

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR-GENERAL ON THE MANAGEMENT OF CONSTITUENCY DEVELOPMENT FUNDS AND GRANTS TO LOCAL AUTHORITIES FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2012, FOR THE THIRD SESSION OF THE ELEVENTH NATIONAL ASSEMBLY APPOINTED BY THE RESOLUTION OF THE HOUSE ON 27TH SEPTEMBER, 2013

Consisting of:

Mr V Mwale, MP (Chairperson); Mr F Mutati, MP; Mr J Zimba, MP; Ms M Imenda, MP; Mr C Mweetwa, MP; Mr C Matafwali, MP; Ms C Namugala, MP; Mr A Milambo, MP; and Mr P Mucheleka, MP.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir,

Your Committee has the honour to present its Report on the Report of the Auditor-General on the Management of Constituency Development Funds (CDF) and Grants to Local Authorities for the Financial Year ended 31st December, 2012.

Functions of the Committee

2. The functions of your Committee are to examine the accounts showing the appropriation of sums granted by the National Assembly to meet the public expenditure, the Report of the Auditor-General on these accounts and such other accounts, and to exercise the powers conferred on it under *Article 117(5) of the Constitution of the Republic of Zambia*.

Meetings of the Committee

3. Your Committee held ten meetings to consider the Report of the Auditor-General on the Management of Constituency Development Funds and Grants to Local Authorities for the Financial Year ended 31st December, 2012.

Procedure adopted by the Committee

4. With technical guidance from the Auditor-General, the Accountant-General and the Controller of Internal Audit, your Committee considered both oral and written submissions from the Controlling Officer, Ministry of Local Government and Housing who appeared with Town Clerks/Council Secretaries from all the Local Authorities cited in the Audit Report. Your Committee further requested the Secretary to the Treasury to comment on the issues raised in the Audit Report.

This Report contains the observations and recommendations of your Committee and includes, in some cases, proposed remedial measures to correct identified irregularities. The Report is, therefore, in two parts. Part I deals with the General Operations and Recommendations of your Committee, Auditor-General's comments, submission by the Secretary to the Treasury and submission by the Local Government Service Commission. Part II is on the submission by the Controlling Officer, Ministry of Local Government and Housing.

PART I

GENERAL OBSERVATIONS AND RECOMMENDATIONS

5. Your Committee has made recommendations on each and every query that was raised by the Auditor-General as set out below. Below is a summary of your Committee's general observations and recommendations on some of the critical issues.

a) Inadequate preparations

Your Committee expresses concern that the Controlling Officer, Ministry of Local Government and Housing was not adequately prepared for your Committee meetings. Your Committee is concerned that at the time of appearing before your Committee, the Ministry had not received submissions from some councils without any justification.

Your Committee, therefore, recommends that in future, such practices will not be tolerated or taken lightly.

b) Unspent funds-K41,395,116,148

Your Committee expresses concern that a staggering figure of K41.4 billion remained unspent at the time of audit. The state of affairs was attributed to late release of funds from the Treasury resulting in councils failing to implement CDF projects. Your Committee is of the view that if this is not addressed, many councils will fail to utilise the funds in the earmarked year.

Your Committee, therefore, urges the Executive, through the Secretary to the Treasury, to devise concrete measures to address the matter by releasing the funds in a timely manner.

c) Irregular payments-K10,406,669,815

Your Committee expresses concern that councils made irregular payments to the tune of K10,406,669,815. Your Committee observes that the two major causes for the anomaly was that some councils wilfully flouted Guidelines through the payment of allowances to councillors and officers which is in conflict with CDF Guidelines. Secondly, some councils implemented projects which did not qualify under the CDF Guidelines.

Your Committee recommends that in all cases where irregular payments were made as a result of the councils failing to follow CDF Guidelines, councils should be made to refund the CDF accounts and the managements should be strongly cautioned.

d) Excess Expenditure

Your Committee observes that most councils were cited for excess expenditure mainly in respect of the amounts that were used over and above the K20,000,000 allowed for administrative costs. Your Committee is concerned that the councils in question did not seek authority before using extra funds for administrative purposes. Your Committee is also concerned that if the matter is not addressed, most councils will continue using more money to meet administrative costs at the expense of developmental projects.

Your Committee, therefore, urges the Controlling Officer to strongly caution all councils who committed this infringement of the Guidelines. Further, all councils should consistently be reminded of the need to observe the requirement of seeking authority before using extra funds.

e) Absence of supporting documents

Your Committee expresses concern that councils failed to avail supporting documents amounting to K8.3 billion during the audit process which was unfortunate as this was at times used to conceal fraud. This habit amounts to a breach of Financial Regulations and should not go unpunished.

Your Committee, therefore, strongly urges the Controlling Officer to report all Principal Officers who failed to avail documents for verification without cause to the appointing authority so that disciplinary action can be taken against them.

f) Poor management of contracts

Your Committee is concerned with the continued poor management of construction projects under the CDF. Your Committee also notes that delays in the completion of projects are widespread and directly attributable to weak supervision and monitoring mechanisms in place.

Your Committee, therefore, urges the Controlling Officer to work closely with stakeholders at the district level to make planning effective.

g) Failure to follow procurement procedures

Your Committee expresses concern at the increasing number of councils cited for failure to follow Procurement Guidelines. Your Committee notes that in most cases, officers were flouting the Guidelines, with only a few cases being reported to the investigative wings.

Your Committee urges the Controlling Officer to ensure that all the cases with irregularities are immediately reported to investigative wings for further investigations. Your Committee further urges the Controlling Officer to take disciplinary action against all the officers who participated in the irregular procurements.

h) Political interference

Your Committee is concerned that in one or two cases it considered, there was mention of interference by Members of Parliament in the procurement process which was unfortunate. Your Committee is of the view that while Members of Parliament can offer policy guidance, it is irregular for them to participate in the procurement processes.

Your Committee, therefore, appeals to all Members of Parliament to desist from interfering in the procurement processes of CDF projects.

i) Weak regulatory framework

Your Committee observes that although the CDF is disbursed from the Treasury, the Secretary to the Treasury does not have control of the Fund as it is administered by the Ministry of Local Government and Housing through the *Local Government Act*. Your Committee is also concerned that the Controlling Officer is not empowered to administer CDF as the power to discipline erring

officers including those cited in the Audit Report lies with councils and the Local Government Service Commission. As a result of this weakness, disciplinary action has rarely been instituted leading to widespread financial malpractices.

Your Committee, therefore urges the Executive, through the Secretary to the Treasury, to put in place an enabling Act for the administration of the CDF which will enhance the role of the Treasury in ensuring that amounts released for CDF are properly accounted for. Your Committee urges the Government to ensure that roles played by the Ministry, the Councils and the Local Government Service Commission are harmonised so as to streamline the disciplinary processes by Local Authorities.

AUDITOR-GENERAL'S COMMENTS

6. The Report contains findings on the management of the Constituency Development Funds (CDF) and Grants to Local Authorities for the financial year ended 31st December, 2012. The Report was submitted to the President for tabling in the National Assembly in accordance with the provisions of *Article 121 of the Constitution of Zambia*. The outlook of the irregularities cited in the report was as set out in the table below.

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

Audit Scope and Methodology

The Auditor-General stated that the Report was as a result of reviews, test checks, inspections and examination of accounting, stores, projects and other records maintained by public officers and others entrusted with the handling of public resources. The audit programmes were designed to give reasonable assurance that the funds disbursed by the Government had been utilised for the intended purposes. The Report was also intended to provide information that would assist Parliament in its oversight responsibilities over the application of resources and execution of programmes by the Executive.

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

Limitation in Scope

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

SUBMISSION BY THE SECRETARY TO THE TREASURY

7. In response to matters raised in the Audit Report, the Secretary to the Treasury acknowledged that the funds released from the Treasury through the Ministry of Local Government and Housing were being mismanaged by the Local Authorities. He explained that in view of the glaring irregularities on the management of the Constituency Development Funds (CDF) and Grants to Local Authorities, the Treasury would, effective from 1st May, 2014, take the measures outlined below.

- Funds relating to CDF and Grants to Local Authorities would be transmitted directly to the Local Authorities' Accounts through the Treasury Single Accounts maintained at the Bank of Zambia.
- CDF funds would only be drawn by Local Authorities upon fulfillment of all the contractual obligations in accordance with the prevailing CDF Guidelines.
- The Treasury would only disburse CDF funds to the accounts of the Local Authorities upon submission of the required documentation such as Certificates of Completion of Works.
- The amount released would be equivalent to the amount supported by documentation plus 10% contingency.

The Secretary to the Treasury also submitted that in addition to the above measures, a Unit would be established under the Office the Accountant-General to monitor all the CDF bank accounts and currently using the existing Service Level Agreements (SLA) between the Treasury and Commercial Banks, twenty-three Constituency Development Funds accounts had been brought on board.

SUBMISSION BY THE CHAIRPERSON OF THE LOCAL GOVERNMENT SERVICE COMMISSION

8. Concerned with the failure by most councils to take disciplinary action against officers found to have caused financial and other accounting irregularities, your Committee held a meeting with the Chairperson of the Local Government Service Commission to appreciate the disciplinary processes in the councils.

The Chairperson submitted that the mandate of the Local Government Service Commission was restricted to local government service personnel who serve under Divisions I, II and III. He indicated that the total labour force falling under the Commission's jurisdiction was 6,180 as at December, 2013.

The Chairperson further submitted that the Commission's functions as envisaged by the *Local Government (Amendment) Act No. 6 of 2010*, were among others, to exercise responsibility in respect of all matters relating to principal officers and officers of the councils established under the Act and to discipline any principal officer or officer of a council. The Commission was also empowered to make regulations that may provide for, *inter alia*, terms and conditions of appointment, promotion, transfer, secondment, dismissal, discharge and discipline of principal officers and officers.

Commenting on the disciplinary process, the Chairperson submitted that Section 93 (b) of the *Local Government (Amendment) Act No. 6 of 2010* gives the Commission powers to discipline any principal officer or officer of a council. The Chairperson stated that the Commission was also guided by Part IV of *the Local Government Service Regulations, 1996 (Statutory Instrument No.115*, as well as by the Conditions of Service for Non-Unionized staff.

The Chairperson also submitted that the Commission could initiate disciplinary proceedings against the Principal Officer. The Principal Officer on the other hand had jurisdiction to initiate disciplinary proceedings against other Chief Officers. Where an officer who held a post below that of a Chief Officer, misconducted himself, the Chief Officer was required to refer the alleged misconduct to the Principal Officer for action.

The Chairperson further explained that the disciplinary cases were also subject to consideration by a council's establishment committee and the full council whose recommendations were submitted to the Commission for a decision.

The Chairperson submitted that the Commission was in receipt of the Report of the Auditor-General on the management of the Constituency Development Fund and Grants to the Local Authorities for the financial year ended 31st December, 2012. He stated that the Commission had called for and was receiving details from the concerned local authorities such as the identities of officers responsible for the indiscretions cited in the Report and details of cases being pursued by investigative wings of the Government.

The Chairperson stated that the Commission does not have the express power to discipline officers who contravened the Constituency Development Fund Guidelines. He cited the current Guidelines on the management of the utilization of the Constituency Development Fund which provide that any council official who is involved in the abuse, mismanagement, defrauding or stealing of any money from the Constituency Development Fund shall be prosecuted. He noted that the provision placed an obligation on the authorities to report such an officer to the police for possible investigation and prosecution which excluded the Commission from the process.

The Chairperson ended his submission by proposing that necessary amendments be made to the Guidelines to include a provision where a recommendation could be made to the Commission to institute disciplinary action.

PART II

SUBMISSION BY THE CONTROLLING OFFICER, MINISTRY OF LOCAL GOVERNMENT AND HOUSING

MINISTRY OF LOCAL GOVERNMENT AND HOUSING

UNIT: Local Government Finance and Audits
PROGRAMME: Support to institutions (Local Councils)
ACTIVITIES: Constituency Development Funds (CDF)

9.0 Weaknesses in the implementation of projects and other irregularities

An examination of accounting and other records maintained at the Ministry Headquarters and at sixty Local Authorities around the country and physical inspections of projects carried out in January, 2014, in 127 constituencies revealed several weaknesses in the implementation of projects to which the Controlling Officer responded as set out below.

a) Unspent funds - K41,395,116,148

The Controlling Officer submitted that failure to spend funds in fifty-eight constituencies was mainly due to late disbursement of the funds from the central Government which was compounded by delayed procurement processes at district level. The Controlling Officer stated that going forward, the Ministry had engaged the Ministry of Finance to ensure that CDF were released in the first quarter of the year.

Committee's Observations and Recommendations

Your Committee agrees with the Controlling Officer that late release of funds from the Treasury was the main cause of councils failing to implement CDF projects on time. Your Committee is of the view that if this is not addressed, many councils will fail to utilise the funds in that particular year. Your Committee, therefore, urges the Executive through the Secretary to the Treasury to come up with concrete measures to address the matter by making sure that the funds are released in the first quarter of the financial year. Your Committee resolves to close the matter, but requests the Auditor-General to note the matter in view in future audits.

b) Irregularities in the procurement of earth moving equipment-K14,846,081,595

The Controlling Officer acknowledged the irregularities in the procurement of earth moving equipment. He also acknowledged that some equipment ordered and paid for had not been delivered. The Controlling Officer further acknowledged that in certain cases, the equipment procured were defective and not registered. The Controlling Officer submitted that two cases involving equipment for Kafue and Chibombo District Councils had since been reported to the Anti-Corruption Commission while the Ministry had written to all councils to stop the procurement of second hand earth moving equipment.

