 to 85
Northern	Nseluka	16,831	5 to 27
	Nseluka	10,125	7 to 27
	Mungwi	10,698	8 to 23
	Mungwi	7,480	15 to 20
	Mulilansolo	7,939	4 to 10
	Mulilansolo	4,265	4 to 11
	Mukuka Mfumu	5,626	12 to 18
	Munkonge	4,745	12 to 21
	Kasama	21,897	5 to 20
	Kasama	14,315	4 to 30
	Chimbola	2,639	12 to 21
	Lusaka High court - Criminal	3,900	5 to 14
Lusaka	Lusaka Subordinate court -RMS	34,369	5
	Lusaka Fast track court -Fines	57,750	5 to 6
	Matero (2) Local court - Fines	1,545	6 to 15
	Matero (2) Local court - Fees	8,757	5 to 7
	Chilenje Local court - Fees	434	5
	Chelstone Local Court - Fees	2,362	9 to 10
	Chawama Local Court - Fines	1,358	5 to 7
	Chawama Local Court - Fees	1,117	5 to 18
	Kanyama Local Court - Fines	1,231	6 to 11
	Kanyama Local Court - Fees	583	7 to 9
	Ndola Main	250	5 to 12
	Kabushi	2,043	4 to 25
Copperbelt	Chifubu	1,126	4 to 7
	Kitwe Sub Court -	900	4
	Chingola Sheriffs office - Court fees	863	4 to 9
	Kalulushi Sub Court - RMS	30,389	16 to 25
	Ndola Subordinate Court - Fines	4,000	4 to 8
	Ndola Subordinate Court - RMS	2,500	20
	Ndola Small claims - Fees	760	12
	Kitwe Sub Court - RMS	706,548	8 to 173
	Solwezi High Court -Fees	325	4 to 24
	Solwezi Industrial Relations Court	3,444	4 to 18
North Western	Solwezi Local Court	362	28
	<b>Total</b>	<b>1,098,922</b>	

#### d. Missing Accountable Documents

Contrary to Financial Regulation No. 10 (n) which stipulates that the accounting officer shall produce all books and records or accounting documents in the accounting officer's charge when required, eight (8) general receipt books issued to Kitwe, Chisamba Subordinate courts and

Kitwe Sheriff's office were not availed for audit. Consequently, it was not possible to ascertain the amounts collected on the missing accountable documents. See table below.

<b>Station</b>	<b>No. of Receipt books</b>
Chisamba Subordinate court	5
Kitwe Sheriff office	3
<b>Total</b>	<b>8</b>

**e. Poor Maintenance of the Seized Goods Register – Solwezi Sheriff's Office**

There was poor maintenance of the register of seized goods at the Solwezi Sheriff's Office in that it did not show the status of goods seized. In particular, examination of entries for ten (10) motor vehicles revealed that the value was not recorded and the status of the vehicles was not indicated in the register. Further, there were no disposal details availed for audit.

**f. Poor Management of Warehouse – Sheriff Office Kitwe**

According to the current procedures, goods seized by the Sheriff's office in Kitwe are moved to the warehouse owned by the Ministry of Works and Supply. The goods are supposed to be recorded in a register and stored in a secure and orderly manner pending disposal of the case.

A physical verification of the warehouse revealed that the goods are stored in an haphazard manner due to lack of space, rendering a stock take of goods seized not possible and the goods being prone to damage. It was also observed that the building is surrounded by timber saw-mills and traders which has exposed the building to risk.

Further, the yard where seized motor vehicles were parked was not secure as the perimeter wire fence was not security stringent rendering the seized motor vehicles susceptible to theft.

**g. Lack of Safe Facilities**

Financial Regulation No. 155 defines a safe as a secure container issued by Government in which public moneys, articles and accountable documents are to be kept.

Contrary to the above regulation, it was observed that, there were fifty one (51) courts that did not have safes thereby rendering public funds, articles and accountable documents that needed to be secured, vulnerable.

**Programme: 2021 Non Tax Revenue (MPSAs) - Ministry of Lands and Natural Resources****Activity:** **Various**

17. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K604,267,819 was made as revenue collection against which K127,162,086 was collected, resulting in an under collection of K477,105,733 as shown in the table below.

<b>Revenue Stream</b>	<b>Budget K</b>	<b>Actual K</b>	<b>Over/(under) Collections K</b>
Consent Fees	2,271,805	2,282,090	10,285
Consideration Fees	451,888,439	36,349,662	(415,538,777)
Survey Fees	34,060,801	8,013,612	(26,047,189)
Document and Registration Fees	35,959,112	23,289,273	(12,669,839)
Forestry Revenue	19,851,028	21,597,829	1,746,801
Preparation Fees	2,493,523	1,084,400	(1,409,123)
Interest on Late Payments	2,498,054	3,271,909	773,855
Rent on Government Properties	15,336	15,000	(336)
Ground Rent	55,229,721	31,258,311	(23,971,410)
<b>Total</b>	<b>604,267,819</b>	<b>127,162,086</b>	<b>(477,105,733)</b>

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters, selected provincial offices and a review of management information system carried out in April 2018 revealed the following:

**a. Failure to Collect Export Permit Fees**

A comparison of Export Permits issued at the Forestry Department head office and export data from Zambia Revenue Authority (ZRA) ASYCUDA system for the year under review, revealed that four (4) companies through seventeen (17) transactions exported timber valued at K3,128,515 without export permits contrary to the Forest Act No 4 of 2015. In this regard, the Government lost revenue in amounts totalling K85,000 as each permit costs K5,000.

**b. Irregularities in Revenue Receipting - Unsupported Revenue Reversals**

The Ministry uses ZILMIS for receipting revenue. All manual receipts issued when the system is down are uploaded onto the system and a system generated receipt which links to the manual receipt is issued. All receipts are issued from the server centrally and as such, duplicates or gaps in receipt ranges are not expected to arise.

Financial Regulations of 2006 Part IX No. 114 (1) and (2) stipulates that:

- Where a receipt is cancelled, the original and all the copies of the receipt shall be cancelled and the holder of the receipt book shall sign for the cancellation of the receipt.
- The original receipt shall be kept in the receipt book and the duplicate shall be included with other duplicate receipts which accompany the Revenue Cash Book.

A review of the ZILMIS revealed that revenue collected from 1,057 properties in amounts totalling K3,553,420 involving 2,992 transactions were reversed or cancelled during the period under review.

However, as at 31<sup>st</sup> August 2018, the Ministry had not provided supporting documentation to support the revenue reversals such as original cancelled receipts and authority to cancel or reverse the received revenue transactions.

### **c. Irregularities in the Property Database**

The property database from ZILMIS indicates that property data should contain the following fields: Property number, System generated property serial number, Property use, Property name, Property numbering date, Survey date, System creation date, Property owner and Staff user Identification Number.

A review of the property database however revealed the following:

#### **i. Properties without Land Sizes/ Areas**

According to the Statutory Instrument No.110 of 2009, the Lands Act (Laws, Volume 12, Cap 184), in order for properties to accrue ground rent and owners billed accordingly, each property should have a defined land size, land use (zoning), location and land use category (e.g. high, medium or low cost for residential and commercial and heavy or light industries for industrial use).

However, there were nine thousand two hundred and seventy three (9,273) properties that did not have land sizes/areas. See table below.

Description of Property	Number of Properties
Blank Land Size	9,254
Default location - Zambia	19
<b>Total</b>	<b>9,273</b>

Consequently, the Ministry did not bill the properties during the period under review thereby depriving the Treasury of the revenue.

## **ii. Lapsed Invitation to Treaty (ITTs)**

The Invitation to Treaty is the first stage in property/land acquisition. The ITT has details of fees that must be paid in full by the person wishing to own land. These include annual ground rent, consideration fee, preparation fee and registration fee. Upon payment of the sum included in the ITT, an offer letter is then generated by the Lands Department.

According to the Ministry guidelines, the ITT should be paid in full within ninety (90) days from the date of invitation failure to which the invitation to treat is cancelled and the property made available for re-offering to other property applicants.

Contrary to the above, there were seventeen thousand three hundred and sixty five (17,365) properties on Invitation To Treaty (ITT) created between May and June 2017 in amounts totalling K69,460,000 in respect of ground rent which had not been paid for within the stipulated period of 90 days.

However, as at 31<sup>st</sup> August 2018, the ITTs had neither been cancelled nor offered to other property applicants.

## **iii. Low Title Deeds Ratio: *Titled Properties to Total Property***

The property master file has a total of six hundred and eight three thousand six hundred and thirty six (683,636) properties out of which only one hundred and seventy nine thousand four hundred and forty four (179,444) properties had been issued with title deeds as of March 2018, which represented a title deeds ratio to property of 26% as tabulated below.

Description	Number
Properties on Title	179,444
Total Properties on ZILMIS	683,636
<b>% of properties on title Vs Total on ZILMIS</b>	<b>26%</b>

## **d. Lack of Service Level Agreements (SLAs)**

A Service Level Agreement (SLA) is a documented agreement between a service provider and the customer(s)/user(s) that defines the minimum performance targets for a service and how they will be measured. SLAs formalize the needs and expectations of the organisation and those of the service provider thereby minimising potential misunderstandings. SLAs can be in-house, internal or external.

Commitment should include issues such as availability, reliability, performance, capacity for growth, levels of support, continuity planning, security and demand constraints.

Further, CoBIT APO09 manage Service Agreements: requires organisation to align IT-enabled services and service levels with enterprise needs and expectations, including identification, specification, design, publishing, agreement, and monitoring of IT services, service levels and performance indicators. Service Level Agreements (SLAs) should be defined and agreed to ensure that there is commitment between the end-users and IT staff in the utilisation of IT resources.

It was observed that the ministry did not have SLAs in place with its service providers. The lack of SLAs is likely to result in unclear roles and responsibilities in the use of ICT resources leading to miscommunication, poor service delivery and undetected service degradation.

**e. Failure to Update Anti – Virus Software on Computers**

According CoBIT DS5.9 Malicious Software Prevention, Detection and Correction, an organization should put preventive, detective and corrective measures in place (especially up-to-date security patches and virus control) across the organisation to protect information systems and technology from malware (e.g., viruses, worms, spyware, spam).

An inspection of computers at Solwezi, Ndola and Kabwe Land Offices revealed that some computers were installed with an outdated anti-virus software. In this regard, the computers were more susceptible to malware and virus attacks that could compromise and/or corrupt land and revenue data on the ZILMIS system.

**f. Inadequate Information Processing Facilities (IPFs)**

A review of records at the Kabwe Lands Regional Office revealed that four (4) computers and processors used for the ZILMIS operations valued at a total cost of K42,000 were stolen by unknown persons in April 2017.

As of April 2018, the Kabwe Office had only one (1) computer for ZILMIS operations which was shared by five (5) officers for processing ZILMIS transactions such as Creation, General Inquiry, Receipting, Printing Invitations to Treaty (ITT) and Offers, Demand Notice, among others.

The lack of adequate ICT equipment hampered operations at the Regional Office as the officers had to give each other turns to use one computer at the Office resulting in operational inefficiencies and a backlog of unprocessed transactions.

**g. Inadequate Staffing Levels**

Organisations need to have adequate staffing levels of appropriate skills to ensure that the organisation maintains sufficient human resources to support organisation's goals and objectives. The following were observed:

**i. Failure to Fill Vacant Position of Ground Rent Collector - Solwezi**

During the period under review, Solwezi Lands Regional Office operated without a Ground Rent Collector. The vacancy on this position negatively impacted on the revenue collection in the province.

**ii. Failure to Fill Vacant Survey Positions**

A review of the Survey Department organisation structure revealed that out of the two hundred and sixty eight (268) authorised positions, only one hundred and fifty one (151) positions representing fifty six (56%) percent were filled leaving one hundred and seventeen (117) positions or forty four (44%) vacant as at 31<sup>st</sup> August 2018.

Of the vacant positions, one hundred and five (105) were for critical positions that would ensure effective and efficient operations of the Ministry at the Regional Offices. See table below.

POSITION	ESTABLISHMENT	FILLED	VACANT
Assistant Cartographer	38	19	20
Assistant Photogrammetrist	4	1	3
Assistant Reprographic Officer	4	0	4
Cartographer	21	13	10
Cartographic Assistant	36	17	19
Chief Survey Examiner	1	0	1
Field Survey Officer	14	6	8
Land Surveyor	16	4	10
Learner Surveyor	4	0	4
Photogrammetrist	4	1	3
Reprographic Officer	2	1	1
Senior Cartographer	4	2	2
Senior Land Surveyor	13	9	4
Senior Photogrammetrist	3	2	1
Senior Survey Examiner	4	0	4
Senior Survey Officer	9	3	6
Senior Technologist-Reprographics	1	0	1
Survey Assistant	16	15	1
Survey Examiner	5	2	3
<b>TOTAL</b>	<b>199</b>	<b>95</b>	<b>105</b>

#### **h. Scanners Delivered without Rollers – Ndola Office**

Ndola Land office received three (3) High-speed, Large-format Scanners from the Ministry Headquarters in Lusaka.

However, only one (1) out of the three (3) scanners was operational while the other two (2) were non-operational as they lacked rollers.

In this regard, the equipment was idle due to lack of Automatic Document Feeder (ADF) resulting in wasteful expenditure of K80,000 for the two (2) non-operational scanners

#### **i. Failure to Repair HP Designer Plotters - Ndola and Solwezi Offices**

CoBIT BAI09.02 Manage critical assets, identify assets that are critical in providing service capability, take steps to maximise their reliability and availability to support business needs. Monitor performance of critical assets by examining incident trends and, where necessary, take action to repair or replace.

A check on the HP Designer Plotter T520 at Survey Office in Solwezi, reviewed that the LCD control panel was stolen. In addition, another plotter (HP Design Jet T2500 eMFP plotter) at the regional office in Ndola was faulty in that the paper passageways were blocked.

As at 31<sup>st</sup> August 2018, the plotter and the HP Design Jet had not been repaired or replaced.

### **Programme: 123 – Fees - Ministry of Transport and Communications**

#### **Activities: i Air Service Permits Fees**

#### **ii Aviation and Landing Fees**

#### **iii Maritime and Inland Waterways Fees**

**18.** In the Estimate of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K34,729,910 was budgeted to be collected as revenue against which amounts totalling K45,933,655 were collected, resulting in a surplus of K11,203,745 as tabulated below.

<b>Revenue Type</b>	<b>Approved Budget K</b>	<b>Actual Collection K</b>	<b>Over/Under Collection K</b>
Air Services Permit Fees	665,060	634,248	(30,812)
Aviation and Landing Fees	33,951,335	45,239,887	11,288,552
Maritime & Inland Waterways Fees	87,265	59,520	(27,745)
Miscellaneous	26,250	-	(26,250)
<b>Total</b>	<b>34,729,910</b>	<b>45,933,655</b>	<b>11,203,745</b>

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters and a follow up audit to the Civil Aviation Authority and the Zambia Airport Corporation Ltd carried out in April 2018 revealed the following:

### **a. Uncollected Revenue – Maritime and Inland Waterways Fee**

The Ministry had 1,553 registered vessels in its records which according to Part II of the Inland Waters Shipping Act were to be inspected quarterly for sea fitness from which amounts totalling K265,563 per quarter were due as Surveyors Seaworthy Certificate fees.

During the period under review, the vessels were only inspected once for which amounts totalling K265,563 were due. However, as at 31<sup>st</sup> July 2018, the Ministry had not collected the fees for the inspections done and its failure to carry out the other inspections resulted in loss of revenue amounting to K796,689.

## **Programme: 122 Licences – Ministry of Tourism and Arts**

### **123 Fees**

#### **Activity: Various**

**19.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K113,990,240 was made for the collection of revenue against which amounts totalling K128,837,529 were collected resulting in an over collection of K13,504,751. See table below.

<b>Revenue Type</b>	<b>Budget</b> <b>K</b>	<b>Actual</b> <b>K</b>	<b>Over/ (Under) Collection</b> <b>K</b>
Hotel Licence Fees	60,389	2,331,867	2,271,478
Casino Fees	3,741,249	2,778,123	(963,126)
Hotel manager registration	2,237,500	-	(2,237,500)
Tourism Enterprise	1,429,572	-	(1,429,572)
Hunting and Park Fees	95,971,530	111,812,568	15,841,038
Tourism Levy	10,550,000	11,796,081	22,433
Miscellaneous	-	118,890	-
<b>Total</b>	<b>113,990,240</b>	<b>128,837,529</b>	<b>13,504,751</b>

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters and selected stations carried out in July 2017 revealed the following:

**a. Unaccounted for Revenue**

Financial Regulation No. 129, provides that collectors of revenue must bring to account daily the whole amount of their collections. However, it was observed that amounts totalling K148,511 and US\$13,100 in respect of hunting and park entry fees respectively at three (3) stations were not accounted for in that they were neither banked nor was the cash found on hand. See table below.

Station	Unaccounted For Revenue K	Unaccounted For Revenue US\$
Zambia Tourism Agency	130,748	-
Department of National Parks and Wildlife - South Luangwa Area Management Unit	133	13,100
Maramba Cultural Village	17,630	-
<b>Total</b>	<b>148,511</b>	<b>13,100</b>

**b. Delayed Banking**

Financial Regulation No. 121 provides that all monies received by any accounting officer shall be deposited not later than the next business day following the day of receipt.

Contrary to the regulation, there were delays in banking of revenue in amounts totalling K1,021,901 and US\$38,335 for periods ranging from 3 to 99 days collected from various stations as shown in the table below.

Station	Amount K	Amount US\$	No of Days
Headquarters - Casino Fees	517,320	-	5 to 8
Headquarters - Hotel Managers licence	55,350	-	4 to 9
Headquarters - Tourism Development Credit Fund	186,000	-	4 to 11
Department of National Parks and Wildlife - Chilanga	134,192	19,640	4 to 31
Department of National Parks and Wildlife - South Luangwa Area Management Unit	55,705	13,105	3 to 99
Department of National Parks and Wildlife- Mosi o Tunya	46,743	5,590	3 to 8
Maramba Cultural Village	26,590		3 to 31
<b>Total</b>	<b>1,021,901</b>	<b>38,335</b>	

**c. Unauthorised Use of Accountable Documents**

During the period under review, the Department of National Parks and Wildlife used accountable documents such as Trophy Dealers Permits and Certificates of ownership of game animal and receipt forms which were obsolete without authority from the Secretary to the Treasury. The documents on which amounts totalling K44,756 were collected were obsolete in that they were bearing the old Zambia Wildlife Authority (ZAWA) details.

**d. Outstanding Debt from Tour Operators**

According to the Zambia Wildlife Act of 2015, the Minister may grant concession agreements within a Game Management Area (GMA) and land user-rights fees shall be payable to the Ministry by an investor within the GMA.

In this regard, South Luangwa Area Management Unit (SLAMU) and Mosi ‘o’ Tunya have a number of lodges within the national parks that pay variable, fixed lease and escort fees in two instalments for each year to the Department of National Parks and Wildlife in accordance with the provisions of the respective lease agreements.

It was however observed that during that the period under review, the department did not collect revenue from tour operators that were operating in the two (2) National Parks as provided for in the concession agreements. In this regard, amounts totalling K67,237 and US\$10,583 had not been collected as at 31<sup>st</sup> August 2018. See table below.

Station	Amount Outstanding	
	K	US\$
South Luangwa Area Management Unit	21,880	-
Mosi o Tunya	45,357	10,583
<b>Total</b>	<b>67,237</b>	<b>10,583</b>

**e. Weaknesses in the Licensing and Monitoring of Casinos**

**i. Non-compliant Casino Operators**

According to the Tourism and Hospitality (Casino) Regulations No. 93 of 2016, all operators of casino are supposed to obtain a licence from the Ministry to enable them operate and no person should operate a Casino, or allow to be kept, or played, on any premises, games of chance (card games or table games or gaming machines) for the purpose of gaming without a casino licence.

Contrary to the regulation, during the period under review, forty eight (48) casinos operated without obtaining a casino licence resulting in loss of revenue amounting to K504,000 in respect of unpaid licences fees.

**ii. Underpayment of Casino Registration Fees**

According to the Tourism and Hospitality (Casino) Regulations No. 93 of 2016, an applicant for a casino licence shall pay fees as prescribed in the Act. However, a review of payments for licences, revealed that two (2) casino operators paid amounts totalling K1,800 as first application registration fees instead of K21,000 as prescribed in the Act resulting in an underpayment of K19,200.

### **iii. Lack of Monitoring System for Casinos**

Contrary to the Tourism and Hospitality Act No. 13 of 2015, which required Casino operators to submit audited annual returns and remit 20% of the net monthly earnings, audited annual returns were not submitted to the Ministry during the period under review.

In addition, although amounts totalling K2,217,851 were remitted as 20% of the net monthly earnings, it was not possible to ascertain whether this was the amount that should have been remitted in the absence of audited annual returns.

Further, seven (7) casino operators did not remit to the Ministry the required 20% of net monthly earnings.

## **f. Weaknesses in the Licensing of Hotel Managers**

### **i. Failure to Follow the Procedure on Issuance of Hotel Manager's Exemption Certificates**

According to the Tourism and Hospitality Act No. 13 of 2015, an exemption from employing a qualified hotel manager is provided if the establishment:

- is owner managed;
- has ten (10) rooms and below; and
- Employs less than five (5) people.

However, it was observed that fifteen (15) applicants were issued with Hotel manager's exemption certificates despite not submitting all the required documents as stipulated in the Act.

### **ii. Hotel Managers Operating without Practicing Certificates**

The Tourism and Hospitality Act No. 13 of 2015 requires a registered hotel manager to apply to the Council, for a practising certificate or a renewal of a practising certificate.

Contrary to the Act, during the period under review, thirty five (35) registered hotel managers operated without obtaining practicing certificates. Consequently, there was a loss in revenue amounting to K36,750.

## **g. Failure to Collect Manager Registration Fees**

The Tourism and Hospitality Act No. 13 of 2015 requires a hotel manager to apply and be issued with a certificate of registration, practicing certificate or certificate of exemption as the case may be.

It was however observed that, during the period under review, one hundred and sixteen (116) hotel managers did not apply for either registration, practicing certificate or certificate of exemption at the Ministry contrary to provisions of the Act. In this regard, there was a loss in revenue amounting to K261,000.

#### **h. Failure to Maintain a Database of Accommodation Establishments**

According to the Tourism and Hospitality Act No. 48 of 2015, the Agency was required to maintain a register of Accommodation Establishments. It was however observed that the Zambia Tourism Agency (ZTA) did not maintain a database of all accommodation establishments. In this regard, there was a loss in revenue amounting to K5,922,000 in respect of tourism enterprise fees from a sample of six hundred and fifty eight (658) out of one thousand seven hundred and twelve (1,712) accommodation establishments.

### **Programme: 123 Fees - Ministry of Works and Supply**

#### **Activity: Various**

**20.** In the Estimate of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a total provision of K4,806,829 was made as revenue target against which amounts totalling K4,980,244 were collected resulting in a surplus of K173,415 as tabulated below.

<b>Revenue Type</b>	<b>Approved Estimates K</b>	<b>Actual Revenue K</b>	<b>Over/(Under) Collection K</b>
Renewal of Certificate	38,913	33,185	(5,728)
Registration fees	68,657	74,275	5,618
Survey fees	1,561	40	(1,521)
Misuse of Govt vehicles	10,617	5,250	(5,367)
Damage to Govt properties	1,726	250	(1,476)
Rent of Govt properties	95,369	44,497	(50,872)
Proceed from Sale of properties	87,071	49,564	(37,507)
Proceed from Sale of GRZ vehicles	2,513,842	2,101,475	(412,367)
Printing Supplies	1,713,952	2,446,045	732,093
Flower sales	2,329	3,855	1,526
Other fees	200	300	100
Office Equipment and Maintenance Service	269,991	221,509	(48,482)
Miscellaneous	2,601	-	(2,601)
<b>TOTAL</b>	<b>4,806,829</b>	<b>4,980,244</b>	<b>173,415</b>

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters and a follow up audit at Office Equipment and Government Printing Services carried out in January 2018 revealed the following:

**a. Failure to Collect Rental Arrears – Government Complex**

As at 31<sup>st</sup> July 2018, the Ministry was owed amounts totalling K169,065 in respect of rental arrears by two (2) tenants as shown in the table below.

Tenant's Name	Amounts K
CSAWUZ	8,289
Milumbe Restaurant	160,776
<b>Total</b>	<b>169,065</b>

**b. Failure to Collect Revenue from Sale of Government Furniture**

In 2016 and 2017, the Secretary to the Treasury granted authority to thirty one (31) senior officers to purchase furniture costing K455,834 from their official residences. However, as at 31<sup>st</sup> July 2018, only eighteen (18) officers had paid for the furniture while thirteen (13) officers were still owing amounts totalling K253,994.

**c. Irregular Payment of Subsistence and Lunch Allowances - Government Printers**

Cabinet Office Circular Minute of 2015 dated 30<sup>th</sup> December 2015, disallows the payment of subsistence and meal allowances for activities undertaken within the district boundary.

Contrary to the provisions of the Circular, amounts totalling K154,301 were irregularly paid as meal allowance to several officers working within the boundary of the district.

**Programme: 2021 Non Tax Revenues (Fees and Fines) – Zambia Police**

**Activities:**                   **Various**

**21.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a revenue provision of K52,670,195 was made in respect of collection of fees and fines against which amounts totalling K55,977,976 were collected resulting in a surplus of K3,307,781 as shown in the table below.

Revenue Type	Approved Estimates K	Actual Collections K	Surplus K
Admission of Guilty	41,450,701	43,341,362	1,890,661
Firearm License	182,350	193,183	10,833
Import Declaration Fees Interpol	4,326,019	4,695,153	369,134
Finger Prints	3,688,813	4,323,793	634,980
Other Fees	3,022,312	3,424,485	402,173
<b>Total</b>	<b>52,670,195</b>	<b>55,977,976</b>	<b>3,307,781</b>

## **Accounting and Other Irregularities**

An examination of the accounting and other records maintained at the Police headquarters and selected police stations carried out in July 2018 revealed the following:

### **a. Unaccounted for Revenue**

Contrary to Financial Regulation No. 129, revenue in amounts totalling K31,996 collected in respect of firearm licences and Interpol import declaration fees was unaccounted for in that cash collected was neither banked nor was it found on hand. See table below.

<b>Station/Description</b>	<b>Amount K</b>
Headquarters - Firearm Licence	5,290
Interpol - Import Declaration Fees	26,706
<b>Total</b>	<b>31,996</b>

### **b. Delays in Banking of Revenue**

Contrary to Financial Regulation No. 121, there were delays in banking of revenue in amounts totalling K1,424,049 for periods ranging from 1 to 283 days in respect of sixteen (16) stations. See table below.

<b>Station</b>	<b>Amount K</b>	<b>No of days delayed</b>
HQ - Traffic Section	293,120	1 to 92
Lusaka Central Traffic	143,475	10 to 13
Woodlands Administration	158,904	1 to 14
Kabwata Traffic	14,364	1 to 40
Emmasdale Traffic	99,478	8 to 210
Emmasdale Administration	21,288	6 to 26
Mansa Traffic	77,630	1 to 4
Mansa Administration	5,244	1 to 7
Samfya Traffic	24,625	1 to 7
Samfya Adminstration	2,000	1 to 20
Ndola Traffic	344,175	5 to 113
Luanshya Traffic	92,850	7 to 21
Kamwala Traffic	62,139	6 to 48
Mongu Adminstration	20,602	4 to 8
Chelstone Bennie Mwiinga	13,025	11 to 19
Chelstone Adminstration	51,130	5 to 283
<b>Total</b>	<b>1,424,049</b>	

### **c. Lack of Safe Facilities**

Financial Regulations No 155 defines a ‘Safe’ as a secure container issued by the Government in which public moneys, articles and accountable documents are to be kept. It was observed that there were no safes maintained at six (6) stations namely; Samfya, Westwood, Masala, Emmasdale, Ndola, Kabwata and Kamwala Police Stations, thereby rendering public funds, articles and accountable documents that should be stored in safe, vulnerable and unsecured.

## **EXPENDITURE**

**Head: 04                          Ministry of Gender**

**Units:                          Various**

**Programmes:                          Various**

**Activities:                          Various**

**22.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K54,484,957 was made to cater for operations of the Ministry against which amounts totalling K28,971,143 were released resulting in an underfunding of K25,513,814.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters carried out from April to June 2018 revealed the following:

#### **a. Unsupported Payments**

Contrary to Financial Regulation No. 45(2) and No. 52(1), seven (7) payments in amounts totalling K54,073 processed during the period under review were not supported with relevant documents such as cash sale receipts and invoices as at 31<sup>st</sup> August 2018.

#### **b. Unretired Accountable Imprest**

Contrary to Financial Regulation No. 96 (1), accountable imprest in amounts totalling K26,193 issued to five (5) officers in the period under review had not been retired as at 31<sup>st</sup> August 2018.

#### **c. Irregularities in the Payment of Allowances**

##### **i. Meal Allowances**

Cabinet Office Circular No.11 of 2013 states that Meal Allowance shall only be paid to an Officer who travels away from his/her normal station of duty on official duty for eight (8) hours or more but not including an overnight stay where lunch is not provided. Further, in accordance with Cabinet Office Circular Minute of 2015, normal station of duty or work station shall mean “a place of work within a district boundary”.

However, contrary to the above circulars, meal allowances in amounts totalling K77,855 were paid to various officers for various activities within the district boundary. As at 31<sup>st</sup> August 2018, no recoveries had been effected on the affected officers.

**ii. Transport Refund**

Cabinet Office Circular No. 11 of 2013 stipulates that ‘in an effort to ensure participation of persons outside the public service, a fuel refund shall be made at the rate of K135 per meeting for travel within the district boundary.

However, contrary to the circular, public officers who were not eligible to receive fuel refunds were paid amounts totalling K43,050. As at 31<sup>st</sup> August 2018, no recoveries had been effected from the officers’ salaries.

**iii. Presentation of Gifts to Chiefs**

Cabinet Office Circular No.11 of 2017 states that government authorized homage presented as a token gift in form of goods to chiefs by senior government officials during courtesy visits shall not exceed the value of K1,000. Further, presentation of cash from the government must not be encouraged when paying courtesy calls to chiefs.

However, contrary to the above circular, amounts totalling K13,400 involving four (4) transactions were presented to chiefs in form of cash.

**d. Misapplication of Funds**

Contrary to the Appropriation Act of 2016, amounts totalling K1,889,168 meant for Economic Empowerment of women and Promotion of Gender Mainstreaming were applied on unrelated activities such as purchase of motor vehicles, furniture, office operations and outfits for health week, among others.

**e. Irregular Use of Accountable Imprest to Procure Goods**

Contrary to Financial Regulation No. 86(c) which states that accountable imprest is issued to facilitate the purchase of goods and services whose value could not be ascertained at the time, accountable imprest in amounts totalling K12,000 was issued to an officer to facilitate procurement of toners whose values/costs were readily obtainable and available on the markets and could have therefore been bought directly from the suppliers.

**f. Failure to Deduct and Remit Pay As You Earn to the Zambia Revenue Authority**

Contrary to Income Tax Act No. 323 which compels every taxpayer to pay taxes accordingly, the Ministry paid settling in allowance and commutation of leave days in amounts totalling K314,338 to thirty three (33) officers without deducting Pay As You Earn (PAYE) tax.

Further, amounts totalling K101,407 deducted as Pay As You Earn (PAYE) from twelve (12) officers’ settling in allowance and commutation of leave days during the year under review had

not been remitted to the Zambia Revenue Authority (ZRA) and the anomalies had not been rectified as at 31<sup>st</sup> August 2018 resulting in loss of revenue by Government.

**g. Failure to Follow Procurement Procedures**

During the year under review, the Ministry received amounts totalling K826,653 from the Treasury to cater for pilot mapping exercise of customary land in the two (2) provinces namely Northern and Eastern.

In this regard, on 1<sup>st</sup> August 2017, the Ministry engaged Medeem Company to undertake the survey for the pilot mapping exercise of customary land allocated to Women Cooperatives in selected chiefdoms of Northern and Eastern provinces at a total cost of K531,000.

However, the following were observed:

- i. Contrary to Public Procurement Act No. 12 of 2008, the procurement procedures in the selection of the contractor were not followed.
- ii. There was no contract between the two (2) parties.
- iii. On 19<sup>th</sup> December 2017, instead of directly making the payment amounting to K531,000 to the contractor namely Medeem Company, the Ministry paid ten (10) employees of the contractor who were not civil servants a total amount of K531,000 through transfers to individual personal accounts as allowances at the rate of K900 per day for the period of forty nine (49) days for five (5) employees who were working in Northern Province and a period of sixty eight (68) days for the other five (5) employees working in Eastern Province. The payment of K531,000 to the employees of Medeem Company and not directly to the company engaged was irregular.

**h. Failure to Distribute Farming Implements**

In November and December 2017, the Ministry spent amounts totalling K217,576 to procure various farming implements for distribution to women clubs throughout the country. The implements were delivered to the Ministry on 5<sup>th</sup> and 14<sup>th</sup> December 2017. However, as at 31<sup>st</sup> August 2018, eight (8) months after delivery, the Ministry had not distributed the implements to the intended beneficiaries.

**Head:** 11 **Zambia Police Service**

**Programmes:** **Various**

**Activities:** **Various**

**23.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K1,361,433,961 was made to cater for various programmes under the Zambia Police Service against which amounts totalling K1,359,739,158 were released, resulting in an underfunding of K1,694,803.

### **Accounting and Other Irregularities**

An examination of the accounting and other related records maintained at the Zambia Police Service Headquarters and site visits carried out in selected units from April to July 2018 revealed the following:

**a. Unfulfilled Payment Terms – Supply and Delivery of an Automated Fingerprint Identification System Machine (AFIS)**

On 6<sup>th</sup> October 2015, the Ministry of Home Affairs engaged Morpho South Africa (Pty) Ltd to Supply and deliver an automated fingerprint identification system machine at a contract sum of K29,141,688 (€3,717,957). The contract period was not specified in the contract.

According to GCC 16.1(a-d) of the contract, the procuring entity would pay 15% of the contract sum, thirty (30) days after signing of the contract against a bank guarantee of the down payment. The second instalment of 25% would be paid upon the signature of the specifications of the system against presentation of a commercial invoice of the supplier and the third instalment of 30% would be paid upon delivery of the system and the final instalment of 30% would be paid upon system acceptance at the installation site.

A review of the payments made up to July 2018 showed that the Ministry only managed to pay K3,800,000 representing 13% of the contract sum. However, there was no indication when the payment terms will be fulfilled for the contractor to supply the equipment considering the passage of time since the contract was signed. As a result, the Service may not receive the equipment and derive the intended benefits within the planned time.

**b. Construction of the Paramilitary Hostels and Guest Wing at State Lodge**

On 29<sup>th</sup> May 2015, the Ministry engaged Golden Horse Investment Ltd for the construction of the paramilitary hostels and rehabilitation of the guest wing at State Lodge at a contract sum of K5,379,308 with a contract period of forty (40) weeks. In June and September 2017, the Ministry

did a variation of works valued at K8,435,214 bringing the total contract sum to K13,814,523 VAT inclusive and the completion period was extended to October 2018.

The scope of works included among others, plumbing, electrical, painting, excavation and block work.

As of May 2018, the contractor had been paid a total sum of K6,430,680, representing 46.5% of the revised contract sum. See table below.

Date	TSA Document No. /EFTA No.	Amount K
14.12.16	Not known	1,075,862
21.02.17	Not known	1,805,534
13.07.17	5100009020	1,500,000
26.12.17	5100010588	1,049,285
26.12.17	5100010591	1,000,000
<b>Total</b>		<b>6,430,680</b>

A physical inspection carried out in June 2018, revealed that the contractor used timber trusses instead of steel spider trusses and fitted flash doors internally in all the hostels and chalets instead of solid mukwa doors both internally and externally. However, the cost of the substituted materials could not be ascertained.

It was further observed that the ceiling and floor tiles for each of the four (4) hostels covered an area space of 250 square metres instead of 310 square metres as per the bill of quantity, resulting in an excess of 60 square metres for each hostel for the ceiling and floor tiles valued at K127,200.

See table below.

Description	BOQ	Actual works	Variance	Unit Price K	Total Amount K	Hostels	Grand Total K
Floor tiles	310msq	250msq	60	350	21,000	4	84,000
Ceiling	310msq	250msq	60	180	10,800	4	43,200
<b>Total</b>							<b>127,200</b>

**Head:** 15      **Ministry of Home Affairs**

**Units:** **Various**

**Programmes:** **Various**

**Activities:** **Various**

- 24.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K218,635,078 was made to cater for various programmes under the Ministry against which amounts totalling K172,401,684 were released, resulting in underfunding of K46,233,394.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at Headquarters carried out from January to June 2018 revealed the following:

**a. Failure to Recover Overpayment – Rehabilitation of Kitchen and Toilets at National Archives – Headquarters**

On 6<sup>th</sup> December 2016, the Ministry engaged Amano Sewerage and Sanitary Services to rehabilitate the kitchen and toilets at National Archives headquarters at a contract sum of K129,860, VAT inclusive. The scope of works included demolition and alteration, plumbing and electrical among others. The contract period was for three (3) weeks. The contractor took possession of the site on 6<sup>th</sup> December 2016.

However, the contractor was paid K155,761 resulting in an overpayment of K25,901 which had not been recovered as at 31<sup>st</sup> July 2018.

**b. Supply and Delivery of Fingerprint Scanners and Passport Readers**

On 9<sup>th</sup> February 2015, the Ministry engaged Digicom Business Solutions to Supply and deliver fingerprint scanners, passport readers and other accessories at a contract sum of K1,464,308, VAT inclusive as detailed below.

Description	Delivery Period	Quantity	Unit Price K	Total K
Scanners	6 weeks	29	16,959.12	491,814
Scan license Software	6 weeks	29	4,740.96	137,488
Fingerprint Matcher	6 weeks	49	689.00	33,761
Fingerprint License	6 weeks	49	753.95	36,944
License Manage	6 weeks	49	689.00	33,761
Passport Readers	6 weeks	43	16,989.30	730,540
<b>Total</b>				<b>1,464,308</b>

The terms of payment were an advance payment of 25% of the contract sum within thirty (30) days of signing the contract against a simple receipt and a bank guarantee for the equivalent

amount, 65% of the contract sum shall be paid upon delivery of goods and 10% on acceptance shall be paid thirty (30) days after the date of acceptance of goods.

In 2017, the contractor was paid a total amount of K320,000 bringing the total amount paid to K1,352,251 representing 92% of the contract sum.

A physical verification of equipment carried out in June 2018 revealed that the supplier delivered thirty three (33) out of the forty three (43) passport readers ordered leaving a balance of ten (10) costing K169,893. There were no explanations from management as to why the second payment was made to the contractor prior to him fulfilling his contractual obligations and why three (3) years after the due date the remaining ten (10) readers had not been delivered.

**Head:** 17 **Ministry of Foreign Affairs**

**Units:** **Various**

**Programmes:** **Various**

**Activities:** **Various**

**25.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K61,864,920 was made to cater for various activities at the Ministry against which amounts totalling K22,188,262 were released resulting in underfunding of K39,676,658.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters carried out during the period from January to April 2018 revealed the following:

##### **a. Failure to Transport Recalled Diplomats**

During the period from May to November 2017, the Ministry recalled five (5) officers. However, as at 31<sup>st</sup> August 2018, the officers had not been repatriated. See table below.

<b>Position</b>	<b>Mission</b>	<b>Date Recalled</b>
First Secretary - Tourism	Ankara	12.09.17
First Secretary - Tourism	Tokyo	12.09.17
Third Secretary - Accounts	New Delhi	20.05.17
First Secretary - Political and Administration Accounts	Rome	30.10.17
First Secretary - Accounts	New York	02.11.17

**b. Failure to Obtain Title Deed**

Contrary to the Lands and Deeds Registry Act Section 4, which states that, ‘a certificate of title shall be evidence of proprietorship’, the Ministry did not have title for its headquarters.

**c. Failure to Remit Pay As You Earn – Zambia Institute of Diplomacy and International Studies**

A scrutiny of records revealed that during the year under review, a total amount of K887,892 was paid to seven (7) employees as gross salaries. It was however observed that although Pay As You Earn (PAYE) in amounts totalling K220,808 was deducted from the employees’ salaries, as at 31<sup>st</sup> August 2018, the Institution had only remitted K47,250 to the Zambia Revenue Authority leaving a balance of K173,558.

In addition, a total amount of K19,627 was paid to officers as commutation of leave days, without deducting PAYE.

**Head: 17/25 Ministry of Foreign Affairs- Mission Abroad – Tokyo**

**Programmes:** **Various**

**Activities:** **Various**

**26.** In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2016 and 2017, provisions totalling K54,108,450 were made to cater for various activities at the Mission against which amounts totalling K44,297,928 were released resulting in an underfunding of K9,810,522 as shown in the table below.

<b>Year</b>	<b>Provision K</b>	<b>Release K</b>	<b>Underfunding K</b>
2016	26,101,432	22,695,709	(3,405,723)
2017	28,007,018	21,602,219	(6,404,799)
<b>Total</b>	<b>54,108,450</b>	<b>44,297,928</b>	<b>(9,810,522)</b>

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in April 2018 revealed the following:

**a. Irregular Payment of Education Allowances**

Foreign Service Regulations and Conditions of Service No. 48(1) states that, ‘Education allowance shall be paid to an officer in respect of not more than three (3) children inclusive of dependents for primary and secondary school education or college/university’.

Contrary to the above regulation, the former Third Secretary (Personal Secretary) was paid amounts totalling K249,390 (US\$22,500) as education allowance at the full rate for one (1) child aged 17 years for whom there was no evidence that the child was still in secondary school.

**b. Property Management**

The Mission owns two (2) properties comprising the Chancery and the Residence. The two (2) properties have deteriorated over the years due to old age and lack of maintenance coupled with the harsh earthquake prone environment. The last comprehensive assessment of the scope of works required to rehabilitate the properties was done in 2016.

**i. Failure to Maintain and Rehabilitate the Chancery**

According to Article 8 of the Building Standard Law (BSL) of Japan, owners of buildings are required to endeavour at all times to maintain premises, structures and building facilities in a state compliant to the construction and maintenance of buildings in Japan.

It further mandates that in order to maintain its premises, structures and building facilities the owner shall ensure that the maintenance schedule of the building is regularly followed, along with other appropriate measures which may be taken as need arises.

However, contrary to the legislation stated above, the Chancery had not undergone any structural renovations or maintenance to its foundations or to fix the several cracks which were caused by the 2011 Tsunami earthquake and other lesser earthquakes that were experienced thereafter.

A physical inspection carried out in May 2018, revealed the following:

- The Chancery was habitable but generally in poor condition.
- There were several visible cracks such as on the interior walls of the entrance to the Ambassador’s office, on the exterior walls of the stairway from the fourth floor leading to the rooftop, under the stairway on the third, second and first floors, and on the exterior walls of the basement among other places. See picture below.



*Cracks under the Third Floor Stairway*

- The emergency descend machine located on the balcony of the Ambassador's office for use as an escape route during cases of emergency was not functioning.



*Non-functional Emergency Descent Machine*

- The air conditioning system built in to the Chancery was old, with air conditioning units that had since been boarded in the year 2015.
- The basement was in a deplorable state with a rotten ceiling and stained wallpaper which was peeling off in places caused by leakages.
- There was a rotting door at the basement under the stairway that could not be opened and was blocking access to the gas utility control equipment.



*Basement not in use*



*Rotting ceiling in the basement*

## ii. Failure to Maintain the Residence

Contrary to Article 8 of the Building Standard Law (BSL) of Japan, the Residence had not received any major maintenance over the years despite several earthquakes that had shaken the building over the years.

A physical inspection carried out in May 2018, revealed the following:

- There were visible cracks in several places such as the master bedroom, the pantry/store room and most notably a crack running from the master bedroom on the second floor down through the concrete ceiling of the second sitting room on the first floor, through the concrete ceiling of the first sitting room on the first floor and into the passage leading to the kitchen.
- The ceiling in rooms such as the master bedroom, the top of the stairway leading from the third floor onto the rooftop and the third floor pantry/ store room were stained due to leakages. See picture below.



*Stained ceiling and Visible Cracks*

- The house had old, worn out and stained wall to wall carpets in several bedrooms and sitting rooms.
- The main water tank on the roof top was in a poor condition with rusting pipes



*Old Rusty water tank and pipes on the Roof top*

- Part of the wall fence at the end of the Residence premises was not in a stable condition and was posing a hazard to the neighbouring houses.

- The Servants' house was also in a deplorable state with a leaking roof, a rotting ceiling and poor condition of lighting fixtures.



*Rotten Ceiling in Servants' House*

**Head:** 17/ 26      **Ministry of Foreign Affairs – Missions Abroad - Windhoek**

**Programmes:** **Various**

**Activities:** **Various**

**27.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2016 and 2017, a total provision of K23,354,578 was made to cater for various programmes at the Mission against which amounts totalling K14,652,119 were released resulting in underfunding of K8,702,459. See table below.

<b>Year</b>	<b>Provisions K</b>	<b>Funds Released K</b>	<b>Under Funding K</b>
2016	11,875,914	7,027,049	(4,848,865)
2017	11,478,664	7,625,070	(3,853,594)
<b>Total</b>	<b>23,354,578</b>	<b>14,652,119</b>	<b>(8,702,459)</b>

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and the Mission and a physical inspection of the Chancery, Ambassador's official residence and other houses carried out in May 2018 revealed the following:

#### **a. Failure to Recover Contribution for Utility Bills**

Foreign Service Regulations and Conditions of Service No. 53 (ii) provides that Government shall pay 80% of electricity and water bills for Heads of Missions/Station and 50% for other officers below the rank of Heads of Mission/Station irrespective of their geographical location.

Contrary to the regulation, diplomatic staff made claims for full costs and were refunded the amounts for utility bills without deducting the appropriate percentages of their contribution.

As at 31<sup>st</sup> August 2018, amounts totalling K85,242 (N\$122,751.06) which should have been contributed by officers had not been recovered as staff contributions.

**b. Failure to Deduct 50% Contribution Towards Insurance of Baggage**

Foreign Service Regulation No. 80 provides that in addition to the actual cost of transporting the baggage by surface, Government shall pay packing and handling charges, agency fees, customs clearance, dock dues and fifty percent (50%) of the insurance cover.

Contrary to the regulation, the Mission paid the full cost of insurance when transporting baggage to Zambia for the recalled diplomats in amounts totalling K50,153 (N\$87,234) in respect of the former High Commissioner and former Third Secretary – Personal Secretary. No explanation was given as to why the Mission paid the full amount of insurance and as at 31<sup>st</sup> August 2018, the funds had not been recovered.

In addition, the quotation that was submitted to the Ministry Headquarters and approved in respect of the former High Commissioner's baggage was K107,451 (N\$136,412.02) for the shipment of one (01) 40 feet container. It was however observed that a payment of K118,024 (N\$174,225.47) was made resulting in an over payment of K10,572 (N\$37,813.45). As at 31<sup>st</sup> August 2018, the overpaid amount had not been recovered.

**c. Outstanding Bills not Cleared by Re-called Diplomats**

During the period under review, three (3) diplomats were recalled from Foreign Service namely; Deputy High Commissioner, First Secretary (Political/Administration) and Third Secretary – Personal Secretary. During the same period, the High Commissioner resigned from the Foreign Service.

An examination of accounting and other records revealed that the Diplomats left outstanding bills, unretired imprest and unrecovered salary advances as follows:

- i. There were outstanding bills on utilities i.e. water and electricity in the sum of K102,700 (N\$159,349.69) leading to disconnections of water supply at House No. 1 George Hunter Street, Olympia, 17 Veronica Street Ludwigsdorf and 9 Schwerinsburg Street, Luxury Hill that were occupied by the former High Commissioner, First Secretary (Political/Administration) and Third Secretary – Personal Secretary. See table below.

Diplomat	Amount Outstanding (US\$)	Amount Outstanding (N\$)	Amount Outstanding K
High Commissioner	2,315.43	30,100.55	19,400
First Secretary - Political and Administration	4,997.71	64,970.19	41,873
Third Secretary - Personal	4,944.53	64,278.95	41,428
<b>Total</b>	<b>12,257.67</b>	<b>159,349.69</b>	<b>102,700</b>

As a result, the new First Secretary – Political/Administration, on arrival could not move into the house at the lapse of his stay at a hotel on 30<sup>th</sup> December 2016 and consequently, on 2<sup>nd</sup> February 2017, the Mission paid the First Secretary an additional K15,560 (N\$21,927) in respect of subsistence allowance.

In this regard, the Mission came up with a payment plan to clear the bills and had paid a total amount of K53,661 (N\$75,391.04) during the period from January to December 2017 which should have been paid by the diplomats.

- ii. The former First Secretary (Political/Administration) left an unsettled car loan and overdraft facility at Nedbank Namibia of US\$5,094.97 (N\$71,239.55) and the officer did not declare the outstanding bills and loan to the Ministry contrary to Minute No. MFA/STA/2804 dated 23<sup>rd</sup> March 2016. In this regard, the Bank lodged in a complaint to the High Commission on the failure to repay the loan putting the name of the High Commission into disrepute.
- iii. The former High Commissioner left an outstanding amount of K19,196 (US\$1,373.07) in unretired imprest and telephone bill.

Debt	Amount Paid K	Amount Outstanding (US\$)
Telephone (Residence)	14,819	1,060.00
Unretired Imprest	4,377	313.07
<b>Total</b>	<b>19,196</b>	<b>1,373.07</b>

- iv. The former Deputy High Commissioner left an outstanding salary advance and a debt to a travel agency for air tickets bought on credit amounting to K217,367 (US\$15,548.46) as shown in the table below.

Debt	Amount Outstanding (US\$)	Amount Outstanding K
Air Tickets (Blue Berry Travel)	3,023.25	42,265
Salary Advance	12,525.21	175,102
<b>Total</b>	<b>15,548.46</b>	<b>217,367</b>

- v. The former Third Secretary – Personal Secretary had an outstanding advance of K107,214 (US\$7,669.13) when she was recalled from Foreign Service.

Although in his response dated 6<sup>th</sup> July, 2018 the Controlling Officer stated that recoveries in respect of the diplomats who served on contracts had been effected, there was no evidence availed for audit verification.

**d. Payments Above Threshold of the Head of Mission**

The Public Procurement Act No. 12 of 2008 provides that the Head of Mission shall approve procurements up to a maximum of K10,000.

Contrary to the provisions of the Act, the High Commissioner approved twenty two (22) payments in amounts totalling K596,123 (N\$625,668.96) for procurement of various goods and services which were above her threshold.

**e. Unretired Accountable Imprest**

Contrary to Financial Regulation No. 91, accountable imprest in amounts totalling K36,829 (N\$55,122.21) issued to two (2) officers for activities such as organising a farewell party for recalled Diplomats, purchase of tonner and baggage allowance for the High Commissioner travelling back to Zambia had not been retired as at 31<sup>st</sup> August 2018.

**f. Unclaimed Value Added Tax**

Contrary to tax laws and guidelines which require Embassies to be exempted from paying tax, the Mission did not claim for refunds on Value Added Tax in amounts totalling K145,571 (N\$214,292.21) which was charged on payments for goods and services costing K1,469,685 (N\$2,148,064.05) procured during the period under review.

**g. Failure to Dispose of Unserviceable and Obsolete Items**

On 14<sup>th</sup> September 2017, the Permanent Secretary informed the Missions that the Secretary to the Treasury had delegated authority of disposing of unserviceable assets and other general stores in Missions.

The Mission had one hundred and seventy six (176) assorted unserviceable and obsolete items consisting household furniture, office furniture and office equipment with an estimated value of K12,549 (N\$9,460). However, as at 31<sup>st</sup> August 2018, the Mission had not constituted a Board of Survey.

#### **h. Failure to Mark Assets with GRZ Serial Numbers**

Contrary to Public Stores Regulation No.154, various equipment and furniture costing K136,059 (N\$91,817.29) procured during the period under review had not been inscribed with GRZ identification marks as at 31<sup>st</sup> August 2018.

**Head: 17/27 Ministry of Foreign Affairs - Mission Abroad - Brussels**

**Programme:** **Various**

**Activity:** **Various**

**28.** In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2016 and 2017, provisions of K25,792,084 and K29,502,478 were made to cater for various activities at the Mission against which amounts totalling K25,168,231 and K26,135,270 were released respectively, resulting in underfunding of K623,853 in 2016 and K3,334,247 in 2017. See table below.

<b>Year</b>	<b>Provision K</b>	<b>Releases K</b>	<b>Underfunding K</b>
2016	25,792,084	25,168,231	623,853
2017	29,502,478	26,168,231	3,334,247
<b>Total</b>	<b>55,294,562</b>	<b>51,336,462</b>	<b>3,958,100</b>

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and the Mission and a physical inspection of properties carried out in May 2018 revealed the following:

##### **a. Payment of Interest Charges on Delayed Remittances**

All locally engaged staff are required to make monthly contributions to a social security company. According to the arrangement, the Mission deducts contributions from salaries which are remitted to Securex every 15<sup>th</sup> day of the month following the deductions. Any late remittances of deducted contributions attract interest charges on outstanding amounts.

In this regard, during the period from January to December 2017, a total amount of K3,339,839 (€300,831.38) (US\$ 348,871.91) was paid to Securex Social Security as workers contribution in respect of locally engaged staff. However, there were delays in remitting the funds which resulted into K57,913 (€4,664.10) (US\$5,808.70) charged as interest.

**b. Outstanding Debt from Recalled Staff**

**i Former Ambassador**

The former Ambassador was owing amounts totalling K62,517 (€5,229.52) comprising 4<sup>th</sup> Quarter 2017 medical insurance K5,157 (€431.40) and damages to the Residence K57,359 (€4,798.12).

In addition, on 18<sup>th</sup> January 2018, an amount of K32,857 (€2,700) was paid to the former Ambassador as a special advance although she had left the Mission on 7<sup>th</sup> January 2018.

**ii Former Second Secretary - Personal Secretary**

On 15<sup>th</sup> December 2016, the Permanent Secretary Ministry of Foreign Affairs recalled the Second Secretary and directed her to return to Zambia not later than 15<sup>th</sup> March 2017.

However, it was observed that at the time of her return to Zambia, the officer was owing a local bank an amount of €40,000 arising from a loan she obtained from the bank.

A scrutiny of records revealed that the matter of settling the outstanding amount of €40,000 had been presented to Ministry of Finance by Ministry of Foreign Affairs for possible funding through minute number MFA/STA/2442C dated 27<sup>th</sup> April 2017.

However, as at 31<sup>st</sup> August 2018, the funds had not been sent to the Mission to settle the loan.

**iii Former First Secretary - Press**

On 20<sup>th</sup> December 2016, the Permanent Secretary, Ministry of Foreign Affairs recalled the First Secretary Press and was directed to return to Zambia not later than 20<sup>th</sup> March, 2017.

At the time of leaving, the Officer was owing the former Landlord an amount of €1,906.28 (US\$2,240.90) as cost for damages to the house. As at 31<sup>st</sup> August 2018, the Mission had not resolved the matter with the Landlord.

**Head: 17/ 30                          Ministry of Foreign Affairs – Mission Abroad - Harare**

**Programmes:**                          **Various**

**Activities:**                                  **Various**

- 29.** In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2016 and 2017, a total provision of K24,564,910 was made to cater for various activities against which amounts totalling K21,628,129 were released, resulting in an underfunding of K2,936,781. See table below.

<b>Year</b>	<b>Total Authorised Provisions K</b>	<b>Funds Released K</b>	<b>Underfunding K</b>
<b>2016</b>	<b>9,652,206</b>	<b>9,527,026</b>	<b>125,180</b>
<b>2017</b>	<b>14,912,704</b>	<b>12,101,103</b>	<b>2,811,601</b>
<b>Total</b>	<b>24,564,910</b>	<b>21,628,129</b>	<b>2,936,781</b>

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in April 2018 revealed the following:

### **a. Unauthorised Service Provision**

Contrary to Foreign Service Regulation No. 112, the Mission engaged service providers for the provision of various services such as cleaning, maintenance of elevators and sanitary services, in amounts totalling K320,145.32 (US\$31,893) without authority from the Controlling Officer.

### **b. Payments above Procurement Threshold**

The Public Procurement Act No. 12 of 2008 and its regulations provides that the Head of Mission shall approve procurements up to a maximum of K10,000.

Contrary to the Act, the Ambassador approved thirty (30) payments totalling K511,728 (US\$48,194.04) for procurement of various goods and services which were above his threshold.

### **c. Unclaimed Value Added Tax (VAT)**

Contrary to tax laws and guidelines which require Embassies to be exempted from paying tax, Value Added Tax amounting to K75,403 (US\$7,527.03) charged on payments for purchase of goods and services costing K591,397 (US\$58,011.14) in the period under review had not been claimed by the Mission.

**Head: 17/32      Ministry of Foreign Affairs - Missions Abroad - Geneva**

**Programmes: Various**

**Activities: Various**

- 30.** In the Estimates of Revenue and Expenditure for the financial years ended 31<sup>st</sup> December 2016 and 2017, a total provision of K53,830,652 was made to cater for various activities at the Mission against which amounts totalling K52,410,463 was released, resulting in underfunding of K1,420,189. See table below.

<b>Year</b>	<b>Provision K</b>	<b>Releases K</b>	<b>Under/over Funding K</b>
2016	26,615,567	25,622,129	993,438
2017	27,215,085	26,788,334	426,751
<b>Total</b>	<b>53,830,652</b>	<b>52,410,463</b>	<b>1,420,189</b>

In addition, amounts totalling K347,338 were brought forward from 2016 bringing the total funds available in 2017 to K27,135,671.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and the Mission, carried out in May 2018 revealed the following:

#### **a. High Cost of Rented Properties**

The Government does not own any property in Geneva. All properties, the Chancery, Ambassador's Residence and houses accommodating Zambian diplomats are rented.

In September 2015, Cabinet approved the recommendation by the Ministries of Foreign Affairs and Finance to acquire mortgages for the construction and purchase of property to gradually reduce Government expenditure on rented properties by Missions.

In this regard, the Ministry Headquarters in its Minute No. MFA/104/5/3 dated 13<sup>th</sup> October 2015, directed Missions to explore mortgage options for purchase of properties. Although the Mission sent a report on Mortgage options for the purchase of properties for use as Chancery and Ambassador's Residence to the Ministry Headquarters in December 2015, for consideration, there was no documentary evidence that the Ministry responded as at 11<sup>th</sup> May 2018, two and half years later.

