

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR-GENERAL FOR THE FINANCIAL YEAR ENDED 31 DECEMBER, 2010 FOR THE FIRST SESSION OF THE ELEVENTH NATIONAL ASSEMBLY APPOINTED BY THE RESOLUTION OF THE HOUSE ON 2 NOVEMBER, 2011.

Consisting of:

Mr V Mwale, MP (Chairperson); Mr H H Hamududu, MP; Mr C Mulenga, MP; Ms M Imenda, MP; Mr M Mbulakulima, MP; Mr C Matafwali, MP; Mr G Namulambe, 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 Accounts for the financial year ended 31 December, 2010.

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 them under Article 117(5) of the Constitution of the Republic of Zambia.

Meetings of the Committee

3. Your Committee held twenty-two (22) meetings to consider the Report of the Auditor-General on the Accounts for the financial year ended 31 December, 2010.

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 Controlling Officers of ministries and institutions that were mentioned in the Report of the Auditor-General for the Financial Year ended 2010. The Secretary to the Treasury was also requested to comment on all the ministries and institutions. Further, your Committee undertook a foreign tour to Zambian Missions in Dar es Salaam and Harare in order to check on the state and management of mission properties.

Your Committee could not take evidence from the Ministry of Tourism, Environment and Natural Resources following its disbandment as there was no Controlling Officer in place to respond to the issues raised. Your Committee recommends that the Auditor-General verifies the matters with a view of reallocating them to the new ministries where the departments have gone.

This Report contains the observations and recommendations of your Committee and includes, in some cases, proposed remedial measures to correct identified irregularities.

General Observations and Recommendations

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

a) Inadequate preparations

Your Committee expresses concern that some Controlling Officers are not adequately prepared for Committee meetings. Your Committee notes that on several occasions Controlling Officers have interfered with its tight programme of work due to unnecessary postponements on account of their submissions being inadequate or unsatisfactory and thus delaying the work of your Committee.

Your Committee, therefore, recommends that in future, such practices will not be tolerated or taken lightly as the concerned officers will be reported to the Appointing authority for possible disciplinary action.

b) Excess Expenditure

Your Committee notes with concern that the figure for the excess expenditure has continued to grow. For instance from the excess expenditure of K249.9 Billion in 2008 this has grown to K814.2 billion in 2010. Your Committee also notes that the number of ministries incurring excess expenditure has also been growing. Your Committee further observes that the main reason for this state of affairs has been the failure by the Controlling Officers to take necessary action to regularise the expenditure during the financial year in accordance with financial regulations.

Your Committee, therefore, urges the Secretary to the Treasury to strongly caution and remind all Controlling Officers who commit this omission. Further, all Controlling Officers should consistently be reminded of the need to observe this requirement.

c) Misappropriation of Funds

Your Committee expresses concern that the misappropriation of funds has continued to be reported in most ministries. Your Committee is saddened that the figure has grown from K70 million in 2008 to K1 billion in 2010. What worries your Committee most is the apparent reluctance by the Controlling Officers, in most cases to report the matters to the investigative wings preferring instead to take administrative disciplinary action.

Your Committee, therefore, urges the Secretary to the Treasury to ensure that all cases of suspected misappropriation of funds are promptly reported to the Police for further investigations. Controlling Officers failing to take prompt action should be sanctioned.

d) Misapplication of Funds

Your Committee is concerned that the misapplication of funds has continued in most ministries. Your Committee notes that in most cases, funds meant for poverty

reduction and other capital projects have been varied and applied on expenses of a recurrent nature which is not only in breach of financial regulations but has a negative effect on development efforts in the country.

Your Committee, therefore, urges the Secretary to the Treasury to caution the ministries that are in the habit of varying funds without approval from the Secretary to the Treasury. Your Committee further urges the Secretary to the Treasury to specifically keep an eye on the Ministry of Community Development, Mother and Child Health, which, in the view of your Committee, has performed badly in this regard.

e) Unretired imprest

Your Committee notes that the issues of unretired imprest have continued to feature in almost all ministries. Your Committee further notes that amounts held up in outstanding imprest have continued to grow. For example, while unretired imprest was K21.4 billion in 2008, this figure has grown to K77.1 billion in 2010 which is unacceptable.

Your Committee urges the Secretary to the Treasury to propose an amendment to the financial regulations so that in the event of a holder failing to account or surrender imprest, within forty-eight hours as provided for in the financial regulations, the amount should be converted into a loan owed to the Government by the officer which should attract interest at a prescribed punitive rate. Further, disciplinary action should be preferred against supervisory officers who fail to ensure that imprest is retired as required by regulations.

f) Absence of Supporting Documents

Your Committee expresses concern that over the years, several controlling officers have continued to entertain delays in availing documents to the Auditor-General for scrutiny during the audit process which could be used to conceal possible fraud. This habit amounts to a breach of the financial regulations and should not go unpunished.

Your Committee, therefore, strongly urges the Secretary to the Treasury to report all controlling officers who fail to avail documents for verification without cause to the appointing authority so that they can be barred from holding public office.

g) Poor Maintenance of Properties in Foreign missions

Your Committee notes that most properties in foreign missions are in a deplorable state due to lack of regular maintenance. Your Committee notes that this situation is as a result of inadequate releases of funds from the Treasury for this purpose.

Your Committee, therefore, urges the Government to come up with a comprehensive strategy to rehabilitate all properties that are in a poor state and thereafter ensure that releases for regular maintenance works are made. Your Committee is of the view that Missions that have properties that are in a critical state should be considered for appropriation in aide so that they could be allowed to retain a percentage of the revenue that they raise for maintenance works.

h) Poor Management of Building Contracts

Your Committee is concerned with the continued poor management of construction projects, especially in the ministries responsible for education, health and agriculture. Your Committee notes that there are wide spread delays in the completion of projects coupled with poor workmanship which can be attributed to weak supervision and monitoring mechanisms in place.

Your Committee urges the Government to consider vesting the responsibility of supervising the projects to the ministries housing the projects instead of the Ministry of Transport, Works, Supply and Communication as is currently the case.

i) Poor Stores Management

Your Committee is dismayed that the value of stores items that are not being accounted for has continued to grow. For example, stores items costing K43.9 were not accounted for in 2010 as compared to K20.8 in not accounted in 2008. Your Committee notes that this could partly be because hitherto Government efforts have been focused more on building capacity on the procurement side without paying equal attention to stores management.

Your Committee, therefore, strongly urges the Government to urgently come up with measures aimed at improving the management of stores in government ministries and departments specifically, all must be managed by qualified staff.

AUDITOR-GENERAL'S COMMENTS

6. The Report on the audit of the accounts of the Government of the Republic of Zambia for the financial year ended 31 December 2010 is submitted to the President for tabling in the National Assembly in accordance with the provisions of Article 121(4) of the Constitution of the Republic of Zambia.

Statement of Responsibility

According to the provisions of the Public Finance Act No. 15 of 2004, the Minister responsible for finance shall, subject to the provision of the Constitution and the Act, have management, supervision, control and direction of all matters relating to the financial, planning and economic management of the Republic. The Minister is the Head of the Treasury established under the Act and shall make policy and other decisions of the Treasury except those designated under section six of the Act to the Secretary to the Treasury who shall exercise the powers of the Treasury. In exercising these powers, the Secretary to the Treasury designates in respect of each head of revenue or expenditure provided for in the financial year, an officer who shall be a Controlling Officer. The responsibilities of the Controlling Officers are outlined in section 7(3) to (9) of the Act and include the preparation and submission of financial statements to the Auditor General for audit and certification before inclusion in the Financial Report. The audited financial statements are then submitted to the Secretary to the Treasury to enable him prepare the Annual Financial Report for tabling in the National Assembly by the Minister responsible for finance in accordance with the provision of Article 118 (1) of the Constitution of Zambia.

Audit Scope and Methodology

The Report is as a result of reviews, programmes of 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 of financial management in the Government and to enable me express an opinion on the financial statements for the year. They were also intended to provide information that would assist Parliament in its oversight responsibilities over the application of resources and execution of programmes by the Executive. Accordingly, the programmes were designed to highlight areas of weakness to facilitate formulation of recommendations by Parliament for remedial action by the Executive.

In the course of preparing this report, each Controlling Officer 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

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 mis-statements, 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 Controlling Officers to give satisfactory responses to audit observations. In certain instances no responses were provided at all. In these instances, the Auditor-General strived to assure that the information so provided gives some level of assurance on the completeness of the financial statements.

Outturn and Appropriation Accounts

The Statement of Financial Position for the financial year ended 31 December 2010, has not been included in the report since it is not part of the Financial Statements prepared by the Ministry of Finance and National Planning as it is not a requirement of the International Public Sector Accounting Standards (IPSAS). The reporting is under the cash basis accounting since the Government has not yet adopted the accrual basis of accounting.

Excess Expenditure

A review of statement "C" of the Financial Report for the year ended 31 December 2010 revealed that there was excess expenditure of K814,219,094,814 from thirty five (35) Heads of expenditure contrary to the Appropriation Act of 2010.

RESPONSE OF THE SECRETARY TO THE TREASURY

7. In response, the Secretary to the Treasury submitted as set out below.

Introduction and Statement of Responsibility (Paragraphs 1 - 2)

The facts were as stated by the Auditor General in her Report and the Ministry of Finance did table the Annual Financial Report before the National Assembly in accordance with the provision of Article 118(1) of the Constitution of Zambia.

Audit Scope and Methodology (Paragraph 3)

The Scope and methodology used by the Auditor-General were appreciated and the interaction with the various controlling officers was encouraging as it provided checks and balances in the management of public resources. Further, the Secretary to the Treasury thanked the Auditor-General for availing vital information to assist Parliament in its oversight responsibilities over the management of public resources by the Executive.

Limitation of Scope (Paragraph 4)

The Secretary to the Treasury assured your Committee that Government would continue engaging the Controlling Officers on the need to co-operate and appreciate the role of the Auditor General by ensuring that satisfactory responses were provided during audit and not when they appeared before the Public Accounts Committee. The non-provision of responses or unsatisfactory response increased the volume of the Audit report, thereby denting the image of the Country.

Out-turn and Appropriation Accounts (Paragraph 5)

The Secretary to the Treasury submitted that an analysis of the outturn for the year was correct and a fact that the Financial Statements did not include the Financial Position of Government in the year ending 31 December, 2010 as it was not a mandatory requirement under the International Public Sector Accounting Standards (IPSAs) in which they were prepared.

Excess Expenditure K814, 219,094,814(Paragraph 6)

The Excess Expenditure of K814,219,094,814 was as indicated in the *statement "C"* of the Financial Report.

He submitted that the excess expenditure was incurred by nine Heads and was caused due to the reasons set out below.

Head 05/01- National Assembly (K158,564,496)

The excess expenditure was caused by the failure by the Controlling Officer to transfer expenditure incurred under HIV/AIDS Global Funds amounting to K136,210,000 to the Ministry of Finance and National Planning under which the programme was budgeted for.

In addition an amount of K22,354,696 was incurred from the retirement of imprest paid at the

end of the financial year ending 31 December, 2009 but retired in financial year ending 31 December, 2010 which was caused by the Controlling Officer's failure to apply for Supplementary without funds to cover expenditure captured from the retirement of the imprest in 2010.

Your Committee notes the submission and recommends that the expenditure be regularised in accordance with the provisions of the Constitution.

Head 09/01-Teaching Service Commission (K162,034,145)

The excess expenditure was caused by the failure by the Controlling Officer to transfer expenditure incurred under Personal Emolument (salaries) amounting to K162,034,145 caused by the upgrade of salary scales of the Chairperson, Vice Chairman and five members of the Teaching Service Commission, to the Ministry of Finance and National Planning under which the Mid Term Pay Reform Programme was budgeted for, by passing an Inter Departmental Clearance Voucher (IDC).

Your Committee notes the submission and recommends that the expenditure be regularised in accordance with the provisions of the Constitution. Further, your Committee urges the Secretary to the Treasury to caution the Controlling Officer to avoid such omissions in future.

Head 17/01-Ministry of Foreign Affairs - HQ-K2,985,454,910

The excess expenditure was caused by the failure by the Controlling Officer to transfer expenditure incurred under Personal Emolument (salaries) amounting to K2,985,454,910 caused by the 15% Salary increment paid to the civil servants under headquarters, to the Ministry of Finance and National Planning under which the Midterm Pay Reform programme was budgeted, by passing an Inter Departmental Clearance Voucher (IDC).

Your Committee notes the submission and recommends that the expenditure be regularised in accordance with the provisions of the Constitution. Further, your Committee urges the Secretary to the Treasury to caution the Controlling Officer to avoid such omissions in future.

Head 17-Ministry of Foreign Affairs - Missions Abroad K461,131,804,658

The excess expenditure was caused, by the failure by the Controlling Officer to seek authority from the Treasury to retain carry over funds from financial year ended 31 December, 2009 amounting to K34,794,930,884 remitted in January 2010 to Missions Abroad for payment of Foreign Service Allowances.

Your Committee notes the submission and recommends that the expenditure be regularised in accordance with the provisions of the Constitution. Further, your Committee urges the Secretary to the Treasury to caution the Controlling Officer to avoid such omissions.

Head 37/01 Ministry of Finance and National Planning - HQ K461,131,804,658

The excess expenditure of K461,131,804,658 was caused by the additional 3%-5% increase of Public Service Salaries and wages negotiated for by unions in the collective agreement with GRZ while the Mid-Term Pay Reform budget had a 10% provision for salary increment in the 2010 budget. This also affected Employer's contribution.

Your Committee notes the submission and recommends that the expenditure be regularised in accordance with the provisions of the Constitution. Further, your Committee urges the Secretary to the Treasury to caution the Controlling Officer to avoid such omissions in future.

Head 37/09-Ministry of Finance and National Planning- CSO-K103,122,279,106

The excess expenditure of K103,122,279,106 was caused by an omission by budget office to include the approved supplementary by the Secretary to the Treasury as part of Supplementary Appropriation Bill submitted to Parliament.

Your Committee notes the submission and recommends that the expenditure be regularised in accordance with the provisions of the Constitution. Further, your Committee urges the Secretary to the Treasury to caution the Controlling Officer to avoid such omissions in future.

Head 77/04-Ministry Of Defence-K9,014,498,733

The excess expenditure was caused by the failure by the Controlling Officer to transfer expenditure incurred under Personal Emoluments (salaries) amounting to K9,014,498,733 caused by the 15% Salary increment paid to the civil servants, to the Ministry of Finance and National Planning under which the Midterm Pay Reform programme was budgeted, by passing an Inter Departmental Clearance Voucher (IDC).

Your Committee notes the submission and recommends that the expenditure be regularised in accordance with the provisions of the Constitution. Further, your Committee urges the Secretary to the Treasury to caution the Controlling Officer to avoid such omissions in future.

Head 89/01-Ministry of Agriculture and Co-operatives-K44,609,702,364

The excess expenditure was caused by the failure by the Controlling Officer to transfer expenditure incurred under Personal Emoluments (salaries) amounting to K44,609,702,364 caused by the 15% Salary increment paid to the civil servants, to the Ministry of Finance under which the Mid-terms Pay Reform programme was budgeted for, by passing an Inter Departmental Clearance Voucher (IDC).

Your Committee notes the submission and recommends that the expenditure be regularised in accordance with the provisions of the Constitution. Further, your Committee urges the Secretary to the Treasury to caution the Controlling Officer to avoid such omissions in future.

Head 91/55 Office of the President - Copperbelt Province

The excess expenditure was caused by the failure by the Controlling Officer to transfer expenditure incurred under Personal Emolument (salaries) amounting to K446,935,025 caused by the 15% Salary increment paid to the civil servants in the province, to the Ministry of Finance under which the Midterm Pay Reform programme was budgeted, by passing an Inter Departmental Clearance Voucher (IDC).

Your Committee notes the submission and recommends that the expenditure be regularised in accordance with the provisions of the Constitution. Further, your Committee urges the Secretary to the Treasury to caution the Controlling Officer to avoid such omissions in future.

Head 98/40 Office of the President - Southern Province-K527,135,556

The excess expenditure was caused by the failure by the Controlling Officer to transfer expenditure incurred under Personal Emolument (salaries) amounting to K527,135,556 caused by the 15% Salary increment paid to the civil servants in the province, to the Ministry of Finance and National Planning under which the Midterm Pay Reform programme was budgeted for, by passing an. Inter Departmental Clearance Voucher (IDC).

Your Committee notes the submission and recommends that the expenditure be regularised in accordance with the provisions of the Constitution. Further, your Committee urges the Secretary to the Treasury to caution the Controlling Officer to avoid such omissions in future.

Head 99/01-Constitutional and Statutory-K157,265,754,937

The excess expenditure amounting to K157,265,754,937 was caused by the late release of funds to China-Catic and China- Exim Bank after the supplementary budget had been finalised. The Treasury had declared savings from programme Paris Club (Brazil and Russia) budget lines to Debt Service Internal programme eight (8) Interest payments on Treasury Bills. Unfortunately after the submission of the Supplementary appropriation bill No.1 of 2010 the Government entered into Loan agreements with Government of China under the China-Catic for the supply of military equipment and China- Exim Bank for the construction of defence forces houses whose conditions required GRZ to immediately pay counterpart funds before the end of the year under review.

He submitted that in accordance with Article 117(5) of the Constitution, the Secretary to the Treasury was seeking the indulgence of the House to regularise the excess expenditure amounting to K814,219,094,814 incurred in the year under review through the Excess Expenditure Appropriation Bill.

Your Committee notes the submission and recommends that the expenditure be regularised in accordance with the provisions of the Constitution.

GENERAL REVENUE

AUDIT QUERY
Programme

PARAGRAPH 7

Income Tax (other than Mineral Tax) ZRA
Mineral Revenue
Customs and Excise
Value Added Tax
Exceptional Revenue
Various

Activities:

Overall Collections

The Secretary to the Treasury clarified that during the financial year ended 31st December 2010, the net tax stood at K13,131 billion against a target of K11,425 billion thereby registering a surplus of K1,706 billion, and not K616.6 billion as stated in paragraph 7 of the Auditor-General's Report.

Observation on Tax Revenue Collections

a) Revenue Deficits on twenty Four (24) Tax Types

The Secretary to the Treasury gave the reasons for net deficit as well as the correct amounts as set out below.

i. Domestic Tax types

a. *Individuals (Self Employed)*

The Secretary to the Treasury submitted that the net deficit for this tax type was K17 billion and not K7.7 billion reported in the audit report. This performance was attributed to low compliance in the period under review and measures had been put in place to improve compliance levels.

Committee's Observations and Recommendations

Your Committee notes with concern that compliance levels have continued to be low and urges the Secretary to the Treasury to ensure that ZRA puts in place concrete measures to improve compliance levels to reduce the deficits. The Auditor-General is requested to keep the matter in view in future audits.

b. *Back duty*

The Secretary to the Treasury submitted that the K1.6 billion deficit was posted for back duty in the period under review and not K28,355,413. The negative performance was attributed to the fact that the conclusion of back duty cases was in some cases dependent on factors outside ZRA's control, such as court processes.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to reconcile the figures with ZRA in order to establish the correct status. Further, ZRA is strongly urged to ensure that measures are put in place to reduce the deficits in respect of this duty. They await a progress report on the matter.

c. *Withholding Tax (Rent, Interest)*

The Secretary to the Treasury submitted that withholding tax on rent and interest posted a combined deficit of K184 billion and not K67 billion. The poor performance was because of low compliance especially on withholding tax on rent and the reduction in payments from banks. However measures were in place to improve revenue collection in these tax types.

Committee's Observations and Recommendations

Your Committee expresses concern that the figures of the deficits were not reconciled during audit and urges the Management of ZRA to ensure that future audits are given due attention. Your Committee requests the Auditor-General to verify the correctness of figures. Further, your Committee urges the Controlling Officer to come up with concrete measures to improve compliance in withholding tax. They await a progress report on the matter.

d. *Withholding Tax (Dividends)*

The Secretary to the Treasury submitted that a deficit of K14.8 billion was recorded for withholding tax on dividends in the year under review and not K3.1 billion. The negative performance was attributed to reduced numbers of companies declaring and paying dividends. Further compliance work is being undertaken.

Committee's Observations and Recommendations

Your Committee expresses concern that the figures of the deficits were not reconciled during audit and urges the Management of ZRA to ensure that future audits are given due attention. Your Committee requests the Auditor-General to verify the matter and inform your Committee on the correct figures. Further, your Committee urges the Controlling Officer to come up with concrete measures to improve compliance in respect of dividends withholding tax. They await a progress report on the matter.

e. *Advance Income Tax (AIT)*

The Secretary to the Treasury submitted that submitted that the Advance Income Tax (AIT) was a tax broadening tool and was, therefore, not to be measured against a target.

Committee's Observations and Recommendations

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

f. *Domestic VAT*

The Secretary to the Treasury submitted that Domestic VAT posted a surplus of K37 billion in the financial year ended 2010 as opposed to a deficit of K57.3 billion recorded in the audit report.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the matter after which it should be closed but be kept in view in future audits.

ii. **Customs Tax types**

a. *Overall Performance*

The Secretary to the Treasury submitted that in terms of overall annual performance, Import Duty posted a deficit of K52.24 billion or 4.01% while Excise Duty, Import VAT and Fuel Levy recorded surpluses of K16.38 billion, K214.49 billion and K67.35 billion respectively.

The overall positive performance in respect to the target was attributed to the growth in business volume where taxable transactions recorded a growth in the Value for Duty Purposes (VDPs) of K9,393.57 billion or 31.5% with a corresponding growth in the potential tax yield for all taxes of K921.40 billion or 21.4% compared to the same period last year.

The Secretary to the Treasury observed that the performance in Excise Duty was dampened by:

- i. the implementation of Statutory Instrument 46 of 2010, which reduced Excise Duty rate on Petrol from 21% to 10% when imported by the Ministry of Energy and Water Development; and
- ii. the implementation of Statutory Instrument 23 of 2010, that reduced excise duty on clear beer of malt and clear beer of sorghum from 60% and 35% to 40% and 20% respectively.

The poor performance of Customs Duty against the target was attributed to the implementation of Statutory Instrument 46 of 2010 which suspended customs duty to free on importations of petrol, diesel and kerosene undertaken by the Ministry of Energy and Water Development. The performance of Customs Duty has continued to be further affected by remission of duties for importations under the SADC and COMESA FTA.

The non-settlement of outstanding obligations brought forward by major debtors; (TAZAMA, which owes K196.13 billion, FQML which owes K30.03 billion arising from the disputed Import VAT assessment on copper ore imports and MEWD which owes K14.37 billion in import VAT and Fuel Levy that is not covered by the Statutory Instrument further affected revenue performance.

Committee's Observations and Recommendations

Your Committee notes the submission and requests the Office of the Auditor-General to keep the matter in view in future audits.

b. *Customs Duty*

The Secretary to the Treasury explained that Customs duty posted a deficit of K52.24 billion against the target mainly due to the implementation of Statutory Instrument Number 46 of 2010 which suspended customs duty to free on petrol, diesel and kerosene when imported by the Ministry of Energy and Water Development.

He added that the performance of Customs Duty has also been affected by remission of duties for importations under the SADC and COMESA FTA. For example, under the SADC agreement, Zambia has been running a phase down reduction of Customs Duty on selected products originating from South Africa. These products were at 5% and attained a zero rate status on 1 January 2012.

Committee's Observations and Recommendations

In closing the matter your Committee urges the Secretary to the Treasury to continue devising new ways of reducing the deficits in customs duty. The Office of the Audits-General is urged to keep the matter in view in future audits.

c. *Excise Duty*

The Secretary to the Treasury submitted that Excise Duties posted a surplus of K16.38 billion. Though the taxable transactions recorded growth in the tax base amounting to K152.24 billion and K887.36 billion under import excise duty and local excise duty respectively, the tax type performed marginally above target. The positive outturn was driven by hydrocarbons, clear beer, air time and motor vehicles.

The marginal performance was attributed to the combined effect of the implementation of Statutory Instrument Number 46 of 2010 that suspended excise duty to 10% on Petrol when imported by the Ministry of Energy and Water Development and Statutory Instrument Number 23 of 2010 that suspended excise duty on clear beer of malt and clear beer of sorghum to 40% and 20% respectively. It was further dampened by the reduced collections from cigarettes due to the relocation of British American Tobacco.

Committee's Observations and Recommendations

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

d. *Export Duty - Copper Concentrates*

The Secretary to the Treasury explained that Export duty on Copper concentrates posted deficits of K15.56 billion and the poor performance was as a result of the reduced export of copper ores and concentrates following the revocation of export duty relief and the availability of additional smelter facilities such as the recently commissioned Konkola Deep Mining Project.

Committee's Observations and Recommendations

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

e. *Export Levy - Cotton Seed*

The Secretary to the Treasury confirmed that there was no revenue collected under this tax type in the period under review which was the dampening of exports due to increased costs arising from the continued implementation of the 2009 budget measures that increased income tax rate on income earned from exports of cotton lint in order to encourage local value addition through processing.

Committee's Observations and Recommendations

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

b) **SYSTEM LIMITATIONS**

i. **Domestic Taxes Division**

a. *Tax payers' accounts on ITAS not credited-K615,107,351,211*

The Secretary to the Treasury explained that the Integrated Tax Administration System (ITAS) was not able to credit payments for domestic tax payers who did not have accounts on ITAS thereby leading to a total of K615,107,351,211 being credited to the suspense account instead of individual taxpayer accounts. The reason for this was that ITAS was implemented to administer only three tax types, namely VAT, Business Income Tax (ITX) and Pay as You Earn (PAYE), referred to as ITAS Tax Types. The rest of the tax types, referred to as External Tax Types were processed outside the ITAS system.

He explained that the Zambia Revenue Authority was in the process of acquiring a new tax administration system that was expected to address all the problems inherent in ITAS. In the interim, a system called Tax Administration and Refunds Processing System (TARPS) has been developed, in-house, to process, all External Tax Types transactions.

He assured your Committee that despite these challenges, most transactions of non ITAS tax types had been credited to their respective accounts on TARPS despite them appearing on the suspense account.

Committee's Observations and Recommendations

Your Committee notes the submission but wonders why the suspense accounts are not regularly reconciled. Your Committee resolves not to close the matter until a progress report is received on the measures being taken to address the matter.

b. Tax Arrears Omitted From the Debt Stock

The Secretary to the Treasury explained that due to segmentation of taxpayers into large, medium and small taxpayer, some taxpayers were reclassified into small taxpayer on account of inactivity and thus would not appear on debt schedules when a segment was compared year after year e.g. Engine Spares Limited-P6/001049 with debt of K125,820,990 and RDS Business Services-P6/004880 with debt of K381,823,461 on the 2009 schedule attached.

The companies listed on schedule 5 (VAT debtors list) were either on the debtors or were not on the list because their accounts were now in credit as highlighted below. All companies with the comments "Company on debtors list" were reflected on the debt stock as at December, 2010. The remaining companies with comments "Account in credit" did not owe hence were removed from the list after updating the accounts.

The Secretary to the Treasury further submitted that significant efforts have been undertaken to reduce debt on these institutions by engaging management in all the councils with whom discussions on Time to Pay Agreement modalities were being held.

Committee's Observations and Recommendations

Your Committee expresses concern that this explanation was not rendered to the Office of the Auditor-General during audit and urges that it should be subjected to an audit inspection before it can be closed. Further, the Management of ZRA is strongly urged to continue devising ways of reducing the debts in question.

ii) Customs Services Division

a. Uncollected Duties on Transits-K60,690,187,955

The Secretary to the Treasury submitted that the outstanding guarantee amounts on transits for the period 2001 to 31 December 2010 was K60,690,187,955 and acknowledged the continued challenges with the management of transits. He noted that the transit problems were historical and were exacerbated by the automated system for customs data called ASYCUDA

which had system failures when acquitting entries from the time of inception in 2002 to 2007 when the system was centralised. The failure of TIs to successfully acquit was one of the factors that led to the decision to centralise ASYCUDA. Although this problem had been mitigated, it had not been completely eliminated.