Committee's Observations and Recommendations

Your Committee expresses concern that the attempts by the eight councils to procure second hand earth moving equipment were marred by massive procurement irregularities. Your Committee is particularly concerned that due to the failure by councils to follow procurement procedures, councils stand to lose out as the equipment is either defective or has not been delivered. Your Committee observes further that councils disregarded and ignored procurement procedures and therefore, urges the Controlling Officer to ensure that all the cases with irregularities are immediately reported to investigative wings for further investigations. Your Committee further urges the Controlling Officer to take disciplinary action against all the officers who participated in the irregular procurements. Your Committee awaits a progress report on the matter.

c) Missing payment vouchers - K337,484,440

The Controlling Officer submitted that all payment vouchers in respect of Kasama Municipal Council (K8,900,000), Solwezi Municipal Council (K287,180,000), Kaoma District Council (K26,667,000) and Siavonga District Council (K8,724,000) had since been traced. The payment vouchers could not be found during the time of audit due to misfiling on account of the Finance Department being understaffed. The payment vouchers had since been traced and filed. In respect of the Lusaka City Council, the Controlling Officer stated that the payment voucher in respect of K6,013,440 was missing and efforts were being made to locate it.

Committee's Observations and Recommendations

Your Committee observes with concern that missing payment vouchers could not be attributed to understaffing as the same officers who processed the payments should have secured the payment vouchers after the payments were made. Your Committee, therefore, urges the Controlling Officer to ensure that disciplinary action is instituted against the officers responsible for the missing payment vouchers. Your Committee also urges the Controlling Officer to avail the payment vouchers that have been traced to the Office of the Auditor-General for audit verification before the matter can be closed. The Controlling Officer is further urged to ensure that the missing payment voucher in respect of the amount of K6,013,440 at Lusaka City Council is immediately found and availed for audit. Your Committee awaits a progress report on the matter.

d) Unsupported payments - K5,250,574,050

Your Committee was informed that supporting documents amounting to K5,112,236,050 had since been traced and attached to the payment vouchers by the eleven out of the twelve councils that were queried. As for Senanga District Council, the Controlling Officer submitted that the Council Management made payments amounting to K138, 338,000 for various goods and services which were not supported due to the fact that suppliers were paid before delivery of the materials.

Committee's Observations and Recommendations

Your Committee finds the failure by councils in question to have all payments supported unacceptable and urges the Controlling Officer to ensure that officers responsible for the missing documents are disciplined for the anomaly. Your Committee awaits a progress report on the matter.

In respect of Senanga District Council, your Committee observes with concern that the Council made payments before goods were delivered and is not convinced that the goods in question were delivered as no supporting documents are available. Your Committee, therefore, urges the Controlling Officer

to ascertain whether the goods were delivered by providing supporting documents failure to which the officers involved should be surcharged. Your Committee awaits a progress report on the matter.

e) Unapproved payment vouchers - K172,242,000

The Controlling Officer submitted that the said payments were made without authority at Kasama and Mongu Municipal Councils because the Principal Officers were not at the station, but only left instructions while at Solwezi Municipal Council, the anomaly was as a result of cumbersome procedures whereby some signatories on the cheques were not authorized to sign the payment vouchers. The Controlling Officer further submitted that all the unapproved payment vouchers were presented to the relevant authorities and had since been approved in retrospect.

Committee's Observations and Recommendations

Your Committee observes that the conduct by the Councils concerned was highly irregular as the Principal Officers are supposed to make adequate arrangements for the authorisation of payments whenever they are away from the stations. Your Committee resolves to close the matter, but cautions the Controlling Officer that if this recurs, your Committee will not hesitate to recommend stern disciplinary action against the Principal Officers.

f) Irregular payment of allowances - K238,154,200

The Controlling Officer acknowledged that some councils irregularly paid sitting allowances to Councillors and Council officers and members of the Constituency Development Committee (CDC) contrary to the CDF Guidelines. The Controlling Officer submitted that amounts irregularly paid by Mufumbwe District Council (K40,970,000), Kasama Municipal Council (K38,305,000) and Kaputa District Council(K41,897,000) had since been refunded.

Committee's Observations and Recommendations

Your Committee expresses concern that the CDF Guidelines were deliberately flouted by the Councils and urges the Controlling Officer to ensure that the Councils involved are cautioned and the outstanding amount of K116,982,200 paid out by other councils is refunded to the respective CDF accounts. Your Committee awaits a progress report on the matter.

g) Excess Expenditure on Administrative Activities

The Controlling Officer acknowledged that local authorities at Chama, Luwingu, Kaputa, Senanga, Chilubi, Mporokoso and Kasama Councils used more than the permitted K20,000,000 to administer CDF. He stated that the said Councils claimed that the funds set aside for administrative purposes were inadequate. The Controlling Officer, however, submitted that the Kasama Municipal Council had since paid back the excess expenditure amounting to K13,080,000.

Committee's Observations and Recommendations

Your Committee observes with concern that Circular No. MLGH/71/6/1 dated 23rd December, 2009 which offers guidance on how much should be used for administrative purposes was clearly flouted by the Councils concerned which is unacceptable. Your Committee, therefore, recommends that all the Councils concerned should immediately refund the money to the respective CDF accounts. Your Committee awaits a progress report on the matter.

h) Unretired imprests - K108,717,000

The Controlling Officer submitted that the K16,470,000 that was unretired at Kasama Municipal Council had since been retired while the missing retirement documents at Lusaka and Kapiri Mposhi Councils in respect of K10,000,000 and K9,297,000 respectively had been traced. The K61,150,000 unretired at Senanga District Council was because the officers concerned had either died or transferred and measures were being taken to recover the money from their respective terminal benefits.

Committee's Observations and Recommendations

Your Committee observes that Regulations on the management of imprest were wilfully flouted and urges the Controlling Officer to take disciplinary action against the officers responsible for the anomaly. Your Committee further urges the Controlling Officer to ensure that retirement documents are immediately availed for audit verification. However, your Committee observes with concern that there has been no response on the matter from Mansa Municipal Council in respect of the K11,800,000 which was unretired. Your Committee, therefore, recommends that the Principal Officer for Mansa Municipal Council should be disciplined for failing to respond to the queries. Your Committee awaits a progress report on the matter.

i) Unaccounted for Stores - K816,327,278

The Controlling Officer submitted that of the nine councils that were queried, the Ministry only had responses from Kasama Municipal Council, Chilanga, Chilubi and Kaoma District Council, while Mansa and Mazabuka Councils failed to respond to the queries. The Controlling Officer submitted that at Kaoma, the main cause of the missing stores documents was lack of qualified staff while at Kasama, the stores records were misplaced at the time of audit. For Senanga, the Controlling Officer submitted that the Council procured motor spares and fuel totalling to K23,617,700 and did not provide disposal records at the time of audit. This was because motor spare parts for the bus were procured and fixed in Lusaka while being serviced in the garage. Fuel was being bought directly from the filling station when required and therefore, no disposal records were maintained.

Committee's Observations and Recommendations

Your Committee observes that failure to avail stores records is a serious omission as it makes it difficult to establish whether the procured goods were received and urges the Controlling Officer to strongly caution the Councils responsible for this infringement of the rules. Your Committee further cautions the Councils that failed to avail responses as required and urges the Controlling Officer to take the Principal Officers in these councils to task. Your Committee resolves not to close the matter until all the stores records are found and availed for audit verification.

9.1 LUAPULA PROVINCE - K14,000,000,000

a) Questionable payments – Kawambwa Central Constituency - K120,000,000

The Controlling Officer submitted that the Council paid the women groups' loans so that they could be accountable for the funds. He further submitted that the Council regretted the oversight and had since corrected the erroneous allocation of loans to women's groups.

Committee's Observations and Recommendations

Your Committee expresses concern that the women's groups were paid loans from the CDF account when the Council knew very well that this was irregular and your Committee could not figure out what prompted this action. Your Committee, however, takes note that the matter has been regularised and resolves to close it subject to audit verification.

b) Procurement of a grader – Chembe Constituency

The Controlling Officer submitted that the Council had no funds to register and insure the grader, but it had since been registered. He noted that a quote of K45,074.70 for insurance from Zambia State Insurance Corporation (ZSIC) General Insurance had been obtained and the Council intended to settle the insurance premium in three equal instalments.

Committee's Observations and Recommendations

Your Committee notes the submission, but resolves not close the matter until the grader is appropriately insured. Your Committee awaits a progress report.

c) Project management-poor workmanship and failure to complete projects-K907,889,630

The Controlling Officer acknowledged that there was failure to complete projects on time in respect of twenty-seven projects on which he updated your Committee as outlined below.

District/Constituency	Project	Scope Of Works	Status	Controlling Officer Response	Committee Recommendations
Chiengwe	Construction of Mwabu Rural Health Centre (RHC) Maternity Wing.	Construction of a Maternity Wing	As of January 2014, only the foundation box had been done and works had stalled.	The Council did not approve the projects before funds were received. The contractor power is now on site and project to be completed by April, 2014.	Your Committee resolves to close the matter subject to audit verification.
	Electrification of Lunchinda Rural Health Centre (2011).	Installation of power.	As of January 2014, only the installation of the poles had been done by ZESCO.	The delay was due to Zesco's failure to connect power. The Council has obtained a commitment letter from Zesco to do the works.	Your Committee resolves to close the matter subject to audit verification.
Mwense Central	Electrification of Kapakala Village.	Installation of power.	As of January 2014, service cables had not been installed and power was not connected.	Power has since been connected.	Your Committee resolves to close the matter subject to audit verification.
	Electrification of Mununshi	Installation of power.	Pole lines, transformer and service cables	Power has since been connected.	Your Committee resolves to close the matter subject

	RHC.		were installed. However, power was not connected as of January 2014.		to audit verification.
	Electrification of Lwamfwe Primary School.	Installation of power.	As of January 2014, service cables had not been installed and power was not connected.	Power had since been connected.	Your Committee resolves to close the matter subject to audit verification
Mwense Mambilima	Electrification of Chalwe RHC and Staff house.	Installation of power.	As of January 2014, service cables had not been installed and power was not connected.	Follow ups are still being made with Zesco	Your Committee resolves to await a progress report.
	Completion of Staff house at Kashiba Primary School.	Completion of one (1) Staff house.	The structure was roofed, plastered and painted. However, because the planks used were not of the required standard, the roof was removed and as of January 2014 the structure had not been reroofed.	The Council have written to the contractor to redo the works.	Your Committee resolves to await a progress report on the matter.
Mansa Bahati	Construction of a staff house at Kalaba Primary School.	Construction of one (1) staff house.	Glass panes had not been fitted as of January 2014.	The glass panes have since been fitted.	Your Committee resolves to close the matter subject to audit verification.
	Construction of staff house at Mutiti Primary School.	Construction of two (2) staff houses.	House 1: at wall plate level House 2: at wall plate level.	The houses have been finished to roof level while plastering has been done and windows and doors have been fixed.	Your Committee resolves to close the matter subject to audit verification.
Mwense Mwense Central	Completion of 1x2 Classroom Block (CRB) at Buyantanshi Primary School.	Completion of 1x2 CRB.	The rough cast was peeling off the walls and the drainage was being washed away.	The defects in the rough cast and the drainage had since been worked on.	Your Committee resolves to close the matter subject to audit verification.
	Completion of 1x3 Staff House Block at Kapamba Primary	Completion of 1x3 Staff house.	As of January 2014, plastering had not been done and the roof was blown off.	The roof has since been done and plastering has been completed.	Your Committee resolves to close the matter subject to audit verification.

	School.				
Mwense Mambilima	Rehabilitation of 1x2 Classroom Block at Kanyemba Primary School.	Rehabilitation of 1x2 Classroom Block.	There were cracks in the head teacher's office and along the corridors.	The contractor was working on the cracks.	Your Committee resolves to await a progress report
	Construction of Bus Shelter at Katuta turn off.	Construction of Bus Shelter.	The bus shelter had been completed but cracks had developed on concrete benches and on the floor.	The works had since been redone by the contractor.	Your Committee resolves to close the matter subject to audit verification.
	Construction of Double VIP toilet at Mutima Basic School.	Construction of Double VIP toilet.	VIP toilet had been completed but there was no handle on the lock and exterior wall requires another coat of varnish since first coat was absorbed by bricks.	The works had since been redone by the contractor.	Your Committee resolves to close the matter subject to audit verification.
Mwense Mambilima	Construction of Double VIP toilet at Mweshi Primary School.	Construction of Double VIP toilet.	VIP toilet is complete but there are cracks in the beam filling.	The contractor had since rectified the defects.	Your Committee resolves to close the matter subject to audit verification.
Kawambwa Pambashe	Construction of Staff House at Kota Primary School.	Construction of staff house.	There were cracks in the sitting room wall.	The cracks in the sitting room wall have been sealed.	Your Committee resolves to close the matter subject to audit verification.
Mansa Bahati	Construction of a 1 x 3 Classroom Block at Chibinde primary School.	Construction of a 1 x 3 Classroom Block.	The slab was incomplete and project stalled. Twenty five (25) pockets of cement costing K1,750,000 were unaccounted for.	The 25 pockets of cement have been recovered and accounted for.	Your Committee resolves to close the matter subject to audit verification.
Mansa Mansa Central	Construction of Health Post at Masaba.	Construction of Health Post.	The project had stalled at window level.	Project still at window level because the community has not made its 25% contribution.	The Council should engage the community on the need to implement the project. A progress report is awaited.