Consequently, the Mission continued renting all its properties and during the period under review, amounts totalling K14,583,295 (US\$1,527,046.58) (CEF1,424,297.50) were spent in respect of rental charges for the Chancery and residential apartments for Diplomats.

#### **b. Wasteful Expenditure**

##### **i. Payment of Rent for Vacated House – Villa Chemin De Mollies 29 Bellevue 1293**

The Mission spent amounts totalling K336,469 (US\$37,725.34) (CHF36,000) on rentals for the period from July to September 2017 for a house which had been vacated by the Ambassador who had been recalled.

In addition, amounts totalling K70,619 (CHF6,600.62) (US\$7,097.44) were spent on storage charges for Mission properties that were placed in storage.

**ii. Payment of Rent for the Vacated House – Apartment No. 60 Route De La Satigny**

In Paragraph 35 (f) of the Report of the Auditor General for the financial year ended 31<sup>st</sup> December 2014, mention was made on the wasteful expenditure which was as a result of continued payment of rentals for an apartment which was vacated in December 2014 by the First Secretary Trade following her recall from Foreign Service. As of March 2015, the Mission had paid amounts totalling K85,733 (CHF12,003) (US\$12,247.50) for the period from January to March 2015.

A review of records, carried out in May 2018, revealed that the Mission did not give notice to vacate the apartment. Consequently, a total amount of K154,817 (CHF20,005) (US\$20,715.71) was paid for rentals covering the period from April to August 2015. The new officer, First Secretary, Trade, who was posted to the Mission took occupation of the house in September 2015.

Further, a review of correspondence from the Ministry Headquarters dated 17<sup>th</sup> February 2016 revealed that the former Ambassador was charged K85,733 (CHF12,003) (US\$12,247.50) paid for the vacated apartment for the period from January to March 2015. However, there was no evidence of a decision made on how the amounts totalling K154,817 (CHF20,005) (US\$20,715.71) paid for the period from April to August, 2015 would be treated as the Ambassador had since been recalled and left the Mission in June, 2017.

**c. Unrecovered Advance**

At the time of her recall in June 2017, the former Ambassador was owing the Mission an amount of K37,999 (CHF3,900) (US\$ 3,979.59) as salary advance and as at 31<sup>st</sup> July 2018, the advance had not been recovered.

**d. Payment for Repair Costs - Apartment No. 60 Route De La Satigny**

Contrary to Foreign Service Regulation No. 108 which states that an officer occupying rented accommodation shall pay the total cost of repairs in case of damages caused to the property, amounts totalling K8,578 (CHF667.20) (US\$702.32) were paid by the Mission in November 2015, to settle the cost for repair of the damages to the apartment No. 60 Route De La Satigny on behalf of the former First Secretary, Trade.

As at 11<sup>th</sup> May 2018, there was no evidence that the amount owing had been recovered and reimbursed to the Mission.

**Head:**           **31**       **Ministry of Justice**

**Units:**           **Various**

**Programmes:**   **Various**

**Activities:**       **Various**

- 31.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K292,976,903 was made to cater for operations of the Ministry against which amounts totalling K284,929,393 were released resulting in an underfunding of K8,047,510

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry carried out from February to May 2018 revealed the following:

#### **a. Outstanding Payments of Compensation and Awards**

During the period under review, a total provision of K102,000,000 was made to cater for Compensation and Awards and amounts totalling K100,000,000 were released.

A review of records revealed that there were outstanding payments of compensation and awards in amounts totalling K3,028,552,193 involving forty six (46) cases as at 31<sup>st</sup> December 2017. Included in the amount was interest which had accumulated to K874,088,141 representing 28.86% of the principal amount. The outstanding amount had increased by K1,269,468,972 (72%) from K1,759,083,220 as at 31<sup>st</sup> December 2016 to K3,028,552,193 as at 31<sup>st</sup> December 2017.

It was also observed that the funding levels were insufficient to clear the outstanding amounts as only K100,000,000 was funded in 2017 against an outstanding amount of K3,028,552,193 which translates to 3.30%.

An analysis of the outstanding claims revealed the following:

##### **i. Outstanding Claims Exceeding Principal Amounts**

There were six (6) cases in amounts totalling K432,434,250 whose individual outstanding claims had increased to K635,088,753 thereby exceeding the Judgement amounts by K202,654,503 as at 31<sup>st</sup> December 2017. The increase in the claims was as a result of interest charged on the principal for non-settlement.

## **ii. Judgement Entered in Default**

This is Judgement entered against a party who has failed to defend themselves against a claim that has been brought by another party. Under the rules of the civil procedure, when a party against whom a judgement for affirmative relief is sought has failed to plead or otherwise defend a case, the party is in default and a judgment by default may be entered by the court. Further, if a defendant in a lawsuit fails to respond to a complainant in the time set by law (usually 30 days), then the Clerk of the court can enter a default judgement.

In this regard, amounts totalling K972,173 involving six (6) cases were paid in respect of judgements entered in default due to failure by Government departments to provide necessary information to the Attorney General's chambers to effectively defend the cases in the courts of law.

## **b. Loss of Public Funds through Negligence by Public Workers**

During the period under review, a total amount of K11,448,709 in respect of fifty-nine (59) cases was paid by the Ministry for cases where officers neglected, omitted or failed to follow procedures in their duty.

However, contrary to Part III Sub-section (1)(e) of the Financial Regulations which requires that officers who cause liability to the government through neglected, omitted or failed to follow procedures in their duty should be held liable for the loss and damage caused, as at 31<sup>st</sup> July 2018, no recoveries had been made from the concerned officers.

A review of the trend from 2015 to 2017 revealed the number of cases had increased from nine (9) with amounts totalling K2,606,049 in 2015 to fifty-nine (59) cases with amounts totalling K9,091,200 in 2017. However, no progress had been made as at 31<sup>st</sup> July 2018 regarding recovery of funds from the officers who had cost the Government to incur the expenditure. See table below.

<b>Year</b>	<b>No. of Cases</b>	<b>Amount K</b>
2015	9	2,606,049
2016	35	2,949,931
2017	59	11,448,709

**Head:** 37 **Ministry of Finance**

**Programmes:** **Various**

**Activities:** **Various**

## **Background**

**32.** In line with the Public Service Reform Programme which was launched in November 1993, the Government and the Cooperating partners signed a Memorandum of Understanding (MoU) concerning the Public Expenditure and Financial Accountability (PEMFA) Programme initiating the implementation of the programme on 8<sup>th</sup> December 2004. The PEMFA programme was aimed at improving the quality of service delivery in the public sector.

The overall objective of PEMFA was to contribute to the efforts of the Government in improving the capacity to efficiently mobilize and utilize public resources (improve public expenditure management) and to strengthen overall financial accountability. Among the programmes under the PEMFA was the Integrated Financial Management Information System (IFMIS). The IFMIS was aimed at improving the acquisition, allocation, utilisation and conservation of the public financial resources through the use of automated and integrated financial systems.

### **Integrated Financial Management Information Systems (IFMIS)**

IFMIS is an Enterprise Resource Planning (ERP) solution that provides a wide range of system functionalities to meet almost all core current and future Government public finance management needs. The system was supplied by Soluziona S.A (Spain) at a contract sum of K109,565,340,885 (US\$23,367,708) in November 2006. The core modules in the existing system configuration are; Fund Management, Materials Management (Procurement), Accounts Receivable, Accounts Payable, General Ledger, Loans Management (Loans and Advances), Asset Management, Cash Management, Audit Information System, Project System and Controlling (Reporting).

As at 31<sup>st</sup> August 2018, the IFMIS had been rolled out to forty four (44) out of the fifty (50) sites in various MPSAs.

### **Management of IFMIS**

The IFMIS administration and operations has been split into the business and technical side. The business side which was approved by Cabinet Office on 30<sup>th</sup> December 2015 has been mainstreamed into Government functions under the Office of the Accountant General at the Ministry of Finance.

The IFMIS technical side and ICT component has been mainstreamed into Government under the Smart Zambia Institute (SZT), a division under the Office of the President.

## **Treasury Single Account**

The Treasury Single Account (TSA) is a public accounting system under which all Government revenue, receipts and income are collected into one single account which is maintained by the Central Bank. As at 31<sup>st</sup> August 2018 there were twenty nine (29) MPSAs that were using the TSA.

## **Weaknesses in the Management of IFMIS and TSA**

A review of the systems and other records maintained at the Ministry Headquarters in Lusaka and the ten (10) provincial offices carried out during the period from June 2017 to June 2018 revealed the following:

### **a. The IFMIS System Crash**

On 29<sup>th</sup> January 2018, the IFMIS crashed. A system crash occurs when a computer program, such as a software application or an operating system, stops functioning properly. If the program is a critical part of the operating system, the entire system may crash or hang rendering the system unavailable to end-users.

Inquiries with management revealed that the system crash was attributed to the following:

- i. Defective hardware (NetAPP Storage) due to years of neglect to replace faulty backup tapes, among others;
- ii. Errors in backups due to the hardware problem for a considerable period of time in excess of five years;
- iii. The disaster recovery system did not take over due to inherent corrupt database structure having been replicated to the Disaster Recovery (DR) site for over a long period of time;

In light of the IFMIS crash, financial statements produced by the MPSAs were produced using the Commitment Control/Financial Management System (CC/FMS) which is a separate standalone system as an alternative system to prepare the financial statements. The process involved a lot of manual inventions and consequently, the Consolidated Financial Statements was not produced within the constitutional required time of 30<sup>th</sup> June as the report was only produced on 27<sup>th</sup> July 2018.

### **b. Misappropriation of Funds – Refunds to Zambia Bureau of Standards and Competition and Consumer Protection Commission**

During the period under review, amounts totalling K453,998 (K352,998 to Zambia Bureau of Standards (ZABS) and K100,000 to Competition and Consumer Protection Commission (CCPC)

were transferred from Ministry of Finance to two (2) accounts purported to belong to ZABS and CCPC on behalf of Ministry of Commerce and Industry as refunds for borrowed funds.

An inquiry with the commercial bank to which the funds were transferred revealed that the funds were transferred to an account belonging to an individual by the name of Mr Harrie Chiwanza instead of the ZABS and CCPC respectively.

**c. Failure to Install SAP Enterprise Components**

During the period from 2014 to 2017, the Ministry of Finance paid amounts totalling K50,991,560 (€4,976,000) for six (6) components in the SAP Enterprise Licence Payment which had not been installed as at 31<sup>st</sup> August 2018.

Included in the six (6) components was the Sybase database. It was not clear why the Ministry paid for the Sybase database when the IFMIS was running on the Oracle databases, since its implementation in 2009.

**Head: 45      Ministry of Community Development and Social Services**

**Programmes: Various**

**Activities:    Various**

**33.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a total provision of K1,154,044,798 was made to cater for operations at the Ministry against which amounts totalling K599,592,040 were released resulting in an underfunding of K554,452,758.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters and visits to selected districts carried out from January to May 2018 revealed the following:

**a. Failure to Deduct Pension and Pay As You (P.A.Y.E)**

Contrary to Pensions Act of 1996 and the Income Tax Act (Cap 323), the Ministry paid salaries in amounts totalling K53,961 to various employees without deducting statutory contributions (NAPSA and Pension – K31,726 and PAYE – K22,235).

**b. Unsupported Payments**

Contrary to Financial Regulations Nos. 45(2) and 52(1), three (3) payments in amounts totalling K6,478 made during the period under review were not supported with relevant documentation such as invoices and cash sale receipts among others.

**c. Failure to Avail Activity Reports**

During the period under review, an officer was paid amounts totalling K14,380 to undertake various activities. However, there were no activity reports availed for audit making it not possible to ascertain whether the activities were undertaken.

**d. Irregular Payment of Official Entertainment Allowance**

During the period under review, amounts totalling K77,200 were spent as official entertainment allowances. However, the expenditure was irregular as the recipients were not entitled to receive the allowances. As at 31<sup>st</sup> August 2018, appropriate action had not been taken against the recipients.

**e. Failure To Deduct Pay As You Earn (PAYE)**

Contrary to the Income Tax Act No. 323, amounts totalling K2,864,426 were paid to one hundred thirty three (133) officers as commutation of leave days, fuel and house arrears and leave terminal benefits without deducting PAYE.

**f. Misappropriation of Funds**

On 10<sup>th</sup> February 2017, the Ministry issued a cheque of K99,600 to Eastern and Southern Africa Management Institute (ESAMI) as participation and tuition fees in a Balanced Score Card Training workshop for fifteen (15) members of staff for a period of seven (7) days.

In May 2017, an unknown individual collected the cheque from the Ministry without signing in the Cheque Distribution Register and issued an ESAMI receipt. Subsequently, on 29<sup>th</sup> May 2017, the cheque was honoured by the Bank.

However, on 8<sup>th</sup> September 2017, ESAMI wrote to the Ministry demanding payment for the services offered. As at 31<sup>st</sup> August 2018, the facts surrounding what transpired with the cheque that was collected had not been established. Further, the Ministry had not taken an action to recover the funds.

**g. Failure to Avail Expenditure Records – Economic Empowerment of Women Programme (Women Development)**

The Economic Empowerment of Women programme targets at empowering women groups with financial and entrepreneurship skills. Under this programme, various women groups across the country are given grants and skills on how to run their businesses and improve their livelihood.

During the period under review, the Ministry received amounts totalling K100,000 to cater for Economic Empowerment of Women. However, the utilization of the funds released could not be

ascertained as no records such as approved list of beneficiaries and performance reports were availed for audit as at 31<sup>st</sup> August, 2018.

**h. Failure to Effect Recoveries for Tuition Advances**

Contrary to Terms and Conditions of Service for the Public Service No. 92, recoveries for advances in amounts totalling K56,000 paid to two (2) officers as tuition advances had not been effected as at 31<sup>st</sup> August 2018.

**Head: 45 Ministry of Community Development and Social Services**

**Departments:** Social Welfare

**Units:** Various

**Programmes:** Various

**Activities:** Various

- 34.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K736,920,874 was made to cater for implementation of the Social Cash Transfer Programme against which amounts totalling K551,324,046 were released resulting in an underfunding of K185,596,828. See table below.

<b>Partner</b>	<b>Budget Amount K</b>	<b>Released Amount K</b>	<b>Variance K</b>
GRZ	500,000,000	353,299,374	(146,700,626)
Sweden	85,732,620	89,388,322	3,655,702
DFID	99,974,522	57,926,659	(42,047,864)
Irish Aid	30,120,000	30,120,000	0
Finland	21,093,732	20,589,691	(504,041)
<b>Total</b>	<b>736,920,874</b>	<b>551,324,046</b>	<b>(185,596,828)</b>

In addition, an amount of K57,173,682 was brought forward from 2016, bringing the total funds available for the scheme to K608,497,728.

The Ministry disbursed amounts totalling K428,305,999 comprising Transfers (K316,137,874) and Administration (K112,168,125) to Provincial and District Social Welfare Offices country wide and the balance of K180,191,729 was retained at the Ministry Headquarters. The Administrative funds together with funds retained at headquarters were meant to cater for administrative activities such as monitoring, evaluation, stationery and other day to day office administration costs among others.

**Background**

The Government with support from the cooperating partners namely Sweden, Department for International Development (DFID), Irish Aid, Finland, UNICEF and WFP have been implementing

the Social Cash Transfer Scheme (SCT) in one hundred and nine (109) districts across the country with the objective of reducing extreme poverty and vulnerability at household level.

These extremely poor incapacitated households cannot be reached by labour – based or micro credit programmes such as Food Security Pack, Fertilizer Support and Food for Work Programmes. These households need regular and continuous social assistance to survive and invest in the education of their children. The Social Cash Transfer (SCT) Scheme aims at reducing extreme poverty in incapacitated households and offering an opportunity for households to invest in the future of their children and break the inter – generational poverty.

The programme is administered by the Ministry through the Department of Social Welfare and is currently using the inclusive model to identify the beneficiaries. The inclusive model identifies beneficiaries as follows:

**i. Residency**

In order to be eligible, households must have been living in the same catchment area for at least six (6) months. This criterion is verified first by the Community Welfare Assistance Committees (CWACs), the Area Coordinating Committees (ACCs) and the traditional leadership such as village headpersons.

**ii. Households with Members with Severe Disability**

This is a household that has a member with severe disability as indicated by:

- The Disability Medical Assessment slip; or
- A card from Zambia Agency For Persons With Disability (ZAPID) that shows their level of disability.

**iii. Households with an Elderly Person**

This is a household that has an elderly member who is aged 65 or above and has a National Registration Card (NRC) to support this.

**iv. Households With Members who are Chronically ill and on Palliative Care**

A household is considered to have a member that is chronically ill and on palliative care if they have a Disability Medical Assessment slip that indicates this.

**v. Child Headed Households**

A household is considered child headed if:

- The head of the household is under the age of 19;

- Is not married; and
- Is verified by the community members to be a child headed household.

**vi. Female Headed Households with at Least Three Children**

This is a household headed by a female who:

- Is between the age of 19 and 65;
- Has at least three children under the age of 19;
- Is not married; and
- Is verified by the community members to be a female headed household.

**vii. Welfare Criterion**

A household is eligible if it is not able to meet basic needs based on means and needs test. The estimated welfare is automated by the Management Information System (MIS) based on a Household Living Conditions Index. Households with estimated welfare levels above the cut-off point set by Headquarters are considered better-off and are not eligible for the SCT.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and visits to selected Provincial and District Social Welfare Offices carried out from January to May 2018 revealed the following:

**a. Engagement of Zambia Postal Services to Pay Social Cash Transfer Funds**

On 21<sup>st</sup> August 2017, the Ministry engaged Zambia Postal Services (ZAMPOST) on a three (3) year renewable contract to manage payment of Social Cash Transfer funds to designated registered citizens in two (2) provinces namely Luapula and Western, on a pilot basis. The contract provided that ZAMPOST would be paid a commission of 8% of the value of the funds remitted over the period of the engagement.

The engagement of ZAMPOST was based on the understanding that ZAMPOST had the branch network as well as an electronic banking system to completely administer the Social Cash Transfer funds on behalf of the Ministry.

During the period under review, the Ministry remitted amounts totalling K109,386,458 to ZAMPOST for payment to scheme beneficiaries and as of May 2018, ZAMPOST had been paid commission in amounts totalling K8,751,439 for the services rendered.

The following were observed:

## i. Weaknesses in the Management of the Contract – Headquarters

- **Disbursements to Provinces Outside the Contract**

According to Clause 8.3 of the contract, ZAMPOST was contracted to administer payment of Social Cash Transfer to districts in Luapula and Western Provinces only. It was however observed that for the September/October 2017 Cycle the Ministry remitted funds in amounts totalling K30,947,320 to ZAMPOST for disbursements to North Western, Northern and Muchinga Provinces and Masaiti and Lufwanyama on the Copperbelt which were not included in the contract.

In her response dated 14<sup>th</sup> September 2018, the Controlling Officer stated that having noted that the contract did not adequately cover the provinces in question, the parties signed an addendum on 26<sup>th</sup> April 2018 after it was cleared by the Attorney General's Office. However, the inclusion of North Western, Northern and Muchinga Provinces and the two (2) districts on the Copperbelt was done in October 2017 before the addendum was signed.

- **Failure to Submit Reports and Returns**

Contrary to Clause 3.5 which states that ZAMPOST shall submit to the Ministry reports and returns by the 14<sup>th</sup> day of the following month after disbursements, as at 31<sup>st</sup> August 2018, no reports and returns were submitted to the Ministry by ZAMPOST for the total amounts disbursed during the period under review. Consequently, it was not possible to ascertain whether the intended beneficiaries had received the funds.

- **Failure to Facilitate Opening of Zero Charge Accounts**

In order to effectively implement the SCT scheme, Clause 8.3(4) of the contract required ZAMPOST to facilitate the opening of Zero Charge Accounts for the beneficiaries. The Zero Charge Account was to operate through an electronic banking system where beneficiaries would receive message alerts upon receipt of funds and the beneficiaries would access the funds from any post office. In addition, according to clause 8.3(3), ZAMPOST was to introduce voluntary savings and investment banking services at prevailing interest rates of return to the beneficiaries.

However, as at 31<sup>st</sup> August 2018, the electronic banking system had not been implemented.

## **ii. Unacquitted For Funds**

A review of payment schedules used by ZAMPOST to pay beneficiaries in thirteen (13) districts revealed that amounts totalling K1,088,640 were not acquitted for and there was no evidence that the un-acquitted for funds were remitted back to the Ministry as of May 2018, eight (8) to ten (10) months after the Ministry released the money to ZAMPOST. See table below.

Province	District	No. of Beneficiaries	Amount July/Aug K	Amount Sept/Oct K	Total Amount K
Luapula	Mansa	1784	543,600	62,460	606,060
Luapula	Milenge	279	20,880	32,580	53,460
Luapula	Mwense	180	23,220	16,020	39,240
Luapula	Mwansabombwe	106	10,440	10,440	20,880
Northern	Luwingu	215	39,960		39,960
Northern	Mbala	94	43,020		43,020
Northern	Mungwi	272	48,960		48,960
Muchinga	Nakonde	171	33,840		33,840
Muchinga	Isoka	65	13,500		13,500
Muchinga	Mafinga	233	43,020		43,020
Muchinga	Shiwangandu	216	38,880		38,880
Muchinga	Mpika	485	98,640		98,640
North Western	Kasempa	47	9,180		9,180
	<b>Total</b>	<b>4147</b>	<b>967,140</b>	<b>121,500</b>	<b>1,088,640</b>

## **iii. Partial Transfer of Funds to ZAMPOST**

During the period under review, Kasempa and Zambezi District Social Welfare Offices gave instructions to Kasempa and Zambezi branches of the National Savings Bank to transfer amounts totalling K1,257,480 to Kasempa and Zambezi ZAMPOST offices to facilitate payments to beneficiaries for the July/August 2017 New Cases. However, the bank only transferred amounts totalling K500,000 to ZAMPOST leaving a balance of K757,480. See table below.

District	Amount To Be Transferred K	Actual Amount Transferred K	Variance K
Kasempa	385,560	200,000	185,560
Zambezi	871,920	300,000	571,920
<b>Total</b>	<b>1,257,480</b>	<b>500,000</b>	<b>757,480</b>

Amounts totalling K185,560 and K435,960 were remitted by National Savings Bank to ZAMPOST on 6<sup>th</sup> June 2018 and 3<sup>rd</sup> September 2018 respectively leaving a balance of K135,960.

## **iv. Failure to Provide Deposit Slips for Redeposited Funds**

During the period under review, Chinsali and Mushindamo ZAMPOST offices received amounts totalling K766,440 to pay the July/August, 2017 allocation to beneficiaries. As of

May 2018, only amounts totalling K481,500 had been paid to beneficiaries leaving a balance of K284,940.

Although the Post Office Management in the two (2) districts indicated that the balances were redeposited into the Ndola and Chingola bank accounts of ZAMPOST, no deposit slips to confirm the deposits were availed for audit as at 31<sup>st</sup> May 2018. See table below.

<b>Province</b>	<b>District</b>	<b>Transfers to Zampost K</b>	<b>Amount Disbursed K</b>	<b>Unaccounted for Funds K</b>
N/Western	Mushindamo	364,140	107,820	256,320
Muchinga	Chinsali	402,300	373,680	28,620
	<b>Total</b>	<b>766,440</b>	<b>481,500</b>	<b>284,940</b>

On 3<sup>rd</sup> September 2018, ZAMPOST deposited amounts totalling K279,100 into the Ministry's account leaving a balance of K5,840.

#### **v. Unaccounted For Funds**

During the period under review, the Ministry remitted amounts totalling K30,947,320 to ZAMPOST to pay the September/October 2017 cycle to 144,142 beneficiaries in Northern, Muchinga and North Western. See table below.

<b>District</b>	<b>Total Caseloads</b>	<b>Total Amount K</b>
Muchinga Province	37,713	8,366,580
Northern Province	70,970	15,373,540
North Western Province	35,459	7,207,200
<b>Total</b>	<b>144,142</b>	<b>30,947,320</b>

However, as at 31<sup>st</sup> August 2018, ZAMPOST had not paid the beneficiaries and the funds were not accounted for in that there was no evidence of banking and no cash was found on hand.

#### **b. Failure to Remove Dormant Beneficiaries From the Register - Livingstone**

During the period under review, amounts totalling K56,120 meant for one hundred and seventy one (171) beneficiaries were not drawn due to reasons such as failure to locate beneficiaries, beneficiaries not showing up and beneficiary households having been dissolved among others.

#### **c. Failure to Retire Transfer Funds by Pay Point Managers**

The 2017 Social Cash Transfer Guidelines No. 4.2 states that, "the funds are expected to be retired to the DSWO by Pay Point Managers by submitting the signed acquittal sheets and bank deposit slips for any funds that were uncollected by the beneficiaries. Further, the acquittal sheets should be signed by the witnessing CWAC/ ACC member/s.

As at 31<sup>st</sup> August 2018, the retirement details to the DSWO for funds in amounts totalling K24,120 meant to pay beneficiaries in Chibombo were not availed for audit.

**d. Alteration of Beneficiary Details - Lusaka DSWO**

The Social Cash Transfer guidelines chapter 4C No.3 which stipulates that no Pay Point Manager (PPM) should alter the payment list in Ink as only authorised deputies are allowed to collect the transfers on behalf of the beneficiaries.

However, during the period under review amounts totalling K10,800 were paid to beneficiaries whose names were altered and written in ink, contrary to the guidelines.

**e. Misapplication of Funds**

Contrary to the Appropriation Act of 2016, amounts totalling K116,893 meant for Social Cash Transfer Scheme activities were spent on activities such as Grants for juvenile conveyance, purchase of furniture and contribution towards traditional ceremonies among others, activities not related to the purpose for which the funds were appropriated. See table below.

Province/Station	District	Amount K
Lusaka	Headquarters	81,229
Eastern	Chipata	4,250
	Petauke	2,995
Southern	Sinazongwe	4,500
Copperbelt	Kalulushi	22,919
North Western	Mufumbwe	1,000
	<b>Total</b>	<b>116,893</b>

It was noted that on 24<sup>th</sup> August 2018, an amount totalling K81,229 was paid back to the Social Cash Transfer Account.

**f. Questionable Acquittal Sheets – Kazungula Social Welfare Office**

During the period under review, amounts totalling K66,700 were paid to Pay Point Managers (PPM) to facilitate payment of meal allowance to Community Welfare Assistance Committee (CWAC) members. However, it was observed that Pay Point Managers acquitted for the funds on behalf of the CWAC members without authority from the intended beneficiaries rendering the acquittals questionable. As a result, it could not be ascertained whether the intended beneficiaries received the funds.

**g. Unaccounted for Stores**

Contrary to Public Stores Regulation No.16, there were no receipt and disposal details in respect of various stores items costing K49,170 comprising of general stores (K43,170) and fuel (K6,000) procured during the year under review. See table below.

<b>Province</b>	<b>District</b>	<b>General Stores K</b>	<b>Fuel K</b>	<b>Total K</b>
Lusaka	Chilanga	20,470	-	20,470
Southern	Kazungula	700	6,000	6,700
Central	Mumbwa	22,000		22,000
	<b>Total</b>	<b>43,170</b>	<b>6,000</b>	<b>49,170</b>

#### **h. Weaknesses in the Transport Management – Fuel**

##### **i. Fuel Drawn by Private Non GRZ Motor Vehicles**

During the year under review, 156.73 litres of petrol and 131.19 litres of diesel costing K3,264 were drawn by private motor vehicles. See table below.

<b>Province</b>	<b>District</b>	<b>Petrol (litres)</b>	<b>Diesel (litres)</b>	<b>Amount K</b>
North Western	Mushindamo	104.60	131.19	2,647
Muchinga	Chinsali	52.13	-	617
	<b>Total</b>	<b>156.73</b>	<b>131.19</b>	<b>3,264</b>

However, no authority to draw fuel was availed for audit as of May 2018. As a result, it could not be ascertained whether the fuel drawn was used for the intended purpose.

##### **ii. Irregular Drawings of Fuel**

During the period under review, 231.4 litres of diesel costing K2,284 were drawn from the pool fuel account for Chitambo District Social Welfare Offices. However, a scrutiny of supporting documents such as motor vehicle log books, fuel coupons and fuel statements revealed that the fuel drawings were irregular in that motor vehicles that drew the fuel were in Lusaka for service at the time the fuel was drawn.

It was also observed that fuel in amounts totalling K3,682 drawn at Mumbwa District Social Welfare Office was irregular in that the fuel coupons did not indicate the motor vehicles drawing the fuel, purpose for which fuel was drawn and vehicle registration numbers were not indicated while in some instances, fuel coupons were not authorised. See table below.

<b>District</b>	<b>Fuel</b>	<b>Litres</b>	<b>Amount K</b>
Chitambo	Diesel	231.4	2,284
Mumbwa	Diesel/ Petrol	330	3,682
<b>Total</b>		<b>561.4</b>	<b>5,966</b>

#### **i. Weaknesses in the Management of Imprest and Allowances**

##### **i. Irregular Use of Accountable Imprest to Procure Goods and Services**

According to Financial Regulation No.86 (c), accountable imprest is issued to facilitate the purchase of goods and services whose value cannot be ascertained at the time of issue.

However, contrary to the regulation, accountable imprest in amounts totalling K62,630 was issued to twelve (12) officers to procure food and hire of a bus whose values/costs could be ascertained at the time of procurement. See table below.

<b>Province</b>	<b>District</b>	<b>No. of Officers</b>	<b>Amount K</b>
Muchinga	Chinsali	2	1,440
North Western	Kalumbila	2	32,200
	Solwezi	1	15,000
Lusaka	Chilanga	1	13,990
	<b>Total</b>	<b>6</b>	<b>62,630</b>

**Head: 46 Ministry of Health**

**Departments:** **Various**

**Units:** **Various**

**Programmes:** **Various**

**Activities:** **Various**

**35.** In the Estimate of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a total provision of K6,286,126,099 including a supplementary provision of K553,283,947 was made to cater for various activities against which amounts totalling K5,717,950,453 were released resulting in an underfunding of K568,175,646.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters and physical inspections of projects in selected districts carried out from February to May 2018 revealed the following:

#### **a. Infrastructure Development**

A physical inspection of various projects under infrastructure development revealed the following:

<b>Details</b>	<b>Scope</b>	<b>Status</b>
<p><b>Project:</b> Mufulira District Hospital</p> <p><b>Contractor:</b> Mercury Lines Ltd</p> <p><b>District:</b> Mufulira</p> <p><b>Contract:</b> MOH/W/29/14</p> <p><b>Contract Start Date:</b> 07.01.15</p> <p>Contract End Date: March 2018</p> <p><b>Contract Period:</b> 38 Months</p> <p><b>Contract Sum:</b> K12,341,125</p> <p><b>Amount Paid:</b> K5,878,919 (representing 47.63% of contract sum)</p>	<p>Construction of Mufulira District Hospital comprising:</p> <ul style="list-style-type: none"> <li>- Out Patient Department (OPD)</li> <li>- Administration Block</li> </ul>	<p>As at 31<sup>st</sup> July 2018, the project had not been completed. The outstanding works included:</p> <ul style="list-style-type: none"> <li>- Fitting of ceiling</li> <li>- Glazing</li> <li>- Painting</li> <li>- Flooring</li> <li>- Electrical works</li> </ul>
<p><b>Project:</b> Kazungula District Hospital</p> <p><b>Contractor:</b> Mercury Lines Ltd</p> <p><b>District:</b> Kazungula</p> <p><b>Contract:</b> MOH/W/06/14</p> <p><b>Contract Start Date:</b> Feb 2015</p> <p><b>Contract End Date:</b> August 2017</p> <p><b>Contract Period:</b> 30 months</p> <p><b>Contract Sum:</b> K11,772,951</p> <p><b>Amount Paid:</b> K8,801,997 (representing 75% of contract sum)</p>	<p>Construction of Kazungula District Hospital Phase 1 and associated external works comprising:</p> <ul style="list-style-type: none"> <li>- OPD Block</li> <li>- Administration Block</li> </ul>	<p>As at 31<sup>st</sup> August 2018, the status was as follows:</p> <ul style="list-style-type: none"> <li>- Administration and OPD were at 90 percent complete.</li> <li>- External works had been completed though poorly done.</li> <li>- Electricity had not been connected.</li> <li>- The Contractor was not on site.</li> </ul>
<p><b>Project:</b> Kalomo District Hospital (Phase II)</p> <p><b>Contractor:</b> Golden Horse Ltd</p> <p><b>District:</b> Kalomo</p> <p><b>Contract:</b> MOH/W/12/14</p> <p><b>Contract Start Date:</b> 05.12.14</p> <p>Contract End Date: 04.06.2016</p> <p><b>Contract Period:</b> 18 months</p> <p><b>Contract Sum:</b> K23,996,022.16</p> <p><b>Amount Paid:</b> K1,355,436 (representing 6% of contract sum)</p>	<p>Construction of Kalomo District Hospital comprising:</p> <ul style="list-style-type: none"> <li>- Theatre</li> <li>- Maternity</li> <li>- Incinerator</li> <li>- 4 No. houses</li> </ul>	<p>As at 31<sup>st</sup> August 2018, the status was as follows:</p> <ul style="list-style-type: none"> <li>- Incinerator had not been built.</li> <li>- Theatre had been plastered.</li> <li>- Maternity had not been roofed.</li> <li>- 4 Houses were roofed and plastered. Plumbing works were not complete.</li> <li>- The contractor was not on site.</li> </ul>

<p><b>Project:</b> Vubwi District Hospital</p> <p><b>Contractor:</b> Zamchin</p> <p><b>District:</b> Vubwi</p> <p><b>Contract Start</b> February 2015</p> <p><b>Contract End Date:</b> January 2018</p> <p>Contract Period: 36 months</p> <p><b>Contract Sum:</b> K13,070,095</p> <p><b>Amount Paid:</b> K8,920,026 (representing 68% of contract sum)</p>	<p>Construction of Vubwi District Hospital comprising:</p> <ul style="list-style-type: none"> <li>- Out Patient Department</li> <li>- Administration block</li> </ul>	<p>As at 31<sup>st</sup> August 2018, the status was as follows:</p> <ul style="list-style-type: none"> <li>- Electricity had not been connected.</li> <li>- Laboratory was incomplete.</li> <li>- Painting was not fully done</li> <li>- Walk-away was not complete.</li> <li>- Tiling was not done.</li> <li>- Plumbing was not done.</li> </ul>
<p><b>Project:</b> Lundazi District Hospital</p> <p><b>Contractor:</b> Shachitari Contractors</p> <p><b>District:</b> Lundazi</p> <p><b>Contract Start</b> June 2015</p> <p>Contract End Date: January 2018</p> <p><b>Contract Period:</b> 34 months</p> <p><b>Contract Sum:</b> K10,069,874</p> <p><b>Amount Paid:</b> K3,922,472 (representing 39% of contract sum)</p>	<p>Construction of Lundazi District Hospital comprising:</p> <ul style="list-style-type: none"> <li>- Theatre</li> <li>- Maternity</li> <li>- 4 No. houses</li> <li>- Incinerator</li> </ul>	<p>As at 31<sup>st</sup> August 2018, the status was as follows:</p> <ul style="list-style-type: none"> <li>- The walkways were incomplete.</li> <li>- Both male and female wards were incomplete.</li> <li>- There was no spoon drain.</li> <li>- Glazing was not done and doors were not fitted.</li> <li>- The four (4) staff low cost houses were incomplete</li> </ul>
<p><b>Project:</b> Mwinilunga District Hospital</p> <p><b>Contractor:</b> Covec Ltd.</p> <p><b>District:</b> Mwinilunga</p> <p><b>Contract Start</b> 9<sup>th</sup> Mar 2016</p> <p>Contract End Date: 6<sup>th</sup> Feb 2018</p> <p><b>Contract Period:</b> 18 months</p> <p><b>Contract Sum:</b> K19,193,984</p> <p><b>Amount Paid:</b> K5,467,033 (representing 28% of contract sum)</p>	<p>Construction of Mwinilunga District Hospital comprising:</p> <ul style="list-style-type: none"> <li>- Out Patient Department (OPD)</li> <li>- Administration block</li> </ul>	<p>As at 31<sup>st</sup> August 2018, the status was as follows:</p> <ul style="list-style-type: none"> <li>- The Administration block was at roof level.</li> <li>- The walls of the OPD were under construction.</li> </ul>

**Head: 46 Ministry of Health**

**Unit: Various**

**Programme: Personal Emoluments**

**Activity: Various**

**36.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December, 2017 a provision of K2,106,791,466 was made to cater for personal emoluments and related costs against which amounts totalling K3,218,585,780 were released resulting in an over funding of K1,111,794,314.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters, Provincial Health Offices (PHOs) and selected General Hospitals and District Health Offices (DHOs) carried out during the period January to June 2018 revealed the following:

#### **a. Misplacement of Officers on the Payroll**

A reconciliation of the payroll and staff returns at Provincial Health Offices, selected District Health Offices and Hospitals revealed that there were six hundred and thirty four (634) officers who drew salaries totalling K38,938,610 but were not serving at stations where they had been paid from. See table below.

Province	Station	No. of Officers	Salary K
Copperbelt	Chililabombwe DHO	52	2,417,389
	Chingola DHO	25	1,218,981
	Lufwanyama DHO	13	1,017,867
	Kitwe DHO	63	4,168,362
	Ndola DHO	39	1,362,833
Southern	Ndola Teaching Hospital	18	1,119,274
	Namwala DHO	4	480,383
	Chikankata DHO	27	1,020,898
Luapula	Mansa DHO	1	34,977
	Nchelenge DHO	3	241,923
Lusaka	Provincial Health Office	386	25,844,775
Muchinga	Mpika DHO	3	10,950
<b>Total</b>		<b>634</b>	<b>38,938,610</b>

As at 31<sup>st</sup> August 2018, no corrective measures had been taken to address the matter.

#### **b. Irregular Payment of Salaries to Officers Absent from Duty without Leave - Mumbwa DHO**

Contrary to Terms and Conditions of Service for the Public Service No. 60 (a) and (b), which state that an officer who absents himself or herself from duty for a period of ten (10) days or more without official leave must be separated from the service and shall not get a salary for the

period he or she is absent from duty, two (2) officers who were absent from duty for periods ranging from four (4) to six (6) months at Mumbwa DHO had not been separated from service and were irregularly paid salaries totalling K62,622. As at 31<sup>st</sup> August 2018, the anomaly had not been corrected.

**c. Irregular Payment of Salaries to Officers that Resigned from the Service**

During the period under review, fifteen (15) officers that resigned from the Civil Service were paid salaries totalling K408,682 after resigning. See table below.

<b>Station</b>	<b>No. of Officers</b>	<b>Amount K</b>
Serenje DHO	1	41,946
Ithezhi-Tezhi DHO	1	18,832
Mumbwa DHO	10	299,706
Kabwe General Hospital	1	22,767
Lufwanyama DHO	2	25,431
<b>Total</b>	<b>15</b>	<b>408,682</b>

As at 31<sup>st</sup> August 2018, the funds had not been recovered.

**d. Irregular Payment of Housing Allowance**

Cabinet Office Circular No. B2 of 2010 (2) (b) states that housing allowance shall only be paid to employees who are not accommodated by Government and that employees accommodated in a standard house shall not qualify for the payment of housing allowance.

Contrary to the Circular, amounts totalling K162,661 were paid as housing allowances to nineteen (19) officers at seven (7) stations who were accommodated in Government institutional houses. See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Officers</b>	<b>Amount K</b>
Central	Serenje DHO	2	16,781
	Mumbwa DHO	2	16,282
Eastern	Katete DHO	4	35,306
	Petauke DHO	7	61,122
	Sinda DHO	2	16,789
Copperbelt	Chililabombwe DHO	1	9,028
	Kitwe DHO	1	7,353
<b>Total</b>		<b>19</b>	<b>162,661</b>

**e. Irregular Payment of Rural Hardship Allowances**

According to the Terms and Conditions of Service for the Public Service No. 166 and Public Service Management Division Circular No. B6 of 2010, an officer serving in an area declared to be in a remote area shall be entitled to receive a hardship allowance at the rate as may be determined by Government from time to time.

During the period under review, amounts totalling K100,863 were paid as Rural hardship allowances to eighteen (18) officers who were working at stations which did not qualify for the allowances. See table below.

<b>Station</b>	<b>No. of Officers</b>	<b>Amount K</b>
Kabwe General Hospital	2	20,312
Serenje DHO	15	70,986
Chililabombwe DHO	1	9,565
<b>Totals</b>	<b>18</b>	<b>100,863</b>

**Head: 46 Ministry of Health**

**Unit: Various**

**Programme: Various**

**Activities: Various**

- 37.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K565,663,553 was made to cater for General Administration, Infrastructure Development and Health Management Systems at Provincial Health Offices (PHOs), District Health Offices (DHOs), Hospitals and Training Schools against which amounts totalling K325,360,775 were released resulting in an underfunding of K240,302,778.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the ten (10) Provincial Health Offices, selected District Health Offices (DHOs), Hospitals and Training Schools, carried out in March 2018 revealed the following:

#### **a. Unsupported Payments**

Contrary to Financial Regulation Nos. 45 and 52, there were twenty four (24) payments in amounts totalling K67,958 at Itezhi-tezhi DHO that were not supported with relevant documents such as invoices and receipts.

#### **b. Failure to Follow Public Procurement Procedures**

Contrary to Public Procurement Regulation No. 119 (3), which requires that there is authority of the Public Procurement Committee for procurements above the authorised threshold or single sourced, there was no approval of the Procurement Committee for procurements of various goods and services valued at K52,861 procured at Mwandi DHO.

**c. Irregular Payment of Meal Allowances**

Cabinet Office Circular No. 11 of 2013, Clause 7 (iv) states that “Meal allowance shall only be paid to an officer who travels away from his/her normal station of duty on official duty for eight (8) hours or more but not including an overnight stay. This allowance is only paid in circumstances where lunch is not provided”. Contrary to the provisions of the Circular, meal allowances in amounts totalling K12,285 were paid to twenty eight (28) officers while working at their stations of duty. See table below.

Province	Station	No. of Officers	Amount K
Western	Lewanika General Hospital	21	8,500
Copperbelt	Chililabombwe DHO	7	3,785
<b>Total</b>		<b>28</b>	<b>12,285</b>

**d. Payment of Refunds without Prior Authority**

During the period under review, amounts totalling K45,901 were paid to various officers at four (4) stations as refunds for using their personal money on government activities such as procurement of goods, fuel and claims of subsistence allowance, among others. See table below.

Province	Station	Amount K
Western	Western PHO	2,400
	Sikongo DHO	11,745
	Kalabo DHO	24,556
Central	Itezhi-tezhi DHO	7,200
<b>Total</b>		<b>45,901</b>

However, it was observed that there was no prior authority from the responsible officer to enable officers undertake Government activities using personal money or commit Government to the expenditure.

**e. Irregularities in Management and Accounting for Imprest**

**i. Questionable Payment to General Nursing Council Officers - Solwezi Nursing School**

On 2<sup>nd</sup> October 2017, an Accounts Assistant was paid an amount of K21,439 to facilitate a refund of subsistence allowances and fuel to a delegation from the General Nursing Council. However, the payment was questionable in that there was no official correspondence requesting the school to make the payment and further, no acquittal sheet was attached.

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

According to Financial Regulation No. 86 (c), ‘accountable imprest is issued as payment to facilitate the purchase of goods and services whose values cannot be ascertained at the time’.

It was however observed that during the period under review, Kabwe PHO issued accountable imprest in amounts totalling K88,302 to twelve (12) officers to procure goods and services whose values were obtainable on the market.

## **f. Irregularities in the Procurement and Management of Stores and Maintenance of Assets**

### **i. Unaccounted for Stores - Itezhi-tezhi DHO**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K69,608 (General Stores – K61,465 and Fuel – K8,143) procured at Itezhi-tezhi DHO during the period under review.

### **ii. Double Payment of Transportation Costs – Chipata PHO**

In September and October 2017, amounts totalling K24,000 were paid by the Provincial Medical Office to Jonda Contractors for the transportation of medical equipment from Lusaka to Chipata as detailed in the table below.

Date	Amount K	Payee	Details
18.09. 17	12,000	Jonda Contractors	Hire of truck for Transportation of medical equipment from Lusaka to Chipata. - Double trailers. LPO 0737224.
23.10. 17	12,000	Jonda Contractors	Hire of truck for Transportation of medical equipment from Lusaka to Chipata. - Double trailers. LPO 0737224.
<b>Total</b>	<b>24,000</b>		

However, a scrutiny of documents and inquiries made revealed that the contractor was paid twice for the same job in that he was supposed to be paid only K12,000 thereby resulting in a double payment of K12,000.

As at 31<sup>st</sup> August 2018, the amount of K12,000 had not been recovered.

### **iii. Failure to Insure Motor Vehicles**

The Road Traffic Act No. 86 (3) of 2002 states that, “Notwithstanding the provision of any other written law, there shall be in respect of all Government vehicles such a policy of insurance of such a security in respect of third party risks referred to in sub-section (1) as the Minister, in consultation with the Agency, may prescribe”. However, contrary to this requirement, twenty four (24) vehicles were not insured as at 31<sup>st</sup> August 2018. See table below.

Province	Station	No. Of Vehicles
Western	Mongu PHO	9
	Kalabo DHO	1
	Lewanika General Hospital	5
Copperbelt	Chililabombwe DHO	9
<b>Total</b>		<b>24</b>

**iv. Failure to Report Motor Vehicle Accidents – Lewanika General Hospital**

Contrary to Stores Regulation No. 122 d (1), which states that all accidents involving plant and vehicles shall be reported to the police, the Secretary to the Treasury in the Ministry responsible for Finance and Standing Accidents Board, management failed to report to the Standing Accidents Board road traffic accidents involving two (2) motor vehicles whose values could not be ascertained.

**v. Failure to Inscribe Government Assets**

Contrary to Public Stores Regulation No. 154, which states that, “all furniture and equipment belonging to the Government must be clearly marked with distinguishing letters of ‘GRZ’ in an inconspicuous part of the asset to identify it as a Government property”, assets costing K215,915 procured during the period under review had no identification marks. See table below.

Province	Station	No. of Items	Value K
Eastern	Petauke DHO	1	26,500
	Sinda DHO	1	19,534
Central	Itezhi-Tezhi DHO	8	35,574
	Ngabwe DHO	13	104,541
Lusaka	Kafue DHO	4	29,766
<b>Total</b>		<b>27</b>	<b>215,915</b>

**g. Irregularities in Management of Statutory Taxes**

**i. Failure to Withhold Value Added Tax (VAT)**

Contrary to the VAT Amendment Act of 2017 and Treasury and Financial Management Circular No. 6 of 2017, which instructed all institutions which were appointed as tax agents, to remit withheld Value Added Tax (VAT) from payments to suppliers of goods and services to the Zambia Revenue Authority (ZRA), two (2) institutions failed to withhold VAT in amounts totalling K73,975. See table below.

Province	Station	Payments K	VAT Paid K
Western	Lewanika General Hospital	284,225	45,476
North - Western	Solwezi PHO	178,119	28,499
<b>Total</b>		<b>462,344</b>	<b>73,975</b>

**ii. Engagement of Contractors not Registered with ZRA (VAT) – Kabwe PHO**

According to the Provisions of the Public Procurement Act No. 12 of 2008, all contractors dealing with Government projects are supposed to be registered with the Zambia Revenue Authority.

During the period 2015 to 2017, the Provincial Health Office in Kabwe awarded five (5) contracts to four (4) contractors for construction projects at contract prices totalling K2,361,125 which included a VAT component amounting to K325,672 as detailed in the table below.

<b>Contractor</b>	<b>Date Engaged</b>	<b>Project</b>	<b>VAT exclusive K</b>	<b>VAT Charged K</b>	<b>Contract Amount VAT inclusive K</b>	<b>Amount Paid to Contractor K</b>
Balombwana Enterprises LTD	01.06.16	Construction of dining hall/kitchen at mwachisompola Hedezo in Chibombo.	1,182,529	189,205	1,371,734	564,810
Funda General Dealers		Completion of student hostel at HEDEZO in Chibombo	148,276	23,724	172,000	
Funda General Dealers	15.10.15	Construction of Staff house & VIP at Nakatambo HP in Chitambo District.	190,844	30,535	221,379	189,558
Silconnect Solutions LTD		Construction of Staff house & VIP at Kakulu HP in Kapiri Mposhi	161,232	25,797	187,029	
Tint Construction & General Dealers		Construction of Chishimbu RHP, Staff House and 3 VIP Toilets in Kapiri Mposhi	352,572	56,412	408,983	
<b>Total</b>			<b>2,035,453</b>	<b>325,672</b>	<b>2,361,125</b>	<b>754,368</b>

However, inquiries with ZRA revealed that the contractors were not registered for Value Added Tax contrary to the VAT Act Chapter 331 of the Laws of Zambia.

As at 31<sup>st</sup> August 2018, a total amount of K754,368 had been paid to the contractors and no explanation was given for the engagement of non - VAT registered companies.

#### **h. Failure to Collect Student User Fees**

During the period under review, Lewanika, Ndola and Solwezi Nursing Schools were expected to collect user fees in amounts totalling K6,399,165. As at 31<sup>st</sup> August 2018, K6,091,545 had been collected leaving a balance of K307,620 uncollected. See table below.

<b>Province</b>	<b>Station</b>	<b>Expected Collections K</b>	<b>Collected Fees K</b>	<b>Uncollected Fees K</b>
Western	Lewanika General Nursing School	1,738,300	1,659,740	78,560
North - Western	Solwezi Nursing School	2,359,040	2,133,605	225,435
Copperbelt	Ndola School of Nursing	2,159,305	2,155,800	3,505
	Ndola School of Nursing Theatre	142,520	142,400	120
<b>Total</b>		<b>6,399,165</b>	<b>6,091,545</b>	<b>307,620</b>

#### **i. Delays in Banking of Revenue – Ndola Teaching Hospital**

Financial Regulation No. 121 (1) requires accounting officers to deposit all moneys received not later than the next business day following the day of receipt. Contrary to the regulation, there

were delays of periods ranging from two (2) to fifty (50) days in depositing revenue collected as medical fees in amounts totalling K2,340,570.

**j. Irregularities in the Utilisation of Medical Supplies**

An examination of Dispatch Notes from Medical Stores Ltd and Stores records maintained at the Provincial Health Office and selected District Health Offices, Hospitals and Clinics revealed the following:

**i. Undelivered Drugs and Medical Supplies**

During the period under review, drugs and medical supplies costing K699,411 procured from Medical Stores and other suppliers had not been delivered to the medical institutions in two (2) provinces as at 31<sup>st</sup> August 2018. See table below.

Province	Station	Value K
Muchinga	Chinsali PHO	26,144
	Chinsali DHO	376,206
	Mpika DHO	28,288
	Nakonde DHO	90,595
Lusaka	Matero Level I Hospital	12,920
	Kalingalinga Warehouse	152,179
	Kanyama Level I Hospital	13,079
<b>Total</b>		<b>699,411</b>

**ii. Unaccounted For Drugs and Medical Supplies**

Contrary to Public Stores Regulation No.16, various drugs costing K249,042 distributed to Provincial Health Offices, District Health Offices, Hospitals and Clinics in two (2) provinces were unaccounted for as there were no disposal details such as stock control cards to show how and where the supplies were used. See table below.

Province	Station	Amount K
Eastern	Chipata District Health Office	31,977
Lusaka	Matero Level I Hospital	58,799
	Kanyama Level I Hospital	158,266
<b>Total</b>		<b>249,042</b>

**iii. Supply of Sub - Standard Medical Supplies – Lundazi District Hospital**

In May 2017, Lundazi District Hospital received five (5) Auto Processing Conc-2x20 Developers costing K4,246 from Medical Stores Limited. However, management stated that the supplies had a product quality problem as they had solid particles in the liquid thereby not giving the desired results.

As at 31<sup>st</sup> August 2018, the developers had not been replaced by the supplier.

**k. Infrastructure Development**

During the period from 2014 to 2017, the Ministry engaged twenty – six (26) contractors with contract prices in amounts totalling K135,503,744 to carry out various infrastructure development activities against which amounts totalling K65,735,927 were paid representing forty – nine (49) percent of the total contract prices.

A scrutiny of records and physical inspections of various projects carried out during the period from March to June 2018, revealed that there were delays in the completion of projects, poor workmanship, stalled works, among others. The following were observed:

**Western Province**

District	Project	Contractor	Contract Date/ Period	Contract Sum K	Paid to Contractor K	Scope of Works	Observation/ Status	Period of Delay (Months)
Sesheke	Completion of Ngwewe Health Post	Offroad Trading (Labour Based)	15 <sup>th</sup> August – 15 <sup>th</sup> October 2017 (Two (2) Months)	300,000	190,813	<b>OPD Block:</b> Demolition works on walls, Re-building of walls, Beam filling, Crack Mending and re-doing of floors, painting and construction of VIP.  <b>Staff House:</b> Completion of staff house from gable level, painting, borehole, supply of furniture, flag pole.	As of June 2018, the OPD Block and Staff House had been completed while the drilling and equipping of Borehole was still outstanding.	8

Mulobezi	Completion of Sanembó Health Post	Tosh Building Construction	September – December 2017	200,000	130,300	Completion of Staff House and VIPs, Drilling of Borehole and Installation of India Mark II Pump	As of June 2018, the staff house had been roofed and painted with glazing and flooring done. Outstanding works were:  Fitting of window stays,  Drilling and equipping of Borehole	6
Senanga	Construction of Operating Theatre Block at Senanga General Hospital	Raymond Construction	9th June - 10 <sup>th</sup> December 2015	1,759,018	668,693	Construction of substructure and superstructure, metal works, roofing, painting, electrical works, plumbing, glazing, electrical and air-conditioning installations and aluminium partitioning	As of June 2018, the project had not been completed and the project had since been abandoned by the contractor at wall plate level.	30

## Muchinga Province

District	Project	Contractor	Contract Period	Contract Sum K	Amount Paid to Contractor K	Scope of Works	Project Status and other observations	Period of Delay (Months)
Shiwangándu	Construction of a 1 x 18 Office block in Shiwangándu	Divine Link Contractors Ltd	18 <sup>th</sup> January 2016 to 18 <sup>th</sup> July 2016  Twenty four (24) weeks	4,328,756	2,455,648	Construction of substructure, super structure, road works and parking area, painting, roofing and drilling and equipping of two (2) boreholes.	As April 2018, the office block had been roofed. However, the following works were outstanding: plastering, painting, tiling, plumbing, glazing, fitting of doors, road works and parking area and drilling and equipping of two (2) boreholes.	21

## Southern Province

District	Project	Contractor	Contract Period	Contract Sum K	Total Paid K	Scope of Works	Observations	Period of Delay (Months)
Namwala	Construction of Namwala District Hospital Phase III	Mercury Lines Ltd	12 months (01.03.15-01.03.16)	13,000,000	3,636,388	<p>6 low cost houses, Female ward, Children's ward, Drainage (46 manholes - soil drainage, 4 septic tank, 4 soak away), External works (site clearing and excavation, roads and parking area, water reticulation - 100,000 litres steel water tank with 12m high tank stand, borehole with control panel, 5HP submersible pump with all necessary accessories, Electrical Substation - excavation and earth work, concrete work, walling, roofing, carpentry, metal work, electrical installation and reticulation with a 400 KVA standby generator, Landscaping, Dish drain and apron and walkway)</p>	<p>The completion of the project had been delayed and the following works were outstanding as of June 2018:</p> <p><b>Female Ward</b> - Toilet wall and floor tiling, wiring, ceiling, painting, electrical fittings, plumbing works, glazing, carpentry works, manhole not plastered and no cover, dish drain and apron not done.</p> <p><b>Children's ward</b> - Kitchen ceiling, tiling, ablation block door frames, 2nd coating, electrical fittings, plumbing works, glazing, carpentry works, manhole not plastered and no covering, dish drain and apron not done.</p>	28
							<b>Low Cost Houses (6 No.) - Houses No. 1, 2, 3,4 &amp; 5</b> – Ceiling, window panes, painting, electrical fittings, plumbing works, drainage/sewer lines glazing and carpentry works. In addition, houses 4 and 5 need plastering. Further, House No. 6 in addition to the above, requires roofing.	

			<b>3. Drainage and External Works -</b> Drainage (46 manholes, 4 septic tank, 4 soak away), landscaping, walkway, roads and parking area, 100,000 litres steel water tank with 12m high tank stand, borehole with control panel, 5HP submersible pump, electrical substation, and 400KVA standby generator.	29
Gwembe	Construction of Gwembe District Hospital Phase II	Hua Chang Infrastructure Engineering (Z) Lt	12 months (19.01.15 - 19.01.16) Extended completion period to 31.12.16	20,873,265  5,905,782  4 medium cost houses, Maternity, Theatre, Service Block, Incinerator, Mortuary, Drainage (46 manholes - soil drainage, 4 septic tank, 4 soak away), External works (site clearing and excavation, roads and parking area, water reticulation - 100,000 litres steel water tank with 12m high tank stand, borehole with control panel, 5HP submersible pump with all necessary accessories, Electrical Substation - excavation and earth work, concrete work, walling, roofing, carpentry, metal work, electrical installation and reticulation with a 400 KVA standby generator, Landscaping, Dish drain and apron and walkway)
Kazungula	Construction of Kazungula District Hospital Phase I	Mercury Lines Ltd	25 months (06.04.14 - 30.04.16)	11,772,951  7,381,402  4 medium cost houses, Maternity, Theatre, Service Block, Incinerator, Mortuary, 46 manholes, 4 septic tank, 4 soak away, roads and parking area, walkway, 100,000 litres steel water tank with 12m high tank stand, borehole with control panel, 5HP submersible pump with all necessary accessories, Electrical

		Substation - excavation and earth work, concrete work, walling, roofing, carpentry, metal work, electrical installation and reticulation with a 400 KVA standby generator, Landscaping, Dish drain and apron.