The Secretary to the Treasury explained further that Management had in the past made attempts to call in bonds with the guarantors. However, in most instances, this exercise did not yield the anticipated results as the Clearing Agents would later bring evidence of manual acquittals to prove that the outstanding on the system were in some cases not genuine but due to system errors. The system related problems have been reported to United Nations Conference on Trade and Development (UNCTAD), the developers of the system but a solution to comprehensively address the problems has not been provided. Management agreed with the recommendation to call in the bonds although the following additional measures will be considered:

- i. a reconciliation of outstanding transits to establish the genuinely outstanding transactions from those with system related errors;
- ii. integrating the acquittal of the outstanding obligations to the license renewal process;
- iii. an ASYCUDA system based control on ASYCUDA to restrict Clearing Agents' to perform transactions that they have been permitted to undertake under the license terms;
- iv. regular reconciliation of bonds with guarantors and updated records on ASYCUDA; and
- v. upgrading the ASYCUDA to a system that would deal with the current inadequacies, in ASYCUDA++ transit module in addition to other requirements. Among other desirable features, the new system should have capability to integrate with electronic transit monitoring system to track and monitor movement of transits.

Committee's Observations and Recommendations

Your Committee is concerned that despite weaknesses in the collection of duty on transit being highlighted in the past reports of the Auditor-General, ZRA Management has been slow in responding to the various challenges. Your Committee finds it unacceptable that measures highlighted by the Secretary to the Treasury are only being considered now. Your Committee resolves to await a report on the concrete measures that will be taken by ZRA in order to record a significant reduction in the outstanding amounts.

b. Transits Clearance Documents not availed for Audit - Ndola

The Secretary to the Treasury explained that the Station had since written to Barlow World Equipment to account for the outstanding taxes on D3416 of 24/11/2010. For the other D370 of 24/04/2009, both the departure (Ndola) and intended exit point (Mwami) has been directed to pursue the matter with Manica immediately. Transit acquittal documents have since been availed by Livingstone Port for D2424 of 16/12/2010. However, no documents were

availed with respect to D2405 of 10/12/2010 and this matter would be pursued together with all other outstanding transits so that they were accounted for and system records updated.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until the supporting documentation in respect of the amount of K24,848,509 is found and availed for audit verification. Your Committee urges the Management of ZRA through the Secretary to the Treasury to take disciplinary action against the officers who should have ensured that supporting documents were secured.

c) Other Weaknesses in the Collection of Taxes

(1) Domestic Taxes

a. *Failure to Carry out Debt Enforcement Action - Company Tax*

The Secretary to the Treasury explained that debt enforcement was carried out as evidenced by debt enforcement tools such as Immediate Demand Letters, and Time to Pay Agreements entered into with some taxpayers in question. Further, in the course of follow up, it was discovered that some debt was overstated due to errors. Account Reconciliations had been undertaken on some accounts resulting in debt being reduced.

Committee's Observations and Recommendations

Your Committee expresses concern that the arrears are growing instead of reducing and urges the Secretary to the Treasury to ensure that measures are urgently put in place in order to have a significant reduction in the arrears. Your Committee will await a progress report.

b. *Windfall Tax Arrears-K628,325,487,508*

The Secretary to the Treasury submitted that following directives from the Ministry of Finance and National Planning in November 2010, ZRA agreed with the mining companies on a payment schedule for the tax arrears. Further, the ZRA was directed to collect windfall tax at a flat rate of 25% only as the Government would issue a statutory instrument to suspend the tax assessed at 50% and 75%. Emanating from these directives, the ZRA engaged the mining companies and as at 30 June 2011 had collected the following amounts:

K'bn Company	Paid						
	Jan	Feb	March	Apr	May	June	Total
Chambishi Metals	-	2.69	2.69	2.69	2.69	2.69	13.46
Chibuluma Mines	9.07	-	-	-	-	-	9.07
First Quantum Mining & Operations Ltd	-	-	-	-	-	8.30	8.30
Kansashi Mining	-	-	-	-	-	89.36	89.36
Konkola Copper Mines Plc	-	9.20	9.20	36.86	36.86	36.86	128.98
CNMC Luanshya Copper Mines Plc	-	-	-	-	-	-	-
Mopani Copper Mines Plc	43.49	-	43.49	-	-	43.49	130.48
NFC Africa Mining	2.00	2.00	2.00	2.00	2.00	3.47	13.47
Month Total	54.56	13.89	57.39	41.55	41.55	184.18	393.13

Committee's Observations and Recommendations

Your Committee notes the submission but expresses concern that this matter is taking long to resolve and urges the Secretary to the Treasury to engage ZRA in devising ways to ensure that the arrears are paid by the defaulting mining companies. They await a progress report on the matter.

(2) Customs Services Division

a. *Static Customs Debt-K4,768,301,757*

The Secretary to the Treasury clarified that interest and penalties on debt were only computed at the time of making a payment as it was accrued for the duration that the debt remained outstanding. To this effect ZRA has taken a further step by automating the calculation and application of interest and penalties through the implementation of a Miscellaneous Payment System (MPS) to ensure accountability and easy administration of interest and penalties on debt.

Committee's Observations and Recommendations

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

b. *Failure to assess Duty on Imported Goods-K25,703,106,753*

The Secretary to the Treasury submitted that the delay in assessing the registered entries was on account of various reasons such as:

- i. lack of documents such as the payment voucher and rebate authority;
- ii. duplicate entries pending cancellation;
- iii. entries by companies under liquidation such as Zambezi Transport Oil Company; and
- iv. entries on which queries had been raised and pending provision of supporting documents.

He noted that ZRA would continue to follow up on all entries that were outstanding to ensure that they were cleared from the system and where applicable, taxes collected.

Committee's Observations and Recommendations

Your Committee notes the reasons advanced for the delay but urges the Secretary to the Treasury to ensure the ZRA puts in place measures so that the assessment of imports is undertaken in accordance with the provisions of the law. Your Committee resolves to close the matter but urges the Auditor-General to keep it in view in future audits.

c. *Variance in Reported Cancelled Entries-K8,728,001,150*

The Secretary to the Treasury explained that the variation in the report on cancelled entries was due to the nature of the queries run on the system for this information. The queries such as the time cutoff and time of extraction needed to be exactly the same to have the same results. He added that Nakonde did not have access to Oracle Discoverer and the report used was from a User Defined Report (UDR) on ASYCUDA which was basically unreliable as these reports had not been updated after centralization.

Committee's Observations and Recommendations

Your Committee notes that these figures should have been reconciled during audit instead of letting the matter appear in the final report and come before the Public Accounts Committee. The Office of the Auditor-General is, therefore, urged to verify the matter after which it should be closed.

(3) **Non-adherence to time-to-Pay Agreements-K2,695,833,540**

The Secretary to the Treasury informed your Committee that ZRA would continue to pursue all Time to Pay Agreements (TPA) and ensure that they were strictly adhered to and all outstanding taxes paid within the agreement period.

Committee's Observations and Recommendations

Your Committee finds the explanation by the Secretary to the Treasury unsatisfactory and urges him to direct the Management of ZRA to come up

with stringent measures to follow-up on the Time to Pay Agreements. Your Committee resolves not to close the matter until there is a significant reduction in the outstanding amounts tied up in TPAs.

(4) Unaccounted for Customs Deposits - Mwami

The Secretary to the Treasury submitted that ZRA would make a follow up on this cardinal observation to ensure that the matter is addressed.

Committee's Observations and Recommendations

Your Committee expresses concern at the apparent reluctance by the ZRA management to investigate the matter despite the anomaly being exposed during audit. Your Committee directs that an investigation should be done without further delay and a report availed to the office of the Auditor-General for verification.

(5) Uncollected Duties on Customs Importation Permits (CIPs)

The Secretary to the Treasury agreed that the Customs Import Permit (CIP) facility unfortunately has been abused in some instances and unscrupulous people have taken advantage of systematic weaknesses in clearance process such as lack of system integration between ZRA and RTSA. However, the Zambia Revenue Authority has a database of all outstanding CIPs and continued to work closely with RTSA to apprehend such tax evaders.

Committee's Observations and Recommendations

Your Committee expresses concern that through these weaknesses, the Treasury has continued to lose a lot of revenue and urges the Secretary to the Treasury to work with the two organisations with a view of sealing the identified loopholes leading to the abuse of the Custom Import Permit. They await a progress report on the matter.

b) *Non reconciliation of Expired C.I.Ps - Ndola*

The Secretary to the Treasury stated that the variation in the report of outstanding entries was due to the nature of the queries run on the system for this information. The queries such as the time cutoff and time of extraction need to be exactly the same to have the same results.

Committee's Observations and Recommendations

Your Committee notes that this matter should have been cleared during audit and urges the Office of the Auditor-General to verify the submission after which it should be closed.

(6) Expired Temporal Importation Permits (TIPs)

The Secretary to the Treasury explained that the outstanding TIPs have

taken a downward trend due to the following:

- i. the Unit has started carrying out TIP audits such as the Lumwana Mining A/C Customised clearing and forwarding;
- ii. the Centralised ASYCUDA system has helped in having timely acquitting of TIPs on the system;
- iii. extension of TIPs on the system mainly for Government projects when instruction to do so was given by the line Ministries or MOFNP; and
- iv. final clearance of goods that were initially on TIPs.

Additional outstanding TIPs would drop due to the following activities that are under-way:

- i. management is carrying out an audit of outstanding TIPs by Lumwana Mine which is projected to translate into a reduction of outstanding TIPs by a value of about K11.0 billion once completed;
- ii. there was also a case of TOKURA TIPs (45 TIPs for Livingstone and Lusaka) that are among the outstanding but would be extended on the system soon as instructed by MOFNP in order to facilitate for repairs and maintenance of the Livingstone Roads and this would drop the outstanding obligations by a considerable amount;
- iii. there were also some TIPs for RARE A/C KCM on Chirundu profile that would have to be extended on the system; and
- iv. there were also cases under litigation (before courts) concerning outstanding TIPs for RCC and Bell Equipment.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter but the Office of the Auditor-General is urged to keep the matter in view in future audits.

(7) Motor Vehicle Red Books not availed for Audit

The Secretary to the Treasury submitted that Management would follow up on the 124 vehicles identified through the audit and substantiate the rebate qualification.

Committee's Observations and Recommendations

Your Committee expresses concern that despite the matter being raised in the Auditor-General's report nothing has been done to address it. Your Committee observes that failure to maintain such important documents is unfortunate and disciplinary action should be taken against the officer(s) responsible for the missing red books.

(8) **Poor Management of Warehouses**

a. *Missing Seized Goods-K518,754,324*

The Secretary to the Treasury explained that security wings were pursuing the issue of missing seized goods for Ndola and other indicated stations.

Committee's Observations and Recommendations

Your Committee is disappointed that no evidence was adduced to support the submission that the matter is being investigated and requests the Office of the Auditor-General to verify the actions that are being taken on the matter. ZRA should put measures in place to safeguard the seized goods.

b. *Damaged Goods in the State Warehouse - Ndola Port Office-K45,357,481*

The Secretary to the Treasury explained that ZRA now reviewed the prices of all goods that were not able to sell due to the reserve prices being higher than the offer prices at the end of an auction, or had not attracted any interest due to their condition. The goods were revalued and the reserve prices adjusted accordingly to ensure they sold in the next auction.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until a report is given on the disposal of the goods in question. They await a progress report on the matter.

c. *Clearance Documents not Available for Audit - Ndola Port Office-K889,262,651*

The Secretary to the Treasury stated that the records were being retrieved for the auditor's further scrutiny.

Committee's Observations and Recommendations

Your Committee is concerned that acquittal documents valued at K889,262,651 have remained missing for a long time and urges the ZRA Management to ensure that the documents are found without further delay and available for verification by the Office of the Auditor-General. Your Committee further urges the ZRA management to ensure that disciplinary action is taken against the officer(s) responsible for the missing documents. They await a progress report on the matter.

d. *Goods not Gazetted for Auction - Ndola and Kasumbalesa Port Offices-K148,076,860*

The Secretary to the Treasury submitted that the goods have since been listed for gazetting.

Committee's Observations and Recommendations

Your Committee notes that the Secretary to the Treasury did not render any explanation as to what caused the delays in gazetting the goods and urges him to ensure that the ZRA puts in place measures to prevent a recurrence of the matter. Further, disciplinary action should be taken against the officer(s) responsible for the anomaly. They await a progress report on the matter.

e. Failure to Auction Gazetted Goods

The Secretary to the Treasury submitted that the delay in the disposal system for gazetted goods was mainly due to the offer price being lower than the reserve price. To correct this, prices were being reviewed before the next auction was held. Further, where the sale of the goods would distort the market or did not attract buyers, the goods were donated within the framework of the provisions in the Customs & Excise Act.

Committee's Observations and Recommendations

Your Committee expresses concern at the long period that has elapsed without ZRA disposing of the goods in question and resolves not to close the matter until the goods in question have been disposed of. They await a progress report on the matter.

MINISTRY OF LANDS

AUDIT QUERY

PARAGRAPH 8

Programme: Fees and Fines - Ministry of Lands
Activities: Various

In the estimates of revenue and expenditure for the financial year ended 31 December, 2010, a provision of K22,741,443,509 was made for ground rent, document and registration fees, survey fees, rent of Government premises and interest on late payment against which amounts totalling K33,393,361,053 were collected, resulting in an over collection of K10,657,587,544.

The Controlling Officer informed your Committee that during this financial period, the Ministry had a provision of K22,741,443,509 through Ground rent, document fees and registration fees, survey fees, rent of Government premises and interest on late payment. However, the Ministry raised K33,393,361,053 resulting in an over collection by a total of K10,657,587,544.

He added that in 2009, the budget provision projected revenue collection for the Ministry was K29,070,180,000. However, the actual collection that year was K24,087,864,047. This collection was made in accordance with Statutory Instrument Number 44 of 2006, which stated fees and charges for various localities.

In 2009, a new Statutory Instrument Number 110 of 2009 was formulated and took effect from 1 January 2010. This Statutory Instrument revised fees and charges upwards. Accordingly, the Ministry of Finance and National Planning set a higher revenue target for 2010 which was K39, 109,985,292. However, this Statutory Instrument Number 110 was in March 2010 revoked and Statutory Instrument no. 44 of 2006 was reinstated. As a result of the revocation of the Statutory Instrument no. 110 of 2009, the Ministry of Finance and National Planning revised the revenue estimates downwards for 2010 from K39, 109,985,292 to K22,741,443,509.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

Accounting and other Irregularities

8. An examination of accounting and other records carried out in May 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) Unaccounted for Revenue - K89,480,013

The Controlling Officer submitted that it was regrettable that K89, 480, 013 collected from three stations was not accounted for at the time of the audit and went on to explain as set out hereunder.

i. *Kabwe Office - K5,204,445*

The Controlling Officer submitted that documents were not availed for audit because the officer responsible was out of station. The documents were available for verification.

Committee's Observations and Recommendations

Your Committee takes exception to the practice of availing documents for verification long after the audit has taken place and directs that the documents in question should be availed for verification before the matter can be closed.

ii. *Mongu Office - K38,706,568*

The Controlling Officer submitted that the money concerned was misappropriated by an officer who had been suspended pending investigations.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to put in place measures to improve internal controls at the Ministry. They await a progress report on the outcome of the investigations.

iii. *Chipata Office - K45,569,013*

The Controlling Officer explained that out of an amount of K45,569,000 that was unaccounted for, documents in respect of K43,498,000 had been found leaving a balance of K1,071,000 in which regard deductions would be instituted.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until the relevant documents and recoveries have been fully made and verified.

b) **Delayed Banking**

The Controlling Officer informed your Committee that in view of the delayed banking at Ministry Headquarters, which was caused when the Ministry is waiting to split collections to separate revenue bank accounts namely; Land Development Fund (LDF), Control 99 and Appropriation in Aid Account (AIA), it has been resolved that all such collections would be deposited in the Revenue Transit Account immediately they were received and the bank to immediately effect transfers to the various beneficiaries of the collections.

Committee's Observations and Recommendations

Your Committee cautions the Controlling Officer to ensure that there is no more delayed banking and requests the Office of the Auditor-General to keep the matter in view in future audits.

c) **Non Remittance of Revenue**

The Controlling Officer submitted and acknowledged that an amount totalling K110,128,471 collected by Kabwe and Mongu offices were not remitted to the Ministry Headquarters for onward transmission to Control 99, as at August 2011 and Kabwe Office had since submitted the returns for January to December 2010, and the money had since been remitted to Control 99. As for Mongu Provincial Office, no revenue returns were submitted to Head Office for onward transmission to the Treasury. The Officer responsible for preparation and submission of Revenue Returns has since been charged and suspended pending investigations.

Committee's Observations and Recommendations

Your Committee is concerned that revenue returns from the two offices were not received in time and urges the Controlling Officer to ensure that this is not repeated.

d) **Missing Accountable Documents**

The Controlling Officer informed your Committee that the accountable documents had been traced.

Committee's Observations and Recommendations

Your Committee expresses concern on the misplacement of important accountable documents and urges the Controlling Officer to take disciplinary action against the officer(s) whose responsibility it was to ensure safe custody of the documents. The traced documents should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

e) Dishonoured Cheques-K199, 571,261

The Controlling Officer submitted that it was difficult to know that a cheque has been dishonoured until information was received from the Ministry of Finance and National Planning who were responsible for reconciling this account. He however assured your Committee that the Ministry, with the Accountant-General's Office has put in place measures to address the situation as the cheques were now passed on to the Ministry once received by the Ministry of Finance and so far thirteen cheques amounting K166,454,870 had been replaced.

Committee's Observations and Recommendations

Your Committee expresses concern at the weak internal controls at the Ministry and urges the Controlling Officer to put measures in place to improve internal controls. Your Committee will await a progress report on the remaining sixteen dishonoured cheques before closing the matter.

MINISTRY OF HOME AFFAIRS

AUDIT QUERY

Programme
Activity

Fees and Fines - Zambia Police
Police Collection

PARAGRAPH 9

Accounting and other Irregularities

9. An examination of accounting and other records carried out in May 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) Non-submission of Revenue Returns

The Controlling Officer explained that the submission of revenue returns to the Secretary to the Treasury was done by Police Headquarters after consolidating the returns from all divisions and all the returns were submitted in 2010.

Committee's Observations and Recommendations

Your Committee expresses concern that this was not clarified during audit and urges the Controlling Officer to attach great importance to the submission of revenue returns as it is an important requirement. Your Committee further requests the Office of the Auditor-General to verify the matter before it can be closed.

b) Delayed Banking-K4,223,241.379

The Controlling Officer explained that the amount of K4,223,241,379 was delayed due to the tight schedules of the police officers who were being used for other operations. However the Ministry of Finance and National Planning was in the process of recruiting accounting officers who would take up the role of collecting revenue and banking it.

Committee's Observations and Recommendations

Your Committee expresses concern that the Controlling Officer is not insisting that the officers in various stations strictly observe regulations by banking the revenues as required. Your Committee finds it unacceptable to attribute delays of up to 170 days, in some cases, to busy schedules by officers and urges the Controlling Officers to take concrete steps to curb the practice. They await a progress report on the matter.

c) Unaccounted for Revenue-K62,859,000

The Controlling Officer explained that the revenue collected at Livingstone and Dambwa Central Police stations has been banked, except for the K61,312,500 collected by Manda Hill Police Post which was still unaccounted for. The officer concerned has been charged.

Committee's Observations and Recommendations

Your Committee observes that this is always bound to happen where timely banking is not emphasised. Your Committee resolves to await a progress report on the matter and urges the Controlling Officer to avail details of the charge against the officer to the Office of the Auditor-General.

d) Receipt Books not presented for Audit

The Controlling Officer submitted that eighteen receipts books out of forty-two were availed and verified by Auditors while efforts were being made to trace the remaining twenty-four receipt books which were used by Manda Hill Police Post.

Committee's Observations and Recommendations

Your Committee expresses concern at the weak internal controls in the management of revenue in the Ministry and directs the Controlling Officer to ensure that the missing receipt books are traced and measures put in place to ensure safe custody of accounting documents. They await a progress report on the matter.

e) Refer to Drawer Cheques-K7,279,994

The Controlling Officer submitted that the Zambia Police was still following up the clients who issued the cheques amounting to K7,279,994 which were dishonoured by the Banks.

Committee's Observations and Recommendations

Your Committee expresses concern that the matter has taken too long to resolve and urges the Controlling Officer to put in place more effort to trace the clients concerned and ensure that they are prosecuted for the offence. They await a progress report on the matter.

f) Lack of General Revenue Cash Book

The Controlling Officer submitted that it was regrettable that Dambwa Police post was not using general revenue cash books for the period January 2010 to June 2011 but the station is now maintaining the cashbooks.

Committee's Observations and Recommendations

Your Committee resolves to close the matter but urges the Controlling Officer to ensure that disciplinary action is taken against the officers whose responsibility it was to maintain general revenue cashbooks. Further, the matter should be verified by the Office of the Auditor-General before being closed.

g) Lack of Standard Rates

The Controlling Officer submitted that the rates varied from station to station and the Ministry was currently working on standardising them.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that police stations are left to determine the charges of police reports on their own resulting in big variations in amounts charged and urges the Controlling Officer to urgently come up with standard charges which should be communicated to the general public. They await a progress report on the matter.

ROAD TRAFFIC AND SAFETY AGENCY

AUDIT QUERY

PARAGRAPH 10

Programme: Fees and Fines
Activity: Road Traffic Collections

Weaknesses in Accounting for Revenue

10. An examination of records relating to the collection and receipting of revenue at Headquarters, Lumumba, Ridgeway, Kitwe, Nakonde, Chingola, Livingstone, Chipata, Kabwe and Mwami offices for the year under review revealed some irregularities to which the Controlling Officer responded as set out below.

a) **Unaccounted for Revenue-K102,225,560**

i. *Livingstone-K29,385,000*

The Controlling Officer submitted to your Committee that the deposit in question was erroneously converted to Kwacha and credited to the Kwacha Government revenue account. The converted amount was K30,886,900 and was credited on the same date of 29 November 2010. There was, therefore, no loss and auditors were availed the documentation.

Committee's Observations and Recommendations

Your Committee wonders why this was not clarified during audit and urges the Controlling Officer to pay due attention to audits. Your Committee resolves to close the matter, subject to audit verification.

ii. *Ridgeway- K72,840,560*

The Controlling Officer informed your Committee that the Auditors verified cash books and deposits relating to cross border permits for the period 29 April, 2011, while on the other hand they considered the cross border permits issued up to 31 May, 2011 which created a disparity as the deposits for the month of May 2011 were not taken into account in the Auditor's compilation. Documentation relating to the transaction was available for verification at the station.

Committee's Observations and Recommendations

Your Committee, once more, wonders why this matter was not clarified during the audit and urges the Controlling Officer to always take advantage of the audit process to resolve the queries. Your Committee resolves to close the matter subject to audit verification.

b) **Missing Accountable Documents**

i. *Missing Security Paper - Headquarters*

The Controlling Officer responded that, although cashiers and revenue officers signed for the security paper issued to them, accounting for it was difficult because they used shared printers. Further, security paper stocks at the beginning and end of the year were not ascertained making it impossible to reconcile and determine the unaccounted for paper. To correct the situation, Management had procured printers and was in the process of demarcating cashier offices so that officers could be held accountable for stationery in their booth. Officers were also required to reconcile security paper received, used, and stock on hand on a daily basis.

Committee's Observations and Recommendations

Your Committee expresses regret that such a large amount of security paper was unaccounted for and wonders if public funds have not been lost as a result of this weakness in the system. Your Committee strongly urges the Controlling Officer to put stringent measures in place to address the identified weaknesses.

ii. *Kitwe*

The Controlling Officer informed your Committee that the register and the other missing accountable documents, with the exception of one general receipt book, has since been found and were available for audit verification. The Station Manager has been directed to find the missing receipt book. The Revenue Officer has since been separated from the Agency on account of failure to maintain accounting records for the station and the missing general receipt book.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until the missing general receipt book is found and availed for audit verification. They await a progress report on the matter.

iii. *Livingstone*

The Controlling Officer submitted that Management has directed that security paper be reconciled on a daily basis in order to correct the situation.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to investigate the situation so as to ascertain that the missing security paper was not used to defraud the institution. They await a progress report on the matter.

c) **Unexplained Sources of Excess Usage of Security Paper - Lumumba**

The Controlling Officer responded that as noted above, it was not possible to obtain the accurate number of security paper used by the stations unless the opening stock of paper could be ascertained. Officers were now able to reconcile accountable documents used as they now separate printers and defined counters.

Committee's Observations and Recommendations

Your Committee is disappointed that there have been no attempts by the Management to ensure that the paper is reconciled and urges the Controlling Officer to ensure that controls are put in place to account for all the paper issued to the stations. They await a progress report on the matter.

d) **Issuance of Manual Road Discs without application letters-Headquarters**

The Controlling Officer informed your Committee that the query arose out of a comparison between the number of application letters received from Government Institutions for licensing of Government vehicles and the number of road licences issued to Government vehicles. The Agency had since arranged all application letters for verification.

Committee's Observations and Recommendations

Your Committee requests the Controlling Officer to avail the reconciled documentation in respect of the application letters to the Office of the Auditor-General for verification after which the matter should be closed.

e) **Non-monitoring of road tax arrears-Lumumba**

The Controlling Officer informed your Committee that a vehicle on Zambia Transport Information System (ZAMTIS) accumulated arrears for unpaid amounts for periods which was not the case for manually issued road tax. He, however, assured your Committee that the Agency only operated one system, where almost all the vehicles have been converted from the manual registers to the computerised database following a deadline given to have all vehicles registered on ZAMTIS by 2009. There was therefore no need to carry arrears on the manual system as this system has been discontinued.

He explained, however, that whenever there was a systems failure, stations were authorised to use manual disc licences, and because this was done outside the system, the vehicle records were not updated immediately. Therefore, on the next renewal when the system was queried, it would show arrears for the period paid for manually. The Agency was seeking to procure a more robust system that could produce more accurate reports for Management decision making and adequate audit trails.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

JUDICIARY

AUDIT QUERY

PARAGRAPH 11

Programme: Fees and Fines
Activity: Court and other fees
Library Services
Fines of Court

Accounting and Other Irregularities

11. An examination of revenue accounts and other related records for the financial year ended 31 December 2010, maintained at Judiciary headquarters, Lusaka Magistrates Complex, Sheriff's Office and selected Courts in Lusaka, Chipata, Petauke, Lundazi, Solwezi, Mufumbwe, Ndola, Luanshya, Chingola, Kasama, Mpika and Nakonde, carried out between 7 July and 30 September 2011 revealed several weaknesses to which the Controlling Officer responded as below.

a) **Unaccounted For Revenue-K706,454,306**

The Controlling Officer informed your Committee that the K706,484,306 indicated as unaccounted for was not a correct reflection of the amount as the Ndola High Court amount was replicated although the rest of the figures were correct.

Committee's Observations and Recommendations

Your Committee observes that the Judiciary is generally experiencing challenges in accounting for the revenue being raised by the courts across the country and urges the Controlling Officer to ensure that stringent measures are put in place to correct the situation. Further, the Controlling Officer should caution the officer(s) responsible for the missing documents and provide a progress report.

b) **Delayed Banking of Revenue**

The Controlling Officer acknowledged the widespread delay in banking of revenue by most judiciary offices across the country and informed your Committee that all officers involved have been cautioned. He noted that Management has further enhanced monitoring and supervisory roles to ensure that this did not recur in future.