	Construction of Maternity wing at Mwanguni Rural Health Centre.	Construction of maternity wing.	The structure was at window level. Twenty (20) pockets of cement costing K1,400,000 were unaccounted for.	The sub structure has been done and the cement has been recovered and accounted for.	Your Committee resolves await a progress report.
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9.2 NORTH - WESTERN PROVINCE - K12,000,000,000

a) Questionable cash drawings - K43,200,000

The Controlling Officer submitted that the cash drawings from the Bank in Solwezi were for the purpose of facilitating payments to local suppliers for the supply of building materials such as stones, sand and burnt bricks which could not be purchased by cheque or bank transfer. The list of beneficiaries and acquittal sheets were available for audit verification by auditors.

Committee's Observations and Recommendations

Your Committee observes that the CDF Guideline prohibiting the payment by cash was flouted by the Council and urges the Controlling Officer to caution the Management against the infringement of rules. Your Committee resolves to close the matter subject to audit verification.

b) Overpayment to supplier – Solwezi Central Constituency – K20,000,000

The Controlling Officer submitted that the contractor had two projects running in the same Constituency costing K20,000,000 each and in error, the narrations on the payment vouchers of the two payments could not distinguish the two projects hence misleading the auditor into believing that the funds were meant for a single project. The Controlling Officer explained that the narrations on the payment vouchers had been changed to reflect the correct situation.

Committee's Observations and Recommendations

Your Committee can not figure out how the Council did not notice the error when processing the payments or during the audit process. Your Committee, therefore, urges the Controlling Officer to ensure that the officers who worked on these payments are disciplined. Your Committee resolves to close the matter subject to audit verification.

c) Solwezi East Constituency

i. Irregular advance payments to contractors - K1,111,500,000

Your Committee was informed that almost all local contractors obtained their materials from distant places such as Lusaka, hence most of them failed to mobilise and move on site due to high transport costs. As a result, the Council administratively decided to increase the amounts advanced to enable the contractors move on site and begin executing the works.

Committee's Observations and Recommendations

Your Committee observes that the Council deliberately flouted the CDF Guidelines when they knew that at no time should advances exceeding 15% be paid to contractors. Your Committee resolves to close the matter, but requests the Auditor-General to note the matter in future audits.

ii. Failure to construct - Kulu Bridge-K30,000,000

The Controlling Officer submitted that the contractor accepted the contract without visiting the site, but after visiting the site, the contractor declined to carry out the works stating that the works involved were substantially more costly than the contract sum. He further submitted that the contractor had refunded in full the K15,000,000 initially advanced to him. The second payment of K15,000,000 was not paid to the contractor as the cheque which was raised was cancelled.

Committee's Observations and Recommendations

Your Committee notes that normal Government procurement procedures were flouted from the very beginning as the contractor did not carry out an assessment of the works he was required to undertake. Your Committee fails to figure out on what basis the contractor had accepted the works and the contract sum. Your Committee resolves to close the matter subject to audit verification.

d) Project Management – K75,000,000

- **Construction of a bridge at Kifubwa**

The Controlling Officer submitted that the amount allocated was K70,000,000 and not K30,000,000 as stated by the auditors. The Controlling Officer further submitted that the contractor had not been given a full payment and the balance would be issued upon completion of the project.

Committee's Observations and Recommendations

Your Committee notes the submission and awaits a progress report on the matter.

- **Electrifying of Kabulobe Basic School**

The Controlling Officer submitted that the wiring of the teacher's houses had been completed while wiring of the remaining 1x3 classroom blocks was expected to be completed by the end of May, 2014.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the Council pays more attention to the monitoring of projects in order to avert poor workmanship and delayed implementation. Your Committee awaits a progress report on the matter.

9.3 COPPERBELT PROVINCE – K22,000,000,000

a) Misapplication of funds – Masaiti District Council – K21,000,000

The Controlling Officer acknowledged that CDF was misapplied and the Council had since refunded K50,000,000 leaving a balance of K16,000,000. The balance of K16,000,000 would be paid back as soon as funds were available.

Committee’s Observations and Recommendations

Your Committee expresses concern that the Council deliberately ignored the CDF Guidelines as regard to which projects are eligible or not for funding under CDF and urges the Controlling Officer to caution the Council against the practice. Your Committee urges the Council to immediately pay back the balance of K16,000,000. Your Committee awaits a progress report on the matter.

b) Uncollected building materials – Mpongwe District Council – K35,581,000

The Controlling Officer submitted that there were errors in the initial bills of quantities and therefore, materials that were paid for were not collected. He noted that the bills of quantities had since been rectified and correct materials collected.

Committee’s Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

9.4 CENTRAL PROVINCE – K14,000,000,000

a) Delays in commencement of works – K212,240,240

The Controlling Officer acknowledged that despite building materials amounting to K212,240,240 for six projects being procured, commencement of works delayed mainly due to poor supervision by the Councils. He explained that in some instances, the delay was caused by errors on the bills of quantities which resulted underestimation of materials.

Committee’s Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that there are no unnecessary delays in the commencement of works. Your Committee resolves to close the matter subject to verification.

b) Unapproved projects – Keembe Constituency – K60,000,000

The Controlling Officer submitted that the K60,000,000 that was used on grading of township roads was initially allocated and approved for Kafushi road. However, before the works began, it came to light that the same road was funded by the Government through the Ministry of Local Government and Housing. When this development was reported to the CDF Committee, it resolved to transfer the funds to the grading of township roads on the basis of the same approval by the Council.

Committee's Observations and Recommendations

Your Committee observes that the CDF Committee was wrong to change the project without the approval of the full Council and urges the Controlling Officer to caution the Management for the irregularity. Your Committee resolves to close the matter subject to audit verification.

Serenje District Council

a) Unauthorised change of project – Muchinga Constituency

The Controlling Officer submitted that when it was realized that the funds at hand were insufficient to construct one staff house, the Project Implementation Committee decided instead to rehabilitate two existing staff houses. The Controlling Officer, however, stated that authority was not obtained from the full Council in accordance with CDF Guidelines. The Controlling Officer added that the Council had since ratified the Projects Implementation Committee's decision to rehabilitate two houses.

Committee's Observations and Recommendations

Your Committee expresses concern that a decision to change the project was made without obtaining authority from the full Council meeting which was against the CDF Guidelines. In closing the matter, your Committee cautions the Controlling Officer against such anomalies.

Serenje Central Constituency

i. Stalled project - Construction of Chipendeshi Bridge

The Controlling Officer submitted that the Council did not carry out the field appraisal to ascertain the bill of quantities, hence there was underestimation of building materials such as cement. The Controlling Officer further stated that the Council had since advised the Projects Chairperson to apply for additional funding from 2013 CDF to complete the project. The Council had commenced field appraisal to ascertain the bill of quantities following the Ministerial Circular.

Committee's Observations and Recommendations

Your Committee observes that the Council flouted the CDF Guidelines when it failed to ensure that only appraised projects were funded, which resulted in the anomaly. The Controlling Officer is urged to caution the Council to desist from flouting the CDF Guidelines. Your Committee await a progress report on the matter.

ii. Failure to follow procurement procedures in the procurement of grader

The Controlling Officer submitted that the query was for Kapiri Mposhi District Council and authority from the Provincial Procurement Committee dated 18th March, 2013, was available for verification. The Controlling Officer submitted that the grader had since been insured and registered and was fully operational.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter.

Kabwe Municipal Council

a) Kabwe Central Constituency – Delays in Completion of Projects

i. Kasanda Malombe Primary School – K159,000,000

The Controlling Officer acknowledged that the works in question were not complete because the Council did not carry out the field appraisal to ascertain the bill of quantities hence there was underestimation of the building materials. The Council had since advised the Projects Chairperson to apply for additional funding from 2013 CDF allocation to complete the project.

Committee’s Observations and Recommendations

Your Committee observes that the Council flouted CDF Guidelines when it failed to ensure that only appraised projects were funded. The Controlling Officer is urged to caution the Council Management to follow the CDF Guidelines strictly. Your Committee awaits a progress report on the matter.

ii. Failure to commission a project - Kaputula Police Post

The Controlling Officer submitted that the failure to commission the police post was due to security and health concerns raised by the Zambia Police Force and the Council had approved funds to address them.

Committee’s Observations and Recommendations

Your Committee observes with concern that the failure by the Council to engage the stakeholders during the inception of the project caused the anomaly. Your Committee urges the Controlling Officer to impress upon the Council Management on the need to consult all relevant stakeholders in the District before a particular project is designed and approved. The Council is also urged to ensure that the works are redone to the desired standards. Your Committee awaits a progress report on the matter.

Project Management-K456, 719,680

The Controlling Officer acknowledged poor workmanship, failure to complete the projects on time and payments not being supported by Stage Completion Certificates in respect of seven projects on which expenditure totalling K456, 719,680 had been incurred. The Controlling Officer submitted further as set out below.

(i) KABWE MUNICIPAL COUNCIL

Kabwe Central Constituency

- **Completion of science laboratory and classroom block at Kasanda Malombe Primary School**

The Controlling Officer submitted that the non-completion of the works was due to poor supervision and monitoring of the projects on the part of the Council. The Controlling Officer also submitted that the Council had made efforts to engage the contractor so that

the works could be finished, but there had been no response. The Council had resolved to take legal action against the contractor and further charged the officers concerned for negligence of duty.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

- **Construction of Kamanda Police Post**

The Controlling Officer submitted that the defects reported were due to poor workmanship as a result of failure by the Council to effectively monitor the project, but these had since been addressed.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the Council puts in place measures to improve monitoring of CDF and other projects. Your Committee resolves to close the matter subject to audit verification.

- (ii) **Chibombo District**

Irregularities in purchase of a grader

The Controlling Officer acknowledged that the Council engaged a Company called Eye Witness Solutions to supply a second-hand motor grader, but later cancelled the first Contract and signed another contract for the contractor to supply a new grader. He submitted that the contractor had not delivered the grader. He further submitted that the Company had been sued by the Council which secured a judgement to recover the principal amount plus interest and all other costs. The matter was also reported to the police and the Council had since instructed the lawyer to take further court action for the determination of the period by which all the money ought to be paid. He submitted that the irregularities by the Council highlighted by the audit were due to lack of professional advice on procurement as the Council did not have qualified procurement officers at the time.

In her oral submission, the Council Secretary for Chibombo District Council acknowledged that on 18th March, 2013, the Council terminated the contract for the supply of a second hand grader and entered into a new contract to supply of a brand new grader at a sum of K780,000,000. She noted that on 19th March, 2013, an amount of K247,500,000 was paid to the supplier as advance payment.

Asked why the Council was so prompt in making the payment for the new contract, the Council Secretary stated that it was due to political pressure from the area Member of Parliament and the community that the Council paid the supplier his advance on the new contract a day after the first contract was terminated.

Committee's Observations and Recommendations

Your Committee expresses concern that the normal Government procurement procedures were not followed from the very beginning as the authority to single source the contract

was not sought and the tender was not advertised. Your Committee does not understand what motivated the Council to pay the second advance on 19th March, 2013, a day after the contract for the old grader was cancelled. Your Committee also expresses concern that the contractor who was paid has failed to deliver the equipment/grader and was delaying in paying back the money advanced to him. Your Committee urges the Controlling Officer to urgently report the matter to the investigative wings who should investigate the matter and if malpractice is detected, culprits should be prosecuted. Your Committee further urges the Controlling Officer to ensure that all funds are refunded by the contractor. Your Committee awaits a progress report on the matter.

Irregular use of block making machine - K17,500,000

The Controlling Officer submitted that the youth club in question decided to keep the block making machine and other building materials at the club secretary's home, who happened to be the area Councillor's wife, for safety and convenience as it was electrified and deemed central to all club members. He also submitted that the reported use was to induct the club members on how to use the machine. The Council had since retrieved the machine from the club secretary's home until the members were ready to use it.

Committee's Observations and Recommendations

Your Committee observes that auditors were right to state that the block making machine was being abused and urges the Controlling Officer to improve monitoring of CDF projects and to find a lasting solution to the matter. Your Committee resolves to close the matter subject to audit verification.

9.5 NORTHERN PROVINCE - K13,000,000,000

a) Misapplication of funds-K312,120,480

- *Luwingu District Council - K7,670,000*

The Controlling Officer submitted that the Council decided to use interest accrued on CDF Account to repair the Mitsubishi canter bought from CDF as it needed major repairs. The Controlling Officer explained that the vehicle in question was bought exclusively for CDF work in Lubansenshi. The Controlling Officer further submitted that the bank statements showing where interest was credited were available for verification.

Committee's Observations and Recommendations

Your Committee observes that this expenditure was irregular as such expenses were supposed to be met from the administrative costs and therefore, the funds in question should be immediately refunded by the Council. Your Committee awaits a progress report on the matter.

- *Kaputa District Council - K118,108,480*

The Controlling Officer submitted that the said allowances and operation costs were paid due to liquidity problems.

Committee's Observations and Recommendations

Your Committee expresses concern that despite the CDF Guidelines being categorical that no allowances whatsoever should be paid from the Constituency Development Fund, the Council proceeded to do so which was highly irregular and unacceptable. Your Committee, therefore, recommends that the Council should immediately reimburse the funds paid out to members as allowances failure to which your Committee will recommend that the grants to the Council be withheld. Your Committee awaits a progress report on the matter.

- *Mporokoso District Council - K168,342,000*

The Controlling Officer submitted that the Council gave sitting allowances to CDC members who met to select the projects and Councillors who convened to approve the proposed projects and the officers who went for project appraisals and monitoring of the project implementation. He further submitted that the Council had vowed to work within the K20,000,000 approved administrative cost in future.