### Eastern Province

District	Project	Name of contractor	Contract Date and Duration	Contract Sum	Amount paid to the contractor	Scope of Works	Remarks/ Observations	Period of Delay (Months)
Sinda	Construction of 1x8 Two Bedroomed Block of Flats at Nyanje Mission Hospital in Sinda District	Shachitari Contractors Limited	3 <sup>rd</sup> December 2016 to 30 <sup>th</sup> September 2017	K3,964,937	11,062,074	1 x 8 double story two bedroomed hostels Site Preparation and mobilisation Electrical Sub station Wall Fence Drilling a Borehole External Works	A physical inspection carried out on 22 <sup>nd</sup> June 2018 revealed that the flats were at roof level with the following works outstanding:  Completion of interior plastering in one (1) of the four (4) units on the ground floor and in all the four (4) units on the top floor  Fitting of door and window frames on the top floor and Ceilings  • Electrical wiring and fittings, Plumbing and external works • Glazing, Painting and decorations • Fitting of doors and tiling	9

				<ul style="list-style-type: none"> <li>• Construction of wall fence and Electrical Substation</li> <li>• Landscaping, Flooring, Construction of substation</li> </ul>	22
Lundazi	Construction of Lundazi District Hospital Phase III in Lundazi District	Mercury Lines Limited	June 2015 to 30 <sup>th</sup> June 2016 Period of 12 months.	K10, 069,872 K4,484,563.33  The scope of works included the following:  Construction of a Female Ward Construction of a children's Ward Construction of six (6) Low cost Staff houses External Work Ceiling Painting Plumbing Wiring Flooring Fitting of doors Fitting of glass panes Tiling	<p><b>Delayed completion of works.</b></p> <p>A physical inspection carried out on 12<sup>th</sup> April 2018, revealed that the project had not been completed. The following were observations:</p> <p><b>Female Ward</b> Completed and roofed with both interior and exterior plastering done. The following works were still outstanding:</p> <p>Painting, Plumbing Wiring Flooring Fitting of doors Fitting of glass panes Tiling</p> <p><b>Children's Ward</b></p> <p>Completed and roofed with both interior and exterior plastering done. The following works were still outstanding:</p> <p>Ceiling, Painting</p>

	<p>Plumbing Wiring, Flooring, Fitting of doors and glass panes, Tiling,</p> <p><b>6 x Low Cost houses:</b></p> <p>All the six (6) houses were completed and roofed except for one (1) which was only half way roofed. Plastering of both inside and outside was done for four (4) houses while tubing was done in three (3) houses.</p> <p>The following works were still outstanding:</p> <p>Plumbing works for all the six (6) units</p> <p>Painting</p> <p>Flooring, Tiling</p> <p>Tubing in three (3) units, Wiring</p> <p>Fitting of doors and glass panes</p> <p>Ceilings</p> <p>Air vents</p> <p>Spoon drains</p> <p>Interior plastering in two (2) units</p> <p>Water connections</p> <p><b>External Works</b></p> <p>All the works were still outstanding except for the paving of the</p>
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			Walkway. Other outstanding works included the following: Construction of Septic Tank Soak away Manholes Rumps Spoon drains

## Copperbelt Province

District	Project	Contractor	Contract Period	Contract Sum	Amount Paid to Contractor	Scope of Works	Remarks/ Observations	Period of Delay (Months)
Ndola	Construction of Psychiatric Unit at Ndola Central Hospital	Jearnny Enterprises	70 Weeks 04.07.14 to 18.11.15	14,539,522.36	11,244,907.82	Substructure, Excavation and earthwork, Concrete work, floor and wall finishing, Painting and decoration, Brickwork, Metal work, Roofing, Carpentry, Furniture and fittings, Aluminium works, Plumbing, Electrical, Ceiling,	As of April 2018, the project had not been completed. It was also observed that: Substructure: Wards, Laundry Room, Kitchen and Skills training Hall were at roof level and had been plastered.	29

Kitwe	Construction of a Standard Maternity Block at Mindolo Clinic 1	Chibstech Ltd	Technical 18 Months 23.01.15 to 23.07.16	<p>Administration building had been roofed, plastered and under coat had been applied.</p> <p>Remaining works:</p> <ul style="list-style-type: none"> <li>Roofing of Wards, Laundry Room, Kitchen and Skills training Hall</li> <li>Fitting of ceiling</li> <li>Painting</li> <li>Electricals</li> <li>Flooring</li> <li>Fitting of window and door frames</li> <li>Glazing</li> <li>Plumbing</li> </ul>

					<ul style="list-style-type: none"> <li>All four upper corners of the building were crumbling.</li> </ul>
Chililabombwe	Construction of Chililabombwe District Phase 1 & Associated external works	Jearny Enterprises Ltd Kitwe	66 Weeks 26.12.13 to 10.04.15	9,731,839.82	<p>Substructure, Concrete Work, Block and Brick Work, Roofing, Carpentry, Joinery and Ironmongery, Metal Work, Structural Steel Work, Plumbing Installation, Electrical Installation, Floor and Wall Finishing, Painting and Decorating.</p> <p>OPD,X-Ray Substructure, Concrete Work, Block and Brick Work, Roofing, Carpentry, Joinery and Ironmongery, Metal Work, Structural Steel Work, Plumbing Installation, Electrical Installation, Floor and Wall Finishing, Painting and Decorating.</p> <p>Defects:</p> <ul style="list-style-type: none"> <li>Fitting of manhole covers</li> <li>Fitting of ceiling boards in mental health section</li> <li>Fitting of toilet pans in mental health department wards and physiotherapy department.</li> <li>Seepage of water in the administration block and board room caused by fixing of stone tiles on the outside part of the walls.</li> </ul>
Kitwe District	Upgrading of Ndeke Village Hospital	Raymond construction limited	15.07.14 to 23.06.15	7,228,631.64	<p>As of April 2018, the project had not been completed and the following other observations were made:</p> <p>Theatre is at limel level</p> <p>Laboratory is at wall plate level</p> <p>Wards have been roofed and plastered on the outside</p> <p>Mortuary is at gable level</p> <p><b>Remaining works:</b></p>

Ndola	Construction of Kitchen and Dining Hall at CIMAS Hostel	Triple V Property Investment Ltd	16 Weeks 23.08.16 to 23.12.16	1,957,756.36 857,433.50	<p>Roofing of theatre, laboratory and mortuary</p> <p>Flooring of all buildings</p> <p>Plumbing, Fixing of ceiling boards</p> <p>Painting, Fixing of window and door frames</p> <p>Fixing of doors</p> <p>Electricals</p> <p>As of April 2018, the following works were outstanding:</p> <ul style="list-style-type: none"> <li>• Fitting of ceiling board</li> <li>• Flooring, Painting</li> <li>• Electricals</li> <li>• Fixing of doors</li> <li>• Fitting of cold room</li> </ul>

Ndola	Construction of a Maternity Wing at Kabushi Health Centre	Sturdy Contractor	50 weeks 27.10.2014 13.10.2015	1,622,888.40	1,348,383.13	Excavation, Filling, Concrete works, Blockwork, Roofing, Carpentry, Ceiling, Ironmongery, steelwork, Plumbing, Electrical installations, Fire alarm installation, Painting, floor, • Tiling of walls in ablution block.	As of April 2018, the following works were outstanding: • Electrical fittings • Erection of tank stand and installation of tank • Tiling of walls in ablution block.	30
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## Central Province

District	Project	Contractor	Contract Date/ Period	Contract Sum	Total Amount Paid to Contractor	Scope of Works	Observation/Status	Period of Delay (Months)
Chitambo	Completion of Student Hostels at Chitambo Nursing School.	Divine Link Contractors	02.03.16 to 27.09.16 (16 weeks)	1,372,218	1,173,867	Substructure, Block work, Concrete work, Roofing, Carpentry, joinery & Ironmongery, Metal work, Plumbing installations, electrical installations, Floor, wall and ceiling finishing, glazing, painting and decorations.	As of April 2018, the project had not been completed with the following works still outstanding:  Painting outside had not been completed, the spoon drain developed cracks, the laundries and wall skating was not properly done, grout put to fit the tiles in the laundry and ablution block was not enough. There were leakages in the laundry and the ablution block, the right wing of the hostel and some of rooms.	19
Chitambo	Construction of Staff House at Chitambo Hospital	Maheza Investment ltd	Completion date 10 <sup>th</sup> May 2016. Revised completion date 5 <sup>th</sup> September 2016	297,223	223,608	Construction of Staff House involving works among others: Substructure, superstructure, roofing, solar installations and external works	As of April 2018, the contractor had abandoned the project and the following works were outstanding:  Plastering, painting, Flooring, Tiling, Glazing, plumbing, fitting of ceiling, supply of the shonga steel kitchen unit and electrical fittings.	21

Mumbwa	Construction of a maternity ward at Naluvvi RHC in Mumbwa District.	Exxon & Exxon mobile Zambia	Completion date 30.08.16 Revised completion date 30.12.16	282,767	124,080	<b>Maternity Ward:</b> Substructure, Concrete works, brickwork and broke work, roofing, plumbing installation, solar power installations, flooring, wall and ceiling finishing, glazing, painting and decorating, drainage.	As of April 2018, the project had not been completed and the following works were outstanding:  <b>Maternity Ward:</b> Glazing, fitting of doors, solar installations, completion of shower cubical, putting window handles and peg stays.	16
			<b>VIP toilet:</b>			Cracks on the floor had developed. The Contractor had installed a water borne toilet, sink and shower but the station has no running water, no wiring had been done. Roofing sheets overlap allowed leakages and the spoon drains had not been constructed.	  <b>VIP toilet:</b> Substructure was roofed and plastered. Two grill gates were put.	
Itezhi-tezhi	Construction of a staff House at Buunga RHC	Meda Milling and Credit Services	End date 20.07.17	213,780	104,156	Substructure, walling, roofing, solar installations, finishing, metal work, Doors, painting and decorations, external works	As of April 2018, the project had not been completed with the following works still outstanding:  Outer doors not fitted and wardrobe doors, kitchen shelves not fitted, glazing of one window in the main bedroom not done.	9

				Further, door frame was not well fixed, the roof was leaking as the ridges fitted were of the wrong type. Wardrobes were not properly fitted while fisher boards fitted either had not treated at all or were not adequately treated to prevent decay	
Chibombo	Completion of theatre at Mwachisopola Health Demonstration zone	Messrs M. Abigail Sales Agency	10.05.16 to 10.07.16 (60 days)	236,222	110.116 Substructure, Brickwork & Blockwork, Roofing, Carpentry, joinery & Ironmongery, Electrical Installation & earthing, floor, wall and ceiling finishing, Terrazzo flooring, painting, external works.
Chibombo	Construction of dining hall/kitchen at Mwachisopola Hedezo in Chibombo.	Balombwana Enterprises LTD	1.06.16 to 30.09.16 revised completion date 20.06.17 (15weeks)	1,371,734	564,810 Substructure, concrete work, Brickwork & Blockwork, Roofing, Carpentry, Joinery & Ironmongery, Structural steel work, Metal work, Plumbing installations, electrical installations, Floor, wall & ceiling finishing, glazing, painting & decoration

Kapiti-Mposthi	Construction of Maternity Ward and VIP toilet at Lukomba Health Post	Underpine Business Ltd	Start date 16.12.15 End date: 15.03.16	195,025	156,905	<b>Maternity Ward:</b>  Substructure, Concrete works, brickwork and broke work, roofing, plumbing installation, solar power installations, flooring, wall and ceiling finishing, glazing, painting and decorating, drainage.  <b>VIP toilet:</b>  Substructure, concrete work, brickwork and block work, roofing, carpentry and ironmongery, metal work, plumbing and installation. Foor and wall finishing's, painting and decorating. Supply Solar power installation and lighting.	As of June 2018, the project had not been completed with the following works still outstanding:  <b>Maternity Ward:</b> Fitting of air vents, roofing, flooring, fitting of doors, painting and fitting of external and internal doors, electrical fittings, fitting of windows metal works drainage works,  <b>VIP Toilet:</b> Roofing, plastering, painting, fitting of doors and vent pipes	27
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**Head: 54 Ministry of Housing and Infrastructure Development**

**Units:** **Various**

**Programmes:** **Various**

**Activities:** **Various**

**38.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K167,976,677 was made to cater for operations at the Ministry. In this regard, the Treasury released amounts totalling K168,074,025 resulting in an over funding of K97,348.

#### **Accounting and Other Irregularities**

An examination of financial and other records maintained at the Ministry Headquarters carried out from February to May 2018 revealed the following:

**a. Unretired Accountable Imprest**

Contrary to Financial Regulation No. 96, accountable imprest in amounts totalling K346,512 issued to an officer during the year under review had not been retired as at 31<sup>st</sup> August 2018.

**b. Irregular Payments of Meal Allowance**

Cabinet Office Circular No.11 of 2013, Clause 7(iv) states that “Meal allowance shall only be paid to an officer who travels away from his/her normal station of duty on official duty for eight (8) hours or more but not including an overnight stay.”

However, contrary to the circular, it was observed that amounts totalling K40,800 were paid to various officers as meal allowance for reorganising the registry office, opening policy files, working on changing file names and general cleaning activities that were carried out at the normal station of duty.

**c. Symposium Conference**

The Ministry organised a Symposium on Housing and Infrastructure whose objective was to create a platform for stakeholders to share practical solutions to challenges and best practices obtaining in the construction sector. The symposium was held from 20<sup>th</sup> to 21<sup>st</sup> April 2017, at Mulungushi International Conference Centre.

Participants and sponsorship fees for the delegates were charged according to three (3) categories namely Gold, Platinum and Silver.

Although the bank statements showed deposits amounting to K505,250 made in the Ministry's Third Party Account for the running of the symposium, two (2) receipt books ranging from 7424501 to 7424550 and 7424551 to 7424600 which were among those used in receipting the funds were not availed for audit. As a result, the amounts collected in respect of the missing receipt books could not be ascertained.

**d. Infrastructure Development – New Districts**

During the year under review, the Ministry received amounts totalling K48,000,000 from the Treasury for civil works. The funds disbursed to the Ministry were meant to pay contractors that were engaged in December, 2014 by the then Ministry of Transport, Works, Supply and Communications, to construct Staff Houses, Police Stations, Civic Centres, Post Offices and Office Blocks for District Administration Offices in the thirty three (33) newly created districts throughout the country. The purpose of creating these districts was to decentralise government operations and bring the delivery of services closer to the people.

A scrutiny of records relating to the contracts maintained at the Ministry revealed that amounts totalling K46,300,000 were paid to seventy five (75) contractors for various civil works, while the balance of K1,700,000 was used for monitoring and supervision by the department.

A physical inspection of the projects carried out in April 2018 in selected districts revealed that works had not been completed and contractors were not on sites, works had stalled and abandoned. See table below.

District	Works	Contractor	Contract Sum K	Certified Amount K	Total Amount Paid To The Contractor As At 31.12.2017	Balance K	Comments
Shibuyenji	Construction of 10 Medium	Stone King Ltd	6,438,052	2,775,023	2,603,974	171,049	3 Houses had been roofed
							5 houses were at ring beam
							2 houses were at wall plate and works had stalled.
Nyimba	District Administration office	Brut Engineering Ltd	5,927,410	2,523,040	2,425,230	97,809	Works had stalled and the Contractor was not on site.

**Head: 65**      **Ministry of Higher Education**

**Units:** Various

## **Programmes:** Various

## **Activities:** Various

**39.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a total provision of K1,572,428,100 which included a supplementary provision of K118,000,000 was made to cater for operations of the Ministry. The Treasury released amounts totalling K1,219,458,059 resulting in an underfunding of K352,970,041.

## **Accounting and Other Irregularities**

An examination of financial and other records maintained at the Ministry Headquarters and a visit to selected institutions carried out from January to May 2018 for the year under review revealed the following:

a. Non - Installation of Water Tanks at Kapasa Makasa University – Chinsali

On 18<sup>th</sup> March 2010, the Ministry entered into a contract with Flame Promotions and Procurement Limited for the Construction of Kapasa Makasa University in Chinsali Muchinga Province for the period starting April 2010 to July 2016.

During the year under review, an addendum for installation of water tanks was made to the contract at a cost of K5,433,882. Consequently, the Ministry procured three (3) water tanks costing K1,309,886 (ZAR1,822,800) from Abeco Tanks (PTY) of South Africa for the University. See table below.

<b>Vendor No</b>	<b>Payee</b>	<b>Document No</b>	<b>Date</b>	<b>Amount K</b>	<b>Details</b>
4400817	Abeco Tanks (Pty) Ltd	5100000694	04.08.2017	1,094,256	Water tanks
4400817	Abeco Tanks (Pty) Ltd	5100000771	20.09.2017	153,792	Water Tanks Top Up Due To Exchange Rate Fluctuation
4400817	Abeco Tanks (Pty) Ltd	5100000906	06.12.2017	61,838	Water Tanks Top Up
<b>Total</b>				<b>1,309.886</b>	

A review of documents and enquiries made with management revealed that the components for the water tanks were delivered to Kapasa Makasa University by the supplier in February 2018.

A physical inspection carried out at the University in April 2018 revealed that works relating to the installation of the three (3) water tanks had not commenced and the contractor was not on site. See pictures below.



*Part of the components for the three (3) water tanks at Kapasa Makasa University*

**b. Undelivered Furniture - Mwense Trades Training Institute**

On 30<sup>th</sup> November 2017, the Ministry paid amounts totalling K586,414 to Roverline Marketing and Logistics for the supply of assorted furniture and book shelves for Mwense Trades Training Institute with a delivery period of four (4) months. However, as at 31<sup>st</sup> August 2018, the furniture had not been delivered.

**c. University Education**

The Ministry had a provision of K1,003,993,042 in respect of University Education against which amounts totalling K950,454,600 were released, resulting in an underfunding of K53,538,442.

As of December 2017, amounts totalling K950,903,871 were spent resulting in an over expenditure of K449,270. There was no explanation for the source of the extra funds spent in excess of the funded amount.

The following were observed:

**i. Failure to Avail Expenditure Returns**

During the year under review, amounts totalling K28,465,897 (US\$2,855,155) were disbursed to Students studying in four (4) zones namely Africa, Asia, Europe and South America. In addition, amounts totalling US\$20,000 were disbursed to Educational Attaches in the named zones as education funds to monitor students, bringing the total amounts disbursed to K28,665,297 (US\$2,875,155). See the table below.

ZONE	Country	Students 01.01.2017	Students 31.12.2017	2017 Graduates	Allowances (US\$)	Education Fund (US\$)	TOTAL FUND (US\$ )	TOTAL FUND K
Africa	Algeria	150	132	18	337,903.70	3,000.00	340,903.70	3,398,810
	Morocco	90	87	3	220,926.70	1,000.00	221,926.70	2,212,609
	Tunisia	5	-	-	10,205.00	1,000.00	11,205.00	111,714
	China	166	129	37	334,800.61	-	334,800.61	3,337,962
South America	Cuba	22	18	4	47,113.20	-	47,113.20	469,719
Europe	Russia	535	457	78	1,662,336.56	13,000.00	1,675,336.56	16,703,106
	Serbia	4	4	-	8,000.00	-	8,000.00	79,760
	Czech	6	6	-	11,000.00	-	11,000.00	109,670
	Turkey	77	66	1	207,816.02	1,000.00	208,816.02	2,081,896
	Cyprus	11	1	10	15,053.33	1,000.00	16,053.33	160,052
	Total	1,066.00	900	151	2,855,155.12	20,000.00	2,875,155	28,665,297

However, as at 31<sup>st</sup> August 2018, no expenditure returns were availed for audit. As a result, it was not possible to ascertain how the funds were utilized.

## ii. **Loan Board Management Information System**

During the year under review, a system called Student Finance Management Information System which runs on windows operating system and uses MS SQL Database was used by the Loan Board for loan disbursements to students.

However, the following were observed:

- **Lack of an Integrated Student Management Information System**

According to the processes in place for issuance of loans to students, students are required to apply manually for a loan after being selected by the University. Candidates who have been awarded a loan will be manually uploaded on the Student Finance Management Information System (SFMIS). After the loans have been disbursed, recoveries at some point will have to be effected.

It was however observed that the current SFMIS was only used for disbursement of loans. Processes with regard to application, uploading and as well as recoveries had to be done manually upon attainment of gainful employment thus exposing the system to human intervention and errors.

Further, it was observed that the system was not interfaced with the Universities (CBU and UNZA) Management Information Systems. As a result, it was not possible to carryout data interrogation.

- **Weaknesses in the Administration of the MS SQL Database**
  - **Failure to Disable or Lock down the Default Administrator Account – System Administrator (SA) Account**

Best Information Technology (IT) practices requires that the built-in administrator account be renamed and locked down or disabled and only be used in case of emergencies or when need arises. Administrators should use personalised user account with administrator privileges.

During the period under review, Loans Board had a built-in administrator account called SA which was used for day to day administration. This exposed the system to accountability issues.
  - **Failure to Patch the MS SQL Database**

CoBIT DSS05.01 *Protect against malware* requires an organization to implement and maintain preventive, detective and corrective measures in place (especially up-to-date security patches and virus control) across the enterprise to protect information systems and technology from malware (e.g. viruses, worms, spyware, spam).

A review of the patch history on MS SQL database revealed that no patches had been applied on the database since its installation in 2010. This implies that the SFMIS database and candidates' records thereon were exposed to vulnerabilities such as denial of service and remote attacks.
- **Inadequate Logging at the Database**

Best IT practices require that sufficient logging is done at the database level so that in the event of any incident, a follow up could be made through the logs. A review of the MS SQL logs at the database level revealed that the Loan Board was not logging anything at all.
- **Inadequate Security Configuration on Database**

A review of the database configuration file revealed that the security configuration was weak in that the following were not configured:

- Remote access to the database was enabled and there was no mechanism in place to ensure that the activities that had been processed remotely were controlled.
- The guest account was enabled and had full access to the system.

**d. The Copperbelt University (CBU)**

During the year under review, the Ministry was invoiced amounts totalling K177,053,350 in respect of accommodation and tuition fees for eight thousand one hundred forty seven (8,147) sponsored students at the Copperbelt University.

According to the Copperbelt University invoice amounts totalling K136,113,119 were paid during the period under review, leaving a balance of K40,940,232 from the total accrued amount.

However, the following were observed:

**i. Under Budgeting of Student Tuition and Accommodation Fees**

A review of the approved budget to the invoiced amounts for the past three (3) years revealed that the amounts invoiced were more than the approved budget and released amounts in the respective years, resulting in unpaid balances. See table below.

Year	Actual number of students	Amount Invoiced K	Amount per Approved Budget K	Deficit K
2015	5825	96,525,764	37,607,880	58,917,884
2016	6909	142,496,085	97,000,000	45,496,085
2017	8147	177,053,351	123,833,339	53,220,012

**ii. Irregularities in Administration of Students**

A review of the CBU databases of GRZ Students, Bursaries Committee Supported Students and the invoice from the University revealed differences in the number of students on sponsorship in that the GRZ database showed 8,173, the invoice from CBU showed 8,147 and the Bursaries Committee showed 7,228 students under GRZ sponsorship. See the table below.

Institution	GRZ Supported Students	CBU Invoiced Students	Bursaries Committee Supported Students
Riverside Campus	7,689	6,650	6,256
Ndola Campus	484	912	503
Robert Kapasa Makasa		585	469
<b>Total</b>	<b>8,173</b>	<b>8,147</b>	<b>7,228</b>

In addition, the following were observed:

- **Over Billing to Government**

A comparison of the students invoiced bill to the database of bursaries committee supported students revealed that 8,147 students were invoiced compared to the 7,228 students that were supported by bursaries committee resulting in overbilling to Government in amounts totalling K12,431,671 for 919 students.

- **Students on the University Bill but not on the Overall CBU GRZ Database**

A comparison of the university bill to the overall CBU databases revealed three hundred seventy seven (377) students that were billed but were not appearing on the CBU GRZ sponsored students database. See table below.

Campus Name	No. of Students	Amount Invoiced K
Riverside	172	3,755,361
Kapasa Makasa	194	933,440
Ndola	11	174,510
<b>Total</b>	<b>377</b>	<b>4,863,311</b>

Consequently, it was not clear how the students were included on the bill if they were not part of the overall CBU GRZ sponsored students.

- **Students on the Bursaries Database but not on Overall CBU GRZ Sponsored Students**

A comparison of the CBU GRZ sponsored students to the bursaries committee supported students revealed that there were 1,988 students who were appearing on the Bursaries database of GRZ supported students but were not found on the CBU overall GRZ sponsored students. Consequently, it was not clear how bursaries was supporting students who were not on CBU database.

- **Students on the Overall CBU GRZ Sponsored Students but not on Bursaries Database**

A comparison of the CBU GRZ sponsored students to the Bursaries Committee supported students revealed that there were 2,918 students who appeared on the CBU database overall GRZ sponsored students but were not on the bursaries list of students.

- **Students Paid Accommodation Refunds despite being Accommodated**

The Bursaries Committee paid accommodation refunds in amounts totalling K655,000 to seven hundred fifty-four (754) students despite them appearing on the list of students accommodated by the University and appropriate amounts totalling K1,979,500 were invoiced in respect of accommodation for the said students. As at 31<sup>st</sup> August 2018, the amounts paid to the students had not been recovered.

- **Students Not Accommodated and not Paid Accommodation Refunds**

Despite the package providing for students being either accommodated or paid accommodation refunds, two thousand two hundred fifty five (2,255) CBU students who were not accommodated were also not paid accommodation refunds.

- **Students Invoiced but not on Students Uploads**

Accommodation and tuition fees in amounts totalling K5,432,038 were invoiced by CBU for two hundred ten (210) students who were not on the schedules.

Campus Name	No of Students	Amount Invoiced K
Kapasa Makasa	93	2,782,369
School of Medicine	12	221,959
Riverside	105	2,337,711
<b>Total</b>	<b>210</b>	<b>5,342,038</b>

No evidence was availed to ascertain whether the students were authorised or approved to be among the students supported by Government.

- **Students not on University Bills but Paid Meal Allowances**

Meal allowances in amounts totalling K8,428,113 were paid to three thousand seven hundred eighty two (3,782) students who did not appear on the list of students on the University invoices. No evidence was availed to ascertain whether the payments were made to the intended students.

e. **The University of Zambia (UNZA)**

i. **Over Billing to Government**

A comparison of the invoices from UNZA for sponsored students to the database of Bursaries Committee supported students revealed that 3,568 students were appearing on the UNZA invoice but not on the bursaries list of Government supported students. As a result, the University over billed Government in amounts totalling K71,082,937 for the 3,568 students.

In addition, it was observed that there were 3,191 students who appeared on the bill but were not on the overall registered GRZ Sponsored students database.

ii. **Students Paid Accommodation Refunds despite being Accommodated**

During the year under review, the Bursaries Committee paid accommodation refunds in amounts totalling K2,581,975 to 1,980 students despite appearing on the list of students accommodated by the University and amounts totalling K2,192,239 in respect of accommodation were invoiced. As at 31<sup>st</sup> August 2018, the amounts paid to the students had not been recovered.

iii. **Students not on University Bills but Paid Meal Allowance**

During the year under review, meal allowances in amounts totalling K19,503,068 were paid to 3,864 students who did not appear on the list of students on the University Invoices. As a result, it was not possible to ascertain whether the payments were made to intended students.

<b>Head:</b>	<b>68</b>	<b>Ministry of Tourism and Arts</b>
<b>Units:</b>		<b>Various</b>
<b>Programmes:</b>		<b>Various</b>
<b>Activities:</b>		<b>Various</b>

**40.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K261,779,846 was made to cater for operations of the Ministry against which amounts totalling K250,656,469 were released resulting in an underfunding of K11,123,377.

#### **Accounting and Other Irregularities**

An examination of financial and other records maintained at the Ministry carried out from May to July 2018 revealed the following:

**a. Unsupported Payment vouchers**

Contrary to Financial Regulation No. 45(2) and No. 52(1), fifteen (15) payment vouchers in amounts totalling K238,997 processed during the period under review were not supported with relevant documents such as cash sale receipts.

**b. Former Zambia Wildlife Authority (ZAWA) Officers not Integrated into the Main Stream Civil Service**

During the year under review, thirty one (31) former Zambia Wildlife Authority (ZAWA) officers, who ordinarily should fall under the Department of National Parks and Wildlife Management following the decision by the Government to abolish ZAWA and revert its functions back to the Main Stream Civil Service, were not integrated into government when the authority was placed under the Ministry of Tourism and Arts. Further, the officers offered their services to the government and continued doing so even as of July 2018 without any formalized employment agreement.

In this regard, the Department of National Parks and Wildlife Management made payments to thirty one (31) former Zambia Wildlife Authority (ZAWA) officers' in amounts totalling K1,250,677 as salary advances during the period March to December 2017. The department could not provide information on how the advances were determined per employee as the officers were not offered positions in the government when the authority was placed under the Ministry of Tourism and Arts and were not on

payroll. As at 31<sup>st</sup> August 2018, the issue surrounding the employment status of the officers had not been resolved.

**c. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K12,039 procured during the period under review.

**d. Unexplained Excess Expenditure**

During the period under review, the Ministry had a total operational grants budget provision of K53,093,393 including a supplementary funding of K900,000 and the full budget amount was released.

In this regard, the Ministry incurred operational grants expenditure of K53,426,548 resulting in unexplained excess expenditure of K333,155.

Documents explaining the source of excess funds were not availed as at 31<sup>st</sup> July, 2018.

**e. Irregular Repair of Motor Vehicles**

During the period under review, the Ministry paid a total amount of K222,744 involving fourteen (14) transactions to private garages for repair of motor vehicles under the Ministry. However, there was no justification as to why the Ministry took the motor vehicles to these garages instead of the approved franchise or authorised dealers.

**f. Failure to Avail Non – Current Asset Register**

During the period under review, the Ministry procured various non-current assets costing K790,984. However, the Asset Register was not availed for audit as at 31<sup>st</sup> August 2018. As a result, all non-current assets owned by the Ministry could not be ascertained.

**Head: 77/01 Ministry of Defence – Headquarters**

**Units: Various**

**Programmes: Various**

**Activities: Various**

**41.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K221,329,842 which included a supplementary provision of K16,208,299 was made to cater for operations of the Ministry Headquarters, Defence Force Medical Services and Research and Planning against which amounts totalling K111,910,444 were released resulting in an underfunding of K93,206,099.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters, Defence Services Commands, Maina Soko Military Hospital and Staff Colleges and physical inspections of selected projects carried out in March 2018 revealed the following:

#### **a. Failure to Obtain Authority to Retain Funds**

On 31<sup>st</sup> December 2017, Maina Soko Military Hospital had a bank balance of K1,304,589. It was observed that the Hospital had raised cheques between 27<sup>th</sup> and 30<sup>th</sup> December 2017 amounting to K1,304,589. Since these funds were committed the Treasury could not mop them at the end of 2017. However, in January 2018, the cheques were cancelled without any apparent reasons and the funds were later utilised without authority from the Secretary to the Treasury.

#### **b. Unretired Accountable Imprest**

Petty cash in amounts totalling K50,481 issued to officers at Maina Soko Military Hospital, Defence Services Command and Staff College had not retired as at 31<sup>st</sup> August 2018.

#### **c. Irregular Use of Imprest to Procure Goods**

Financial Regulation No. 86 (c) requires that accountable imprest be issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time of purchase. Contrary to the regulation, accountable imprest in amounts totalling K59,345 was issued to ten (10) officers at Defence Services Command and Staff College

to procure stationery, roofing sheets and laptops among others whose values were easily ascertainable on the market instead of paying direct to suppliers.

**d. Unsupported Payments**

Contrary to Financial Regulation No. 52, payments in amounts totalling K327,008 were not supported with relevant documents such as Local Purchase Orders, invoices and cash sale receipts.

**e. Non-Recovery of Tuition and Salary Advances**

Contrary to the Terms and Conditions of Service for the Public Service, recoveries in respect of tuition and salary advances in amounts totalling K89,000 paid to four (4) officers had not been effected as at 31<sup>st</sup> August 2018.

**f. Failure to Follow Procurement Procedures**

According to the procurement guidelines, any procurement up to K50,000 is approved by the Permanent Secretary while procurements above K50,000 was to be referred to the procurement committee for approval. It was observed that two (2) payments in amounts totalling K212,239 made to Katlex Building Contractors and Charael Enterprises for renovations and procurement of building materials were approved by the Permanent Secretary when they were above his threshold. See table below.

Date	Payee	Amount K	Details
03.08.17	Katlex Building Contractors	84,655	Renovation of Heroes Staduim
03.08.17	Charael Enterprises	127,584	Electrical fitting at Heroes Staduim
		<b>212,239</b>	

**g. Failure to Utilise X-Ray Machine – Maina Soko Military Hospital**

During the period from December 2017 to February 2018, the Ministry spent K782,600 to procure a 3D Panoramic and Cephalometric Digital X- ray machine for the Dental department at Maina Soko Military Hospital. The X-ray machine was delivered on 9<sup>th</sup> January 2018, and the installation report indicated that the equipment was functional.

A physical inspection carried out in April 2018 revealed that the X- ray machine was not being used. Inquires with management revealed that the machine was not being used as the Radiation Authority had not yet assessed it as required by law.

A follow up made in July 2018 revealed that the X-ray machine was still not being used as the conditions set by the Radiation Authority in its assessment had not been met.

<b>Head:</b>	<b>77/02</b>	<b>Ministry of Defence - Zambia Army</b>
<b>Units:</b>	<b>06</b>	<b>Administration Branch</b>
	<b>07</b>	<b>Operations &amp; Training Branch</b>
	<b>08</b>	<b>Logistics Branch</b>
<b>Programmes:</b>		<b>Various</b>
<b>Activities:</b>		<b>Various</b>

**42.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K224,409,099 was made to cater for various programmes against which amounts totalling K182,808,774 were released resulting in an under funding of K41,600,325.

### **Accounting and Other Irregularities**

An examination of accounting and other records and visits to selected units carried out from February to April 2018 revealed the following:

#### **a. Procurement of Fifteen (15) Second Hand Saloon Toyota Crown Motor Vehicles**

On 16<sup>th</sup> July 2017, Zambia Army entered into a contract with a local supplier, Edat Ecosan Development, for the supply and delivery of fifteen (15) second hand Toyota Crown motor vehicles at a contract price of K2,400,000 with a delivery period of four (4) to eight (8) weeks from the date the contract was signed. The terms of payment were that the advance payment of 25% of the contract price shall be paid within thirty (30) days of signing the contract against a receipt of a bank guarantee for the equivalent amount, 50% to be paid within sixty (60) days on receipt of the Goods and upon submission of the documents, while the 25% balance to be paid within sixty (60) days after the date of the acceptance certificate for the respective delivery issued by Zambia Army.

On 19<sup>th</sup> October 2017, the contractor was paid the advance payment of K600,000 being 25% of the contract price. However, as at 31<sup>st</sup> July 2018, only ten (10) vehicles had been delivered. In addition, there was no evidence that the Army had taken any action against the contractor for the failure to deliver the remaining vehicles.

#### **b. Procurement of an Ambulance**

On 26<sup>th</sup> September 2017, the Zambia Army entered into a contract with Razz Exports of South Africa for the supply and delivery of an ambulance at a contract price of K952,018

(R1,356,538) with a delivery period of six (6) to eight (8) weeks. The terms of payment were that the advance payment of 25% of contract price shall be paid within thirty (30) days of signing the contract against a receipt of a bank guarantee for the equivalent amount, 50% to be paid within sixty (60) days on receipt of the Goods and upon submission of the documents, while the 25% balance to be paid within sixty (60) days after the date of the acceptance certificate for the respective delivery issued by the Zambia Army.

On 9<sup>th</sup> October 2017, the contractor was paid the advance payment of K238,005.

However, as at 31<sup>st</sup> July 2018, the ambulance had not been delivered. In his response dated 17<sup>th</sup> August 2018, the Controlling Officer stated that the supplier had delivered an ambulance with wrong specifications which was rejected and sent back, and that the supplier had been given up to end of June 2018 to deliver the ambulance.

However, as at 31<sup>st</sup> August 2018, the ambulance had not been delivered.

**c. Failure to Equip Borehole**

In order to improve water supply at Mikango barracks, on 21<sup>st</sup> February 2017, the Zambia Army engaged Victoria Drilling and Exploration to drill a 97 meters deep borehole at a cost of K39,000.

An examination of records and a physical inspection carried out in March 2018 revealed that the borehole was drilled in February 2017. However, the borehole had not been equipped one year later thereby depriving the staff community of access to water. See picture below.



*Borehole at Mikango barracks (Apollo)*

**d. Failure to Inscribe Furniture and Equipment**

Public Stores Regulation No. 154 states that ‘all items of furniture belonging to Government must be clearly marked with distinguished letters, GRZ on an inconspicuous

part of the object to identify it as government property. Contrary to the regulation, furniture and equipment purchased during the period under review at a total cost of K1,391,134 had not been inscribed with the GRZ markings as at 31<sup>st</sup> August 2018.

**Head: 77/03                          Ministry of Defence - Zambia Air Force**

**Programmes:**                          **Various**

**Activities:**                                  **Various**

**43.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K132,691,009 was made to cater for various activities under the Zambia Air Force against which amounts totalling K108,578,373 were released resulting in an underfunding of K24,112,636.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Zambia Air Force (ZAF) Headquarters and physical inspections of selected sites carried out during the period from April to August 2018 revealed the following:

#### **a. Lack of Title Deeds for Properties**

Contrary to the Land and Deeds Registry Act Section 4, which states that, “a certificate of title shall be evidence of proprietorship”, although ZAF owned eleven (11) immovable properties, no documentations such as title deeds for the properties were availed for audit, to prove that they owned the properties.

#### **b. Rehabilitation of Junior Ranks Club (JRC) – Chandamali**

The ZAF owns a property meant to be used as a Recreation Club for the Junior Ranked Officers in Chandamali in Livingstone, Southern Province. An inspection of the property carried out in July 2018 revealed that there was no roof for part of the property, the club was dilapidated in that the roof was leaking, water pipes were broken and the ceiling was damaged among others, as shown in the pictures below.



*Incomplete Roof*



*Dilapidated walls*



*Damaged Ceiling*

In addition, the ZAF did not have title deeds for the property.

**c. Non-Air Force Properties in the ZAF Livingstone Base**

An inspection carried out at ZAF Livingstone Base revealed that there were properties located in the base that did not belong to the Air Force such as the Puma filling station and a 2 x 3 block of flats belonging to the Zambia Police Service.

**Head:** **77/04 Ministry of Defence - Zambia National Service**

**08 Land Development Branch**

**Programmes:** **Various**

**Activities:** **Various**

**44.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a total provision of K829,346,932 was made to cater for operations of the Zambia National Service (ZNS) against which amounts totalling K815,829,940 were released resulting in an underfunding of K13,516,992.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Zambia National Service headquarters and selected stations carried out during the period from January to April 2018 revealed the following:

**a. Infrastructure Development**

During the year under review, ZNS was funded a total amount of K616,668 for infrastructure development.

The following were observed:

**i. Construction of the Third Workshop at ZNS Chishimba Youth Skills Training Centre - Lots 1 and 2**

On 19<sup>th</sup> January 2017, the ZNS engaged New Era Zambia Limited to construct a workshop at ZNS Chishimba Youth Skills Training Centre at a total contract price of K782,614 (Lot 1 – K498,737 and Lot 2 – K283,877). The commencement date of the project was 20<sup>th</sup> January 2017.

The scope of works for Lot 1 included; substructure, block work, concrete work, roofing, carpentry, metal work, plumbing installation and electrical with a completion period of two (2) months.

The scope of works for Lot 2 included; floor and wall plastering, ceiling and fitting gates, glazing and electrical, painting and decorating and external works with a completion period of six (6) weeks.

The defect liability period for the project was three (3) months from the date of completion.

As at 30<sup>th</sup> April 2018, the entire contract sums of K782,614 for both Lots had been paid to the contractor. The project was handed over on 31<sup>st</sup> July 2017.

A physical inspection carried out in March 2018 revealed the following:

- Although the full contract amount was paid, works costing K119,375 were not done. The works that were not done included; 100 mm thick mix concrete to sides of covered storm drain, 500 x 400 x 50 mm thick, reinforced concrete precast cover including 12mm diameter reinforcement bar, Highly compressed and polished white granite stone terrazzo finished with non-slippery chemicals, 20mm x 10mm high skirting with rounded top.
- Works which included; five (5) instead of thirty-two (32) lighting points were fitted, fifteen (15) instead of twenty (20) 2x36w, 1200mm long batten fluorescent Luminaire were not done to contract specification despite being paid for resulting in an overpayment of K8,320.

## **ii. Failure to Deliver Fuel**

On 22<sup>nd</sup> December 2017, ZNS paid Senanga Service Station of Senanga district in Western Province an amount of K191,207 for the supply of 20,000 litres of fuel to be used for construction and maintenance of primary feeder roads in Nalolo District in Western Province. However, as at 31<sup>st</sup> August 2018, the fuel had not been supplied.

## **iii. Lack of Title Deeds – Nyumba Yanga Flats**

The Zambia National Service owned eight (8) flats located on S/D 3039 of Stand No. 9812 in Nyumba Yanga, Lusaka which were procured from National Housing Authority in 1993 at a cost of K113,218. However, as at 31<sup>st</sup> August 2018, the ZNS had not obtained title deeds for the properties.

**Head: 80 Ministry of General Education – Recurrent Departmental Charges and Capital Expenditure**

**Departments:** Various

**Activities:** Various

**45.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K1,533,382,856 was made which included a supplementary provision of K155,830,988 to cater for the operations of the Ministry against which amounts totalling K783,809,839 were released by the Treasury resulting in an underfunding of K749,573,018.

### **Accounting and Other Irregularities**

An examination of financial and other records maintained at Ministry of General Education carried out from January to June 2018 revealed the following:

#### **a. Treasury Single Account (TSA) Transactions**

The Ministry of General Education was rolled out on the TSA in August 2016. According to the flow chart for creation of open items (payments due) and part IV of the Treasury and Financial Management Circular No. 5 of 2015, payments are initiated by Ministries, Provinces, Spending Agencies (MPSAs). The process starts with parking of source documents, followed by verification of the parked documents, completion and release.

The end product on the part of the MPSAs is an open item on which the treasury processes payments.

Further, Part V of Circular No. 5 of 2015 states that the Ministry will receive notifications for unsettled transactions, unapplied funds and settled transactions on a daily basis and MPSAs should generate four (4) transmission slips that shall be used for audit, reconciliation and two (2) file copies. It also provides for the head of accounting unit to ensure that vendors issue receipts acknowledging payments.

However, during the period under review, source documents for TSA transactions with relevant supporting documents such as budgets and invoices among others were not orderly filed or copies placed on subject files thereby making it difficult to trace authorities for payments made. In particular the following observations were made:

**i. Lack of Transmission Slips and Feed Back on TSA Transactions**

Contrary to Circular No. 5 of 2015, no notifications, transmission slips and acknowledgement receipts in respect of payments in amounts totalling K412,785,531 were availed for audit as at 31<sup>st</sup> August 2018 thereby making it not possible to ascertain whether payments recorded in the TSA cashbook were actually processed on behalf of the Ministry.

**ii. Weaknesses in Salary and Tuition Advances Management**

During the year under review, the Ministry paid Salary and Tuition Advances in amounts totalling K614,820. However, advances were not supported with application forms while advances ledgers and registers were not availed for audit. As at 31<sup>st</sup> August 2018, recoveries had not been effected.

**iii. Weaknesses in the Use of Cashier's Account**

In 2016, a customer account in the name of Cashier – Ministry of General Education was created in the IFMIS to facilitate the payment of accountable imprest for fuel and office entertainment.

However, the following observations were made:

**• Irregular Use of Imprest Account**

Although the account was meant to cater for accountable imprest such as fuel and office entertainment, an analysis of the payments from the account

revealed that the account was also being used to pay group imprest for undertaking activities such as payroll verification, reviews, audit and verification of financial records, reconciliations of non-tax revenue and monitoring of accounts in schools among others.

- **Unsupported Payments**

Contrary to Financial Regulation Nos. 45(2) and No. 52(1), payments in amounts totalling K11,319,784 paid to cashiers involving two hundred and nineteen (219) transactions processed during the period under review were not supported with documents such as letters of transfer and acquittal sheets.

Included in the amount of K11,496,050 was an amount of K9,172,773 involving one hundred and ninety seven (197) transactions that was paid to cashiers that were not identified.

- **Lack of Expenditure Details**

During the period under review, imprest in amounts totalling K1,926,652 involving sixty three (63) transactions was paid through cashiers and acquitted for by forty three (43) officers. However, there were no activity reports and expenditure details indicating activities on which the expenditure was incurred.

- **Irregular Payment of Allowances**

- On 29<sup>th</sup> September 2017, accountable imprest of K30,000 was paid to a Cashier to facilitate the procurement of meals and refreshments for officers carrying out reconciliations, updating of manual imprest register and issuance and retirement of imprest in the system. The funds were facilitated through three (3) requests of K10,000 each raised on the same day by three (3) different accountants and approved by the acting Chief Accountant. The action of splitting the request into three (3) was to meet the Chief Accountant's approval threshold of K10,000 thereby circumventing the authority of the Controlling Officer.

A scrutiny of the retirement details revealed that an amount of K29,920 was paid as meal allowance (K11,560) and transport refund (K18,360) to seven (7) officers from below the line section for working on

weekends and outside normal working hours. However, the payment of meal allowance and transport refund were irregular in that the activities were carried out within the district boundary.

- On 14<sup>th</sup> December 2017, an amount of K8,000 was paid to an Office Assistant to facilitate procurement of refreshments for five (5) officers who worked over the weekends. It was however observed that instead of buying the refreshments, each officer was irregularly paid K1,600 as an allowance for working over the weekends.
- On 10<sup>th</sup> October 2017, an amount of K126,000 was paid to an Accounts Assistant through the cashiers account to facilitate payment of allowances for payroll verification and validation exercise in all provinces.

It was observed that there were discrepancies between the approved and actual number of days paid to the officers. See table below.

Officer	Approved No of Days	Rate K	Amount K	Actual No of days Paid	Rate K	Amount K	Variance K
Representative of the Accountant General	20	900	18,000	10	900	9,000	9,000
Representative of the Accountant General	20	900	18,000	0	900	-	18,000
Representative of PMEC	20	900	18,000	10	900	9,000	9,000
Representative of PMEC	20	900	18,000	10	900	9,000	9,000
Representative of Controller of Internal Audit	20	900	18,000	10	900	9,000	9,000
Representative of Controller of Internal Audit	20	900	18,000	0	900	-	18,000
Assistant Director HRA-MOGE	0	0	-	20	900	18,000	- 18,000
Chief Human Resource Development Officer	20	900	18,000	20	900	18,000	-
Accounts Assistant - MOGE	0	0	-	10	750	7,500	7,500
Accounts Assistant - MOGE	0	0	-	10	750	7,500	7,500
Accounts Assistant - MOGE	0	0	-	20	750	15,000	15,000
Fuel	0	0	-			12,770	12,770
Stationery	0		-			2,230	2,230
Retirement						9,000	9,000
			126,000			126,000	

However, there was no documentation availed for audit to show that authority was obtained from the Controlling Officer to change the number of days and officers to be paid.

In addition, fuel imprest amounting to K12,770 was paid to two (2) officers when it was not indicated on the budget for the activity and no evidence was availed to show how the fuel amount was arrived at.

- **Questionable Receipts Used to Retire Imprest**

During the period from May to December 2017, imprest in amounts totalling K65,500 was issued to four (4) officers to procure refreshments for announcement of Grade 7 and 10 results, processing of public service cases, Output Based Budgeting (OBB) orientation workshop and office entertainment. However, imprest amounting to K63,129 was irregularly retired in that the hand written invoices attached to the payments had dates before or after the activities took place and there were no corresponding point of sale receipts generated by the supermarkets.

**b. Payments for Administrative Costs**

During the period under review, the Ministry paid subsistence allowances and fuel in amounts totalling K29,123,600 to six hundred and fifty one (651) officers, through employees' accounts in the IFMIS for administrative costs for monitoring and evaluation of infrastructure projects, lower level institutions, marking of exams and opening of schools among others. A scrutiny of transactions revealed that the officers were paid amounts ranging from K595 to K648,543. However, it was not possible to establish the total number of nights that each officer was paid due to lack of documentation.

In particular, the following were observed:

**i      Unsupported Fuel Cost and Allowance Payments**

Amounts totalling K11,308,449 involving fifty four (54) transactions had no supporting documents such as authorities or approved memos by a responsible officer, budgets and acquittal sheets.

**ii     Payments of Allowances not in line with Approved Budgets**

The Ministry paid amounts totalling K9,006,173 to various officers as subsistence allowances and fuel to enable the officers undertake various activities. However,

the payments were not paid according to the approved budgets and there was no evidence that Controlling Officer had authorised changes to the budgets.

Further, there was no documentation to show the breakdown and rates applied for the payments.

### **iii Failure to Avail Activity Reports**

Imprest in amounts totalling K8,228,190 was paid through the Treasury Single Account to various officers for various activities. However, as at 31<sup>st</sup> August 2018, no activity reports were availed for audit to ascertain whether the activities were actually undertaken.

## **c. Over Payment of Subsistence Allowances**

Public Service Management Division Circular No. B21 of 2016 specifies the rates for payment of subsistence allowance.

During the period under review various officers were paid amounts totalling K1,659,900 in respect of subsistence allowance resulting from the use of incorrect rates instead of K1,428,350 which should have been paid had the correct rates been used resulting in an overpayment of K231,550. As at 31<sup>st</sup> August 2018, no recoveries had been made from the affected officers.

## **d. Irregularities in the Payment of Fuel Imprest**

Cabinet Office Circular No. B7 of 2012 and No. B23 of 2012 stipulate that fuel for Government transport which is required to take officers for official business outside the district boundary be paid using the prescribed formula.

However, the following were observed:

- Payments for fuel imprest in amounts totalling K96,817 involving five (5) transactions were made without using the prescribed fuel formula and it was difficult to ascertain the distances covered in that the actual places visited were not disclosed.
- Although the fuel formula was used to calculate the fuel imprest in amounts totalling K449,702 for distances totalling 92,184 km involving sixty eight (68) transactions, the correctness of the payments could not be ascertained in that places

that were covered by the distances were not disclosed, as they were indicated to be local runs.

- Although the fuel formula was used to calculate the fuel imprest in amounts totalling K396,623 for distances totalling 70,928 km, the distances used were overstated by 18,302 Km in that the correct distances as per distance charts totalled 52,626 km. In this regard, the officers were entitled to K293,347 thereby resulting in an overpayment of K103,277.

**e. Payments in Excess of the Approved Amount**

- **Audit and Inspection of Infrastructure Projects**

On 6<sup>th</sup> June 2017, the Permanent Secretary approved an amount K373,170 to pay twenty (20) officers to carry out audit and inspection of projects in Luapula, North Western, Muchinga and Southern Provinces. However, the officers were paid amounts totalling K521,328 resulting in a payment of K148,068 above the amount approved by the Permanent Secretary.

- **Audit of DEB Offices**

On 3<sup>rd</sup> March 2017, the Permanent Secretary approved an amount of K84,550 for audit of the DEB offices in Eastern Province. However, an amount of K87,500 was paid for the activity resulting in an overpayment of K2,950.

**f. Misapplication of Funds**

Contrary to the Appropriation Act of 2016, amounts totalling K31,853,941 meant for Curriculum and materials development, Secondary School Infrastructure Development, Early Childhood Education Grants and School requisites for free Primary Education were spent on activities such as marking and monitoring of examinations, accounts activities, refunds to NIF and Keep Girls in School (KGS), training, events, foreign travel, internal audit activities, OBB workshops among others not related to the purpose for which the funds were appropriated for by Parliament. See table below.

<b>Program Budgeted for</b>	<b>Prorgam Implemented</b>	<b>Amount K</b>
Secondary Education	Management Support Services & ECE	18,352,398
Early Childhood Education	Management Support Services & Youth & Adult Literacy	479,094
Primary Education	Management Support Services	13,022,450
<b>Total</b>		<b>31,853,941</b>

**g. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, stores items costing K150,157 (General stores – K20,007 and Fuel - K130,150) procured during the period under review were unaccounted for in that they did not have receipt and disposal details.

**h. Failure to Disburse Early Childhood School Grants**

During the period under review, the Ministry was funded an amount of K3,771,442 to cater for grants to schools for Early Childhood Education. However, only amounts totalling K643,905 were transferred to four (4) District Education Board offices while an amount of K469,049 was utilised at the Ministry Headquarters leaving a balance of K2,858,488 that had not been utilised as at 31<sup>st</sup> December 2017.

**i. Supply of Maize above Contract Amount**

On 5<sup>th</sup> December 2016, the Ministry engaged the Food Reserve Agency to supply and deliver eighteen thousand metric tons (18,000MT) of white maize at a contract sum of K30,600,000. However, the Food Reserve Agency supplied 34,670.35 MT of white maize thereby exceeding the agreed quantity by 16,670.35 MT.

It was also observed that, as at 31<sup>st</sup> December 2017, the Ministry had not made any payments towards the contract despite being funded.

**j. Failure to Maintain Database of Orphaned and Vulnerable Children (OVC) Funds**

During the year under review, the Ministry received an amount of K23,927,011 to cater for sponsorship of orphans and vulnerable children in schools. However, the Ministry had no database for the orphaned and vulnerable pupils that were targeted for sponsorship thereby making it not possible to ascertain the criteria for which amounts totalling K15,221,245 were disbursed. As at 31<sup>st</sup> December 2017, amounts totalling K8,705,766 had not been disbursed.

**k. Failure to Reimburse Funds - Keeping Girls in School Programme**

During the year under review, the Ministry received amounts totalling K17,128,951 from the Cooperating Partners for keeping girls in school programme.

However, the Ministry borrowed amounts totalling K4,618,725 and applied the funds on recurrent activities such as imprest for teacher recruitments, monitoring of GCE and

external grade 9 exams. As at 31<sup>st</sup> August 2018, refunds in amounts totalling K3,103,125 were made leaving a balance of K1,515,600.

**l. Overpayment to a Supplier of Musical Equipment**

On 30<sup>th</sup> December 2014, the Ministry entered into a contract with Muleka Investments Ltd for the supply, delivery and assembly of Educational Equipment (1,500 UPS and 1,500 LCD Projectors and 300 sets of Sound/Music instrument kits) at a contract sum of K84,300,300 exclusive of VAT with a delivery period of 4 to 6 weeks.

It was observed that the supplier made partial deliveries to the Ministry for musical equipment costing K36,321,300. However, the Ministry paid the supplier amounts totalling K41,930,030 resulting in an overpayment of K5,608,730. It was not clear why the supplier was overpaid.

**m. Delayed Procurement of Teachers' Guides and Learners' Text Books – Phase III and IV**

Following the introduction of the new curriculum in 2013 that had a bias towards skills development subjects, the Ministry embarked on the procurement of Educational equipment and other learning materials such as text books, computers, food and nutrition kits, science apparatus, musical instruments and aerobic equipment among others, to facilitate the implementation of the new curriculum in four (4) phases.

Despite the role out of the new curriculum, the Ministry had not supplied schools with books (Teachers' Guides and Learners' Text Books) for phase III and IV (Grade 3, 7, and 12 in 2016 and grade 4 in 2017) as required for the implementation of the revised curriculum as of June 2018.

**n. Failure to Avail Statement of Requirements For ZEPIU Projects**

During the period under review, amounts totalling K4,000,000 were paid to ZEPIU for supply and delivery of desks. As at 31<sup>st</sup> August 2018, ZEPIU had supplied a total of five thousand one hundred and eighty nine (5,189) single seater desks at a sum of K3,498,561 and five hundred (500) mattresses at a total cost of K196,500 leaving a balance of K304,939.

However, no documentation was availed for audit showing the delivery periods and quantities of desks and mattresses that ZEPIU was to supply and deliver. As at 31<sup>st</sup> August

2018, five hundred fifty nine (559) single seater desks costing K402,480 had not been distributed to the schools.

**o. Poor Maintenance of Records of Procurement Process and Contract Management**

A review of procurement records, suppliers' ledgers and IFMIS ledgers carried out during period under review revealed the following:

- The Ministry did not maintain ledgers for fourteen (14) suppliers' contracts.
- The Ministry maintained two (2) ledgers for a company that supplied grade 1, 5, 8 and 10 text books at a contract sum of K4,105,934. Consequently, two (2) payments in amounts totalling K5,000,000 made to the company were posted to the two (2) different ledgers resulting in an overpayment of K894,066.
- The Ministry did not maintain suppliers' files where all supporting documents, authorities and correspondences with suppliers were kept.

**p. Secondary School Infrastructure Development**

During the period under review, the Ministry was funded amounts totalling K326,000,000 against a total budget provision of K449,639,346 to cater for the completion of twenty four (24) new secondary schools under construction. As at 31<sup>st</sup> December, 2017, amounts totalling K322,539,274 were spent leaving a balance of K3,460,726. However, the Ministry still had two hundred and six (206) outstanding certificates for works worth K498,450,974 for the period from October 2015 to December 2017.

The following were observed:

**i. Diversion of Refunded Infrastructure Funds**

On 24<sup>th</sup> November 2016, an amount of K11,400,000 was borrowed by Examination Council of Zambia. Although, the funds were refunded in 2017, the funds were deposited into the NIF III account and applied on activities not related to infrastructure development.

**ii. Weaknesses in the Management of Infrastructure Projects**

A review of the monitoring reports by the Ministry that were availed for audit revealed that most projects had not been completed and there was generally poor workmanship in that in some cases floors had developed cracks, ceiling panels

were not properly fitted, wall paint was peeling off, vertical and horizontal cracks on the walls and leaking roof among others.

In addition, reports on monitoring of infrastructure projects did not include salient details such as name of contractor, contract sum, value of completed works, start and completion dates and contract number.

**Head: 80 Ministry of General Education**

**Departments:** **Regional Headquarters, District Education Offices, Secondary Schools and Colleges**

**Units:** **Various**

**Programmes:** **Various**

**Activities:** **Various**

**46.** During the period under review, operational and school grants in amounts totalling K97,174,175 were released to ninety five (95) institutions. In addition, several institutions collected user fees in amounts totalling K95,121,303 bringing the total available funds for expenditure to K192,295,478.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Education Offices (PEOs), District Education Board (DEB) offices, Colleges, Schools and physical inspections of selected projects carried out during the period January to June, 2018 revealed the following:

#### **a. Failure to Collect User Fees**

During the period under review, amounts totalling K38,376,155 were expected to be collected as user fees by twenty five (25) institutions. However, the institutions managed to collect K30,446,668 leaving a balance of K7,929,487. See table below.