Committee's Observations and Recommendations

Your Committee observes that this practice will continue as long as Management does not take disciplinary action against the officer(s) responsible for delayed banking. The Auditor-General is requested to keep the matter in view in future audits.

c) **Missing Accountable Documents**

The Controlling Officer acknowledged that the twenty-three receipt books (Accounts Form 40) for Matero Local Court were not availed for audit as the officer who was in-charge claimed to have lost them. He has consequently been reported to the Police and would also appear before the disciplinary committee. Receipt books that were

said to have been issued to Matero Local Court were, in fact, issued to the Small Claims Court and these could be availed for audit scrutiny. Receipt books that were said to have been issued to Boma Local Court were, in fact, issued to Matero Local Court and these could be availed for audit scrutiny. The receipts for Lundazi were available for audit scrutiny.

Committee's Observations and Recommendations

Your Committee expresses regret that the misunderstanding of what receipts have been sent to which station could not be cleared during the entire audit process and requests the Office of the Auditor-General to verify the response before the matter can be closed.

MINISTRY OF HOME AFFAIRS

AUDIT QUERY

PARAGRAPH 12

Programme: Fees and Fines
Activity: Passports

Irregularities in Accounting for Revenue Collections

12. An examination of records relating to collection of revenue at Passport and Citizenship Headquarters, Ndola, Kabwe and Livingstone provincial offices carried out in November 2011 revealed weaknesses to which the Controlling Officer responded as set out below.

a) Unaccounted for Revenue - K415,448,468

The Controlling Officer informed your Committee that a total of K16,475,000,000 was actually collected and deposited at the Lusaka Office and the deposit slips, General Revenue Cash Books (GRCB) and Bank Statements were available for audit verification.

Committee's Observations and Recommendations

Your Committee wonders why these documents were not availed to the Office of the Auditor-General during audit and urges the Controlling Officer to ensure that documentary evidence on the matter is availed for verification without further delay. The Controlling Officer is urged to caution the officer (s) responsible for the missing documents.

b) Unaccounted for Passports-29,974

The Controlling Officer informed your Committee that 165,000 Passport Books were brought forward from the year 2009 while 200,000 were received in the year 2010 bringing the total number of Passport Books to 365,000. He explained that 72,000 of thirty-two paged passports were issued to the three stations bringing revenue collectable to K23,040,000,000 while twenty-six passports were cancelled which resulted into revenue loss of K8,320,000. This means that 292,974 passport books remained in stock as at 31 December 2010 and it was therefore not true that 29,974 Passports were unaccounted for.

Committee's Observations and Recommendations

Your Committee expresses concern that this information was not availed to the Office of the Auditor-General during audit and urges the Controlling Officer to pay serious attention to future audits as they are meant to ensure prudent management of public resources. Your Committee resolves not to close the matter until it is verified by the Office of the Auditor-General.

c) Deposits not reflected on the Bank Statement-K135,767,000

The Controlling Officer informed your Committee that the deposit which was made at the Lusaka Office in amounts totalling K25,970,000 was actually reflected on the bank statement and was captured in the General Revenue Cash Book (GRCB) number 9112515 - 9112518 dated 30 October, 2010 while an amount of K25,650,000 which was wrongly reflected on the Auditors schedule for the unaccounted for revenue was actually from the cancelled General Revenue Cash Book number 9112511 - 9112614. Further, an amount of K109,797,000 from the Livingstone Office, was wrongly credited to the National Registration Transit Account instead of crediting the Passport Transit Account designated in Livingstone.

Committee's Observations and Recommendations

Your Committee is disappointed that it had to take an audit for the Ministry to discover this anomaly when regular reconciliation and strong internal controls could have assisted to detect the anomaly earlier. Your Committee urges the Controlling Officer to avail the documentation in respect of this query to the Office of the Auditor-General for verification after which it should be closed.

d) Receipt Books not produced for Audit

The Controlling Officer informed your Committee that the receipt books were missing during the time of audit because they were wrongly put among the documents which were being archived.

Committee's Observations and Recommendations

Your Committee expresses concern that documents were misplaced in the manner the Controlling Officer has described and urges him to take disciplinary action against the officer(s) responsible for this negligent conduct. Your Committee also urges the Controlling Officer to avail the traced receipt books for audit verification.

e) Delayed Banking of Revenue

The Controlling Officer informed your Committee that in order to address the matter, the Ministry, together with the Ministry of Finance and National Planning (MOFNP) were working on the new system of collecting revenue at Passport and Citizenship Office to enable applicants to pay the fees directly to the bank. In this regard, an Agreement has since been prepared between Indo Zambia Bank and the Government (Ministry of Home Affairs (MHA) and Ministry of Finance and National Planning (MOFNP)

while approval from the Ministry of Justice has been obtained and the implementation process was underway.

Committee's Observations and Recommendations

Your Committee welcomes the measures being taken as direct payment to banks is likely to address many irregularities such as delayed banking and failure to account for funds. They await a progress report on the matter.

f) Unsupported deposits-K38,539,100

The Controlling Officer informed your Committee that the Provincial Registrar for Livingstone have been directed to ensure that the deposit slips were put together with the General Revenue Cash Books and availed for audit verification.

Committee's Observations and Recommendations

Your Committee is disappointed that this matter was not resolved during audit and urges the Controlling Officer to take disciplinary action against the officer(s) responsible for this omission and provide a progress report.

MINISTRY OF MINES AND MINERALS DEVELOPMENT

AUDIT QUERRY

PARAGRAPH 13

PROGRAMMES:

Various

ACTIVITIES:

Various

Accounting and other Irregularities

13. An examination of accounting and other records carried out in June 2011, at the Ministry Headquarters and Mines Safety Department in Kitwe and a visit to some selected mining bureaux revealed weaknesses to which the Controlling Officer responded as set out below.

a) Un-vouched Expenditure

i. *Missing Payment Vouchers*

The Controlling Officer submitted that payment vouchers which were not traced at the time of audit have since been located and were available for audit scrutiny. He noted that the vouchers could not be provided at the time of audit because they were mis-filed and that the officer in charge has since been reminded on the importance of splitting and proper filing of payment vouchers.

Committee's Observations and Recommendations

Your Committee directs the Controlling Officer to avail the vouchers to the Auditor General's office for verification before this matter can be closed. In

future, disciplinary action should be taken against the officers responsible for missing documents.

ii. *Unsupported Payments - K389,763,300*

The Controlling Officer informed your Committee that the non-availability of supporting documents to some payment vouchers was due to mis-filing as some documents were either attached to wrong payment vouchers or put on wrong subject files. He added that supporting documents have since been traced and were available for audit scrutiny and that the officers responsible have been reminded on the importance of splitting and proper filing of payment vouchers.

Committee's Observations and Recommendations

Your Committee directs the Controlling Officer to ensure that the documents purported to be available are presented for verification before the matter can be closed and that officers responsible should be reprimanded in the strongest terms possible.

b) **Unretired Imprest - K144,083,873**

The Controlling Officer submitted that reconciliation of imprest was done, which revealed that the imprest which was listed as outstanding was actually retired although there was a balance of K48,840,000, which related to the deceased and officers who had resigned. These amounts would be recovered at the time the concerned officers' dues would be paid to them.

Committee's Observations and Recommendations

Your Committee wonders whether these deaths and resignations occurred within the 48 hours in which the imprest was supposed to have been retired and urges the Controlling Officer to ensure that imprest is retired in accordance with financial regulations. Your Committee awaits a progress report on the matter.

c) **Unaccounted for Stores - K35,210,000**

The Controlling Officer informed your Committee that the non-availability of receipt and disposal details in respect of K35,210,000 was due to misfiling and that the documents were now available.

Committee's Observations and Recommendations

Your Committee expresses concern over poor record-keeping at the Ministry and directs the Controlling Officer to discipline the officers concerned and if need be send them for retraining. The documents should be availed to the Auditor-General's Office for verification before the matter can be closed.

d) Unsupported Refund of Hotel Bills - K12,285,500

The Controlling Officer stated that the observation by the Auditor-General was correct in that the receipt could not be made available at the time of audit. He contended that the National Assembly Motel statement showing lodging and bills and direct deductions from parliamentary allowances had since been located and was available for audit verification.

Committee's Observations and Recommendations

Your Committee, in noting the response directs the Controlling Officer to submit the motel bills to the Auditor-General's Office for verification before the matter can be closed.

e) Unauthorised Payments

The Controlling Officer submitted that measures have been taken to ensure that no allowances were paid without prior authority from the Secretary to the Cabinet.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until retrospective authority from the Secretary to the Cabinet is obtained failure to which the allowances in question should be recovered from the officers concerned.

f) Irregular Payment

The Controlling Officer submitted that contrary to the Auditor-General's Office, the payment was authorised by a senior officer but that there were no contract forms. He added that acquittal sheets were available as evidence that the money was paid to casual workers. He assured your Committee that in future, casual workers would not be employed without written contracts.

Committee's Observations and Recommendations

Your Committee wonders why the acquittal forms were not availed to the audit team at the time of the audit and instructs the Controlling Officer to avail them to the Auditor-General for verification before the matter can be closed.

g) Misapplication of Funds - K653,266,667

The Controlling Officer informed your Committee that although K 653, 266,667 was not disbursed to the bureaux, it was spent by Headquarters on activities related to the bureau such as servicing of motor vehicles, subsistence allowances to officers that had taken official trips to Lusaka (H/Q), rentals and utility bills. He further stated that in the case of Mkushi Bureaux, which was closed during the period under review, funds were used to clear outstanding arrears, staff transfers and office rentals.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify if indeed all the funds used at the headquarters were related to the mining bureaux as purported in the Controlling Officer's response before the matter can be closed.

h) Closure of Mkushi Mining Bureau

The Controlling Officer explained that the schedule for disposal of assets was just being finalised at the time of audit adding that the schedule have since been completed and was available for verification.

Committee's Observations and Recommendations

Your Committee cautions the Controlling Officer for the delay in preparing the said documents and urges him to avail the disposal details to the Auditor-General's Office for verification before this matter can be closed.

MINISTRY OF HOME AFFAIRS

AUDIT QUERY

PARAGRAPH 14

	Headquarters
	Immigration
	Drug Enforcement Commission
Units:	Various
Programmes:	Various
Activities:	Various

Irregularities in Accounting and Contract Management

14. An examination of accounting and other records maintained at the Ministry Headquarters Immigration, Passport and Citizenship, National Registration and Drug Enforcement Commission Headquarters carried out in March 2011 revealed several irregularities to which the Controlling Officer responded as set out below.

a) Inadequately Supported Payment Vouchers-K254,894,743

The Controlling Officer submitted that all the supporting documents for the payment vouchers amounting to K86,172,676 and K103,178,529 reported missing at Headquarters and Immigration respectively, had been traced. Further, all the supporting documents amounting to K65,543,538 which went missing at the Drug Enforcement Commission had been found.

Committee's Observations and Recommendations

Your Committee is saddened by the misplacement of documents during audit and urges the Controlling Officer to take disciplinary action against the officer(s) who failed in their duties to keep the documents in safe custody. They await a progress report on the matter.

b) Irregular Payments

i. *Payment of Salaries to dismissed officers - K55,015,213*

The Controlling Officer explained that the salaries paid to the dismissed officers amounting to K55,015,213 would be recovered from their terminal benefits.

Committee's Observations and Recommendations

Your Committee notes that no reason was rendered by the Controlling Officer for the omission and urges that disciplinary action should be taken against the officer(s) who failed to terminate the payment of salaries to the officers and provide a progress report on the recovery from the terminal benefits.

ii. *Payment of Rural Hardship Allowances*

The Controlling Officer acknowledged the omission and explained that inputs have been prepared for one officer and recoveries were expected to start by March 2012 while recoveries from the other officer who had since retired would be effected from his terminal benefits.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to await a progress report. Further recommends that disciplinary action should be taken against the officer(s) who authorised these payments.

iii. *Failure to recover Irregular Housing Allowances in full*

The Controlling Officer explained that the Commission has effected the recovery of the housing allowances in 2009 and the recoveries were running for seven months until Payroll Management Establishment Control (PMEC) had a system failure. Upon restoration of the system a reconciliation of all deductions was made by PMEC which resulted into the re-installment of the deductions.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the response to ensure audit concerns have been addressed in the new installments. They await a progress report on the matter.

c) Unrecovered Housing Allowances paid to Officers who left the Public Service

The Controlling Officer stated that recoveries of rent from twenty-six officers had not been effected due to none funding of other personal emoluments for payment of leave terminal benefits to the officers and would recover the funds as and when the Ministry was funded for clearing of outstanding arrears for other personal emoluments.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officers who failed to initiate the termination of the payment of housing allowances as soon as the officers left the public service. They await a progress report on the matter.

d) Non-recovery of Loans and Advances

The Controlling Officer explained that at Headquarters, out of the non recovered loans and advances from eight officers amounting to K41,000,000, a total of K26,500,000 involving one officer was being recovered while K4,100,000 would start running in the month of March 2012 and K6,400,000 for the three retired officers would be recovered from the officers' terminal benefits. The balance of K4,000,000 involving one officer who was currently on suspension would be recovered when the matter was disposed of in the courts of law.

As regards the non recovery of loans and advances at the Drug Enforcement Commission, the Controlling Officer explained that a total of K10,000,000 was being recovered from one officer while inputs for the other officer for the remaining K10,000,000 were expected to start running in the month of March 2012.

Committee's Observations and Recommendations

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

e) Unretired Imprest-K351,779,951

The Controlling Officer responded that of the K184,913,000 not retired at Headquarters, a total amount of K20,878,940 involving one transaction had since been retired while K18,860,000 would be recovered from the deceased officers benefits, leaving a balance of K145,174,060 in respect of which inputs have been prepared to start running in the month of March 2012.

As for the outstanding imprest of K82,854,088 at the Immigration Department, imprest in amounts totalling K16,871,120 have been retired leaving a balance of K65,712,968 which was being recovered from the officers' salaries. Meanwhile, of the imprest in amounts totalling K84,012,863 outstanding at the Drug Enforcement Commission, a total of K24,140,688 have been retired while the balance of K52,832,175 would be effected from the officer's salary starting March 2012.

Committee's Observations and Recommendations

Your Committee is concerned that the management of imprest in the Ministry is not being undertaken in accordance with the provisions of the financial regulations and urges the Controlling Officer to ensure regulations pertaining to the retirement of imprest are adhered to strictly. Further, the Controlling Officer is urged to ensure that disciplinary action is taken against the accounting officers who failed to play their role in ensuring that imprest was retired. They await a progress report on the recoveries.

f) **Lack of Inspection Tours Activity Reports-K265,344,632**

The Controlling Officer explained that reports associated with amounts totalling K95,349,000 involving eight officers have been submitted leaving a balance of K118,907,500 for the five officers. Efforts were being made to ensure that the remaining reports were submitted and availed for audit scrutiny.

Committee's Observations and Recommendations

Your Committee finds the response from the Controlling Officer unacceptable because for a report to make any positive contribution there is need for it to be submitted in a timely manner and within the deadlines of the Ministry. Your Committee strongly recommends that disciplinary action should immediately be instituted against the officers concerned as the monitoring trips in question amounted to a waste of resources. They await a progress report on the disciplinary measures which should be undertaken by the Controlling Officer.

g) **Uncompetitive Procurements-(K95,777,000-Immigrations and K114,392,040-Hq)**

The Controlling Officer acknowledged that goods and services in question were single sourced but in order to improve the adherence to tender and procurement procedures the Ministry had since employed qualified purchasing and stores officers.

Committee's Observations and Recommendations

Your Committee notes the submission but resolves not to close the matter until disciplinary action is taken against the officer(s) who abrogated tender procedures and will in this respect await a progress report.

h) **Lack of Receipt and Disposal Details**

The Controlling Officer responded that disposal details in respect of stores items amounting to K304,970,095 procured at Headquarters has not been found while those at Drug Enforcement Commission amounting to K11,317,800 were now available. Further, as regards disposal details involving fuel costing K36,000,000, a cheque in amounts costing K10,000,000 for Angellus filling station was cancelled as the department had stopped dealing with the filling station while the fuel register and statements for fuel costing K26,000,000 were available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern at poor record keeping especially at the Ministry Headquarters and directs the Controlling Officer to ensure that the missing documents are found without further delay. The Controlling Officer is further urged to ensure that disciplinary action is taken against the officers responsible for the missing documents. They await a progress report on the matter.

i) **Failure to process the Loss Reports**

The Controlling Officer explained that the accident and loss reports for the Toyota Mark II GRZ 304 CB and Isuzu KB 300 GRZ 903 BS were prepared, however the Ministry was waiting for the accident report from the Standing Accident Board so that values could be included in the loss report.

Committee's Observations and Recommendations

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

j) **Incomplete Contractual Works**

i. *Mongu Records Centre*

The Controlling Officer informed your Committee that in September 2010, the Ministry engaged Messrs Perfect Investment Ltd to supply building materials and rehabilitate Mongu records office at a cost of K49,078,880 and all the outstanding works has since been completed.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the matter after which it should be closed.

ii. *Kazungula Border Post*

The Controlling Officer reported that the contractor was paid a total sum of K159,468,400 and the renovation works of the houses have been completed, however, only one of the seven soak-always had been partially completed. The Ministry has since written to the contractor instructing him to finish the remaining six soak-always failure to which legal action would be taken against him.

Committee's Observations and Recommendations

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

k) **Irregular Payments**

The Controlling Officer explained that it was regrettable that Cabinet authority was not sought for the procurement of conference facilities for the evaluation of tender documents. He assured your Committee that the Ministry would ensure that Cabinet authority was sought before any workshop was held.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the organisers of the conference and ensure that this does not repeat itself in future.

l) **Provincial Offices**

i. *Unretired Imprest-K30,630,000*

The Controlling Officer explained that inputs to recover the imprest had been prepared and would start running in the month of March 2012.

Committee's Observations and Recommendations

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

ii. *Unvouched Expenditure - K58,753,190*

The Controlling Officer explained to your Committee that at the Immigration Department five missing payment vouchers in amount totalling K7,300,000 have been traced while efforts were being made to trace the other supporting documents in amount totalling K4,877,000. Of the thirty payments unsupported at the National Registration, sixteen payments in amounts totalling K41,444,146 which were said to have been unsupported did not relate to transactions incurred at the Mansa Office. As regards the remaining unsupported payment vouchers in amounts totalling K5,132,044 efforts were being made to ensure that these payment vouchers were adequately supported with relevant supporting documents.

Committee's Observations and Recommendations

Your Committee expresses concern at the large number of missing supporting documents and urges the Controlling Officer to work closely with the Controller of Internal Audits to come up with ways to enhance internal controls. Your Committee resolves to await a progress report on the matter.

iii. *Lack of Receipt and Disposal Details-K366,903,221*

The Controlling Officer responded that at the Immigration Department efforts were being made to ensure that stores items amounting to K222,586,575 were updated. He further submitted that the National Registration Department had also not traced disposal details of stores item costing K94, 938,000. However, the Drug Enforcement Commission had found the disposal details of stores items costing K14,468,000 which could not be verified because the receipt and disposal details were misplaced.

As regards fuel without receipt and disposal details drawn by provincial offices, the Controlling Officer explained that efforts were being made to ensure that fuel receipt and disposal details were updated.

Committee's Observations and Recommendations

Your Committee expresses concern at the slow pace at which the query is being addressed and urges the Controlling Officer to commit himself to having the matter resolved and they await a progress report on the matter.

MINISTRY OF HOME AFFAIRS

AUDIT QUERY

PARAGRAPH 15

	Prisons and Reformatorys, Headquarters
	Provincial Prisons and Reformatorys Offices
Programmes:	Various
Activities:	Various

Accounting and Other Irregularities

15. An examination of accounting and other records maintained at Prisons Headquarters and Regional Offices carried out in April 2011 revealed weaknesses and the Controlling Officer submitted as set out below.

a) Inadequately Supported Payments-K11,306,500

The Controlling Officer explained that all the eleven payment vouchers were now adequately supported and were available for verification.

Committee's Observations and Recommendations

Your Committee cautions the Controlling Officer against misplacement of supporting documents and recommends that disciplinary action be taken against the officers responsible for the omission. The traced documents should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

b) Unretired Imprest-K84,913,000

The Controlling Officer explained that imprest in amounts totalling K78,679,000 involving six officers has been retired leaving a balance of K6,234,000 involving three officers. Further, recoveries of outstanding imprest would commence in March 2012.

Committee's Observations and Recommendations

Your Committee notes the response but urges the Controlling Officer to strictly adhere to the regulations regarding the retirement of imprest. Your Committee will await a report on the recovery of the balance of K6,234,000 and the verification of the retirement details of the retired amounts.

c) **Stores and Fuel without Receipt and Disposal Details-K107,062,700**

The Controlling Officer explained that the receipt and disposal details for the fuel costing K107,062,700 could not be verified by Auditors as a result of poor record keeping but all of them had been found.

Committee's Observations and Recommendations

Your Committee is disappointed at the poor record keeping and directs the Controlling Officer to immediately take remedial measures. The Controlling Officer is further urged to avail the traced documents to the Office of the Auditor-General for verification and urges that disciplinary action be taken against the officers that failed to ensure safe custody of accounting documents.

MINISTRY OF HOME AFFAIRS

AUDIT QUERY

PARAGRAPH 16

Programmes: Prison Farms and Industries

Activities: Irrigation Equipment

Tractors and Implements

Industrial Workshop Equipment

Animal Husbandry Management

Weaknesses in Accounting for Prisons Industries Revolving Fund

16. An examination of accounting and other records maintained at Prisons Reformatory Headquarters and Regional Offices carried out in April 2011 accounting weaknesses to which the Controlling Officer responded as set out below.

Headquarters

a) **Failure to prepare Financial Statements**

The Controlling Officer submitted that the delay in the preparation of financial statements was largely due to the reorganisation of the Unit following resumption of recapitalisation but preparation of financial reports was in progress and would be ready soon.

Committee's Observations and Recommendations

Your Committee observes that failure to prepare financial statements is a very serious omission which should attract sanctions and therefore, urges the Controlling Officer to caution the officers who caused the anomaly. They await a progress report on the matter.

b) **Non-maintenance of Assets Register**

The Controlling Officer submitted that the registers had been introduced to account for all machinery and plant purchased under the prison farms and industries and records were available for verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officers who caused the query and provide a report on the matter.

c) **Unretired Imprest-K5,481,120**

The Controlling Officer submitted that inputs for recoveries from the officers' salaries had been prepared and recoveries would commence in March 2012 .

Committee's Observations and Recommendations

Your Committee wonders why recoveries are only being considered now after the matter has appeared in the Auditor-General's report and urges the Controlling Officer to observe the financial regulations regarding retirement of imprest strictly.

Provincial Offices

a) **Central Region Office**

i. *Unaccounted for Revenue-K12,818,400*

The Controlling Officer submitted that the Department has reprimanded the officer who was involved.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the officer refunds the unaccounted for funds and provide a progress report on the matter.

ii. *Non-maintenance of Accounting Records*

The Controlling Officer submitted that the register and other documents were available for audit verification.

Committee's Observations and Recommendations

In closing the matter, your Committee urges the Controlling Officer to caution the accounting staff to strictly follow financial regulations. The Auditor-General is urged to keep the matter in view in future audits.

iii. *Failure to Follow Tender Procedures*

The Controlling Officer submitted that the Department did not adhere to tender procedures of collecting three (03) quotations to engage a transporter to ferry 11,500 x 50 kg bags of maize from Kitumba Open Air Prison farms to Food Reserve Agency (FRA) Mumbwa, largely due to lack of funding at the station and the said transporter was the only one available to execute the contract on credit. The department has, however, reprimanded the Officer-in-Charge and directed her to follow tender procurement procedures.

Committee's Observations and Recommendations

In closing the matter your Committee requests the Auditor-General to keep the matter in view in future audits.

iv. *Unauthorised Drawing - K15,000,000*

The Controlling Officer submitted that excess withdrawals amounting to K15,000,000 was done by Mumbwa Prisons and paid to transporters over and above the authorised K20,000,0000 in relation to contract sum of K60,000,000. However, authority for the excess withdrawn funds amounting K15,000,000 was granted, retrospectively.

Committee's Observations and Recommendations

Your Committee notes that this is a serious omission for which the officer should be sanctioned. The matter should be closed after verification by the Office of the Auditor-General.

b) **Lusaka Region Office-Unretired Imprest-K4,500,000**

The Controlling Officer submitted that it was not true that imprest in amounts totalling K4,500,000 were not retired because they were verified and cleared by the Auditors.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

c) **Northern Region Office**

i. *Unretired Imprest-K10,000,000*

The Controlling Officer submitted that inputs for recoveries from the officer's salaries had been prepared and recoveries would commence in March 2012.

Committee's Observations and Recommendations

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

ii. *Unaccounted for Fuel-K10,334,740*

The Controlling Officer submitted that disposal details in respect of fuel costing K10,334,740 procured during the period under review were now available for verification.

Committee's Observations and Recommendations

Your Committee expresses regret that the stores details were not maintained at the time of audit and urges the Controlling Officer to ensure that measures are put in place to address the matter. Further, disciplinary action should be taken against the officer (s) responsible for the anomaly. They await a progress report on the matter.

iii. *Use of Funds before Banking-K7,898,600*

The Controlling Officer submitted that the Ministry had written to all Commanding Officers reminding them of the need to ensure that all receipted funds were banked before they were withdrawn to pay suppliers.

Committee's Observations and Recommendations

Your Committee resolves to close the matter but requests the Office of the Auditor-General to keep the matter in view in future audits.

MINISTRY OF FOREIGN AFFAIRS

AUDIT QUERY

PARAGRAPH 17

Headquarters
Zambia Anti-Personnel Mine Action Centre
Development & International Organisations
Protocol
Political Affairs
National Coordinator for the Great Lakes Region

Units: Various
Programmes: Various
Activities: Various

Accounting and Other Irregularities

17. An examination of accounting and other records carried out in March 2011 revealed several weaknesses to which the Controlling Officer responded as below.

a) **Unretired imprest-K27,854,245**

The Controlling Officer informed your Committee that out of K27,854,245 unretired imprest, a total of K17,575,659 had been retired or recovered from salaries while an amount of K6,962,854 was being recovered from three (3) officers. The remaining

balance of K3,316,032 for an officer who had since retired would be recovered from her terminal benefits.

Committee's Observations and Recommendations

Your Committee, while noting the response, advises the Controlling Officer to strictly adhere to financial regulations regarding the issuance and retirement of imprest. Your Committee further resolves to await a progress report on the recovery of the remaining imprest amounting to K10,278,886.

b) Stores

i. *Unaccounted for Stores Items - K895,324,970*

The Controlling Officer submitted that the procurement unit had since found the receipts and disposal details with respect to assorted stores items costing K895,324,970.

Committee's Observations and Recommendations

In closing the matter, your Committee notes that there is poor record keeping at the Ministry and directs the Controlling Officer to take steps to correct the situation. Further, the Controlling Officer is urged to take disciplinary action against the officer(s) who were responsible for the missing details.

ii. *Wasteful Expenditure - K34,575,000*

The Controlling Officer submitted that out of the 127 mortise locks purchased, twenty had so far been used to replace damaged locks in the Ministry. The remainder shall be fixed on the new doors which were in the process of being procured to replace the old ones which were not in good shape. She, however, added that the old locks could not be replaced as they were found to be stronger than the new ones and would be used on the new office block yet to be built.

Committee's Observations and Recommendations

Your Committee notes with dismay that despite the mortise locks being bought at a high cost they have not been put to use and urges the Controlling Officer to take disciplinary action against the officer(s) responsible for the wasteful expenditure. They await a progress report on the matter.

c) Non-refund of Housing Rentals-K14,000,000

The Controlling Officer informed your Committee that the remaining balance of K14,000,000 had now been refunded by the landlord as per copy of the General Receipt no 0402065. She added that the housing rentals were paid after obtaining authority from the Treasury.