Committee's Observations and Recommendations

As above, your Committee expresses concern that despite the CDF Guidelines stating clearly that no allowances whatsoever should be paid from the Constituency Development Fund, the Council proceeded to do so, which was highly irregular. Your Committee urges the Controlling Officer to ensure that the Council reimburses the funds paid out to members as allowances failure to which your Committee will recommend that the grants to the Council be suspended.

- *Chilubi District Council – K18,000,000*

The Controlling Officer submitted that the Council used the funds with the understanding that the payments were legible while the amount of K3,850,000 was wrongly paid to an officer.

Committee's Observations and Recommendations

Your Committee notes the submission by the Controlling Officer and urges him to impress upon the Council to desist from misapplying funds without seeking approval. Your Committee also urges the Controlling Officer to ensure that the K18,000,000 misapplied is immediately paid back to the CDF account. Your Committee awaits a progress report on the matter.

b) Failure to Implement Approved Projects

The Controlling Officer failed to give reasons as to why nine funded projects in amounts totalling K488,000,000 in respect of three constituencies had not been implemented as of January, 2014 despite the availability of the funds.

Committee's Observations and Recommendations

Your Committee expresses concern that the Controlling Officer failed to render responses to this specific query and urges him to take the work of the Auditor-General and that of your Committee seriously. Your Committee strongly urges the Controlling Officer to re-submit on the matter. Your Committee urges the Secretary to the Treasury to take disciplinary action against the erring officers.

c) Excess Expenditure on projects - K258, 081,420

The Controlling Officer also failed to give a response as to why there was an excess expenditure of K258, 081,420.

Committee's Observations and Recommendations

Your Committee expresses concern that the Controlling Officer failed to give responses to this specific query and urges him to take the work of the Auditor-General and that of your Committee seriously. Your Committee strongly urges the Controlling Officer to re-submit on matter. Your Committee urges the Secretary to the Treasury to take disciplinary action against the erring officers.

d) Irregular payments for Projects - Kaputa Constituency

The Controlling Officer submitted that the K29,700,000 was not paid as allowances to the Councillors in Kaputa Constituency, but only K3,300,000 was paid. The balance of K26,400,000 was used to pay for trainers, participants, support staff, stationery and refreshment during sensitisation workshop of youth and women clubs. He explained that the training for women and youth groups was budgeted for and approved as a project for funding from the CDF. The invitations for participants were also extended to Councillors as they were the ones through whom the requests for such trainings were made. The Councillors were paid allowances for attending the training as participants/facilitators and not as Councillors.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter subject to audit verification.

e) Procurement of hammer mills – Lukashya Constituency – K49,000,000

The Controlling Officer stated that the hammer mills were not operational due to the incompatibility between the engine and other accessories supplied and the contractor had been written to, to supply the correct accessories. The parts had not been replaced because the contractor had disappeared and was reported to the Police.

Committee's Observations and Recommendations

Your Committee wonders why the Council engaged an unreliable supplier when there are many established and credible suppliers of hammer mills in the Country. Your Committee urges the Controlling Officer to investigate how the supplier was sourced and should there be doubt in the credibility of the process, the matter should also be reported to the investigative wings. Your Committee awaits a progress report on the matter.

KASAMA MUNICIPAL COUNCIL

a) Failure to adhere to Procurement Guidelines

The Controlling Officer submitted that the payment requests were being approved by the Town Clerk before it was paid as opposed to approving payment vouchers. The Controlling Officer further submitted that a payment voucher had been re- designed to show the final approval by the Town Clerk and all payments were being approved by the Town Clerk.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

b) Kasama Central Constituency

i. Irregular award of contract - Construction of the Recreation Hall-K60, 000,000

The Controlling Officer agreed with the audit that the contract was awarded without following the procurement procedures and that the contract awarded was beyond the Town Clerk's threshold.

Committee's Observations and Recommendations

Your Committee observes that all normal Government procurement procedures were clearly flouted by the Management of the Council without any valid reason. Your Committee also observes that the blame for the stalled works should justifiably be placed on the Council Management and urges the Controlling Officer to bring the matter to the attention of the Local Government Service Commission for possible disciplinary action. Your Committee also urges the Controlling Officer to report the matter to investigative wings so that if any malpractice is detected, the culprits are prosecuted. Your Committee awaits a progress report on the matter.

c) Lukashya Constituency

i. Supply of building materials – Overpayment – K26,259,000

The Controlling Officer submitted that the invoices in respect of K26,259,000 were held by the procurement officer instead of being attached to the payment voucher, but these had since been traced and attached.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

ii. Delays in commencement of works – Construction of 1 x 3 CRB – K21,000,000

The Controlling Officer submitted that the K18,900,000 paid to the contractor was for the supply of materials only which had been delivered. The local people were supposed to supply the labour, but were stopped from continuing to build due to lack of skilled labour and the Council had since engaged a bricklayer to complete the works.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

MPOROKOSO DISTRICT COUNCIL

a) Misappropriation of funds – K69,607,070

The Controlling Officer submitted that the Council withdrew the money in question on different dates which was also part of the excess expenditure incurred for monitoring and evaluation. However, at the time of auditing, the imprest had not been fully retired. Furthermore, he added

that the affected officers had since been given an ultimatum to refund the money or the next Council meeting would recommend to the Local Government Service Commission for disciplinary action to be taken against them. He further submitted that the Council had since been urged to refund the misappropriated funds.

Committee's Observations and Recommendations

Your Committee observes that the Council did not attach seriousness to the matter during the audit process. Your Committee also observes that officers were being dishonest when they received funds for the activities that had not been undertaken and urges the Controlling Officer to immediately have the matter referred to the Local Government Service Commission for disciplinary action. Your Committee awaits a progress report on the matter.

b) Over-payment to contractor - K2,500,000

The Controlling Officer submitted that the Council did not pay the contractor twice, but due to poor record keeping, the document which was supposed to be attached to the payment voucher on which the contractor received the cheque worth K2,500,000 was wrongly attached to another payment voucher.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

c) Construction of a market shed – Mporokoso – K352,000,000

The Controlling Officer submitted that the cracks seen by auditors were due to lack of qualified personnel by the Council in the office of the Director of Works who should give professional advice during the time of construction. The Controlling Officer further submitted that the Council had since engaged the Provincial Engineer who advised them to do some reinforcement. The Engineer had since come up with the bill of quantity and would do the works as soon as the rains stopped. The Local Government Service Commission had since sent the Deputy Director of Works and the Physical Planner to fill the gap and avoid such anomalies.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

d) Construction of a laboratory – Lunte Constituency – K120,000,000

The Controlling Officer submitted that the Council had directed the supplier to deliver the materials at the project site because of the distance which was between the Civic Centre and the project site whilst the materials were in the custody of the Headmaster who also was responsible of issuing out the materials to the contractor. The Council had since collected the records of how the materials were utilized from the Head teacher.

Committee's Observations and Recommendations

Your Committee expresses concern that materials were delivered by the Council to a third party without making adequate arrangements for accountability. Your Committee resolves not to close the matter until all materials are accounted for and awaits a progress report on the matter.

Project Management - K716, 622,440

The Controlling Officer acknowledged that there was poor workmanship and failure to complete works in respect of fifteen projects on which the total expenditure of K716,622,440 had been incurred. He submitted on specific projects as set out below.

LUNTE CONSTITUENCY

Construction of a staff house at Mukupa Kaoma RHC

The Controlling Officer submitted that the Council signed a contract with Chikwekwe Wood Processing Limited, but the contract was terminated after the community expressed no confidence in him. Another contractor was engaged and works were nearing completion.

Committee's Observations and Recommendations

Your Committee notes the submission and awaits a progress report on the matter.

MPOROKOSO CONSTITUENCY

i. Electrification of Kawikisha Basic School

The Controlling Officer submitted that ZESCO Limited delayed to acquire the materials, but had since taken the materials which included poles, two transformers and wires among other materials up to Kasama and was waiting for the rains to stop and deliver them to Mporokoso and commence the works.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

ii. Construction of Mporokoso District Bus Station

The Controlling Officer submitted that the Council approved the project in two phases, the first phase being the construction of the concrete slab while the rest was to be in the second phase. However, the project was not considered for funding for its completion due to space limitation. The Controlling Officer further submitted that the Council had been directed to look for a bigger space to construct the bus station and the concrete slab would be used as a satellite depot by the Food Reserve Agency.

Committee's Observations and Recommendations

Your Committee observes that the anomaly was as a result of poor planning on the part of the Council as the issues of space limitation should have been discussed and addressed at the time of considering the first phase of the project. The Council is, therefore, urged to improve its planning of projects to avert wasteful expenditure. Your Committee resolves to close the matter.

9.6 WESTERN PROVINCE – K17,000,000,000

The Controlling Officer submitted on the projects as set out below.

a) Unapproved projects – K346,706,000

The Controlling Officer acknowledged that four constituencies spent a total amount of K346,706,000 on projects which were not approved by the councils. He attributed this to the officers' failure to follow guidelines.

Committee's Observations and Recommendations

Your Committee expresses serious concern that councils spent an amount totalling K346,706,000 on projects which were not approved by the councils due to officers' failure to follow guidelines and urges the Controlling Officer to take disciplinary action against the officers concerned. Your Committee awaits a progress report on the matter.

b) MONGU MUNICIPAL COUNCIL

i. Irregular payment – Nalikwanda Constituency

The Controlling Officer submitted that Nalikwanda Constituency Development Committee which sat on 22nd December, 2012, approved a sum of K14,000,000 for payment of rentals for three Nalwei Police Officers. The Controlling Officer also submitted that the Council had been severely cautioned against the implementation of the resolutions which were in conflict with the CDF Guidelines.

Committee's Observations and Recommendations

Your Committee observes that the Council Management was wrong when it made the payment of the rentals. Your Committee also observes that the resolution of the CDF Committee was null and void as it was in direct conflict with CDF Guidelines. Your Committee, therefore, urges the Council to immediately pay back the whole amount of K13,840,000 paid for rentals to the CDF account. Your Committee awaits a progress report on the matter.

ii. Irregularities in the awarding of contracts – Mongu Central Constituency

The Controlling Officer submitted that the irregularity in the awarding of contracts arose as a result of the Tender Committee referring the projects to the Constituency Development Committee (CDC) to award the contracts without the Tender Committee itself awarding the best bidders and that the projects were within the threshold of the Town Clerk as they were below K50,000,000. The Principal Officer and the Council were severely cautioned.

Committee's Observations and Recommendations

Your Committee upon perusal of the minutes of the meeting of Tender Committee held on 13th May, 2013, is in agreement with the audit revelations that the Area Member of Parliament instructed the Tender Committee to award the contracts to two preferred contractors. Your Committee is particularly concerned that the contractors in question did not meet the requirement at the preliminary evaluation stage and, therefore, did not qualify to be considered. Your Committee is further concerned that at the time of audit, the projects in question had not been completed. Your Committee, therefore, strongly recommends that the matter should immediately be reported to investigative wings. Meanwhile, the Council is also urged to ensure that the works on the staff

houses are completed without further delay. Your Committee awaits a progress report on the matter.

Project Management

The Controlling Officer acknowledged poor workmanship and failure to complete the projects on time as detailed below.

KALABO DISTRICT COUNCIL

Kalabo Central Constituency

a) Questionable payment - Completion of Friary House -- K90,000,000

The Controlling Officer submitted that the Council had since terminated the contract for the completion of Frairy House at Sihole Basic School and was in the process of seeking services of the court in recovering the funds paid to the contractor as he had failed to complete the work. The Controlling Officer further submitted that the Council Management was misled by the then planner who recommended that payment of the projects be completed.

Committee's Observations and Recommendations

Your Committee finds it unacceptable for the Council to put the blame on one officer when monitoring and appraisal were supposed to be conducted by a team of officers and stakeholders. Your Committee awaits a progress report on the completion of the works.

b) Liuwa Constituency

i. Construction of a 1x2 Classroom block – Poor workmanship

The Controlling Officer submitted that at the time of audit, works at Liuwa Primary School were poorly done by the contractor, but the Council had engaged the services of a Building Inspector from Buildings Department, Kalabo Office to supervise the works.

Committee's Observations and Recommendations

Your Committee expresses concern that there was poor supervision of the project which resulted in poor workmanship and urges the Controlling Officer to ensure that corrective works are done and the project is completed. Your Committee awaits a progress report on the matter.

ii. Delayed work - Construction of 1x2 and 1x1 VIP toilets-Salunda Rural Health Centre

The Controlling Officer acknowledged that at the time of audit, works at Salunda Rural Health Centre for construction of VIP toilets had not commenced even though the contractor was paid K25,000,000 as of 5th March, 2013. The Council had terminated the contract with Simuna Contractors and had since engaged services of the court to recover the funds paid to the Contractor as the Contractor had clearly failed to do the works.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Controlling Officer to ensure that a new contractor is engaged to complete the works. Your Committee awaits a progress report on the matter.

c) Project Management

The Controlling Officer acknowledged poor workmanship and failure to complete the projects on time in respect of eight projects on which a total expenditure of K510,504,150 had been incurred and responded as outlined below.

KALABO DISTRICT COUNCIL

Liuwa and Sikongo Constituencies

The Controlling Officer submitted that at the time of audit, the Council had challenges with project supervision as it had no qualified staff and it had since engaged the services of the Buildings Supervisor from Kalabo Buildings Department to help supervise all projects undertaken in the District.