<b>Province</b>	<b>Institutions</b>	<b>Expected User Fees</b>	<b>User Fees Collected</b>	<b>Uncollected</b>
Muchinga	Muchinchi Secondary School	613,800	312,120	301,680
	Chitulika Secoondary School	1,123,170	622,124	501,047
	Isoka Boys Secondary School	2,513,300	2,064,625	448,675
Eastern	Anoya Zulu Secondary School	1,572,900	1,291,523	281,377
	Katete Girls Boarding School	4,051,350	3,920,900	130,450
	Lundazi Day Secondary School	1,308,480	1,126,122	182,358
	Vubwi Secondary School	438,425	267,736	170,689
	Chipata Skills	679,350	483,383	195,968
	Nyamphande Boarding School	1,914,900	1,722,365	192,535
Copperbelt	Lubuto Secondary School	1,607,750	1,281,867	325,883
	Kanini Secondary School	1,730,700	1,544,765	185,935
	Chifubu Secondary School	1,683,900	1,387,463	296,437
	Temweni Secondary School	1,705,500	1,175,472	530,028
	Chibote Secondary School	1,389,960	1,151,968	237,992
	Lufwanyama Boarding School	3,186,000	2,785,336	400,664
	Ndeke Secondary School	1,641,700	1,206,309	435,391
Central	Mumbwa Secondary School	5,222,250	4,229,465	992,785
Northern	Chiba Day Secondary School	732,600	496,370	236,230
	Lucheche Day Secondary School	917,730	772,385	145,345
	Chilubi Day Secondary School	450,800	259,118	191,682
	Mubanga Chip oya Day Secondary School	751,940	519,278	232,662
	Luwingu Day Secondary School	1,019,900	510,190	509,710
Luapula	Mansa College of Education	-	-	-
	Chitamba Secondary School	562,550	297,086	265,464
	Chembe Secondary School	373,800	185,884	187,916
	Nchelenge Secondary School	1,183,400	832,815	350,585
	<b>Total</b>	<b>38,376,155</b>	<b>30,446,668</b>	<b>7,929,487</b>

**b. Issuance of Receipts without Details – Mishishi Secondary School - Chinsali**

Financial Regulation No. 113 (1) and (2) states that receipt forms shall be completed either in ink or in indelible pencil and copies of receipt forms shall contain the same details as those appearing on the original receipt form. Contrary to the Regulation, Mishishi Secondary school issued fifteen (15) original receipts whose copies did not show the details. In this regard, it was not possible to ascertain the amounts collected.

**c. Failure to Maintain a General Revenue Cash Book**

Contrary to Financial Regulation No. 128, Namwala Secondary School in Southern Province did not maintain a General Revenue Cashbook (Accounts Form 47B) rendering it difficult to ascertain whether revenue had been properly accounted for.

**d. Use of Revenue at Source**

Financial Regulation No. 121 (1) provides that all moneys received by any accounting officer should be deposited not later than the next business day following the day of receipt. However, contrary to the Regulation, amounts totalling K6,408 were spent before banking at Vubwi Secondary School in Eastern Province.

**e. Unaccounted for Revenue**

Contrary to Financial Regulation No.129 (1), which states that collectors of revenue are required to bring to account daily the whole amount of their collection, amounts totalling K18,905 collected at Chibote Secondary School were not accounted for in that the funds were neither banked nor was cash found on hand.

**f. Unaccounted for Funds - Namwala Secondary School**

During the year under review, the school had a total of K5,117,863 as income for all the accounts maintained at the school, out of which a total amount of K4,957,811 was spent leaving a balance of K154,840.

It was however observed that the closing balances as at 31<sup>st</sup> December 2017 totalled K74,315 instead of K154,840 thereby resulting into an amount of K80,525 not accounted for.

**g. Failure to Prepare Expenditure Ledgers – Namwala Secondary School**

Contrary to Financial Regulation No. 40, which states that a commitment and expenditure ledger with details of commitments and expenditure for each expenditure head and

department shall be maintained by every Ministry, Province and Spending Agency, the school had no expenditure ledgers maintained for Government, Tuck shop and boarding accounts. As a result, it was difficult to ascertain the total expenditure per programme.

#### **h. Failure to Provide Authority to Employ**

During the period under review, salaries in amounts totalling K18,000 were paid to two (2) officers at Sikongo DEB in Western Province whose authority to employ from the Public Service Management Division (PSMD) was not availed for audit.

#### **i. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65 (1), ninety eight (98) payment vouchers in amounts totalling K639,557 processed during the period under review were not availed for audit. See table below.

Province	Station	No. of Transactions	Amount K
Lusaka	Chirundu DEB	36	182,270
Southern	Namwala Secondary School	62	457,287
	<b>Total</b>	<b>98</b>	<b>639,557</b>

#### **j. Unsupported Payments**

Contrary to Financial Regulation Nos. 45 and 52, four hundred and twenty (420) payments in amounts totalling K1,491,453 were not supported with relevant documents such as cash sale receipts and Local Purchase Orders among others. See table below.

Province	Station	No. of Transactions	Amount K
Muchinga	Nakonde DEB	1	5,600
	Mpika DEB	3	5,500
	Nakonde Secondary School	3	5,240
Eastern	Lundazi DEB	11	15,500
Southern	Namwala DEB	10	43,258
	Chikankata DEB	2	6,670
	Zimba DEB	6	16,184
	Namwala Secondary School	51	341,937
	Monze Secondary School	35	149,325
Copperbelt	Kitwe DEB	2	15,028
	Chibote Secondary School	8	24,600
Lusaka	Chirundu DEB	23	62,905
	Siavonga DEB	166	436,985
Northern	Luwingu DEB	1	10,500
	Chiba Day Secondary School	35	118,740
	Kasama Central Day Secondary School	26	83,205
Central	PEO - Central	1	3,000
	Serenje DEB	8	22,650
	Mumbwa DEB	28	124,626
	<b>Total</b>	<b>420</b>	<b>1,491,453</b>

### **k. Unapproved Payment Vouchers**

Contrary to Financial Regulation No.48 (1), forty eight (48) payment vouchers in amounts totalling K208,566 were processed without approval. See table below.

<b>Province</b>	<b>Institution</b>	<b>No. of Payments</b>	<b>Amount K</b>
Central	Serenje DEB	1	2,753
	Itezi-tezhi DEB	33	164,480
Southern	Namwala Secondary School	12	29,715
	Monze Secondary School	2	11,618
<b>Total</b>		<b>48</b>	<b>208,566</b>

### **l. Misapplication of Funds**

Contrary to Financial Regulation No. 31 (1), which states that Treasury Authority should be obtained when varying funds, amounts totalling K4,830,858 meant for school grants, revolving fund and purchase of a minibus were applied on activities not related to the intended purpose such as advances and loans, imprest, boarding requisites and sports activities among others. See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Transactions</b>	<b>Intended Purpose</b>	<b>Misapplied on</b>	<b>Amount K</b>
Southern	Chikankata DEB	187	Grants to Primary Schools	Processing of salary inputs, labour day awards and repair of motor vehicles	629,985
	Namwala DEB	269	Grants to Primary Schools	Processing of salary inputs, labour day awards and repair of motor vehicles	779,504
	Zimba DEB	113	Grants to Primary Schools	Processing of salary inputs, labour day awards and repair of motor vehicles	307,959
Western	PEO - Western	192	Revolving Fund	Accountable imprest, purchase of security attire and payment of utility bills among others	3,004,902
Luapula	PEO - Luapula	12	Revolving Fund	Payment of subsistence allowances	108,509
	<b>Total</b>	<b>773</b>			<b>4,830,858</b>

### **m. Failure to Produce Expenditure Returns for School Grants**

Contrary to Financial Regulation No. 8, which states that, “Controlling Officers shall submit such returns and reports as may be required by the Secretary to the Treasury, of revenue collected by them or funds expended under the head for which they are responsible”, two hundred and twenty seven (227) schools which received grants from the PEO and DEB offices in amounts totalling K511,112 did not submit returns to show

how the grants were utilised and no action had been taken against the schools for non-submission of returns. See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Schools</b>	<b>Amount K</b>
Muchinga	Mpika DEB	4	2,597
	Chirundu DEB	3	7,790
	Siavonga DEB	20	30,772
Western	Kalabo DEB	89	88,190
	Sikongo DEB	3	4,500
	Sesheke DEB	4	11,743
Central	Serenje DEB	70	188,824
	Mumbwa DEB	16	149,384
Eastern	Lundazi DEB	7	9,567
Southern	Zimba DEB	11	17,745
<b>Total</b>		<b>227</b>	<b>511,112</b>

#### **n. Failure to Disburse Grants to Schools**

During the period under review, amounts totalling K24,524,345 were released to twenty nine (29) DEBs and PEO to cater for grants to community and primary schools. However, out of the released amount, only K10,812,439 was disbursed leaving a balance of K13,711,906 which was retained and used for operations at PEO and DEB offices. This had a negative impact on the community and primary schools in that the schools could not procure the necessary materials for the smooth running of the schools for good service delivery. See table below.

<b>Province</b>	<b>Name of Institution</b>	<b>Grants Received K</b>	<b>Grants Disbursed K</b>	<b>Undisbursed Grants K</b>
Muchinga	Nakonde DEB	907,018	821,310	85,708
	Isoka DEB	1,057,855	694,495	363,360
Eastern	Eastern PEO	340,136	109,714	230,422
	Chipata DEB	1,680,604	541,088	1,139,515
	Lundazi DEB	1,282,922	378,150	904,772
	Petauke DEB	1,350,831	368,965	981,866
	Katete DEB	896,742	300,000	596,742
	Vubwi DEB	1,010,912	293,187	717,725
Southern	Chikankata DEB	764,758	134,774	629,985
Copperbelt	Lufwanyama DEB	548,568	451,310	97,258
Luapula	Mansa DEB	768,168	625,511	142,657
	Mwansabombwe DEB	554,698	484,072	70,626
	Nchelenge DEB	587,037	300,794	286,243
	Chembe DEB	531,007	219,774	311,233
	Samfya DEB	790,738	643,642	147,096
Northern	Kasama DEB	885,836	506,706	379,130
	Mbala DEB	839,796	420,403	419,393
	Mporokoso DEB	698,554	359,469	339,085
	Luwingu DEB	726,187	401,380	324,807
	Chilubi DEB	562,394	327,295	235,099
Western	Sesheke DEB	276,427	148,813	127,614
North Western	Solwezi DEB	778,135	119,883	658,252
	Mushinamo DEB	556,635	505,319	51,316
	Zambezi DEB	620,074	149,724	470,350
	Mufumbwe DEB	647,054	233,025	414,029
Central	Kabwe DEB	1,392,912	383,245	1,009,667
	Serenje DEB	1,073,019	339,340	733,679
	Itezi-tezhi DEB	1,184,661	469,913	714,748
	Mumbwa DEB	1,210,667	81,136	1,129,531
<b>Total</b>		<b>24,524,345</b>	<b>10,812,439</b>	<b>13,711,906</b>

**o. Uncollected School Grants – Lusaka DEB**

During the period under review, cheques in amounts totalling K202,936 were raised in respect of school grants involving one hundred and twenty six (126) schools but they were not collected as at 31<sup>st</sup> July 2018. It was further observed that out of the uncollected grants, fifty nine (59) cheques with amounts totalling K74,092 had become stale.

**p. Failure to Reimburse Borrowings**

During the period under review, amounts totalling K14,700 were lent to Mporokoso DEB by Mporokoso Boarding Secondary School. However, the funds had not been reimbursed as at 31<sup>st</sup> July 2018.

**q. Failure to Deduct Tax**

Contrary to the Income Tax Act and Value Added Tax (VAT) Act, payments in amounts totalling K77,737 at four (4) stations were made without deducting Pay As You Earn (PAYE), Withholding Tax and VAT. See table below.

Province	Station	Amount K
Western	Sikongo DEB	27,500
	PEO - Western	6,393
Muchinga	Isoka DEB	31,888
North Western	Mufumbwe DEB	11,956
	<b>Total</b>	<b>77,737</b>

**r. Failure to Remit Tax**

Contrary to the Income Tax Act, amounts totalling K370,239 deducted as Pay As You Earn from settling in allowances, long service bonus and terminal benefits among others paid to forty six (46) officers had not been remitted to the Zambia Revenue Authority as at 31<sup>st</sup> August 2018. See table below.

Province	Station	No. of Officers	Amount K
Copperbelt	Mufulira College of Education	4	64,279
North Western	Zambezi DEB	1	10,000
Southern	Zimba DEB	10	71,816
Luapula	Nchelenge DEB	3	8,555
Western	Kalabo DEB	2	13,288
	Mongu College of Education	7	50,752
Muchinga	PEO - Muchinga	10	90,469
Central	PEO - Central	3	25,503
	Kabwe DEB	2	10,863
	Mumbwa DEB	4	24,713
	<b>Total</b>	<b>46</b>	<b>370,239</b>

**s. Failure to Deduct NAPSA Contributions**

Contrary to the National Pension Scheme Authority (NAPSA) Act of 1996, amounts totalling K213,628 were paid to thirteen (13) officers as salaries without deducting pension contributions. See table below.

Province	Station	No. of Officers	Amount K
Eastern	Katete Girls Boarding School	5	156,113
	Chipata Skills	4	33,316
	Vubwi Day Secondary School	4	24,200
	<b>Total</b>	<b>13</b>	<b>213,628</b>

**t. Claims without Obtaining Prior Authority**

During the period under review, amounts totalling K155,980 were paid to thirty three (33) officers as refund for using their personal money on government activities such as procurement of goods, fuel and claims of subsistence allowance among others. However, it was observed that there was no prior authority to enable the officers undertake Government activities using their personal money. See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Officers</b>	<b>No. of Transactions</b>	<b>Amount K</b>
Southern	Zimba DEB	3	3	3,500
	Namwala Secondary School	2	2	5,400
	Monze Secondary School	4	5	5,044
Central	Kabwe DEB	3	6	35,221
	Itezi-tezhi DEB	3	5	9,140
	Mumbwa DEB	13	21	81,805
Muchinga	Mpika DEB	5	5	15,870
	<b>Total</b>	<b>33</b>	<b>47</b>	<b>155,980</b>

**u. Questionable Borrowing of Funds from Officers – Sikongo DEB**

- i. On 6<sup>th</sup> October 2017, The District Education Board Secretary was paid an amount of K10,000 as refund for her personal money purportedly incurred on procuring stationery and cleaning materials for the office for the period June to August 2016. However, there were no receipt and disposal details for the items procured to support the claim for the refund rendering the payment questionable.
- ii. On 25<sup>th</sup> July 2017, the Education Standards Officer General Inspections (ESO-GI) was paid K24,890 as refunds of personal funds he purportedly provided to the DEB office for ball games. However, there were no receipt and disposal details for the items procured to support the claim for the refund rendering the payment questionable.

Further, there was no authority from the Provincial Education Officer (PEO) allowing the DEB to borrow funds from the officers.

**v. Irregular Payment of Subsistence and Meal Allowances**

Contrary to Cabinet Circular Minute of 2015 dated 30<sup>th</sup> December 2015, which disallows the payment of subsistence and meal allowances for activities undertaken within the district boundary, forty (40) officers were paid amounts totalling K581,144 in respect of subsistence allowances (K531,916) and meal allowances (K49,228) for activities undertaken within the district boundaries. See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Officers</b>	<b>Subsistence Allowances K</b>	<b>Meal Allowances K</b>	<b>Total K</b>
Western	Muchinga Nakonde Secondary School	3	-	14,481	14,481
	PEO - Western	5	9,120	15,014	24,134
	Kalabo DEB	8	354,472	12,410	366,882
	Sikongo DEB	4	95,006	-	95,006
	Holy Cross Secondary School	7	12,385	-	12,385
Central	Kabwe DEB	11	60,933	-	60,933
Copperbelt	Chibote Scondary School	2	-	7,323	7,323
	<b>Total</b>	<b>40</b>	<b>531,916</b>	<b>49,228</b>	<b>581,144</b>

**w. Irregular Payment of Hotel Bills on Transfer**

According to the Terms and Conditions of Service for the Public Service No. 154, when on transfer between stations an officer can claim subsistence allowance at the appropriate single or married rate for the last two nights and the first two nights spent at the old and new stations, respectively. It was however observed that instead of paying the officers subsistence allowances, two (2) stations in Western and Central Provinces paid various guest houses amounts totalling K35,500 in respect of accommodation bills for five (5) officers who were accommodated at the guest houses for more than thirty (30) nights.

See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Officers</b>	<b>Amount K</b>
Western	PEO - Western	2	12,200
Central	Mumbwa DEB	3	23,300
	<b>Total</b>	<b>5</b>	<b>35,500</b>

**x. Irregular Payment of Training Costs – Mongu College of Education**

During the period under review, imprest in amounts totalling K70,140 was issued to two (2) officers to enable them pay tuition fees at the University of Zambia for a period of two (2) years. However, there was no authority from either the Teaching Service Commission or the Public Service Management Division for the officers to proceed on training rendering the payments irregular.

**y. Irregular Payment of Administrative Allowances**

Contrary to Cabinet Office Circular No.11 of 2013, which abolished all administrative allowances payable to officers in the Public Service, except for allowances in line with the Terms and Conditions of Service for the Public Service, it was observed that two (2) institutions paid administrative allowances amounting to K58,265 to fourteen (14) officers for activities conducted during working hours. See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Officers</b>	<b>Amount K</b>
Eastern	Katete Girls Secondary School	7	15,220
Southern	Namwala Secondary School	7	43,045
	<b>Total</b>	<b>14</b>	<b>58,265</b>

**z. Misappropriation of Funds**

**i. Chibote Secondary School – Copperbelt Province**

During the period from February to December 2016, amounts totalling K102,853 were drawn from three different school bank accounts by the Accounts Assistant by forging the signature of the School Head Teacher. See table below.

<b>Account Name</b>	<b>Amount K</b>
Grant	47,700
APU/GCE	33,353
User Fees	21,800
<b>Total</b>	<b>102,853</b>

Inquiries with management revealed that K10,000 had been recovered from the officer leaving a balance of K92,853 and that the officer had not reported for duty since December 2016. At the time of audit, in April 2018, the officer had been paid salaries in amounts totalling K95,021. However, as at 31<sup>st</sup> July 2018, no disciplinary action had been taken against the officer.

**ii. Namwala Secondary School - Southern Province**

Two (2) accountants misappropriated amounts totalling K1,460,000 by altering the amounts approved on cheques. Whereas they were authorised to withdraw K835,350, they altered the amounts to be drawn and instead drew K2,295,350.

As at 31<sup>st</sup> July 2018, the misappropriated funds of K1,460,000 had not been recovered from the accountants.

**aa. Failure to Take Disciplinary Action – Kapilamikwa Primary School – Lufwanyama District**

The Disciplinary Code and Procedures for Handling Offences in the Public Service No. 21(a) (v) states that an officer shall be liable to Discharge or Summary Dismissal when the offence committed is of so serious nature that it amounts to a breach or repudiation of contractual obligations such as breach of confidentiality, illegal strike action, misappropriation of funds, theft and fraud.

Contrary to this provision a teacher at Kapilamikwa Primary School in Lufwanyama District who was convicted of theft of three (3) HP Computers, one (1) HP Printer and one (1) HP Laptop valued at K12,550 on 13<sup>th</sup> May 2016 and was given a suspended sentence by the Kalulushi Magistrate Court had continued working as at 31<sup>st</sup> July 2018.

**bb. Unacquitted Funds**

Contrary to Financial Regulation No. 45 (3), which states that any document which is acquitted, certified and approved by a responsible officer shall form part of cash sale receipt, payments in amounts totalling K314,869 paid to thirty one (31) officers during the period under review were not acquitted by the beneficiaries as at 31<sup>st</sup> August 2018.

See table below.

Province	Institutions	No. of Officers	Amount K
Eastern	Petauke DEB	4	25,640
Lusaka	PEO - Lusaka	3	49,443
Southern	PEO - Southern	2	12,160
	Namwala Secondary School	6	18,733
	Monze Secondary School	2	6,248
Central	Itezi-tezhi DEB	1	3,095
	Mumbwa DEB	13	199,550
	<b>Total</b>	<b>31</b>	<b>314,869</b>

**cc. Unretired Accountable Imprest**

Contrary to Financial Regulation No. 96, which states that imprest shall be retired immediately the purpose for which it is issued has been fulfilled and where the imprest is not cleared within forty eight (48) hours of the holder's return, the issuing officer shall in writing instruct the officer in charge of the salaries section to deduct the amount outstanding from the salary of that holder in the following month, accountable imprest in amounts totalling K646,714 issued to seventy seven (77) officers had not been retired as at 31<sup>st</sup> August 2018 and deductions had not been effected. See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Officer</b>	<b>Amount K</b>
Northern	Chiba Day Secondary School	2	6,325
	Kasama Central Day Secondary School	2	4,000
Muchinga	Mishishi Secondary School	2	5,010
	Nakonde Secondary School	6	16,626
Copperbelt	Chibote Secondary School	1	4,552
Lusaka	Lusaka DEB	1	2,920
	Chirundu DEB	5	18,965
	PEO - Lusaka	3	9,738
	Siavonga DEB	19	106,415
Western	PEO - Western	1	16,815
Southern	PEO - Southern	1	6,132
	Namwala Secondary School	18	395,141
	Monze Secondary School	4	8,961
Central	Mumbwa DEB	12	45,114
	<b>Total</b>	<b>77</b>	<b>646,714</b>

#### **dd. Questionable Retirement of Imprest – Namwala Secondary School**

During the period under review, imprest in amounts totalling K35,589 was issued to various officers to carry out activities such as paying allowances to PTA members and paying for labour to Prisons for erecting a fence.

However, a scrutiny of retirement details, revealed that there were no details of expenditure such as acquittal sheets among others. In this regard, it was difficult to ascertain whether the beneficiaries were correctly paid.

#### **ee. Imprest Payment without Indication of Transport**

During the period under review, amounts totalling K86,609 were paid to sixteen (16) officers to enable them carry out activities such as attending meetings and monitoring of infrastructure among others. However, it was observed that the payments did not have allocations for transport thereby making it difficult to ascertain how the officers travelled to carry out the activities. See table below.

<b>Province</b>	<b>Station</b>	<b>No of Officers</b>	<b>Amount K</b>
Muchinga	Mpika DEB	8	62,630
	Isoka DEB	2	3,400
Northern	Chiba Day Secondary School	4	11,600
Southern	PEO - Southern	2	8,979
	<b>Total</b>	<b>16</b>	<b>86,609</b>

**ff. Failure to Produce Activity Reports**

During the period under review, imprest in amounts totalling K362,619 was issued to twenty eight (28) officers to carry out various activities such as performance assessments, meetings, school nutrition programmes and inspection of schools among others. However, there were no activity reports produced to confirm whether the activities were undertaken or not. See table below.

Province	Station	No. of Officers	Amount K
Eastern	Petauke DEB	2	18,800
Central	Kabwe - DEB	3	41,016
	Itezi-tezhi DEB	3	48,080
	Mumbwa DEB	20	228,203
Northern	Kasama Central Day Secondary School	2	19,250
Lusaka	Lusaka DEB	1	2,920
	Chirundu DEB	1	4,350
	<b>Total</b>	<b>28</b>	<b>362,619</b>

**gg. Irregular Procurement of Goods and Services Using Imprest**

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 Financial Regulation, accountable imprest in amounts totalling K876,723 was issued to one hundred and forty four (144) officers to procure goods and services whose values were known at the time. See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Officers</b>	<b>Amount K</b>
Eastern	Anoya Zulu Day Secondary School	3	54,950
Muchinga	Mishishi Secondary School	3	14,314
	Nakonde Secondary School	3	10,345
North Western	PEO -North Western	6	54,862
	Solwezi DEB	14	35,724
	Solwezi Day Secondary School	18	218,926
	Kimakolwe Secondary School	19	100,100
	Zambezi DEB	3	10,635
	Mufumbwe DEB	3	9,747
	Mufumbwe Day Secondary School	3	19,265
Western	PEO - Western	4	27,156
	Holy Cross Secondary School	15	68,230
	Mongu College of Education	4	25,116
Southern	Zimba DEB	1	1,750
	Namwala Secondary School	6	17,297
	Monze Secondary School	7	43,985
Central	PEO - Central	4	27,250
	Kabwe DEB	7	20,741
	Itezi-tezhi DEB	3	27,130
	Mumbwa DEB	5	33,215
Northern	Chiba Day Secondary School	5	18,194
Lusaka	PEO - Lusaka	1	7,700
	Chirundu DEB	1	825
	Siavonga DEB	6	29,267
	<b>Total</b>	<b>144</b>	<b>876,723</b>

#### **hh. Irregular Procurement of Stationery - Lundazi Day Secondary School**

During the period under review, the school procured stationery at a total cost of K15,983 involving five (5) transactions from Zilece Enterprise based in Lundazi District. However, a scrutiny of the three (3) quotations supporting each of the five (5) payments and inquiries made, revealed that Just Imagine Enterprise which was the most expensive supplier and Zilece Enterprise were owned by the same individual and as such, the overpricing was meant to give advantage to Zilece Enterprise. Therefore, there was no competitiveness in the procurement rendering the purchase irregular.

#### **ii. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of various stores items costing K1,209,624 comprising of general stores (K907,516) and fuel (K302,108) procured during the period under review. See table below.

Province	Station	General Stores K	Fuel K	Total K
Southern	Namwala DEB	18,490	-	18,490
	Chikankata DEB	3,652	-	3,652
	Zimba DEB	2,540	-	2,540
	Namwala Secondary School	78,823	17,000	95,823
	Monze Secondary School	321,766	32,008	353,774
Copperbelt	Chibote Secondary School	119,933	-	119,933
Lusaka	Lusaka DEB	-	17,275	17,275
	Chirundu DEB	6,903	-	6,903
	Siavonga DEB	93,865	76,395	170,260
	PEO - Lusaka	10,000	-	10,000
Northern	Chiba Day Secondary School	62,445	-	62,445
	Kasama Central Day Secondary School	17,831	-	17,831
Western	PEO - Western	7,496	-	7,496
	Mongu College of Education	-	45,000	45,000
	Holy Cross Secondary School	60,296	-	60,296
Central	Serenje DEB	39,691	13,314	53,005
	Mumbwa DEB	63,785	27,116	90,901
	Kabwe DEB	-	74,000	74,000
	<b>Total</b>	<b>907,516</b>	<b>302,108</b>	<b>1,209,624</b>

**jj. Fuel Drawn by Motor Vehicles not on Institutional Fleet – Southern Province**

During the period under review, fuel costing K9,443 involving eighteen (18) transactions was drawn by motor vehicles which were not on the fleet owned by the institutions. See table below.

Province	Station	No of Transactions	Amount K
Southern	Namwala DEB	13	6,494
	Zimba DEB	5	2,949
	<b>Total</b>	<b>18</b>	<b>9,443</b>

**kk. Irregular Payment of Fuel Imprest without Using Fuel Formula – Western Province**

According to Cabinet Circular No. 7 of 2012 and PSMD Circular No. B. 23 (3) of 2012, fuel imprest must be issued using the prescribed Government formulae. However, amounts totalling K31,215 were drawn as fuel imprest for local runs at PEO - Western Province without using the formula.

**ll. Irregular Fuel Drawings – Central Province**

Contrary to Public Store Regulation No. 16, fuel costing K18,518 was drawn without approved fuel requisitions. It was also observed that fuel drawings were neither signed for in the fuel ledger nor vehicle registration numbers indicated on the fuel requisitions,

making it difficult to ascertain whether the fuel was used for the intended purpose. See table below.

Institution	No. of Litres	Amount K
Kabwe DEB	165	1,819
Ithezi-Tezhi DEB	960	10,501
Mumbwa DEB	561	6,198
<b>Total</b>	<b>1686</b>	<b>18,518</b>

#### **mm. Failure to Follow Tender Procedures - Payments Above Threshold**

The Public Procurement Act No. 12 of 2008 stipulates that all procurements above K10,000 but between K10,000 and K50,000 should be authorized or approved by the Controlling Officer whereas the Head of Department can only authorize or approve payments up to K10,000. Contrary to the Act, amounts totalling K156,095 involving six (6) transactions were paid to suppliers for procurement of goods and services without adhering to the guidelines. See table below.

Province	Station	No. of Transactions	Amount K
Northern	Chiba Secondary School	5	63,095
Central	Mumbwa Secondary School	1	93,000
	<b>Total</b>	<b>6</b>	<b>156,095</b>

#### **nn. Contracting of Unregistered Individuals – Southern Province**

Contrary to the Public Procurement Act section 61 (1) (c), which states that a procuring entity shall require all bidders to have fulfilled their obligations to pay taxes and social security contributions, amounts totalling K220,856 were paid to twenty nine (29) individuals for the supply of various stores items and identification cards for grades 8 and 10 pupils who were not registered with Patent and Companies Registration Agency (PACRA). See table below.

Station	No. of Individuals	Amount K
Namwala Sec School	2	38,765
Monze Sec School	27	182,091
<b>Total</b>	<b>29</b>	<b>220,856</b>

**oo. Failure to Insure Assets**

**i. Motor Vehicles and Motor Bikes**

Contrary to Road Traffic Act of 2002, which compels all users of motor vehicles or trailers to be insured against third party risks, seventeen (17) motor vehicles and fifteen (15) motor bikes belonging to eight (8) institutions were not insured as at 31<sup>st</sup> August 2018. See table below.

Province	Station	No. of Motor Vehicles	No. of Motor Bikes
Northern	PEO - Northern	2	-
	Kasama DEB	3	4
	Luwingu DEB	1	-
	Mporokoso DEB	1	5
	Chilubi DEB	1	4
Southern	PEO - Southern	7	-
	Zimba DEB	1	2
Luapula	Nchelenge DEB	1	-
<b>Total</b>		<b>17</b>	<b>15</b>

**ii. Cattle – Kitwe DEB**

During the period under review, Kitwe DEB owned forty seven (47) herds of cattle valued at K145,000. However, the animals had not been insured as at 31<sup>st</sup> August 2018.

**pp. Lack of Title Deeds – Northern Province**

The Land Act No. 29 of 1995 requires that institutions or individuals owning land should have or possess title deeds as proof of ownership. It was however, observed that fourteen (14) institutions belonging to Ministry of General Education, Northern Province had no title deeds. Consequently, the properties could not be insured.

**qq. Failure to Maintain Asset Register – Namwala Secondary School**

Contrary to Public Stores Regulation No. 90 (2), which states that there shall be recorded in the plant, tools and equipment control ledger (Misc. form 59) the serial number, make, type and model of each machine, the School had no asset register. As a result, it was difficult to ascertain the value of the assets held by the school and the year they were procured or donated to the School.

**rr. Failure to Inscribe Government Assets**

Contrary to Public Stores Regulation No. 154, which states that, all furniture and equipment belonging to the government must be clearly marked with distinguishing letters of ‘GRZ’ in an inconspicuous part of the asset to identify it as a government property, fifty seven (57) assets costing K137,915 had no identification marks. See table below.

<b>Province</b>	<b>Institution</b>	<b>No. of Transactions</b>	<b>No. of Items</b>	<b>Amount K</b>
Muchinga	Mishishi Secondary School	2	1	6,550
	Nakonde Secondary School	1	10	13,000
Southern	PEO - Southern	1	1	2,195
	Namwala Secondary School	1	1	5,000
Eastern	Katete Boarding Secondary School	7	12	41,420
	Lundazi Day Secondary School	3	27	28,150
	Nyamphande Boarding Secondary School	3	5	41,600
	<b>Total</b>	<b>18</b>	<b>57</b>	<b>137,915</b>

**ss. Failure to Recover Salary Advances**

Contrary to the Terms and Conditions of Service of Public Service No. 92, which states that an advance of salary shall be repaid within a reasonable period of time but not exceeding six (6) months, recoveries in respect of salary advances totalling K72,688 paid to thirty three (33) officers had not been effected as at 31<sup>st</sup> August 2018. See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Officers</b>	<b>Amount K</b>
Copperbelt	Chibote Secondary School	6	13,085
	Namwala DEB	1	5,000
	Namwala Secondary School	12	29,143
Central	Mumbwa Secondary School	14	25,460
	<b>Total</b>	<b>33</b>	<b>72,688</b>

**tt. Failure to Refund the School for Poor Workmanship – Namwala Secondary School**

In 2015, the School engaged Zambian Blue Waters Limited of Livingstone to carry out the drilling of a fifty (50) meters solar operated borehole. However, there was no contract signed between the School and the contractor.

The scope of works included; drilling of the borehole (K12,000), supply and installation of solar operated 2 horse power pump (K20,000), supply of solar panels, batteries,

invertor and labour to install (K13,000), supply of a 30,000 litres capacity metallic water tank and tank stand (K45,000) and labour for the installation of water tank (K3,000). The total cost of the project was K93,000 and the company was paid in full in two (2) instalments dated 29<sup>th</sup> January 2015 (K50,000) and 3<sup>rd</sup> March 2015 (K43,000) respectively.

The action by the school to pay the contractor in full prior to the execution of the works and in the absence of a contract between the parties was irregular.

A review of documents and a physical inspection carried out in May 2018 revealed the following:

- The bore hole was drilled.
- The two solar panels were supplied but were not as per specifications as they could not manage to run a 2 horse power pump. Of the two (2) solar panels supplied, one was used by the school for electricity supply and the other one was in stores.
- The Submersible pump was supplied but was a 0.5 horse power and not a 2 horse power and was rejected, but was still in stores.
- The invertor was supplied but was faulty and it was returned.
- The batteries were supplied but were small and were in stores.

The Director of the company was in August 2015 requested to replace the above items which were not of the specified type and supply the metallic water tank and an agreement was entered into. After the contractor failed to fulfill the agreement, the school then took legal action and the matter was taken to court.

On 6<sup>th</sup> February 2017, the High Court ruled in favour of the school and the defendant was ordered to pay the plaintiff as follows:

- K40,000 refund for the metallic water tank.
- K20,000 being the value of the two (2) horse power pump
- K3,000 being refund for labour costs
- K13,000 being refund for expenses
- Interest on 1,2,3 and 4 above

However, as at 31<sup>st</sup> August 2018, the contractor had not fulfilled the court orders and was at large.

**uu. Missing Cattle – Namwala Secondary School**

A scrutiny of documents pertaining to the management of school cattle revealed that the school had one hundred and eleven (111) animals. However, a physical count carried out on 9<sup>th</sup> April 2018, revealed that nine (9) animals whose value could not be ascertained were missing. As at 31<sup>st</sup> August 2018, the missing animals had not been accounted for.

**vv. Infrastructure Development**

**i. Electrification of Sikatengwa and Lwamphamba Primary Schools – PEO Eastern**

During the year under review, amounts totalling K321,260 were received by the Provincial Office for the electrification of the two (2) Schools. However, as at 31<sup>st</sup> July 2018, ten (10) months after receipt of funds, the schools had not been electrified as Zesco Ltd had not provided the PEO with a quotation for the works and the funds were still lying in the PEO's account.

**ii. Construction of 1 x 3 Classroom Block and Staff House – Naambe Secondary School, Kabwe**

In 2014, a total amount of K454,545 was released to Naambe Secondary School in Kabwe District for the construction of a 1x3 classroom block and a staff house. In this regard, on 12<sup>th</sup> June 2015, Wils Trading International (Z) Limited was awarded a labour contract to construct a 1 x 3 classroom block and a staff house, with a contract period of fifty two (52) weeks.

As of May 2018, a total amount of K286,156 had been spent on building materials (K278,981) and labour (K7,175) leaving an amount of K168,156.

The following were observed:

**• Misapplication of Funds**

A review of expenditure records for the project revealed that a total amount of K45,000 was borrowed by the Kabwe District Education Office in 2015 and 2016. As at 31<sup>st</sup> August 2018, the funds had not been reimbursed.

- **Unaccounted for Funds**

An examination of the bank statements for the account where the project funds were maintained revealed that the account only had a balance of K71,130 as of April, 2018 instead of K113,389 resulting in amounts totalling K42,260 unaccounted for.

- **Wasteful Expenditure**

On 8<sup>th</sup> July 2015, the school bought four hundred and seventy eight (478) pockets of cement at a total cost of K37,284.

A physical verification of the cement conducted in May 2018 revealed that all the pockets of cement had gone to waste in that they had hardened or caked rendering the expenditure wasteful.

- **Delayed Implementation of the Project**

A physical inspection of the project carried out in 2018, revealed that the 1 x 3 Classroom Block was at footing stage with only one (1) portion built up to box level, while no works had been done on the staff house and the works had stalled.

- **Irregular Payment to the Contractor**

Contrary to the contract condition which stated that the first payment was to be made to the contractor after completion up to the slab level, the first payment of K7,175 was made on 4<sup>th</sup> July 2015 when the structure was still at footing stage with only a portion built to box level.

- Other Projects

Province	District	Project	Contractor	Contract Period	Contract Sum K	Amount Paid to Contractor K	Scope of Works	Remarks/Observations
Northern	Kasama	Construction of 1 x 6 classroom Block at Mubanga Chipoya Day Secondary School	Bwalya Evans Labour Contracts	-	70,000	Labour only – 69,450	Construction of the sub and super structures of the building, fitting of windows frames and glazing, fitting grill gates, wiring, roofing, fitting of doors, painting, and plastering, fitting of tiles in the Headmasters office, ceiling board, strong room and plumbing	<p>As of March 2018, materials worth K218,085 had been procured and the 1X6 CRB had been roofed, windows frames fitted, wiring and fitting of the door on the Headmaster's office had been done with the following works outstanding:</p> <p>Plastering both inside and outside, painting both inside and outside, fitting of the tiles in the Headmaster's office, plumbing in the Headmaster's office and fitting of six (6) doors to the building.</p>
Central	Serenje	Makolongo Community School	Liyuka Investments Ltd	16 weeks with effect from 25.08.14 – 25.12.14	108, 100.00	43,500.00	<p><b>2 Staff Houses &amp; 2 Single VIP toilets with wash rooms</b></p> <p>Construction of Substructure and superstructure, roofing, metal works, plastering, flooring, fittings, painting, glazing and spoon drains among others</p> <p><b>Construction of 1x2 CRB &amp; 2 Double VIP toilets</b></p>	<p>As of April, 2018, the 1<sup>st</sup> staff house had been completed while the 2<sup>nd</sup> staff house had not been completed with the following works outstanding:</p> <p>Fitting of doors and windows, glazing, spoon drain, painting and shelving.</p> <p><b>2 single VIP Latrines with wash rooms:</b></p> <p>1<sup>st</sup> VIP toilet had been completed while for the 2<sup>nd</sup> VIP toilet, only a pit had been dug.</p>

				<b>1x2 CRB &amp; 2 Double VIP toilets</b>	The structures had been completed and handed over
Plyeshi Community School	Fair Deal Engineering	16 weeks 25.08.2014 – 25.12.2014	108,100	20,000	<p><b>2 Staff houses and 2 Single VIP toilets with wash rooms</b></p> <p>As of April, 2018, 1<sup>st</sup> staff house had been roofed, partly glazed, doors and window frames fitted and external doors fitted.</p> <p>Construction of 2 staff houses and 2 single VIP toilets with wash rooms &amp;</p> <p>Construction of 1x2 CRB and 2 Double VIP toilets</p> <p>Involving construction of sub and superstructures, roofing, metal works, plastering, flooring, glazing and spoon drains among others</p> <p>The VIP toilets only had pits dug.</p> <p><b>1x2 CRB and 2 Double VIP toilets</b></p> <p>The 1x2 CRB had been roofed, partly glazed, door and window frames fitted.</p> <p>The VIP toilets had the superstructure completed.</p> <p>The contractor was not on site and works had stalled.</p>
Iezi-tezhi	Shimbuwawa Mbombo Secondary School	Messrs Hikoomwa Construction & General Dealers	17/05/2015 – 7/01/2016	113,636.36	<p><b>Staff House</b></p> <p>As of April, 2018, the structure had been roofed, plastered and 2 outer doors fitted with the following works still outstanding: glazing, fitting of internal doors, painting, fitting of peg stays and window handles. However, the roof was leaking.</p> <p>The Contractor was not on site and the works had stalled since August 2016.</p> <p>Construction of sub and superstructures, roofing, metal works, plastering, flooring, fittings, glazing and spoon drains among others</p>

					<b>1 x 3 Classroom Block</b>
Southern	Namwala	Construction of storm water drainage, spoon drainage, walk ways and replacement of sewer pipes at Namwala Central Day Secondary School	Namwala Correctional Centre Labour contract	8 weeks 7,800	<p>The structure had been roofed and plastered and was in use. However, glazing and fitting of window handles and peg stays had not been done.</p> <p>The structure had been roofed and plastered and was in use. However, glazing and fitting of window handles and peg stays had not been done.</p>
Monze	Livingstone Lower and Upper Boys Hostel at Monze Secondary School	Rehabilitation of Livingstone Lower and Upper Boys Hostel at Monze Secondary School	Chartreus General Dealers - Labour contract	- 43,854.30	<p>As of April, 2018, materials costing K265,179 had been procured and the following were observed:</p> <p>replacement of the spiral sewer pipes with PVC from the ablution block to the sewer ponds had been done. However, the sewer pipe line was not buried.</p> <p>The Storm drainage water collection points, spoon drainages, walk ways had not been done and the works had stalled.</p> <p>As of April, 2018, the following works were still outstanding; plumbing, painting of one room for the dormitory, fixing doors for three (3) toilets, painting inside of the toilet and construction of ceiling board.</p> <p>Although a total amount of K45,400 had been spent on labour resulting in excess expenditure of K1,545.70, there was no variation authority.</p> <p>Further, the contract had no completion period.</p>

**Head: 80**

**Ministry of General Education – National Implementation Framework III**

**Units: Various**

**Programmes: Various**

**Activities: Various**

**47.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K201,100,000 was made to cater for the implementation of various programmes and activities under National Implementation Framework (NIF) III and no funds were released.

However, the Ministry received funds from UNICEF amounting to K8,800,072 to cater for various programmes and interventions as approved and supervised by UNICEF. In addition, the Ministry had an opening balance of K15,729,929 in the National Implementation Framework (NIF) III account and received funds from the Examinations Council of Zambia (K19,608,501) and the Commonwealth (K114,296) and a transfer from Recurrent Departmental Charges amounting to K10,018,962.

Further, the Ministry, borrowed a total amount of K14,100,000 from the Teaching Council of Zambia bringing the total available funds for expenditure in the year under review to K68,371,760. See table below.

<b>Details</b>	<b>Amount US\$</b>	<b>Exchange Rate</b>	<b>Amount K</b>
Opening balance	-	-	15,729,929
Examinations Council of Zambia	994,095.08	10.02	9,960,833
Examinations Council of Zambia	1,036,269.43	9.31	9,647,668
Transfers from RDCs	-	-	10,018,962
Teaching Council of Zambia	-	-	14,100,000
UNICEF	-	-	8,800,072
Commonwealth	-	-	114,296
<b>Total</b>			<b>68,371,760</b>

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at Ministry of General Education carried out from January to June 2018 revealed the following:

**a. Weaknesses in Internal Controls**

**i. Audit Committee**

During the period under review, the Audit Committee met only once instead of meeting at least four (4) times as stated in their terms of reference. Further, internal audit reports were not reviewed by the Audit Committee thereby making it not possible to ascertain how their oversight role was accomplished.

**ii. Failure to Respond to Internal Audit Reports**

During the period under review, the Internal Audit unit produced three (3) audit reports on NIF III. However, as at 31<sup>st</sup> August 2018, Management had not responded to the reports.

**b. Management of NIF III Funds**

**i. Lack of Expenditure Codes**

Financial Regulations of 2006 clause 50 (g) states that “The officer signing a voucher or document certifies the accuracy and validity of the payment and must therefore ensure that the voucher is properly allocated to a head, programme and activity”.

Contrary to the provisions of the Financial Regulation, payments in amounts totalling K66,900,098 involving three hundred and sixty nine (369) transactions were made without indicating the expenditure codes, thereby making it impossible to relate the expenditure to their respective programmes and activities.

**ii. Borrowing of Funds without Authority**

During the year under review, the Ministry borrowed funds in amounts totalling K14,100,000 from the Teaching Council of Zambia (TCZ). The funds were applied on recurrent activities of the Ministry such as detention and storage charges for books at the port of Dar es Salaam, allowances for local and International trips, roofing materials and commemoration of World Teachers day, among others. However, there was no authority from the Secretary to the Treasury to borrow the funds. As at 31<sup>st</sup> August 2018, the funds had not been reimbursed.

**c. Failure to Disclose Details for Imprest Paid**

A review of financial records revealed that accountable imprest in amounts totalling K15,716,929 was issued to various officers for various activities. However, the budgets did not have details such as names of officers, their positions, and the districts to be visited.

Included in the imprest issued, was fuel imprest in amounts totalling K921,008 involving twenty seven (27) transactions which was paid for local movements within the provinces. However, the districts, Schools or Institutions to be visited were not stated, thereby making it not possible to ascertain the basis on which the amounts were calculated.

**d. Over Payment of Subsistence Allowance**

Public Service Management Division Circular No. B21 of 2016 provides for Subsistence allowance to be paid at specified rates according to divisions and locations where an overnight stay is required.

Contrary to the provisions of the Circular, amounts totalling K1,561,950 were paid instead of K1,377,280 which the officers were entitled to had the appropriate rates been applied thereby resulting in an overpayment amounting to K184,670. As at 31<sup>st</sup> August 2018, the overpayments had not been recovered.

**e. Payment of Subsistence Allowances Using Inappropriate Rates**

During the period under review, imprest in amounts totalling K1,263,850 was issued to various officers as subsistence allowance using the highest rate for the province to be visited despite indicating that the intended trips were also to take place in other districts in which different rates applied. In addition, the payments did not indicate the number of nights to be spent in each district thereby making it impossible to ascertain the overpaid amount.

**f. Over Payment of Fuel Allowance**

Contrary to Cabinet Circular No.7 of 2012 which stipulates that the payment of fuel allowance shall be based on a standard prescribed formula, fuel allowance was paid to various officers without using the prescribed formula correctly and/or overstating the distances.

In this regard, amounts totalling K315,833 were paid to officers instead of K116,941 which the officers were entitled to had the appropriate prescribed formula and correct distances been

applied thereby resulting in an overpayment in amounts totalling K198,892. As at 31<sup>st</sup> August 2018, the overpayments had not been recovered.

In addition, fuel imprest in amounts totalling K86,008 involving two (2) transactions was paid to various officers as block amounts without evidence of having been computed using the prescribed formula. As a result, it was not possible to ascertain whether the amounts paid were correct.

**g. Unretired Accountable Imprest**

Contrary to Financial Regulation No. 96(1), accountable group imprest in amounts totalling K2,278,977 issued to ten (10) officers to facilitate payment of subsistence allowance and fuel imprest to other officers to enable them undertake various activities had not been retired as at 31<sup>st</sup> August 2018.

**h. Questionable Retirement of Accountable Imprest for Refreshments**

During the period under review, accountable imprest in amounts totalling K62,728 was paid to three (3) officers to procure refreshments for offices and meetings.

However, an examination of retirement details revealed that the attached receipts and tax invoices did not have individual details of the groceries procured but instead only general names as groceries and block amounts were reflected on the receipts. As a result, it was not possible to ascertain the nature of the individual groceries procured.

**i. Failure to Produce Activity Reports**

During the period under review, imprest in amounts totalling K5,214,578 was paid to twelve (12) officers to enable them undertake various activities. However, no activity reports were availed for audit as at 31<sup>st</sup> August 2018. As a result, it was not possible to ascertain whether the activities were actually undertaken.

**j. Questionable Activity Reports**

Imprest in amounts totalling K3,568,144 was issued to ten (10) officers to enable them undertake various activities. Although reports were availed for audit, they were questionable in that they were either highly summarized or did not provide the necessary details such as institutions, districts visited, specific findings and recommendations, among others.

**k. Irregular Payment of Meal Allowances**

Cabinet Office Circular No.11 of 2013, clause 7 (iv) states that “Meal allowance shall only be paid to an officer who travels away from his/her normal station of duty on official duty for eight (8) hours or more but not including an overnight stay. This allowance is only paid in circumstances where lunch is not provided.”

However, it was observed that amounts totalling K78,500 were paid to various officers as meal allowances for activities such as cleaning the floor and windows, assembling of furniture and rearranging tables and cabinets at their normal station of duty, contrary to the provisions of the circular. As at 31<sup>st</sup> August 2018, no recoveries had been effected on the affected officers.

**l. Irregular Payment of Transport Allowance/Refunds**

Cabinet Circular No.11 of 2013, clause 6 states, “In an effort to cater for participation of persons outside the Public Service, a fuel refund shall be made at a rate of K135 per meeting for travel within the district boundary. For travel outside the district, this category of persons shall be paid a fuel refund as provided for in Cabinet Circular No. 7 of 2012.”

However, contrary to the provisions of the circular, amounts totalling K183,390 were paid as transport allowances and refunds to various officers in the mainstream Civil Service. As at 31<sup>st</sup> August 2018, no recoveries were effected on the affected officers.

**m. Irregularities in the Management of Zambia Educational Publishing House Contracts**

**i. Failure to Deliver Procured Books to Schools**

On 22<sup>nd</sup> June 2016, the Ministry of General Education awarded a contract to Zambia Educational Publishing House (ZEPH) to print, supply and deliver Grade Three (3) Literacy Course Books and Teachers’ guides in English (650,000) and Local languages (1,762,980) based on the new Curriculum at a contract sum of K42,904,300 VAT exclusive, with a delivery period of 3-5 weeks. See table below.

<b>Details</b>	<b>Quantity</b>	<b>Value K</b>
Grade 3 Term I - Learners' books	550,000	8,800,000
Grade 3 Term I -Teachers' books	37,660	1,318,100
Grade 3 Term II - Learners' books	550,000	8,800,000
Grade 3 Term II -Teachers' books	37,660	1,318,100
Grade 3 Term III- Learners' books	550,000	8,800,000
Grade 3 Term III -Teachers' books	37,660	1,318,100
Grade 3 - One year -Learners' books	600,000	10,800,000
Grade 3 - One year -Teachers' books	50,000	1,750,000
<b>Total</b>	<b>2,412,980</b>	<b>42,904,300</b>

In June 2016, ZEPH delivered 1,100,000 Zambian local language books and 87,660 Teachers' guides for English and Zambian languages for which the Ministry was invoiced K20,668,100.

In this regard, the Ministry paid ZEPH amounts totalling K10,932,000 during the period from June 2016 to November 2017, leaving a balance of K9,736,100 outstanding as of August 2018.

The Contract provided for the books to be delivered to various Schools. However, it was observed that the books were instead delivered at various District Education Board Offices.

As at 31<sup>st</sup> August 2018, 600,000 English learners books, 550,000 Zambian Local languages books and 75,320 Teachers guides valued at K22,236,200 had not been delivered.

## ii. **Wasteful Expenditure - Wharfage, Detention, Demurrage and Storage Charges**

A review of records maintained at the Ministry revealed that ZEPH sub contracted Jayant Printery LLC based in India to print, package and deliver 550,000 Grade 3, term 2 Zambian languages learners Text books and 600,000 English Grade 3 Learners books valued at US\$433,689.59. The order was made on Purchase order (Imports) No. 0375 dated 26<sup>th</sup> May 2016, on the delivery terms "to be delivered to ZEPH".

The books were dispatched from India on 2<sup>nd</sup> and 14<sup>th</sup> June 2016 and arrived in Dar es Salaam, Tanzania on 26<sup>th</sup> June 2016 and 13<sup>th</sup> July 2016 respectively.

As at 3<sup>rd</sup> February 2017, the whole contract amount of US\$433,689.59 had been paid by ZEPH. See table below.

<b>Date</b>	<b>Details</b>	<b>Amount US\$</b>
17.06.2016	Part payment	100,000.00
21.10.2016	Part payment	100,000.00
03.02.2017	Final Payment	233,689.59
<b>Total</b>		<b>433,689.59</b>

However, the following were observed:

- There was no contract signed between ZEPH and Jayant Printery LLC, thereby making it impossible to establish the payment terms, the delivery period and other conditions attached to the agreement.
- The supplier did not release the books to ZEPH as the payment had not been made in full by June 2016. The books were therefore detained at the port and amounts totalling K7,129,799 (US\$701,061.80) had accrued as at 31<sup>st</sup> October 2017 in respect of detention, storage, demurrage, handling, removal and wharfage charges which was paid on 2<sup>nd</sup> November 2017. See table below.

Date	Payee	P/O No	Amount US\$	Amount K	Details
02.11.17	Vishal Shipping Agencies Pvt Ltd	25/17	321,444.00	3,269,085	Detention and storage charges
02.11.17	Tanzania International Container Services	27/17	379,617.80	3,860,713	Detention, demurrage, handling, removal and wharfage charges
	<b>Total</b>		<b>701,061.80</b>	<b>7,129,799</b>	

As at 31<sup>st</sup> August 2018, the books were still detained in Dar es Salaam and were accruing additional storage charges.

**Head: 80 Ministry of General Education**

**Unit: Various**

**Programme: Personal Emoluments**

**Activity: Various**

- 48.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017 a provision of K7,810,357,175 was made to cater for personal emoluments and related costs against which amounts totalling K7,651,046,312 were released resulting in an underfunding of K159,310,863.

## **Accounting and other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters, Provincial Education Offices (PEOs) and District Education Offices (DEOs) carried out from March to May 2018 revealed the following:

### **a. Misplacement of Payroll Area**

A reconciliation of the payroll and staff returns at Ministry Headquarters, Provincial Education Offices and selected District Education Offices revealed that there were three hundred and forty four (344) officers who drew salaries in amounts totalling K15,776,495 but were not serving at the stations where they had been paid from. See table below.

Province	Station	No. of Officers	Salary K
North Western	PEO	1	14,946
	PEO	3	312,852
	Sesheke DEB	4	199,391
	Mongu DEB	6	381,909
Western	Luapula PEO	1	33,854
	Mansa DEB	2	33,237
	Nchelenge DEB	14	510,033
	Mwansabombwe DEB	2	101,561
Luapula	Namwala DEB	6	251,826
	Chikankata DEB	43	184,673
Southern	Ndola	32	2,328,308
	Kitwe	23	1,680,443
	Mufulira College	16	1,609,821
	Mufulira DEB	10	730,564
Copperbelt	PEO	18	1,219,959
	Mbala DEB	16	525,491
	Luwingu DEB	88	3,515,226
	Mporokoso DEB	22	731,839
	Chilubi DEB	37	1,410,564
<b>Total</b>		<b>344</b>	<b>15,776,495</b>

As at 31<sup>st</sup> August 2018, no corrective measures had been taken to address the matter.

### **b. Unknown Officers Drawing Salaries**

During the period under review, salaries in amounts totalling K76,789 were paid to two (2) officers who were not known by the heads of stations where they were appearing on the payroll. See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Officers</b>	<b>Amount Paid K</b>
Luapula	Mwansabombwe DEB	1	55,109
Southern	Namwala DEB	1	21,680
<b>Total</b>		<b>2</b>	<b>76,789</b>

**c. Payment of Salaries to Officers Absent from Duty Without Leave**

According to the Terms and Conditions of Service for the Public Service No. 60 (a) and (b), “an officer who absents himself or herself from duty for a period of ten (10) days or more shall be liable for dismissal from the service and shall not get a salary for the period he/she is absent from duty”.

Contrary to the Terms and Conditions of Service, fourteen (14) officers who were absent from duty for periods ranging from four (4) to thirty nine (39) months had not been separated from service and were irregularly paid salaries totalling K749,242. See table below.

<b>Province</b>	<b>Districts</b>	<b>No. Officers</b>	<b>Amount K</b>
Central	Serenje DEBS	8	191,536
	Ithezi-Tezhi DEBS	1	102,432
Copperbelt	Kitwe DEB	1	44,390
	Kitwe College	1	147,263
	Chililabombwe DEB	2	220,364
Luapula	Mwansabombwe DEB	1	43,257
	<b>Total</b>	<b>14</b>	<b>749,242</b>

**d. Irregular Payment of Responsibility Allowance**

According to the Collective Agreement between the Government of the Republic of Zambia and Secondary School Teachers Union of Zambia (SESTUZ) of 3<sup>rd</sup> April 2013, responsibility allowance was to be paid to degree holders teaching ‘A’ level classes or diploma holders teaching senior classes or certificate holders teaching upper basic/secondary school classes.

Contrary to the Collective Agreement, amounts totalling K123,342 were irregularly paid to twenty one (21) officers as responsibility allowance who were not eligible. See table below.

<b>Province</b>	<b>Station</b>	<b>No of Officers</b>	<b>Amount K</b>
Northern	Kasama DEB	4	28,297
Central	Kabwe DEB	6	22,024
	Serenje DEB	1	6,018
	Mumbwa DEB	6	41,247
Luapula	Nchelenge DEB	4	25,756
<b>Total</b>		<b>21</b>	<b>123,342</b>

**e. Irregular Payment of Double Class Allowance to Secondary School Teachers**

According to the Terms and Conditions of Service for the Public Service No. 167 (k), a double class allowance shall be paid to teachers who are required to teach double classes at primary school level.

Contrary to the Terms and Conditions of Service, double class allowances in amounts totalling K32,318 were paid to nine (9) secondary school teachers. See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Teachers</b>	<b>Amount Paid K</b>
Luapula	Mansa DEB	2	2,987
	Nchelenge DEB	7	29,331
	<b>Total</b>	<b>9</b>	<b>32,318</b>

**f. Irregular Payment of Allowances without Authority**

During the period under review, double class and responsibility allowances in amounts totalling K1,308,534 were paid to two hundred and seventy five (275) teachers without authority from the responsible officers. See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Teachers</b>	<b>Double Class Allowance K</b>	<b>Responsibility Allowance K</b>	<b>Total K</b>
Central	Kabwe DEB	45	27,298	120,416	147,714
	Serenje DEB	145	210,332	360,384	570,716
	Itezhi-tezhi DEB	21	31,499	32,984	64,483
	Mumbwe DEB	64	141,008	384,613	525,621
<b>Total</b>		<b>275</b>	<b>410,137</b>	<b>898,397</b>	<b>1,308,534</b>

**g. Payment of Acting Allowance to Ineligible Employees**

The Terms and Conditions of Service for the Public Service No. 22 stipulates that where a responsible officer wishes to recommend an officer for an acting appointment, he or she shall send a recommendation in sufficient time for approval to be granted by a Service Commission before the officer takes up the appointment.