Committee's Observations and Recommendations

In noting the response, your Committee directs the Controlling Officer to have the matter verified by the Auditor-General's Office after which it should be closed.

MISSION ABROAD-WASHINGTON DC

AUDIT QUERY

PARAGRAPH 18

Unit: Human Resource and Administration
Programmes: Various
Activities: Various

Accounting and other Irregularities

18. An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in May 2011 revealed weaknesses to which the Controlling Officer responded as set out below.

a) Retention of Year End Bank Balances without Authority

The Controlling Officer submitted that the funds that were retained and utilised by the Mission were meant for Foreign Service Allowances which were released late by the Treasury and remitted at the end of December 2009. However, the Ministry had requested for retrospective authority from the Treasury for the retention of the funds.

Committee's Observations and Recommendations

In closing the matter, your Committee directs the Controlling Officer to always obtain authority on such matters to avoid unnecessary queries. The matter should be closed as soon as the retrospective authority is verified by the Office of the Auditor-General.

b) Unretired Imprest-K30,288,160 (US\$6,167)

The Controlling Officer informed your Committee that the total imprest in amounts totalling K30,288,160 (US\$6,167) involving eleven transactions issued to six officers had since been retired and documents detailing the retirement were submitted to the Office of the Auditor General for verification.

Committee's Observations and Recommendations

Your Committee notes the response and directs the Controlling Officer to always abide by the financial regulations in respect of the retirement of imprest. The Controlling Officer is further urged to caution the accounting officer (s) who should have ensured that the imprest was retired. Your Committee, therefore, will await a verification report on the matter.

c) **Outstanding Bills - K316,729,152 (US\$65,922.24)**

The Controlling Officer submitted that the outstanding bills at the Mission had since been cleared including medical insurance for staff. Due to high medical costs in Washington, the Mission was funded a total of US\$13,161 for medical insurance on a monthly basis and the Mission no longer had arrears.

Committee's Observations and Recommendations

Your Committee notes the response and considers the matter closed.

d) **Property Management- five (5) properties**

The Controlling Officer informed your Committee that due to inadequate financial resources to conduct rehabilitation works, the Mission sought authority from the Treasury to use the revenue at the Mission to rehabilitate the properties which was granted. However, the rehabilitation works have not yet commenced as the Mission was still awaiting the Bill of Quantity (B.O.Q) from the Construction companies before completing the tendering procedures and authority was sought to extend the retention of the funds.

Committee's Observations and Recommendations

Your Committee in noting the response directs the Controlling Officer to involve the Ministry of Transport, Works, Supply and Communications in any construction works of government buildings at either Missions Abroad or Headquarters. Your Committee resolves to await a progress report on the rehabilitation works at the Mission.

MISSION ABROAD-NEW YORK

AUDIT QUERY

PARAGRAPH 19

Unit: Human Resource and Administration
Programmes: Various
Activities: Various

Accounting and other Irregularities

19. An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in May 2011 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Stores without Receipt and Disposal Details-K142,845,500 (US\$30,400)**

The Controlling Officer responded that the Mission had since submitted the updated stores register in which receipt and disposal details for stores items costing K142,845,500 (US\$30,400) were entered.

Committee's Observations and Recommendations

Your Committee notes the response and directs the Controlling Officer to adhere to financial regulations in order to avoid unnecessary queries. Further, disciplinary action should be taken against the officer(s) who were responsible for the missing stores documents. The matter is recommended for closure subject to verification.

b) **Unmarked Government Property**

The Controlling Officer informed your Committee that following the acquisition of a stamp by the Mission, all the Government furniture and equipment have now been marked with a GRZ stamp.

Committee's Observations and Recommendations

Your Committee notes the response and considers the matter closed.

c) **Property Management-Residence and Chancery**

The Controlling Officer reported that the properties could not be renovated in the previous year because there was no budget line for this purpose. However, an amount of K650,000,000 had been factored in the 2012 budget for the rehabilitation of the properties and work would commence as soon as tendering procedures were done and funds released by the Treasury.

Committee's Observations and Recommendations

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

MISSION ABROAD - MOSCOW

AUDIT QUERY

PARAGRAPH 20

Unit: Human Resource and Administration
Programmes: Personal Emoluments
General Administration
Political and Economic Relations
Activities: Various

Accounting and Other Irregularities

20. An examination of accounting and other records maintained at the Ministry and a visit to the Mission carried out in May 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) Revenue

i. *Unaccounted for Revenue - K16,039,800 (US\$3,420)*

The Controlling Officer stated that efforts to locate evidence of depositing revenue of amounts totalling K16,039,800 (US\$3,420) during the period under review could not be located. Therefore, the total amount would be recovered at source from the Mission Accountant, who was responsible for depositing revenue with effect from February, 2012.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that apart from recovering the revenue, the officer involved should be disciplined as well. Your Committee awaits a progress report on the matter.

ii. *Irregular Use of Visa Fee Receipt Book - US\$2,500*

The Controlling Officer responded that the single entry/transit visa fee receipt book was used by error to record Gratis Visas which were free and no money was collected to this effect. However, the Mission has since stopped entering the Gratis Visas in the receipt book which were now recorded in the register without issuing a receipt.

Committee's Observations and Recommendations

Your Committee notes the response and considers the matter closed.

b) Expenditure

i. *Unretired Imprest - K403,344,527 (US\$81,738.20)*

The Controlling Officer stated that all imprest was outstanding had been retired.

Committee's Observations and Recommendations

Your Committee notes the response and directs the Controlling Officer to ensure that imprest is retired as stipulated in the financial regulations. Further, accounting officer (s) responsible for following up the imprest should be cautioned to avoid the recurrence of the query. Your Committee will await a verification report on the matter.

ii. *Stores without Receipt and Disposal Details - K138,608,675 (US\$27,228.65)*

The Controlling Officer responded that the Mission has since been advised to put in place the stores register where receipts and disposals details should be recorded.

Committee's Observations and Recommendations

Your Committee notes with concern that there is poor record keeping at the Mission and directs the Controlling Officer to avail a progress report on the matter.

iii. *Failure to Board Unserviceable Public Stores*

The Controlling Officer stated that the Board of Survey which boards obsolete items in Missions abroad was constituted by the Ministry of Finance for boarding of items in various Missions including Moscow to board the various unserviceable stores items.

Committee's Observations and Recommendations

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

iv. *Locally engaged Staff - K175,481,040 (US\$37,416)*

The Controlling Officer responded that for the purpose of securing the Embassy premises, the Mission employed security guards which was relatively cheaper than engaging a security company and the Mission was granted retrospective authority to this effect.

Committee's Observations and Recommendations

Your Committee notes the response and considers the matter closed.

v. *Irregular Payments - K181,380,610 (US\$38,120)*

The Controlling Officer submitted that all the thirty-nine payment vouchers were approved and sent to the Office of the Auditor-General for verification.

Committee's Observations and Recommendations

Your Committee notes with concern that there is poor record keeping at the Mission suggesting that some staff are ill qualified. It, therefore, directs the Controlling Officer to ensure that qualified staff in accounts are posted to the Mission and awaits a progress report on the matter.

vi. *Unaccounted for Funds - K923,400 (US\$190)*

The Controlling Officer submitted that the amount requested, approved and paid was 5,700 Rubbles (US\$190). However, the payment voucher was erroneously written as 57,000 Rubbles (US\$1,900) due to a typographic error. The payment vouchers and bank statement indicating the correct amount of US\$190 (Rubbles 5,700) was available.

Committee's Observations and Recommendations

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

MISSION ABROAD-ADDIS ABABA

AUDIT QUERY

PARAGRAPH 21

Unit: Human Resource and Administration
Programmes: Personal Emoluments
General Administration
Political and Economic Relations
Activities: Various

Accounting and Other Irregularities

21. An examination of accounting and other records maintained at the Ministry Headquarters and a visit to the Mission in May 2011 revealed accounting weaknesses to which the Controlling Officer responded as set out below.

a) **Revenue - Unaccounted for Revenue - K5,904,000 (US\$1,205)**

The Controlling Officer responded that the Mission had failed to locate the evidence of depositing revenue in amounts totalling K5,904,000 (US\$1,205). To this effect, the Ministry shall institute disciplinary action against the officer who was responsible for depositing revenue during the period under review.

Committee's Observations and Recommendations

Your Committee, in noting the response directs the Controlling Officer to ensure that the money in question is recovered and awaits a progress report on the disciplinary action taken against the officer.

b) **Expenditure**

i. *Unretired Imprest - K11,168,767 (US\$2,192.53)*

The Controlling Officer stated that all the imprest which had been outstanding has been retired.

Committee's Observations and Recommendations

In closing the matter, your Committee directs the Controlling Officer to ensure that officers adhere to financial regulations.

ii. *Unaccounted for Stores Items - K29,248,982 (US\$5,456.81)*

The Controlling Officer submitted that the Mission has been cautioned and advised to open and maintain a stores register where goods received and issued were recorded.

Committee's Observations and Recommendations

Your Committee notes the response and awaits a progress report on the establishment of a stores register.

iii. *Failure to Follow Procurement Procedures - K340,880,750 (US\$69,567.50)*

The Controlling Officer stated that corrective measures were put in place which was submitted to the Office of the Auditor General and the matter was recommended for closure as per verification.

Committee's Observations and Recommendations

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

c) **Mission Property**

i. *Poor Maintenance of the Chancery - K42,325,000 (US\$8,638)*

The Controlling Officer stated that the repairs that were done at the chancery were emergency repairs to the roof which was done to stop further damage to the chancery. However, the major works of rehabilitation which would include rehabilitating the Annex to the Chancery and construction of property would commence in 2012 following the allocation of K1,036,500,000 in the 2012 budget.

Committee's Observations and Recommendations

Your Committee notes that most of Zambia's Mission properties are in a poor state and urges the Controlling Officer to ensure that the Ministry of Transport, Works, Supply and Communication is always consulted and awaits a progress report on the matter.

ii. *The Residence*

- **Unverified Inventory**

The Controlling Officer stated that it was not possible for the Ambassador to leave the residence open while away on vacation leave to Zambia as the residence contained some personal and private effects. However, the list of GRZ items in the residence was submitted for verification to the Office of the Auditor General. What was remaining was the physical verification of the inventory in the residence.

Committee's Observations and Recommendations

In noting the response, your Committee directs the Controlling Officer to ensure that a physical verification of the inventory in the residence is done, and inventory kept, and will await progress on the physical verification report on this matter.

- **Unutilised Funds - K73,500,000 (US\$15,000)**

The Controlling Officer responded that the Mission could not go ahead to replace the kitchen fittings as the amount involved was above the threshold of the Controlling Officer. The request to purchase the kitchen fittings was yet to be tabled before the Ministry's Procurement Committee.

Committee's Observations and Recommendations

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

iii. *New Embassy Plot - Construction of the Wall Fence*

The Controlling Officer informed your Committee that the construction of the wall fence was done according to the contract signed between the Mission and the Contractor. However, when the cracks in the fence occurred, the Mission was supposed to contact the Contractor in order to revisit the works in line with the Contract. To this effect, the Mission wrote to the Contractor to work on the cracks at his expense due to poor workmanship.

Committee's Observations and Recommendations

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

MISSION ABROAD-BEIJING

AUDIT QUERY

PARAGRAPH 22

Units:	Human Resources and Administration
Programmes:	Personal Emoluments
	General Administration
	Utilities
	Political and Economic Cooperation
Activities:	Various

Accounting and Other Irregularities

22. An examination of accounting and other records maintained at the Ministry Headquarters and a visit to the Mission in May 2011 revealed several weaknesses to which the Controlling Officer submitted as set out below.

a) **Unaccounted for Fuel - K117,215,766 (US\$23,443.15)**

The Controlling Officer stated that the Mission has put a system in place such that when fuel was bought, fuel dealers issued a receipt for the amount of fuel bought. The total number of fuel purchased was recorded on fuel record sheet. The amount of fuel (litres) on the record sheet reduced whenever fuel was drawn for use in the Mission vehicles and a register established.

Committee's Observations and Recommendations

Your Committee notes the response and will await a verification report on the establishment of a fuel register. Further, the Controlling Officer should take disciplinary action against the officer(s) who caused the omission.

b) **Questionable Refunds - K61,777,524 (US\$12,355.50)**

The Controlling Officer responded that the Mission had introduced measures that would ensure that prior approval from the Head of Mission was obtained before any officer incurred expenditure using personal money. However, payments that were done without proper supporting documents shall be recovered at source from concerned officers, while payments made to officers who had retired from the civil service, shall be recovered from their benefits.

Committee's Observations and Recommendations

Your Committee notes the response and will await a progress report on the recoveries.

c) **Payment of Medical Expenses-K9,195,012 (US\$1,839)**

The Controlling Officer informed your Committee that the unrecovered amount of K9,195,012 (US\$1,839) was in respect of an officer who had since been dismissed from the civil service. The same would be recovered from his terminal benefits.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the recoveries.

d) Installation of Security Systems

The Controlling Officer responded by stating that the Mission was not granted tender authority by the Ministry Tender Committee to start the works. However, the Procurement Unit in the Ministry was assessing the documents and works done in order to submit them before the Ministry Procurement Committee for authority.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that, in future, tender authority is obtained before any works are commenced and awaits a progress report on the matter.

e) Storage Charges - K266,119,042 (US\$47,369)

The Controlling Officer submitted to your Committee that the bill in question has since been settled by the Mission and details were sent to the Office of the Auditor-General for verification. The amount of US\$41,765 paid towards the storage charges in respect of the officer's containers shall be recovered from his terminal benefits.

Committee's Observations and Recommendations

Your Committee notes with dismay that an individual officer committed the Government to settle a huge personal bill in storage charges and urges the Controlling Officer to ensure that the US\$41,765 is recovered from him. They await a progress report on the matter.

f) Poor Record Keeping - K1,160,796,778 (US\$206,621.27)

The Controlling Officer informed your Committee that the Ministry investigated the matter regarding the bills on the apartment and the Mission has since cleared the outstanding amount. However, the total amount of US\$26,819.52 for garage bills would be recovered from the officers concerned.

Committee's Observations and Recommendations

Your Committee notes with concern the poor record keeping at the Mission which led to the Government incurring a huge debt and directs the Controlling Officer to improve on record keeping and also ensure that US\$26,819.52 is recovered from the concerned officers in full. Further, the Controlling Officer should take disciplinary action against the officer who should have secured the records. They await a progress report on the matter.

g) **Furniture not inscribed with GRZ Numbers**

The Controlling Officer stated that all the furniture in question had since been inscribed with GRZ stamp for identification.

Committee's Observations and Recommendations

Your Committee notes the response and considers the matter closed.

MISSION ABROAD - ABUJA

AUDIT QUERY

PARAGRAPH 23

Unit: Human Resources and Administration
Programme: Personal Emolument
General Administration
Utilities
Political and Economic Relations
Dismantling of Areas
Activities: Various

Accounting and Other Irregularities

23. An examination of accounting and other records maintained at the Ministry Headquarters and a visit to the Mission in May 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Revenue**

i. *Unauthorised Utilisation of Revenue - K15,701,616 (US\$2,947)*

The Controlling Officer informed your Committee that funds in amounts totalling K15,701,616 (US\$2,947) from the revenue that was utilised without authority have since been reimbursed to the Revenue Account and details submitted to the Office of the Auditor-General for verification.

Committee's Observations and Recommendations

Your Committee directs the Controlling Officer to ensure that revenue in Missions is not utilised without authority and urges that disciplinary action be taken against the officers who caused the omission.

ii. *Revenue Collected from Sale of Boarded Items and Tender Documents - K10,446,645 (N316,565)*

The Controlling Officer informed your Committee that the revenue that was collected from the sale of boarded items and tender documents were in local currency (Naira) and therefore could not be deposited in the Dollar Revenue Account. However, the Mission had since captured and reported the revenue on the Revenue Return Form II and the amount had been recovered at source (Headquarters) and remitted to Control 99 in January, 2012.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter.

b) Expenditure

i. Unspent Balances at the End of the Year

The Controlling Officer responded that authority to retain unspent balances at the end of 2010 was sought and granted by the Treasury and the supplementary provision warrant was granted.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter.

ii. Irregularities in the Rehabilitation of Mission Properties - K521,846,696

A review of the expenditure records and physical inspection of the rehabilitation works carried in May 2011 revealed the matters set out below.

- **Wasteful Expenditure on the preparation of Tender Documents- K15,573,236 (N400,000)**

The Controlling Officer stated that the Mission followed instructions from the Controlling Officer to engage a consultant to prepare tender documents. However, the documents were prepared according to the Nigerian standards which were later rejected by the Ministry of Works and Supply. Considering that the consultant did his work for which he was paid, the expenditure should be charged to the General Revenues of the Republic of Zambia as non-payment to the consultants could have resulted in litigations.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter.

- **Failure to follow Tender Procedures and Instructions- K309,236,264**

Your Committee learnt that the two properties were in bad shape and needed quick attention to stop the roof leakages which could have caused a lot of damage. As a result, the Mission sought authority to do emergency repair works which was granted and the work was completed. Following the repair of the leaking roofs, the remaining funds were not adequate to enable the Mission do the tendering process through the Ministerial Procurement Committee. Therefore, the Mission mainly did the painting of the Chancery and the official residence which was within the Mission's procurement sub-committee's threshold.

The reasons which led to the failure to follow the due process or tender procedures and the process the Mission took to do the work were as follows:

- the Mission was strongly advised against putting advertisements in the National papers because that could have attracted huge number of bidders who could appear to be credible on paper when in fact not and end up in swindling the Mission. The Mission was also advised that according to the Nigerian Standard, the money involved to do the works was not worthy advertising in the papers and be able to attract credible contractors;
- the Mission then contacted the Federal Ministry of Works of the Republic of Nigeria to find out how they manage such small contracts. The Federal Ministry provided a list of the type of contractors the Mission could engage for such works and it was from there that the Mission contacted some of those contractors and invited them for interviews and asked them to provide quotations based on the works to be carried out.
- the Mission later submitted the completion letter for works done.

Committee's Observations and Recommendations

Your Committee notes the response and considers the matter closed.

- **Physical Inspection of the Works-Chancery building**

The Controlling Officer submitted that the Nigeria Fire Authorities condemned the two apartments located on top of the Chancery and advised that they were not suitable to be occupied on 24 hours basis because there were no emergency exits. Further, for security reasons, it was highly recommended that no family should occupy the apartments on top of the Chancery and allow frequent visitors to the Chancery which was a security risk. Due to the poor state of the apartments, the two families which were accommodated on top of the Chancery were still in rented accommodation.

The estimated amount required to repair the two apartments was US\$215,476.67. Considering that this was not in the 2012 budget, the Ministry shall request for authority from the Treasury to utilise revenue in order to stop rental payments.

Committee's Observations and Recommendations

Your Committee is greatly concerned that the Government of the Republic of Zambia owns a Chancery building whose apartments have been condemned by the Nigeria Fire Authorities on safety standards and directs the Controlling Officer to ensure that the Ministry of Transport,

Works, Supply and Communications is consulted on the rehabilitations of the said two apartments and report progress on the matter.

iii. *Unaccounted for stores items - K26,218,052 (N728,290)*

The Controlling Officer responded that the Mission had since opened both the stores and fuel registers where stores items were recorded.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter but urges the Controlling Officer to caution the Mission against poor record keeping.

iv. *Outstanding Advance-K12,169,659.60 (US\$2,614.32)*

The Controlling Officer stated that the outstanding advance in amount totalling K12,169,659.60 (US\$2,614.32) for the former Deputy High Commissioner who was recalled would be recovered from his terminal benefits.

Committee's Observations and Recommendations

Your Committee directs the Controlling Officer to recover the money and report progress on the matter.

v. *Travelling outside Station without Authority - K18,764,567*

Your Committee heard that retrospective authorities for the three trips that the High Commissioner under took during the period under review had since been granted. The trips were in relation to presentation of credentials and transportation of a Zambian who had fallen sick in Nigeria.

Committee's Observations and Recommendations

Your Committee notes the response and resolved to close the matter subject to verification.

MISSION ABROAD - NEW DELHI

AUDIT QUERY

PARAGRAPH 24

Units: Human Resources and Administration
Programmes: Personal Emoluments
General Administration
Political and Administration
Activities: Various

Accounting and Other Irregularities

24. An examination of accounting and other records maintained at the Ministry headquarters and a visit to the Mission in May 2011 revealed several weaknesses in respect of which the Controlling Officer responded as set out below.

a) **Circumvention of Tender Procedures - K110,679,302 (US\$23,702)**

The Controlling Officer stated that when a Board of Survey (BOS) went to New Delhi, all the furniture in the Mission offices were boarded. Therefore, through the procurement sub-committee, the then High Commissioner negotiated with Alisha Systems to supply furniture in various offices at different intervals and bills were received according to the number of furniture received.

However, the bills remained unpaid until the time the Mission was funded to buy furniture and cleared all the accumulated bills at once. Although the payments were made at once, the Ministry agreed that this was circumvention of tender procedures. To this effect the sub-procurement committee has been cautioned.

Committee's Observations and Recommendations

Your Committee notes the response and considers the matter closed, subject to verification.

b) **Irregular Engagement of a Security Company - K25,575,728 (US\$5,115.15)**

The Controlling Officer stated that at the time of audit, the Mission had entered into contract with a security firm without authority from the Controlling Officer. Following this observation, the Mission requested for retrospective authority and submitted a copy of the contract which the legal unit assessed and recommended that it was satisfactory for execution. Therefore, retrospective authority has since been granted to the Mission.

Committee's Observations and Recommendations

In closing the matter, your Committee urges the Controlling Officer to ensure that Missions Abroad adhere to the Revised Foreign Service Regulations and Conditions of Service (2007) when engaging local staff. Further, the Controlling Officer should caution the Mission for this omission.

MISSION ABROAD LUANDA

AUDIT QUERY

PARAGRAPH 25

Units: Human Resources and Administration
Programmes: General Administration
Utilities
Political & Economic Relations
Dismattling of Arrears
Activities: Various

Accounting and Other Irregularities

25. An examination of accounting and other records maintained at the Ministry headquarters and a visit to the Mission in May 2011 revealed weaknesses on which the Controlling Officer submitted as set out below.

a) **Unspent Balances at the End of the Year - K132,234,539 (US\$29,385)**

The Controlling Officer informed your Committee that although there was no authority granted in 2009, from the Treasury for retention of funds, the funds were meant for Foreign Service Allowances which were released late by the Treasury and remitted towards the end of December, 2009. The Mission therefore paid out the money in the first week of January, 2010. To this effect the Ministry has requested for retrospective authority for the retention of the funds which was granted in 2010.

Committee's Observations and Recommendations

Your Committee notes the response and considers the matter closed.

b) **Non-recovery of Paid Personal Bills-K129,773,759**

The Controlling Officer stated that the recoveries on the remaining balance of K129,773,759 regarding personal bills had since been effected by the Mission.

Committee's Observations and Recommendations

Your Committee is dismayed by the huge personal bills totalling K129,773,759 which had not yet been fully recovered and directs the Controlling Officer to avail proof of the recoveries to the office of the Auditor-General.

c) **Outstanding Advances-K120,192,000**

The Controlling Officer responded that out of the outstanding advance balance in amounts totalling K120,192,000 an amount of K90,882,000 was recovered in full through monthly recoveries on payment vouchers while K29,310,000 was paid by cash. The amount of the recovery that was discontinued was for a recalled officer amounting to US\$200 which would be recovered from his terminal benefits as he had retired from service after reaching the retirement age.

Committee's Observations and Recommendations

Your Committee notes that the figures do not reconcile and directs the Controlling Officer to seek the assistance of the Auditor-General in the reconciliation of the figures. Your Committee awaits a progress report on the matter.

d) **Unaccounted for Stores - Stores (K208,883,525) and Fuel (K25,530,760)**

The Controlling Officer stated that at the time of audit, the stores records were not up dated but the Mission has since updated them.

Committee's Observations and Recommendations

In closing the matter, your Committee directs the Controlling Officer to ensure that Zambia's Missions keep records as provided for in the financial regulations. Further, disciplinary action should be taken against the Officers who caused the anomaly.

e) **Unretired Imprest-K25,059,250**

The Controlling Officer, informed your Committee that the imprest in amounts totalling K24,355,000 (US\$4,850) was retired.

Committee's Observations and Recommendations

Your Committee directs the Controlling Officer to ensure that the Ministry takes disciplinary action against the officer(s) who failed to ensure that there was adherence to financial regulations regarding retirement of imprest. The retirement details should be availed for audit verification.

f) **Excess Rental Payments - K86,963,307 (US\$18,600)**

The Controlling Officer responded that the reasons that led to excess payment of rentals were because the officers were evicted from their respective houses by the landlords who decided to increase rentals by more than two times the prevailing ones. Due to high rentals in Luanda, the Mission could not find accommodation within the officer's entitlements immediately. To avoid officers spending nights outside which was going to be an embarrassment, the officers were provided with accommodation above the entitlements which was a temporary measure. The officers vacated the houses upon expiry of the leases and were located houses within their entitlement.

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

g) **Unsupported Payments-K145,259,389**

The Controlling Officer stated that the supporting documents for seventeen payments in amounts totalling K145,259,389 were located and were available for verification.

Committee's Observations and Recommendations

Your Committee is concerned with the poor record keeping of supporting documents at the Mission and will await a verification report on the measures being taken to correct the situation.

MISSION ABROAD-OTTAWA

AUDIT QUERY

PARAGRAPH 26

Unit: Human Resource and Administration
Programmes: Personal Emoluments
General Administration
Political and Economic Relations
Activities: Various

Accounting and Other Irregularities

26. An examination of the accounting and other records maintained at the Ministry and a visit to the Mission in May 2011 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Unauthorised use of Revenue - K403,900,000 (US\$80,780)**

The Controlling Officer responded that retrospective authority for the use of funds in the revenue account was granted on 21 May, 2011.

Committee's Observations and Recommendations

In closing the matter, your Committee directs the Controlling Officer to ensure that in future authority is obtained prior to using the revenue.

b) **Expenditure**

i. *Stores without Receipt and Disposal Details - 2009 (K50,863,769) and 2010 (K107,682,312)*

The Controlling Officer responded that the receipt details for stores purchases at the Mission were availed to the Auditor-General and the query was subsequently closed.

Committee's Observations and Recommendations

Your Committee is concerned at poor record keeping of stores documents at the Mission and urges the Controlling Officer to ensure corrective measures are taken. They resolve to close the matter.

ii. *Failure to Report an Accident*

The Controlling Officer stated that the query was adequately answered and the Auditor-General's office subsequently closed it.

Committee's Observations and Recommendations

Your Committee notes the response and considers the matter closed.

iii. *Misapplication of Funds-K339,387,366 (US\$125,257.74)*

The Controlling Officer responded that funds amounting to US\$125,257.74 meant for rehabilitation of the residence were utilised on activities such as settling of utility bills and payment of subsistence allowances because the Ministry was underfunded during the period under review.

Committee's Observations and Recommendations

Your Committee notes the response and will await a progress report on the reimbursement of funds.

iv. *Failure to complete Works - K49,838,408 (US\$9,950)*

The Controlling Officer stated that the Mission engaged a company called Rest Con Services to carry out renovations at the Ambassador's residence at a price of K49,838,408.00 (US\$9,950) out of which K24,919,204.00 (US\$4,975) was paid being 50% of the contract price. However, halfway through the works, the Embassy made changes to contract specifications leading to an increment in the contract price. The Embassy did not agree with the contractor on the new contract price leading to the contractor abandoning the works. The Mission has since requested for authority to engage a lawyer to pursue the contractor. However, the Ministry was still consulting the legal department before authority could be granted to engage a lawyer.