Committee's Observations and Recommendations

Your Committee expresses concern that the Council Management was not proactive in seeking assistance from other councils or the Provincial Administration in the supervision of the works. Your Committee, however, takes note of the steps taken by the Council Management and urges the Controlling Officer to ensure that the works are completed without further delay. Your Committee awaits a progress report on the matter.

SENANGA DISTRICT COUNCIL

a) Irregular transfer of funds – Senanga District Council – K83,390,970

The Controlling Officer submitted that the Council made irregular transfer of funds and acknowledged that it operated outside the CDF Guidelines by borrowing from the two Constituencies an amount totalling K49,174,970 from Senanga Central and Nalolo K34,216,000 respectively.

Committee's Observations and Recommendations

Your Committee expresses concern that the Council Management flouted the CDF Guidelines and urges the Controlling Officer to take disciplinary action against the erring officers. Your Committee further urges the Controlling Officer to ensure that the whole amount of K83,390,970 is immediately refunded to the respective CDF accounts. Your Committee awaits a progress report on the matter.

b) Failure to execute works – Installation of water lines - K38,651,000

The Controlling Officer submitted that the water lines had been installed successfully while airport materials had been procured and delivered on site. The delay was caused by the challenges the contractors had in sourcing the pipes.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

Nalolo Constituency

i. Construction of 1 x 3 Classroom block

▪ Unaccounted for building materials - K18,833,000

The Controlling Officer acknowledged that materials costing K18,833,000 could not be accounted for as there were no receipts and disposal details. The Council would write to the school to avail stores records for the materials in question.

Committee's Observations and Recommendations

Your Committee expresses concern that the Controlling Officer and the Council Management did not take concrete steps to resolve the matter during the audit process. Your Committee, therefore, urges the Controlling Officer to take audits seriously and immediately resolve the matter. Your Committee awaits a progress report on the matter.

▪ Project status

The Controlling Officer acknowledged that there was poor workmanship on the project and that the Management had instructed the Civil Engineer to verify and supervise the project.

Committee's Observations and Recommendations

Your Committee urges the Council to ensure that all the defects identified by the auditors are immediately rectified. Your Committee awaits a progress report on the matter.

ii. Construction of a 1x2 semi permanent CRB (Mud and Pole) - Kaanda Basic School

▪ Unaccounted for funds - K4,500,000

The Controlling Officer submitted that according to the records, the contractor wrote to the Council authorising payment for labour to be made through the Deputy Head Teacher's account. The Controlling Officer submitted that the Management had made headway in reconciling the transaction between the contractor and the Deputy Head Teacher.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to avail evidence to the Office of the Auditor-General showing that the contractor gave authority to be paid through the said Deputy Head Teacher and that the contractor received the payment due to him. Your Committee awaits a progress report on the matter.

▪ Project Status

The Controlling Officer submitted that the project was now complete.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

c) Project Management

The Controlling Officer acknowledged poor workmanship and failure to complete the works in respect of projects on which expenditure totalling K228,390,450 had been incurred. He explained that the Council had tried to engage the supplier, but without success and the matter had since been reported to the Police.

- **Construction of a police post at Naande – K5,045,000**

The Controlling Officer acknowledged that materials worth K5,045,000 had not been delivered and the Council had summoned the supplier of the materials, but without success and the matter had since been reported to the Police.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to review the listed suppliers so that those that are not credible are blacklisted from supplying the Council. Your Committee awaits a progress report on the matter.

- **Construction of 1 x 2 CRB at Maziba Basic School**

The Controlling Officer submitted that the project was ongoing and in the CDF for 2012, the project was allocated an amount of K80,000,000 which was for the labour and building materials for the first phase. The second phase for the construction was allocated under the 2013 CDF.

Committee's Observations and Recommendations

Your Committee notes the response and awaits a progress report on the matter.

- **Construction of mothers shelter at Muoyo Rural – Building materials costing K2,000,000 not delivered**

The Controlling Officer submitted that when it was realised that the project to construct the mothers' shelter was also funded by donors, the technical committee changed the project and resolved to construct a staff house for the health center. He submitted, however, that due to this change, the building materials amounting to K2,000,000 were delivered at the staff house construction site such that at physical verification, materials were not at the mother's shelter construction site.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to provide evidence that the change in the project was authorised by the Council and requests the Office of the Auditor-General to inspect the staff housing project and provide an update on the matter.

- **Completion of staff house at Nasiwayo Basic School – Ongoing project**

The Controlling Officer submitted that the project was on-going. He further submitted that the project was in its last phase and would be commissioned by mid-July, 2014.

Committee’s Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

- **Construction of 1 x 3 CRB at Muoyo high School – Project in progress**

The Controlling Officer submitted that the project had stalled due to inadequate funds, but noted that the project materials had been delivered and the project was at roof level while plastering had been done. The project was expected to be commissioned by the end of June, 2014.

Committee’s Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

LUKULU DISTRICT COUNCIL

a) Delays in the completion of the construction of a 1x3 Classroom Block - Lukulu West Constituency

The Controlling Officer submitted that the project delayed because the site was across the Zambezi River and the Council did not have adequate transport for monitoring. The Controlling Officer further submitted that the contractor had rectified the defects and the project was completed. The interim completion certificate was available for verification.

Committee’s Observations and Recommendations

Your Committee notes the submission and resolves to close the matter.

b) Project Management-K123,000,000

The Controlling Officer acknowledged poor workmanship and failure to complete works on time in respect of two projects on which expenditure totalling K123,000,000 was incurred as set below.

- **Dongwe Primary School-Construction of 1 X2 Classroom Blocks (CRB)**

The Controlling Officer submitted that the contractor had since completed the works.

Committee’s Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

- **Mbumi Primary School-Construction of a Slab for a 1 X 3 Classroom Block**

The Controlling Officer submitted that the delay in completing the project was as a result of the community's failure to deliver their contribution to the project. He further submitted that the contractor had cast the slab.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter subject to audit verification.

Project Management - Kaoma District Council - K342,765,750

The Controlling Officer acknowledged poor workmanship and failure to complete the works on time in respect of eight projects on which expenditure totalling K342,765,750 had been incurred. The Controlling Officer further submitted that the Council did not have qualified procurement staff to manage the procurement and issuance of the procured stores items. The Council had since put in place a stores management system in line with the Public Stores Regulations. He also submitted that the Local Government Service Commission had employed qualified procurement staff for the Council.

Committee's Observations and Recommendations

Your Committee notes that the Controlling Officer failed to explain why there was poor workmanship and why the works were not completed on time. Your Committee resolves not to close the matter until the right response is availed and awaits a progress report.

9.7 SOUTHERN PROVINCE - K19,000,000,000

The Controlling Officer acknowledged poor workmanship and failure to complete the projects on time among others and submitted as set out below.

a) MAZABUKA MUNICIPAL COUNCIL

- **Drilling of forty (40) boreholes**

The Controlling Officer submitted that the delay was because the contract was awarded late and during the rainy season when the contractor had demobilised. The Controlling Officer further submitted that the contractor was on site and was drilling the remaining boreholes.

Committee's Observations and Recommendations

Your Committee notes the response and awaits a progress report on the drilling of the remaining forty boreholes.

- **Construction of 1 x 4 CRB at Kaleya Basic School**

The Controlling Officer submitted that the delay was as a result of an error on the bill of quantity which created a short fall and led to the delay in completing the project. The outstanding works had since been completed and electricity was connected. Further, all

the defects had been repaired apart from the plastering and flooring of the verandah since the school was still sourcing funds to complete the works.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

- **Construction of semi-detached staff house at Chivuna Rural Health Centre (RHC)**

The Controlling Officer submitted that the query arose due to the late release of funds. The outstanding works had since been completed.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

- **Construction of a staff house at Itebe RHC**

The Controlling Officer submitted that the query arose due to the pulling down of the structure after the Government and Local Authority Inspectors recommended for its demolition because of substandard works by the contractor. The contractor had since built a new and strong structure at his own cost.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

MONZE DISTRICT COUNCIL

a) Failure to implement approved projects

i. Monze Central Constituency Projects

- **Harry Mwangi Nkumbula Stadium Change Room**

The Controlling Officer submitted that upon being informed by the Ministry of Youth and Sport that it would undertake the works on the change room, the Council decided to abandon the project. He explained, however, that after considering the length of time it had taken the Ministry to do the project, the Council decided to carry out the works and the change room had since been roofed.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter subject to audit verification.

- **Malama School funds reallocated to Namuseba School**

The Controlling Officer submitted that the Council approved a total amount of K20,000,000 for the blown off roof of a classroom, but before the Council could start procurement of the construction works, the Ministry of Education undertook the project.

The Controlling Officer further submitted that the Council resolved to re-assign the funds to Namuseba School for completion of one staff house and works had since commenced.

Committee's Observations and Recommendations

Your Committee urges the Ministry to improve its engagement with stakeholders in the planning and implementation of CDF projects. Your Committee resolves to close the matter subject to audit verification.

ii. Bweengwa Constituency Projects

- **Chuungu Bridge rehabilitation Project**

The Controlling Officer submitted that the delay in the commencement of the construction of the bridge was due to failure by the community to deliver materials as initially agreed. Based on this understanding, the Council had allocated an amount of K18,000,000 for the contractor's labour and for cement. However, upon engagement of the contractor, the community could not provide the promised materials which resulted in works stalling. The Council was in the process of procuring the upfront materials so as to expedite the project as the community had failed to do so.

Committee's Observations and Recommendations

Your Committee urges the Ministry to continue sensitising communities on the need to support the CDF programmes which they applied for. Your Committee awaits a progress report on the matter.

iii. Moomba Constituency Projects

- **Njola Mwanza Rural Health Centre**

The Controlling Officer submitted that after the approval process was finalised, the Council learnt that the Ministry of Health had undertaken the electrification of the health centre and, therefore, they could not go on with the project. The Controlling Officer further submitted that the Council had since received a new application from the community and the Council would consider the application at its next sitting.

Committee's Observations and Recommendations

Your Committee urges the Council to make use of planning structures in the District to harmonise development projects to reduce such instances which lead to inefficiencies in the implementation of projects. Your Committee awaits a progress report on the matter.

- **Nampeyo Rural Health Centre**

The Controlling Officer submitted that after the approval process was finalised, the Council learnt that the Ministry of Health had undertaken the wiring of the health centre and therefore, the Council could not go ahead with the project. The Controlling Officer further submitted that the Council had since received a new application from the community which was yet to be considered by the Council.

Committee's Observations and Recommendations

Your Committee urges the Council to make use of planning structures in the District to harmonise development projects so as to reduce such inefficiencies in the implementation of projects. Your Committee awaits a progress report on the matter.

- **Grading of Njola-Moomba Road 10kms and Njola - Sikabenga Road 10kms**

The Controlling Officer submitted that at the time of allocating funds, the Council had planned to use Rural Road Units (RRU) equipment which was based in the District. However, after allocation of the funds, RRU closed its station in Monze and moved its equipment to Choma which affected the implementation of the project as the Council had no grader to do the road. The Council had since bought a caterpillar grader which had been deployed to Moomba Constituency for the said works and were expected to be completed by month end of May, 2014.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

b) Misapplication of funds-K54,588,880

The Controlling Officer acknowledged that amounts totalling K54,588,880 were irregularly used by the Council to furnish the Council Chamber and the Council had since been directed to refund the funds.

Committee's Observations and Recommendations

Your Committee observes that the Council willfully flouted the CDF Guidelines which is highly unacceptable and urges the Controlling Officer to ensure that the whole amount totalling K54,588,880 is immediately refunded to the CDF account. Your Committee awaits a progress report on the matter.

c) Failure to account for pigs - Nakatuba Club - K19,969,000

The Controlling Officer submitted that the Council failed to monitor the implementation of the project due to lack of transport. He further submitted that the Council made a follow up on the matter and had since reported the matter to the Zambia Police to help establish what exactly happened to the building materials, pigs, feeds and drugs procured for the club.

In his oral submission, the Controlling Officer submitted that the matter had been reported to the police because the person who was in charge of the pigs and the materials had passed away while other members were not cooperative.

Committee's Observations and Recommendations

Your Committee observes that this anomaly was as a result of failure by the Council to ensure that the projects were properly supervised and monitored. Your Committee, therefore, urges the Controlling Officer to ensure that disciplinary action is taken against erring officers who failed to monitor the project. Your Committee awaits a progress report on the matter.

d) Rearing of dairy animals at Chuungwe Cooperative

The Controlling Officer acknowledged that the club in question procured six ordinary heifers instead of dairy animals without authority from the Council. He also acknowledged that the animals belonging to the Cooperative were marked with the Cooperative Chairman's personal brand. He submitted that at the time of procuring the three dairy cattle, the Council relied upon club members who frequented and misled the Council into believing that they actually bought dairy cattle and not ordinary heifers. The Council had since written to the Club Chairperson to submit a report on the matter. The Council had also reported the matter to Zambia Police for investigations.

Committee's Observations and Recommendations

Your Committee expresses concern at the poor monitoring and supervision of projects by the Council. Your Committee fails to understand how the Council utilised the administrative funds if projects were not monitored. Your Committee urges the Council to get an updated report on the matter and provide a progress report.

e) Procurement of a second hand 15 Tonne Tipper Truck

The Controlling Officer submitted that at the time of audit, the Council failed to locate the box file containing relevant documents for the tipper truck. He further submitted that the technical evaluation was undertaken prior to the selection and authority to procure a tipper was granted from the Ministry.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

f) Rehabilitation of Hikaunu Bridge –Bweengwa Constituency - K28, 714,000

The Controlling Officer submitted that the members who had documents relating to the project and wheelbarrows were not within reach and therefore, the materials could not be verified. The Council had written to the project committee to justify the use of thirty-five pockets of cement and to make available the wheelbarrows for the project. The Council had also written to the Police to assist in investigations.