Contrary to the Terms and Conditions of Service, amounts totalling K292,495 were irregularly paid as acting allowance to eighteen (18) officers without authority from the Teaching Service Commission. See table below.

Province	Station	No. of Officers	Amount K
Muchinga	Isoka DEB	8	77,052
	Nakonde DEB	1	25,858
	Mpika DEB	7	137,777
Northern	Kasama DEB	2	51,808
<b>Total</b>		<b>18</b>	<b>292,495</b>

**h. Irregular Payment of Rural and Remote Hardship Allowances**

According to the Terms and Conditions of Service for the Public Service No. 166 and Public Service Management Division Circular No. B6 of 2010, an officer serving in an area declared to be in a remote area shall be entitled to receive a hardship allowance at the rate as may be determined by Government from time to time.

Contrary to the Terms and Conditions of Service, amounts totalling K3,684,528 were paid as Rural (K3,273,269) and Remote (K411,259) hardship allowances to four hundred and seventy five (475) officers who worked at stations which did not qualify for the allowances or were Classified Daily Employees (CDEs). See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Officers</b>	<b>Rural Paid K</b>	<b>Remote Paid K</b>	<b>Total K</b>
Northern	Kasama	19	127,763	-	127,763
	Mbala	2	20,661	-	20,661
	Luwingu	5	68,582	-	68,582
	Mporokoso	6	28,684	6,488	35,172
	Chilubi	6	48,521	8,212	56,733
Lusaka	Provincial Education office	1	7,345		7,345
	Lusaka DEB	5	25,547	15,512	41,059
Muchinga	Isoka DEB	3	26,017	17,073	43,090
	Nakonde DEB	103	901,151	-	901,151
	Chinsali DEB	7	50,232	21,138	71,370
Copperbelt	Mufulira DEB	4	51,608	-	51,608
Central	Provincial Education office	5	49,704	-	49,704
	Malcom Moffat College	4	22,686	38,211	60,897
	Kabwe DEB	51	294,748	80,784	375,532
	Serenje DEB	79	313,008	212,560	525,568
	Mumbwa DEB	71	615,665	-	615,665
Luapula	Nchelenge DEB	42	99,390	-	99,390
	Mwansabombwe DEB	11	18,808	-	18,808
Southern	Chikankata DEB	42	432,540	-	432,540
Eastern	Katete DEB	6	44,332	11,281	55,613
	Petauke DEB	3	26,277	-	26,277
	<b>Total</b>	<b>475</b>	<b>3,273,269</b>	<b>411,259</b>	<b>3,684,528</b>

**i. Payment of Remote instead of Rural Hardship Allowances**

A scrutiny of the payroll records and an analysis of designated stations for the remote and rural hardship allowances paid revealed that thirty two (32) officers at Namwala DEB who were entitled to receive rural hardship allowance of K290,553 were instead paid remote hardship allowance of K363,476 resulting in an overpayment of K72,923.

**j. Irregular Payment of Housing Allowances**

Cabinet Office Circular No. B2 of 2010 (2) (b) states that “Housing allowances shall only be paid to employees who are not accommodated by Government and that employees accommodated in a standard house shall not qualify for the payment of housing allowance”.

Contrary to the Circular, amounts totalling K2,317,549 were paid as housing allowances to two hundred and ninety four (294) officers who were accommodated in Government institutional houses. See table below.

<b>Province</b>	<b>Station</b>	<b>No. of Officers</b>	<b>Amount K</b>
Luapula	Nchelenge DEB	6	37,198
	Mwansabombwe DEB	4	26,286
Southern	Namwala DEB	6	33,836
	Chikankata DEB	44	390,124
Copperbelt	Mufulira College	1	16,911
	Kitwe College	1	8,760
Muchinga	Isoka DEB	13	92,229
Central	Kabwe DEB	12	65,218
	Serenje DEB	22	137,286
	Itezhi-tezhi DEB	6	24,417
	Mumbwa DEB	38	318,938
Northern	PEO	3	50,732
	Kasama DEB	16	112,559
	Mbala DEB	3	25,665
	Luwingu DEB	51	376,485
	Mporokos DEB	20	165,415
	Chilubi DEB	48	435,490
<b>Total</b>		<b>294</b>	<b>2,317,549</b>

**Head:** 85      **Ministry of Lands and Natural Resources**

**Units:** Various

**Programmes:** Various

**Activities:** Various

**49.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a total budget provision of K192,213,264 was made to cater for operations of the Ministry. In this regard, the Treasury released amounts totalling K103,509,798 resulting in an under funding of K88,703,466.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry carried out during the period from January to April 2018 revealed the following:

**a. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, general stores costing K51,590 procured during the period under review were not accounted for in that receipt and disposal records were not availed for audit.

**b. Failure to Report Damaged Windscreen for the Higer Bus**

On 29<sup>th</sup> August 2017, the Ministry paid Higer Bus Zambia Limited an amount of K22,800 for the replacement of the damaged windscreen for the Higer Bus registration number GRZ 321CK. The bus was comprehensively insured with Zambia State Insurance Corporation at the time at an annual premium of K400,000. However, there was no report in respect of the cause of the damage of the screen either from the Police or Standing Accident Board that was availed for audit as at 31<sup>st</sup> July 2018. In addition, it was not clear why the Ministry did not make a claim with the insurance company for the replacement of the screen.

**c. Failure to Follow Procurement Procedures**

During the period under review, the Ministry paid a total amount of K99,491 to Mwasi Investment, a private garage for the repair of three (3) motor vehicles. See table below.

Make	Registration Number	Amount Paid K	Details
Toyota Land Cruiser	GRZ 172 CL	29,613	Engine overvaul
Mitsubishi Colt	ABD 2713	36,683	Full mechanical service
Mercedes Benz	GRZ 515 CA	33,195	Full mechnical service
<b>Total</b>		<b>99,491</b>	

However, it was observed that although Mwasi Investments was engaged for the services, there was no evidence that procurement procedures were followed in that the selection documentation were not availed for audit.

**d. Failure to Avail Asset Register**

During the period under review, the Ministry procured various non-current assets at a total cost of K460,312. However, the Asset Register was not availed for audit as at 31<sup>st</sup> August 2018 making it not possible to ascertain whether the assets were accounted for.

**e. Failure to Report Motor Vehicle Accident to the Standing Accidents Board**

On 5<sup>th</sup> October 2017, the Ministry spent K36,482 for the repair of a Toyota Land Cruiser registration number ALK 1851 belonging to Ndola Regional Survey Office which was involved in a road traffic accident on 14<sup>th</sup> August 2017. Although the matter was reported to the police and the driver was charged with careless driving on 14<sup>th</sup> August 2017, the Ministry had not reported the accident to the Standing Accidents Board and no action had been taken against the driver as at 31<sup>st</sup> August 2018.

Further, there was no evidence that the vehicle was insured.

**Head: 86/01 Ministry of Fisheries and Livestock - Headquarters**

**Units: Various**

**Programmes: Various**

**Activities: Various**

**50.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K568,926,951 was made to cater for various activities at the Ministry against which amounts totalling K268,688,840 were released resulting in an underfunding of K300,238,111.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry headquarters and physical inspections of projects in selected districts carried out from February to May 2018 revealed the following:

**a. Irregular Payment of Rural Hardship Allowances**

According to the Terms and Conditions of Service for the Public Service No. 166, an officer serving in an area declared to be in a remote area shall be entitled to receive a hardship allowance at the rate as may be determined by Government from time to time.

Further, Public Service Management Circular No.B.2 of 2010 stipulates that a station which is 20 – 70 km qualify for rural hardship while those stations over 70 km qualify for remote hardship for Category C.

Contrary to the above provisions, amounts totalling K10,169 were irregularly paid as Rural Hardship allowance to two (2) officers who were based at non qualifying stations within Lusaka.

**b. Misapplication of Funds**

**i. Livestock Restocking Funds**

During the period under review, the Treasury released amounts totalling K3,408,207 for livestock restocking. However, the whole amount was applied on unrelated activities such as payment of allowances to staff contrary to the Appropriation Act of 2016. Consequently, as at 31<sup>st</sup> July 2018, restocking of livestock had not been undertaken.

**ii. Events**

During the year under review, the Ministry was funded K4,075,550 for events. However, out of the amount funded, K1,513,551 was applied on activities unrelated to events.

**iii. Procurement of Motor Vehicles**

Amounts totalling K1,114,538 released for Participation in Regional and International Conferences, Workshops on Epidemiology (K1,000,000) and Support to Minister's Office (K114,538) were applied on the procurement of motor vehicles.

Although in his response dated 25<sup>th</sup> July 2018, the Controlling Officer stated that the funds were varied and authorised in the Budget Supplementary No. 2 of 2017, the variation was for General Administration which cannot be used for procurement of motor vehicles without approval from the Secretary to the Treasury.

**iv. Construction and Rehabilitation of Dip Tanks**

Contrary to the Appropriation Act of 2016, amounts totalling K4,112,012 released for construction and rehabilitation of dip tanks, construction of livestock check points, inspection of livestock establishments and rehabilitation of quarantine facilities were spent on unrelated activities such as drilling of thirty two (32) boreholes in Eastern Province and rehabilitation of the 3<sup>rd</sup> floor of the Ministry of Fisheries and Livestock office block.

**c. Unaccounted for Stores**

Contrary to Stores Regulations No. 16, there were no disposal details in respect of various stores items costing K3,750,144 procured during the period under review.

**d. Infrastructure**

**i. Construction of Chipazu Diptank in Ncheka Camp and Nyakatokoli Dip Tank in Msoro Camp in Mambwe District**

On 23<sup>rd</sup> March 2016, the Ministry of Fisheries and Livestock through Provincial Administration Eastern Province entered, into a contract with Town Mouse Enterprise for the construction of two (2) dip tanks at Chipazu village and Nyakatokoli village in Ncheka and Msoro Camps respectively at a contract sum of K388,260 with a completion period of fifteen (15) weeks from April 2016.

The scope of works included the construction of a 14,000 litres concrete dip tanks, crush and holdings, water trough, waste pit, soak away drainage at each location.

The contractor was paid K193,563 on 22<sup>nd</sup> August 2016 leaving a balance of K194,693 as at 31<sup>st</sup> May 2018.

Physical inspections carried out revealed that only land excavation and clearing and digging of foundation trenches on the two sites had been done with the following works still outstanding as at 31<sup>st</sup> July 2018:

- Construction of the dip tanks
- Construction of force and holding pens
- Construction of Dripping drainage pens
- Construction of soak-away
- Plastering of the water trough dip tanks internal and external walls
- Roofing of the dip tanks

**ii. Rehabilitation of Kapete Dip tank, Chinkuli Dip Tank and Completion of Spray Race at Chieftainess Nkomeshya's Palace in Chongwe District, Lusaka Province**

On 11<sup>th</sup> November 2015, the Ministry entered into a contract with W.C construction Engineers and Builders for the rehabilitation of two (2) dip tanks namely Kapete and

Chinkuli and a spray race at Chieftainess Nkomeshya's palace at a contract sum of K331,660 with a completion period of twelve (12) weeks from December 2015.

The scope of works included the rehabilitation of 14,800 litres concrete dip tanks, crush and holdings, water trough, waste pit, soak away drainage, unblocking of the storm drains, construction of a Soak away, water source reticulation, putting of additional rails on the force and holdings pens, among others, at the three (3) locations.

The contractor was paid K193,448 on 22<sup>nd</sup> August 2016 leaving a balance of K138,212 as at 31<sup>st</sup> August 2018.

A physical inspection carried out revealed that the project had stalled and the contractor was not found on site with the following works outstanding;

- Unblocking of the storm drains
- Construction of soak aways
- Construction of water source/points
- Fixing of rails on the force and holding pens
- Sealing of leakages /Sippage on the dip tanks

### **iii. Construction of Milk Collection Centre in Kafubu Block**

On 15<sup>th</sup> August 2014, the Ministry entered into a contract with Kalpak Investment Ltd to construct one (1) milk collection centre in Kafubu on the Copperbelt Province at a contract sum of K365,932 with a completion period of twelve (12) weeks.

The scope of works included the construction of sub and super structures, metal works, roofing, drainage and plumbing works, plastering, painting, electrical wiring and fitting, electrical installation and water reticulation among others.

A physical Inspection carried out revealed that the milk collection centre had been constructed from foundation to roof level and the works had stalled. The contractor was not found on site with the following works still outstanding:

- Roofing/Ceiling board fixing/fitting

- Plastering
- Metal works (iron mongery)
- Plumbing works
- Electrical fitting and Installation
- Window and door fixing
- Flooring
- Fitting of air ventilators.

As at 31<sup>st</sup> August 2018, the contractor had not been paid for works done.

#### **iv. Construction of 3 Dip Tanks at Kapufi, Chisembo/Chozi and Sikalembo in Mbala**

In August 2014, the Ministry entered into a contract with Pamphili construction company for the construction of three (3) 14,800 litres dip tanks at Kapufi, Chisembo and Sikalembo at a contract sum of K284,206 with a completion period of eight (8) weeks from September 2014 and the three (3) projects were to run concurrently.

The scope of works included the construction of three (3) 14,800 litres dip tanks, crush and holding pens, Water trough, waste pit, construction of hand dug well with concrete rings, among others.

The Ministry paid the contractor amounts totalling K154,280 as shown in the table below leaving a balance of K129,926 as at 31<sup>st</sup> August 2018.

Date	Name	Amount K
12.04.16	Pamphili	106,894
20.04.16	Pamphili	47,386
<b>Total</b>		<b>154,280</b>

A physical inspection carried out revealed that the projects had stalled and the contractor was not on site, with the following works outstanding:

- Commencement of construction of dip tank at Chisembo/Chozi area
- Roofing of the dip tanks at Sikalembe and Kapufi

- Construction of crush and holding pens at Sikalembe and Kapufi
  - Construction of hand dug well (Water points)
  - Fixing of timbers on the force/crush, drip/drainage race and holding pens
  - Construction of discharge soak away for the dip tank chemicals
- v. **Construction of Dip Tank at Vincent Bulaya in Mporokoso/Lunte & Lukulu North 1 & 2 Dip Tank in Northern Province**

On 23<sup>rd</sup> September 2014 the Ministry entered into a contract with Educare Cap Enterprises Ltd for the construction of three (3) dip tanks at Vincent Bulaya (K132,990) in Mporokoso and Lukulu north 1 & 2 (K289,100) in Kasama at a contract sum of K322, 090 with completion period of twelve (12) weeks from October, 2014.

The scope of works included the construction of three (3) 14,800 litres dip tank, crush and holding pens, Water trough, waste pit, construction of hand dug well with concrete rings, among others, at each of the locations/sites.

The Ministry paid the contractor amounts totalling K231,560 as shown in the table below leaving a balance of K90,530 as at 31<sup>st</sup> August 2018.

<b>Date</b>	<b>Payee</b>	<b>Amount K</b>
12.02.16	Eucare Cap Enterprises	40,691
12.02.16	Eucare Cap Enterprises	79,059
12.02.16	Eucare Cap Enterprises	53,990
12.02.16	Eucare Cap Enterprises	57,820
<b>Total</b>		<b>231,560</b>

A physical inspection carried out revealed that the projects had stalled and the contractor was not on site with the plunge Dip tanks constructed and partly roofed and the following works outstanding;

- Construction of Dripping pens
- Construction of septic tank for draining the dip tank for easy cleaning
- Fixing of roof riggings

- Completion of roofing of remaining 10mtrs to avoid rain water dropping direct into the dip tanks.

Although the plunge dip was constructed, it was too narrow to enable big cattle with horns to pass through easily.

**vi. Construction of the Artificial Insemination Centre at Mbala District Veterinary**

On 25<sup>th</sup> July, 2014, the Ministry entered into a contract with Kapeshi Works and Trade of Mbala to construct an artificial insemination centre at Mbala district Livestock Centre at a contract sum of K199,289, with a completion period of August, 2014.

The scope of works included the construction of the sub and superstructures, roofing, painting, plastering, drainage works, electrical fitting and installation, among others.

The contractor moved on site in August 2014 and was paid K66,964 on 13<sup>th</sup> October, 2016 leaving a balance of K132,325 as at 31<sup>st</sup> July, 2018.

A physical inspection carried out revealed that the Artificial Insemination had been constructed and roofed and metal works done, window frames had been fitted, two (2) external doors fitted, flooring and plastering internal and external walls with the following works still outstanding;

- Window glazing
- Drainage and plumbing
- Painting internal and external walls
- Ceiling in the veranda, waiting room, toilet and shower room
- Electrical fittings and installation/Connection.

The floor had developed cracks and the works had stalled as the contractor was not found on site.

## **vii. Construction of a raised goat structure at Jiwundu in Kalumbila/Solwezi**

In August 2016, the Ministry entered into a contract with Talco trading to construct a 30 x7 metres raised goat structure at a contract sum of K298,510 with a completion period of twelve (12) weeks starting from September 2016.

The scope of works included construction of a 30 x 7metres raised goat structure with 1 metre off the ground, within poles and floor cover/made of plunks, roofing, among others.

The contractor was paid K78,587 on 5<sup>th</sup> May 2016 leaving a balance of K219,923 as at 31<sup>st</sup> July 2018.

A physical inspection carried in May, 2018 revealed that the Goat shelter had not been constructed and the contractor was not on site and no building materials were found at the site.

**Head:**      **86**      **Ministry of Fisheries and Livestock**

**Departments:**      **Various**

**Units:**      **Various**

**Programmes:**      **Various**

**Activities:**      **Various**

**51.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a total provision of K19,354,199 was made to cater for Recurrent Departmental Charges activities at the Provincial Fisheries Livestock Coordinating Offices (PFLCOs) and District Fisheries Livestock Coordinating Offices (DFLCOs) against which amounts totalling K6,419,841 were released, resulting in an underfunding of K12,934,358.

In addition, amounts totalling K12,328,793 were received for Other Emoluments, Livestock and Aquaculture Census among others, while amounts totalling K53,152 were brought forward from 2016 bringing the total funds available to K18,801,786.

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial and District Fisheries and Livestock Coordinating Offices carried out during the period from March to May 2018 revealed the following:

### **a. Missing Payment Vouchers – Serenje DFLCO**

Contrary to Financial Regulation No. 65, fourteen (14) payment vouchers in amounts totalling K17,780 were not availed for audit.

### **b. Unsupported Payments**

Contrary to Financial Regulation No. 45, seven (7) payments in amounts totalling K43,552 made during the period under review were inadequately supported with receipts and quotations, among others. See table below.

<b>Province</b>	<b>Institution</b>	<b>No. of Payments</b>	<b>Amount K</b>
Muchinga	PFLCO-Chinsali	3	17,582
Lusaka	PFLCO- Lusaka	4	25,970
<b>Total</b>		<b>7</b>	<b>43,552</b>

### **c. Weaknesses in the Management of Imprest**

#### **i. Unretired Accountable Imprest**

Contrary to Financial Regulation No. 96, imprest in amounts totalling K22,086 issued to three (3) officers during the period under review had not been retired as at 31<sup>st</sup> August 2018. See table below.

<b>Province</b>	<b>Institution</b>	<b>No. of Officers</b>	<b>Amount K</b>
Copperbelt	PFLCO-Ndola	1	4,394
Muchinga	PFLCO-Chinsali	2	17,692
<b>Total</b>		<b>3</b>	<b>22,086</b>

#### **ii. Irregular Use of Accountable Imprest**

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

of issue”, amounts totalling K41,630 were issued to four (4) officers as accountable imprest for the purchase of goods whose values were obtainable on the market at the time of payment. See table below.

<b>Province</b>	<b>Institution</b>	<b>No. of officers</b>	<b>Amount K</b>
Western	PFLO - Mongu	1	2,500
Central	PFLCO-Kabwe	3	39,130
Total		<b>4</b>	<b>41,630</b>

### **iii. Payment of Imprest for Trip not Undertaken – Mongu PFLO**

On 26<sup>th</sup> May 2017, imprest amounting to K20,015 was paid to the Provincial Fisheries and Livestock Coordinator to facilitate sensitisation of the community on restocking of small livestock in Nalolo West District for a period of five (5) nights.

However, there was no evidence to show that the activity was undertaken and only an amount of K2,600 had been recovered from the driver leaving a balance of K17,415 as at 31<sup>st</sup> August 2018.

### **iv. Failure to Produce Activity Reports**

During the period under review, amounts totalling K12,070 were paid to three (3) officers to carry out activities such as monitoring, inspection of projects and evaluation. See table below.

<b>Province</b>	<b>Institution</b>	<b>No. of Officers</b>	<b>Amount K</b>
Lusaka	PFLCO-Lusaka	1	1,770
	DFLCO-Luangwa	2	10,300
<b>Total</b>		<b>3</b>	<b>12,070</b>

However, there were no activity reports availed for audit to confirm that the activities were undertaken.

### **d. Irregular Payments - Subsistence and Meal Allowances**

Contrary to Cabinet Circular Minute of 2015 dated 30<sup>th</sup> December 2015, which disallowed the payment of subsistence and meal allowances for activities undertaken within a district boundary, thirty four (34) officers were paid amounts totalling K68,105 in respect of subsistence

allowances (K34,301) and meal allowances (K33,804) for activities undertaken within district boundaries. See table below.

Province	Institution	Subsistence Allowance		Meal Allowance		Total	
		No. of Officers	Amount K	No. of Officers	Amount K	No. of Officers	Amount K
Western	Sikongo DFLO	3	2,020	-	-	3	2,020
	Kalabo	-	-	11	7,400	11	7,400
Lupaula	DFLCO - Mwansabombwe	3	13,000	2	4,370	5	17,370
	PFLCO-Chinsali	-	-	1	14,529	1	14,529
Muchinga	DFLCO-Chinsali	5	16,181	2	5,070	7	21,251
	DFLCO-Mpika	3	3,100	3	2,210	6	5,310
	DFLCO - Isoka	-	-	1	225	1	225
<b>Total</b>		<b>14</b>	<b>34,301</b>	<b>20</b>	<b>33,804</b>	<b>34</b>	<b>68,105</b>

#### e. Weaknesses in Management of Stores

##### i. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, various stores items costing K163,808 (General Stores – K17,000 and Fuel – K146,808) procured during the period under review had no receipt and disposal details. See table below.

Province	Institution	General Stores K	Fuel K	Total K
Eastern	DFCLO-Lundazi	2,640	6,650	9,290
Western	PFLCO-Mongu	14,360	123,436	137,796
Lusaka	DFLCO-Luangwa	-	10,985	10,985
	DFLCO-Rufunsa	-	5,737	5,737
<b>Total</b>		<b>17,000</b>	<b>146,808</b>	<b>163,808</b>

##### ii. Unauthorised Fuel Drawings – Lusaka PFLCO

During the period under review, fuel costing K13,502 was drawn by various officers to enable them undertake various activities within and outside the district. However, a scrutiny of stores records such as fuel registers and fuel statements among others, revealed that the fuel was drawn without authority or approval of a responsible officer.

**f. Weaknesses in Asset Management**

**i. Failure to Insure Motor Vehicles**

Contrary to Road Traffic Act of 2002 Section 86, which requires that all motor vehicles using public roads must have a minimum of third party insurance cover, nineteen (19) motor vehicles and one hundred and one (101) motor cycles whose cost could not be ascertained were not insured during the period under review. See table below.

<b>Province</b>	<b>Institution</b>	<b>Motor Vehicles</b>	<b>Motor Cycles</b>
Eastern	PFLCO	6	-
	Chipata DFLCO	1	19
	Lundazi DFLCO	1	50
	Petauke DFLCO	1	-
Western	PFLCO	5	-
	Kalabo DFLCO	2	-
Central	Kabwe PFLCO	3	32
<b>Total</b>		<b>19</b>	<b>101</b>

**ii. Failure to Mark Government Property**

Public Stores Regulation No. 154 requires that all items of furniture or assets belonging to the Government must be clearly marked with the distinguishing letters ‘GRZ’ on an inconspicuous part of the object to identify it as Government property. Contrary to the regulation, office equipment and furniture costing K20,830 procured during the period under review were not inscribed with GRZ identification marks. See table below.

<b>Province</b>	<b>Institution</b>	<b>Amount K</b>
Eastern	PFLCO-Chipata	12,500
Southern	DFLCO-Livingstone	2,880
Lusaka	PFLCO-Lusaka	2,950
	DFLCO-Rufunsa	2,500
<b>Total</b>		<b>20,830</b>

**iii. Failure to Surcharge an Officer for Lost Laptop – Rufunsa DFLCO**

On 10<sup>th</sup> March 2018, an HP laptop procured on 15<sup>th</sup> September 2017 at a cost of K2,500 was stolen from a vehicle belonging to an officer in Chongwe.

However, it was observed that as at 31<sup>st</sup> July 2018, the officer had not been surcharged for the loss of the laptop. In addition, the laptop was not insured and no loss report had been prepared by Rufunsa Fisheries Department.

#### **g. Failure to Remit Tax**

Contrary to the Income Tax Act (CAP 323 of the Laws of Zambia), amounts totalling K121,407 deducted from officers' dues as Pay As You Earn (PAYE) tax during the period under review had not been remitted to the Zambia Revenue Authority (ZRA) as at 31<sup>st</sup> July 2018. See table below.

<b>Province</b>	<b>Institution</b>	<b>PAYE K</b>
Western	PFLCO- Mongu	19,133
Central	PFLCO-Kabwe	29,257
Copperbelt	PFLCO-Ndola	57,669
Lusaka	PFLCO-Lusaka	15,348
<b>Total</b>		<b>121,407</b>

#### **h. Weaknesses in Management of Census Funds**

##### **i. Holding of Workshops without Authority**

Contrary to Cabinet Office Circular of 2016, which requires seeking authority before holding of workshops, seminars and conferences outside Government facilities, it was observed that amounts totalling K125,868 were spent on conference facilities by two (2) institutions without authority from the Secretary to the Cabinet. See table below.

<b>Province</b>	<b>Institution</b>	<b>Amount K</b>
Southern	PFLCO	71,700
Western	PFLCO	54,168
	<b>Total</b>	<b>125,868</b>

##### **ii. Unaccounted for Fuel – Lusaka PFLCO**

Contrary to Public Stores Regulation No. 16, fuel costing K102,280 had no receipt and disposal details. See table below.

<b>Date</b>	<b>Payee</b>	<b>Details</b>	<b>Amount K</b>
21-Dec-17	Real One Enterprise	Fuel (Livestock Census)	17,880
28-Dec-17	Real One Enterprise	Fuel (Livestock Census)	74,400
30-Dec-17	Real One Enterprise	Fuel (Livestock Census)	10,000
<b>Total</b>			<b>102,280</b>

**Head: 89**

**Ministry of Agriculture**

**Units:** **Various**

**Programmes:** **Various**

**Activities:** **Various**

**52.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K5,587,144,646 was made to cater for various activities at the Ministry against which amounts totalling K4,647,201,515 were released resulting in an underfunding of K939,943,131.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry and physical inspections of projects in selected districts carried out from February to April 2018 revealed the following:

#### **a. Housing Allowances Paid to Officers in Institutional Houses**

Contrary to Public Service Management Division Circular No. B2 of 2010 which states that housing allowances shall only be paid to employees who are not accommodated in a standard house by the Government, housing allowances in amounts totalling K464,732 were paid to fifty two (52) officers who were accommodated.

#### **b. Infrastructure Development**

During the period under review, a total amount of K3,980,489 was received for construction and rehabilitation of office blocks, camp houses and farmers' shelters.

However, the following were observed:

##### **i. Construction of an Office Block – Kapiri-Mposhi**

On 16<sup>th</sup> March 2016, the Ministry through the District Tender Committee engaged Chipando General Dealers to construct an office block for phytosanitary at a contract sum of K296,027 with a contract period of three (3) months from 11<sup>th</sup> April to 10<sup>th</sup> July 2016. The scope of works included construction of substructure, slab, superstructure, plastering, floor screed, electrical, metal works, painting and decoration, roofing, ceiling, plumbing, electrical installation, glazing, external works, external water reticulation, soil

drainage and manholes. During the period under review, the contractor was paid amounts totalling K83,003 leaving a balance of K213,024.

A site and physical inspection carried out in April 2018, revealed that only the substructure, slab and superstructure works had been done and the contractor was not on site. See pictures below.



*Incomplete and abandoned office block at Kapiri-Mposhi*

## **ii. Construction of an Office Block – Mkushi**

On 18<sup>th</sup> November 2015, the Ministry through the District Procurement Committee engaged Country House General Dealers to construct an office block for Seed Control and Certification Institute (SCCI) at a contract sum of K298,771 with a completion period of three (3) months from January to March 2016. The scope of works included construction of substructure, concrete work, block work, roofing, carpentry, metal works, plumbing, electrical installation, floor/wall finishes, glazing, painting, external works, external water reticulation, soil drainage and manholes. As at 30<sup>th</sup> April 2018, the contractor had been paid amounts totalling K181,256 as shown in the table below leaving a balance of K117,515.

Date	Amount K
2016	117,000
2017	64,256
<b>Total</b>	<b>181,256</b>

A site and physical inspection carried out in April 2018 revealed that the building was 85% complete. The remaining works included fitting tiles, doors, floor/wall finishes, external works, external water reticulation, and soil drainage and manholes. See pictures below.



*Incomplete office block in Mkushi*

### **iii. Construction of Office Block – Zimba District**

On 17<sup>th</sup> September 2015, the District Procurement Committee engaged Wekens Enterprises for the construction of an office block at a contract sum of K300,679 with a completion period of sixteen (16) weeks. The contractor took possession of the site on 7<sup>th</sup> October 2015. On 22<sup>nd</sup> February 2016, the contractor wrote to the district seeking a variation of the contract due to high material and transportation costs and change of site from the one that was inspected at bidding time. On 5<sup>th</sup> August 2016, the District Procurement Committee at its sitting of 29<sup>th</sup> July 2016 approved a variation of K193,099 to bring the contract sum to K493,778 representing an increase of 64% of the initial contract price. As at 30<sup>th</sup> April 2018, the contractor had been paid K452,440 as shown in the table below leaving a balance of K41,338.

Date	Amount K
2016	225,235
2017	227,206
<b>Total</b>	<b>452,440</b>

A physical inspection carried out in April 2018 revealed that the project had not been completed and the contractor was not on site with the following works outstanding; Plastering, Ceiling, flooring, plumbing, electrical, grazing, painting and fitting of doors. See picture below.



*Uncompleted office block at Zimba*

#### **iv. Construction of Office Block – Pemba District**

On 19<sup>th</sup> June 2015, the District Procurement Committee engaged Lyansa Contractors for the construction of an office block at a contract sum of K377,971 with a completion period of one hundred and twelve (112) days. The contractor commenced works on 25<sup>th</sup> June 2015.

On 19<sup>th</sup> January 2016, the contractor wrote to the district seeking a variation of the contract from K377,971 to K490,562 representing an increase of K112,592 translating to 30% of the initial contract sum.

On 19<sup>th</sup> June 2016, the District signed a varied contract with a contract sum of K690,467 which was an increase of K312,497 representing 83% of the initial contract price. However, the process of variation and the documents authorizing the signing of the new contract were not availed for audit. As at 30<sup>th</sup> April 2018, the contractor had been paid a total amount of K203,507. See table below.

Date	Amount K
2016	83,012
2017	120,496
<b>Total</b>	<b>203,507</b>

A physical inspection of the site revealed that the project was at wall plate level and the contractor was not on site. See picture below.



*Uncompleted office block at wall plate level*

**v. Construction of Guest Rooms at Farmer Training Centre – Monze District**

On 11<sup>th</sup> December 2015, the District Procurement Committee engaged Albless General Suppliers for the construction of four (4) guest rooms at a contract sum of K263,510 with a completion period of twelve (12) weeks. The contractor took possession of the site on 26<sup>th</sup> January 2016. As at 30<sup>th</sup> April 2018, the contractor had been paid a total amount of K184,092. See table below.

Date	Amount K
2016	100,948
2017	83,144
<b>Total</b>	<b>184,092</b>

A physical inspection of the site carried out in April 2018, revealed that the project had not been completed with the following works outstanding; plastering, ceiling, flooring, plumbing, electrical, fitting of doors, glazing and painting. Further, the contractor was not on site.



*Uncompleted guest rooms at FTC – Monze*

**Head: 89/09 Ministry of Agriculture – Agribusiness and Marketing Department**

**Programme: 1377 FISP Electronic Voucher Pilot**

**Activities: Various**

**53.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K2,856,399,170 was made to cater for the implementation of the Farmer Input Support Programme (FISP) against which amounts totalling K2,391,965,892 were released resulting in an underfunding of K464,433,279.

#### **Background - Farmer Input support Program (FISP)**

The Government through the Ministry of Agriculture designed the Farmer Input Support Programme (FISP) in 2002, which was aimed at improving access by small scale farmers to inputs and enhancing the participation and competitiveness of the private sector in the supply and timely distribution of agricultural inputs in adequate amounts.

During the 2017/2018 farming season, the programme targeted one million (1,000,000) farmers in one hundred and nine (109) districts of the country.

The Ministry uses the Zambia Integrated Agriculture Management Information System (ZIAMIS) for management of FISP. The participating farmers have to be approved through the ZIAMIS at Camp Agriculture Committee (CAC), District Agriculture Coordinating office (DACO), Provincial Agriculture Coordinating office (PACO) and national levels. The approved farmer is expected to contribute four hundred kwacha (K400) towards the E-voucher value of K2,100 where K2,000 is accessed by the farmer while the K100 is paid to the insurance company. However, before a farmer can deposit the farmer's contribution of K400, the farmer needs to have authority to deposit from the Ministry.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters, PACOs and selected DACOs and farmer cooperatives carried out from February to June 2018 revealed the following:

**a. Weaknesses in the Administration of Participating Banks and Other Service Providers**

The Ministry engaged eight (8) participating banks and other service providers to print a total of one hundred and eighty five thousand, five hundred and two (185,502) e-voucher cards and two hundred and thirty six thousand, four hundred and eleven (236,411) biometric based cardless solutions at a total cost of K56,137,017. However, the contract periods were not indicated in the contracts. See table below.

<b>Service Providers</b>	<b>Cards to be Produced 2017/18 Farming Season</b>	<b>Contract Sum K</b>	<b>Date Contract was Signed</b>	<b>Contract Period</b>
ZANACO BANK	49,066	1,336,754	22.11.17	Not specified
UBA BANK	30,351	1,572,182	20.10.17	Not specified
BANC ABC	27,920	944,254	22.12.17	Not specified
ECO BANK	13,440	551,040	20.10.17	Not specified
Barclays Bank	34,410	1,514,040	26.10.17	Not specified
Indo Zambia Bank	30,315	1,515,750	23.10.17	Not specified
<b>Total ATM Cards</b>	<b>185,502</b>	<b>7,434,020</b>		
<b>Other service Providers</b>	<b>Cardless Solution to be implemented</b>	<b>Contract Sum K</b>	<b>Date Contract was Signed</b>	<b>Contract Period</b>
Mobile Paymnet Solutions	39,366	16,357,817	20.10.17	Not specified
Paycode Zambia Ltd	197,045	32,345,180	20.10.17	Not specified
<b>Total Cardless</b>	<b>236,411</b>	<b>48,702,997</b>		
<b>Grand Total</b>	<b>421,913</b>	<b>56,137,017</b>		

The following were observed:

**i. Failure to Print and Deliver E-Voucher Cards**

A review of records relating to the production of the cards revealed that out of the one hundred and eighty five thousand, five hundred and two (185,502) e-voucher cards that were to be printed and delivered, only one hundred and eleven thousand, four hundred and thirteen (111,413) cards had been delivered leaving a balance of seventy four thousand and eighty nine (74,089) e-voucher cards.

Further, no delivery details for the two hundred and thirty six thousand, four hundred and eleven (236,411) biometric based cardless solutions were availed for audit as at 31<sup>st</sup> August 2018.

**ii. Outstanding Balances of Payments to Participating Banks and other Service Providers**

Out of a total contract sum of K56,1137,017 for printing and delivery of e-voucher cards, amounts totalling K45,127,720 had been paid as at 31<sup>st</sup> August 2018, leaving a balance of K11,009,297. See table below.

Institution	Cards Produced 2017/2018	Contract Sum K	Date Contract Signed	Payments to Date K	Balance K
ZANACO	49,066	1,336,754	22.11.17	1,336,754	-
UBA	30,351	1,572,182	20.10.17	1,572,182	-
BANC ABC	27,920	944,254	22.12.17	944,254	-
ECO Bank	13,440	551,040		551,040	-
Barclays Bank	34,410	1,514,040		1,514,040	-
Indo Zambia Bank	30,315	1,515,750	23.10.17	1,148,938	366,812
<hr/>					
<b>Other Service Providers</b>					
Mobile Payment Solutions	39,366	16,357,817	20.10.17	13,089,454	3,268,363
Paycode Zambia Ltd	197,045	32,345,180	20.10.17	24,971,058	7,374,122
<b>Total</b>	<b>421,913</b>	<b>56,137,017</b>		<b>45,127,720</b>	<b>11,009,297</b>

**b. Irregularities in Loading of E-Voucher Cards**

**i. Delayed Loading of E-Voucher Cards with Farmer's Contribution**

When farmers deposit the farmer contribution at the participating banks, the bank communicates with the Ministry via ZIAMIS giving details of the deposits and in turn, the Ministry gives the participating banks Authority to Upload (ATU) the e-voucher cards with the farmers' contributions.

However, there were delays of eleven (11) to four hundred and five (405) days in loading e-voucher cards for one hundred and seventy three thousand, four hundred and eighteen (173,418) farmers who paid the farmer contributions in amounts totalling K69,367,200 thereby delaying them to access inputs. See table below.

<b>Province</b>	<b>No. of Days Delayed</b>	<b>Farmers</b>	<b>Amount K</b>
Muchinga	11 to 63	10,375	4,150,000
Southern	11 to 366	30,681	12,272,400
Luapula	11 to 107	3,973	1,589,200
Central	11 to 366	24,231	9,692,400
Eastern	11 to 366	40,424	16,169,600
Copperbelt	11 to 87	16,320	6,528,000
Lusaka	11 to 67	18,694	7,477,600
Northern	11 to 405	13,111	5,244,400
North Western	11 to 107	15,594	6,237,600
Western	23 to 53	15	6,000
<b>Total</b>		<b>173,418</b>	<b>69,367,200</b>

## **ii. Failure to Load E-Voucher Cards**

During the period under review, one hundred and fifty four thousand and thirty (154,030) e-voucher cards were not loaded with amounts totalling K61,612,000 despite the Ministry having given ATUs. See table below.

<b>Province</b>	<b>No.of E-voucher Cards</b>	<b>Amount K</b>
Central	27,485	10,994,000
Copperbelt	22,287	8,914,800
Eastern	24,794	9,917,600
Luapula	7,174	2,869,600
Lusaka	23,387	9,354,800
Muchinga	2,760	1,104,000
Northern	3,979	1,591,600
North western	3,942	1,576,800
Southern	21,768	8,707,200
Western	16,454	6,581,600
<b>Total</b>	<b>154,030</b>	<b>61,612,000</b>

## **iii. Farmers on the ATU Databases without Evidence of Deposits from Commercial Banks**

A review of the ZIAMIS and farmers' deposits revealed that fifteen thousand and seventeen (15,017) e-voucher cards were loaded with amounts totalling K6,006,800.

However, it was difficult to ascertain whether the farmers had made their contributions of K400 because the participating banks had not confirmed the deposits in the ZIAMIS. See table below.

<b>Province</b>	<b>No. of Farmers</b>	<b>Amount K</b>
Central	242	96,800
Copperbelt	36	14,400
Eastern	686	274,400
Lusaka	7,702	3,080,800
North Western	6,310	2,524,000
Southern	41	16,400
<b>Total</b>	<b>15,017</b>	<b>6,006,800</b>

#### iv. Beneficiaries Not on the Approved List

A comparison of the Authority to Upload files from the Ministry against details of farmers whose e-voucher cards were loaded revealed that twenty two thousand, two hundred and ninety two (22,292) farmers' e-voucher cards were loaded with amounts totalling K40,444,800 (farmer's contributions – K8,916,800 and Government contribution – K31,528,000) despite farmers not appearing on the approved list. See table below.

<b>Service Provider</b>	<b>No of Farmers (Farmer Contribution)</b>	<b>Amount From Farmer Contribution K</b>	<b>No of Farmers (GRZ Contribution)</b>	<b>Amount from GRZ Contribution K</b>	<b>Total Amount from GRZ and Farmer Contribution K</b>
UBA Bank	2,175	870,000	164	262,400	1,132,400
INDO Bank	10	4,000	3	4,800	8,800
ECO Bank	19,458	7,783,200	19,458	31,132,800	38,916,000
PAYCODE	267	106,800	11	17,600	124,400
Mobile Payment Solutions	382	152,800	69	110,400	263,200
<b>Total</b>	<b>22,292</b>	<b>8,916,800</b>	<b>19,705</b>	<b>31,528,000</b>	<b>40,444,800</b>

Further, a comparison of the approved list of beneficiaries from the Ministry Headquarters and the approved lists of beneficiaries in six (6) districts revealed that nine thousand and thirty nine (9,039) farmers whose e-voucher cards were loaded with amounts totalling K18,078,000 were not appearing on the lists of approved farmers from the districts. See table below.

<b>District</b>	<b>No. of Farmers</b>	<b>Amount K</b>
Ndola	1,208	2,416,000
Mufulira	817	1,634,000
Masaiti	1,369	2,738,000
Kapiri-Mposhi	2,277	4,554,000
Mkushi	1,404	2,808,000
Kabwe	1,964	3,928,000
<b>Total</b>	<b>9,039</b>	<b>18,078,000</b>

**v. Inclusion of Non Zambians on the List of Beneficiaries – Kapiri Mposhi**

During the 2017/2018 farming season, one hundred and eighty eight (188) farmers from Kapiri Mposhi who had their e-voucher cards loaded with a total amount of K376,000 were non Zambian nationals.

**c. Deposits By Farmers Not on the Approved List**

A comparison of the list of depositors on ZIAMIS to the list of approved beneficiaries revealed that four thousand, six hundred and thirty three (4,633) farmers who made contributions in amounts totalling K2,455,732 were not appearing on the list of approved beneficiaries. See table below.

<b>Service Provider</b>	<b>No of Farmers</b>	<b>Amount Deposited K</b>
Barclays Bank	4,547	2,421,332
Indo Bank	86	34,400
<b>Total</b>	<b>4,633</b>	<b>2,455,732</b>

It was also observed that two thousand and seventy two (2,072) farmers who had paid farmers contributions in amounts totalling K828,800 were not appearing on the approved list of farmers and their cards were not loaded with farmers contributions. See table below.

<b>District</b>	<b>No. of Farmers</b>	<b>Amount K</b>
Ndola	3	1,200
Mufulira	41	16,400
Masaiti	545	218,000
Kapiri-Mposhi	477	190,800
Mkushi	170	68,000
Kabwe	836	334,400
<b>Total</b>	<b>2,072</b>	<b>828,800</b>

It was not clear how the farmers were allowed to deposit the farmers' contributions when they were not on the approved list.

**d. Duplication of Deposits at Participating Banks**

According to bank statements from participating banks, eight hundred and twenty eight (828) farmers paid farmers contributions totalling K662,400 to the participating banks while the ZIAMIS indicated that the eight hundred and twenty eight (828) farmers paid K331,200 resulting in a variance of K331,200. See table below.

<b>Service Provider</b>	<b>No of Farmers</b>	<b>Amount as Per Participating Bank K</b>	<b>Amount as Per ZIAMIS K</b>	<b>Variance K</b>
Barclays Bank	694	555,200	277,600	277,600
Indo Bank	134	107,200	53,600	53,600
<b>Total</b>	<b>828</b>	<b>662,400</b>	<b>331,200</b>	<b>331,200</b>

Further, a scrutiny of the uploaded files from participating banks revealed that e-voucher cards for fifty seven (57) farmers at UBA Bank were loaded with farmers' contributions in amounts totalling K45,600 instead of K22,800 resulting in a variance of K22,800.

As at 31<sup>st</sup> August 2018, the anomalies had not been corrected.

**e. Irregularities in Loading of Farmers E-Voucher Cards with Government Contribution**

**i. Failure By Government to Release All the Funds**

During the 2017/2018 farming season, seven hundred and ninety seven thousand nine hundred and seventy eight (797,978) farmers made farmers' contributions in amounts totalling K319,191,200 and were to receive Government contribution of K1,276,764,800.

However, the Ministry disbursed a total amount of K1,131,546,462 resulting in a balance of K145,451,138 outstanding as at 31<sup>st</sup> August 2018. See table below.

<b>Service Provider</b>	<b>No of Actual Deposits (Farmers)</b>	<b>Expected Disbursement based on Actual Deposits</b>	<b>GRZ Funding Disbursed K</b>	<b>Balance to be Disbursed</b>
Indo Zambia Bank	29416	47,065,600.00	47,298,400	- 232,800.00
Barclays Bank	77303	123,684,800.00	115,468,800	8,216,000.00
Zanaco	194051	310,481,600.00	287,112,200.00	23,369,400.00
Mobile Payment Solutions	32734	52,374,400.00	51,374,400	1,000,000.00
Paycode	137193	219,508,800.00	217,508,800	2,000,000.00
UBA	91400	146,240,000.00	106,287,948	39,952,052.15
Banc ABC	186147	297,835,200.00	233,455,482	64,379,718.00
Eco Bank	49734	79,574,400.00	73,040,433	6533967.48
<b>Total</b>		<b>1,276,764,800.00</b>	<b>1,131,546,462.37</b>	<b>145,218,337.63</b>

## **ii. Failure to Load Farmers E-Voucher Cards with Government Contribution**

During the 2017/18 farming season, two hundred and twelve thousand five hundred and twenty nine (212,529) e-voucher cards were not loaded by participating banks with amounts totalling K340,046,400 despite the Ministry having issued Authority to Upload (ATUs) Government contribution. See table below.

<b>Province</b>	<b>No. of Farmers</b>	<b>Amount K</b>
Central	37,672	60,275,200
Copperbelt	20,791	33,265,600
Eastern	42,798	68,476,800
Luapula	8,700	13,920,000
Lusaka	22,228	35,564,800
Muchinga	12,068	19,308,800
Northern	6,029	9,646,400
North Western	15,030	24,048,000
Southern	33,132	53,011,200
Western	14,081	22,529,600
<b>Total</b>	<b>212,529</b>	<b>340,046,400</b>

## **f. Failure to Return Unredeemed Funds**

During the 2017/2018 farming season, thirteen thousand seven hundred and thirty five (13,735) farmers did not redeem their e-voucher cards which had been loaded with K28,402,164. See the table below.

<b>Service Provider</b>	<b>No of Farmers</b>	<b>Amount K</b>
UBA BANK	2,977	6,313,685
INDO BANK	876	1,752,000
ECO BANK	5,049	10,667,679
PAYCODE	4,833	9,668,800
<b>Total</b>	<b>13,735</b>	<b>28,402,164</b>

However, as at 31<sup>st</sup> August 2018, the funds had not been returned to Government by the participating banks.

#### **g. Farmers with Expenditure Exceeding the Redeemable Amount**

A review of the farmers' expenditure records from Zambia National Commercial Bank statements revealed that one hundred and twenty seven (127) farmers in eighteen (18) districts irregularly exceeded the K2,000 limit that each farmer was to spend by K165,857.

Although in his response dated 7<sup>th</sup> July 2018, the Controlling Officer stated that the affected farmers had carry forward balances from the 2016/17 farming season, there was no documentation to show that the farmers had carry over balances.

#### **h. Outstanding Payments to Suppliers**

During the 2017/2018 farming season, the Ministry was still owing amounts totalling K284,821,314 to the suppliers of seed and fertiliser for the 2016/17 farming season. See table below.

<b>Company</b>	<b>Contract Amount USD</b>	<b>Contract Amount K</b>	<b>Invoiced Amount K</b>	<b>Payments K</b>	<b>Balance K</b>
<b>Seed Suppliers</b>					
MRI Seed		33,883,077	33,883,077	27,812,945	6,070,132
Zamseed		62,614,892	59,235,295	41,116,344	18,118,951
Panner	4,768,306	54,835,523	54,835,523	38,591,997	16,243,526
Seed Co	5,352,597	61,780,843	61,780,843	47,297,417	14,483,426
Pioneer Dupont	4,581,856	52,691,344	52,691,344	37,451,221	23,443,807
Kamano		33,886,930	33,886,930	28,682,701	5,204,229
<b>Fertilisers Suppliers</b>					
Zambian Fertilizers	11,251	101,130,365	101,130,365	65,774,710	57,040,248
Nitrogen Chemicals of Zambia	821,467,634		821,467,634	677,250,640	144,216,994
	<b>Total</b>		<b>1,218,911,012</b>	<b>963,977,975</b>	<b>284,821,314</b>

It was also observed that due to the delay in settlement of the K284,821,314 as at 31<sup>st</sup> December 2017, Government accumulated interest amounting to K312,328,757 (US\$31,870,281.32). See table below.

Name of Contractor	Contract number	Contract Sum		Amount Paid	Interest
		K	US\$	K	USD
Neria Investments Ltd	MA/MPC 0004 - 2016	395,505,385	41,632,146	395,505,385	18,526,894
Zambian Fertilizers	MA/MPC 0004 - 2016	101,130,365	10,645,302	101,130,365	525,864
Nyiombo	MA/MPC 0004 - 2016	290,776,355	30,608,037	290,776,355	12,817,524
<b>Totals</b>		<b>787,412,105</b>	<b>82,885,485</b>	<b>787,412,105</b>	<b>31,870,281</b>

Although interest in amounts totalling K307,175,292 (US\$31,344,417.54) for Nyiombo and Neria had been paid as at 31<sup>st</sup> August 2018, the expenditure was wasteful as it could have been avoided had the contractors been paid on time.

#### i. Beneficiaries Not Belonging to Registered Farmer Groups/Co-operatives

During the period under review, one thousand one hundred and sixteen (1,116) farmers whose e-voucher cards were loaded with amounts totalling K2,251,600 did not belong to any active farming group or cooperative. See table below.

Province	District	Number of Farmers Not Belonging to any organisation	Amount K
Western	Sesheke	17	27,200
	Mwandi	167	267,200
Copperbelt	Kitwe	932	1,957,200
<b>Total</b>		<b>1,116</b>	<b>2,251,600</b>

#### j. Copperbelt Province

##### i. Failure by an Agent to Deposit Farmers' Contributions - Lufwanyama

During the period under review, thirteen (13) farmers deposited amounts totalling K5,200 as farmer contributions through an MTN money agent engaged by the Ministry in Lufwanyama District.

However, the MTN money agent did not deposit the funds in the FISP account until the depositing period was closed resulting in the farmers not participating in the programme.

As at 31<sup>st</sup> August 2018, no action had been taken against the MTN Money agent.

**ii. Failure to Issue Inputs – Mufulira**

During the farming season under review, thirty two (32) farmers swiped for inputs costing K65,573 at three (3) agro dealers' shops in Mufulira district.

However, agro shops refused to issue the inputs alleging that the transactions were unsuccessful when the bank statements indicated that the transactions were successful.

As at 31<sup>st</sup> August 2018, the inputs swiped for had not been issued to the farmers.

**k. Central Province**

**i. Unqualified Farmer Groups/Co-operatives**

During the period under review, three hundred and fifty four (354) co-operatives/farmer groups that participated and deposited amounts totalling K2,003,000 did not have certificates of registration and written by laws.

**ii. Deposits Not Reflecting on Bank Statements**

A review of deposit slips revealed that amounts totalling K2,392,800 involving three hundred and eighty six (386) farmers were deposited in the FISP account at Bank ABC.

However, as at 31<sup>st</sup> August 2018, the amounts did not reflect on bank statements availed for audit.

**iii. Irregular Deposits**

A review of ATDs and the FISP Form 2 - consolidated list of approved applicants revealed that fourteen (14) farmers who paid farmer contributions in amounts totalling K9,600 participated under cooperatives they did not belong to rendering the transactions irregular.

**l. Failure to Supply Legume Seeds - Chisitu Co-operative – Eastern Province**

During the period under review, amounts totalling K4,800 were deducted from twelve (12) farmers from Chisitu Co-operative in Chipata District for legume seeds. However, as at 31<sup>st</sup> August 2018, neither were the legume seeds supplied to the farmers nor were the funds refunded.

**Head: 89                    Ministry of Agriculture**

**Unit:                    Various**

**Programme:                    Personal Emoluments**

**Activities:                    Various**

**54.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K419,500,832 was made to cater for personal emoluments and related costs against which amounts totalling K513,291,225 were released resulting in an over funding of K93,790,393.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Ministry Headquarters, Provincial Agriculture Coordinating Offices (PACOs) and District Agriculture Coordinating Offices (DACOs) carried out during the period from January to June 2018 revealed the following:

#### **a. Misplacement of Payroll Area**

A reconciliation of the payroll and staff returns revealed that there were thirty (30) officers who drew salaries in amounts totalling K318,965 in Central Province were not serving at the stations where they had been paid from.

As at 31<sup>st</sup> August 2018, no corrective measures had been taken to address the matter.

#### **b. Overpayment of Salaries**

During the period under review, six (6) officers in Central Province were paid basic salaries in amounts totalling K361,520 instead of their entitlement of K302,213 in line with their salary scales resulting in overpayments in amounts totalling K59,307.

As at 31<sup>st</sup> August 2018, the overpaid amounts had not been recovered.

#### **c. Payment of Hardship Allowances to Ineligible Employees**

According to Terms and Conditions of Service for the Public Service No. 166, an officer serving in an area declared to be in a remote area shall be entitled to receive hardship allowance at the rate as may be determined by Government from time to time. In this regard, Public Service Management Division Circular No. B6 of 2010 defined the rural and remote areas and eligibility criteria for the payment of rural and remote hardship allowances.

However, during the period under review, amounts totalling K316,094 were paid as Rural Hardship allowance (K315,870) and Remote Hardship allowance (K224) to forty one (41) officers who were not eligible to receive the allowances in that their work stations were not designated for payment of such allowances. See table below.

<b>Province</b>	<b>No. of Officers</b>	<b>Rural Hardship K</b>	<b>Remote Hardship K</b>	<b>Total K</b>
Muchinga	24	194,616	-	194,616
Central	2	14,964	-	14,964
Lusaka	15	106,290	224	106,514
<b>Total</b>	<b>41</b>	<b>315,870</b>	<b>224</b>	<b>316,094</b>

#### **d. Payment of Remote instead of Rural Hardship Allowances – Muchinga Province**

According to Terms and Conditions of Service for the Public Service No. 166, an officer serving in an area declared to be in a remote area shall be entitled to receive a hardship allowance at the rate as may be determined by Government from time to time. In this regard, Public Service Management Division Circular No. B6 of 2010 defined the rural and remote areas and eligibility criteria for the payment of rural and remote hardship allowances.

An analysis of the payroll and other related records revealed that two (2) officers who were entitled to rural hardship allowance of K18,625 were instead paid remote hardship allowance of K23,281 resulting in an over payment of K4,656.

#### **e. Irregular Payment of Housing Allowances**

Cabinet Office Circular No. B2 of 2010 (2) (b) states that housing allowance shall only be paid to employees who are not accommodated by Government and that employees accommodated in a standard house shall not qualify for the payment of housing allowance.

Contrary to the above Circular, amounts totalling K53,175 were paid as housing allowance to eight (8) officers who were accommodated in Government standard quarters.

#### **f. Failure to Recover Salaries Paid to Separated Officers**

Contrary to Terms and Conditions of Service for the Public Service No. 36, which states that an established officer may resign at any time, by giving the Government three (3) months' notice, in writing, exclusive of leave, or by paying Government one month's salary in lieu of

notice, three (3) officers who resigned during the period from March 2015 to October 2017 drew salaries in amounts totalling K194,390 as of June 2018. See table below.

Province	No. of Officers	Amount K
Western	1	16,425
Copperbelt	2	177,965
<b>TOTAL</b>	<b>3</b>	<b>194,390</b>

As at 31<sup>st</sup> August 2018, the funds had not been recovered.

**g. Irregular Payment of Salaries to a Seconded Officer - Muchinga Province**

The Terms and Conditions of Service for the Public Service No. 34 (d) states that a seconded officer shall not receive a salary from the Public Service during the period of secondment as payment of his or her salary shall be the responsibility of the organisation he or she is seconded to.

It was however observed that during the period under review, a former District Livestock Officer who was on secondment drew salaries in amounts totalling K44,305.

As at 31<sup>st</sup> August 2018, the salaries had not been recovered.

**h. Failure to Terminate the Salary from the Payroll for a Convicted Officer– Kalabo DACO**

On 9<sup>th</sup> March 2017, an Assistant District Marketing Development Officer was convicted by the Kalabo Subordinate Court for two (2) counts of theft by public servant and sentenced to eight (8) months imprisonment with effect from 9<sup>th</sup> March 2017.

It was however observed that the officer was not terminated from the payroll and as at 31<sup>st</sup> December 2017, the officer had been paid salaries in amounts totalling K35,868. As at 31<sup>st</sup> August 2018, no recoveries had been made.

**i. Misapplication of Funds – Western Province**

During the period under review, the Provincial Agriculture Coordinating Office received amounts totalling K356,513 to cater for loans and salary advances. However, an examination of financial records revealed that amounts totalling K110,806 were applied on unrelated administrative activities.

**Head:**           **89**           **Ministry of Agriculture**

**Department:**       **Provincial Agriculture Coordinating Offices**

**District Agriculture Coordinating Offices**

**Agriculture Training Institutions**

**Programme:**       **Various**

**Activities:**       **Various**

**55.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K36,759,143 was made to cater for various programmes at forty six (46) selected stations against which amounts totalling K13,923,275 were released resulting in an underfunding of K22,835,868.

In addition, a total amount of K3,040,613 was raised by the Zambia College of Agriculture in Mpika as application, tuition, examination, certificate and graduation attendance fees, bringing the total funds available to K16,963,888.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Agriculture Coordinating Offices (PACOs), District Agriculture Coordinating Offices (DACOs) and Agriculture Training Institutions carried out during the period from January to June 2018 revealed the following:

**a. Missing Payment Vouchers – Serenje DACO**

Contrary to Financial Regulation No. 65, fifty one (51) payment vouchers in amounts totalling K89,976 were not availed for audit.

**b. Unsupported Payments**

Contrary to Financial Regulation No. 45, four (4) payments in amounts totalling K8,762 were not supported with relevant documents such as receipts, LPOs and invitation letters among others. See table below.