Committee's Observations and Recommendations

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

MISSION ABROAD- ACCRA

AUDIT QUERY

PARAGRAPH 27

Units: Human Resources and Administration
Programmes: General Administration
Utilities
Political & Economic Relations
Activities: Various

Accounting and Other Irregularities

27. An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in May 2011 revealed several weaknesses on which the Controlling Officer submitted as below.

a) Revenue

i. *Delayed Banking*

The Controlling Officer stated that the delay in depositing revenue was caused by the clients who were travelling to Zambia and applied for a single entry visa. However, upon paying for single entry visa, they changed their minds and requested to pay for multiple entry visas and requested the Mission to hold on to the funds until they brought the difference. In the process, the Mission accountant travelled to the Gambia with the High Commissioner for presentation of credentials which caused the delay in depositing the funds. The Mission has since put in place measures to avoid delayed banking.

Committee's Observations and Recommendations

Your Committee notes the response and will await a verification report on the matter.

ii. *Use of Revenue without Treasury Authority - K15,380,370 (US\$3,285)*

The Controlling Officer stated that the revenue that was utilised by the Mission without Treasury Authority had since been reimbursed.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

b) Expenditure

i. *Non-submission of Expenditure Returns*

The Controlling Officer responded that the Mission has since submitted the expenditure returns for November and December 2010 to the Ministry Headquarters.

Committee's Observations and Recommendations

In closing the matter, your Committee urges the Controlling Officer to caution the Mission against delayed or non submission of expenditure returns.

ii. *Unvouched Expenditure - K14,558,002*

The Controlling Officer stated that seven missing payment vouchers in amounts totalling K14,558,002 were located and forwarded to the Office of the Auditor General for verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officers who caused the query. Further, the missing payment vouchers should be availed to the Office of the Auditor-General for verification.

iii. *Failure to obtain a Refund - K12,000,000 (US\$2,500)*

The Controlling Officer stated that the landlord has since refunded the amount.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

iv. *Unaccounted for Stores - K41,261,373 (US\$8,680)*

The Controlling Officer stated that the stores items in question have since been traced.

Committee's Observations and Recommendations

Your Committee notes the response and will await a verification report on the matter.

v. *Non-maintenance of Asset Register - K259,685,783 (US\$54,441)*

The Controlling Officer responded that during the period under review, the Mission was not maintaining the asset register. However, the Mission has since started maintaining the register.

Committee's Observations and Recommendations

Your Committee notes the response and will await a verification report on the matter.

MINISTRY OF FINANCE AND NATIONAL PLANNING

AUDIT QUERY

PARAGRAPH 28

	Loans and Investment
Units:	Various
Programme:	Various
Activities:	Various

Budget Provisions and Releases

28. The Controlling Officer explained that the under-funding was attributed to a number of factors including that under Head 21 a request for funding for contributions to international organisations was only done when billings were received despite making budgetary provisions. Therefore, the non-funding on the budget lines was as a result of billings not received. Further, there was the issue of the general insufficient funds in the Treasury. As regards the roads, it was reported that some certificates were not presented due to incomplete works, hence not being funded.

Committee's Observations and Recommendations

Your Committee takes note of the reasons advanced by the Controlling Officer and resolves to close the matter.

Accounting and other Irregularities

An examination of the accounting and other records maintained at the Ministry carried out in August 2011 revealed several irregularities and the Controlling Officer responded as set out below.

Public Debt

a) External Debt

The Controlling Officer submitted that the increase in the external debt from K4,329,389,394,600 to K5,820,730,611,650 representing an increase of 34% was attributed to the overall picture of net disbursements on existing loans. Firstly, at multilateral level, the increase was attributed to new loans which were contracted during this period (2010) to finance infrastructure projects in the energy and road sectors. Secondly, at the bilateral level, the decrease was attributed to the debt restructuring or re-organisation such as, debt cancellation, debt buy-back and debt swap agreements.

As regards, the observation relating to non provision of the breakdown of increased borrowings from Non-Commercial Banks and Commercial Banks of K240,219,000,000 and K1,144,942,418,795 respectively, your Committee was informed that copies of the breakdown for the two stated amounts were available for verification.

Committee's Observations and Recommendations

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

b) **On Lending to State-owned Enterprises**

The Controlling Officer submitted that the Ministry of Finance and National Planning from the year 2000 has been making efforts to compile records (Subsidiary Loan Agreements) on on-lent loans for purposes of establishing a database as a monitoring function. The process has, however, experienced a sluggish pace due to misplacement of subsidiary loan agreements in most cases of the on-lending while in some cases on-lending was made without any subsidiary loan agreement being signed while some beneficiaries had been liquidated. Nonetheless, a database based on the available Subsidiary Loan Agreements (SLA) has been established.

As regards repayments of on-lent loans, the Controlling Officer submitted that most of the debtor institutions currently on the on-lending portfolio were financially weak and needed to have their balance sheets restructured for them to start paying back. Further, some institutions have been asking Government to write off the debts while some had requested to convert their on-lent loans into equity through the debt/equity swaps thereby suspending repayments. Further, a number of companies have since been privatised and were, therefore, not obliged to service the debt. There was need to look at the agreements and establish how the on-lent funds were to be addressed.

Your Committee also heard that currently, there was no policy governing the on-lending portfolio and the Government only lent out to institutions that were a high priority particularly in the social sectors.

The Controlling Officer further submitted as set out below on each one of the debts.

- **ZESCO Increased Access to Electricity-USD\$16,000,000**

On this project what were due were interest payments and ZESCO has not been pursued to make interest payments because it has been facing financial difficulties.

- **ZESCO Mapepe Sub-Station Upgrade-EURO 820,000**

These were funds borrowed from the Belgian Government for the purposes of upgrading the ZESCO Mapepe Sub-station. The institution has not been servicing the interest payments because of financial difficulties.

- **Lusaka Water and Sewerage Company-USD \$23 million**

Under the Subsidiary Loan Agreement of 2006, Government on-lent USD \$23 million for improvement of water supply in Lusaka. The institution is supposed to be paying interest on disbursed amounts. However, this has not been so due to financial difficulties. Principal repayments were due in 2017.

- **Nkana Water and Sewerage Company-UA 33,000,000**

The African Development Fund on-lent UA 33,000,000 to Nkana Water and Sewerage Company. The institution has requested Government to allow it apportion the loan according to asset sharing among the water utilities.

- **National Pension Scheme Authority-US\$5 million**

In 2000, Government lent NAPSA US\$5 million for restructuring purposes. NAPSA has been servicing the loan until the time there was a proposals for a debt swap due to the cross indebtedness between Government and NAPSA.

- **ZAFFICO**

In 1984, the Government negotiated for a loan from the International Development Association (IDA) amounting to SDR21.5 million (US\$ 30.1 million). Out of the SDR21.5 million from IDA only SDR17.9 million (US\$25.1 million) was disbursed to Government. However, only SDR9.6 million (US\$ 13.5 million) was given to Zambia Forestry and Forestry Industries Corporation Limited (ZAFFICO) as capital contribution.

The amount that was on lent to ZAFFICO was SDR5, 869,105.93 million (USD8.2 million). This came to SDR6, 381,422.29 (USD \$8,933,991.2). This money was used to establish production units under ZAFFICO namely; Commercial Sawmill, Treatment Plants Dry Kilns at Kafubu and Kalibu Residential flats in Ndola, 15,000 to 20,000 hectares of Plantation.

ZAFFICO requested that the loan be converted into equity because according to their records, the assets to which the IDA loan was tied have been privatised. This relates to the saw milling equipment and the houses for the employees of ZAFFICO.

- **Zambia Railways**

Zambia Railways was concessioned and concession fees were paid to Government leaving Zambia Railways with no significant revenue base from which to service the loan.

Committee's Observations and Recommendations

Your Committee expresses concern at the poor management of the on lending loans portfolio. Your Committee is particularly saddened that there is poor record keeping to the extent that some agreements are missing. Your Committee is also dismayed that the Government has no policy in place to govern the on lending of the loans. Your Committee, therefore, recommends that the Government should immediately develop a policy framework to assist in clarifying the on-lending portfolios. Further, the Government should ensure that the database of all the loans is cleaned up in order for the Government and all stakeholders to have a clear picture on the status of the loans. The Controlling Officer is additionally requested to take disciplinary

action against the officer(s) that are responsible for poor record keeping. The Office of the Auditor-General is requested to keep the matter in view in future audits.

c) **Non-payments of Dividends**

The Controlling Officer submitted that the declaration of dividends by State Owned Enterprises (SOEs) was not mandatory since it depended on the performance of the particular SOE and whether it was a “for profit” SOE or “not for profit” SOE. He noted that most SOEs that did not remit dividends to Government were facing financial difficulties hence the issue of default in declaring dividends did not arise.

Committee’s Observations and Recommendations

In closing the matter, your Committee urges the Controlling Officer to continue working with these enterprises in order to find ways of making them profitable. The Office of the Auditor-General is requested to keep the matter in view in future audits.

d) **Projects**

i. *Misapplication of funds on the ZESCO Power Rehabilitation Project*

The Controlling Officer submitted regarding the ZESCO fund amounting to K209,000,000,000, that there was no misapplication of funds because the amounts budgeted for and released to ZESCO were meant for a debt swap. The K209,000,000,000 was the balance on the previous debt swap which was done between Government and ZESCO and was paid under the same line. Thus, cash was released to ZESCO which released the funds to the Zambia Revenue Authority (ZRA), which funds ZRA finally released to the Ministry of Finance and National Planning through a cheque swap. There was, therefore, no variation of funds meant for the Power Rehabilitation.

Committee’s Observations and Recommendations

In noting the submission, your Committee requests the Office of the Auditor-General to verify what was submitted by the Controlling Officer and provide a progress report.

ii. *Millennium Challenge Account Compact*

• **Inadequately Supported Payments-K936,135,886**

The Controlling Officer stated that the information on the above account was provided and verified by the Office of the Auditor-General.

Committee’s Observations and Recommendations

In closing the matter, your Committee urges the Controlling Officer to caution the accounting officers that failed to ensure that payments were adequately supported in accordance with financial regulations.

- **Unretired Imprest-K416,872,496**

The Controlling Officer stated that the information on the above account was provided and verified by the Office of the Auditor-General.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to caution the accounting officers that failed to ensure that the imprest was retired in accordance with financial regulations.

- **Unacquitted Payments-K286,137,032**

The Controlling Officer stated that the information on the above account was provided and verified by the Office of the Auditor-General.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to caution the accounting officers that failed to ensure that payments are acquitted in accordance with financial regulations.

MINISTRY OF INFORMATION AND BROADCASTING SERVICES

AUDIT QUERY

PARAGRAPH 29

	Headquarters
	Zambia News and Information Services (ZANIS)
	Press and Planning
Units:	Various
Programmes:	Various
Activities:	Various

Accounting and Other Irregularities

29. An examination of accounting and other records maintained at the Ministry headquarters and visits to provinces in September 2011, revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Weakness in Management of Imprest**

Unretired Imprest - K707,302,750

The Controlling Officer informed your Committee that imprest amounting to K570,188,750 has been retired leaving a balance of K137,114,000.

Committee's Observations and Recommendations

Your Committee directs the Controlling Officer to ensure that the remaining imprest in the sum of K137,114,000 is recovered and provide a progress report on the matter. Further, disciplinary action should be taken against the accounting officers who failed to make necessary follow ups to have the imprest retired.

b) **Inadequately Supported Expenditure - K73,394,028**

The Controlling Officer informed your Committee that two payments amounting to K33,027,500 have been adequately supported leaving a balance of K27,106,528.

Committee's Observations and Recommendations

Your Committee is dismayed that the Ministry is unable to have supporting documents readily available for audit and directs that the balance of K27,106,528 be supported by accountable documents and verified by the Office of the Auditor-General. Further, the Controlling Officer should take disciplinary action against the officer(s) that caused the omission. Your Committee awaits a progress report on the matter.

c) **Non-recovery of Loans and Advances**

The Controlling Officer informed your Committee that all these loans were being recovered until the time of the P MEC System Functional upgrade between January 2011 and February 2011 when some loan data were either captured incorrectly or dropped from some employees records which resulted in over, under and/or non

recover of loans. As regards loans to officers which were not running at the time of audit, recoveries were instituted in the month of January 2012.

As regards salary advances, an amount totalling K7,150,000 involving three officers was recovered while the balance on loans amounting to K89,000,000 involving six officers has been instituted for recoveries starting in the month of January 2012. All the tuition advances which were not being recovered at the time of audit have been instituted for recoveries starting the month of January 2012.

Committee's Observations and Recommendations

Your Committee directs the Ministry to ensure that the outstanding amounts are all recovered and will await a progress report on the matter.

d) Irregular Procurement of Goods and Services - K387,030,448

The Controlling Officer responded that the Ministry followed the procedure but the copies of quotations, orders, invoices could not be availed to the auditors at the time of audit because they are being investigated by the Police.

Committee's Observations and Recommendations

Your Committee expresses disappointment that the Ministry did not keep copies of the documents as they submitted the original ones to the police. Your Committee directs the Ministry to ensure that the documents are availed to the Auditor General's Office for verification. A progress report is being awaited.

e) Grants

Zambia National Broadcasting Corporation

i. *Installation of Five (5) FM Transmitters*

The Controlling Officer stated that the two transmitters for Kawambwa and Mwinilunga which had not been installed at the time of audit were installed in August 2011 and were available for verification. The 500W FM Transmitter that had developed a power supply fault within a month of installation and was returned to the Repair Centre at Mass Media, was now in good working condition and was restored at full power on 16 November 2011. The transmitter was readily available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses disappointment that the Management of ZNBC failed to act quickly to install the transmitter, for which Management should be cautioned. The matter is recommended for closure.

ii. *Wasteful Expenditure on Printing Press Inputs*

The Controlling Officer informed your Committee that the weakness and problems compounding the operationalisation of the printing press were as a result of the non-granting of authority to employ printing staff as well as local language reporters and editors. The bulk buying of printing inputs was meant to take advantage of economies of scale and save money for the Government at the time the department was still outsourcing printing staff. Poor funding and increasing exorbitant remuneration demanded by these outside printing staff made the adhoc printing works more expensive and hence the suspension of such works in the hope that Treasury authority was going to be granted expeditiously. The stocks have since been picked by Times of Zambia on a debt swap basis.

Committee's Observations and Recommendations

Your Committee is dismayed that the Ministry went ahead to purchase bulky consumables that have not been put to use which is wasteful. Your Committee cautions the Controlling Officer against this practice and urges him to ensure that the debt swap with the Times of Zambia is fully followed up and enforced. The Office of the Auditor-General is requested to keep the matter in view in future audits.

PUBLIC SERVICE MANAGEMENT DIVISION

AUDIT QUERY

PARAGRAPH 30

Unit	Research and Industrial Relations
Programme	Industrial Relations
Activity	Employer's Share of Voluntary Medical Scheme

30. It was observed that in the Estimates and Expenditure for the financial years ended 31 December, 2006 to 2010, provisions totalling K23,084,118,127 were made to cater for the employer's share of the Voluntary Medical Scheme, against which a total of K14,497,461,514 was released.

The Controlling Officer informed your Committee that the authorised provision for the employer's share of the Voluntary Medical Scheme for the financial year 31 December 2006 to 2010 totalled K22,837,591,127 against which a total of K11,097,461,514 was released. The Controlling Officer further stated that in 2011, the employees share was remitted directly from the payroll and separate cheques had to be made and paid to the various ministries. Funds did not come through the PSMD fund but to the individual institutions that then remitted the funds to the PSMD. There was inconsistency in the remittances of the funds to the PSMD which caused a lot of confusion requiring an urgent need for recentralisation to correct the situation.

Committee's Observations and Recommendations

Your Committee observes that there are inherent weaknesses in the implementation of the medical scheme and urges the Controlling Officer to put measures in place to address the

weaknesses that were identified by the audit. Your Committee awaits a progress report on the matter.

Weaknesses in the administration of the Scheme

An examination of accounting and other records carried out in March 2011 revealed weaknesses to which the Controlling Officer responded as set out below.

a) Irregular payments

- i. The Controlling Officer informed your Committee that on 21 September 2006, a contract was signed between the Government of the Republic of Zambia and PSMAS. The remittance of K122,013,000 was based on the contract, and the Collective Agreements between the Government of the Republic of Zambia and the Public Service Unions.

Committee's Observations and Recommendations

Your Committee wonders why the contract was not availed for audit and directs that these should be availed to the Office of the Auditor-General without further delay.

- ii. In his response the Controlling Officer stated that since the inception of the scheme to 31 December, 2010, the contracts provided for the employees' contribution of 40% and the employer's contribution of 60% of the Scheme Plan to be remitted to the Voluntary Medical Scheme Administrator, PSMAS. In this regard, there was no payment specifically for administration fees. Both employers' and employees' contributions were remitted to PSMAS who determined the utilisation of the total funds as provided for under the contract.

Your Committee was further informed that following the review of the Voluntary Medical Scheme in 2010, the Monitoring Team noted the need to specify the utilisation of funds for the scheme and devised new modalities for administering the scheme. Under the new modalities, the scheme operated as a Fund, where contributions from the employer and employees were pooled in one account and disbursements were made to PSMAS in respect of defined benefits. The Scheme administrator was paid 20% of the monthly contributions as administration fees and 80% was for the payment of medical bills to health service providers.

Committee's Observations and Recommendations

Your Committee expresses concern that important documents such as the contract were not made available to the auditors during the audit and urges the Controlling Officer to ensure that all important documents are made available to the auditors to avoid unnecessary queries.

b) Failure to Produce Quarterly Reports

The Controlling Officer acknowledged that PSMAS did not submit quarterly reports as per contract requirement as only bi-annual reports were submitted and to correct the

situation, a Service Level Agreement (SLA) has been developed where PSMAS was required to submit quarterly reports.

Committee's Observations and Recommendations

In closing the matter, your Committee expresses concern that no quarterly reports were produced from the inception of the scheme and no efforts seemed to have been made to remind PSMA to make the submissions. Your Committee recommends that no funds should be provided without the provision of the quarterly reports.

c) Unretired Imprest - K82,160,000

The Controlling Officer informed your Committee that imprest issued to four officers amounting to K82,160,000 was retired.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Division to ensure that imprest is administered in accordance with the provisions of financial regulations and urges the Controlling Officer to take disciplinary action against the officers who should have ensured that regulations were followed.

d) Unvouched Expenditure - K6,663,718,835

Your Committee was informed that PSMD did not remit K6, 663,718,835 to PSMAS for the period 2007 to 2010 as employees' contributions. The arrangement for remitting employees' contributions was that each Institution including PSMD remitted the employee's share directly to PSMAS. Further, your Committee heard that the current arrangement as indicated in the 2011 Agreement and SLA was that a fund was established and both the employer's and employees' share of the scheme were remitted to the fund and releases were based on the verification of schedules from the payroll.

Committee's Observations and Recommendations

Your Committee notes the submission and closes the matter subject to verification by the Office of the Auditor-General.

MINISTRY OF LOCAL GOVERNMENT AND HOUSING

AUDIT QUERY

PARAGRAPH 31

Local Government Administration Department
Infrastructure and Support Services
Programme: Support to Institutions (Local Council)
Activity: Various

Weaknesses in Accounting of Government Grants

31. An examination of accounting and other records maintained at the Ministry headquarters and a physical inspection carried out in some selected councils in March 2011 revealed irregularities on which the Controlling Officer submitted as set out below.

a) Unretired Imprest-K428,241,376

The Controlling Officer submitted that of the unretired imprest amounting to K428,41,376 from various councils which was not retired a sum of K291,372,106 has now been retired leaving a balance of K136,869,270 to be retired. Efforts were being made by various councils to have the balance retired and make the records available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to ensure imprest is retired in accordance with financial regulations and urges the Controlling Officer to ensure that disciplinary action is taken against the accounting officer(s) who should have followed up the retirement of the imprest. The retirement details should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

b) Unaccounted for Funds-HQ (K1,690,270,101) & Councils (K1,040,326,131)

The Controlling Officer submitted that of the unaccounted for funds by various Councils amounting to K1,040,326,131, a sum of K517,888,741 had been accounted for leaving a balance of K522,438,029. Efforts are being made to have the balance accounted for. The necessary expenditure ledgers, cashbooks and bank reconciliations had been up dated.

Committee's Observations and Recommendations

Your Committee is concerned at the failure by the Ministry to account for the funds during audit and advises the Controlling Officer to urge the Councils to take disciplinary action against the officer(s) responsible for the omission. The funds in question should be accounted for failure to which the matter should be reported the Police for further investigations. Further amounts not accounted for at Headquarters should also be accounted for. Documents in respect of the accounted for funds should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

c) Stores Items without Receipt and Disposal Details-K5,087,173,475

The Controlling Officer submitted that stores items costing K5,087,173,475 in various councils which were not updated at the time of audit and were without receipts and disposals details had now been updated. A total value of stores items of a sum of K3,703,976,041.70 had been accounted for leaving a balance of K381,359,933.30. Efforts were being made to have the records available for verifications from various councils.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to produce stores details for items costing K4,085,335,975 during audit and advises the Controlling Officer to urge the Councils involved to take disciplinary action against the officer(s) responsible for the missing payment vouchers. The traced stores documents should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

d) Missing Payment Vouchers - K1,065,199,870

The Controlling Officer submitted that out of the missing payment vouchers involving 139 transactions amounting to K1,065,199,870 at the time only payment vouchers worth a sum of K860,210,001 had been traced and were available for verification. Efforts were being made to trace the remaining vouchers totalling to K204, 989,869.

Committee's Observations and Recommendations

Your Committee is concerned at the failure by the Ministry to produce the missing payment vouchers during audit and urges the Controlling Officer to advise the respective Councils to take disciplinary action against the officer(s) responsible for the missing payment vouchers. The traced vouchers should be availed to the Office of the Auditor-General for verification. They await progress report on the matter.

e) Unsupported Payment Vouchers-K3,585,184,797

The Controlling Officer submitted that a total sum of K2,984,940,738 has since been supported and efforts were being made to find supporting documents in respect of the balance of K353,962,875.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to produce the supporting documents during audit and advises the Controlling Officer to urge the Council concerned to take disciplinary action against the officer(s) responsible for the omission. The traced supporting documents should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

f) Poor Record Maintenance-K13,939,492,156

The Controlling Officer submitted that at the time of audit most of the records were

not updated but these have been updated as ledgers and other records were now in place and ready for verification. Further a total sum of K11,767,974,169.32 worth of stores have been updated leaving balance of K2,171,517,987 to be updated and availed for verifications in due course.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to produce and maintain ledgers in accordance with financial regulations and urges the Controlling Officer to advise the respective Councils to take disciplinary action against the officer(s) responsible for the missing records. The traced records should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

g) Unapproved Payments Vouchers-K251,802,302

The Controlling Officer submitted that payment vouchers which were not approved at the time of audit have since been approved by responsible Officers and records were available for verifications. A total sum of K161,018,999.29 of unapproved payment vouchers have been approved while the balance of K90,783,303 would be availed in due course.

Committee's Observations and Recommendations

Your Committee is saddened that the Councils concerned failed to ensure that payments were made in accordance with financial regulations and urges the Controlling Officer to caution the councils against this malpractice. The approved payment vouchers should be availed to the Office of the Auditor-General for verification before the matter can be closed.

h) Failure to Remit Statutory Contributions and Taxes

The Controlling Officer submitted that payment of statutory obligations had been a challenge to most councils, efforts were being made by the Councils concerned to settle the obligations through the grants from the Ministry. A Circular letter had since been issued to all Councils to remind them of their obligation to pay off their debts. Meanwhile, a total amount of K186, 640,149 has been paid by Mbala Municipal Council to various institutions as follows: NAPSA K23, 000,000, LASF K7,335,265 and Workers compensations funds K156, 304,884.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that councils in the country should prioritise remittance of statutory obligations. The Office of the Auditor-General is requested to keep the matter in view in future audits.

i) **Management of Projects**
i. **Eastern Province**

- **Un delivered Building Materials -Chadiza District Council-K8,940,000**
The Controlling Officer submitted that 140 pockets of cement queried in the audit report had actually been delivered although records were not available for verifications.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

- **Un delivered Building Materials -Nyimba District Council- K5,658,000**

The Controlling Officer submitted that the balance of K275,156,780 was not the correct amount as the correct amount was K100,775,260.44 in relation to construction of low cost houses.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the outstanding pockets of cement are delivered without further delay and provide a progress report. Your Committee also requests the Office of the Auditor-General to verify and establish the correct amount of the outstanding cement.

ii. **Central Province**
Kabwe Municipal Council

- **Non Delivery of Motor Vehicles-K55,107,000**

The Controlling Officer submitted that the vehicle in question was not delivered because the company it was bought from in Japan suffered extensive damage during the Tsunami and its whereabouts were not known. The officer who processed the payment had been suspended and was under investigations.

Committee's Observations and Recommendations

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

- **Computer Networking and Procurement of Anti-virus-K23,700,000**

The Controlling Officer submitted that the network was installed and it was operational.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

iii. **Luapula Province
Samfya District Council**

- **Irregular payments-K231,154,376**

The Controlling Officer submitted that all salary and wage sheets had been authorised and were available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Council to follow financial regulations in paying the salaries and wages and urges the Controlling Officer to caution the Council to desist from this practice. Further, the authorised documents should be availed to the Office of the Auditor-General for verification before the matter can be closed.

MINISTRY OF COMMERCE, TRADE AND INDUSTRY

AUDIT QUERY

PARAGRAPH 32

Units: Various
Programmes: Various
Activities: Various

Accounting and Other Irregularities

32. An examination of accounting and other records maintained at the Ministry headquarters carried out in September 2011, revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Unretired imprest- K103,987,450**

The Controlling Officer responded that the outstanding imprest amounting to K103,987,450 has since been retired.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to ensure that imprest is retired in accordance with financial regulations and urges the Controlling Officer to ensure that disciplinary action is taken against the accounting officer(s) who should have followed up the timely retirement of the imprest. Meanwhile, the retirement details should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

b) **Non-recovery of loans and salary allowances -(K90,000,000 and K1,200,000)**

The Controlling Officer informed your Committee that the Ministry has instituted recoveries on the two officers.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that in future loan recoveries are done in a timely manner. Meanwhile evidence of the recoveries should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

c) **Irregularities in the Management of Fuel**

i. *Fuel Drawn from General Pool Account*

The Controlling Officer explained that the fuel was drawn by vehicle Number GRZ 812BX belonging to the former Deputy Minister, and an amount of K11,213,028 was recovered from his gratuity.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

ii. *Fuel drawn by Vehicles not on the Ministry's Fleet List-K7,606,626*

The Controlling Officer submitted that the vehicles in question belonged to the Ministry although one vehicle has a private number plate issued by Ministry of Works and supply. The drawings of fuel indicated as unknown were for GRZ 607CE for the office of the Deputy Minister who did not indicate the vehicle number.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification but urges the Controlling Officer to ensure that such queries are resolved during audit.

MINISTRY OF FINANCE AND NATIONAL PLANNING

AUDIT QUERY

PARAGRAPH 33

Units: Various
Programme: Various
Activities: Various

Accounting and Other Irregularities

33. An examination of accounting and other related records for the Ministry Headquarters and departments revealed the following.

a) **Implementation of the Integrated Financial Management Information Systems (IFMIS) Project**

i. *Lack of Quality Assurance in the Development of IFMIS - SAP*

The Controlling Officer reported to your Committee that the development of the IFMIS system was done using the standard SAP implementation methodology broken down into phases, which allowed for quality assurance requirements at implementation. In the case of the IFMIS implementation, the Initial stage was identified as preparation of a Blue Print, Parameterisation and testing creation of Prototype and Development of the system. Subsequently, independent quality assurance reviews were undertaken at blueprint stage, prototype stage and final Development stage of the implementation. The Controlling Officer confirmed that various review reports were available for further verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to avail the quality assurance reports during audit and notes that this should no longer be tolerated as it undermines the work of oversight institutions in the country. The Controlling Officer is urged to avail the reports to the Office of the Auditor-General for verification after which the matter should be closed.

ii. *Lack of Adequate User Appreciation of the System*

• **Cash Books (Cash Journal)**

The Controlling Officer submitted that the system has provision for generation of receipts and payments for all cash and bank accounts with various selection options for the reports. The SAP cash books have been configured in five parts, namely the main account that is updated at the end of the month by way of performing bank reconciliations. The second account is the payments account into which all payments are collected. The third account is the deposit account which is a collection of receipts made by the MPSA. The fourth account is the payments reconciliation account which is an automatic upload of the electronic bank statement. The last account is the deposit reconciliation account which is a collection of the credits that the institution

may not have captured either because they were directly credited to their account or were erroneously credited to the account. All these accounts form part of the cash book which on a daily basis should be reconciled to get updated cash balance. The summary cash balance would be reflected in the main payments and deposit accounts.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry failed to demonstrate to the Auditors that the system was able to generate cashbooks as was being purported in the submission and urges the Controlling Officer to ensure that the concerns of the auditors are addressed before the matter is closed.