Committee's Observations and Recommendations

Your Committee observes that poor monitoring by the Council was the main cause of the anomaly as the Council resorted to writing to beneficiaries instead of sending a verification team to obtain the details. Your Committee urges the Council to immediately obtain a detailed report on the matter and provide a progress report.

g) Poor Project Management

The Controlling Officer acknowledged poor workmanship and failure to complete the projects on time and submitted as set out below.

- **Construction of waterborne toilets at Manungu Market**

The Controlling Officer submitted that the works stalled as the labour payments of the contract were in stages and the contractor had requested for an upward revision of labour charges for the roof which the Council rejected. This process delayed the progress of the project. He further submitted that the Council engaged the contractor to work in accordance with the agreed labour charges. The contractor had agreed to complete the project on the initial charge and the Council had since procured roofing materials for the project. Roofing was now in progress and the project was expected to be completed this year.

Committee's Observations and Recommendations

Your Committee notes the submission and awaits a progress report on the matter.

- **Construction of 1 x 3 CRB at Tusole Community School**

The Controlling Officer submitted that the project was on-going and the Council had only funded K75,000,000 for construction of a 1X3 CRB up to gabble level and the amount remaining was for the labour charge which was yet to be paid. He also submitted that the School had since applied for further funding of the project while the Council was yet to consider the application of the 2013 CDF funding.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter.

Sinazongwe District Council – Sinazongwe Constituency

a) Failure to implement approved projects-K331,943,470

The Controlling Officer submitted that the failure to implement the said projects was because funds were received late by the Ministry. The Controlling Officer, however, informed your Committee that the funds had since been disbursed to the projects.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

b) Misapplication of funds – K51,294,865

The Controlling Officer acknowledged that the Council applied for the use of CDF to purchase furniture for the chamber, but the Council had been advised to refund the funds.

Committee's Observations and Recommendations

Your Committee expresses concern that the Council abrogated the CDF Guidelines and urges the Controlling Officer to caution the Council Management for the omission. Your Committee also urges the Council to immediately refund the K51,294,865 to the CDF account and provide a progress report.

c) Poor Project Management

The Controlling Officer acknowledged poor workmanship and failure to complete the projects on time.

Construction of Kariba Radio Station at Maamba and construction of toilet block at Maliko Lwiindi Arena

The Controlling Officer submitted that failure to implement the projects was mainly due to the fact that the 2012 Constituency Development Fund was received by the Council in November, 2012, which meant disbursement of funds to the approved projects could only be finalized in 2013.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter subject to verification that works have been undertaken.

Kazungula District Council – Procurement of earth moving equipment

a) Failure to follow payment procedures

The Controlling Officer acknowledged that the Council paid a contract sum of K528,798,000 to Techmiya Commercial Limited through six payments made on the same day. He further submitted that the Council failed to follow payment procedures.

Committee's Observations and Recommendations

Your Committee is of the view that the Controlling Officer should have acknowledged that the Council Management wilfully made the payment through six cheques to circumvent the procedures. Your Committee urges the Controlling Officer to discipline the Council Management and submit the names of the officers concerned to the Local Government Service Commission for possible disciplinary action.

b) Failure to deliver the earth moving equipment - K528,798,000

The Controlling Officer acknowledged that although the full contract sum of K528,798,000 was paid to Techmiya Commercial Limited, the equipment had not been delivered to Kazungula District. He submitted that the matter had since been reported to the Anti-Corruption Commission to help with investigations.

Committee's Observations and Recommendations

Your Committee expresses concern that the earth moving equipment has not yet been delivered despite the supplier being paid in full. Your Committee while noting that the matter has been reported to the investigative wings, strongly urges the Controlling Officer to continue pursuing the supplier until the equipment is delivered. Your Committee awaits a progress report on the matter.

c) PVEC authority

The Controlling Officer submitted that authority to procure second hand vehicles was granted by the Ministry as councils were not required to seek for PVEC authority from Cabinet.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter.

Kalomo District Council - Procurement of defective earth moving equipment–K2,424,052,010

The Controlling Officer acknowledged that the Council did not avail the contract details and procurement documents to the auditors as the documents were not available. The Controlling Officer also acknowledged that no legal opinion was obtained from the Attorney-General before the procurement and that the equipment had not been delivered. He submitted that due to the several observations raised by the auditors and the confirmation that there was no signed contract to date, and the non-delivery of the equipment, the matter had been reported to Anti-Corruption Commission for further investigation. He, however, confirmed that authority was granted by the Provincial Procurement Committee for the said contract.

Committee's Observations and Recommendations

Your Committee notes that the Controlling Officer had reported the matter to the Anti-Corruption Commission as all normal Government procurement procedures were evidently flouted by the Council. Your Committee however, urges the Controlling Officer to continue pursuing the supplier of the equipment until it is delivered. Your Committee awaits a progress report on the matter.

Choma Municipal Council - Procurement of earth moving equipment

The Controlling Officer submitted that the Council paid the 50% down payment in accordance with the terms and conditions of the contract which required that constituencies made a down payment before pre- inspection visits were undertaken. The Controlling Officer, nonetheless, admitted that there was no advance guarantee obtained to cover the Council in case the supplier failed to meet his obligation. The Controlling Officer further explained that the contract between Choma Municipal Council and Techmiya Commercial Limited was formalized soon after the pre-inspection visit to the United Kingdom as authorized by the Ministry of Local Government and Housing.

As regards authority to single source, the Controlling Officer submitted that despite the Council having received the No Objection from ZPPA and authority from Ministry of Local Government and Housing to single source, the Ministerial Procurement Committee never sat to approve the procurement as it was overwhelmed with a lot of procurements to process. The Council was advised to seek retrospective authority of the Provincial Committee at a later stage.

The Controlling Officer went on to submit that the equipment had since been transported from United Kingdom to Walvis Bay in Namibia where it was still marooned due to failure by the supplier to clear his financial obligations with his counterparts in UK. He further submitted that the matter had been reported to the investigative wings to help with the

investigations on the irregularities and the failure to deliver the equipment as per conditions in the contract.

Committee's Observations and Recommendations

Your Committee observes that the Management acted irresponsibly in the matter as all normal Government procurement procedures were wilfully flouted by the Council. Your Committee further observes that the decision to pay 50% of the contract sum before the contract was signed was highly irregular as it put public funds at great risk. Your Committee urges the Controlling Officer to continue pursuing the supplier of the equipment until it is delivered. Your Committee awaits a progress report on the matter.

Siavonga District

a) Irregularities in the procurement of a grader - K519,000,000

The Controlling Officer submitted that at the time of audit, the file containing the documentation of the purchase of the grader was in the office of the Director of Works who was out of the District.

Committee's Observations and Recommendations

Your Committee expresses concern that the file in question was not availed to the Office of the Auditor-General. Your Committee urges the Controlling Officer to take disciplinary action against the officers who failed to respond to the audit queries. Your Committee further urges the Controlling Officer to immediately avail the documents to the Office of the Auditor-General for audit verification before the matter can be closed.

b) Construction of a staff house at Bbakasa Primary School

The Controlling Officer submitted that the door, window frames and window panes had since been fitted. The house had also been painted.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

9.8 MUCHINGA PROVINCE - K10,000,000,000

a) Misapplication of funds – Chama District Council – K140,000,000

The Controlling Officer submitted that the Management applied for K70,000,000 from the CDF Committee for the completion of the new office block after noticing that thieves had started stealing fittings and the contractor, Uneric Investments, had abandoned the project.

Committee's Observations and Recommendations

Your Committee observes that the decision taken by the Council was highly irregular as it was in conflict with the CDF Guidelines. Your Committee, therefore, urges the Controlling Officer to ensure that the whole amount of K140,000,000 is refunded to the respective CDF accounts. Your Committee also urges the Controlling Officer to strongly caution the Management for

failing to advise the Council accordingly. Your Committee awaits a progress report on the matter.

b) Construction of Water Kiosk – Isoka Constituency

The Controlling Officer acknowledged that the three projects at Location Compound, Kalemelela Village and Mwembe Village, were not completed within the agreed contract period of fifty-six weeks. He explained that this was due to the delay by ZESCO Ltd to supply power to the three water points, but all the three projects had since been connected and completed.

Committee’s Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

9.9 EASTERN PROVINCE - K17,000,000,000

a) Unapproved projects – Katete-K123,732,000

The Controlling Officer submitted that the six projects were actually approved, but the records pertaining to the resolutions of the Council were misfiled at the time of the audit. The records on approved CDF projects for the period under review had been traced.

Committee’s Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

b) Irregular awarding of borehole drilling contract – Chipata – K360,000,000

The Controlling Officer submitted that only ten and not seventeen boreholes were drilled by Yelezya Enterprise without following the CDF Guidelines and procurement procedures that is obtaining a 'No Objection' from ZPPA before awarding the contract. He submitted that this was so because in 2011, the Area Member of Parliament instructed the contractor to drill the boreholes without a contract. The Council only became aware of the said verbal contract when the contractor approached the Council for payment. The ten boreholes were sunk, but not equipped from 2011 until 2013, because the Council refused to pay the contractor on account that the CDF Guidelines and Procurement Procedures were not followed. The boreholes were not inspected by the Council. The Controlling Officer went on to submit that the seven boreholes drilled in 2013, in Boza Ward, were separate from the ten drilled in 2011, by Yelezya and for these, both CDF and procurement procedures were followed.

The Controlling Officer further submitted that because of the pressure from the CDF Committee and the community who wanted the boreholes equipped, the Council made several consultations as to how to resolve the problem. In this regard, the CDF Committee included and tabled the ten boreholes as part of the projects to be funded under the 2012 CDF allocation. The matter was later presented to the District Development Co-coordinating Committee (DDCC) and later the Full Council which recommended to the Ministry of Local Government and Housing for final approval under the 2012 CDF allocation. The Controlling Officer added that the District Procurement Committee tabled the matter to approve the contractors and resolved that the Contractor, Yelezya be paid for the ten boreholes already drilled and be allowed to equip them. The Controlling Officer clarified that payment to the contractor was only done after inspection

and certification of all the boreholes.

Committee's Observations and Recommendations

Your Committee expresses concern that normal Government procedures were flouted from the very beginning as all the structures of the CDF were ignored. Your Committee also expresses concern that the Council Management instead of reporting the matter to the investigative wings for possible abuse of office decided to regularise the procurement which resulted in circumvention of procurement procedures. Your Committee, therefore, recommends that the matter should immediately be reported to investigative wings and if malpractice is found, the culprits should be prosecuted. Your Committee also recommends that the Council Management should be referred to the Local Government Service Commission for possible disciplinary action for assisting in circumventing the procurement procedures. Your Committee awaits a progress report on the matter.

c) Undelivered materials – Kasenengwa

The Controlling Officer submitted that the non-delivery of materials was as a result of the supplier delivering sub-standard materials which were rejected by the Health Centre and returned the materials. He submitted that the supplier had since supplied materials of acceptable standard.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter subject to audit verification.

d) Project Management

The Controlling Officer acknowledged poor workmanship and failure to complete the project on time and submitted as set out below.

i. CHADIZA DISTRICT COUNCIL

Completion of a 1x2 CRB and construction of 1x3 CRB at Chamaseche Basic School

The Controlling Officer submitted that the delay in completing the projects was due to the fact that the projects were not given the whole funding once. The projects were given the second allocation to finish up the works that were left out from the initial funding.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that all projects started are funded so that they are completed. Your Committee resolves to close the matter.

ii. LUNDAZI DISTRICT COUNCIL

• Nkhanga Health Post – Construction of staff house

The Controlling Officer submitted that the structure was at slab level and works had stalled because the funds allocated to the project were exhausted. He noted, however, that

the community had mobilised enough upfront materials to enable the completion of the works and an extra amount of K10,000,000 was allocated to the project.

Committee's Observations and Recommendations

Your Committee notes the response and awaits a progress report on the matter.

- **Emusa Basic School – Completion of 1X3 Classroom block**

The Controlling Officer submitted that the classroom had been roofed. The remaining works included fitting of doors, window frames, flooring, plastering and painting. An extra amount of K15,000,000 had been allocated to the project in the 2013/2014 budget to enable the completion of the works.

Committee's Observations and Recommendations

Your Committee notes the submission and awaits a progress report on the matter.

iii. MAMBWE DISTRICT COUNCIL

The Controlling Officer submitted that the project had stalled because there was misunderstanding between the project committee and the traditional leadership which affected community participation in terms of mobilisation of upfront materials. He explained that the Council had since resolved the misunderstanding and the upfront materials were now on site and the works had commenced.

Committee's Observations and Recommendations

Your Committee notes the submission and awaits a progress report on the completion of the works.

9.10 LUSAKA PROVINCE – K12,000,000,000

a) Misapplication of funds - K13,889,800

The Controlling Officer acknowledged that the Council used CDF funds to pay for the insurance of the ambulance under Matero Constituency and the Council would refund the money to Matero CDF account.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the whole amount of K13,889,800 is refunded to the CDF account without further delay. Your Committee awaits a progress report on the matter.

b) Projects running for more than one (1) year

i) LUSAKA CITY COUNCIL

Kanyama Constituency

- **Rehabilitation of borehole installation of a pump and 3x10,000 litres tank and four tank stand – K84,398,884**

The Controlling Officer submitted that the borehole was not working at the time of the audit due to the limitation in the space provided for the tanks, tank stands and the pump house after it was encroached upon. He also added that the works had since commenced after making changes to the designs.