Institution	No. of Payments	Amount K
Lusaka PACO	1	7,262
Luangwa DACO	3	1,500
<b>Total</b>	<b>4</b>	<b>8,762</b>

**c. Unretired Accountable Imprest – Lusaka PACO**

Contrary to Financial Regulation No. 96, accountable imprest in amounts totalling K3,079 issued to an officer had not been retired as at 31<sup>st</sup> August 2018.

**d. Irregular Procurement of Goods and Services Using Imprest**

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 K21,554 was issued to ten (10) officers to procure goods and services whose values were known at the time. See table below.

District	No. of Transactions	No. of Officers	Amount Disbursed K
Katete College	3	3	6,870
Kabwe PACO	5	5	12,084
Mumbwa DACO	2	2	2,600
	<b>10</b>	<b>10</b>	<b>21,554</b>

**e. Payments of Subsistence and Meal Allowances at Stations of Duty**

Contrary to Cabinet Office Circular Minute of 2015 dated 30<sup>th</sup> December 2015, which disallowed the payment of subsistence and meal allowances for activities undertaken within the district boundary, sixty eight (68) officers were paid amounts totalling K190,590 in respect of subsistence allowance (K59,725) and meal allowance (K130,865) for activities undertaken within the district boundaries. See table below.

Name of Institution	No of Officers	Subsistence Allowances K	Meal Allowances K	Total K
Chinsali PACO	1	-	1,020	1,020
Chinsali DACO	10	6,850	25,630	32,480
Mpika DACO	11	13,325	14,270	27,595
Isoka DACO	9	3,300	10,065	13,365
Zambia College of Agriculture	6	-	6,480	6,480
Mongu PACO	8	28,590	-	28,590
Sikongo DACO	1	3,360	-	3,360
Kalabo DACO	3	4,300	6,165	10,465
Ndola PACO	4	-	14,280	14,280
Mufulira DACO	8	-	26,225	26,225
Masaiti DACO	1	-	13,520	13,520
Lufwanyama DACO	6	-	13,210	13,210
<b>TOTAL</b>	<b>68</b>	<b>59,725</b>	<b>130,865</b>	<b>190,590</b>

As at 31<sup>st</sup> August 2018, the irregularly paid allowances had not been recovered.

#### f. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, which states that “every stores officer or any other officer having in his charge any public stores or other articles of public property must keep and maintain records of the receipt and issue of such public stores”, stores in amounts totalling K52,250 (General Stores – K30,387 and Fuel – K21,863) purchased during the period under review had not been accounted for in that there were no receipt and disposal details. See table below.

Station	Stores K	Fuel K	Total K
Mumbwa DACO	11,462	-	11,462
Katete DACO	10,410	-	10,410
Lusaka PACO	5,565	8,636	14,201
Luangwa DACO	2,950	6,376	9,326
Rufunsa DACO	-	6,851	6,851
<b>Total</b>	<b>30,387</b>	<b>21,863</b>	<b>52,250</b>

#### g. Failure to Insure Motor Vehicles and Motor Cycles

Contrary to Section 133 of the Roads and Road Traffic Act, Cap 464 of the Laws of Zambia, which requires that all motor vehicles using public roads must have a minimum of third party insurance cover, seventy one (71) motor vehicles and one hundred and thirty eight (138) motor cycles in four (4) provinces were not insured during the period under review. See table below.

<b>Province</b>	<b>No. of Motor Vehicles</b>	<b>No. of Motor Cycles</b>
Western	5	-
Eastern	39	130
Copperbelt	2	-
Central	25	8
<b>Total</b>	<b>71</b>	<b>138</b>

**h. Failure to Remit Tax**

Contrary to the Income Tax Act, CAP 323 of the Laws of Zambia, amounts totalling K96,606 deducted from payments made to thirty seven (37) officers in respect of settling in allowance and long service bonus had not been remitted to the Zambia Revenue Authority (ZRA) as at 31<sup>st</sup> July 2018. See table below.

<b>Station</b>	<b>No. of Officer</b>	<b>Amount K</b>
Mongu PACO	2	4,498
Chinsali PACO	35	92,108
	<b>37</b>	<b>96,606</b>

**i. Failure to Reimburse Borrowed Funds - Sesheke DACO**

During the period from February to May 2017, amounts totalling K31,122 were borrowed by the District Fisheries and Livestock Coordinating Office from the District Agriculture Coordinating Office in Sesheke to enable them undertake various activities.

However, as at 31<sup>st</sup> August 2018, the funds had not been reimbursed.

**j. Failure to Insure Livestock – Zambia College of Agriculture - Mpika**

During the period under review, the college had a total of one hundred and fifty four (154) animals (Goats - 39 and Pigs - 115). A review of records availed for audit revealed that the animals were not insured.

**k. Failure to Recover Salary Advances – Ndola PACO**

Contrary to Terms and Conditions of Service for the Public Service No. 92, which states that a salary advance shall be repaid within a reasonable period of time but not exceeding six (6) months, it was observed that salary advances in amounts totalling K12,500 paid to three (3) officers during the period from January to November 2017 had not been recovered as at 31<sup>st</sup> August 2018.

**Head:** **90/01 Office of The President – Lusaka Province**

**Department:** **Various**

**Programme:** **General Administration**

**Activities:** **Various**

**56.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K70,199,334 was made to cater for various programmes at the Lusaka Provincial Administration against which amounts totalling K70,282,353 were released resulting in an overfunding of K83,019.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration carried out from March to May 2018 revealed the following:

**a. Variances in Funds Released by Ministry of Finance and Remittances to Various Departments and District Commissioners' Offices**

The Provincial Accounting and Control Unit (PACU) receives funding for all departments under the Provincial Administration. Since the funding is received as a block figure, management meets with some of the Heads of Departments at the province to allocate the funding received to the various departments and District Commissioners' offices.

A comparison of the releases posted in the system by the Ministry of Finance and the funding received by seventeen (17) departments and two (2) units revealed that out of a total amount of K10,735,710 funded in the system to Departments and Units for Other Personal Emoluments and Recurrent Department Charges (RDCs), only K4,861,050 was remitted to the Departments, Units and districts while the balance of K5,434,664 was retained at PACU which affected the operations of departments and districts. See table below.

<b>Department</b>	<b>Releases by MOF</b>	<b>Funds Remitted to Department and Districts K</b>	<b>Retained by PACU K</b>
Zambia News & Information Service	272,335	120,000	152,335
Chiefs & Traditional Affairs	468,786	137,000	331,786
Buildings	265,741	142,000	123,741
Forestry	532,170	140,000	392,170
Survey	579,484	135,000	444,484
Water Affairs	631,940	130,000	501,940
Labour & Factories	262,005	142,000	120,005
Social Welfare	323,929	135,000	188,929
Cultural Services	276,376	137,000	139,376
Youth Development	255,924	190,000	65,924
Resettlement	366,350	167,000	199,350
Child Affairs	205,950	135,000	70,950
Provincial Local Government	365,001	142,000	223,001
Town and Country Planning	624,242	130,000	494,242
Sports	233,078	130,000	103,078
Provincial Planning Unit	878,498	905,000	(26,502)
District Administration	3,631,055	1,883,050	1,748,005
Internal Audit	252,365	100,000	152,365
Procurement & Supplies Unit	310,485	301,000	9,485
<b>Total</b>	<b>10,735,714</b>	<b>5,301,050</b>	<b>5,434,664</b>

However, there was no justification provided by the Provincial Administration for failure to release the amounts in full.

**b. Failure to Deduct PAYE**

Contrary to the Income Tax Act, amounts totalling K88,793 were paid as settling in allowance, leave terminal benefits and commutation of leave days to nine (9) officers without deducting Pay as You Earn (PAYE).

**c. Failure to Remit Taxes**

Pay As You Earn (PAYE) in amounts totalling K308,077 was deducted from thirty seven (37) officers in respect of payments of commutation of leave days made in March and April 2017. However, as at 31<sup>st</sup> July 2018, the tax had not been remitted to the Zambia Revenue Authority (ZRA).

**d. Under Deduction of PAYE**

Amounts totalling K350,029 were paid to nineteen (19) officers as settling in allowance and tax in amounts totalling K98,028 was deducted.

However, a re-computation of tax on the amounts paid revealed that the tax that should have been deducted was K131,261 thereby resulting in an under deduction of tax in amounts totalling K33,233.

**e. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65(1), three (3) payment vouchers in amounts totalling K62,900 were not availed for audit as at 31<sup>st</sup> August 2018.

**f. Irregularities in Imprest Related Transactions**

During the period under review, imprest was paid to various officers to facilitate payment of subsistence allowances and fuel. The payments were meant for activities such as monitoring, collection of non-tax revenue, attending traditional ceremonies and compiling reports on outstanding PAC matters among others. However, it was observed that the rates used were not correct, dates when the activities were undertaken were not indicated and in some instances days were overlapping in that some officers were paid for activities undertaken in different districts at the same time. It was also observed that some officers were paid for days more than the calendar days in one financial year.

In particular, the following observations were made:

**i. Irregular Retirements**

Retirements in respect of imprest in amounts totalling K5,415,539 issued to eight (8) officers were irregular in that the periods the activities were undertaken and registration numbers of the motor vehicles used were not indicated and log books were not availed thereby making it not possible to confirm whether the activities were undertaken.

In addition, a review of some visitors' registers in districts revealed that some visit dates were only inserted in the registers afterwards to try and prove that the visits had been undertaken.

Similarly, an analysis of the acquittal sheets and retirements revealed the following:

**• Questionable Payment of Subsistence and Meal Allowances**

Five (5) officers were paid meal and subsistence allowances in amounts totalling K1,097,675 for carrying out various activities for days ranging from 637 to 763

days. However, the number of days were more than the calendar days thereby rendering the payments questionable. See table below.

<b>Position</b>	<b>Total days Paid K</b>	<b>Total calendar days</b>	<b>Excess days Paid</b>	<b>Total Paid K</b>
Deputy PS	751	365	386	292,150
PACO	754	365	389	243,785
Assistant Accountant	637	365	272	147,190
Accounts Assistant	722	365	357	190,155
Accounts Assistant	763	365	398	224,395
<b>Total</b>				<b>1,097,675</b>

- **Excess Payment of Subsistence Allowances**

During the period under review, twenty eight (28) officers were paid amounts totalling K1,003,880 to carry out various activities in all the districts of Lusaka Province. However, interviews conducted with staff and an examination of the visitors' books maintained at the District Commissioners' offices revealed that the officers had either not spent any nights at the stations they purported to have visited while in some instances they had only spent one (1) night, despite claiming to have spent nights ranging from three (3) to seven (7) per District, resulting in excess payment of subsistence allowances in amounts totalling K819,080. As at 31<sup>st</sup> August 2018, the excess payment had not been recovered.

- ii. **Unretired Accountable Imprest**

Contrary to Financial Regulation No. 96 (1), imprest in amounts totalling K518,355 issued to various officers during the period under review had not been retired as at 31<sup>st</sup> August 2018.

- iii. **Irregular Payment of Meal Allowance**

Contrary to Cabinet Office Circular No. 11 Clause 7(iv) of 2013 and Cabinet Office Circular Minute of 2015, amounts totalling K93,955 were paid to various officers as meal allowance for undertaking activities within the district.

- iv. **Questionable Retirements**

On 31<sup>st</sup> March 2017, a payment of K102,410 was made to an Accountant as imprest for Planning and Development Coordinating Committee meeting expenses held at

Mulungushi International Conference Centre in Lusaka. A review of the retirement details revealed the following:

- Subsistence allowance in amounts totalling K13,420 was irregularly paid to members of staff stationed in Lusaka contrary to Cabinet Office Minute of 30<sup>th</sup> December 2015.
- Various officers stationed in Lusaka were paid allowances in amounts totalling K4,320 when they were entitled to lunch allowances amounting to K1,940 resulting in an overpayment of K2,380 which had not been recovered as at 31<sup>st</sup> August 2018.

**Head: 90/01      Office Of The President – Lusaka Province**

**Department: Lusaka Provincial Planning Authority**

**Programme: Planning Authority**

**Activities: Various**

**57.** The Department of Physical Planning and Housing is responsible for physical planning in Lusaka Province. It considers applications for subdivisions, development, rezoning and consolidation of land and generates income from fees charged for its services.

During the financial year ended 31<sup>st</sup> December 2017, the department collected revenue in amounts totalling K3,286,845 from applications for subdivisions, development and consolidation of land services.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration carried out from March to May 2018 revealed the following:

##### **a. Failure to Capture Revenue in the IFMIS**

Contrary to Financial Circular No. 1 of 2017 issued by the Ministry of Finance, which requires that all revenue collecting MPSAs on IFMIS, capture revenue transactions in the system using the appropriate general ledgers in the system, the Department did not capture revenue collected in amounts totalling K3,286,845 in the system.

**b. Irregular Payment of Meal Allowances**

Contrary to Cabinet Office Circular Minute of 30<sup>th</sup> December 2015, meal allowances in amounts totalling K54,179 were paid to sixty (60) officers who were sorting documents in readiness for archiving, Public Service Day preparations and Agriculture Show preparations among others, activities which were undertaken at their normal stations of duty.

**Head: 90/01 Office of the President – Lusaka Province**

**Department: Provincial Water Engineer**

**Programme: Provincial Water Engineers Account**

**Activities: Various**

**58.** The Department was created through the Water Resource Management Act No. 21 of 2011 and its mandate is to provide policy guidance and to manage water resources for sustainable national social economic development. It generates income from fees charged for its services.

During the period under review, the department collected revenue in amounts totalling K1,471,123 from user fees for borehole siting, drilling and pump testing. In addition, K420,497 was brought forward from 2016 bringing the total available funds to K1,891,620.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration carried out from March to May 2018 revealed the following:

**a. Delayed Banking of Revenue Collected**

Contrary to Financial Regulation No. 121(1), there were delays of periods ranging from 4 to 259 days in banking revenue in amounts totalling K270,835 collected by the Department during the period under review.

**Head: 90 Office of the President - Lusaka Province**

**Department: 01 Headquarters**

**Programme: General Deposit Account**

**Activities: Various**

**59.** During the financial year ended 31<sup>st</sup> December 2017, amounts totalling K243,830 were received for various activities under the General Deposit Account. In addition, an amount of K7,118 was brought forward from 2016, bringing the available funds to K2,125,427.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of selected projects carried out from March to May 2018 revealed the following:

#### **a. Questionable Payment of Allowances**

The department of Internal Audit of Lusaka Provincial Administration carried out an audit inspection on activities undertaken by the Department of Water Affairs in November 2014 and issued a report referenced LUSP/IAR/01/2015 dated 14<sup>th</sup> March, 2015. The audit team comprised one Senior Internal Auditor, one Internal Auditor, one Accountant and one officer from the Department of Water Affairs.

The audit covered four (4) districts namely; Luangwa, Rufunsa, Chongwe and Kafue and was conducted in seven (7) days from 16<sup>th</sup> to 22<sup>nd</sup> November 2014.

Arising from the observations in the Internal Audit Report and responses from the Department of Water Affairs, the Provincial Administration decided to undertake a tour of the same districts that were visited by the internal auditors to monitor the implementation of the remedial measures. In this regard, a total amount of K130,374 was paid to nine (9) accounting officers on 16<sup>th</sup> February 2017 to undertake the exercise.

Although the audit was conducted by four (4) officers covering four (4) districts in seven (7) days, the activity of monitoring the remedial actions was carried out by nine (9) accounting officers over a period of twenty (20) days in six (6) districts namely; Luangwa, Rufunsa, Lusaka, Chirundu, Shibuyunji and Kafue thereby rendering the payment of K130,374 questionable.

**b. Unaccounted for Funds**

**i. Lack of Expenditure Details - Payment for Data Collection to Answer Audit Queries**

On 16<sup>th</sup> February 2017, K173,265 was paid to an accounting officer as group imprest for fourteen (14) officers for collection of evidence from various districts in relation to transport and stores management to answer audit queries. However, an analysis of the acquittal sheets attached to the voucher revealed that K92,440 was paid as subsistence allowance while K80,825 did not have expenditure details.

**ii. Lack of Expenditure Details - Hosting Foreign Head of State**

A total amount of K50,000 was paid to an accounting officer on 22<sup>nd</sup> June 2017 for purposes of facilitating the hosting of a visiting Head of State. However, no expenditure details were availed for audit as at 31<sup>st</sup> August 2018.

**Head:** 91/01 **Office of the President - Copperbelt Province**

**Unit:** **Various**

**Programme:** **General Deposit Account**

**Activities:** **Various**

**60.** The Provincial Administration maintains a General Deposit Account in which third party funds are deposited. The funding to the account includes amounts that various departments under the Provincial Administration receive from their respective ministries for specific purposes.

During the financial year ended 31<sup>st</sup> December 2017, amounts totalling K51,338,438 were deposited into the General Deposit Account to cater for various activities such as Presidential visits to the province, National Day of Prayer and Fasting, Africa Cup of Nations Under 20, compensation of resettled farmers in Misaka and state funerals among others.

In addition, an amount of K357,424 was brought forward from 2016, bringing total funds available to K51,695,862.

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and physical inspection of selected projects carried out in March 2018 revealed the following:

### **a. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K4,200 procured during the period under review were unaccounted for in that there were no receipt and disposal details.

### **b. Wasteful Expenditure – NAPSA Penalties**

During the period under review, the Provincial Administration failed to meet the monthly payment deadlines of contributions deducted from employees' earnings to the National Pension Scheme Authority (NAPSA). In this regard, amounts totalling K18,025 were charged and paid to NAPSA as penalties for failure to meet the monthly deadlines.

### **c. Irregularities in the Sale of Boarded Assets**

During the period under review, the Provincial Administration undertook a Board of Survey exercise to sell by auction, some items such as motor vehicles, motor cycles and stores items. The exercise covered all districts on the Copperbelt. A total amount of K966,977 was realised as shown in the table below.

Category	Motor Vehicle/Cycles K	Stores Items K	Total K
Participation Fees	110,000	500	110,500
Bid Amounts	849,500	6,977	856,477
<b>Total</b>	<b>959,500</b>	<b>7,477</b>	<b>966,977</b>

The funds were banked in Control 99 (K856,477) and the General Deposit Account (K110,500).

However, the following observations were made:

#### **i. Failure to Collect Participation Fees**

A participation fee of K2,500 per District was chargeable to every participant wishing to take part in any District of their choice. It was observed that eleven (11) successful

bidders were allowed to participate in various Districts without paying the participation fees in amounts totalling K35,000.

**ii. Failure to Collect Outstanding Amounts from Sale of Motor Vehicles and Cycles**

Ten (10) bidders who purchased motor vehicles/cycles with a total reserve price of K81,000 only paid amounts totalling K41,800 while the balance of K39,200 had not been collected as at 31<sup>st</sup> August 2018.

**iii. Sale of Motor Vehicles / Cycles without Reserve Price and Board of Survey (BOS) Numbers**

Twenty (20) items were sold to fourteen (14) bidders at a total of K109,000. However, there was no evidence to show that the items had reserve prices or Board of Survey Numbers. Consequently, it was not possible to ascertain whether approval was granted to have the items sold and the amounts paid were equal or higher than reserved price.

**d. Misaka Resettlement Project - Phase I**

The Ministry of Infrastructure and Housing in collaboration with the Ministry of Transport and Communication and the Zambia Airports Corporation Limited, embarked on a project to construct the Copperbelt International Airport. The Airport Construction was allocated a 2,000 hectares parcel of land located on the north of Dag Hammarskjold Memorial Crash Site in Ndola, crossing the Luanshya, Luasaka and Baluba Rivers. About 62% of the targeted construction area lay in the Ndola West National Forest occupied by an estimated number of 2,097 Settlers representing 431 households engaged in agricultural activities.

In order to implement the Copperbelt International Airport Project, the industrial plantation was to be cleared and the Settlers needed to be relocated to another area. Misaka area was identified as the area to which the settlers were to be relocated.

The Resettlement Action Plan was drawn up to achieve the following objectives:

- To clearly identify people and stakeholders affected by the airport construction project;
- To identify and enumerate all non-movable assets affected by the airport construction project;

- To provide compensation to institutions and the affected people for loss arising from the Airport Project Development;
- To undertake the relocation process in accordance with domestic and international guidelines;
- To implement an effective grievance management system and monitoring mechanism.

In this regard, amounts totalling K44,281,001 (including a supplementary of K21,478,986) were released to cater for activities such as vacant land identification, resettlement, compensation and preparation of the relocation site.

As at 31<sup>st</sup> December 2017, amounts totalling K35,231,843.29 had been spent leaving a balance of K9,049,158 as shown in table below.

<b>Activity</b>	<b>Funding K</b>	<b>Expenditure K</b>	<b>Balance K</b>
Vacant Land Identification	450,000	444,598	5,402
Resettlement & Compensation Plan Phase 1	21,478,986	21,471,566	7,420
Misaka Resettlement Site	7,352,015	6,139,225	1,212,790
Resettlement & Compensation Plan Phase 2	15,000,000	7,176,454	7,823,546
<b>Total</b>	<b>44,281,001</b>	<b>35,231,843</b>	<b>9,049,158</b>

Included in the total funding of K44,281,001 were amounts totalling K36,478,896 allocated for Resettlement and Compensation (Phase 1 – K21,478,565 and Phase 2 - K15,000,000). Out of the amount of K36,478,896, amounts totalling K28,648,020 were spent on resettling and compensating of two hundred and ninety (290) affected settlers leaving a balance of K7,830,966 and one hundred and forty one (141) farmers not compensated. See table below.

<b>Activity</b>	<b>Funding K</b>	<b>Expenditure K</b>	<b>Balance K</b>	<b>No. of Affected Farmers</b>	<b>Farmers Compensated</b>	<b>Uncompensated Farmers</b>
Resettlement & Compensation Plan Phase 1	21,478,986	21,471,566	7,420	431	290	141
Resettlement & Compensation Plan Phase 2	15,000,000	7,176,454	7,823,546			
<b>Total</b>	<b>36,478,986</b>	<b>28,648,020</b>	<b>7,830,966</b>	<b>431</b>	<b>290</b>	<b>141</b>

A review of accounting records, project reports and interviews with officers from the Departments directly involved in the project and site visits conducted in May 2018 revealed the following:

**i. Failure to Allocate Compensated Farmers New Lots**

Seven (7) farmers who had received compensation in amounts totalling K922,334 during the period July to December 2017, had not been allocated their lots.



*Home of affected farmers at the service centre awaiting re-allocation of lots*

**ii. Drilling of Boreholes**

On 21<sup>st</sup> September 2017, the Provincial Administration entered into a contract with United Drilling and Exploration Co. Limited of Ndola for borehole siting, drilling and installation of 25 hand pumps in Misaka Resettlement Area at a contract sum of K650,000 with a duration of four (4) weeks. As at 31<sup>st</sup> December 2017, the contractor had been paid amounts totalling K313,793 leaving a balance of K336,207.

A review of related documents and a visit to the Misaka Resettlement Area conducted on 2<sup>nd</sup> and 3<sup>rd</sup> May 2018 revealed the following:

- Only 16 out of the 25 boreholes were sank
- Water coming out of the some pumps had a brownish colour resulting from the rust in the steel that was used instead of using the PVC casing as stipulated in the contract.
- The hand pumps for two (2) boreholes were not functional.

### **iii. Opening up of Access Roads – Zambia National Service (ZNS)**

On 2<sup>nd</sup> June 2017, the Zambia National Service (ZNS) was engaged to construct 61km of access roads within and around the Misaka Resettlement Area. The completion period was thirty (30) days. The Zambia National Service was to provide the equipment while the Provincial Administration was to provide funds for fuel, operating costs and allowances for operators. A bill of quantities (BOQ) in amounts totalling K372,427 was prepared for the exercise. The scope of works could not be ascertained as it was not stated in the signed agreement.

As of April 2018, amounts totalling K282,551 had been spent. A visit to the resettlement area in May 2018 revealed the following:

- Two access roads with a combined stretch of 2.6km (A to B 1.15km and C to D 1.15km) had not been opened up
- The inner network roads that were opened up had been overgrown with grass.
- Although the access roads within and around the Resettlement Area had been done, roads connecting Misaka to Ndola were not included resulting in the community being cut off during rainy season as the roads became impassable. In this regard, the relocation of settlers had to be suspended due to bad roads.
- There was no evidence of a maintenance plan for opened up roads. See pictures below.



*Opened up roads with overgrown grass and shrubs*

**e. Construction of Chiefs' Palaces**

**i. Construction of Chief Nkambo's Palace**

On 6<sup>th</sup> February 2017, the Provincial Administration engaged Insoke Construction Limited of Ndola to construct Chief Nkambo's Palace - Phase II in Masaiti District at a contract sum of K889,314 inclusive of VAT. The contract was for a period of nine (9) weeks from 14<sup>th</sup> February to 20<sup>th</sup> April 2017. The scope of works included the construction of the superstructure, plastering, metal works, carpentry and joinery, finishes, flooring, plumbing, glazing, ceiling, electrical works, power supply, roofing, painting and external works. As of April 2018, the contractor had been paid amounts totalling K110,812 representing 12.5% of the contract price leaving a balance of K778,502.

A visit to the site carried out on 16<sup>th</sup> March 2018, revealed that forty seven (47) weeks after the expected completion date, the structure had not been completed with the following works still outstanding:

- Fitting of doors
- Glazing
- Ceiling
- Painting
- External works
- Fitting of 3 door frames – two pantries and kitchen

Further, it was observed that the contractor fitted 10 \* 6-inch door frames instead of 10 \* 8-inch door frames as per the Bill of Quantities.

**ii. Construction of Chieftainess Shimukunami's Palace**

On 8<sup>th</sup> November 2017, the Provincial Administration engaged Chisomark Enterprises Limited of Kitwe to construct Chieftainess Shimukunami's Palace - Phase II in Lufwanyama District for a contract sum of K923,755 inclusive of VAT. The contract period was twelve (12) weeks from 16<sup>th</sup> November 2017 to 25<sup>th</sup> January 2018. The scope of works included the construction of the superstructure, plastering, metal works, carpentry

and joinery, finishes, flooring, plumbing, glazing, electrical works, power supply, roofing, painting and external works.

As at 30<sup>th</sup> June 2018, the contractor had been paid an amount of K248,162 representing 26% of the contract price leaving a balance of K675,594.

A physical inspection carried out in April 2018 revealed that thirteen (13) weeks after the expected completion date, the structure had not been completed with the following works still outstanding:

- Metal works
- Plumbing
- Plastering
- External works, among others



*Uncompleted Chieftainess Shimukunami's house in Lufwanyama*

**Head:** 91/01                   **Office of the President – Copperbelt Province**

**Programme:**                   **Infrastructure Development**

**Activities:**                   **Various**

**61.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K2,923,479 was made to cater for various projects under Infrastructure Development such as; rehabilitation works at the Minister's house, Permanent secretary's residence, Presidential lodges and maintenance works at the Provincial Administration office, against which amounts totalling K1,681,272 were released resulting in an under funding of K1,242,207.

In addition, an amount of K33,797 was brought forward from 2016, bringing the total funds available in 2017 to K1,715,069.

### **Accounting and other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration office and physical inspection of selected projects carried out in March 2018 revealed the following:

#### **a. Construction of Three (3) Houses in Lufwanyama**

On 7<sup>th</sup> January 2015, the Provincial Administration engaged Tunta General Contractors Ltd to construct three (3) houses in Lufwanyama district at a contract sum of K1,858,346. The duration of the contract was thirty (30) weeks.

As at 31<sup>st</sup> March 2018, the contractor had been paid amounts totalling K758,669 as shown in the table below leaving a balance of K1,099,677. See table below.

<b>Date</b>	<b>Amount K</b>
22.07.2015	291,099
24.08.2015	80,570
08.09.2015	211,000
15.02.2016	106,000
08.08.2017	70,000
<b>Total</b>	<b>758,669</b>

A physical inspection of the project carried out in March 2018 revealed that all the 3 houses were roofed with the following works still outstanding:

- Installation of steel window and door frames
- External and internal plastering
- Fitting of all electrical works, including connecting houses to the national grid
- Flooring in cement mortal
- Internal and external plumbing, including drainage works
- Fitting of doors, shelves and iron monger
- Glazing works
- Cleaning of site

- Demobilization and site hand over.



*Roofed GRZ house in Lufwanyama*

During the period under review no works were done and the contractor had abandoned the site.

**b. Construction of a 1 X 3 Classroom Room Block in Kambilombilo**

During the period from 2015 to 2017, amounts totalling K265,095 were released for the construction of a 1X3 classroom block in Kambilombilo. See table below.

<b>Year</b>	<b>Release K</b>
2015	150,000
2016	14,900
2017	100,195
	<b>265,095</b>

In 2015, the Provincial Administration engaged Lindman Enterprises Limited to construct a 1x3 classroom block at Kambilombilo Community School. However, the terms of the contract such as contract date, contract sum, commencement date and contract period could not be ascertained because the contract was not availed for audit.

As of March 2018, the Contractor had been paid amounts totalling K115,095.

A physical inspection of the project carried out in March 2018 revealed that, although the contractor was engaged to construct a 1x3 classroom block, he constructed a 1x2 classroom block. The structure had been roofed and iron mongery works had been done with the following outstanding works:

- Painting and decorations of inside and outside the classroom block.

- Electrical wiring and installation
- Fixing of glass panes
- Casting of concrete in the strong room above door level
- Fixing of doors and mortice locks
- Spoon drain on the front end of the building
- Fixing of peg stays and window handles
- Some cracks had developed on the floor as shown in the picture below;



*Picture of the unpainted and not glazed 1 X 2 CRB*

**c. Failure to Rehabilitate the Minister’s House**

In 2017, amounts totalling K110,000 were released for the rehabilitation of the Minister’s and the Permanent Secretary’s houses. As of February 2018, amounts totalling K60,562 had been spent on the rehabilitation of the Permanent Secretary’s house leaving a balance of K49,438.

A physical inspection of the Minister’s house conducted on 27<sup>th</sup> February 2018 revealed the following:

- The roof was damaged and was leaking as evidenced by the water stains on the ceiling boards.
- The sewer pipes were blocked
- The walls were peeling off in the sitting room, bathrooms and kitchen

As at 31<sup>st</sup> August 2018, inspite of the availability of funds, the Minister’s house had not been rehabilitated.

**Head:** **91/01 Office of the President – Copperbelt Province**

**Unit:** **01 Headquarters**

**Programme:** **2 Personal Emoluments**

**Activities:** **Various**

**62.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K57,452,735 was made to cater for personal emoluments against which amounts totalling K57,854,983 were released resulting in an over funding of K402,248.

### **Accounting and other Irregularities**

An examination of accounting and other records maintained at Provincial Administration carried out during the period from January to March 2018 revealed the following:

**a. Over Payment of Salaries Due to Wrong Salary Scales**

During the period under review, nine (9) employees who were entitled to be paid salaries in amounts totalling K304,901 were placed on wrong salary scales and consequently paid salaries amounting to K381,183 resulting in an over payment of K76,282. As at 31<sup>st</sup> August 2018, the anomaly had not been rectified.

**b. Irregular Payment of Housing Allowance**

Contrary to Public Service Management Division Circular No. B 24 of 2013, which states that housing allowance shall be paid to officers not accommodated by Government in standard/pool houses through the payroll, an officer who was occupying a Government house was irregularly paid housing allowances in amounts totalling K6,995.

**c. Irregular Payment of Commuted Night Duty Allowance**

The Terms and Conditions of Service No. 167 (i) states that, commuted night duty allowance shall be paid to nursing and paramedical personnel who work during the night over and above normal working hours. However, it was observed that during the period under review, amounts totalling K29,632 were irregularly paid as commuted night duty allowance to three (3) officers who were not eligible in that they were neither nurses nor paramedical staff.

**d. Irregular Payment of Rural and Remote Hardship Allowances**

Contrary to Public Service Management Division Circular No. B 2 of 2010, nineteen (19) employees who were working in localities not designated as rural or remote areas were irregularly paid rural and remote hardship allowances in amounts totalling K184,289.

**e. Failure to Effect Half Pay**

During the period under review, two (2) officers who had disciplinary cases and were on suspension were irregularly paid full salaries amounting to K120,421 instead of half salaries contrary to the Terms and Conditions of Service.

**f. Introduction on Payroll without Authority**

Contrary to the Terms and Conditions of Service for the Public Service No. 4, amounts totalling K47,243 were irregularly paid to four (4) officers who were introduced on the payroll without evidence of appointment letters from the Public Service Management Division.

**g. Failure to Conclude Staff Disciplinary Case**

A Typist was placed on suspension in March 2015 due to absenteeism from duty and as at 31<sup>st</sup> July 2018, the officer's disciplinary case had not been resolved and was still receiving half salaries. In this regard, for the period January to December 2017, the officer received salaries in amounts totalling K29,376. There was no evidence to show how management was resolving the matter with the Public Service Management Division.

**h. Payments of Salaries to Unknown Officers**

During the period under review, salaries in amounts totalling K285,556 were paid to seven (7) employees based at different stations. However, a head count carried out in April 2018 revealed that the officers were not at the respective work stations. Further, inquiries made with management revealed that the officers were not known.

**i. Misplacement of Payroll Area**

A reconciliation of the payroll and staff returns at the Provincial Administration revealed that there were five (5) officers who drew salaries in amounts totalling K194,926 but were serving outside the Province.

**Head: 91/01 Office of the President – Copperbelt Province**

**Unit: Various**

**Programme: General Administration**

**Activities: Various**

**63.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K44,920,812 was made to cater for various General administration activities at the Provincial Administration and the ten (10) District offices out of which amounts totalling K37,778,260 were released resulting in an underfunding of K7,142,552.

In addition, amounts totalling K258,052 were brought forward from 2016 bringing the total funds available to K38,036,312.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and five (5) selected District Administration offices namely; Ndola, Lufwanyama, Masaiti, Kitwe and Mufulira carried out from January to March, 2018 revealed the following:

##### **a. Failure to Avail Bank Account Records – Ndola District Administration Office**

Contrary to Financial Regulation No. 135 (1, 2 and 3), Ndola District Administration Office did not avail for audit the following documents relating to the three (3) bank accounts namely the Disaster Management and Mitigation Unit, Ndola State Function and Celebrations, and District Gender Sub Committee:

- Accounts Form 49 requesting for authority to open the accounts,
- Details of signatories to the accounts,
- Bank statements, and
- Cash books, ledgers, banking slips, expenditure details or reconciliations.

As a result, it was not possible to ascertain the funds received and the expenditure incurred on the accounts as well as whether the procedures for opening these accounts were followed.

**b. Unsupported Payments**

Contrary to Financial Regulation Nos. 45 and 52, thirty one (31) payments in amounts totalling K60,929 were not supported with relevant documentation such as receipts. See table below.

Station	No. of Payments	Amounts K
Provincial Administration	19	46,379
Lufwanyama District	12	14,550
<b>Total</b>	<b>31</b>	<b>60,929</b>

**c. Irregular Payment of Subsistence Allowance within the District**

The Terms and Conditions of Service for the Public Service No.154 (a) provides that subsistence allowance shall be paid to an officer to cover the additional expenses he or she has to meet when travelling on duty away from his or her normal station of duty. Contrary to the above, amounts totalling K20,250 were irregularly paid to seventeen (17) officers as subsistence allowances to undertake various activities within the normal station of duty. See table below.

Station	No. of Officers	Amount K
Ndola District	6	4,350
Kitwe District	11	15,900
<b>Total</b>	<b>17</b>	<b>20,250</b>

**d. Overpayment of Subsistence Allowance – Ndola District Administration Office**

During the period under review, eight (8) officers were paid amounts totalling K20,650 as subsistence allowances instead of K18,680 as a result of using wrong rates of subsistence allowances resulting in an overpayment of K1,970. As at 31<sup>st</sup> August 2018, the overpaid amounts had not been recovered.

**e. Irregular Payment of Hotel Bills**

During the period under review, the Provincial Administration paid bills in amounts totalling K66,438 to Henry Makulu Hotel in respect of accommodation of five (5) officers who had been transferred to the Copperbelt Province. The payment was irregular in that the Terms and Conditions of Service do not provide for accommodation of officers.

**f. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K27,560 (general stores – K26,110 and fuel – K1,450), procured during the period under review at the Provincial Administration Office were not accounted for in that there were no receipt and disposal details.

**Head: 92 Office of the President – Central Province**

**Unit: Various**

**Programme: Personal Emoluments and General Administration**

**Activity: Various**

**64.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December, 2017, a provision of K75,522,328 was made to cater for activities at the Provincial Administration against which amounts totalling K69,224,449 were released resulting in an underfunding of K6,297,879.

**Accounting and Other Irregularities**

A review of accounting and other records maintained at the Provincial Administration and four (4) District Administration offices namely; Serenje, Itezhi-tezhi, Mumbwa and Kabwe carried out from February to May 2018 revealed the following:

**a. Irregular Payment of Rural and Remote Hardship Allowance**

According to the Terms and Conditions of Service No. 166, an officer serving in an area declared to be in a remote area shall be entitled to receive a hardship allowance at the rate as may be determined by Government from time to time.

During the period under review, amounts totalling K66,450 were paid as remote and rural hardship allowances to eight (8) officers who were not entitled to the allowances. See table below.

<b>Allowance</b>	<b>No. of Officers</b>	<b>Amount K</b>
Remote	1	17,073
Rural Hardship	7	49,377
<b>Total</b>	<b>8</b>	<b>66,450</b>

**b. Failure to Convene Audit Committee Meetings**

Part II of Financial Regulation No. 6 stipulates that each MPSA shall establish an Audit Committee whose responsibility shall include checking on the findings and recommendations of the internal auditors if they have been adhered to. In addition, Audit Committee guidelines require that Audit Committees should be meeting every quarter or four times in a year to attend to the Internal Audit reports submitted to the committee.

Contrary to the regulation, the audit committee did not meet during the period from July 2016 to June 2018. Consequently, ten (10) audit reports issued by the internal auditor had not been attended to as at 31<sup>st</sup> July 2018.

**c. Unsupported Payments**

Contrary to Financial Regulation Nos. 45 and 65, four (4) payments in amounts totalling K11,673 made during the period under review were not supported with relevant documents such as receipts, invoices and local purchase orders among others.

**d. Failure to Remit Tax**

During the period under review, amounts totalling K861,640 were collected as Value Added Tax (VAT) out of which amounts totalling K775,456 were remitted to the Zambia Revenue Authority while the balance of K86,184 had not been remitted as at 31<sup>st</sup> August 2018.

**e. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K15,345 (General Stores – K11,459 and Fuel – K3,886) procured during the period under review were not accounted for in that there were no receipt and disposal details.

**f. Unaccounted for Revenue – Kabwe Skills Training Centre**

Revenue in amounts totalling K8,200 collected in respect of hiring of rooms at the Training Centre was not accounted for in that cash was not found on hand and there was no evidence of banking.

**g. Weaknesses in the Administration of Funds at District Administration Offices**

**i. Irregular Use of Imprest**

Contrary to Financial Regulation No. 86(c), which stipulates 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” a total amount of K17,710 involving twenty two (22) transactions was paid out as accountable imprest to eight (8) officers during the year under review to facilitate the purchase of stores items such as stationery and motor vehicle spares. See table below.

District	No. of officers	Amount Disbursed K
Itezhi tezhi	2	10,700
Kabwe	6	7,010
<b>Total</b>	<b>8</b>	<b>17,710</b>

It was not clear why payments were not made directly to the suppliers of goods and services.

**ii. Serenje District**

**• Missing Payment Vouchers**

Contrary to Financial Regulation No. 65 (1), nineteen (19) payment vouchers in amounts totalling K18,790 processed during the period under review were not availed for audit.

**• Failure to prepare Bank Reconciliations**

Contrary to the Financial Regulation No.138 (1), there were no bank reconciliations prepared in respect of the bank account for the District Commissioner’s office in which amounts totalling K177,719 were received and spent during the period under review.

**Head:** **93 Office of the President – Northern Province**

**Departments:** **Various**

**Programmes:** **Recurrent Departmental Charges**

**Activities:** **Various**

**65.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December, 2017, a provision of K19,794,149 was made to cater for various activities at the Provincial Administration and District Commissioners' offices against which amounts totalling K14,107,765 were released resulting in an underfunding of K5,686,384. Further, amounts totalling K1,038,820 were credited into the RDC Account as transfers from other accounts bringing the total funds available to K15,146,584.

Out of the total amount of K15,146,584, amounts totalling K2,854,015 were disbursed to District Commissioners' offices to cater for general administration activities and dismantling of outstanding arrears while the balance was retained at the Provincial Administration.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and Mbala, Chilubi and Mporokoso District Administration offices carried out in February and March 2018 revealed the following:

##### **a. Failure to Remit Tax**

Contrary to the Income Tax Act (CAP 323), amounts totalling K15,942 deducted as Pay As You Earn (PAYE) during the period under review from payments of settling in allowances for two (2) officers had not been remitted to the Zambia Revenue Authority (ZRA) as at 31<sup>st</sup> August 2018.

##### **b. Failure to Deduct PAYE Tax**

Contrary to Income Tax Act No. 323, leave terminal, long service bonus and settling in allowances in amounts totalling K129,968 were paid to various officers without deducting Pay As You Earn (PAYE). See table below.

<b>Station</b>	<b>Amount K</b>
Chilubu DCs Office	59,498
Mporokoso DCs Office	70,470
<b>Total</b>	<b>129,968</b>

**c. Failure to Insure Motor Vehicles**

Contrary to Section 133 of the Roads and Road Traffic Act, Cap 464 of the Laws of Zambia, which requires that all motor vehicles using public roads must have a minimum of third party insurance cover, thirty seven (37) motor vehicles belonging to various departments had not been insured as at 31<sup>st</sup> August 2018. See table below.

<b>Station</b>	<b>No. of Vehicles</b>
Provincial Administration	31
Mbala DCs Office	3
Mporokoso DCs Office	3
<b>Total</b>	<b>37</b>

**d. Failure to Settle Insurance Premiums - Mbala District**

A review of the insurance statement from Goldman Insurance revealed that the District Commissioner's office had outstanding insurance premiums amounting to K14,300 for two (2) motor vehicles; Land rover GRZ 328CH and Mahindra GRZ 412CL. The outstanding bills which accrued from 2013 had not been settled as at 31<sup>st</sup> August 2018.

**e. Failure to Insure Buildings**

During the period under review, the Mbala and Mporokoso District Commissioners' Offices had not insured the office block buildings thereby risking losses in the event of calamities. In addition, the buildings had not been valued as at 31<sup>st</sup> August 2018.

**f. Construction of a Modern Bus Station in Kasama District**

On 28<sup>th</sup> December 2015, the Provincial Administration engaged Jonko Contractors and General Dealers of Kasama District to construct eight (8) ticketing booths and luggage bay at Chikumanino Bus Shelter at a contract price of K371,846 with a completion period of ninety (90) days ending 31<sup>st</sup> March 2016.

The scope of works included, sub structure, concrete works, brick and block works, roofing, carpentry and joinery, iron mongery and metal works, electrical installations, finishing, plastering, terrazzo, glazing, painting and decorations and drainage among others.

In 2017, the Provincial Administration was funded K170,000 for the project.

As at 31<sup>st</sup> August 2018, the contractor had been paid amounts totalling K167,708 representing 45% of the contract leaving a balance of K204,138.

However, a physical inspection of the site carried out in May 2018 revealed that the sub structure, concrete works, brick and block works, roofing, carpentry, part of joinery, iron mongery and metal works had been done while the following works were still outstanding; part of joinery and iron mongery and metal works, electrical installations, finishings, plastering, terrazzo, glazing, painting and decorations and construction of a drainage.

Although the contractor was on site at the time of inspection, works had stalled. See picture below.



*Uncompleted 8 ticketing booths and luggage bay at Chikumanino Bus Shelter*

**Head:** 94      **Office of the President – Western Province**

**Unit:**            **Various**

**Programme:**     **General Administration**

**Activities:**       **Various**

**66.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K17,448,983 was made to cater for various activities against which amounts totalling K11,506,744 were released resulting in an underfunding of K5,942,239.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration carried out during the period from December 2017 to March, 2018, revealed the following:

#### **a. Failure to Utilise Funds**

During the period under review, amounts totalling K11,506,744 were released to cater for General Administration. As at 31<sup>st</sup> December 2017, amounts totalling K10,852,557 had been spent leaving a balance of K654,186. It was however, observed that the unspent funds had been mopped back to Control 99 account as of January, 2018. Consequently maintenance of motor vehicles at some district administration offices and department of water development were not done.

#### **b. Unretired Accountable Imprest**

Contrary to Financial Regulation No. 96, accountable imprest in amounts totalling K50,451 issued to five (5) officers at the Provincial Administration during the period under review had not been retired as at 31<sup>st</sup> August 2018.

#### **c. Claims without Obtaining Prior Authority**

During the period under review, amounts totalling K63,983 were paid to twelve (12) officers at two (2) stations as refund for using their personal money on government activities such as procurement of goods, tuition fees and claims of subsistence allowances, among others. However, it was observed that there was no prior authority to enable the officers undertake Government activities using their personal money. See table below.

<b>Stations</b>	<b>Amount K</b>
Provincial Adminstration	61,433
Mwandi DC	2,550
<b>Total</b>	<b>63,983</b>

**d. Failure to Withhold Value Added Tax (VAT)**

Contrary to Circular No. 6 of 2017, which directed all government institutions to withhold Value Added Tax (VAT) from payments to suppliers of goods and services and simultaneously remit the VAT withheld to ZRA at the time of making payments, one hundred and ninety nine (199) payments in amounts totalling K1,046,069 were made at five (5) stations to various suppliers without deducting the VAT. See table below.

<b>Stations</b>	<b>No. of transactions</b>	<b>Amount K</b>
Provincial Adminstration	165	989,237
Limulunga DC	10	25,631
Kalabo DC	10	11,900
Sikongo DC	4	8,940
Mwandi DC	10	10,361
<b>Total</b>	<b>199</b>	<b>1,046,069</b>

**e. Irregular Payments**

**i. Meal Allowances**

Contrary to cabinet office Circular No. 11 of 2013, which states that meal allowance shall only be paid to an officer who travels away from his/her normal station of duty on official duty for eight (8) hours or more but not including an overnight stay, twenty three (23) officers at two (2) stations were irregularly paid meal allowances in amounts totalling K13,540 for various activities executed within their normal duty stations. See table below.

<b>Stations</b>	<b>No. of transactions</b>	<b>Amount K</b>
Provincial Adminstration	10	7,990
Kalabo DC	13	5,550
<b>Total</b>	<b>23</b>	<b>13,540</b>

**ii. Subsistence Allowances**

According to Cabinet Office Circular Minute of 2015, subsistence allowance was not to be paid to officers working within the boundary of the district. It was observed however that

amounts totalling K21,185 were paid to six (6) officers at three (3) stations for carrying out various activities within their respective district boundaries. See table below.

<b>Stations</b>	<b>No. of Officers</b>	<b>Amount K</b>
Limulunga DC	2	2,640
Kalabo DC	2	6,545
Sikongo DC	2	12,000
<b>Total</b>	<b>6</b>	<b>21,185</b>

### **iii. Use of Imprest to Procure Goods and Services**

Financial Regulation No. 86 (c) states that accountable imprest is imprest issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time. It was however observed that imprest in amounts totalling K132,942 was issued to thirty six (36) officers at four (4) stations to procure goods and services whose values were obtainable on the market. See table below.

<b>Stations</b>	<b>No. of Officers</b>	<b>Amount K</b>
Provincial Adminstration	11	73,738
Limulunga DC	4	11,150
Sikongo DC	10	23,605
Mwandi DC	11	24,449
<b>Total</b>	<b>36</b>	<b>132,942</b>

### **iv. Conference Services without Authority**

Contrary to Cabinet Office Circular Minute of 2016, which states that where government conference facilities are unavailable or insufficient in terms of capacity, services of private institutions within the district boundaries shall be considered with prior authorization from the Secretary to the Cabinet, a payment of K24,550 was made on 20<sup>th</sup> September 2017 to a local lodge in respect of a workshop for accountants without prior authority from the Secretary to the Cabinet.

### **f. Irregular Settlement of Officers' Bills for Meals and Accommodation**

During the period under review, the Provincial Administration paid a total amount of K187,819 to Country Lodge for settlement of bills incurred during the period 1<sup>st</sup> January, 2013 to 2<sup>nd</sup>

October, 2015 in respect of conference facilities, buffets and officers' accommodation and meals.

Included in the settled bills amounting to K187,819 were bills totalling K111,655 incurred by three (3) officers. See table below.

<b>Position</b>	<b>Meals K</b>	<b>Accommodation K</b>	<b>Total Amount K</b>
Deputy Permanent Secretary	11,571	65,550	77,121
Former Provincial Minister	13,816	10,750	24,566
Former Permanent Secretary	9,168	800	9,968
<b>Total</b>	<b>34,555</b>	<b>77,100</b>	<b>111,655</b>

However, the settling of the bills incurred by officers was questionable as there were no such provisions in the Terms and Conditions of Service for the Public Service.

It was also observed that amounts totalling K18,530 were paid to two (2) other lodges namely; Hostels Board Management (K16,530) and Mwandumena Lodge (K2,000) for settlement of meal and accommodation bills that were accrued by four (4) officers following their transfers from various stations to the Provincial Administration. The payments were irregular in that they were not in accordance with the Terms and Conditions of Service for the Public Service.

**g. Failure to Settle Insurance Premiums**

During the period 2009 to September 2017, the Provincial Administration had accumulated a debt in insurance cover for fifty four (54) motor vehicles with Zambia State Insurance Corporation (ZSIC) in amounts totalling K1,028,323. On 29<sup>th</sup> September 2017, insurance premiums in amounts totalling K812,753 were paid through a debt swap leaving a balance of K215,571 still outstanding as at 31<sup>st</sup> August 2018.

**h. Wasteful Expenditure – Purchase of Surface Tablets**

During the period under review, Smart Zambia developed an E-Cabinet Platform, a solution aimed at digitalizing all workflows identified in the cabinet process with regard to processing Cabinet Memorandum. The implementation of the E-Cabinet was to bring effectiveness and efficiency in the manner Cabinet and the whole government operates. In this regard, all Ministries and Provincial Administration offices were required to purchase surface tablets.

In this regard, a provision of K80,000 was made in the 2017 budget to cater for the purchase of the four (4) Microsoft surface tablets and the whole amount was released. In this regard, on 10<sup>th</sup>

October 2017, the Provincial Administration procured four (4) tablets on credit from Diverse Supplies Limited at a total cost of K114,132 resulting in an over commitment of K34,132.

As of May 2018, an amount of K80,000 had been paid leaving a balance of K34,132. However, the surface tablets had not been utilised by the Provincial Administration as they had not been installed rendering the expenditure wasteful.

**i. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, various stores items costing K326,782 procured at five (5) stations during the period under review had no receipt and disposal details. See table below.

<b>Stations</b>	<b>Amount K</b>
Provincial Adminstration	287,182
Mongu DC	8,683
Limulunga DC	9,655
Sikongo DC	15,155
Mwandi DC	6,107
<b>Total</b>	<b>326,782</b>

**j. Fuel Drawn by Officers at Level of Scale K and Above - Mongu District Administration**

Contrary to Cabinet Circular No. 7 of 2012, which states that no officers in the Salary Scales (K to M) and above shall use government pool fuel, eight hundred and forty five (845) liters of diesel costing K8,993 were drawn by the District Commissioner's Vehicle Registration No. GRZ 297 CM.

**k. Management of Transport**

During the period under review, five (5) selected departments maintained seventy four (74) motor vehicles as indicated in the table below.

<b>Department</b>	<b>No of Vehicles</b>
Provincial Administration	21
District Administration	16
Social Welfare	20
Water Resource Development	13
Civil Aviation	4
<b>Total</b>	<b>74</b>

A review of motor vehicle files and other relevant records as well as inquiries made from management revealed the following:

**i. Failure to Maintain Vehicles**

Contrary to Public Stores Regulation No. 76, which states that the vehicles should be maintained and regularly serviced, three (3) vehicles from three (3) departments which only required minor attention were non-runners. See table below.

Vehicle Reg No.	Make	Department	Status	Remarks
GRZ 806 CK	Nissan HardBody	Chiefs & Traditional Affairs	Non-runner	It only needs 5 tyres, a battery and full service
GRZ 313 CA	Maruti Mitsubishi	Social Welfare	Non-runner	Only requires starter motor.
GRZ 987 CN	Aoiling Jeep	Social Welfare	Non-runner	Requires tyres

**ii. Unaccounted for Motor Vehicles**

A physical verification of motor vehicles carried out in February 2018 revealed that three (3) vehicles belonging to two (2) departments although were appearing on the list of motor vehicles for the Provincial Administration could not be accounted for in that they were not availed for verification. See details below.

Registration No.	Make of the Vehicle	Dept where the Vehicle belongs
GRZ 285 CE	Toyota landcruiser	Prov Administration
GRZ 238 CM	Toyota landcruiser	Prov Administration
ALV 1958	Toyota landcruiser	Water Affairs

**iii. Failure to Dispose of Unserviceable Vehicles**

The Public Finance Act No. 15 of 2004 and Public Stores Regulation No. 72 require that unserviceable plant or vehicles be disposed of or dealt with on the basis of recommendations of a Board of Survey. It was however observed that there were fourteen (14) unserviceable motor vehicles from four (4) departments that had not been disposed of as of February, 2018 and there was no evidence that the Provincial Administration had written to the Secretary to the Treasury to have the vehicles disposed of.

**iv. Irregular Maintenance and Repair by Private Garages - Mongu District Administration**

Contrary to Public Stores Regulation No. 78, which states that plant and vehicles shall not be taken to private firms or garages for maintenance or repairs except with the written authority of the Director, a motor vehicle, Tata with Registration No. GRZ 378 BX was taken to a private garage, Peter's workshop in 2015 for repairs without written authority from the Controlling Officer. In addition, there was no written documentation to show that the vehicle could not be repaired at the garage for the Provincial Administration before it was taken to a private garage. See picture below.



*GRZ 378 BX packed at private garage*

As at 31<sup>st</sup> August 2018, the vehicle had not been repaired.

**Head: 94 Office of the President – Western Province**

**Units: Various**

**Programme: Poverty Reduction Programs (PRP)**

**Activities: Various**

- 67.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December, 2017, a provision of K4,721,000 was made to cater for various Poverty Reduction Programs (PRPs) against which amounts totalling K3,171,331 were released resulting in an underfunding of K1,549,669.

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of selected projects carried out during the period December 2017 to March 2018 revealed the following:

### **a. Failure to Spend Funds**

Contrary to the Appropriation Act of 2016, amounts totalling K472,515 meant for twenty (20) Poverty Reduction Programs were not spent as at 31<sup>st</sup> December 2017 and the funds were mopped back to Control 99 account in January 2018. Consequently, works for projects such as construction of the basketball court, rehabilitations of the Minister's residence and conference room, among others could not be completed.

### **b. Unsupported Payments**

Contrary to Financial Regulation Nos. 45 and 52, four (4) payments in amounts totalling K54,550 made during the period under review were not supported with relevant documents such as receipts, delivery notes and invoices.

### **c. Misapplication of Funds**

Contrary to the Appropriation Act of 2016, amounts totalling K584,570 meant for maintenance of government buildings, dredging of canals and bore hole drilling, among others were applied on unrelated activities such as payment of subsistence allowances, trade fair and payroll validation among others without obtaining authority from the Secretary to the Treasury. As at 31<sup>st</sup> August 2018, the funds had not been refunded.

As a result of the misapplication, activities such as maintenance of government buildings were not fully implemented.

### **d. Failure to Withhold Value Added Tax (VAT)**

Contrary to Circular No. 6 of 2017, which directed all government institutions to withhold Value Added Tax (VAT) on all supplies of goods, works and services received in a particular month and simultaneously remit to Zambia Revenue Authority (ZRA) at the time of making payments to the supplier, payments in amounts totalling K1,161,291 were made to suppliers without withholding VAT.

**e. Irregular Payments**

**i. Subsistence and Meal Allowances**

Contrary to Cabinet Circular Minute of 2015 dated 30<sup>th</sup> December, 2015, which disallowed the payment of subsistence and meal allowances for activities undertaken within the district boundary, eight (8) officers were paid amounts totalling K32,760 in respect of subsistence allowances (K30,720) and meal allowances (K2,040) for activities undertaken within the district boundary.

**ii. Use of Accountable Imprest**

Financial Regulation No. 86(c) states that accountable imprest should be issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time. It was however observed that imprest in amounts totalling K92,500 was issued to three (3) officers to procure goods and services whose values were obtainable on the market.

**f. Drilling of Boreholes – Water Affairs**

In 2017, a provision of K60,000 was made for the construction and rehabilitation of boreholes and the whole amount was released.

The scope of works involved drilling and equipping of boreholes with submersible pumps.

As of December 2017, amounts totalling K48,380 had been spent on submersible pumps (K6,350), fuel (K9,529) and building and other materials (K32,501).

It was however observed that although materials had been procured, one (1) borehole had not been drilled and the one (1) that had been drilled had not been equipped as at 31<sup>st</sup> August 2018.

**g. Infrastructure Development - Building Department**

In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a total amount of K860,000 was provided for various infrastructure activities against which a total amount of K545,000 was released resulting in an underfunding of K315,000. See table below.

<b>Activity</b>	<b>Provision K</b>	<b>Releases K</b>	<b>Variance K</b>
Construction of wall fence	100,000	100,000	-
Maintenance of Government Buildings	400,000	250,000	150,000
Rehabilitation and furnishing of guest house	200,000	35,000	165,000
Rehabilitation of Provincial Admin offices	160,000	160,000	-
<b>Total</b>	<b>860,000</b>	<b>545,000</b>	<b>315,000</b>

The following were observed:

**i. Irregular Payments - Construction of a Wall Fence and Rehabilitation of the Ablution Block**

On 13<sup>th</sup> July, 2017, Mutulafyalo Contractors was engaged to construct a wall fence and rehabilitation of an ablution block at the main Government garage in Mongu at a total contract sum of K80,491 (wall fence - K20,635 and ablution block - K58,400) with a completion period of eight (8) weeks starting on 27<sup>th</sup> July, 2017 and ending on 12<sup>th</sup> October, 2017.

The scope of works included construction of a wall fence and rehabilitation of an ablution block.

As of December 2017, a total amount of K69,573 had been paid to the contractor leaving a balance of K10,427.