- **Accountable documents**

The Controlling Officer acknowledged that accountable documents were not maintained in the system as it was not included in the design. However, discussions have been held at various levels with various key stakeholders to discuss how the processes could be incorporated into the IFMIS.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that concrete steps are taken to include the maintenance of accountable documents without further delay. They await a progress report on the matter.

- **Loan Management**

The Controlling Officer explained that the internal loans module was configured to capture payments made to staff and loans were all collected into one control account. The account reflects the number of loans issued and all deductions that have commenced on individual loans. Further, the system can also produce reports by product type.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the Controlling Officer's response and will await a progress report on the matter.

- **Materials Management**

The Controlling Officer stated that the system did allow for stocks to be maintained and as a result during the implementation of the materials management, inventory and stock control function in the Ministry, respective officers were adequately trained to ensure that competences to carry out issuances on the system was built.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the Controlling Officer's response and will await a progress report on the matter.

iii. *Lack of Financial Statements and other Accounting Reports*

The Controlling Officer stated that measures have been put in place to provide on-site support to assist users' access the reports on the system. A simplified user manual to access customised reports was also being finalised.

Committee Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

iv. *Audit Information System (AIS)*

The Controlling Officer submitted that the Ministry would review the menu path accordingly. Further, the Audit and Security team were on hand to resolve problems through a dedicated help-desk which also included on-site visits.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

v. *Review of an Internal Audit Report on the Roles and Profiles in the IFMIS-SAP*

- **Unauthorised creation and changing of vendor master**

The Controlling Officer submitted that controls have been put in place and the system allows for segregation of duties through the assignment of specific roles and profiles to authorised officers, thus making it difficult to create and effect payment of a vendor individually.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

- **Creation of vendors**

The Controlling Officer submitted that the vendor master record was loaded in the SAP system from Zambia Public Procurement Authority (ZPPA) and, therefore, all records were subjected to ZPPA review before inclusion in the IFMIS vendor master data. Only when the vendor did not exist in the data base was the Chief Procurement Officer allowed to create a vendor after clearance from ZPPA and the Controlling Officer.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

- **Transaction PLMD_AUDIT**

The Controlling Officer submitted that the internal auditors were advised to carry out further tests on users to ascertain the results. A test done on 13 September 2011 on three (3) names appearing on the list of those who have access to the audit modules revealed that the officers could not

display Audit Management Plans or reports and, therefore, were unable to tamper with the record. In addition, the system showed that the officers were not authorised to access the Audit management functionality. At the time of the audit the Internal Auditors were still learning to audit the system and, therefore, further tests were required to conclusively confirm the tests carried out.

Committee's Observations and Recommendations

Your Committee resolves not to close the query until the issues raised by the Auditor-General are addressed. They await a progress report on the matter.

b) Unvouched Expenditure

i. *Missing Payment Vouchers and Letters of Bank Transfers-K2,888,436,631*

The Controlling Officer submitted to your Committee that the twenty-one payment vouchers and three letters of bank transfers in amounts totalling K2,888,436,631 that were not available at the time of audit had been traced.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to produce the missing payment vouchers during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the missing payment vouchers. The traced vouchers should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

ii. *Inadequately Supported payments-K2,660,893,678*

The Controlling Officer submitted that supporting documents amounting to K1,974,497,590.73 have been traced leaving a balance of K88,318,997 which was for outstanding bills relating to suppliers of goods and services that went through the Drug Enforcement Commission (DEC) for scrutiny to determine whether the transactions were genuine or not.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to produce the supporting documents during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the omission. The supporting documents should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

iii. *Unacquitted payments-K3,389,134,250*

The Controlling Officer submitted that payments amounting to K3,389,134,250 have now been acquitted and the information was available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to acquit the payments in question during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the anomaly. The acquitted payments should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

iv. *Unretired Imprest-K803,158,597*

The Controlling Officers submitted that out of the outstanding imprest amounting to K803,158,597, unretired imprest amounting to K524,699,448 was being recovered while K8,891,400 was in respect of cancelled cheques.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to ensure that imprest was retired in accordance with financial regulations and urges the Controlling Officer to ensure that disciplinary action is taken against the accounting officer(s) who should have followed up the retirement of the imprest. The retirement details should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

v. *Irregular Issuance of Imprest K374,216,804.51*

The Controlling Officer acknowledged the concerns raised by the Office of the Auditor-General concerning issuance of imprest to officers with outstanding ones and measures had been put in place to correct the situation. The whole amount of K374,216,804.51 has been retired and retirement details were available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to ensure imprest is issued in accordance with financial regulations and urges the Controlling Officer to ensure that disciplinary action is taken against the accounting officer(s) who failed to follow up the imprest. The retirement details should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

c) **Revolving Fund (Loans and Advances)**

i. *Unauthorised Loan Payments- K3,622,300,000*

The Controlling Officer submitted that the status has since changed as the approval of loans was done by the Loan Committee.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to follow procedure in the payments of loans and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) who caused the anomaly. Documents in respect of the retrospective loan approvals should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

ii. **Payment of loans to employees whose salary was below 40%**

Your Committee expresses concern at the failure by the Ministry to follow provisions of the Circular in question and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) who failed to assess the eligibility of the loan applicants. Documents in respect of the retrospective loan approvals should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

d) **Irregular Double Payments-K131,561,606**

The Controlling Officer stated that these were not double payments, but simply cheques that were cancelled in the SAP System. These were available for verification in both the SAP System and the physical cancelled cheques.

Committee's Observations and Recommendations

Your Committee wonders why this was not brought to the attention of the Auditor-General during audit and cautions the Controlling Officer against the habit of not paying attention to the audit.

e) **Weaknesses in Accounting for Procurement of Goods and Services**

i. *Misapplication of Funds-K860,724,516*

The Controlling Officer submitted that this came about because the coding structure in the Activity Based Budgeting (ABB) and the SAP System at the time had not been harmonised. However, the situation has been corrected and the misapplication should not recur.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

ii. *Goods paid for before delivery and inspection*

The Controlling Officer submitted that the procurement of the laptops and printers and subsequent payments were done before the delivery of the items, as the material management module was not fully activated in the system. However, any cheques made for the suppliers for goods not delivered or not inspected were kept until the required items were delivered or inspected by the supplier or the Centralised Computer Services Department (CCSD). Therefore, Government did not lose any funds as the goods were delivered and inspected by CCSD and certified accordingly.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

f) **Weaknesses in the Administration of Outstanding Bills**

i. *Questionable Outstanding Bills*

- **JJ Lowe Ltd - Kashikishi-Lunchinda Road-overstatement K20,040,096,855**

The Controlling Officer submitted that the claim has since been transferred to the Ministry of Justice under the Compensation and Awards, therefore, only the Attorney-General's Office could explain the overstatement of K20,040,096,855.

Committee's Observations and Recommendations

Your Committee resolves to seek an explanation from the Ministry of Justice through the Secretary to the Treasury on the reasons for the overstatement of K20,040,096,855.

- **JJ Lowe Ltd (Mbesuma Bridge)(K1,4437,218,315) and NCC Phoenix (Kashikishi-Lunchinda Road)(K72,095,637,323)**

The Controlling Officer explained that the above-mentioned claims were still maintained in the Ministry's data base as part of the master record for all the outstanding bills submitted to Ministry of Finance by Ministries, Provinces and other Spending Agencies in 2004.

Committee's Observations and Recommendations

Your Committee expresses concern at the continued appearance of these bills in the Ministry's books as outstanding bills as this can at any stage be capitalised upon by anybody to settle the bill which could result in the loss of public funds. Your Committee strongly urges the Controlling Officer to urgently remove the said bills from the Ministry's data base in order to safeguard public funds. They await a progress report on the matter.

iv. *Questionable Payments*

- **Payment to Kafubu Water & Sewerage Ltd**

The Controlling Officer submitted that supporting documents in respect of K1,790,000,000, have since been traced and were available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to avail supporting documents in respect of K1,790,000,000 during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the anomaly. Documents should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

- **Unidentified Payment-K114,442,111**

The Controlling Officer stated that the amount of K114,442,111 was paid to Zesco Ltd for bills in respect of Chiwala Technical High School in Ndola.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

v. *Weaknesses in Control over the Bank Account*

The Controlling Officer submitted that the query emanated from the system adopted in the distribution of cheques in that since the MPSAs were the ones who knew the suppliers, all cheques were collected by them from the Ministry of Finance and National Planning for distribution to the clients. In this regard, the Ministry would treat the cheques as unrepresented on the bank reconciliation, until the cheques were returned as stale cheques by the MPSAs.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General is urged to keep the matter in view in future audits.

g) **Delays by Standing Accidents Board in Disposing of Cases of Damages to Government Vehicles**

The Controlling Officer informed your Committee that some of the reasons for failure to execute the cases were due to the fact that the board only sat twice in a month and the long process of gathering information from insurance companies. However, the cases were ready for submission in the next sitting and summaries of submissions were available for verification.

Committee's Observations and Recommendations

In closing the matter, your Committee urges the Controlling Officer to put measures in place to correct the situation.

MINISTRY OF FINANCE AND NATIONAL PLANNING

AUDIT QUERY

PARAGRAPH 34

Department: Central Statistical Offices (CSO)
Unit: Various
Programme: Various
Activities: Various

Accounting and Other Irregularities

34. An examination of accounting and other related records maintained at CSO Headquarters and Provincial offices carried out in November 2011 revealed the following:

Over expenditure-K103,122,279,106

The Controlling Officer submitted that the over expenditure of K103,122,279,106 was due to over funding of K114,194,553,177 by the Treasury to cater for the major activity of Census of Population and Housing which the Department undertook in the year 2010 and at the time Supplementary Funds were released late so it was not possible to apply for Treasury authority.

Committee's Observations and Recommendations

Your Committee resolves to close the matter but urges the Controlling Officer to ensure that prompt action is taken to regularise any such expenditure whenever it is incurred.

Recurrent Departmental Charges (RDCs) - General

Accounting and other Irregularities

34. An examination of accounting and other related records maintained at CSO Headquarters and Provincial offices carried out in November 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) Missing Payment Vouchers-K146,106,578

The Controlling Officer submitted that all vouchers have been traced and were available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to avail the payment vouchers in respect of K146,106,578 during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the

anomaly. The traced documents should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

b) Inadequately Supported payments-K222,104,385

The Controlling Officer submitted that the supporting documents such as receipts, invoices and other documents were now available for audit inspection.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to avail the supporting documents in respect of K222,104,385 during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the anomaly. The traced documents should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

c) Weaknesses in accounting for imprest

i. Failure to provide Imprest Registers - Headquarters

The Controlling Officer submitted that the registers have now been procured.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

ii. Questionable Retirement - Headquarters -K9,852,759,680

The Controlling Officer submitted that Management has put measures in place to be followed by imprest holders to ensure that imprest were retired properly. The measures were that accounts Form 44 would only be completed by recipients or holders of Special and Accountable imprest upon processing of retirement of imprest. Further, Part III of Accounts Form 44 would only be completed or signed by Head of Unit or Deputy Director of the Division; and all Supervising Officers have been advised to be indicating the date, their names and designation on Part III of Accounts Form 44 whenever retirements of imprest were being processed.

Committee's Observations and Recommendations

Your Committee expresses concern at the manner the imprest is being retired and urges the Controlling Officer to ensure that disciplinary action is taken against the accounting officer(s) responsible for the anomaly. The retirements should still be done and documents should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

iii. *Unretired Imprest-K3,599,552,326*

The Controlling Officer submitted that the imprest perceived not to have been retired were available but were deemed unsatisfactorily retired. The documents have since been corrected and were available for verification.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

d) **Unaccounted for Stores-K294,137,386**

The Controlling Officer submitted that documents in respect of stores items in amounts totalling K166,340,900 have since been traced leaving a balance of K127,796,484 while the stores items in Northern, North-Western and Central Provinces were yet to be traced.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Management of the CSO to avail stores details in respect of K294,137,386 during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the accounting officer(s) responsible for the anomaly. The traced stores details should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

e) **Weakness in Fuel Management - Headquarters**

The Controlling Officer submitted that at the time of audit, log books were not availed for audit because most vehicles were borrowed from other Government Ministries during the 2010 Census activities and were surrendered back upon completion of the exercise.

Committee's Observations and Recommendations

Your Committee notes that the copies of the records from the log books should have been kept for accountability purposes. Your Committee urges the Office of the Auditor-General to keep the matter in view in future audits.

f) **Mansa Regional Statistical Office**

i. **Fraudulent Retirement of Imprest**

The Controlling Officer submitted that Management of Mulundu Guest House has written to the Department to indicate the services and foodstuffs they provided for Conference participants. All documents were available for audit verifications.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the documentation and thereafter the matter should close.

ii. *Double Payment of Allowances*

Your Committee was informed that Luapula Province has only two trained officers who normally undertake this important activity which means that whenever one officer was not available, the remaining Officer did all the work and was paid allowances according to the number of days taken to complete the assignment.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

g) **Failure to follow Procurement Guidelines - Ndola Regional Statistical Office-K26,456,500**

The Controlling Officer regretted that tender procedures were not followed at the time but assured your Committee that Management has directed all Provincial Regional Heads to ensure that Government prescribed procurement procedures were strictly adhered to when procuring goods and services.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Department to follow tender procedures and urges the Controlling Officer to caution the officer(s) responsible for the anomaly.

h) **Kabwe Regional Statistical Office**

i. *Misappropriation of Funds-K80,000,000*

The Controlling Officer explained that the Regional Head has since been advised to process the loss report.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until the loss report is processed and verified.

ii. **Failure to Reconcile Bank Account**

The Controlling Officer explained that the Department was still awaiting intervention of the Office of the Permanent Secretary, Central Province to retrieve the documents which were with the courts of law and investigative wings.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until the Department prepares the reconciliation statements for the Regional Statistical Office RDCs bank account. Your Committee awaits a progress report on the matter.

i) **Fuel drawn without raising Drawing Slips - Kasama Regional Statistical Office- K11,514,154**

The Controlling Officer informed your Committee that coupons and fuel statements had been traced and were available for audit.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Department to produce fuel coupons and statements and urges the Controlling Officer to caution the officer(s) responsible for the anomaly. The documents should be availed to the Office of the Auditor-General for verification.

- **Fuel Drawings not recorded in the Log Books - K12,432,338**

The Controlling Officer explained that fuel drawings amounting to K12,432,338 had been recorded in the log books, and were available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Department to produce fuel coupons and statements during the audit and urges the Controlling Officer to caution the officer(s) responsible for the anomaly. The documents should be availed to the Office of the Auditor-General for verification after which the matter should close.

j) **2010 National Census of Housing and Population**

i. *Questionable Retirement of Imprest-K3,383,974,940*

The Controlling Officer explained that Management has put measures in place to be followed by imprest holders to ensure that imprest was retired in accordance with financial regulations.

Committee's Observations and Recommendations

Your Committee expresses concern at the manner the imprest is being retired and urges the Controlling Officer to ensure that disciplinary action is taken against the accounting officer(s) responsible for the anomaly. The retirements should still be done correctly and documents should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

ii. *Unretired Imprest-K37,150,210,151*

The Controlling Officer explained that at the time of the audit documents relating to the unretired imprest were not adequately retired because some officers involved in disbursing funds were from different Government line ministries and departments. However, with the help of the Office of the Provincial Permanent Secretaries, the retirements were revisited and corrected. All the documents were now available for audit verification.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

iii. *Inadequately Supported Payments-K1,167,699,858*

The Controlling Officer submitted that supporting documents such as invoices, and receipts, have been traced.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to avail the supporting documents in respect of K1,167,699,858 during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the anomaly. The recovered documents should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

iv. *Missing Payment Vouchers-K3,640,340,508*

The Controlling Officer submitted that the payment vouchers in amounts of K3,640,340,508 have been traced.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to avail the payment vouchers in respect of K3,640,340,508 during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the anomaly. The traced payment vouchers should be availed to the Office of the Auditor-General for verification, thereafter the matter should be closed.

v. *Unaccounted for Stores-K681,472,225*

The Controlling Officer explained that the documents for stores items amounting to K210,020,394 have been traced at CSO Headquarters and Mansa Office while documents in respect of stores items amounting to K471,451,831 for Northern Province were yet to be traced.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Management of CSO to avail stores details in respect of K681,472,225 during the audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the anomaly. The traced stores details should be availed to the Office of the Auditor-General for verification and those not traced should be found without further delay.

k) Failure to Open Bank Accounts

The Controlling Officer explained that bank accounts were not opened at commercial banks for payment of allowances to Census participants because of the high number of participants and the cost implications of paying by cheques to individuals.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

l) Southern Province

Irregular use of Retired Cash-K86,209,600

The Controlling Officer stated that amounts totalling K86,209,600 in cash retirement was receipted and that authority to use the funds was given by the office of the Permanent Secretary, Southern Province, who was the Controlling Officer for the Census funds in the Province.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until authority said to have been granted by the Controlling Officer for Southern Province is availed for verification. They await a progress report on the matter.

m) Eastern Province

Chipata Regional Statistical Office

i. Misappropriation of Funds

The Controlling Officer submitted that the amount was meant for Pilot Census Training and not for the actual 2010 Census which took place in October, 2010. Management at Gemmita Guest House had written to the Department explaining the services provided and the costs involved. All documents in respect of participants were available for verification.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until it is verified by the Office of the Auditor-General.

ii. *Fraudulent Retirement of Imprest of Imprest*

The Controlling Officer submitted that at the time of audit, receipts and disposal records to support the purchases were not availed to the auditors and the physical location of the suppliers was not traced. He further reported that the CSO Staff who were approached by the auditors to locate the supplier (Madalisto General Dealers) were not part of the Census 2010 District catering Committee that was procuring the refreshments. However, documentary details for all the procurements and physical location of the supplier were available for verification at the Provincial Office.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the matter after which it should be closed.

iii. *Double Payment of Allowances*

The Controlling Officer submitted that it was not true that there was a double payment of K7,450,000 to the Master Trainer and the Accounting Officer. The correct position was that the Officers were paid extra allowances for performing extra duties assigned to them during the 2010 census.

Committee's Observations and Recommendations

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

iv. *Unacquitted Payments-K2,599,250,000*

The Controlling Officer submitted that the acquittal sheets were now available for audit verifications.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Department to avail acquittal sheets in respect of K2,599,250,000 during the audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the anomaly. The traced documents should be availed to the Office of the Auditor-General for verification, and after which the matter should close.

n) **Central Province**

Kabwe Regional Statistical Office

i. *Non-maintenance of Imprest Register*

The Controlling Officer submitted that an imprest register had been opened and was available for audit inspection.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Auditor-General.

ii. *Lack of Expenditure Returns*

The Controlling Officer submitted that the Province was not submitting returns for Census payments although Management has directed all Provincial Offices to be submitting returns by the 15th of every month.

Committee's Observations and Recommendations

Your Committee resolves to close the matter but urges the Controlling Officer to caution the provincial officers for delaying to submit expenditure returns. They await a progress report on the matter.

o) **Northern Province**

Kasama Regional Statistical Office

i. *Unaccounted for Funds-K969,871,900*

The Controlling Officer submitted that the amount of K969,871,900 was spent at the Provincial Headquarters under the control of the Provincial Permanent Secretary, who was the Controlling Office for the Census Funds.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

ii. *Weaknesses in accounting for Fuel for Operations-K152,120,632*

The Controlling Officer submitted that this was because vehicles which were mobilised from various line ministries and departments had already returned to their respective stations upon completion of the 2010 Census. However, some vehicles under CSO have been located and log books were available for verifications at the Provincial Office in Northern Province. The fuel reconciliations were not done at the time of audit. However, the Stores Office at the Provincial Office has prepared the fuel reconciliations.

Committee's Observations and Recommendations

Your Committee expresses concern at the poor accountability in respect of fuel usage and urges the Controlling Officer to put measures in place to improve the situation. Your Committee requests the Office of the Auditor-General to verify the matter and thereafter it can be closed.

Mungwi District

i. *Double Payment of Allowances*

The Controlling Officer submitted that supervisors were paid double allowances because they were assigned extra duties which required working for extra three days upon completion of the Census exercise.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the matter after which it should be closed.

ii. *Fuel Drawings not recorded in the Log Books*

The Controlling Officer submitted that the responsibility of monitoring vehicle movements and record keeping was vested in the Office of the Permanent Secretary, who was Chairperson of Provincial Census Committee.

Committee's Observations and Recommendations

Your Committee observes that it is the responsibility of the CSO to ensure proper guidelines are given and followed by all stakeholders on how to account for the funds. Your Committee urges the Controlling Officer to ensure that the log books in question are produced for audit scrutiny and thereafter the matter should close.

p) *Census Materials*

i. *Lack of Contract Documents*

The Controlling Officer submitted that the Ministry of Finance and National Planning did not prepare the contracts with Manal Investments limited and Luangwa Industries for the purchase of mattresses and bicycles respectively. However, local purchase orders were used for the purchase of materials.

Committee's Observations and Recommendations

Your Committee expresses concern that contracts were not signed despite the transactions involving large amounts of money and urges the Controlling Officer to ensure that officers that were responsible for this anomaly are cautioned so that this is not repeated in future procurements.

ii. *Receipt and Disposal Records for the Mattresses and Bicycles*

Headquarters

The Controlling Officer explained that all the 15,000 bicycles which were bought for the 2010 Census were received by the Department and documentation pertaining to the delivery of the bicycles was available for verification. The 158 bicycles valued at K82,476,000 were not distributed and

were still in stock at the Government Stores warehouse. As regards the 463 mattresses valued at K71,765,000, frantic efforts were being made to establish how many of these went missing and were stolen in all provinces.

Committee's Observations and Recommendations

Your Committee notes the submission and requests the Office of the Auditor-General to verify the delivery documents in respect of the 15,000 bicycles and the availability of the 158 bicycles in stores. Your Committee also awaits a progress report on the recovery of the 463 mattresses that were still missing.

Districts

i. Poor Storage of Returned Materials

The Controlling Officer submitted that the distribution of bicycles and mattresses were supervised by the office of the Permanent Secretary in all provinces from whom the Department was trying to get the disposal details of the bicycles and mattresses. Further, the storage conditions of materials in some districts were poor because of inadequate storage facilities.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Department to take keen interest in ensuring that returned materials are not only stored properly but are also accounted for. The Controlling Officer is urged to strongly caution the Department to make improvements in the way it manages resources availed to it at great cost to the tax payers.

ii. Irregular Disposal of Census Materials - Luapula Province

The Controlling Officer submitted that the distribution of bicycles and mattresses was supervised by the office of the Permanent Secretary in all provinces and, the Department was trying to get the disposal details of the bicycles and mattresses from respective offices.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Department to take keen interest in ensuring that returned materials are not only stored properly but are also accounted for. The Controlling Officer is urged to strongly caution the Department to make improvements in the way it manages resources availed to it at great cost to the tax payers.

q) **Construction of Office Building**

i. *Evidence of Delays in Settling Stage Completion Certificates*

The Controlling Officer submitted that the delay was as a result of inadequate approved budgetary allocation which prompted the Department to apply for supplementary provisions which were approved by the second half of the year.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

ii. *Outstanding amounts payable-K31,276,678*

The Controlling Officer submitted that there was an outstanding balance of K31,276,678 as of May 2011 because of inadequate resources provided for in the budget and all the outstanding balance was paid after May, 2011.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

iii. *Progress of Project*

The Controlling Officer submitted that the contract has been extended by forty-seven weeks and the revised completion date was 3 December, 2012.

Committee's Observations and Recommendations

Your Committee expresses concern at the slow pace at which work at the building is progressing and reiterates your previous Committee's recommendation for the Treasury to allocate adequate funds to facilitate complete the project. Your Committee resolves to await a progress report on the matter.

r) **Fleet Management - Headquarters**

Damage to motor vehicles not processed by Standing Accident Board

The Controlling Officer submitted that the road traffic accidents involving six motor vehicles during the year 2010, were recorded and reported to the Standing Accident Board. However, the Department was still waiting for a progress report from the Board.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

MINISTRY OF COMMUNITY DEVELOPMENT AND SOCIAL SERVICES

AUDIT QUERY

PARAGRAPH 35

	Headquarters
	Social Welfare
	Community Development
	Cultural Services
	Planning and Information
Units:	Various
Programmes:	Various
Activities:	Various

Accounting and Other Irregularities

35. An examination of accounting and other records maintained at the Ministry Headquarters and a visit to the districts in April 2011 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Missing Payment Vouchers - K328,669,296**

The Controlling Officer explained that this matter has been cleared by the Auditor General.

Committee's Observations and Recommendations

Your Committee notes the submission and closes the matter.

b) **Unaccounted for Stores - K232,356,408**

The Controlling Officer explained that the stores records which were missing have been located and were available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to produce details for stores items costing K232,356,408 during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the anomaly. The stores documents should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

c) **Unretired Imprest -K938,009,496**

The Controlling Officer informed your Committee that disciplinary action has been taken against the thirty officers by recovering the amounts from their monthly salaries although they fulfilled Government assignments.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to ensure imprest totalling K938,009,496 is retired in accordance with financial regulations and urges the

Controlling Officer to ensure that disciplinary action is taken against the accounting officer(s) who should have followed-up the retirement of the imprest. The retirement details should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

d) Irregular Payment of Sitting Allowances- K744,883,000

The Controlling Officer responded that the Ministry would ensure that authority was sought as per guidelines before any sitting allowances were paid in future.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that retrospective authority is sought as per guidelines failure to which officers should refund the money. They await a progress report on the matter.

e) Non-recovery of Salary Advances and Household Loans

The Controlling Officer responded that the salary advances has since been recovered in full. In addition, household loans were fed and continue being recovered. Your Committee was also informed that pay-slips were available for verification.

Committee's Observations and Recommendations

Your Committee urges the Ministry to be firm and efficient when recovering the household loans. Your Committee will await a progress report on the matter.

f) Un-authorized Workshops

The Controlling Officer responded that the Ministry regretted the action and that authority would be obtained as per guidelines for all future workshops.

Committee's Observations and Recommendations

In closing the matter, your Committee urges the Controlling Officer to take disciplinary action against the officers that ignored the guidelines.

g) Irregular Payment for Medical Bills - K129,223,400

The Controlling Officer responded that the Ministry has since cancelled the scheme and a letter of cancellation was available for verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to caution the staff that caused this query and urges that in future disciplinary action will be recommended. Your Committee resolves to close the matter.

h) **Failure to prepare Case Records - Public Welfare Assistance Scheme**

The Controlling Officer reported to your Committee that the Ministry regretted the oversight on the part of the Officers for non-preparation of case records and measures has been put in place to ensure that case records were prepared. A circular dated 9 February 2012 has been issued to all Provincial Heads to ensure case records were prepared before assistance was given.