Committee’s Observations and Recommendations

Your Committee notes the submission and resolves to close the matter subject to audit verification.

- **Construction of Plain View Police Post in Garden House – K 220,854,311**

The Controlling Officer submitted that the project was being done in phases and phase one of the project was completed while funding for the second phase was awaited. The Council would do away with phased projects which in most cases went beyond one year.

Committee’s Observations and Recommendations

Your Committee notes the submission and awaits a progress report on the matter.

ii. CHILANGA DISTRICT COUNCIL

- **Construction of Sekelela Health Post – K51,812,000**

The Controlling Officer submitted that the Council had projects running for more than one year in the sense that most of the projects were inherited in September, 2012, from the Parent (Kafue District) Council and needed verification before they could be undertaken. The Council has worked towards completing all the projects.

Committee’s Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that all the projects are immediately completed. Your Committee awaits a progress report.

- **Construction of a 1 x 2 Classroom Block at Chigwirizano Community School – K57,400,000**

The Controlling Officer submitted that the Council had projects running for more than one year in the sense that most of the projects were inherited in September, 2012, from the Parent (Kafue District) Council and needed verification before they could be undertaken. The Council has worked towards completing all the Projects.

The Controlling Officer submitted that the Council had projects running and not yet completed in the sense that most of the projects were inherited from the Parent (Kafue District) and they needed verification before they could be completely taken over.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that all the projects are immediately completed. Your Committee awaits a progress report on the matter.

iii. RUFUNSA DISTRICT COUNCIL

- **Construction of Rural Health Post in Lubalashi – K15,914,000**

The Controlling Officer submitted that the delay was attributed to the handing over process between Chongwe District Medical Office and Rufunsa District Medical Office, but so far the Council in partnership with Rufunsa District Medical Office had engaged a contractor. The substructure had since been completed and the community had completed mobilising the crushed stones to be used in the casting of a concrete slab.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to await a progress report on the matter.

- **Rehabilitation of classroom block into a health post – K15,914,000**

The Controlling Officer submitted that the delay was attributed to the hand over process between Chongwe District Medical Office and Rufunsa District Medical Office which had now been concluded. However, after a survey conducted by the line Ministry, a decision was made to construct a new health post due to the fact that noise from the health post would disturb the learning process of pupils in class. The Council had engaged a contractor for the project and so far blocks had been made.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to await a progress report on the matter.

- **Completion of one staff house (1X3 flats) and VIP toilets at Nkalamabwe Primary School – K5,000,000**

The Controlling Officer submitted that the funds allocated were not enough to enable the construction of the VIP toilets. He noted, however, that the contractor was engaged to complete the works and 90% of the works on the house had since been done.

Committee's Observations and Recommendations

Your Committee notes the submission and awaits a progress report on the matter.

iv. LUANGWA DISTRICT COUNCIL

- **Construction of an admission ward and store room at Chitope RHC – K50,637,000**

The Controlling Officer submitted that the cause of not completing the project within one year was due to inadequate allocation of funds to projects arising from inadequate Bills of

Quantities. The Controlling Officer explained, however, that the projects were among the ten that were considered for funding by the Ministry and the contractors were on site.

Committee's Observations and Recommendations

Your Committee notes the submission and awaits a progress report on the matter.

- **Mandombe Rural Health Centre construction of maternity ward – K60,950,000**

The Controlling Officer submitted that the anomaly was due to inadequate funding of the project. The contractor by the name of Misambo Limited had since moved on site, and all the materials for the remaining works were on site and the project was likely to be handed over to the community in May, 2014, according to the contract signed.

Committee's Observations and Recommendations

Your Committee notes the submission and awaits a progress report on the matter.

c) Project Management

The Controlling Officer acknowledged poor workmanship and failure to complete the projects on time.

LUSAKA CITY COUNCIL

Munali Constituency-Rehabilitation of Katambala Road in Kaunda Square – K193,872,000

The Controlling Officer submitted that the said overpayment was the Value Added Tax (VAT) component which was not taken into consideration when computing the cost of the contract.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

d) Chongwe District Council – Chongwe Constituency

- **Electrification of schools – Questionable payment**

The Controlling Officer acknowledged an overpayment to ZESCO Ltd of K10,543,030 which resulted when ZESCO revised quotations collected in respect of Kasenga Danne Basic School, Muyanga Community, and Katende Market. The quotes originally amounted to K261,208,104.06 and the Council made a part payment of K250,000,000 leaving a balance of K11,208,104.06. He explained that at the time of making payment, ZESCO Ltd revised quotations for the projects which amounted to K239,454,970 leaving a balance of K10,544,670 from the K250,000,000 earlier paid. This amount was put as part payment for Kumena Basic School since it was on the Council list. The Council obtained a letter and a receipt from ZESCO Ltd to support the payment. With regard to Katende Market, the Controlling Officer submitted that the Market was not yet electrified because although the community had contributed some conduit pipes, cables, circuit breakers which had been fixed, there were some materials remaining to be sourced by the community.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

- **Construction of Chisakila Rural Health Post - Kafue**

The Controlling Officer submitted that an amount of K43,000,000 was approved as community contribution to access funds from Ministry of Health for the construction of a rural health post for the Chisakila community in Chiawa. The funds had to reflect in the bank account of Ministry of Health, Kafue District Health Management Team (DHMT) as proof of commitment from the community. Thereafter, Kafue DHMT spearheaded the implementation of the project.

The Controlling Officer noted that Kafue District Council did not enter into contract with Kapululila Investments. Instead the contract was between Ministry of Health and the said Company. The contract form dated 30th November, 2012, was available for verification. Further, at the time of audit, the stage completion certificate was under the custody of the Kafue DHMT, but were now available. The Controlling Officer submitted that the Council had since made a decision not to fund projects which were partly funded by other Government departments or donors.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

MINISTRY OF LOCAL GOVERNMENTS AND HOUSING

AUDIT QUERY

PARAGRAPH 4

DEPARTMENT:

Local Government Administrations

PROGRAMMES:

Grants to Institutions (Capital/Operational)

ACTIVITIES:

Various

10.0 Accounting and Other Irregularities

a) Missing payment vouchers-K479, 951,671

The Controlling Officer submitted that the missing payment vouchers were due to misfiling and the Councils involved included Milenge District Council (K35,089,003), Mufumbwe District Council (K14,900,000), Chavuma District Council (K150,374,105), and Isoka District Council (K29,135,929). The Controlling Officer further submitted that the missing payment vouchers had since been traced. As regards the missing payment vouchers in respect of missing payment vouchers at Kalabo District Council involving K250,452,637, the Controlling Officer submitted that these were not available at the time of audit because they were with the Drug Enforcement Commission, Mongu Office who were investigating cases involving the Deputy Council Secretary, Deputy Treasurer and other officers. The DEC had since assured the Council that it would have the documents by 1st May, 2014.

Committee's Observations and Recommendations

Your Committee observes that the missing payment vouchers at Milenge, Chavuma, Mufumbwe and Isoka were due to negligence on the part of the officers concerned and urges the Controlling Officer

to ensure that the officers are disciplined accordingly. Your Committee also urges the Controlling Officer to avail all the recovered payment vouchers and those being awaited from DEC to the Office of the Auditor-General for audit verification. Your Committee awaits a progress report on the matter.

b) Unsupported payments-K3,010,113,094

The Controlling Officer submitted that, other than Chilubi, Isoka, Nakonde, Mafinga and Sinazongwe District Councils, who had varied reasons for the unsupported documents, in the rest of the councils totalling twenty-eight, the unsupported payments were due to poor filing system of payments vouchers. Others were due to the fact that the councils did not put in place the Local Purchase Order (LPO) system for payment of goods and services. The other reasons included the delay by the respective institutions to issue the receipts to the councils and lack of qualified staff in the finance and procurement sections at the time and non-preparation of requisition notes. The Controlling Officer submitted that all the payments had been adequately supported.

Committee's Observations and Recommendations

Your Committee observes that failure to support payment vouchers with relevant documents was mainly caused by laxity on the part of officers compounded with weak internal controls and poor supervision. Your Committee, therefore, urges the Controlling Officer to ensure that steps are urgently put in place to address the matter. Your Committee also urges the Controlling Officer to take disciplinary action against the officers that caused the anomaly. The Controlling Officer is also urged to avail the traced supporting documents to the Office of the Auditor General for verification. Your Committee resolves to close the matter subject to audit verification.

The Controlling Officer submitted on other Councils as set out below.

- **Chilubi District Council-K1,750,000**

The Controlling Officer submitted that at the time of audit, the Council Secretary and Chairman had travelled to Livingstone to attend the LGAZ Conference and the Council was requested to make a contribution towards hiring of the bus. It was also submitted that the amount borrowed was treated as an advance and would be paid back to the account.

- **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the funds are paid back expeditiously and documents availed to auditors for verification. Your Committee, therefore, awaits a progress report on the matter.

- **Isoka District Council-K38,303,315**

The Controlling Officer submitted that unsupported payment vouchers were due to LASF not sending the receipts on time after the money was deposited in their account in Isoka. The Council had since collected the two receipts and attached them to the payment vouchers accordingly.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

- **Nakonde District Council - K5,000,000**

The Controlling Officer submitted that the unsupported payment was as a result of the amount being within the threshold of the Council Secretary and there was no need to tender the contract.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

- **Mafinga District Council - K780,000**

The Controlling Officer submitted that the two unsupported payments totalling K780,000 was as a result of service providers in the rural areas not having the documents in their system at the time of the transactions. Furthermore, the Council had written to service providers to submit the receipts.

Committee's Observations and Recommendations

While noting the response, your Committee urges the Controlling Officer to ensure that all documents are availed to auditors for verification. Your Committee awaits a progress report on the matter.

- **Sinazongwe District Council-K37,496,380**

LASF - K19,919,740

The Controlling Officer submitted that the receipt was misplaced and LASF was communicated to so that they assist with the duplicate.

Committee's Observations and Recommendations

Your Committee observes that the misplacement of the receipt was a serious omission and urges the Controlling Officer to take disciplinary action against the officer concerned. Your Committee resolves to close the matter subject to audit verification.

Kings Logistics - Building materials for toilet at Sinazeze Rest House - K8,050,000

The Controlling Officer submitted that the supplier was registered with the Council and was the only one willing to supply on invoice and be paid later. The Council had taken note of the auditors' observations and had acknowledged the oversight. The Council would ensure that no single sourcing was done for any procurement in future.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until all the supporting documents in respect of the payment are availed for audit verification.

Harshard Bazaar - K4,880,000

The supplier was registered with the Council and was the only one willing to supply the Council on invoice and be paid later. The suppliers list approved by the Council was attached

for simplified bidding purposes. The procurement unit had been directed to ensure that payments vouchers were complete or the payment was referred back to the Council Treasurer.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until the supporting documents for the payment are available for audit verification.

D & D Worthy - Purchase of spare parts - K2,070,000

The Controlling Officer submitted that the serviced vehicle developed a mechanical fault whilst with officers in Lusaka on duty and D & D Worthy Supplier as one of the listed suppliers at the Council in that year which was willing to supply service parts on invoice because the Council Mechanic had travelled to have the vehicle attended to. Suppliers' listing approved by the Council was attached for simplified bidding purposes. Even suppliers listed with the Council were required to quote for supply of goods and services to ensure the *Zambia Procurement Act of 2008* was complied with.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that supporting documents for the payment are available for audit verification before the matter can be closed.

- **Delta Auto Equipment - K2,576,640**

The supplier formerly called Top Motors currently known as Delta Auto Equipment was the sole supplier for spares for hygiene light trucks and spare parts that were procured by the Ministry for constituencies. Management had written to the Supplier to enter into a service contract as they were the sole suppliers of the parts for these light trucks.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until the supporting documents are available for audit verification.

c) **Unaccounted for funds-K191, 647,284**

- **Samfya District Council - K37,121,780**

Your Committee heard that the Council had checked its books and found that the cheque in question did not exist in its books and, therefore, the query could not be for Samfya District Council.

Committee's Observations and Recommendations

Your Committee requests the Controlling Officer to reconcile the matter with the Office of the Auditor-General and provide a progress report.

- **Mpongwe District Council - 54,869,360**

Your Committee was informed that the ablution block for which the grant was earmarked was still under construction. The Controlling Officer added that the expenditure ledgers that were misplaced at the time of audit had since been traced.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the Council for poor management of records and further urges him to avail the expenditure ledgers to the Office of the Auditor-General for verification before the matter can be closed.

- **Monze District Council – K30,984,144**

The Controlling Officer submitted that, at the time of audit, the amounts totalling K30,948,144 which was meant for retrenchees could not be disbursed because retrenchees had challenged the calculations of their benefits by the Council in court. The issues were finally cleared and the beneficiaries were paid their dues.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

- **Chavuma District Council - K68,708,000**

The Controlling Officer submitted that this matter should not have been raised as it had earlier been cleared by auditors. The Controlling Officer explained that the documents were verified by auditors who recommended the matter for closure.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

d) Unretired imprest - K1,151,458,037

The Controlling Officer submitted that the unretired imprest in respect of Mwense District Council (K67,172,000), Milenge District Council (K6,100,000), Zambezi District Council (K179,580,000), Mufumbwe District Council (K32,515,000), Kasempa District Council (K26,030,000), Kabwe Municipal Council-(K150,624,400), Chilubi District Council(K3,000,000), Mporokoso District Council (K46, 820,000), Kalabo District Council (K267,457,937) and Chinsali District Council (K2,260,000), was as a result of receipts being misplaced or imprest ledgers not being updated at the time of the audit while in some cases officers did not retire in time. He stated that the Councils had since sorted out the receipts and attached them to the appropriate payment vouchers and these were available for verification.