The Provincial Buildings Engineer certified works costing K7,740 as having been done and subsequently, the works were paid for. See table below.

<b>Works paid for but not done</b>	<b>Amount K</b>
Painting of the ceiling board	600
Painting of facial board	540
Painting of small galvanised steel pipes	2,100
painting asbestos cement pipes	200
Clearing of tree stamps	2,000
Fitting of a door frame	500
Fitting of door size 825x1960mm with grill gate	1,800
<b>Total</b>	<b>7,740</b>

However, a physical inspection showed that these works had not been done rendering the certification and consequent payment for the works irregular.

**ii. Rehabilitation of Minister's Conference Hall**

On 8<sup>th</sup> November 2017, Jasto Suppliers was engaged to rehabilitate the Minister's Conference Hall at a contract sum of K154,048 with the completion period of eight (8) weeks starting on 17<sup>th</sup> November 2017 and ending on 12<sup>th</sup> January, 2018.

The scope of works included electrical and plumbing installations, metal works, carpentry, joinery and ironmongery, floor, wall, ceiling, painting and decorations.

As of December 2017, a total amount of K78,826 had been paid to the contractor leaving a balance of K75,222.

A physical inspection of the structure carried out in February, 2018 revealed that the works were not completed with the following works still outstanding:

- **Electrical installations not fitted:** one (1) air conditioner not working
- **Plumbing installations not completed:** head pillar tap marked hot and cold
- **Carpentry, joinery and ironmongery not done:** fitting of asbestos cement trafford roof sheets and fitting of two (2) suspended gypsum acoustic ceiling boards.

**iii. Questionable Rehabilitation of the District Commissioner's Residence - Lukulu**

On 15<sup>th</sup> May 2012, Mix-west Autospares, was engaged to rehabilitate the District Commissioner's residence at a sum of K30,450. However, the contract period was not stated.

The scope of works included demolition, carpentry, painting, plumbing and glazing.

The whole amount of K30,450 was paid to the contractor on 19<sup>th</sup> July 2017.

It was also observed that although the contract document was signed by the contractor, it was not signed by the employer (Provincial Administration). In addition the certificate of completion attached to the payment was done on 20<sup>th</sup> May 2016, four (4) years after the contract date and bore no name of the building officer who certified the works. Further, there were no tender minutes availed for audit verification and it took sixty (60) months before the contractor was paid making the rehabilitation contract questionable.

**h. Construction of the Basket Ball Court - Sports Department**

In 2017, a provision of K100,000 was made for the construction of a basketball court against which an amount of K90,000 was released. In this regard, the Provincial Administration engaged various contractors to supply and deliver building materials and to construct the court.

As at 31<sup>st</sup> December 2017, an amount of K61,360 had been spent on the procurement of various building materials as shown in the table below.

Name of Contractor	Date of Contract	Contract Amount K	Details
Nsombros Commercial Supplier	08.11.2017	41,440	To supply and deliver various building materials
Mandanga Milling Company	24.11.2017	13,920	To supply and deliver 2,000 building blocks
Diocese of Mongu		2,100	To supply and deliver various building materials
Rabah Enterprise		3,900	To supply and deliver various building materials
<b>Total</b>		<b>61,360</b>	

The following observations were made:

**i. Failure to Avail Contract Documents**

On an unknown date, the Provincial Administration engaged Mongu Trades School to construct a basketball court on a labour based contract. However, the contract was not availed for audit verification.

A physical inspection of the project carried out in January, 2018 revealed that the basketball court had not been completed in that only the trenches had been dug with the rest of the works still outstanding and the contractor was not on site. See picture below.



*Basketball court under construction*

**ii. Undelivered Building Blocks – Mandanga Milling Company Limited**

On 24<sup>th</sup> November 2017, the Provincial Administration engaged Mandanga Milling Company Limited to supply and deliver two thousand (2,000) building blocks for the construction of the basketball court. In this regard, on 12<sup>th</sup> December 2017, the supplier was paid the full amount of K13,920. However, as at 31<sup>st</sup> August 2018 the supplier had not supplied the building blocks.

**iii. Undelivered Building Materials**

On 8<sup>th</sup> November 2017, the Provincial Administration engaged Nsombros Commercial Supplier to supply various building materials for the construction of the basketball court. In this regard, on 28<sup>th</sup> November 2017, the supplier was paid amounts totalling K41,440.

However, a verification of the items procured revealed that materials costing K30,850 had not been delivered as at 31<sup>st</sup> July 2018. See table below.

Items	Quantity paid for	Unit Price K	Quantity Delivered	Quantity Undelivered	Cost of undelivered materials K
Cement	300	85	50	250	21,250
Fascia Boards	80	120	0	80	9,600
<b>Total</b>					<b>30,850</b>

**iv. Wasteful Expenditure – Caked Cement**

On 15<sup>th</sup> November 2017, fifty (50) pockets of cement were procured at a cost of K4,250 to be utilised on the project. However, the cement was not utilised and as at

31<sup>st</sup> August 2018, the cement had hardened rendering the expenditure wasteful. See picture below.



*Part of the 50 pockets of caked (hardened) cement*

**Head:** 94                   **Office of the President – Western Province**

**Unit:**                   **Various**

**Programme:**                   **Personal Emoluments**

**Activities:**                   **Various**

68. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K58,213,203 was made to cater for personal emoluments against which amounts totalling K58,399,903 were released resulting in an overfunding of K186,700.

#### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at Provincial Administration carried out during the period December 2017 to March 2018 revealed the following:

##### **a. Payment of Rural Hardship Allowance to Ineligible Employees**

During the period under review, amounts totalling K113,511 were paid as Rural Hardship allowance to fifteen (15) officers who were not eligible to receive the allowance as they were working at stations which did not qualify for the allowance.

**b. Irregular Payment of Housing Allowance**

Cabinet Office Circular No. B2 of 2010 (2) (b) states that Housing Allowance shall only be paid to employees who are not accommodated by Government and that Employees accommodated in a standard house shall not qualify for the payment of Housing Allowance.

Contrary to the Circular, amounts totalling K42,544 were paid as housing allowance to three (3) officers who were accommodated in government quarters.

**c. Irregular Payment of Salary to Convicted Employee**

On 20<sup>th</sup> December 2013, the Principal Community Development Officer was convicted of theft by Public Servant and sentenced to five (5) years imprisonment with effect from 23<sup>rd</sup> December 2013.

However, contrary to Public Service Commission Disciplinary Code and Procedures for handling offenses in Public Service Nos. 58 and 59, it was observed that the officer was only removed from payroll in May 2017, forty (40) months after the officer had been convicted.

In this regard, salaries and allowances in amounts totalling K323,460 paid to the officer during the period from January 2014 to April 2017 were irregular.

**Head: 97      Office of the President – North Western Province**

**Programme:**      **General Administration**

**Activities:**      **Various**

- 69.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K23,315,802 was made to cater for general administration against which amounts totalling K15,511,836 were released resulting in an underfunding of K7,803,966.

**Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration office carried out during the period from February to July 2018 revealed the following:

**a. Missing Payment Vouchers**

Contrary to Financial Regulation No. 65 (1), eleven (11) payment vouchers in amounts totalling K143,691 were not availed for audit. As a result, the validity, completeness and authenticity of the transactions could not be ascertained.

**b. Unretired Accountable Imprest**

Contrary to Financial Regulation No. 96 (1), accountable imprest in amounts totalling K93,757 issued to three (3) officers had not been retired as at 31<sup>st</sup> August, 2018.

**c. Failure to Withhold VAT**

During the period under review, the Ministry of Finance through Treasury and Financial Management Circular No 6 of 2017 instructed all institutions which were appointed to act as tax agents to collect and remit withheld Value Added Tax (VAT) effective 1<sup>st</sup> June 2017. It was however, observed that Provincial Administration failed to collect and remit VAT amounting to K53,289 on payments made to various suppliers.

**d. Unaccounted For Motor Vehicles – Boarded Assets**

During the period under review, the Provincial Administration undertook an exercise to dispose of various obsolete and unserviceable assets. In this regard, a Board of Survey (BOS) committee was appointed to carry out the exercise through a public auction sale.

A physical inspection of the motor vehicles which were not sold during the BOS exercise at various locations carried out in February 2018 revealed that five (5) motor vehicles with reserve price in amounts totalling K19,000 were not accounted for in that they were not physically available and there was no evidence to show that they were sold and paid for.

**Head:** 97 Office of the President – North Western Province

**Programme:** Personal Emoluments

**Activities:** Various

70. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2017, a total provision of K48,132,567 was made to cater for Personal Emoluments against which amounts totalling K46,695,289 were released resulting in an underfunding of K1,437,278.

### **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration office carried out during the period from March to July 2018 revealed the following:

#### **a. Failure to Conclude Staff Disciplinary Cases**

An examination of payroll and other records revealed that two (2) officers were placed on suspension on 28<sup>th</sup> April and 27<sup>th</sup> November 2014 respectively, due to absenteeism from duty.

During the period from April 2014 to December 2017, the officers were paid amounts totalling K280,574. See table below.

Position	Period of Suspension	No. of Months	Amount Paid K
Messenger	April 2014 to April 2018	47	161,200
Procurement and Supplies Officer	Nov 2014 to April 2018	40	119,374
<b>Total</b>			<b>280,574</b>

However, as at 31<sup>st</sup> August 2018, both cases were not resolved and the officers were still on suspension.

#### **b. Questionable Unblocking of Salary**

In July 2014, the Provincial Administration blocked the salary of a Radio and Tele printer Operator due to the fact that she proceeded on study leave without approval. However, in October 2017, her salary was unblocked despite the officer not returning to her station and as of December 2017, she had been paid amounts totalling K38,475 in salaries and arrears.

**c. Payment of an Officer on Wrong Salary Scale**

A scrutiny of the payroll and other related records revealed that an officer was placed on a wrong salary scale and was paid amounts totalling K45,470 instead of K43,306 resulting in an over payment of K2,164. As at 31<sup>st</sup> August 2018, the overpaid amounts had not been recovered.

**d. Failure to Recover Salary Advances**

According to the Terms and Conditions of Service for the Public Service No. 92, advances paid to officers shall be repaid within a reasonable period of time but not exceeding six (6) months.

However, it was observed that recoveries in respect of advances in amounts totalling K18,500 paid to two (2) officers during the period under review had not been effected as at 31<sup>st</sup> August 2018.

**Head: 98 Office of the President - Southern Province**

**Programme: General Administration**

**Activities: Various**

- 71.** In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2017, a provision of K29,420,483 was made to cater for General Administration against which amounts totalling K16,753,535 were released resulting in an underfunding of K12,666,948.

In addition, amounts totalling K1,988 were brought forward from 2016. Further, an amount of K2,286,099 which included a brought forward amount from 2016 of K70,110 was received from the Ministry of Water Development, Sanitation and Environmental Protection (MWSEP) for rehabilitation of dams and drilling of boreholes, bringing the total funds available to K19,041,622.

The Provincial Administration also maintains a General Deposit Account (GDA) into which third party funds are deposited. The funding to the account includes funds that various departments under the Provincial Administration receive from their respective ministries for specific purposes.

During the financial year ended 31<sup>st</sup> December 2017, a total amount of K3,497,385 was received by the Provincial Administration for various activities.

## **Accounting and Other Irregularities**

An examination of accounting and other records maintained at the Provincial Administration carried out from January to May 2018 revealed the following:

### **a. Misplacement of Payroll Area**

A reconciliation of the payroll and staff returns at the Provincial Administration and selected district offices revealed that there were eight (8) officers who were paid salaries in amounts totalling K380,261 from pay points which were different from their stations. As at 31<sup>st</sup> August 2018, no corrective measures had been taken to address the matter.

### **b. Misapplication of Funds**

#### **i. Provincial Administration**

Contrary to the Appropriation Act of 2016 and Financial Regulation No. 31(1), which states that “treasury authority should be obtained on varying funds”, amounts totalling K626,106 meant for child economic empowerment, cadastral equipment, capacity building, among others were spent on payments not related to the purposes for which the funds were released such as child identification for empowerment and collection of data on government real estate.

#### **ii. District Commissioners’ Offices**

Contrary to the Appropriation Act of 2016 and Financial Regulation No. 31(1), amounts totalling K23,040 meant for general administration in two (2) districts were spent on unrelated activities such as payment of settling in allowances, capacity building and allowances for presidential visits among others, without authority of the Secretary to the Treasury. See table below.

<b>Station</b>	<b>Amount K</b>
Namwala DC	11,450
Mazabuka DC	11,590
<b>Total</b>	<b>23,040</b>

#### **iii. General Deposit Account**

Contrary to the Appropriation Act of 2016, amounts totalling K28,760 meant for factory inspections under the Factory Department were applied on activities not related to the

purposes for which the funds were appropriated such as attending Cabinet meetings and Parliament sessions. Although in response, management stated that the funds were reimbursed on 8<sup>th</sup> May 2018, using funds meant for the 2018 activities, there was no Treasury Authority from the Secretary to the Treasury allowing the Provincial Administration to vary funds for 2018 to reimburse the funds which were misapplied in 2017.

**c. Unsupported Payments**

Contrary to Financial Regulation No. 45, twenty (20) payments in amounts totalling K173,792 made during the period under review were not supported with relevant documents such as receipts.

**d. Irregular Use of Accountable Imprest**

According to Financial Regulation No. 86 (c), accountable imprest is issued to facilitate the purchase of goods and services whose value cannot be ascertained at the time of issue.

However, it was observed that imprest in amounts totalling K80,900 involving thirty eight (38) transactions was issued to various officers for purchase of stationery, utility bills and other goods instead of buying directly from the suppliers. See table below.

<b>Station</b>	<b>No. of Transactions</b>	<b>Amount K</b>
Namwala DC	10	33,982
Mazabuka DC	28	46,918
<b>Total</b>	<b>38</b>	<b>80,900</b>

**e. Unaccounted for Stores**

Contrary to Public Stores Regulation No. 16, there were no receipt and disposal details in respect of stores items costing K136,931 procured during the period under review. See table below.

<b>Station</b>	<b>Amount K</b>
Provincial Administration	60,476
Choma DC	15,630
Mazabuka DC	60,826
<b>Total</b>	<b>136,931</b>

**f. Weaknesses in the Management of Funds – Department of Land Resettlement**

During the period under review, the Department of Land Resettlement was allocated a total amount of K668,060 to cater for various scheme establishment and resettlement activities against which K181,862 was released. As at 31<sup>st</sup> December 2017, a total amount of K176,837 had been spent leaving a balance of K5,025.

However, it was observed that although expenditure in amounts totalling K38,050 was incurred on fuel, meals and water for the grading exercise of internal access roads by the Zambia National Service in Harmony Resettlement Scheme, the works had not been done as at 31<sup>st</sup> August 2018.

**g. Failure to Implement Activities - Infrastructure Development**

During the period under review, a total amount of K554,897 was received to cater for Infrastructure Development out of which amounts totalling K212,664 were spent leaving a balance of K342,233.

The following were observed:

**i. Failure to Rehabilitate Swimming Pool – Hillcrest Technical High School**

In June 2017, amounts totalling K86,984 were funded for the rehabilitation of the swimming pool at Hillcrest Technical High School. However, as of December 2017, no works had been done on the swimming pool and consequently the funds were mopped back to the Treasury at the end of the year as the Provincial Administration did not seek authority to retain the funds in accordance with Financial Regulation No. 36.



*Un-rehabilitated Swimming pool - Hillcrest Technical High School*

**ii. Roofing of Mbabala Youth Training Centre**

On 29<sup>th</sup> December 2017, the Provincial Administration procured building materials costing K53,684 from Choma Garage Ltd (K7,884), Harshaad Bazaar (K43,680) and

African Building Suppliers (K2,120) for the construction of a Youth Training Centre in Mbabala under the Department of Sport, Youth and Child Development

However, as at 31<sup>st</sup> August 2018, seven (7) months after the materials were paid for, works on the centre had not commenced. Further, materials costing K45,800 procured from Harshaad Bazaar and African Building Suppliers had not been collected.

**h. Rehabilitation and Upgrading of Lifalale Dam**

On 22<sup>nd</sup> September 2017, the Ministry of Water Development Sanitation and Environmental Protection (MWDSEP) engaged the Zambia National Service (ZNS) to rehabilitate and upgrade Lifalale Dam in Zimba District at a contract sum of K1,890,734. The contract period was four (4) months from 22<sup>nd</sup> September, 2017 to 22<sup>nd</sup> January, 2018.

In addition, the Ministry entered into an agreement with ZNS where the Ministry was to procure fuel for use on the project.

As of March 2018, the contractor had been paid amounts totalling K1,273,167 and amounts totalling K449,994 had been spent on the procurement of fuel.

A physical inspection carried out on 23<sup>rd</sup> March 2018 revealed that the project had not been completed with the following works outstanding:

- Further excavation of the spillway
- Construction of drop structures
- Further extension of the embankment by a height of 2 meters
- Spreading of rock toe

## **Recommendations**

72. In order to improve public finance management and control environment, the following are recommended:
- i. The Ministry of Finance should enforce the service level agreements with commercial banks to ensure that funds in the revenue transit accounts are swept as per the agreements and impose the requisite penalties where necessary,
  - ii. The Ministry of Finance should ensure that all revenue collecting institutions collect and bank all revenue on time,
  - iii. The Zambia Revenue Authority should diligently ensure enforcement of debt recovery instruments that are available to it,
  - iv. The Controlling Officers should ensure that resources under their charge are utilised in accordance with the Appropriation Act, the Public Finance Management Act and other regulations,
  - v. Enhance physical and logical controls to ensure that only authorised personnel have access to the Integrated Financial Management Information System (IFMIS) and the Treasury Single Account (TSA),
  - vi. The Controlling Officers should enforce strict adherence to regulations on the management of accountable imprest, allowances and other officers' entitlements,
  - vii. The Controlling Officers should enforce strict adherence to procurement procedures and to provisions of contracts, and
  - viii. The Controlling Officers should ensure that all books of accounts and appropriate records are maintained and retained in line with regulations.

## **Acknowledgements**

73. I wish to thank all my staff for their hard work during the course of the audits so as to ensure that this report is produced despite having limited resources. I also wish to express my gratitude to the Secretary to the Treasury, the Accountant General and the Controlling Officers and their staff for their cooperation during the audit process. It is because of their cooperation that I was able to carry out the audits in an objective, efficient and effective manner.

## **Recommendations of the Public Accounts Committee which have either not been Implemented or have been partially Implemented**

74. In 1992, the Public Accounts Committee (PAC) resolved to appoint a Committee of officials from the Ministry of Finance, National Assembly and Office of the Auditor General to deal exclusively with the outstanding issues on a continuous basis. Since then, the Committee has been meeting to ensure that outstanding issues are cleared.

Appendix 1 to this Report summarises the status of the unresolved issues as at 31<sup>st</sup> December 2017 for which necessary remedial action is required. This forms part of my Report for the financial year ended 31<sup>st</sup> December 2017 whereas Appendix 2 is the Glossary of Terms. The glossary of terms has been included in order to make the report clearer and to assist the users of the report to fully understand the issues raised.

## **Appendix 1 – Summary or the Status of the Unresolved Issues as at 31<sup>st</sup> December 2017**

### ***OUTSTANDING ISSUES FROM THE TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIFTH SESSION OF THE TENTH NATIONAL ASSEMBLY.***

*Report of the Auditor General on the Accounts for the Financial Year ended 31<sup>st</sup> December 2009.*

#### ***Ministry of Health***

*Paragraph 42 (40) d. drugs without disposal details K5,406,298,725, c. unretired imprest K141,712,000*

#### ***Ministry of Education***

*Paragraph 50(48) (a) Missing Payment Vouchers K11,405,191,976.96 and (a) Inadequately Supported Payments – K1,549,531,070.00 (a) Mirror Account (i) Differences in Amount on the Voucher and Backing Sheets.*

*Paragraph 52(50) (a) unvouched Expenditure K791,750,867 (c) Unretired Imprest K768,141882 (e) Management of Contracts, Eastern Province, Construction of Basic Schools. Southern Province, Construction of Niko Girls Technical Boarding High School, Construction of Basic Schools, Construction of Namwala Central Basic School., Construction of Basic Schools at Kaunga and Kooma, Construction of Sinadambwe Basic School (ii)Contracts of the supply of School Desks, undelivered, School Desks, Central Province.*

#### ***Ministry of Education – High Schools – Eastern Province***

*Paragraph 55(53) (b) Petauke Boarding High School (ii) Stores Items Without Receipt and Disposal Details – K234,229,700*

#### ***Ministry of Education – Regional Headquarters- Western Province***

*Paragraph 54(52) (a) unvouched Expenditure (i) Unsupported Payment Vouchers K4,865,930,766*

#### ***Ministry of Youth Sport and Child Development***

*Paragraph 48(46) (a) Unsupported Payments K328,201,992*

#### ***Office of the President, Lusaka Province***

*Paragraph 58(56) (a) Unsupported Payments K481,123,145,*

**Ministry of Home Affairs, Passports**

**Paragraph 18(16) (m) Failure to operationalize Photo Capturing Facility**

**Ministry of Home Affairs**

**Paragraph 17 (15) (j) Unaccounted for Stores (ii) Beans Valued at K29,041,500. Paragraph 10(8), 2009**

**(a) Misappropriation of Revenue K3,746,266,735 (i) Immigration Headquaters. Dishonored Cheques K13,000,000**

**Ministry of Defence**

**Paragraph 49(47) (b) Unaccountable for Stores K81,255,000**

**Mission Abroad Kinshasa**

**Paragraph 23(23) (a) Unaccounted for Revenue K8,704,395(US\$1,647) (b) Expenditure (i) Unaccounted for Bank Transfers. (i) Missing Payment Vouchers on Revolving Fund Account US\$17,156.**

**Paragraph 29 (27) (c ) Unretired imprest , 57,575.77 Paragraph 30(28) 2009 (b) Properties (i) VorSchorhor 23 Berlin-Pankow. Repairs on the Ambassador's Residence.**

**Paragraph 31 (29) (b) Irregular Payment of Foreign Service Allowances.**

**Paragraph 33 (31) (a) Irregular Payment of Baggage Entitlement, K202,191,532.**

**Paragraph 34(32) (b) Unclaimed Rental Security Deposits, Balance of K27,984,004**

**Paragraph 20(20). (ii) Stores without Receipt and Disposal Details- K138,608,675 (US\$27,228.68).**

**Ministry of Tourism and Arts**

**Paragraph 47(47) Unretired imprest K530,065,330**

**Office of the President, Western Province**

**Paragraph 62(60) (a) Unsupported Payments K423,857,062 (b) Missing Payment Vouchers K168,336, 915 (c) Irregular payment and retirement of imprest (i) Unretired Imprest K1,234,778,592, Unaccounted for Stores K675, 761,150,**

**Paragraph 66(64) (a) Construction of Health Posts,**

**Paragraph 68(66) (g) Completion of Construction of a Clinic (ii) Failure to Prepare Bill of Quantities K169,744,898, (ii) Unverified Building Materials, K91,375,898. (iii) Physical inspection of the project.**

**Office of the President – Northern Province**

**Paragraph 60 (58) a. Unaccounted for fuel – K297, 525,397,**

**Paragraph 61 (59) a. (ii) Unsupported Payments – K7,647,000, (iii) Unaccounted for stores K3,183,000**

**OUTSTANDING ISSUES FROM THE TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIFTH SESSION OF THE TENTH NATIONAL ASSEMBLY.**

**Report of the Auditor General on the Accounts for the Financial Year ended 31<sup>st</sup> December 2010.**

**Zambia Revenue Authority**

**Paragraph 8 (7) Weaknesses in Revenue Collection - Latest position on b (ii) concerning transits clearance documents not availed for audit – Ndola and c (iv) concerning unaccounted for deposits at Mwami.,**

**Ministry of Local Government and Housing**

**Paragraph 31 (31) b. Unaccounted for Funds – HQs (K1,690,270,101) & Councils (K1,040,326.131), c. Stores items without receipt and disposal details – K5,087,173,475, i. Central Province – Kabwe – Municipal Council – Non-delivery of motor vehicles K55,107,000, (ii) Luapula Province – Samfya District Council – Irregular payments – K231,154,376**

**Ministry of Defence**

**Paragraph 42(43) (a) Unretired imprest K46,955,650,**

**Paragraph 43(44) (a) Unsupported Payment Vouchers K81,509,882.00 (b) Issue of Imprest for Command Requirements K123,300,000.00, (d) Procurement and Stores Management (i) Unaccounted for Stores Items K322,221,380.**

**Paragraph 45(46) Stores Management and Control, Undelivered Food Stuff, Outstanding Debtors, Land Development Branch K4,388,387,576.**

**Public Service Management Division**

**Paragraph 30(30), (d) Unvouched Expenditure, K6,663,71,.835.**

**Ministry of Health**

*Paragraph 36 (36) (viii) Wasteful expenditure*

*Paragraph 78 (79) Accounting and Other Irregularities – Latest position on c (lack of Reconciliation)*

**Ministry of Agriculture and Co-operatives**

**Paragraph 40(50)** (a) Construction and Rehabilitation of Disease Free Zone Infrastructure (i) Renovation of Central Veterinary Research Institute (CVRI) (a) Nelkan Industrial Construction (iv) Construction of Office Block and 2 x3 Bed Roomed Houses at Luangwa Bridge- Lot 7.

**Paragraph 49(50)** (v) Renovation of a House and Construction of an Office Block at Nkalamabwe- Lot 9 (vi) Renovation of Four Houses at Nkalamabwe Site Lot 10. (a) (No Receipt and Disposal Details K555,441,356) No. Disposal Details- K1,028,074,881 (e) Unretired imprest K1,281,928,73

**Ministry of Information and Broadcasting Services**

**Paragraph 29(29)** (a) Weaknesses in Management of Imprest Unretired Imprest K137,114,000

**Ministry of Science and Vocational Training**

**Paragraph 39(39)** (a) Rehabilitation of Technical Education Vocational Entrepreneurship Training Authority (TEVETA) Building (ii) Substandard Electrical Installation (iv) Poor Workmanship on Carpentry, Joinery and Iron monger, (e) Trades Training Institute. (iv) Kasiya Secretarial and Business College K366,116,700

**Ministry of Youth, Sport and Child Development**

**Paragraph 41(42)** (b) Lack of Receipt and Disposal Details K227,469,500, (d) Lack of Fuel Reconciliations K633,139,858

**Office of the President, Western Province**

**Paragraph 64(64)** (f) Weaknesses in fuel usage (ii) Drawing of both Diesel and Petrol by One Vehicle K7,838,936.

**Paragraph 65(66)** (b) Unretire Imprest K332,849,070, Paragraph 67(68) (a) Irregular Procurement of Tyres and Tubes K99,925,000.,

*Office of the President, Southern Province*

**Paragraph 75 (76), b.** (i) Extension of an Office Block and Rehabilitation of two (2) staff houses at Nanga in Mazabuka, (iii) Questionable issuance of certificates, (iv) Irregular Payment, (v) failure to effect contract clauses.

*Office of the President Northern Province*

**Paragraph 61 (62) a.** Inadequately supported payments – K1,114,891,887.

**Paragraph 62 (63) d.** Unaccounted for stores (fuel K55, 199,678 and other stores K54,294,593

*Office of the President, Copperbelt Province*

**Paragraph 56(56) , v.** Unaccounted for Stores K863,027,492

**Paragraph 57(58) a.** Headquarters-Infrastructure Development, Construction of District Commissioners' House, Ndola. **v.** Construction of Teacher's House in Kafubu Block Resettlement.

**OUTSTANDING ISSUES FROM THE TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIFTH SESSION OF THE TENTH NATIONAL ASSEMBLY.**

*Report of the Auditor General on the Accounts for the Financial Year ended 31<sup>st</sup> December 2011.*

*Zambia Revenue Authority*

*Ministry of Energy & Water Development*

**Paragraph 47 (47) c.** Unaccounted for fuel, **d.** Unsupported payments and **e.** Misapplication of funds – Customary land identification and acquisition.

*Ministry of Lands*

**Paragraph 13(13)** Uncounted for revenue Chipata and kaoma officers to be disciplined and failure to collect arrears on rent of government premises. And **d.** Unrepresented receipt books.

*Judiciary*

**Paragraph 11(10)** Unaccounted for Revenue K740,940.38, Mapanza Local Court Fees/Fines K3,643,960, **c.** Misappropriation of Revenue K155,389,255

**Ministry of Agriculture and Cooperatives**

**Paragraph 14(13), a.** Unaccounted for Revenue Zambia Agriculture Research Institute K147,417,300, Fisheries Department, Solwezi K15,438,600, Veterinary – Chipata K4,622,400 c.ii. Seven (7) receipt books and three (3) certificates.

**Ministry of Livestock and Fisheries Development**

**Paragraph 53(52) b.** Unretired Imprest K299,425,500, c, Non-recovery of Loans and Advances- K847,000,000, d. Unaccounted for Fuel -K1,394,100,000, f. Chilanga Department of Fisheries, i. Non-recovery of Loans and Advances K155,000,000, ii. Failure to utilize boats,

**Paragraph 54(53) c,** Unaccounted for Store -K6,945,000, d, Unretired Imprest K24,597,000

**Paragraph 55(54) a.** Missing Payment Vouchers K28,204,000. b. Inadequately Supported Payments – K332,772,752, d. Unretired Imprest-K144,118,042, e. Unaccounted for Stores K499,755,279, f. Fuel Drawn by Vehicles not belonging to Livingstone DLFO- K8,541,960, g. Infrastructure Provincial Livestock and Fisheries Office

**Paragraph 56(55) a.** Unremitted funds-K337,987,650, c. Misapplication of Funds, K307, 817,577, d. Unretired Imprest – K80,166,000.

**Paragraph 57(56) a.** Unsupported Payment K35,084,000, b. Unretired Imprest – K78, 822,560, c. Unaccounted for Fuel – K81,165,611,

**Paragraph 58(57) c,** Unretired Imprest – K47,703,500, d, Questionable Retirement of Imprest, i. Mongu District Livestock and Fisheries Office - K1,393,700, e. Unaccounted for Fuel and Store K290,664, 214.

**Paragraph 59(58) d.** Unretired Imprest K37,288,810, ii. Misapplication of Funds – K9,120,000.

**Paragraph 60 (59) b.** Unretired Imprest K158, 721,950, c. Unaccounted for Stores and Fuel K57,489,285.60

**Paragraph 61(60) b.** Unaccounted for Stores Items fuel (K395,800,000) and Stores items (K536,195,361), c. Unretired Imprest K387,938,000, d. Non-recovery of Loans and Advances – K778,891,706, e. Weaknesses in accounting for outstanding Bill – K3,006,466,315

**Paragraph 62(61) a.** Distribution of inputs to Provinces, i. Unaccounted for Revenue – K397,285,745, iii, Unaccounted for Revenue – Kalabo DACo -K112,820,000, b. Weaknesses in Management of Inputs, i. Issuance of inputs to unqualified Recipients, inputs issued to unqualified Cooperatives, Inputs issued to Unregistered farmers K796,540,000, iv, Expired inputs K36,400,000, c. Questionable issuance of packs – 1,602 packs costing K448,560,000, d, failure to replace damaged inputs K11,998,000 e, Undelivered

*Farming Inputs K162,081,000. F. Missing Authority to collect (ATC) Twelve (12) Forms, h. Unsupported Issuance of Inputs – K3,349,020,000, iii. Unretired imprest K148,969,644*

**Paragraph 63(62)** a. Missing Payment Vouchers – K82,594,657 b. Unsupported Payment- K49,785,940, c. Unaccounted for Stores, K162,219,270, d. Unretired Imprest K89,082,970, e. Unauthorized Payment of Wages -K60,238,662, f. Failure to recover Loans and Advances K65,540,000

**Paragraph 64(63)** a. Missing Payment Vouchers- K56,185,805, b. Inadequately Supported Payment – K142,748,572. D, Unretired imprest K102,358,676, e. Unaccounted for Stores – K301,086,730, f. Misapplication of funds - Livingstone DACO -K22,500,147, g. Infrastructure Rehabilitation of Camp

**Paragraph 65(64)** b. Unsupported Payments K45,025,600, c. Missing payment vouchers K13,196,000., e. Unauthorized Fuel Drawings – K47,146,169

**Paragraph 66(65)** a. Unsupported Payments – K25,404,320, b. Missing Payment Vouchers – K36,844,00, Kaoma and Kalabo, c. Unretired Imprest K141,035,026, d. Unaccounted for Stores K203,693, 812, e. Infrastructure Development – Sesheke DACO. i. 1<sup>st</sup> Plant Quarantine and Phytosanitary House (PQPS), ii. 2<sup>nd</sup> Plant Quarantine and Phytosanitary House -Incomplete works

**Paragraph 67(68)** a, Unretired Imprest K47,755,600

**Paragraph 68(67)** a. Unsupported Payments- K129,853,000, b. Unretired Imprest K166,972,732 and additional K237,522,580 (Without reports), c. Unaccounted for Stores K389,751,400

**Paragraph 69(68)** Lusaka District Agriculture Coordinating Office, ii. Renovation of House on No. 8195 Block No. 49/1 Kabanana Site and Service K98,078,000,

#### **Office of the President, Lusaka Province**

**Paragraph 70(69)** Unsupported Payments K61, 355,200, b. Irregular Payments for Repairs Of Motor Vehicles, c. Unretired Imprest -K24,554,023. e. Unaccounted for stores K274,841,708

**Paragraph 71(70)** a. Unvouched Expenditure, i. Missing Payment Vouchers – K28, 102,000, ii. Unsupported Payment Vouchers – K44,318,370, b, Unretired Imprest – K78,270,542, c. Misapplication of Funds K31,300,000, d. Unaccounted for Stores, e. infrastructure Development Funds released K1,440,000,005, i. Construction of Institutional House – Chongwe, Over Commitment – K359,779,750, ii. Construction of the Provincial Administration Office Block, g, Unaccounted for Stores K191,214,080.

**Paragraph 72(71)** a, Unsupported Payments K76,355,960, b. Unretired Imprest K95,365,150, c. Weaknesses in Accounting for Fuel – K2, 096,459,889, d. Feeder Roads Rehabilitation/Construction, i. Grading and Spot Regravelling - Other Roads in Luangwa, iii. Grading 50Km of feeder roads in Chongwe., iii, Grading 20km Kasisi – Kasenga Road, iv. Heavy Grading 65km-

*Chaiwa/Chisakila/Kabana Road, v. Heavy Grading 20km Chaiwa/Malilansolo Road. vi. Heavy Grading 20km Itope/Munyeta Road, e. Rehabilitation of District Road, i. Grading and Spot Regravelling – D145 Luangwa ii. Heavy Grading d566 Silverest Road,*

***Office of the President, Copperbelt Province***

***Paragraph 73(72) d, Rehabilitation on the Kitwe Little Theatre -K156,655,100,***

***Paragraph 74(73) b. Unsupported Payments – K67,349,673, e. Payments without K94,158,620, f. Unaccounted for Stores -K303,129,494. i. Unretired imprest K142,886,071***

***Paragraph 75(74) a. Unsupported Payments K82,502,333, b. Unaccounted for Stores – K71,096,750, g. Failure to implement projects, i. Drilling and Rehabilitation of Borehole, h. Construction of Youth Skills Training Centre in Masaiti***

***Paragraph 76(75) a. Unsupported Payments- K564,988,500, e. Unaccounted for fuel K690,000,000, f. Unretired imprest -K89,735,000.***

***Office of the President, Central Province***

***Paragraph 77(76) a. Wasteful Expenditure – Repairs of a Low Bed Truck, K132,922,560***

***Paragraph 55(55) d, Kundalila Katota Road- Serenje District,***

***Paragraph 56(56) c, Undelivered Materials***

***Paragraph 57(57) b. Unretired imprest***

***Paragraph 58(58) a. Non-delivery of Materials***

***Paragraph 78(78) e. Misapplication of Cattle Restocking Fund***

***Office of the President, Western Province***

***Paragraph 78(77) d. Unretired Imprest – K101,783,655, e. Questionable retirement of imprest, i. Vehicles out of Station draw fuel from local Account K9,825,180, ii. Diesel propelled Vehicle drew K463,75 litres of Petrol, f. Unaccounted for Stores, g. Irregularities in management of fuel, i. Fuel drawn by private vehicles K15,093,450, ii. Fuel drawn by unknown vehicles – K14,493,664, iv.b Fuel drawn by Personal to holder vehicle – K7,794,826***

***Paragraph 79(78) c. Unretired Imprest – K39,095,000 f. Missing Executive Chair K5,200,000, g. Unaccounted for Stores K108,362,186***

***Paragraph 80(79) b, Unaccounted for stores K20,290,000, c. Weaknesses in the Management of PRP Projects,***

**Paragraph 81(80)** b. Unretired imprest – K229,608,345, c. Failure to implement Poverty Reduction Programmes K387,500,00

**Office of the President, Eastern**

**Paragraph 83(82)** c. Unaccounted for Stores K39,990.00, i. Unaccounted bags of cement – 666 Bags, ii undelivered Plumbing & Electrical Materials, d., Irregular payment of Goods K24,965,000.

**Office of the President, North-Western Province**

**Paragraph 85(84)** a, Missing Payment Vouchers K113,439,292, b. Unsupported Payments K756,948,356, d. Unaccounted for fuel K557,128,353, e. Unretired Imprest – K192, 443, 350

**Office of the President, Southern Province**

**Paragraph 86(86)** a. Misapplication of Funds K509,721,514, b. Failure to obtain Competitive Quotations- K282,852,578, b. Unvouched Expenditure K408,060,844.65, f. Stores items without Receipt and Disposal Details, K567,336,328,

**Paragraph 86(85), h.** Weaknesses in Management Imprest, i. Unretired Imprest K69,370,000, ii. Questionable retirement of Imprest K16,980,000

**Paragraph 87(86)** b, Unretired Imprest K306,962,400, c. Questionable Retirement of Imprest – K152,627,800, e. Unvouched Expenditure – K48,209,301, f. Missing Payment Vouchers, K15,295,000, g. Stores items without Receipts and Disposal Details K30,958,990, h. Rehabilitation of Aerodromes of i. Choma, Lack of Bill of Quantities (BOQs), Incomplete works and poor Workmanship

**Paragraph 88(87)** a, Failure to Account for funds – K121,365,177, b. Misapplication of Funds- K371934,000.98, c. Unretired Imprest, i. Unretired Imprest – K74,237,352, d. Inadequately Supported Payments K17,537,000.50

**Paragraph 89(88)** a. Misapplication of Funds – K993,541,920, ii. Procurement of Two Graders – K997,600,000, b. Irregular Refund K4,500,000, c. Procurement of Tyres Tubes and Spare Parts – K841,884,198, d. Unaccounted for stores items K73,883,282, f, Road Rehabilitation and Construction, ii. Questionable usage of fuel – Grading and Rehabilitation of Choma Roads.

**Paragraph 90(89)** a, Unaccounted for Funds – K77968,755, b. Questionable Retirement of Imprest – K10,050,000, c. Unaccounted for Stores – K335, 201,215.

**Ministry of Gender & Child Development**

**Paragraph 15(14)** a. Unretired Imprest K18,770,000,

**Paragraph 15(14)** Accounting and Other Irregularities – Latest position on the issues raised in a.

**Ministry of Home Affairs – Zambia Police**

**Paragraph 16(15)** Accounting and Other Irregularities – Progress made in addressing issues raised in a (ii,iv) and b (iii,v). Paragraph 9(9) © Unaccounted for Revenue K62,859,000, Manda hill Police post. (d) Receipt Books not presented for Audit. € Refer to Drawer Cheques, K7,279,994.

**Paragraph 16(15) b.** *Irregular Payment Housing Allowances K51,590,000. Paragraph 18(17) c. Construction of the National Registration Offices, i. Kapiri Mposhi Ofice Block-K3,074,445,907. ii. Luangwa Office Block K3,255,724,418.*

**Paragraph 19(18) a.** *Construction of Administration, Reception and Duty Rooms-Kalabo State Prison, drilling of a borehole and mounting of overhead tank had not been done. Paragraph 20(19) a. Unretired Imprest K26,110,000, Irregular Payment of House Rentals K160,249,191*

**Ministry of Home Affairs, Headquarters**

**Paragraph 14(14) (b)** *Irregular Payments, (iii) Failure to Recover Irregular Housing Allowances in Full K45,287,013 (c) Unrecovered Housing Allowances Paid to Officers who Left the Public Service K123,325,970. (j) Incomplete Contractual Works (i) Mongu Records Centre (ii) Kazungula Border Post, (i) Provincial Offices, Unretired Imprest K30,630,000, Lack of Receipt and Disposal Details, K366,903,221.*

**Ministry of Foreign Affairs**

**Paragraph 21(20) a.** *Unvouched Expenditure K882,127,363, Inadequate Supported Payments- K41,523,500.00, c. Revolving Funds, i. Non-recovery of Loans and Advances K132,440,000, iii. Failure to recover advances in full K17,288,425, d. Weaknesses in the Management of Imprest ,I Unretired Imprest K353,168,093.10, ii. Questionable Retirements K138,418,700,f. Unaccounted for Stores K26,178,383.*

**Paragraph 18(17) c.** *Construction of the National Registration Offices. i. Kapiri Mposhi Office Block- K3,074,445,907, ii. Luangwa Office Block 3,255,724,418.*

**Paragraph 19(18) a.** *Construction of Administration, Reception and Duty Rooms- Kalabo State Prison, drilling of a borehole and mounting of overhead tank had not been done.*

**Paragraph 20(11) a.** *Unretired Imprest K26,110,000, c. Irregular Payment of Rentals K160,249,191*

**Paragraph 21(20)** a. Unvouched Expenditure K882,127,363, Inadequate Supported Payment-K41,523,500,c. Revolving of Loans and Advances K132,440,000, ii. Failure to recover advances in full K17,288,425, d. Weaknesses in the Management of Imprest. i. Unretired Imprest K353,168,093.10. ii. Questionable Retirements K138,418,700,f. Unaccounted for Stores – K26,178,383

#### **Mission Abroad Lubumbazhi**

**Paragraph 22(21)** a. Poor Management of Property, i. The Chancery 54/58 Corner of Ruwe/Lufira. II. The Residence 26 Luvura, iii. Staff Houses, b. Delayed replacement of Title Deeds, c. Rehabilitation of Properties, i. Termination of Contract.

#### **Mission Abroad- Washington**

**Paragraph 23(22)** b. Failure to recover Security Deposit c. Properties I, Chancery – 2419 Massachusetts Ave, ii. 23000 Wyoming Ave, iii. Wasteful Expenditure on Rentals

#### **Mission Abroad- Lilongwe**

**Paragraph 24(23)** b. Repairs and Maintenance of Residence – K55,588,776 (US\$10,548).

#### **Mission Abroad – London**

**Paragraph 25(24)** ii. Unclaimed Rental Security Deposits- K197,444,063, (25,539). g. Inspection of 13 Foscote Road, Hendon NW4, h. Irregular payment on the Provision of Security Services.

#### **Mission Abroad – Dar-Es-Salaam**

**Paragraph 26(25)** b. Expenditure, i. Unsupported Payments – K222,216,835, ii. Unaccounted for Stores – K74,737,532, c. Mission Properties, i. The Chancery, ii. The Residence, iii Plot No. 396 Toure Drive Masaki, iv. Plot No. 22 Ocean Road.

#### **Mission Abroad – Gaborone**

**Paragraph 27(26)** a. Revenue Failure to reimburse Revenue – K145,998,815 (US\$30,768), b. Mission Properties, i. The Chancery – 1118-1119-Main Mall Gaborone, ii. Plot No. 4703/105- Mongana Close

#### **Mission Abroad- Windhoek**

**Paragraph 29(28)** a. Revenue, i. Unaccounted for Revenue K5,859,360 (US\$1,111), ii. Failure to collect Rent Arrears, iii. Missing Receipt Books, ii Missing Payment Vouchers – K44,521,423.10 (US\$8,594).83, c. Properties ,i. The Residence – I George Hunter Street, Olympia ii. House No. 14 Lydia Street – Ludwigsdorf, iii. 93-Gever Street Ludwigsdorf, iv. 17 Veronica Street Ludwigsdorf

**Mission Abroad – Brussels**

**Paragraph 30(29) c.** *Irregular payments of Representation, Entertainment and Extra Accreditation – K6,922,316, (994.30), h. Failure to rehabilitate the Residence-260 Dreve, Richele Waterloo*

**Mission Abroad – Harare**

**Paragraph 31(30) iii.** *Lack of Tenancy Agreement, c. Unaccounted for Stores K10,650,634*

**Mission Abroad – Pretoria**

**Paragraph 33(32) b.** *Un-approved Payments – K221,959,969 (Us\$44,704), c. Payments of Rentals in Excess of Entitlement- K14,686,9967 (US\$ 2,958)*

**Mission Abroad – Paris**

**Paragraph 34(33) a.** *Revenue improper use of VISA Receipt Books, b. Expenditure i. Questionable Retirement of Imprest K7,684,633, iii. Property Management: The Chancery and the Residence. The Chancery -18 Avenue de Tourville 75007,*

**Mission Abroad -Rome**

**Paragraph 35(34) b.** *Irregular Payment of Child Allowance – K67,924,000, (US\$14,400), e. Failure to claim Security Deposits for House Rentals, f. Properties.*

**Mission Abroad- Luena**

**Paragraph 36(35) a.** *Failure to reimburse the Revenue Account, b. Wasteful Expenditure on Rentals – The Residence (14<sup>th</sup> Street, Nzanji Area).*

**Office of the Vice President – DMMU**

**Paragraph 37(36), a.** *Unretired Imprest – K9,350,000, ii. Central Province*

**Ministry of Health**

**Paragraph 44(43) b.** *Tender and Award of Contract to AVIC International Limited i. Irregular Award of the Contract, iii. Failure to Submit the Contract to Attorney General, iv. Failure to attach Local Technicians to Service Mobile Health Units, vi. Non-Delivery of Equipment, f. Payments made to the Suppliers, b. Unsupported Payments K25,066,849.00, f. Irregular use of Accountable imprest K782,133,360, g. Unaccounted for Stores, K64,356,100, h. Failure to fill Staff Establishment.*

**Ministry of Works and Supply and Communication**

**Paragraph 46(45)**, a. Unretired Imprest K47,940,000, c. Contract to supply Fire Tenders by Carmichael International Limited, d. Upgrading of Kasaba Bay Run Way, e. District Areodromes K3,939,432,900, Provincial Administration, Western Province, Shangombo – Lack of Receipt and Disposal Details for Fuel, Senaga District Unretired Imprest, Sesheke District, Kalabo District

**Ministry of Energy & Water Development**

**Paragraph 46(46)** a. Irregular payments of acting allowances and c. failure to collect materials

**Paragraph 8(7) b.** Failure to collect Water Board Fees Arrears K250,633,402, 969

**Ministry of Finance**

**Paragraph 9(8)** a. Rent of Government Premises Uncollected Revenue. b. Failure to Provide Accurate Data on the sale of Pool Houses. b. Unaccounted for Revenue from Sale of Pool Houses K404,894,842

**Paragraph 17(16)** i. Groundwater Resources for Trachoma Control K1,000,000,000.00 Southern Province- Works not Commenced, Eastern Province- Incomplete Works, North-Western Province- Works not commenced

**Ministry of Education Headquarters**

**Paragraph 46(47) 2010** (a) Missing Payment Vouchers – K9,579,596,245 (m) Construction of Kafushi Boarding High School (n) Construction of Kalundu Basic School (o) Construction of Nakanya Technical Boarding High School (p) Construction of Situnga Basic School.

**Paragraph 47(48) (iii)** Overpayment to G.E.S Architects -K61,646,480 (j) Unretired imprest, (k) Unaccounted for Stores K2, 533,956,222, (p) Construction of Classroom Blocks, VIP Latrines and Staff Houses.

**Paragraph 51(50)** a. Unvouched Expenditure- K1,649,037,940, c. Unretired Imprest - K1,704,980,246, d. Unaccounted for Stores – K314,431,577, f. Poor Maintenance of Fuel Records K500,000,000, g. School Health Nutrition -Failure to collect Purchased Maize K29, 750,000,000., h. Delays in completion of Construction Works for Schools and Poor Workmanship, i. Construction of Masaiti Boarding High School, Construction of Mpongwe (b) Basic School, ii. Construction of Kapiri Mposhi Technical Boarding High School, iii. Construction of Mpongwe

*(Misongwe) Boarding High School, iv. Construction of Chipepo Boarding High School, v. Outstanding Construction of Itezi Tezhi Boarding High School.*

**Paragraph 52(51)** a. Missing Payment Vouchers K149,740,172, b. Unsupported Payments K580, 448,742, d. Unretired Imprest K239,757,310, e. Questionable Retirement of Imprest K434,078,157, f. Misapplication of Funds-K5,493,975,221, g, Unaccounted for Funds K489,655,671, h. Irregular Payment of Subsistence Allowance, i. Irregular loading and offloading allowance K6,780,000, ii. Payment of Subsistence Allowance for Activities held with station- K25,131,900, i. Unaccounted for Stores, K874,575, 846, j. Failure to remit Tax K506,420,897, k. Failure to recover Loans and Salary Advances – K980,506,193, m. Failure to disburse Grants to Basic Schools -K229,598,462, P. Overpayment of Leave Terminal Benefits by PEO K6,000,000, q. Rehabilitation of Schools -Blown off Roofs K28,114,500, r, Misapplication of Funds- Masaiti DEBS- Copperbelt Province , - K2,800,000

#### ***Ministry of Mines and Minerals Development***

**Paragraph 10(9)** a. Failure to collect Outstanding Area Charges K22,464,885,255 b. Unaccounted for Revenue K302,600,000.00. c. Missing Receipt Book Chipata Regional Mining Bureau.

**Paragraph 17(16), 2011** a. Lack of Strategic Plan, d. Unaccounted Fuel K218,700,000 e. Construction of Earth Dams, i. Southern Province, Construction of Konkola Dam- Mazabuka- K1,196,061,180, Uncompleted Works, f. Maintenance of Dams, i. Eastern Province – Chamboli Dam- Wasteful Expenditure K500,000,000, ii. Central Province- Chikumbi Dam- Wasteful Expenditure K340,156,000, g. Groundwater Resources Development for Drought Prone Cholera Areas, i. Southern Province- Works not commenced. II. Eastern Province Incomplete Works K187,500,000. III. Central Province – Incomplete Works, h. Water Resources Development for Health Education and Strategic Institutions, Southern Province Incomplete Works. Eastern Province – Incomplete Works, i. Groundwater Resources for Trachoma Control K1,000,000.000, Southern Province- Works not Commenced, Eastern Province- Incomplete Works. North Western Province- Works not commenced.

**Ministry of Science Technology and Vocational Training -Kabwe Trades**

**Paragraph 47(46)** b. Missing Receipt Books, g. Failure to remit Taxes K1,006,486,229, Failure to remit statutory obligations

**Ministry of Defence**

**Paragraph 48(47)** b. Unaccounted for Stores Items K107,068,500, c. Unretired Imprest K250,703,275, d. Construction of Housing Units for Defence, i. Non-Adherence to Contract Term and Conditions, ii. Rehabilitation of Bon Accord Building for Zambia Army in Livingstone

**Paragraph 49(48)** Unretired Imprest K237,747,150, g. Construction of a Cook House K217,992,650,

**Paragraph 50(49)** a. Misapplication of Funds meant for Personal Emoluments K200,000,000, b. Stores without Receipt and Disposal Details, K360,255,504, c. Renovation of Deputy Commandant's Residence- Outstanding Works and defects, i. Non-Adherence to Agreed Specifications ii. Physical Inspection e. Misapplication of Funds – Ndola Land Development Branch- K213,606,000.

**Mission Abroad Lubumbashi**

**Paragraph 22(21)** a. Poor Management of Property, i. The Chancery 54/58 Corner of Ruwe/Lufira, ii. The Residence – 26 Luvura, iii. Staff Houses, b. Delayed replacement of Title Deeds, c. Rehabilitation of Properties. i. Termination of contract,

**Mission Abroad – Washington**

**Paragraph 23(22)**, b. Failure to recover Security deposit, c. Properties I, Chancery 2419 Massachusetts Avenue, ii. 2300 Wyoming Ave. iii. Wasteful Expenditure on Rentals

**Mission Abroad – Lilongwe**

**Paragraph 24(23)**, b. Repair and maintenance of Residence – K55,588,776 (US\$10,548)

**Mission Abroad – London**

**Paragraph 25(24)** ii. Unclaimed Rental Security Deposits -K197,444,063 (xx24,539), g. Inspection of 13 Foscote Road, Hendon NW4. H. Irregular payment on the provision of Security Services.

### ***Mission Abroad – Dar-Es-Salaam***

**Paragraph 26(25) b. Expenditure, i. Unsupported Payment – K222,216,835. ii. Unaccounted for Stores K74,737,532, c. Mission Properties, i. The Chancery, ii. The Residence. III. Plot No. 396 Toure Drive Masaki. Iv. Plot No. 22. Ocean Road**

### ***Mission Abroad – Gaborone***

**Paragraph 27(26) a. Revenue Failure to reimburse Revenue K145,998,815 (US\$30,768), b. Mission Properties i. The Chancery 1118 -1119 – Main Mall Gaborone ii. Plot No, 4703/105 Mongana Close**

### ***Mission Abroad – Windhoek***

**Paragraph 29(28) a. Revenue, i. Unaccounted for Revenue K5,859,360 (US 1,111), ii. Failure to collect Rent Arrears. III. Missing Receipt Books., ii Missing Payment Vouchers, K44,521,423.10 (US\$8,594.83, c. Properties i. The Residence- I George Hunter Street Olympia, ii. House No, 14 Lydia Street – Ludwigsdorf, iii. 93-Gever Street Ludwigsdorf, iv. 17 Veronica Street Ludwigsdorf**

### ***Mission Abroad- Brussels***

**Paragraph 30(29) c. Irregular payment of Representation, Entertainment and Extra Accreditation – K6,922,316 (994.30). h. Failure to rehabilitate the Residence – 260-Drive Richele Waterloo.**

### ***Mission Abroad -Harare***

**Paragraph 31(30) iii. Lack of Tenancy Agreement. c. Unaccounted for Stores K10,650,634**

### ***Mission Abroad – Pretoria***

**Paragraph 33(32) b. Unapproved Payments K221, 959,969 (US\$44,704) , c. Payments of Rentals in Excess of Entitlement – K14,686,967(US\$2,958,**

### ***Mission Abroad Paris***

**Paragraph 34(33) a. Revenue Improper use of VISA Receipt Books, b. Expenditure, i. Questionable Retirement of imprest K7,684,633, iii. Property Management: Chancery and the Residence. The Chancery – 18 Avenue de Tourville 75007**

**Mission Abroad- Rome**

**Paragraph 35(34) b. Irregular Payment of Child Allowance -K67,924,000- US\$14,400, e. Failure to claim Security Deposits for House Rentals. f. Properties**

**Mission Abroad -Luena**

**Paragraph 36(35) a. Failure to reimburse the Revenue Account, b. Wasteful Expenditure on Rentals. The Residence (14<sup>th</sup> Street, Nzanji Area**

**Office of the Vice President- DMMU**

**Paragraph 37(36) a. Unretired Imprest K9,350,000.00, ii. Central Province,**

**Ministry of Local Government and Housing**

**Paragraph 38(37) a. Unvouched Expenditure K663,365,147, d. Unretired imprest – K235,349,021, e. Failure to submit Expenditure Returns, K70,000,000 g. Weaknesses in the Management of Revolving Fund Account, h. Misapplication of Funds K6,520,853,625, i. Procurement of Motor Vehicles- K4,062,974,560, j. Variation of Funds without Treasury Authority K8,044, 000,000**

**Ministry of Local Government and Housing**

**Paragraph 38(37) a. Unvouched Expenditure K663,365,147, d. Unretired imprest – K235,349,021, e. Failure to Submit Expenditure Returns K70,000,000, g. Weaknesses in the Management of Revolving Fund Account, h. Misapplication of Funds K6,520,853,625, i. Procurement of Motor Vehicles- K4,062,974,560, j. Variation of Funds without Treasury Authority, K8,044,000,000**

**Ministry of Justice**

**Paragraph 39(38) b. Judgements entered in default,**

**Ministry of Commerce Trade and Industry**

**Paragraph 40(39) c. Standing Imprest –Missing Petty Cash Vouchers, K18,984,519, d, Unretired Imprest – K3,094,496,007, Management of Transport i. Non-reconciliation of Fuel Ledger to Fuel Statements, ii. Coupon Numbers appearing more than once on the Fuel Statement, iii. Fuel Drawn**

*by unknown vehicles K32,022,780, i. Review of Internal Audit Report, i. Nonrecovery of Loans and Salary Advances K572,440,000*

***Ministry of Finance Central Statistical Office***

***Paragraph 42(41) a. Non-recovery of Loans and Advances K281,753,600, d. Missing Payment vouchers Headquarters K1,974,019,541. e. Unretired Imprest – K5,250,225,194.***

***Ministry of Community Development Mother and Child Health***

***Paragraph 43(42) iv. Irregular Payment of Sitting Allowances K1,509,195,00***

***OUTSTANDING ISSUES FROM THE TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIFTH SESSION OF THE TENTH NATIONAL ASSEMBLY.***

***Report of the Auditor General on the Accounts for the Financial Year ended 31<sup>st</sup> December 2012.***

***Ministry of Local Government & Housing***

***Paragraph 32 (32), a. Non-recovery of loans and salary allowances (K90,000,000 and K1,200,000), d. Unsupported payments, i. (ii) Decentralisation Secretariat – Disbursements to the District Councils – Chadiza District council – Failure to Provide Accounting Records***

***Paragraph 34(34), b. Missing Payment Voucher, c. Unacquitted Allowances, d. Irregular use of imprest, e. unretired imprest, f. Inadequate and unsupported payments – K648,220,503,***

***Paragraph 39(39) c. Resurfacing of Parking Pavement in Chirundu Border Post. d.i 2012, Construction of Border Infrastructure at Katima Mulilo and Poor Workmanship. d. ii. 2012 Non-Function Boreholes. e. I. 2012 Infrastructure Management at Civil Aviation Department, Rehabilitation of Kasama Airport – Non-Implementation of the Project. e. ii. 2012 Rehabilitation of Mansa Airport – Incomplete Works. e. iv. 2012 Abandoned Works at Nyangwe Airstrip. h. 2012 Interest Erroneously Charged by the Bank. k. 2012 Unsupported Payments. i. 2012 Unaccounted for Stores Items.***

***Ministry of Health***

***Paragraph 37(37), a. (i) Missing Payment vouchers, a. (ii) Unsupported payments and transfer of funds, a. (iii) Unaccounted for funds, a. (iv) Unapproved payments, a. (v) unaccounted for funds, a (x) Unretired imprest, a. (xii) questionable retirement of imprest, a. (xiii) Un accounted for drugs and medical supplies, a. (xiv) Expired drugs, a. (xv) undelivered drugs, a. (xvi) unaccounted for stores, a. (xii) questionable***

*drawing of fuel, a. (xix) Failure to recover loans, tuition and salary advances, b. failure to deliver project on time, c. (i) wasteful expenditure construction of sewer ponds – Kalabo district hospital, c. (ii) Construction of Milenge district hospital phase 1 as a stalled project, i. delayed opening of Samfya district hospital – dry boreholes, i. (v) wasteful expenditure – chitukuko health post (Matero constituency) Lusaka DMO*

**Paragraph 38(38), k. delays in the delivery of medical equipment**

**Paragraph 45(45), a. (i) Unvouched expenditure – missing payment vouchers, (RDC K94920), (Medical fees K101, 178.73,**

#### **Ministry of Education**

**Paragraph 43 (43) 2012 (b) Bursaries Abroad Poor Record Keeping, (ii) Infrastructure Development, Construction of Milenge Trades Training Institute (g) Unaccounted for Desk.**

**Paragraph 44 (44) 2012 Missing Payment Vouchers (b) Unsupported Payment, Failure to Provide Monitoring Reports, (g) Failure to inscribe Government Assets (h) Unaccounted for Stores and Fuel, (k) Irregular Payment of Board Allowance (i) Failure to deduct Tax, (n,i) 2012 Weaknesses in Accounting for Revenue , Unaccounted for Funds (o) Weaknesses in Management of School Grants – Unretired Basic School Grants, (p) Failure to Recover Loans and Salary Advances. Q. ii. Lusaka DEBS in Chawama Basic School, Parent Teachers Association (PTA) Account. Missing Receipt Books. Receipt Books with Similar Serial Number. Missing Original Receipt Forms. Unaccounted for Funds. Examination Centre Fees. Examination Identity Cards. Miscellaneous income Generating Activities, Irregular Withdrawals. Open Secondary School (APU) Account. Unaccounted for Funds.**

#### **Ministry of Agriculture and Co-operatives**

**Paragraph 49(49) (b.iii) Transportation of inputs, Unsupported Payment (DACO) Mansa K590,670,000. (e) Unaccounted for Stores (g.v) Weaknesses in Management of inputs, Issuance of inputs to Non-Qualified Cooperative (g.viii) Unaccounted for inputs. Paragraph 50(50) unretired imprest (g) Questionable Claim of Subsistence Allowance**

### ***Ministry of Home Affairs***

**Paragraph 9(9)** 2012. Unaccounted for Revenue K112,450,000, Unaccounted for funds at Mansa K61,800,000 © Missing Accountable Documents Mansa. Paragraph 17(17) Missing Payment Vouchers K256,550,492. Non-Recovery of Loans and Advances K574,500,000 (d) Unretired Imprest K42,620,120

### ***Ministry of Defence, Zambia Army***

**Paragraph 40(40)** Procurement Management Irregular Payment of Hotel Bills for Recalled Defence Attache, Procurement of Motor Vehicles, Irregular Advance Payments, Lack of Contract Guarantee. Excess Expenditure on the Procurement of Air Conditioners/Lack of Disposal Details. Paragraph 42(42) Acquisition and Land Use Acquired Housing Units Not on Title. Failure to collect amounts owed for Service Rendered.