Committee's Observations and Recommendations

Your Committee expresses disappointment at the lapse in the preparation of case records and urges the Controlling Officer to put measures in place to correct the situation. Further, disciplinary action should be taken against the officers who failed to prepare case records. Your Committee awaits a progress report on the matter.

i) **Women Development Programme**

i. *Payments to Unregistered Clubs*

The Controlling Officer responded that the Ministry has noted the observation and that some clubs have submitted registration certificates. However, the Ministry was still expecting the remaining certificates which had taken long because the clubs were in remote and rural parts of the country.

Committee's Observations and Recommendations

Your Committee reminds the Controlling Officer of the importance of adhering to the Ministry's guidelines and urges that disciplinary action should be taken against the officers who ignored the guidelines. Your Committee awaits a progress report on the matter.

ii. *Unaccounted for Equipment- K208,110,000*

The Controlling Officer responded that the Ministry has taken note of the observation and has been using an agreement form which was signed with the beneficiaries at the point of issuing out the equipment. This was considered as acknowledgement of receipt of equipment which has since been circulated to the provinces and districts for the beneficiaries of the equipment to acknowledge receipt. The documents from some provinces were ready for verification, whilst others were still being processed.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

iii. *Funding to Clubs - Mpulungu*

The Controlling Officer reported to your Committee that the Ministry was ready to facilitate the verification exercise as soon as possible.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

j) Misapplication of Funds

i. *Repatriation of Street Children*

The Controlling Officer responded that the majority of the activities undertaken in the financial year were child related. The workshops were meant to build capacity of the new District Child Protection Committees and enhance the removal and repatriation of street children. Further, the air tickets were meant to facilitate the participation of the Ministry at international fora, conventions and protocols related to children arising from the fact that Zambia was a signatory and was expected to report on child related issues. It was noted that most child protection activities were budgeted under the street children programme. These included attendance at child related conferences, repatriation and re-integration of children clients and training of child protection committees, to name a few.

The repair of the Child Protection Unit motor vehicle and the improvement of water reticulation at Insakwe Probation Hostel were all street children related activities. Work plans and conference and training reports were available for audit verification. Stringent measures have been put in place to ensure that moving of funds from one activity to another was not practiced in future.

Committee's Observations and Recommendations

Your Committee expresses concern at the Ministry's attempt to justify the variation of the funds from the core business for which it was budget, to other unrelated activities and cautions the Controlling Officer to halt the practice henceforth. The Office of the Auditor-General is requested to keep the matter in view in future audits.

ii. *Social Safety Net Programme*

The Controlling Officer submitted that funds from this vote were borrowed with the intention that it would be paid back as soon as funds were received. However, due to erratic funding this could not be facilitated and stringent measures had been put in place to ensure that borrowing of funds was not practiced.

Committee's Observations and Recommendations

In closing the matter, your Committee cautions the Ministry against the variation of funds from one activity to another without authority. The Office of the Auditor-General is urged to keep the matter in view in future audits.

iii. *Non-formal Skills Training*

The Controlling Officer responded that the expenditure in question was incurred with a view of paying back once funds were received but due to erratic funding this was not possible.

Committee's Observations and Recommendations

Your Committee resolves to close the matter but urges the Office of the Auditor-General to keep the matter in view in future audits.

iv. *Learning Resource Centre*

The Controlling Officer responded that the funds from this activity were borrowed with the intention that they would be paid back soon as funds were received. Stringent measures had been put in place to ensure that borrowing of funds was not practiced and that funds have been budgeted for under HRA for capacity building for personnel in the Ministry.

Committee's Observations and Recommendations

Your Committee cautions the Ministry against the movements of funds from one activity to another as the budgeted for activities suffered.

v. *Food Security Pack Programme (FSP)*

The Controlling Officer responded that the Ministry has taken note of the observation and that the practice of moving funds from one activity to another has been stopped.

Committee's Observations and Recommendations

Your Committee cautions the Ministry against the movement of funds from one activity to another and urges that disciplinary action is taken against the officers responsible. However, your Committee resolves to close the matter.

vi. *Arts and Cultural Infrastructure*

The Controlling Officer submitted that Zambia has an international obligation to host international events. However, at the time Zambia was proposing to host the events the department had not factored the expenditure in the work plan. As a result, the expenditure was incurred on the said vote.

Committee's Observations and Recommendations

Your Committee expresses concern that authority was not sort from the Secretary to the Treasury to vary the amounts totalling to K853,218,746 . Your Committee is also saddened that an amount of to K411,451,140 was spent without providing supporting documents. Further, your Committee urges the Controlling Officer to obtain authority from the Secretary to the Treasury

before varying funds from one activity to another. Your Committee directs that the supporting documents should be found, failure to which the officers responsible should face disciplinary action.

MINISTRY OF HEALTH

AUDIT QUERY

PARAGRAPH 36

Programmes: Various
Activities: Various

Accounting and other irregularities

36. An examination of financial and other related records maintained at the Ministry Headquarters, provincial and district health offices, and a physical inspection of selected projects carried out in September 2011 revealed weaknesses in internal controls to which the Controlling Officer responded as set out below.

a) Un-vouched Expenditure

i. *Missing Payment Vouchers-K3,014,722,055*

The Controlling Officer responded to your Committee that the schedule for missing vouchers was transposed with that of unsupported payments. Therefore, the total missing vouchers reported as outstanding were 322 vouchers amounting to K3,014,722,055. A total of 228 vouchers have been traced amounting to K2,378,650,654. A balance of eight-nine vouchers amounting to K636,071,401 were yet to be traced. The vouchers found have been availed to the auditors and the Ministry was awaiting a report.

Committee's Observations and Recommendations

Your Committee expresses concern that the payment vouchers in question have not been traced due to poor record keeping. Your Committee, therefore, strongly recommends that the Controlling Officer should ensure that the remaining vouchers are traced and verified, and that measures to ensure this anomaly does not occur in the future be put in place.

ii. *Unsupported Payments-K4,702,972,798*

The Controlling Officer stated that the amount for unsupported payments was 517 payments amounting to K4,702,972,798. The Ministry has 381 vouchers supported amounting to K4,081,165,809. The balance of 136 unsupported vouchers amounting to K621,806,989 were yet to be supported. Those supported have been availed to the auditors for verification. Measures have also been put in place to ensure that procurement officers and accounts staff coordinated record keeping in regard to invoices and receipts from suppliers.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that all the unsupported vouchers are traced and availed to the Office of the Auditor General for verification. Further, disciplinary action should be taken against the officers responsible for the anomaly.

b) Unapproved Payments-K12,781,179

The Controlling Officer informed your Committee that payment vouchers that were not signed and approved by the sub-warrant holders were signed by officers who were acting in their positions while they were out of office. However, the warrant holders have been advised to formally assign alternates in their absence to approve payment vouchers.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter.

c) Un-acquitted Funds-K108,325,000

The Controlling Officer stated that the total number of transactions in the report were stated as twenty-three while the correct number was fourteen transactions amounting to K81,862,000 and not K108,325,000 as stated above. Therefore, a total of eight transactions amounting to K71,450,000 have since been acquitted leaving a balance of six transactions amounting to K10,412,000. The balance of K10,412,000 was against Mpulungu DHO and the office has been asked to reconcile the books to determine the source of the un-acquitted funds. However, the total of K71,450,000 acquitted funds has been availed to the auditors for verification.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter subject to verification.

d) Misapplication of Funds-K3,769,355,549

The Controlling Officer stated that although the K3,769,355,549 was regarded as misappropriation by the auditors most of the funds were appropriated in line with the budget as follows:

- The amount under Headquarters of K430,335,824 was used to procure fuel for pool vehicles and this was budgeted for under transport management, hence the expenditure being charged to maintenance of motor vehicles.
- In the case of Livingstone, the amount K1,349,178,057 related to payments of leave travel benefits, terminal benefits, settling in allowances, utility bills and fuel. The payment of leave travel benefits from the RDCs account was as a result of funds that were sent from HQ and these were deposited in the RDCs account instead of the salaries accounts. This was at the time the ministries were advised to close the salaries accounts by the Ministry of Finance. For the

other payments, funds sent to the provinces as general grants had several budget lines, among them settling in allowances and payment of utility bills consequently these payments were appropriately made from the correct budgeted line.

- In the case of Mazabuka, although it was reported as misapplication of funds, the funds were apportioned according to the old CBOH rules of apportioning 4% of the grant towards drugs and 10% of the grant towards construction projects. Although the practice still existed in some districts, planning guidelines were given, which stipulate that district budgets should reflect the infrastructure project to be undertaken during the year and these were adequately budgeted for instead of using a percentage of the grant. The other amounts were used to pay loading and off loading allowances to officers who were transferred to the district in line with the terms and conditions of service.
- An amount of K16,128,000 under Sinazongwe was used to procure drugs that were not in stock at medical stores and these were procured by the district.
- For Livingstone DHO the funds amounting to K125,458,000 stated as misappropriated were used to procure building materials for various rehabilitation projects that were being carried out in the district.
- For the Northern Province PHO, K73,995,099.50 funds were used for the blood transfusion services. This was at the time the Global fund suspended funding for the blood transfusion services and the Province has to use the grant to facilitate operations of the blood transfusion services unit in the province.
- At Mansa School of Nursing, funds were used for the rehabilitation of the school infrastructure and these were drawn from the infrastructure account.
- Nchelenge the funds were used to pay salaries for contractual staff who were locally engaged by the district. The district has, however, been cautioned against engaging staff locally without authority from PSMD. This also related to several districts in Luapula Province where funds has been misapplied in that some rural health centres were operating without professional and support staff, and as a result, the districts were mandated to operate the health centers' by locally engaging support staff to run the facilities in order to provide the minimum basic health services to the community. Hence, the staff were paid from the institutional grant. Most of these staff have been put on Government payroll.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the matter after which it should be closed.

e) **Failure to Remit Taxes**

The Controlling Officer reported that a total of K474,522,327 has been remitted to ZRA, leaving a balance of K199,412,133. Sinazongwe and Solwezi had delayed in remitting tax due to inadequate funding.

Committee's Observations and Recommendations

Your Committee expresses disappointment at the Ministry's failure to remit the taxes in question and urges the Controlling Officer to ensure that Sinazongwe and Solwezi districts remit the necessary funds to ZRA.

f) **Weaknesses in the Management of Imprest**

i. *Unretired Imprest-K4,726,904,887*

The Controlling Officer informed your Committee that the unretired imprest as at 31 December 2010 was K4,726,904,887 involving 1,117 transactions. The imprest worth K3,883, 975,620 has since been retired and availed to the auditors while the balance of K842,929,760 has been instituted against the officers' salaries to recover the amount. As for Mumbwa DHO, the district did not have any imprest as reported in the Auditor General's report. An amount of K56,743,000 which was appearing, does not have the number of officers or the number of payments.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that all the amounts are retired and documentary evidence availed to the Office of the Auditor-General for verification.

ii. *Subsequent Imprest*

The Controlling Officer reported to your Committee that the Ministry was concerned with the constant queries being raised regarding the management of imprest, and was working on strengthening the system to ensure compliance to the financial regulations. The imprests which were retired and in certain cases were issued out for activities whose period of implementation were overlapping and mostly affected cashiers who were drawing the imprest on behalf of program officers.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to ensure that imprest is issued and retired in accordance with financial regulations and urges the Controlling Officer to ensure that disciplinary action is taken against the accounting officer(s) who should have ensured that the financial regulations were followed. They await a progress report on the matter.

iii. *Irregular use of Accountable Imprest*

The Controlling Officer responded that the imprests was obtained for use in emergency cases such as referral of patients to high level health care centres. In some cases remote districts drew imprest to pay local suppliers who did not have bank accounts such as labour contractors. The institutions have been cautioned against these practices and the trend was being discouraged.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter.

g) **Irregular Payments**

i. *Double Payment of Housing Allowance*

The Controlling Officer stated that the Ministry, through the various internship sites such as University Teaching Hospital, Kitwe and Ndola central hospitals, has been paying rentals for interns who were practicing at these hospitals. The interns were students under the post graduate programme in MMED who were supposed to be accommodated by the school of Medicine at UNZA. Due to the shortage of accommodation, the Ministry was paying for their accommodation for academic purposes. After seeking guidance from Cabinet Office the Ministry has discontinued the payment of rentals for interns as well as postgraduate students.

Committee's Observations and Recommendations

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

ii. *Subsistence Allowance*

The Controlling Officer informed your Committee that loading and off-loading was applicable to officers on first appointment in line with terms and conditions and the subsistence allowance was paid to cover costs on travelling of first appointment.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter.

iii. *Payments to Lodges and Hotels*

The Controlling Officer stated that authority was obtained from Cabinet office to cover all meetings and workshops held for the year under review. The authority was availed to the auditors for verification.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter subject to verification.

iv. *Staff Recruited without Authority*

The Controlling Officer reported that the districts in question paid staff in rural health centres without obtaining PSMD and Treasury Authority as a stop gap measure in order to avoid closing the centres. However, the trend had since stopped and some of the staff have been placed on payroll. Those who were not successful have since been disengaged.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter.

v. *Officers on Studies without Leave*

The Controlling Officer responded to your Committee that it was regrettable that the public service workers at Mkushi DHO went for studies without PSMD Authority. The authority was requested for, but the response was delayed and schools had opened. However, the authority has been received from PSMD and was granted.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter.

vi. *Payment of Settling Allowance*

The Controlling Officer reported to your Committee that the thirty-nine officers were actually appointed to the public service but PSMD has not officially formalised their appointments. At the time of audit a total of K23,594,930 was cleared in that appointment letters have been submitted. The rest of the letters were being pursued by the Ministry.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter.

vii. *Payment for Training*

The Controlling Officer reported that the officer was already appointed into Public Service at the time she was sponsored except letter of appointment was not on her personal file. However, this has been availed to the auditors for verification.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter subject to verification.

viii. *Wasteful Expenditure*

The Controlling Officer responded to your Committee that the total cost of the engine was K34million while the K27million and K7 million were part payments towards complete payment. The vehicle was running when the engine was fitted but was not running at the time of audit. The repairs were approved by the tender committee.

Committee's Observations and Recommendations

Your Committee requests the Auditor-General to verify the matter after which it should be closed.

h) *Drugs and Medical Supplies*

i. *Unaccounted for Drugs and Medical Supplies*

The Controlling Officer reported to your Committee that out of a total of K4,750,916,029 worth of drugs unaccounted for, K4,268,767,831 had since been provided with receipts and disposal details and had been availed to the auditors. The drugs indicated for headquarters were actually procured for Cancer Disease Hospital and were distributed through Medical Stores Limited. The Hospital has since done a reconciliation of all the receipts under this procurement and the receipts and disposal details were available for verification. In addition, the Ministry has put in place a prescription system that was strengthening the monitoring of the usage of all essential medicines and medical supplies.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter subject for verification by the Office of the Auditor-General.

ii. *Expired Drugs*

The Controlling Officer stated that the destruction of the expired drugs was awaiting the constitution of the Board of Survey which had since been constituted with authority from the Secretary to the Treasury. Your Committee had since been authorised to dispose of the expired drugs and this activity had already commenced at MSL. The Zambia Environmental Management Agency was also part of this committee to witness the disposal of expired drugs and subsequent issuance of certificate of disposal. Some of the expired drugs were donations from partners to districts which resulted in the over stocking and expiry.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter.

i) **Unaccounted for Stores-K3,390,002,377**

The Controlling Officer informed your Committee that out of the K3,390,002,377 reported in the Auditor-Generals' report, a total of K2,448,417,789 had since been attached with receipts and disposal details leaving a balance of K941,584,588. These had been availed to the auditors.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to produce stores records costing K3,390,002,377 during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the stores details. The traced vouchers should be availed to the Office of the Auditor-General for verification.

j) **Irregular Drawings of Fuel - Kasama DHO**

The Controlling Officer responded to your Committee that the fuel that was drawn was for vehicles owned by Kasama DHO. Some of these vehicles were not registered as GRZ vehicles hence not being recognised as part of the Kasama fleet. An asset register and the blue books have been submitted to the auditors for verification.

Committee's Observations and Recommendations

Your Committee notes the response and closes the matter subject to verification by Office of the Auditor-General.

k) **Renovation of Anti Retroviral Treatment (ART) Centres- Mazabuka DHO**

The Controlling Officer informed your Committee that the projects were both at window level. These projects were funded by Centre for Disease Control (CDC) which was a donor funded project. The commencement delayed due to tender procedures.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the commencement of works.

l) **Failure to recover Loans and Salary Advances**

The Controlling Officer responded that the loans and advances were not being recovered because there was only one desk officer handling all P MEC matters for the entire Ministry including submissions for inputs. This has been overwhelming for the officer such that some recoveries has not been effected. However, the loans under headquarters were being deducted. Payslips were availed to the auditors reflecting the deductions but these could not be cleared as more information was needed regarding P MEC inputs. The Ministry has since written to P MEC to allow them to have

another desk officer who would be attending to accounting matters such as inputs. Out of the 268 officer whose loans and/or advances has not been deducted, a total of 109 recoveries have been effected and K502,924,235 has been recovered. Recoveries of the remaining amounts were ongoing and would be speeded up once PMEC approved an additional officer.

Committee's Observations and Recommendations

Your Committee expresses concern that of loans and advances are not being recovered as provided for in the financial regulations and urges the Controlling Officer to quickly address the matter. The Office of the Auditor-General is urged to keep the matter in view in future audits.

m) Transport Management - Failure to Repair Motor Cycles

The Controlling Officer informed your Committee that Kabompo DHO has failed to pursue the matter. He informed your Committee that management has directed the institution to have the motor cycles repaired and an ultimatum has been issued to the district failure to which the officers concerned would be disciplined.

Committee's Observations and Recommendations

Your Committee requests a progress report on the matter.

n. Infrastructure Development

The Controlling Officer informed your Committee that the Ministry has made a lot of progress on the construction of Hospital and staff houses from the last audit. The delay in certain projects was due to various factors ranging from delayed funding from the treasury, contractors abandoning the site and rework due to poor workmanship. Your Committee would be kept informed as most construction sites were ongoing.

Committee's Observations and Recommendations

Your Committee notes the submission but resolves to await a progress report on the completion of all the works.

MINISTRY OF COMMUNICATIONS AND TRANSPORT

AUDIT QUERY

PARAGRAPH 37

	Headquarters
	Civil Aviation Department
	Meteorological Department
	Maritime and Inland Waterways Department
Units:	Various
Programmes:	Various
Activities:	Various

Accounting and Other Irregularities

37. An examination of accounting and other records maintained at the Ministry Headquarters carried out in May 2011 and visits to the Provincial Offices revealed several weaknesses to which the Controlling Officer responded as set out below.

a) Procurement of Fire Fighting Vehicles and Trauma Ambulances

The Controlling Officer submitted to your Committee that the details of the contract and the subsequent correspondences between the supplier, the then Ministry of Communications and Transport and the Ministry of Finance and National Planning were available for examination.

Committee's Observations and Recommendations

Your Committee notes that the contract was defective as payment was to be made in full even before delivery of the vehicles was made. Your Committee urges the Controlling Officer that in future, the Ministry of Justice should be consulted before the contracts are entered into.

b) Unretired Imprest- K294,117,630

The Controlling Officer responded that some of the imprest has been retired and that the Ministry has started the process of recovering all unretired amounts.

Committee's Observations and Recommendations

Your Committee is disappointed that the Controlling Officer was unable to state what has been retired and how much is being recovered and requests him to submit all the documentation in respect of the imprest to the Office of the Auditor-General for verification before the matter can be closed.

c) Workshops held without Authority from Secretary to the Cabinet

The Controlling Officer informed your Committee that the Ministry would ensure that in future, the necessary authority was sought from the Secretary to Cabinet before such workshops were held.

Committee's Observations and Recommendations

Your Committee urges the Auditor-General to keep the matter in view in future audits. The Controlling Officer is strongly urged to take disciplinary action against the officers who caused the query and provide a progress report.

d) Irregular Refunds

The Controlling Officer responded that authority was sought from the Director of Civil Aviation for the affected individuals to use their personal monies to purchase fuel as the situation was becoming desperate. This was done with the view of reimbursing the officers as soon as funding was received.

Committee's Observations and Recommendations

Your Committee finds the practice unacceptable and urges the Controlling Officer to institute an investigation to establish whether the funds advanced to the State were used on official business. Further the Controlling Officer is directed to institute stringent controls to curb the practice as it is susceptible to abuse. They await a progress report on the matter.

e) Misapplication of Funds - Extension of Headquarters

The Controlling Officer informed your Committee that in the financial year 2010, K800,000,000 was released for the extension of the headquarters building but due to budgetary constraints, the Ministry utilised the said funds on its operations in order to meet its mandate in service provision to the public. This was done with the view of reimbursing the amount once the funding situation normalised but the Ministry could not reimburse the amount.

Committee's Observations and Recommendations

Your Committee is disappointed that funds meant for capital projects were diverted to meet recurrent expenses. Your Committee is further saddened that Management did not seek Treasury approval as provided for in the financial regulations and directs the Controlling Officer to seek retrospective approval from the Secretary to the Treasury in order to normalise the expenditure.

f) Department of Maritime and Inland Waterways

The Controlling Officer explained that the expenditure returns for Western and Luapula provinces had been received while a formal request for expenditure returns to the Provincial Permanent Secretaries for North-Western and Central provinces had been sent in order to account for the disbursement of the sent funds.

Committee's Observations and Recommendations

Your Committee is saddened by the failure of the provinces in question to submit expenditure returns and urges the Controlling Officer to aggressively pursue the matter until it is resolved. They await a progress report on the matter.

MINISTRY OF WORKS AND SUPPLY

AUDIT QUERY

PARAGRAPH 38

Headquarters
Buildings Department
Government Printing Department
Office Equipment Management Services Department
Planning and Monitoring

Units: Various
Programmes: Various
Activities: Various

Accounting and Other Irregularities

38. An examination of accounting and other records maintained at the Ministry Headquarters and visits to provinces carried out in May 2011 revealed weaknesses to which the Controlling Officer responded as set out below.

a) Weaknesses in Management of Imprest

i. *Unretired Imprest-K295,209,849*

The Controlling Officer responded that the unretired imprest involving three officers has been reduced to K9,105,000, which the Ministry intended to recover from the erring officers.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the recovery of the remaining K9,105,000 involving three officers and urges the Company to be firm in the implementation of financial regulations.

ii. *Questionable Retirements-K166,796,629*

The Controlling Officer submitted that the retirement of imprest amounting to K166,796,629 was not questionable as all the necessary details on the receipts were available and have since been verified by the auditors.

Committee's Observations and Recommendations

Your Committee resolves to close the matter as it has been cleared by the Office of the Auditor-General.

b) Failure to Produce Reports

The Controlling Officer reported that all the outstanding reports have since been found and subjected to an audit scrutiny by the auditors.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter but warns that in future this should attract disciplinary actions.

c) Irregular Use of Appropriation-in-Aid

The Controlling Officer acknowledged that it was wrong to have spent the K168,765,000 on the sixteen (16) days of activism against gender violence from Appropriation-In-Aid (AID) budgetary allocation under the Government Printing department and assured your Committee that this would not recur.

Committee's Observations and Regulations

Your Committee expresses concern that the Department decided to abrogate the financial regulations on the appropriation-in-aid guideline and cautions the Controlling Officer that in future this will not be taken lightly.

d) Un-vouched Expenditure-K1,394,430,745

The Controlling Officer informed your Committee that inadequately supported payment amounting to K1,394,430,745 has been reduced to K213,069,100.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the balance of K213,069,100.

e) Unaccounted for Stores Items-K1,054,084,784

The Controlling Officer reported that the receipt and disposal details in question relating to assorted stores at Government Printing Department amounting to K1,054,084,784 have been verified leaving a balance of K268,851,184 involving thirty-two (32) transactions.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the of K268,851,184. Further, your Committee urges the Controlling Officer to take disciplinary action against the officer(s) responsible for the missing stores details.

f) Irregular Procurement of Motor Vehicles-K11,718,946,039

The Controlling Officer informed your Committee that all the motor vehicles in question were procured and distributed to State House. These were verified by office of the Auditor General.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that tender procedures governing single sourcing were deliberately ignored and emphasised that procedures should be followed regardless of who the end users of the vehicles are.

g) Failure to recover Overpaid Salaries-K12,145,444

The Controlling Officer reported to your Committee that the Ministry had since written to PMEC to deduct the overpaid salaries.

Committee's Observations and Recommendations

Your Committee resolves to await a report on the matter.

i. Capital Project

- **Misapplication of Funds-K3,227,364,093**

The Controlling Officer explained that the purportedly unrelated activities were cost allocations to the project under activity based budgeting (ABB). Further, the other funds highlighted for loans have since been reimbursed.

Committee's Observations and Recommendations

Your Committee cautions the Controlling Officer against varying funds without following laid down financial regulations. Your Committee urges the Controlling Officer to seek retrospective authority from the Secretary to the Treasury in order to normalise the expenditure.

- **Failure to Settle Claims for Certified Works-K2,675,572,000**

The Controlling Officer explained that the claims for certified works have since been settled and the relevant documentation had been availed to the auditors for scrutiny.

Committee's Observations and Recommendations

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

ii. Former Presidents' Houses

The Controlling Officer explained to your Committee that the paragraph was not correct as the payment of allowances, procurement of furniture and stationery were costs allocated to the project under activity based budgeting (ABB). Under the activity based budget (ABB) each project has costs assigned to each activity on the basis of cost element unlike in the Economic Classification budget where the allowances and other non capital costs were budgeted for under the Recurrent Departmental

Charges (RDCs). Cost elements such as fuel, allowances, and spares were budgeted for within the projects. The allowances were being paid from these activities or budget line when conducting inspections of projects and were duly budgeted for.

Committee's Observations and Recommendations

Your Committee is not happy that this matter was not addressed during audit and urges the Office of the Auditor-General to verify what has been submitted by the Controlling Officer and will await a progress report on the matter.

- **Fourth Republican President's House**

The Controlling Officer informed your Committee that this was not an over commitment as the Ministry applied for supplementary budget.

Committee's Observations and Recommendations

Your Committee notes the submission but requests the Auditor-General to verify the matter before it can be closed.

iii. *Presidential Guest House - Mongu*

The Controlling Officer explained that this was a variation of funds within the same programme for Presidential guest houses.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

iv. *Failure to execute works*

The Controlling Officer informed your Committee that the activities had been budgeted in the 2011 budget.

Committee's Observations and Recommendations

Your Committee is disappointed that no explanation was rendered by the Controlling Officer and warns that in future, failure to carry out funded activities will not be taken lightly. Your Committee urges the Controlling Officer to ensure that the works are undertaken without further delay.

v. *Failure to update Ledgers*

The Controlling Officer responded that the individual creditor's accounts has been updated and verified by the auditors.

Committee's Observations and Recommendations

Your Committee resolved to close the matter subject to verification.

MINISTRY OF SCIENCE, TECHNOLOGY AND VOCATIONAL TRAINING

AUDIT QUERY

PARAGRAPH 39

	Planning and Development
Units	Projects
Programmes	Various
Activities	Various

Accounting and Other Irregularities

39. An examination of accounting and other records maintained at the Ministry Headquarters and a visit to Trades Training Institutions carried out in May 2011 revealed the following:

a) **Unretired Imprest-K250, 764,600**

The Controlling Officer submitted that the imprest amounting to K250, 764,600 which remained unretired at the time of the audit, has been fully retired and the documentation was available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to administer imprest in accordance with financial regulations and urges the Controlling Officer to effect disciplinary action against accounting officers for failing to follow-up on the retirement of imprest. All the traced documents should be availed to the Office of the Auditor-General for verification.

b) **Unvouched Expenditure-K1,145,337,443**

The Controlling Officer submitted that these payments have now been adequately supported and the supporting documents were available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern that supporting documents were not availed during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the Officer(s) whose responsibility it was to ensure that vouchers were adequately supported. Further, all the traced documents should be availed to the Office of the Auditor-General for verification.

c) **Misapplication of Funds-K416, 252,675**

The Controlling Officer submitted that inadequate funding from the Treasury exerted pressure on the Ministry to not only cut spending but make good the already existing

debts and obligations which eventually led to the Ministry borrowing 'PRP' funds. The funds have since been reimbursed.