The Controlling Officer submitted further that unretired imprest amounting to K323,371,500 was retired by the Provincial Local Government Auditor directly with the Ministry of Local Government instead of the Council. He noted further that only the amount of K46,527,200 which related to Council officers at Kasama Municipal Council which was not yet retired and the Council would be making recoveries of all outstanding imprest at the end of the month from the affected officers.

Committee's Observations and Recommendations

Your Committee expresses concern at the negative attitude by the councils in the management of imprest and calls upon the Controlling Officer to take concrete steps to correct the situation. Your Committee also urges the Controlling Officer to ensure that officers who caused the anomaly are disciplined accordingly. The Controlling Officer is further directed to avail all the retirement details to the Office of the Auditor-General for verification before the matter can be closed.

e) Unaccounted for Stores - K1,579,855,843

The Controlling Officer submitted that the receipt and disposal details were not available mainly because most councils had no qualified procurement and stores officers which led to misfiling of documents. The Controlling Officer further submitted that councils had since attached the disposal details for fuel and stores as well as the receipt details. Further, some councils had received procurement officers and assistant procurement officers.

Committee's Observations and Recommendations

Your Committee observes with concern that the management of stores in most councils leaves much to be desired which is unacceptable as it is difficult for your Committee to establish whether the goods that were procured were actually delivered and distributed to the rightful beneficiaries. Your Committee, therefore, strongly recommends that internal controls be strengthened to address the matter. Your Committee resolves to close the matter subject to audit verification.

f) Misapplication of funds - K2,735,524,080

The Controlling Officer acknowledged that the Council used CDF on activities that did not qualify under the CDF Guidelines, but they had committed themselves to refund the amounts in due course while others had already started paying back the borrowed funds. He submitted further that some councils had since written to the Ministry for authority for the variation of funds.

Committee's Observations and Recommendations

Your Committee expresses concern that most councils in question had resolved to wilfully flout the CDF Guidelines on the utilisation of funds which is unacceptable. Your Committee also recommends that all councils that misapplied the funds in question should immediately refund the funds to the respective CDF accounts. In this regard, the Controlling Officer is also urged to submit a consolidated report indicating an update on each council's refunds to the Office of the Auditor-General. Your Committee awaits a progress report on the matter.

The Controlling Officer further submitted as below.

- *Mufumbwe District Council-K6, 199,160 and Luwingu District Council-K28, 903,388,*

The Controlling Officer submitted that for the two Councils, funds were deposited in a general purpose account where grants and local resources were deposited and the queried payments were from the Councils' local resources. The Councils had put measures in place to ensure that grants and local resources were accounted for separately.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

- ***Kalabo District Council- K230, 582,000***

The Controlling Officer submitted that management was unable to give details of the expenditure as the officer who handled the funds was on suspension and had not been cooperative which forced the Council to withhold his half salary until he turned up to clarify on issues raised. The Council had also reported the matter to the Police.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

- ***Lundazi District Council-K400,331,604***

Your Committee was informed that the Council acknowledged the Auditor-General's observation that Management misapplied funds of K219,963,000 and K180,368,000 which totalled to K400,331,604 which was meant for restructuring and service grants respectively. The Controlling Officer further submitted that of the misapplied funds amounting to K400,331,604, a total of K149,259,000 had since been refunded and the Council was working towards refunding the balance.

Committee's Observations and Recommendations

The Controlling Officer is urged to ensure that all refunds are made without any further delay and that documents are availed to auditors for verification. Your Committee awaits a progress report on the matter.

g) Unapproved payments - K899,796,326

The Controlling Officer acknowledged that the concerned Councils which included the Solwezi Municipal and Samfya, Mufumbwe, Kasempa, Kalabo and Mafinga District Councils made various payments without payment vouchers being approved. The Controlling Officer attributed this to payments that were made when principal officers were out of station. The Controlling Officer, however, informed your Committee that all payment vouchers had since been normalised.

Committee's Observations and Recommendations

Your Committee expresses concern that the practice of making payments without payment vouchers being approved has become widespread and urges the Controlling Officer to ensure that all councils are urged to ensure that arrangements are always in place for appropriate approvals to be made. Your Committee resolves to close the matter, but requests the Auditor General to take note the matter in future audits.

h) Failure to remit Statutory Contributions

- **Mansa Municipal Council – K110, 698,933**

Your Committee was informed that the Council did not remit funds to the third parties because the grants could not cater for payments to third parties due to the increase in the number of newly recruited staff by the Local Government Service Commission (LGSC). Your Committee was further informed that the Council had committed itself to ensure payments to third parties were made as soon as funds were available. In addition, the Council was urged to prioritize payments to third parties. This was also confirmed by the Controlling Officer.

The Controlling Officer further submitted that after the abolishment of the grain levy, it became difficult for councils to manage their gross payrolls because much of their revenue was dependent upon it. The Controlling Officer, however, stated that after the harmonization of conditions of services for councils employees, central government support for officers under the Local Government Service Commission was at gross payroll and monthly payrolls were processed at gross to avoid further accruals. The Council though still had to manage employer's contributions and gross pay for Division IV category of workers from its local revenue.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Controlling Officer to ensure that all statutory obligations are remitted in accordance with the requirements of the law. The Controlling Officer is also urged to ensure that councils come up with innovations to create some revenue collection ventures that would enable them to improve their liquidity levels. The Secretary to the Treasury is also urged to ensure that enough funds are provided in the next budget to enable councils to pay their outstanding statutory obligations. Your Committee resolves to close the matter subject to audit verification.

i. Under-deduction of tax - K139,929,717

- **Lusaka City Council-K104,315,859**

The Controlling Officer submitted that the under-deduction of tax was as a result of certain allowances not being taxed and submitted that the mistake had been corrected and that all allowances were being taxed.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against the officers responsible for the anomaly.

- **Luangwa District Council - K24,966,868**

The Controlling Officer submitted that the under-deduction was caused by the Dove Package for payroll which had no recommended formulae by the Zambia Revenue Authority (ZRA) in the months of August to December, 2012. The Controlling Officer, however, stated that the matter was submitted to the Council and the affected officers were written to, to start paying back. In the month of November, 2013, the Council recovered the total sum of K4,750. 91

and it was remitted to ZRA and another remittance was done in March, 2014, amounting to K5,351.04.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

- **Chilanga District Council - K4,297,294**

The Controlling Officer submitted that the observation made by the auditors that the Council had under deducted the tax from the employees was not intentional, but was as a result of lack of the payroll system from September to December, 2012. The Council was just established and systems were not in place during the period under review. In addition, the payroll system had been installed and the Council had made recoveries to all the affected officers and ZRA had been paid accordingly. However, the amount shown as outstanding was in respect of the officer who had been transferred to Mpulungu and the Council had been written to and advised to recover and remit the funds to ZRA.

Committee's Observations and Recommendations

Your Committee notes the submission and awaits a progress report on the outstanding remittance from the officer transferred to Mpulungu District Council.

- j. **Uncredited funds - K946,251,873**

The Controlling Officer submitted that the alleged uncredited funds were actually sent by the bank to the respective councils as this was according to the disbursement and the accounting unit had been directed to regularly carry out reconciliations.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification.

- k. **Failure to recover salary advances - K19,440,000**

The Controlling Officer submitted that the non-recovery of salary advances from members of staff was a result of late receipts of salary grant and the officers responsible delayed to effect the recoveries. The Controlling Officer, however, submitted that the recoveries of salary advances had been effected and their individual ledger cards and the pay slips were ready for verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to always ensure that arrangements for the recoveries are in place before the advances are approved. Your Committee resolves to close the matter subject to audit verification.

- l. **Wasteful expenditure- Generator set – Rufunsa District Council - K8,476,000**

The Controlling Officer acknowledged that there was no warranty on the generator set purchased and that the same was not in a working condition at the time of the audit in September, 2013. He

noted that the generator set had since been repaired by the supplier and was in a working condition.

Committee's Observations and Recommendations

Your Committee observes that this should be taken as timely reminder to the Management on the need to ensure all purchases of a capital nature are supported with after sale warranty to avert any losses. Your Committee resolves to close the matter subject to audit verification.

m) Fraudulent payments - Livingstone City Council - K16,340,996

The Controlling Officer acknowledged that a payment of K16,341,000 was fraudulently made by the two officers who had since been suspended while the full amount had been recovered.

Committee's Observations and Recommendations

Your Committee observes that the anomaly was a direct result of weak internal controls and urges the Controlling Officer to take steps to address the matter. Your Committee also observes that the omission was criminal in nature and, therefore, urges the Controlling Officer to immediately report the matter to the Police. Your Committee awaits a progress report on the matter.

n) Irregularities in payment of salaries and allowances

i. Social holiday allowance - Mafinga District Council - K4,000,000

The Controlling Officer submitted that where the Officer was before his transfer to (Nakonde District Council), the Social Holiday Allowance was part of his conditions of service, hence he continued drawing the same allowance at Mafinga District Council. In addition, the Council had worked out the deductions from his leave days' payment. Further, the Council had urged management to strictly follow Local Government Commission Conditions of Service that were currently in place.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter subject to audit verification.

ii. Over-payment of settling in allowance - Livingstone City Council - K165, 924,538

The Controlling Officer submitted that the overpayment of settling in allowance arose due to the misinterpretation of the harmonised conditions of service. The settling in allowances were calculated based on a rate of 35% instead of 25%. In addition, management had since recovered the sum of K70,919,000.56 and was yet to recover the sum of K95,004,000.09 from the other officer who was currently on suspension and did not have enough leave days to offset the overpayment. The Controlling Officer added that the Council would ensure that the harmonised conditions of service were adhered to.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Controlling Officer to ensure that officers responsible for the anomaly are disciplined for failure to correctly calculate the settling-in-allowance. The matter is recommended for closure subject to audit verification.

iii. Over payment of commutation of leave - Livingstone City Council - K53, 450,828

The Controlling Officer submitted that there was an overpayment of commutation of leave days due to misinterpretation of the harmonised conditions of service. The Controlling Officer also submitted that the Council had since recovered the amount overpaid from the officer. Further, the Council would ensure that the harmonised conditions of service would be adhered to.

Committee's Observations and Recommendations

Your Committee notes the submission, but urges the Controlling Officer to ensure that officers responsible for the anomaly are disciplined for wrong computations. The matter is, however, recommended for closure subject to audit verification.

iv. Payment of non detrimental allowances - Livingstone City Council - K94,462,801

The Controlling Officer submitted that the Council made a payment of non-detrimental allowance due to misinterpretation of the harmonised conditions of service. In addition, the Council had since recovered the sum of K82,903,000.73, while the balance of K11,559,000.08 was yet to be recovered.

Committee's Observations and Recommendations

Your Committee notes the submission and awaits a progress report on the matter.

o) Management of Capital Projects - K12,250,000,000

- **Kaoma District Council - K84,712,171**

The Controlling Officer submitted that the Council could not complete the project on time due to the fact that the project was being funded as and when the Council received funds from the Ministry. He submitted further that the Council did not have a qualified civil engineer to supervise the works, hence the poor quality of project works reported by auditors. He also submitted that the Contractor had rectified the defects.

Committee's Observations and Recommendations

Your Committee observes with concern that works were poorly done due to lack of supervision by the officer responsible. Your Committee also expresses concern at the failure by the Controlling Officer to ensure that works were completed within the contract period. Your Committee also notes with concern that the contractor has abandoned the works. The Controlling Officer is, therefore, urged to ensure that works are completed without any further delay. Your Committee awaits a progress report.

- **Kalabo District Council - K120,000,000**

The Controlling Officer submitted that the delay was caused by inadequate allocation of funds to projects due to defective bills of quantities prepared by ill qualified officers. The Controlling Officer further submitted that the contractor was paid for the works done only while the project was among the ten that were considered for funding by the Ministry and the contractor was already on site.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter subject to audit verification.

CONCLUSION

11. Your Committee wishes to express its gratitude to you Mr Speaker and the Office of the Clerk for the support rendered to it when considering the Report of the Auditor-General on the Management of Constituency Development Funds and Grants to Local Authorities for the Financial Year ended 31st December, 2012. Your Committee further wishes to thank the Controlling Officer, Ministry of Local Government and Housing and the Secretary to the Treasury for appearing before it. Your Committee also thanks the Chairperson of the Local Government Service Commission with whom a meeting was held to appreciate the disciplinary processes in local authorities.

Finally, your Committee acknowledges the valuable input of the Auditor-General, the Accountant-General and that of the Controller of Internal Audit when considering submissions from witnesses.

APPENDIX 1

List of Officials

National Assembly

Mr S Kawimbe, Acting Principal Clerk of Committees

Ms M K Sampa, Acting Deputy Principal Clerk of Committees

Mr F Nabulyato, Committee Clerk (FC)

Mr S Chiwota, Assistant Committee Clerk

Mr A Chilambwe, Assistant Committee Clerk

Mrs G M C Kakoma, Stenographer

Ms C Mtonga, Stenographer

Mr R Mumba, Committee Assistant

Mr C Bulaya, Committee Assistant