### ***Office of the President , Copperbelt Province***

**Paragraph 51(51)** c. Unretired Imprest, d. Copperbelt Support Programme, Twabuke Women's Club K17,963,700. Paragraph 52(52) b. Unaccounted for Stores, c. Unretired Imprest, d. Infrastructure Development, Levy Mwanawasa Stadium Car Park – Poor Workmanship,

**Paragraph 53(53)** a. Missing Payment Voucher b. Unsupported Payments, d. Unaccounted for Stores.

**Paragraph 54(54)** Inadequately Supported Payment Vouchers, b. Wasteful Expenditure c. Unaccounted for Fuel

### ***Ministry of Information and Broadcasting Services, Headquarters***

**Paragraph 12(12)** (d) Printing of Tourism Enterprises Licenses without Authority. Paragraph 33(33) Unvouched Expenditure Inadequately Supported Payments K1,115,234,300 (b) Unretired Imprest (e) Unaccounted for Stores, Failure to follow Procurement Procedures, Hosting of the 20<sup>th</sup> Session of the United Nations World Tourism Organization (UNWTO) General Assembly, Failure to Produce Reports.

### ***Ministry of Justice***

**Paragraph 24(26), The Trust Restrictions Act, Paragraph 35(35) 2012 (d.ii) Unavouched Expenditure Missing Vouchers K8,334,346,815.54 (f) Questionable Payment of Meal Allowance**

(i) Compensation and Awards. Inadequate Funding (i.iii) Inadequate Supported Payment (i.v) Un-Reconciled Payments to Voluntary Separates Association (VSA), K472,843,648,093.00.

#### **Ministry of Youth and Sports**

**Paragraph 36(36)** Unvouched Expenditure, (b) Unaccounted for Stores, Unretired Imprest, (e) Youth Development Fund (YDF, Irregular Disbursement of Loans

#### **Ministry of Finance**

**Paragraph 7(7)** a. Failure to collect Tax on Assessments K1,96,735,058 b. Outstanding Mineral Royalty – Ndola Lime Company K2,532,212,446. c. Failure to Honour time to pay Agreements (TPAs) K1,933,962,2014 d. (Customs Services Division) Customs Debt – K116,446,431,230. , Expired Temporal Importation Permits (K19,443,197,844) and Customs Importation Permits (K790,047,156,818), Missing Goods -Nakonde State Warehouse K1,149,049,451, Unaccounted for Duty on Motor Vehicles Nakonde K122,187,223.

#### **Judiciary**

**Paragraph 10(10)** a. Unaccounted for Revenue K279,459,587, Choma Urban Court Fees and Fines a. Mazabuka Subordinate Court, Clients Account,

#### **Ministry of Gender and Child Development**

**Paragraph 15(15)** a. 2012 Inadequately Supported Payments, c. Unaccounted for Stores K895,096,666 (General Stores K662,812,346 and Fuel K232,284,320,

#### **Office of the President, Western Province**

**Paragraph 64(64)** (c ) Non Remittance of Tax to ZRA, (e) Irregularities in Management of Fuel, Fuel Drawn by Private Vehicles., Fuel Drawn by Unknown Vehicles. Paragraph 66(66) Rehabilitation of Training Centre at Namushakende. Paragraph 67(67) Un-completed Works, Construction of Limulunga -Ushaa Road

#### **Office of the President , North -Western Province**

**Paragraph 74(74)** a. Irregular Payments , Irregular Awards of Tender, a.ii Undelivered items , g. Irregular payment on the Provision of Security Services

**Paragraph 76(76)** a. Resettlement Department, Failure to implement Projects, Storage Shed, Janyauki Resettlement Scheme, b. Rehabilitation and Maintenance of Solwezi Sports Complex, c. Magrade Extension Road , Works Paid for but not done, c.ii. Delayed Completion,d. Solwezi College Road,

**Paragraph 77(77)** d. Questionable payments, e. Failure to follow Tender Procedures, b.i. Implementation of Road, Chikonkwelo – Kayombo Road, Kabompo District – Incomplete Works

**Paragraph 45 (45)** b. 2012 Unaccounted for Stores

#### **Mission Abroad Washington**

**Paragraph 19(19)** (a) 2012 23000 Wyoming Avenue – Ambassador’s Official Residence (c) 2419 Massachusetts Avenue-Chancery.

#### **Mission Abroad, Nairobi**

**Paragraph 22(22)** (a. iii) 2012 Expenditure Irregular Payments of LES Allowances, Extra Responsibility Allowance

#### **Mission Abroad , New York**

**Paragraph 20(20)** c.i Property Management 201 Wyndcliff Road Residence, (c.iii) 237 East 52<sup>nd</sup> Street-Chancery.

#### **Mission Abroad, Moscow**

**Paragraph 23(23)** a.ii(2012) Revenue Missing Receipt Books, (b.i) Expenditure Irregular Payment of Foreign Service Allowance, Over Payment of Extra, Accreditation Allowance to the Ambassador, (iv) Unretired Imprest, (v) Unaccounted for Stores,

#### **Mission Abroad, Addis Ababa**

**Paragraph 24(24)** b.ii.2012 Revenue, Management of Visa Fees Booklets, (c.ii). 2012 Expenditure Foreign Service Allowances (FSA) Irregular Payment of Child and Education Allowance (c.ii)Unretired Imprest (e.ii) Mission Properties Annex Building.

#### **Mission Abroad Beijing**

**Paragraph 25(25)** a. 2012 Over Payment of Extra Accreditation Allowance (d) Payment of Full Per Diem on a Sponsored Programme.

**Mission Abroad Abuja**

**Paragraph 26(26) b. 2012 Purchase of Representational Car**

**Paragraph 27(27) a. 2012 Irregular Payment of Extra- Accreditation Allowance**

**Office of the President – Southern Province**

**Paragraph 78 (78) a. Missing payment vouchers, c. Issuance of subsequent imprest, e. claims made without prior authority,**

**Paragraph 79(79), c. Missing payment vouchers, d. Unsupported payments, e. Unretired Imprest, k. (i) fuel payments not reflected on the fuel statements, l (i) Loans and salary advances not recovered.**

**Paragraph 80 (80) a. Irregular drawing of fuel by non RRU vehicles, b. Incomplete works/poor workmanship (PRP Projects)**

**Paragraph 59 (59) a. (i) Unaccounted for stores at provincial admin K90,792,000, a. (ii) Unaccounted for stores at Mpulungu dist. Council K40,219,352**

**Paragraph 60 (60) a. Unretired Imprest, e (i) failure to implement funded activities, e (ii) Construction of Rice dehuller shelter at chifwenge, e. (iii) Completion of a police post at Matipa in Chilubi district**

**Paragraph 61 (61), a. (ii) Unsupported payments**

**Paragraph 63 (63) a, Irregular payment – contract for drilling of boreholes**

**Office of the President Luapula Province**

**Paragraph 69 (69) c. Missing Payment Vouchers and Unsupported payments, e. unretired imprest**

**Paragraph 70 (70), b. Unaccounted for assets, c. unsupported payments, e. Unaccounted for stores, f. Missing payment vouchers**

**Paragraph 71 (71) d. Unsupported payments, i. (ii) construction of chipungu border.**

**Paragraph 72 (72) a. Missing Payment vouchers,**

**Paragraph 79 (79) f. unsupported payment, g. Missing payment vouchers**

***Office of the President, Eastern Province***

***Paragraph 68(68) b. Drilling of Borehole – Kaozi Resettlement Scheme in Chama District***

***OUTSTANDING ISSUES FROM THE TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIFTH SESSION OF THE TENTH NATIONAL ASSEMBLY.***

***Report of the Auditor General on the Accounts for the Financial Year ended 31<sup>st</sup> December 2013.***

***Ministry of Lands***

***Paragraph 11(11) b. Unreconciled revenue and d. (i) National Tree planting Programme.***

***Ministry of Agriculture and Cooperatives***

***Paragraph 59(59) (c ) irregular payment salaries (e)Non Recovery of Loans and Advances (i) Failure to prepare a loss.***

***Paragraph 60(60) (k) Misapplication of Funds (t) Irregular Payments of Sitting Allowance (v) Failure to deduct Tax , Kasama PACO (w) Failure to Remit Tax (hh) Non Functional Borehole Lufwanyama DACO. (hh.ii) Construction of a Dip Tank at Kalovya, Chama DACO (jj) Rehabilitation of Kasaba Weir , Kabompo, DACO. (kk.i.ii) Construction of Regional Livestock Laboratory Kasama PACO , Irregular Payment to Private Consultant, Redesigning of Drawings and Preparation of BOQ, Physical inspection (mm) Construction of Office Block , Chongwe DACO (nn) Construction of Chasato Earth Dam Chama DACO (oo) Other Projects Western Province Construction of a Regional Veterinary Laboratory, Mongu K4,299,995., Rehabilitation of One Staff House and Construction of a Double Pit Latrine K84,840 Southern Province. Choma Mochipapa Research Station. Construction of an Office Block K158,450 (Materials K107,505 and Labour K50,945, North-Western Province Construction of Office Block Storage Shed and 2 Workers Houses Kanyama Breeding Centre Mwinilunga (Office Block K56,781, K69,000 Storage Shed and K57,000 Workers 2 houses) Lusaka Province, Construction of a Breeding Centre K814,043.04 Muchinga Province, Construction of Medium Cost Houses at Mbesum a State Ranch K803,096. Zambia College of Agriculture (ZCA) Unaccounted for Stores.***

***Ministry of Local Government & Housing***

***Paragraph 31(31) b. Questionable Debt consultancy fees, c. Unaccounted for Toner Cartridges, e. Donation of 22 second hand firefighting equipment – contract for the transportation of donated fire tenders,***

e.(ii) Questionable transfer of funds, e. (iii) Undelivered fire tenders, f. Failure to Reimburse funds, g. questionable payment of allowances, h. Unaccounted for stores, j. inadequately supported payment vouchers, i, questionable payment of allowances and undertaking of activities, m. disbursements to projects and institutions, n. (i) Disbursements to provincial department of housing and infrastructure development (DHID) offices and councils – Failure to implement funded activities,

**Paragraph 34(34)** a. Questionable allowances, & e. Unaccounted for stores,

**Paragraph 35(35)** e. unauthorized retention of interest earned, g. Muchinga Province – construction of foot bridge – Nakonde council and overpayment to contractor, g. (ii) Irregularities in the purchase of Graders – Chama council, g. (iii), Questionable payment – Chinsali, g. (iv) Project management – Chinsali municipal – construction of an administration block at Chinsali Day Secondary School – K73, 316, g. (v) Rehabilitation of a staff house at Chilunda Primary School – K12, 742, g. (vi) Construction of police cells at Thendele Police post – K27, 850, h. (ii) Construction of 1x2 Teachers Houses at Chikwama Basic School in kafue, h. (ii) Masaiti district council, h. (ii) Completion of a 1x2 class room block at Chidolo primary school at K14,805

**Paragraph 36(36)** g. Unacquitted allowances – Kitwe City Council, h. (ii). Irregularities in the payment of salaries and allowances at kitwe, h. (ii) Irregular payment of Acting allowance – K102,172 at kabwe council, h. (ii) Irregular payment of salaries and allowances at mpulungu Dist Council – K6,609, h. (ii) h. (ii) Irregular payment of salaries and allowances at Kapiri Mposhi Dist Council, h. (ii) Irregular payment of personal to holder allowances at Kapiri Mposhi Dist Council, h. (v) Irregular payment of fuel allowances at Mkushi dist council, h. (vi) excess payment of fuel and housing allowances – Solwezi municipality, h. (vii) Over payment of salary – Mbala Dist council, h. (viii) over payment of housing allowances – Kabwe municipal council. h. (ix) Construction of Kalanga market – mwense dist council, h. (ix) Construction of Ten (10) three bedroom medium cost houses in Chipili Dist, h. (ix) Construction of Ten (10) three bedroom medium cost houses in Mwansabombwe dist,

#### **Ministry of Commerce, Trade & Commerce**

**Paragraph 38(38)** b. Unaccounted for stores, c. failure to follow procurement procedures,

#### **Ministry of Health**

**Paragraph 45(45)** a.i Unvouched Expenditure Missing Payment Vouchers RDCs K94,920. a.iii. 2013  
Unacquitted Payments

**Paragraph 46(46)** o. Infrastructure Development, Lewanika School of Nursing (Construction of Students Hostel.. Construction of Kanyama and Chelston Maternity. Lusaka Province

**Ministry of Communication and Transport**

**Paragraph 10(10) b. Failure to Collect Revenue- Temporal Air Service Permit**

**Paragraph 47(47) a. Misapplication of Funds. e. .2013. Unaccounted for Stores, f.i 2013 Purchase of Property No. 13433 Chalala in Lusaka . Failure to Submit Architectural and Structural Drawings. f. ii. 2013 Failure to pass title to Government**

**Paragraph 48(48) a. Failure to Maintain an Asset Register. b. 2013 Missing Payment Vouchers. c. 2013 Unaccounted for Stores.**

**Ministry of Chiefs and Traditional Affairs**

**Paragraph 15(15) a. Unaccounted for Stores. d. 2013 Missing Payment Vouchers, i. 2013 Unsupported Payment of Leave Travel Benefits and Commutations.**

**Ministry of Communication and Transport**

**Paragraph 37 (37) 2005, Aircraft Lease Agreement**

**Ministry of Justice**

**Paragraph 37(37) (d.i) Compensation and Awards Account, Questionable Interest Rates.**

**Public Service Management Division**

**Paragraph 33(33) (e) Unaccounted for Stores,**

**Office of the President, Copperbelt Province**

**Paragraph 66(66) a. Missing Payment Vouchers, b. Unsupported Payments c. Operations of District Commissioners Offices, Unvouhed Expenditure, c. Unaccounted for Stores,**

**Paragraph 67(67), b. Works at the Levy Mwanawasa Stadium Car Park. Paragraph 68(68) a. Unsupported Payments. Paragraph 69(69) a. Undelivered Stores, e. Failure to Supply a Grader**

**Ministry of Education**

**Paragraph 53 (53) g.Misapplication of Funds- Education Materials and Equipment. (h) 2013 Infrastructure Development Abandoned Projects.**

**Paragraph 54(54) b. 2013 Unsupported Payments (d) Unretired Accountable Imprest (f) Failure to produce Reports. (h) 2013 Fuel Drawn by Unknown Vehicles. Unaccounted for Funds (o) Misapplication of UNWTO Funds-Livingstone Provincial Education Office. (p) Failure to Procure a Scania F95 HB 65-Seater Bus – Mongu PEO. (q) Irregular Procurement of a Hino Minibus –**

*Tea Estate Secondary School- Kawambwa (t.ii) 2013 Infrastructure Construction of One Staff House at Lupongwe Primary School. Construction of One Staff House, Outdoor Kitchen & One Single VIP Toilet at Kawikisha Primary School. (i) 2013 Mbunde Primary School Construction of a Staff House and a Single VIP Latrine. (ii) Kalabo Resource Centre Construction of 3 Double VIP Latrines. (iii). 2013 Maoma Primary- Construction of a Staff House and a Single VIP Latrine. (b.iii) Construction of 2 Staff Houses and a VIP Toilet Kaikumbe Primary School, Project Status.*

**Paragraph 56(56)** a. ii. Northern Province Irregular Drawing of Salaries.

**Ministry of home Affairs, Zambia Police**

**Paragraph 14(14)** 2013 (a) Supply and Delivery of Security Speeds Boats

**Ministry of Community Development, Mother and Child Health**

**Paragraph 43(43)** 2013 (g,i) Weaknesses in Accounting for Drugs and Other Medical Supplies Unaccounted for Drugs and Medical Supplies, Undelivered Drugs and Medical Supplies Mumbwa DCMO, Expired Drugs

**Paragraph 46(46)** Personal Emoluments, Capacity Building, Misapplication of Funds Meant for Training,

**Paragraph 47(47),** Weaknesses in the Payment of Housing Allowances Overpayments of Housing Allowance, Irregular Payment of Housing Allowances, Paragraph 41(41) © 2013 Unsupported Payments, (d) Unaccounted for Stores.

**Ministry of Finance – Loans and Investment**

**Paragraph 32(32)** c. Eurobond Proceeds, Zambia Railways, Failure to Recover Advances Payment Guarantee, Misapplication of Rehabilitation Funds, Lack of Receipt and Disposal Details, i. Ministry of Health, Inadequately Supported Payments

**Paragraph 49 (49)** Failure to Recover Loans , Youth Development Fund (YDF).

**Office of the President, Western Province**

**Paragraph 73(73)** (a) Unretired Imprest, (h) Unaccounted for Stores, Irregularities in the Management of Fuel, Fuel Drawn by Officers at Level of GSS 03 and above (L and Above).

**Paragraph 74(74)** Unclassified Disbursements, Excess Payment of Subsistence Allowances, Unaccounted for Fuel,

**Paragraph 78(78) Installation of Street Lights Along AirPort Road in Kalabo**

**Paragraph 75(75) Construction of Office Block Shangombo DC Paragraph 76(76) Failure to implement Funded Projects, Construction of Limulunga , Ushaa Road, Construction of Culverts on Kalabo, Mapungu Road, Project Status.**

**Judiciary**

**Paragraph 8(8) a. 2013 Unaccounted for Revenue Small Claims Court, Lusaka**

**Office of the President, Lusaka Province**

**Paragraph 62(62) Missing Payment Vouchers, Paragraph 65(65)f, D177 Kalubwe Road,**

**Office of the President, Eastern Province**

**Paragraph 77(77) Construction of Vubwi DCs Office Block, b. Construction of Vubwi DCs Staff House, c. Construction of a low-Cost House at Ukwimi Basic School**

**Paragraph 78(78) Rehabilitation and Construction of Drainage Structures, Non-delivery of Culverts, c. Kampondo Chanyalubwe Road (Via Kapongolo), Lundazi District, Road, 5,5 Km, Nchute, Lukoshi Road, 4.3 Km, Mpango Road, 7.8Km, Waterfalls Road, Luangwa, Other Roads, D168 Kacheta Road, Chilanga District, Kabanana/Chisakila Road Kafue District**

**Office of the President, North-Western Province**

**Paragraph 82(82) a. Irregular Awards of a Contract b. Inadequately supported Payments, c.ii. Weaknesses in Accounting for Public Stores, Unaccounted for Stores.**

**Paragraph 82(83) b. Infrastructure Development Headquarters, Construction of Dining Hall at Mutanda High School, Poor Workmanship, b,iii. Rehabilitation of Kabompo Rest House, Delayed Completion, iii. Rehabilitation of Kabompo Rest House, Poor Workmanship**

**Paragraph 84(84) b.ii. Implementation of Road Projects, Rehabilitation of Kanongesha Road,**

**Paragraph 82(82) b.iii Rehabilitation of Lwakela – Kakoma Road**

**Mission Abroad, Lubumbashi**

**Paragraph 18(18) d. Employment of Locally Engaged Staff (LES) without Authority**

**Mission Abroad, Lilongwe**

**Paragraph 19(19) a. Failure to insert the Diplomatic Clause in Lease Agreements, © Unaccounted for Stores.**

**Mission Abroad**

**Paragraph 20(20) a. Transfer of Revenue without Authority (f) ii. Property Management lack of Title Deeds for Mission Properties.**

**Mission Abroad, Dar es Salaam**

**Paragraph 22(22) a. ii. Revenue Failure to Reimburse Revenue.**

**Mission Abroad, Gaborone**

**Paragraph 23(23) b. Inadequately Supported Payment**

**Mission Abroad Maputo**

**Paragraph 24(24) a. Lack of Ownership Documents for Properties, (b) Failure to insure Building. (c) Rehabilitation of the Official Residence at Plot 20 Don Alfonso Henrique Avenue Maputo. (d) Chancery Plot No. 1286 Kenneth Kaunda Avenue.**

**Mission Abroad Windhoek**

**Paragraph 25(25) a. iii. Revenue, Failure to Collect Rentals**

**Mission Abroad Brussels**

**Paragraph 26(26) c. Rehabilitation of the Chancery, Avenue Moiriere 469 1050 Bruxelles**

**Mission Abroad, Harare**

**Paragraph 27(27) a. Failure to collect Revenue from Rented Properties, (b) Failure to Adhere to Procurement Procedures. c.i.ii.iii. iv.v.vi, 2013 Weaknesses in the Management of Properties Chancery. House No. 8 Simms Road Mount Pleasant, House No.44, Sloans Road Highlands, 10 Turnstead, the Garage, 5 Cowden Close, Chisipite, 7 Samson Road, Mount Pleasant.**

**Mission Abroad Pretoria**

**Paragraph 28(28) e. 2013 Mission Properties, High Commission's Residene**

**Mission Abroad, Rome**

**Paragraph 29(29) b. 2013 Failure to Recover Utility Bills Contribution © Unaccounted for Stores**

### ***Office the President – Southern Province***

**Paragraph 85(85) c. Unsupported payments, d. Irregular payment of overtime, h. Failure to deduct Pay as You Earn (PAYE)**

**Paragraph 86 (86) a. (ii) Construction of duty room and ablution block at Monze state prison, a. (iii) Rehabilitation of Maramba Stadium, a. (iv) Rehabilitation of Harry Mwaanga Nkumbula Stadium.**

**Paragraph 88 (88) c. (iii) Questionable accountable imprest retirements, e. Procurement of Equipment, goods and services from unregistered companies and with dormant value added tax (VAT) accounts, f (i) failure to handover equipment, g. (ii) Questionable drawing of fuel,**

**Paragraph 89 (89) e. (ii) Construction of International bus terminus in Livingstone, f. Construction of an ultra-modern market in Livingstone.**

**Paragraph 90 (90) a. Failure to implement projects**

### ***Office of the President Muchinga Province***

**Paragraph 58 (58) a. Failure to recover funds – contract for installation of water tank, b. Rehabilitation of five (5) offices at the marketing dept under ministry of agric. c. Construction of an office block for Shiwang'andu district administration, d. Construction of a house for the district commissioner in Shiwang'andu, e. Construction of ten (10) medium cost houses in Mafinga, h. Drilling of Five (5) boreholes in Shiwang'andu and Mafinga, i. Rehabilitation of a house for the district commissioner in Mpika, j. Construction of culverts at Icheshi – Chinsali, k. Construction of mother shelter in Nakonde, l. Construction of Nchenga – Upukwe bridge – Nakonde.**

### ***Office of the President Northern Province***

**Paragraph 71 (71) b. Irregular payment of value added tax (VAT), c. Irregular award of contracts,**

**Paragraph 72 (72) a. (i) Rehabilitation of feeder roads – Luwingu district, a. (ii) Failure to enforce performance security bond.**

**Paragraph 80 (80) a. rehabilitation of feeder roads – Mipita lundu road**

**Paragraph 82 (82) a. failure to deliver a generator, b. Fish cage live stock and fisheries development.**

**Paragraph 83 (83) a. Misplacement of Officers and excess Staff**

**Office of the Province Luapula Province**

**Paragraph 79 (79) f. unsupported payment, g. Missing payment vouchers. Paragraph 80 (80) b. Missing Payment Vouchers, © Unsupported Payments, (d). Unaccounted for Stores. Paragraph 81(81) Failure to Undertake, Activities (d) Failure to implement Project, Rehabilitation of Mulwe Road Kawambwa District, d. Rehabilitation of Feeder Roads Mwansabombwe District, d. Rehabilitation of Senama Fiyongoli Road, d. Construction of a Bridge on Mansa Tayali Road Mansa District, d. Rehabilitation of Chembe, District.**

**Cabinet Office**

**Paragraph 13(13) a. Procurement of Works for Rehabilitation of Kenneth Kaunda International Airport (KKIA), Questionable Justification for Direct Bidding, a. Lack of Contract, Moving on Site before Award of the Contract, Non-Compliance with ZPPA Regulation on Advance Payment, Payments Made to the Contractor without Issuing Certificated of Completion, Inflating Quantities on Curtaining Materials b. Contract for fitting of Carpets. Questionable Payment of Contract Sum b. Inflation of Office Space Floor Area. c. Failure to follow Procurement Procedures- Contracting of Catering Services, c. VVIP and VIP Meals, d. Unvouched expenditure, g. Unaccounted for Stores, h. Undelivered Services FITCOM Limited , i. Unacquitted Allowances Paragraph 30(30) Missing Payment Vouchers**

**OUTSTANDING ISSUES FROM THE TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIFTH SESSION OF THE TENTH NATIONAL ASSEMBLY.**

**Report of the Auditor General on the Accounts for the Financial Year ended 31<sup>st</sup> December 2014.**

**Ministry of Lands**

**Paragraph 14(14) Accounting and Other Irregularities – a. Unaccounted for revenue – ZILMIS (Lands and survey collections), d. Manipulated Receipts., e. Failure to collect ground rent, f. Failure to charge penalties on ground rent defaulters, j. (ii) Revenue generated from survey departments, k. unremitted revenue – proceeds from mukula tree auction sale, l. Irregularity in property data base, Property without Land size/Area, I (ii) Property without property type, O. Weaknesses in the ZILMIS Oracle Database**

*Management – Lack of a data base management policy, s. Failure to interface ZILMIS with Critical External Systems,*

**Paragraph 60 (60), a. Unvouched Expenditure, Failure to reimburse funds, c. Unretired Accountable Imprest, d. Misapplication of funds**

**Ministry of Local Government and Housing**

**Paragraph 40(40)** a. Unsupported payment, b. Unretired Accountable Imprest, c. failure to avail activity report, d. unaccounted for stores, e. Rehabilitation and expansion of water and sanitation in chinsali dist, Expansion of water supply system in mufumbwe dist, Rehabilitation and expansion of water and sanitation in Isoka dist, f. Construction of a bus station in Mpika, Construction of a bus station in Mpika, Construction of a modern Market in Mpika, Construction of a modern market and bus station in Sinazongwe, Construction of ten medium cost houses in Ikelenge district, Construction of ten medium cost houses in Sinda district, Construction of ten medium cost houses in Rufunsa district, Construction of ten medium cost houses in Chipili, district, Construction of ten medium cost houses in Chikankanta district, Construction of ten medium cost houses in Pemba district, Construction of ten medium cost houses in Zimba district, g. Construction of ten medium cost houses in Lunga district, h. Construction of a sub-fire station at Bonaventure in Lusaka dist, Construction of a sub-fire station at Chilenje in Lusaka dist, Construction of a sub-fire station at Chelstone in Lusaka dist,

**Paragraph 42(42)** a. Unspent funds, b. Misapplication of funds, e. Unsupported payments at Shangombo Dist Council, n. unaccounted for stores at Solwezi council, t. Failure to implement funded projects in chipata district (K3,235,000) and Mongu District and Ndola city Council (K137,000), u. Failure to insure and register equipment at Mumbwa council (K853,200) and Mbala Council (K1,845,000), z. Undelivered Tipper Truck – Ndola Council, bb. Unreversed borrowing – Mulobezi council, cc. Construction of 1x3 semi-detached staff houses at Kaama Basic school and construction of 1x3 classroom block at Nda basic school in western province, cc. (ii) Construction of Yuka Traditional Court in Western Province, cc.(ii) 2014 Rehabilitation of Blown off Roof at Looma Primary School in Western Province. cc. (ii) question of Procurement, Mulobezi District cc(ii). 2014 Construction of Kwandu Community Radio Station shagonmbo District. cc. (ii). 2014 Completion of 1 x 2 Classroom Block at Malala Community School. cc. (ii) 2014 Completion of Staff House at Liyuwayuwa Primary School. cc. (ii) Rehabilitation of 1 x2 Classroom Block Mashitolo Primary School. cc(ii) 2014 Construction of 1 x3 Staff House Block at Lwamfwe Primary School. cc (ii) 2014 Construction of 1 x3 Staff House Block at Kankomba Primary School. cc (ii) 2014 Construction of Water Borne Toilets at Nsakaluba Primary School. cc (ii) 2014 Construction of a Health Post at Myengele Kawambwa, District. cc (ii) 2014 Construction of Market Shelter at Namwandwe, Kawambwa District. cc (ii) 2014 Construction of 1 x2 Classroom Block and Double VIP Latrine at Musakashi Primary

*School Copperbelt Province, Kalulushi. cc (ii) 2014 Construction of Staff House with a Kitchen at Chavuka Community School, Eastern Province, Katete. Construction of a 1 x 3 Classroom Block at Vulamukoko, Eastern Province. Construction of Mwaziputa Health Post. Rehabilitation of D128 Road from Chainage 0.0 Km to Chiyambi Primarcy School in Chadiza. Construction of three bedrooomed house at Muleke Community School in Mumbwa District. Construction of a Market Shelter in Mumbwa District. Construction of Staff House at Shiwezwa Community School in Mumbwa Districe. Completion of a Primary School at Kamilambo in Mumbwa District. Completion of Mumba Bridge in Mumbwa District, Rehabilitation of Shamabanse Market Shelter in Kabwe. Construction of a Maternity Ward at Chowwa Health Centre in Kabwe. Construction of Linda Clinic in Lusaka District. Construction of a Clinic at Soloboni Community in Lusaka District. Construction of Market Shelter at Chipongwe in Chilanga District.*

**Paragraph 43(43)** J. *Unsupported Payments Shangombo District Council K803,428, Unsupported Payments Kasama Municipal Council K963,857. Unsupported Payments Solwezi Municipal Council K706,084.09. Unsupported Payments Mbala Municipal Council K757,499. n Failture to remit Statutory Contributions, r. Construction of Ten Cost Houses in Mulobezi District Council K4,689,881.*

**Ministry of Agriculture and Cooperatives**

**Ministry of Communication and Transport**

**Paragraph 12(12)** a. *Loss of Revenue Undercharging of Toll fees at Nakonde*

**Ministry of Health**

**Paragraph 48(48)** b. 2014 Unretire Accountable Imprest, i. failture to Remit Tax. t. Delay in reporting Accident, Provincial Health Office, Lusaka. u.Under Collection of Students Fees at Mufulira School of Nursing. v.Unaccounted for Revenue, z. (.i )Infrastructure Development. Delays in the implementation Projects in Northern Province, z.vi Poor Workmanship and incomplete Works in Lusaka Province. z.vii . Poor Workmanship and incomplete Works in Luapula Province. z. viii. Poor Workmanship and incomplete Works in Central Province. z.ix. Poor Workmanship and Incomplete Works in Muchinga Province.

**Paragraph 49(49)** e. *Failure to insure Government Buildings, g.i Social Health Insurance Scheme. Failure to Remit Funds to the Social Health Insurance Scheme Account. h.ii. Misapplication of funds. j.i Infrastructure Development, Failure to Complete Projects on Time, Mungwe District Hospital. J.ii, Vubwe District Hospital. j.iii. Chipata District Hospital. j.iv Nyimba District Hospital. j.vi. Lundazi District Hospital.*

## **Ministry of Education**

**Paragraph 55(55) c.** Weaknesses in the Management of Bank Accounts (e) Missing Payment Vouchers. (g) Irregular payment of Parliamentary Allowances (i) Questionable Payment Allowances (J) Payment of Group Imprest (m) Unaccounted for Stores (n) Undelivered Fuel Luangwa Secondary School. (t.ii) Bursaries Double Payment for Accommodation, Bursaries – Abroad Unsupported Payments (u) Misapplication of Funds- Procurement of Education Materials and Equipment. (v) Lack of Receipt and Disposal Details – Procurement of Textbooks. (z.i) Infrastructure Development, Misapplication of Funds – Transfer of funds to Mulungushi University. Poor Supervision of infrastructure Projects. (z.iii) Failure to Provide Contract Documents. (z.iv) Delayed Completion of Projects. Two (No.2) Hostel Blocks at Ukwimi Trades. Luanshya Based Institutions (z.vii) Abandoned Infrastructure Projects -Wasteful Expenditure, Nabwalya Boarding Secondary School, Luasobe Boarding Secondary School, Chikando Day High School, Chalimbana University, Kapekesa, Umi Primary School, Chikowa Basic School, Musa Day High School, Ntumpa Boarding High School, Kampamba Day High School, John Mubanga Day High School, Copperbelt Secondary Teachers College (COSETCO). (z.vii) Mukuba University, Chasefu Boarding Secondary School, Chikowa Day Secondary School, Construction of Kanona Day Secondary School, Construction of Kaumba Boarding Secondary School. (z.vii) Construction of Two Hostel Blocks at Ukwimi Trades. (i) 2014 Luanshya Institution Abandoned Infrastructure Projects Wasteful Expenditure, Luasobe Boarding Secondary School, Chikando Day High School, Chalimbana University, Kapekesa , Umi Primary School, Chikowa Basic School.

**Paragraph 56(56) g.** Circumvention of Tender Procedures.

**Paragraph 55(55) h.** Utility Bills.

**Paragraph 58(58) a.** Employees on Payroll (PMEC), but not on the Station. © Irregular Payment of Double Class Allowance, (e) Irregular Payment of Rural Hardship. (f) Payment of Remote Instead of Rural Hardship Allowance (h) Irregular Payment of Housing Allowance to Officers Occupying Institutional Houses. (i) Failure to Constitute a Medical Board Sesheke Secondary School. Faiture to Recover Loans and Advances – Northern Province.

**Paragraph 59(59) e.** 2014 Officers on Studies without Approved Leave. (g) Subsequent Issuance of Imprest (i) Irregular Procurement of Goods and Services using Imprest. Unaccounted for

*Stores. (m) Failure to disburse Grants to Basic Schools, (n) Failure to Deduct Tax (q) Irregular Payment of Teachers Subsidies and Incentives. ® Failure to Provide Expenditure Details, (t.ii) Western Province Failure to Account for Receipts, Luampa Secondary School. (t.iv) Employees not Paying Statutory Contributions, Chama Boarding Secondary. (x.ii) Splitting of Payments, Lusaka GRZ Secondary School. Lusaka Province. (y) Infrastructure.*

***Office of the President Western Province***

***Paragraph 84(84)*** i. Overpayment of fuel, o. Failure to recover Salary and Tuition advances, ii. Rehabilitation of Mulobezi Dam – Department of water affairs.

***Paragraph 85 (85)*** a. Unretired accountable Imprest, f. Unaccounted for stores,

***Paragraph 86 (86), b. Failure to implement funded project, c. Drilling of Boreholes in Kalumwange Resettlement Scheme.***

***Office of the President, Luapula Province***

***Paragraph 81(81)*** Wasteful Expenditure on Hotel Bills, Paragraph 92(92), b. Failure to implement funded Activities, Rehabilitation of Roads in Mwansabombwe District c. Failure to complete Projects, Chienga District Mipa East Road, c. Mansa District Kapesha Mukanga Prison Farms Road, c. Mwense District , Mambilima Lukolon go Road.c. Mwense Clinic Finkesenge Road Paragraph 93(93) b. Oil Palm Out growers Scheme, Stalled Project,

***Office of the President, Copperbelt Province***

***Paragraph 74(74)*** c. Unaccounted for Fuel, d. Poor project Implementation, Rehabilitation of Kalulushi Township Roads, Mwambashi Road.

***Paragraph 75(75)*** d. WaterAffairs Department- Borehole Setting and Drilling in Masaiti, c. Road formation in Resettlement Schemes- Kambilombilo.

***Paragraph 76(76)*** c. Failure to insure Building and Equipment, d. Operations of District Commissioner's Offices, Irregular use of Accountable Imprest., Unaccounted for Stores.

***Paragraph 77(77)*** c. Introduction to Payroll Without Authority

***Office of the President – Eastern Province***

***Paragraph 80(80)*** c. Grading and reshaping of R296 Undi Off Road (T4 to Msoro), Poor Compaction off Embankments on Culverts

**Paragraph 89(89) d. Construction of Chalets at Cultural Centre in Chipata, Delay in Completion of the Project e, Construction of Boundary Wall Fence- David Kaunda Stadium, Irregular Engagement of a Contractor, e. Construction of Boundary Wall fence- David Kaunda Stadium, Abandoned Project.**

**Office of the President, North-Western Province**

**Paragraph 95(95), d, Unsupported Payments, e, Unaccounted for Stores**

**Paragraph 96(96) b. Rehabilitation of Manyinga – Choongo Road,**

**Paragraph 97(97), c. Infrastructure Development, Construction Of Zambia Compound Health Centre, Staff Houses and three Pit Latrines, K473,688, c. Construction of Weighbridge Health Centre, Staff House and Three Pit Latrines**

**Ministry of Agriculture and Cooperatives**

**Paragraph 15(15) (a) Unaccounted for Revenue (d) Missing Accountable Documents**

**Paragraph 65(66) (c) Unretired Accountable Imprest (g) Payment of Allowances to Officers who did not Undertake Trips (i) Irregular Payments of Out-of Pocket Allowance (j) Unaccounted for Stores (pp) Missing Payment Vouchers. (qq) Unsupported Payments (rr) Misapplication of Funds (ss) Unretired Accountable Imprest (uu) Questionable Retirement of Imprest (vv) Questionable claim of Subsistence Allowance (zz) Irregular Payment of Sitting Allowance, Chama DACO.(bbb) Failure to Remit NAPSA Contribution (eee) Irregular Payment of Fuel , Mpulungu. DACO. (fff) Failure to insure Government Assets Motor vehicles Sesheke DACO. (fff.ii) Office Equipment and Furniture. (ggg) Failure to claim Insurance on Damaged Motor Vehicle (GRZ 678 CF), Sesheke DACO. (ggg, iii) Non Recovery of Loans and Advances (ii) Management of Ranches Unutilised Tractor Chishinga State Ranch, Kawambwa DACO (iii) Kalwingwishi State Ranch, Mpolokoso DACO Unaccounted for Animals (iii) Abandoned Low Cost House (jjj,i) Infrastructure Development, Construction of Nsenga Earth Dam Peteauke District. (jjj,ii) Failure to use Livestock Services Centre at Ntabu Mwinilugna DACO. (jjj,ii) Other Projects Western Province, Sesheke Construction of an Office Block (jjj,iii) Southern Province Sinazongwe, Construction of an Office Block at Kanchindu State Ranch. (jjj,ii) Livingstone, Construction of an Office Block at Livingstone DACO. (jjj,ii) North Western Province, Solwezi, Construction of an Artificial Insemination Satelite Centre. (jjj,ii) Lusaka Province, Chongwe Construction of Milk Shed at Kanakantappa (jjj,ii) Rufunsa, Construction of Rufunsa Livestock Breeding Centre. (jjj,ii)**

*Shibuyunji Construction of a Dip Tank at Chintanga and Rehabilitation of a Dip Tank at Martin Luther King Construction of Dip Tank at Chintanga. (jjj.ii) Dip Tank at Martin Luther King. (jjj.ii) Construction Milk Collection Centre. (jjj.ii) Rehabilitation of Administration Block at Kaunga Farmers Training Centre. (jjj.ii) Muchinga Province, Chama Constrfuction of Chama dip tanl at Chama Central Camp. (jjj.ii) Eastern Province Chadiza Rehabilitation of Khulika and Chilenga Dip Tank. (jjj.ii) Mlolo Dip Tank (jjj.ii) Lundazi Rehabilitation of four (4) dip tanks at Kamphnda, Kathimba, Kamtomo and Kamamphina (jjj.ii) Rehabilitation of Kamuzoole Emusa, Mtwalo and Chiungwe Dip Tanks. (jjj.ii) Vubwi Construction of an Office Block at Vubwe DACO , Katete, Rehabilitation of Mushota Dip Tank/Storeroom and sinking of Borehole, Rehabilitation of Kagoro Dip Tank. Luapula Samfyia, Construction of a Dip Tank at Chitundwa Camp. Copperbelt, Mufulira. Kasaka Fisheries Training institute, Kafue, Failure to Adhere to Procurement Guidelines. Paragraph 67(67) (b). 2014 Drawing of Salaries on Wrong, Wrong Salary Scales (b) Irregular Payment of Rural and Remote Hardship Allowances (c) Payment of remote instead of Rural hardship Allowance. Irregular Payment of Housing Allowances. Paragraph 68(68) , 2014 (a) Failure to undertake paid for Activities. (b) Late Delivery of fertilizer, Saudi Basic Industries Corporation (SABIC) (c) Deposits Not Refelcting on Bank Statements (d) Weaknesses in Management of Inputs, Non Existent Farmers Groups Kabwe , DACO. (d) Undelivered Farming Inputs, Inputs paid for but not delivered., Late transfer of Inputs. Unaccounted for inputs. Missing ATDs, Deposit Slips and ATCs. Failure to issue inputs to Beneficiaries- Senanga DACO. (e) Contracts for Transportation of Inputs Unsupported Transporters, Claims (f) Weaknesses in internal Controls, Irregular Payments of Sitting Allowances. Paragraph 69(69) 2014 (h) Questionable engagement of Suppliers of Foodstauffs (j) undelivered Stores. (i) Acquisition and Land Use, Mumbwa Ranch Farm, Failure to develop the Ranch and Availability of Assets Register. Failure to Remit NAPSA Contributions.*

#### ***Office of the President, Lusaka Province***

***Paragraph 70(70) a. Unsupported Payments, d. Unaccounted for Stores items and Fuel, e. Fuel Drawn by unauthorized Motor Vehicles.***

***Paragraph 71(71) Rehabilitation of Feeder Roads, Grading Spot Gravelling and Culvert Installation, 22Km Other Roads, Luangwa (Chilombwe Road) a. Grading, 12Km of Chipeketi Road, Grading 23Km – Kamwesha Road-Rufunsa District, Grading Spot Gravelling and Culvert Installation-10 Km Kapyongo Road, Kafue District, Grading , Mungu Shimabala Road, Heavy Grading and Spot Gravelling-12Km Chisakila Kabanana. Grading and Gravelling -30Km***

*Ng'ombe Ilede Road., Gravelling and Culvert Installation-25Km Nampundwe Mine Road and 24Km Situmbeko Chimbotela Road, Nampundwe Mine Road, 24Km Situmbeko Chibotela Road, Heavy Grading and Spot Gravelling-Other Roads- D164 Makeni Road.*

**Paragraph 72(72) Failure to Execute Funded Projects.** *c. Questionable payments of certificated for abandoned works on Rehabilitation of Dams, Rehabilitation of Zemba, Zemba Dam*

***Ministry of Home Affairs – Zambia Police***

*Paragraph 16(16) a. 2014 Irregular Payment of Rural and Remote Hardship Allowance, b. Outstanding Electricity Bills for Officers, g. Lack of Comprehensive Data on Property.*

***Ministry of Home Affairs***

*Paragraph 18(17) Accounting and Other Irregularities – Latest position on the issues raised in b and c. Paragraph 10(10) (a) Unsupported Software , Use of Oracle 10g (c) Loss of Revenue due to under charging of fees (d) Passport Produced without Payment (e) Failure to Present Accountable Documents. Paragraph 18(18) (a) Construction of the Office block for National Registration and Passport in Senaga (b) Construction of the Office block for National Registration and Passport in Solwezi. (c) Rehabilitation of the Office Block for National Registration and Passport in Mporokoso (d) Rehabilitation of the Office Block for Registration and Passport in Mbala (i) Other Infrastructure Projects. Construction of Storage Shed at Kalonga Milling Plant for Zambia Prisons Service, Paragraph 19(19) Lusaka Region, Construction of Sewer line at Mwembeshi Maximum Prison in Lusaka. Western Region, Construction of two low cost houses at Kalabo State Prison (i) Construction three Low Cost Houses in Kalabo. (f) Failure to Deduct Tax Due to ZRA, Lusaka Region (g) Failure to Report Road Traffic Accidents to the Standing Accidents Committee PS 1073B (k) Unaccounted for Stores (i) Unretire Accountable Imprest (e) Uretired Accountable Imprest*

***Ministry of Foreign Affairs - Headquarters***

*Paragraph 22(22) a. 2014 Expenditure incurred on undeployed Staff, (f) Irregular Payment of Accommodation Bills.*

***Ministry of Defence***

**Paragraph 53(53) Failure to process Commitments and Local Purchase Orders via IFIMIS,** *(b) Unretired Accountable Imprest, (c) Irregular use of Imprest for Procurement, Non Recovery of*

*Tuition and Salary Advance, Outstanding Arrears, Drilling and installation of Boreholes, Zambia Army Operation Arears. (h) Procurement of Sub Division Farm 688 (Lusaka West), Failure to Transfer Title, Irregular Drawing of Salary. Paragraph 54(54) c. Unaccountable for funds, Renovation of Officers Quarters ZNS Luanshimba.*

***Ministry of Youth Sports***

*Paragraph 52(52) Unsupported Payments, Failure to Recover Loans and Advances, Youth Development Fund (YDF) Lack of Records Loan Recoveries, Irregular Transfer of YDF Funds, Yahweh Embassy Ministries*

***Ministry of Broadcasting and Tourism***

*Paragraph 41(41) Misapplication of Funds (b) Unsupported Payments (c) Unaccounted for Stores (d) Failure to insure Government Property*

***Ministry of Community Development, Mother and Child Health***

*Paragraph 47(47) Rural and Remote Hardship Allowance Paid to ineligible Employees, Irregular Payment of Night Duty Allowance.*

***Ministry of Tourism and Arts***

*Paragraph 13(13) (a) Outstanding Hotel License Fees, Complexity of the Application Cycle Inadequate Budget Releases, Creation of E.Payment System for Tourism Licensees. (b) Poor Monitoring and Reconcialtion of Tourism Development Credit Facility (TDCF)Loan.*

***Ministry of Mines and Minerals***

*Paragraph 17(17) a. Unsupported Payments, J. Irregular use of Accountable Imprest to Procure Goods and Service, i. Failure to obtain value for money in procurement. m. Undelivered Stores Materials, o. Infrastructure Development, Construction of Sample Sheds.*

***Ministry of Transport, Works, Supply and Communication***

*Paragraph 50(50) a. Failure to Avail Expenditure Details, b. Payment on unidentified Activity Codes, c. Misapplication of funds, d. Unaccounted for Stores., e. Unretired Accountable imprest, f. Irregular Purchase of Equipment, g. Unacquitted for funds, j. Failure to distribute Speed Boat Engines, i. Questionable Contracts to Supply Spare Parts for Dredgers, m. Failure to distribute*

*Camping Equipment, n. Construction of Kasama Airport Runway, o. Construction of a Fire Station at Chipata Airport,*

**Paragraph 51(51), i. Construction of a Fire Station at Chipata AirPort, ii. Abandoned Works , iii. Failure to Submit Claims for Certification, iv. Sub-Contracted Works.**

***Ministry of Foreign Affairs - Lubumbashi***

**Paragraph 23(23) c. Unaccounted for Stores (e) Rehabilitation of Mission Properties, House No. 6 Lundula Avenue, House No.18 Kamanyola Avenue, House No. 26 Luvua Avenue (Residence), House No. 1332 Kapenda Avenue, House No.6 Tshinyama Avenue. The Chancery, Servants Quarters (x4), House 6 Lundula Avenue House 18 Kamanyola Avenue, House No. 26 Luvua Avenue(Residence) House No. 1332 Kapenda Avenue. House No. 56 Tshinyama Avenue. Kitchen Units (x6), Construction of the Wall Fences, Screening Room**

***Ministry of Foreign Affairs - Maputo***

**Paragraph 31(31) a. Lack of Ownership Documents for Properties (b) Failure to Complete Rehabilitation of the Official Residence at Plot 20 Don Alfonso Henrique Avenue (c) Payment of Rentals in Excess of Entitlement.**

***Ministry of Foreign Affairs - Windhoek***

**Paragraph 27(27) a.i Irregular Payments Irregular Payment of Allowances to Spouses of Late Diplomat. a.ii Payment of Transportation Costs for Personal Goods High Commissioner. (a.iii) Failure to Recover Medical Bills (b) Consultancy for Assessment for Rehabilitation Works.**

**Paragraph 32(32) a. 2014 Use of Revenue without Authority, (b) Failure to Collect Rentals (c) Failure to Reimburse Borrowed Funds (d) Unsupported Payments (e.i) State of Mission Properties, The Chancerry No.22 Sam Nujuma/Mandume Ndemufayo Street. (e.ii) Official Residence , No. 1 George Hunter Street, Olympia (e.iii 14 Lydia Street Ludwigsdorf, (e.iv) 9 Schwerinsburg Street, Luxury Hill**

***Ministry of Foreign Affairs - Brussels***

**Paragraph 30 (29) Accounting and Other Irregularities – Latest position on the issues raised in c,e and h.**

**Paragraph 33(33) a. Unaccounted for Visa Fees © High Cost on Rented Properties**

**Ministry of Foreign Affairs- Accra**

**Paragraph 38(38)** (b) Failure to fill vacant position (c) Wasteful Expenditure on Rental Payment (d) Failure to follow Procurement Procedures € Unaccounted for Stores. (f) Inventory not inscribed with GRZ identification Marks

**Ministry of Foreign Affairs -Kuala Lumpur**

**Paragraph 39(39)** (d) Failure to sign a Formal Agreement, Constricting of Security Services. (e) Failure to Recover Repair Costs

**Ministry of Foreign Affairs, New Delhi**

**Paragraph 30(30)** a. 2014 Non-Recovery of Repair Costs from Diplomats, (b) Payment of Rental in Excess of Entitlement. Failure to inscribe Government Assets, (f) Properties Residence, Failure to Utilize Rehabilitation Funds, Rentals for the High Commissioner's Residence

Paragraph 33(32) Accounting and Other Irregularities –whether the issues raised in b and c have been addressed.

**Ministry of Foreign Affairs- Beijing**

**Paragraph 29(29)** d. 2014 Irregular Payment of Hotel Bills for Honourable (e)Failure to Recover Funds from Recalled Ambassador Minister (f) Unapproved Payments Vouchers (g) Missing Payment Vouchers

**Ministry of Foreign Affairs – Luanda**

**Paragraph 34 (34)** a. 2014 Unaccounted for Visa Fees, c. High Cost on Rented Properties

**Paragraph 28(28)** a. 2014 Lack of Formal Contracts for Locally Engaged Staff (LES) (b.i) Property Management, Failure to secure Title Deeds for Chancery and Residence, (b.ii) Rehabilitation of the Chancery (b.iii) Rehabilitation of Annex , Chancery, (b.iv) Undeveloped Land

**Ministry of Foreign Affairs – Geneva**

**Paragraph 35 (35)** (d) Stores without Receipt and Disposal Details, c. Failure to fill Vacant Positions (e) Rental Bills for the Chancery and Apartments for Diplomats (f) Wasteful Expenditure Payment of Rentals First Secretary Trade(g) Rented Apartments failure to Recover Security Deposit and insurance. (g) Irregular Transfer of Funds (h) Outstanding Debts, Former First Secretary (Accounts)

***Ministry of Justice***

***Paragraph 44 (44) (a) Outstanding Compensation and Awards (b) Judgements Entered in Default.***

***(c) Failure to Surcharge Erring Officers***

***Office of the President – Southern Province***

***Paragraph 98 (98), a. Unsupported payments, c. Irregular use of accountable imprest, e. failure to produce activity reports, g. unaccounted for stores, i. failure to remit tax to ZRA, j. Failure to collect outstanding rentals,***

***Paragraph 99 (99), c. Wasteful expenditure for fuel storage tanks.***

***Paragraph 100 (100) a. Discrepancies between staff establishment and the payroll, b. Housing allowances paid using wrong rates, c. Overpayment of transport allowances, d. Rural and Remote hardship paid to ineligible employees.***

***Office of the President – Muchinga Province***

***Paragraph 61 (61) a. Unaccounted for stores at Provincial admin, Mpika DC and Shiwang'andu DC, e. Inadequately supported payments, g. Construction of a police post at Ntantumbila in Nakonde***

***Paragraph 62 (62) b. Construction and rehabilitation of feeder roads***

***Paragraph 63 (63), b. Construction of permanent water wells, c. Drilling of Boreholes in Kaozi Resettlement scheme, d. Unaccounted for fuel at Chibale scheme, e. Unsupported payments,***

***Paragraph 64 (64), a. Construction of a cultural village – failure to sink a borehole, b. Access Road development project.***

## **Appendix 2 - Glossary of Terms**

<b>Accountable Documents</b>	Documents such as receipts, licences, certificates, discs or tokens and others used in the collection of Revenues.
<b>Controlling Officer</b>	An officer designated as such by the Secretary to the Treasury to maintain accounts of a Ministry, Province or Spending Agency.
<b>Delayed Banking</b>	Failure to bank moneys received not later than the next business day or at least twice every month where banking facilities do not exist.
<b>Excess expenditure</b>	Expenditure incurred without the authorisation of National Assembly normally above the authorised budget amounts.
<b>Failure to Follow Procurement Procedures</b>	Non-Compliance with the ZPPA Act and Procurement guidelines in the purchase of goods and services.
<b>Irregular payments</b>	Payments made outside the normal practice or acceptable regulations or norms.
<b>Irregularity</b>	Breach of rules, regulations or laws.
<b>Imprest</b>	Funds or monies issued out to facilitate payments of a minor nature, meet expenses when the officer is travelling on duty or to facilitate the purchase of goods and services whose value cannot be ascertained at the time.
<b>Misapplication</b>	Use of funds budgeted for a programme on an unrelated programme without authority from the Secretary to the Treasury.

<b>Misappropriation</b>	Use of public funds for personal purposes or crediting public funds to a private bank account.
<b>Non-Recovery of Salary advances and Loans</b>	
<b>Overpayments</b>	Payments made above the normal price charged.
<b>Parliament</b>	Legislative organ of Government
<b>Public Accounts Committee (PAC)</b>	A sessional committee of the National Assembly established in terms of the standing orders. PAC examines the Auditor General's Report, as part of their mandate of examining the accounts showing the appropriation of the sums approved by the National Assembly.
<b>Unaccounted For Revenue</b>	Revenue collected but neither banked nor on hand.
<b>Statement B</b>	Statement of budget execution. This highlights the budget performance of the Government during the period under review.
<b>Statement C</b>	Statement of detailed budget execution (Comparative statement of authorised provision and actual expenditure)
<b>Unvouched Expenditure</b>	Payment vouchers not availed for audit because they are either missing or inadequately supported. This may be a means of concealing a wrong doing
<b>Unretired Imprest</b>	Imprest not retired.
<b>Unauthorised expenditure</b>	Funds spent for the purpose not intended for or in excess of

	the allocated amount.
<b>Unacquitted payments</b>	Payments made without evidence of having been received by the intended beneficiaries.
<b>Unapproved payments</b>	Payments made without the necessary approval from the Controlling Officer.
<b>Unaccounted-For Stores</b>	Lack of receipt and disposal details for goods procured.
<b>Undelivered Materials</b>	Goods paid for but not received.
<b>Non-Submission of Expenditure Returns</b>	Failure to provide details of how funds disbursed were utilised.
<b>Unaccounted for Funds</b>	Failure to properly account for the funds.
<b>Wasteful expenditure</b>	Expenditure incurred where there is no benefit derived.
<b>Reconciliation</b>	The process of ensuring that two (2) sets of records are in agreement.



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