Committee's Observations and Recommendations

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

d) **Rehabilitation of Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA) Building**

i. *Poor workmanship*

The Controlling Officer submitted that following a site inspection and meeting held at TEVETA on 5 January, 2011, a 'snag list' was developed wherefrom, the Buildings Department instructed the contractor to make good the identified snags and the Contractor had since commenced working on the snags. The leaking of the roof has also been worked on and the stains painted. The building was painted with under-coat and two coats of paint in line with the provision of the contract.

Committee's Observations and Recommendations

Your Committee notes the measures taken by the Ministry to address the matter and resolves to close it subject to verification.

ii. *Substandard Electrical Installations*

The Controlling Officer submitted that following instructions by the Buildings Department to the Contractor, the Contractor worked on the electrical problem in the Information Education and Communication specialist's office as well as the Conference Room. Further, the Contractor was instructed to rectify all the defects, including the shoddily fitted and non functional air conditioners and the Contractor had since commenced works to rectify them.

Committee's Observations and Recommendations

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

iii. *Substandard plumbing work*

The Controlling Officer submitted that at the time of hand-over, the works were certified as completed by Buildings Department, whereby all the toilet flushing systems were working well. The non functional toilet flushing systems were therefore attributed to lack of maintenance by management at TEVETA.

Committee's Observations and Recommendations

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

iv. *Poor workmanship on Carpentry, Joinery & Ironmongery*

The Controlling Officer submitted that following a meeting held on 5 January, 2011, the Contractor was in the process of attending to all the identified snags.

Committee's Observations and Recommendations

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

c) **Trades Training Institutes**

i. *Choma Trades Training Institute*

The Controlling Officer explained that payment certificates valued at K754,741,070.41 and K1, 808,488,770.06, in support of payments made on cheque numbers 15357 and 3957 dated 4 November, 2009 has been attached to the respective vouchers. As regards defects, the Controlling Officer submitted that a snag list was developed and the contractor has since commenced the process of rectifying the identified defects in respect of plumbing works and replacement of the damaged cisterns.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Controlling Officer to caution the officers who were responsible for poor record keeping. A progress report is awaited.

ii. *Mongu Trades Training Institute*

The Controlling Officer submitted that the Contractor moved on site and rectified all the defects including sub-standard materials which were fitted earlier. Further, the Contractor was instructed to repair the cracks which were observed on the slab as the project was still in the 'defects liability period' and any works that would not meet the prescribed standard at the end of this period would not be eligible for payment.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until all identified defects have been attended to. They await a progress report on the matter.

iii. *Kabwe Trades Training Institute*

The Controlling Officer submitted that the Contractor, Atonement Enterprises Ltd requested for extension of the contract completion period due to the conflict arising from the school calendar as the Institution continued to use the facility while the contractor was executing his work.

Committee's Observations and Recommendations

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

iv. *Kasiya Secretarial and Business College*

The Controlling Officer submitted that the amount of K366,116,700 that was paid to Ndiwanga Limited, was intended for the demolition of the existing structure in order to pave way for the construction of the new library. The construction of the library awaited approval of the site by the Buildings department.

Committee's Observations and Recommendations

Your Committee expresses concern that such a huge amount of money was used on the demolition exercise and urges the Controlling Officer to investigate the matter further and establish whether the money was prudently used. They await a progress report on the matter.

MINISTRY OF SCIENCE, TECHNOLOGY AND VOCATIONAL TRAINING

AUDIT QUERY

PARAGRAPH 40

Units	Projects
Programmes	Various
Activities	Various

Accounting and Other Irregularities - RDC's

40. An examination of accounting and other records maintained at the Ministry and a visit to selected training institutions carried out in March 2011 revealed the following.

a) **Unretired Imprest-K184,217,000**

The Controlling Officer explained that the imprest amounting to K184,217,000 which was unretired has now been fully retired.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to administer imprest as provided for in the financial regulations and urges the Controlling Officer to take disciplinary action against accounting officers who failed to follow-up on the retirement of imprest. All the retirement documents should be availed to the Office of the Auditor-General for verification.

b) **Un-vouched Expenditure-K891,399,949**

The Controlling Officer submitted that the payments have been adequately supported.

Committee's Observations and Recommendations

Your Committee expresses concern that supporting documents in respect of K891,399,949 were not availed during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the Officer(s) whose responsibility it was to ensure that vouchers were adequately supported. Further, all the traced documents should be availed to the Office of the Auditor-General for verification.

c) Lack of Receipt and Disposal Details-K467,288,280

The Controlling Officer submitted that receipt and disposal details in respect of stores items valued K467,288,280 procured during the period under review have been traced and available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern that receipt and disposal details in respect of K467,288,280 were not availed during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the Officer(s) whose responsibility it was to ensure that they were kept safely and produced for audits. Further, all these documents should be availed to the Office of the Auditor-General for verification.

d) Payments without Cabinet Authority

The Controlling Officer acknowledged that payments amounting to K210,516,798 were made to various lodges for accommodation and conference facilities without Cabinet authority. The Ministry has put in place measures for ensuring that the Department did not procure conference facilities without Cabinet authority.

Committee's Observations and Recommendations

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

e) Grant Aided Institutions

The Controlling Officer informed your Committee that expenditure returns in respect of training institutions were now up to date and available for verification. Instructions have been issued to all Grant Aided Training Institutions under the Department to be submitting monthly expenditure returns failure to which funding would be withheld.

Committee's Observations and Recommendations

Your Committee resolves to close the matter but urges the Auditor-General to keep the matter in view in future audits.

MINISTRY OF YOUTH, SPORT AND CHILD DEVELOPMENT

AUDIT QUERY

PARAGRAPH 42

Units:	various
Programmes:	Various
Activities:	various

Accounting and Other Irregularities

41. An examination of accounting and other records maintained at the Ministry Headquarters and a visit to selected provinces in November 2011, revealed several weaknesses on which the Controlling Officer submitted as set out below.

a) **Inadequately Supported Payments-K746,920,303**

The Controlling Officer submitted to your Committee that forty-seven payment vouchers amounting to K746,920,303 were not supported by relevant documents such as receipts at the time of audit. However, twenty-seven payment vouchers amounting to K619,377,769 have since been found leaving a balance of K127,542,534.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to produce the supporting documents in respect of K746,920,303 during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the omission. The traced supporting documents should be availed to the Office of the Auditor-General for verification while remaining supporting documents should immediately be found. They await a progress report on the matter.

b) **Unretired Imprest-K26,862,800**

The Controlling Officer informed your Committee that the recoveries have been effected from the three officers with outstanding imprest and letters for the officers who have been transferred to other ministries have been sent to their respective Controlling Officers for action.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to ensure that imprest is retired in accordance with financial regulations and urges the Controlling Officer to take disciplinary action against the accounting officer(s) who should have followed up the retirement of the imprest. The retirement details should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

c) **Lack of Receipt and Disposal Details**

The Controlling Officer stated that at the time of audit, thirty-one stores items costing K227,469,500 procured from various suppliers, had not been recorded in the receipts and disposal records. However, nineteen stores items totalling K185,579,000 have been recorded leaving a balance of K41,890,500.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to ensure that disposal details were kept and produced during audit in accordance with financial regulations and urges the Controlling Officer to ensure that disciplinary action is taken against the stores or accounting officer(s) who should have kept the records. The traced details should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

d) **Lack of Fuel Reconciliations**

The Controlling Officer stated that the Ministry has procured fuel and oils costing K633, 139,858 during the period under review from the various filling stations. However, not all fuel reconciliations were availed to the audit team as information was being compiled at the time. Your Committee was informed that these reconciled fuel records have since been prepared.

Committee's Observations and Recommendations

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

e) **Youth Development Fund**

- *Failure to Recover Loans Issued To Youth Groups-K1,979,233,250*

The Controlling Officer submitted to your Committee that while it was true that twelve youth groups have started repaying the loans amounting to K34,625,000 at the time of audit, the amount paid back has so far increased to K70,350,000. As a control measure, the Ministry have engaged the Ministry of Finance on the possibility of opening a collection accounts for the Youth Development Fund where borrowers could deposit their repayment installments without necessarily travelling to Lusaka.

The Controlling Officer further informed your Committee that it was true that the payment vouchers were not supported with relevant approved application forms and other documentations. However, approved forms were filed and these documents were availed to the auditors.

Committee's Observations and Recommendations

Your Committee expresses concern at the slow pace at which loans were being traced and urges the Controlling Officer to put in place stringent monitoring measures to improve the recoveries. The Controlling Officer is further urged to improve record

keeping in respect of the loans documentation. They await a progress report on the matter.

f. Misapplication of Funds

The Controlling Officer responded that the Ministry of Finance and National Planning released K1,866,000,000 for the grant aided institutions, the Ministry of Youth, Sport and Child Development, only disbursed K722,741,117. The balance of K1,143,258,883 was spent on the rehabilitation and reintegration of street kids which was not funded in the last two quarters and the children in the Ministries' custody, who were undergoing rehabilitation, had no supplies including food. This resulted in a humanitarian crisis.

Committee's Observations and Recommendations

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

MINISTRY OF DEFENCE-HEADQUARTERS

AUDIT QUERY

PARAGRAPH 43

Units:	Human Resources and Administration Procurement and Supplies Maina Soko Military Hospital
Programmes:	General Administration Procurement and Supplies Logistical Supplies to the Hospital
Activities:	Various

Accounting and Other Irregularities

42. An examination of accounting and other records maintained at the Ministry Headquarters and visits to units carried out in April 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) Unretired Imprest-K654,134,738

The Controlling Officer informed your Committee that unretired imprest had been reduced to K46,955,650 and instructions had been issued to the concerned services to deduct the outstanding amounts from the officers concerned.

Committee's Observations and Recommendations

Your Committee wonders why the deductions were not effected as provided for in the financial regulations and urges the Controlling Officer to take action without further delay. Documents on the retired imprest should be availed to the Office of the Auditor-General. They await a progress report on the recovery of the remaining K46,955,650.

b) **Procurement and Stores**

i. *Uncompetitive Procurement of Services-K738,537,817*

The Controlling Officer informed your Committee that the irregularity in single sourcing of airline tickets was because a number of trips has to be undertaken at short notice however, as much as possible, the current practice was to solicit for at least 3 competitive quotations before evaluation and subsequent submission for payment before a trip was undertaken.

Committee's Observations and Recommendations

Your Committee notes that regardless of the urgency of the matter, a no objection to single source should have been sought from ZPPA before the procurement was done. Your Committee urges the Controlling Officer to seek guidance from the Accountant-General on the possibility of entering into service level agreements to reduce on incidences of single sourcing. Your Committee resolves to close the matter subject to verification that the situation has improved.

ii. *Stores Items without Receipt and Disposal Details*

The Controlling Officer informed your Committee that the receipt and disposal details were available for verification.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General.

iii. *Stores Items not in-stock - K184,011,100*

The Controlling Officer informed your Committee that records for stores items were not up to date at the time of audit due to inadequate staffing levels but an officer was now attached on full time to man stores and the record in question has since been updated.

Committee's Observations and Recommendations

Your Committee expresses concern at poor record keeping at the Ministry Headquarters and does not accept the explanation by the Controlling Officer that the situation was caused by lack of staff when the same officers that issued the stores could have prepared and kept the records. Your Committee requests the Office of the Auditor-General to verify the matter after which it should be closed.

iv. *Unaccounted for Fuel at Maina Soko - K92,090,680*

The Controlling Officer explained that fuel costing K92,090,680 was not accounted for at Maina Soko Military Hospital in that there were no fuel

registers and ledgers to show how fuel was utilised. The Controlling Officer acknowledged the lack of records at the time of audit and explained that the record system was now in place.

Committee's Observations and Recommendations

Your Committee express concern at the poor record keeping at the Hospital and urges the Controlling Officer to take disciplinary action against the officer(s) whose responsibility it was to prepare and keep such records. They await a progress report on the matter.

MINISTRY OF DEFENCE - ZAMBIA ARMY

AUDIT QUERY

PARAGRAPH 44

Units: Administration Branch
Operations & Training Branch
Logistics Branch
Programmes: Various
Activities: Various

Accounting and Other Irregularities

43. An examination of accounting and other records maintained at the Ministry of Defence and Zambia Army carried out in October 2011 revealed several irregularities to which the Controlling Officer responded as set out below.

a) Unsupported Payment Vouchers-K1,011,427,964

The Controlling Officer informed your Committee that the observation made of forty-two payment vouchers in amounts totalling K1,011,427,964 that were not supported by documents has been corrected and supporting documents were available for verification. She explained further that three quotations were always obtained from different suppliers and prices compared before a payment was made but only the quotation for the supplier picked was forwarded to the Finance and Records Directorate for payment while the other quotations were retained at Ordnance Directorate. This has been corrected as all the quotations were now forwarded to Finance and Records Directorate.

Committee's Observations and Recommendations

Your Committee does not understand why the Ministry failed to produce these quotations during audit and urges the Controlling Officer to avail all the records to the Office of the Auditor-General after which the matter should be closed.

b) Unretired Imprest-K1,307,950,681

The Controlling Officer informed your Committee that recovery of uncleared imprest worth K8,54,557,149 had since been fed while the balance was being verified.

Committee's Observations and Recommendations

Your Committee directs the Controlling Officer to avail documentary evidence of the recoveries to the Office of the Auditor-General for verification. The Controlling Officer is also strongly urged to ensure that financial regulations on the management of imprest are strictly followed.

c) Issue of Imprest for Command Requirements

The Controlling Officer informed your Committee that this was as a result of poor record keeping but the stores records for the items procured using imprest were available for verification. The procurement of stores items were now strictly done by cheque and that adequate information was being provided for Command requirements.

Committee's Observations and Recommendations

Your Committee notes that in the absence of records, there is a high likelihood that the imprest was abused and requests the Office of the Auditor-General to verify the matter before it can be closed.

d) Procurement and Stores Management

i. *Unaccounted for stores items-K1,749,130,317*

The Controlling Officer informed your Committee that the Ministry had taken note of the observation of the 125 transactions in the sum of K322,211,380 where officers obtained cash in the form of imprest to make payments to suppliers of goods and services instead of drawing cheques payable to respective suppliers. Finance and Records Directorate have since been directed not to make such payments through drawing of cash imprest.

Committee's Observations and Recommendations

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

ii. *Unaccounted for Fuel-K5,573,409,402*

The Controlling Officer informed your Committee that most of the fuel accounting documents were burnt on 27 July 2011 when the Petroleum, Oil and Lubrication (POL) station was gutted by fire. However, some of the documents which were at the Directorate Offices were available for verification. A board of Inquiry has since been constituted to determine the cause of the fire and damage caused to property and documents.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

iii. *Unaccounted for Spare Parts-K253,107,671*

The Controlling Officer informed your Committee that receipt and disposal details in respect of spare parts costing K253,107,671 were now available.

Committee's Observations and Recommendations

Your Committee expresses concern at poor record keeping in the Army and urges the Command and the Controlling Officer to put in place concrete steps to correct the situation and provide a progress report. The Office of the Auditor-General is requested to verify the matter after which it should be closed.

e) **Misapplication of Funds-K3,607,046,561**

The Controlling Officer acknowledged that a special audit by the Office of Auditor-General was carried out to audit personal emoluments for the Defence Force covering the period from January 2009 to June 2010 in which the observation of misapplication of funds was raised and responses provided. Subsequently, the matter was classified secret and referred to the Defence Council for its attention.

Committee's Observations and Recommendations

Your Committee expresses concern that the misapplied funds were meant for personal emoluments which is expressly forbidden in the financial regulations. Your Committee will await a verification report from the Office of the Auditor-General on the matter.

f) **Renovations of Army Commander's House**

i. *The contract signed had no start and completion dates.*

The Controlling Officer acknowledged that the contract has no start and completion date while the Bill of Quantities lacked detailed material costings.

Committee's Observations and Recommendations

Your Committee wonders why the contract was signed in this defective state and urges the Controlling Officer to institute disciplinary action against the officer(s) responsible for this omission and provide a progress report.

ii. *Bills of Quantities without Costings*

The Controlling Officer acknowledged that the Bill of Quantities lacked detailed material costings.

Committee's Observations and Recommendations

Your Committee wonders how the contract without specific costings for materials was negotiated and signed and urges the Controlling Officer to

investigate the matter and if necessary institute disciplinary action against the officer(s) responsible for this omission and provide a progress report.

g) Supply and Installation of Hospital Equipment-K498, 901,500

The Controlling Officer explained that B Square Limited has replaced all the equipment that were of low quality. Further, the Controlling Officer reported that B Square Limited has also committed itself to correct all the other observations made by the Audit by 22 February 2012.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the current situation and provide a progress report.

MINISTRY OF DEFENCE - ZAMBIA AIR FORCE

AUDIT QUERY

PARAGRAPH 45

Units:	Human Resources and Administration Operations Technical Services Supply Services Training
Programmes:	Various
Activities:	Various

Accounting and Other Irregularities

44. An examination of accounting and other related records maintained at the Zambia Air Force carried out in October 2011 revealed weaknesses to which the Controlling Officer responded as set out below.

a) Unsupported Payments-K94,251,400

The Controlling Officer explained that documents such as invoices, receipts, delivery notes and contracts were available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the misplacement of supporting documents and urges the Controlling Officer to take disciplinary action against the officers that were responsible for the anomaly. They further urge the Controlling Officer to avail the documents that have been traced to the Office of the Auditor-General for verification after which the matter should be closed.

b) **Weaknesses in the Payment and Recovery of Salary Advances**

i. *Recovery Period Exceeding Six Months-K200,837,994*

The Controlling Officer submitted that due to personal problems the officers were facing at the time and advances were paid on humanitarian grounds although some of them had poor net take home pay.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to strictly observe financial regulations in order to avert unnecessary audit queries. Your Committee requests the Office of the Auditor-General to keep the matter in view in future audits.

ii. *Failure to Recover Salary Advances-K502,860,000*

The Controlling Officer submitted that the advances have since been recovered while some were still being recovered.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

c) **Procurement of Stores**

i. *Unaccounted for Goods due to non-adherence to Procurement Procedures*

The Controlling Officer explained that according to records and documentation in respect of cited goods and fuel were available at Air Force Headquarters and Director of Petroleum Oil Lubricants (DPOL), respectively, for audit verification. Instructions have been issued to all formations to follow the laid down procedure when procuring, receipting and issuing goods and services through supply section.

Committee's Observations and Recommendations

Your Committee wonders why these documents were not availed for audit inspection and reminds the Controlling Officer of the need to pay attention to the audit process in order to avoid unnecessary queries. Your Committee urges the Controlling Officer to avail the documents for verification after which the matter should be closed.

ii. *Procurement of Goods without Competitive Quotations-K489,420,000*

The Controlling Officer submitted that the observations regarding single-sourcing have been noted and in future, authority would be sought from the Zambia Public Procurement Authority (ZPPA).

Committee's Observations and Recommendations

Your Committee resolves to close the matter and cautions that in future, cases of single sourcing will not be taken lightly.

d) **Imprest-K446,903,862**

The Controlling Officer explained that according to records the outstanding amount was being recovered and documents were available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern that regulations on the retirement of imprest are not being strictly adhered to and urges the Controlling Officer to put measures in place to correct the situation. Further, evidence of the recoveries should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

e) **Misapplication of Personal Emoluments Funds**

The Controlling Officer explained that the funds borrowed from the salaries account would be refunded.

Committee's Observations and Recommendations

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

f) **Poor workmanship in the Construction of ZAFAs Ablution Block-K136,085,515**

The Controlling Officer explained that the Zambia Air Force Academy (ZAFAs) recruited more civil engineers in order to address the issue of poor workmanship in construction works.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure funds are found to immediately work on the defects that were identified by the audit. They await a progress report on the matter.

MINISTRY OF DEFENCE - ZAMBIA NATIONAL SERVICE

AUDIT QUERY

PARAGRAPH 46

Units: Administration
Production
Logistics
Projects
Programmes: Various
Activities: Various

Accounting and Other Irregularities

45. An examination of accounting and other records carried out between June and October 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Inadequately Supported Payment-K1,050,251,137**

The Controlling Officer explained that some of the payment vouchers had no invoices due to misplacement while others were skipped during audit. However, Local Purchase Orders were all attached. The misplaced documents were traced and had been attached to the payment vouchers

Committee's Observations and Recommendations

Your Committee expresses concern that supporting documents in respect of such a huge amount were misplaced and urges the Controlling Officer to take disciplinary action against the officer(s) that failed to ensure safe custody of the documents. They await a progress report on the matter.

b) **Rental Payments not Supported by Lease Agreements- K1,250,800,618**

The Controlling Officer explained that payments were made without lease agreements although, valuation reports were in place for each payment. The long process of obtaining valuation reports and finally lease agreements contributed to this situation as landlords tend to deal with tenants on first come basis.

Committee's Observations and Recommendations

Your Committee expresses concern that such a huge amount in rental arrears was paid out without lease agreements and cautions the Controlling Officer against this practice in future. Your Committee resolves to close the matter but urges the Auditor-General to keep the matter in view in future audits.

c) **Unretired Imprest-K40,815,500**

The Controlling Officer explained that the imprest was not retired at the time of audit as some of the affected officers were out of station. However, the imprest has since been retired while for those that did not retire, recoveries have been effected from their salaries.

Committee's Observations and Recommendations

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

d) Procurement of Goods and Services using Imprest-K449,122,958

The Controlling Officer submitted that this was due to the fact that some suppliers were refusing to accept cheques. In some cases, when cheques were prepared, the supplier would not supply the goods and services until the cheques were cleared.

Committee's Observations and Recommendations

Your Committee expresses concern at the use of imprest to procure goods and services as it is susceptible to abuse and requests the Auditor-General to verify the current situation before the matter is closed.

e) Stores Management and Control

i. *Stores items without Receipt and Disposal Details-K1,041,603,632*

The Controlling Officer explained that the receipt and disposal details in respect of various items costing K1,041,603,632 have since been put in place while measures had been put in place to have a proper system of recording stores received and issued out. Demand and issue vouchers were also in place for control purposes. The stores items have supporting documents and all the records have been updated.

Committee's Observations and Recommendations

Your Committee expresses concern that details in respect of such a huge of amount of good were misplaced and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) charged with the responsibility of ensuring safe custody of the records. They await a progress report on the matter.

ii. *Unaccounted for farming inputs - ZNS Chanyanya Wheat Project to K213,035,800*

The Controlling Officer explained that the Unit has challenges in record keeping because the stores officer was sent on an operation in Kaputa and there was no competent person to run the office. The Unit had since accounted for all the inputs and stores items by opening relevant ledgers and files. Further, all stores items received and issued had been recorded in ledgers and the records for receipts and issues had been maintained as advised.

Committee's Observations and Recommendations

Your Committee expresses concern that measures were not taken to acquaint the stand in officer with basic skills in stores management which is tantamount to negligence of duty and should attract disciplinary action. Your Committee

urges the Controlling Officer to avail all the traced documents to the Office of the Auditor-General for verification after which the matter should be closed.

iii. *Unaccounted for rations - Makeni Central Stores-K227,320,000*

The Controlling Officer explained that the records of receipts pertaining to food stuffs at ZNS Makeni Central Stores were kept at ZNS HQ Logistics Branch as transactions for procurements were conducted from ZNS HQ. Records for disposal details were kept at ZNS Makeni Central Stores Depot since demand and issues were done from there. Pursuant to this, Logistics Branch have put in place a proper system of recording goods received and issued through relevant ledgers, demand and issue vouchers for easy accountability. Thus, the receipt and disposal details for foodstuffs worth K227,320,000 were available.

Committee's Observations and Recommendations

Your Committee expresses concern that this explanation was not rendered during audit and urges the Controlling Officer to have the matter verified by the Auditor-General after which it should be closed.

iv. *Undelivered Food Stuffs-K115,430,000*

The Controlling Officer explained that the Unit had remained with a balance of fresh rations with suppliers mainly due to inadequate cold storage facilities coupled with lack of transport to bring in bulk rations at once. However, the Service was in the process of acquiring cold storage facilities for the Unit to enable it receive the foodstuffs at once for easy accountability. ZNS Chiwoko have since collected the remaining balance of fresh rations and records were available for verification.

Committee's Observations and Recommendations

Your Committee does not appreciate the reason rendered by the Controlling Officer as the period that elapsed was too long. Your Committee requests the Office of the Auditor-General to verify the current situation.

v. *Fuel Payments without Disposal Details-ZNS Chanyanya-K129,316,977*

The Controlling Officer submitted that records of disposal details were now in place and the Unit now has ledgers for fuels, lubricants and other stores items received and issued to promote accountability.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to avail the disposal details that have been traced to the Office of the Auditor-General for verification. Further, your Committee recommends that disciplinary action should be instituted against the officer(s) who caused the query. A progress report is awaited.

f) **Failure to Pay Insurance Premiums-K2,973,904,287**

The Controlling Officer submitted that the Government through the Ministry of Finance and National Planning used to pay premiums but eventually stopped. She noted that the outstanding bills due to ZSIC required special funding as ZNS have no capacity to clear it. However, premiums were being paid whenever the treasury released the funds although no impact was made. Further, the ZNS has constituted a Board of Survey and Condemnation to identify the absolute assets for disposal which would reduce on the premium.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to engage the Secretary to the Treasury with a view of seeking additional funding to offset the outstanding premiums. Your Committee will not close the matter until it has been resolved.

g) **Management of Asset Inventory**

The Controlling Officer submitted that the observation has been noted and the assets were all recorded in asset registers and the inventory was maintained and updated. The programme of inscribing all office equipment with identification numbers have been embarked on. In addition, the Ministry was in the process of updating and labeling all fixed assets of the Ministry.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter subject to verification by the Office of the Auditor-General.

h) **Outstanding Debtors - Land Development Branch-K7,194,015,263**

The Controlling Officer explained that the outstanding amount has reduced to K4,388,387,576 which has been referred to the Ministry of Justice to assist the Ministry in recovering the money. A response from the Ministry of Justice was being awaited. In order to correct the situation, a debt policy has been put in place requiring clients pay an advance payment in full or 75% of the contract sum before the work can commence.

Committee's Observations and Recommendations

Your Committee notes the submission but resolves not to close the matter until there is a significant reduction in the debt. They await a progress report on the matter.

MINISTRY OF EDUCATION

AUDIT QUERY

PARAGRAPH 47

	Headquarters
	Human Resource & Administration
	Planning & Information
	Standards
	Teacher Education & Standard Services
	Distance Education
Units:	Various
Programmes:	Various
Activities:	Various

Accounting and Other Irregularities

46. An examination of accounting and other records maintained at the Ministry headquarters and visits to some selected Districts carried out in September 2011 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Missing payment vouchers-K11,222,393,355**

The Controlling Officer informed your Committee that thirty-four payment vouchers in amounts totalling K8,452,502,365 have been traced leaving a balance of 103 payment vouchers in amounts totalling K2,769,890,990. The documents were misplaced because the store room in which files were being kept was being renovated resulting in the misplacement of box files and efforts were being made to ensure that all the missing payment vouchers were traced.

Committee's Observations and Recommendations

Your Committee expresses displeasure at the misplacements of the documents in question and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) whose responsibility it was to ensure safe custody of the documents. They await a progress report on the matter.

b) **Unacquitted Allowances-K756,255,750**

The Controlling Officer informed your Committee that the payments totalling K756,255,750 have been acquitted.

Committee's Observations and Recommendations

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

c) **Weaknesses in the Management of Imprest**

There were weaknesses in the management of imprest at the Ministry in that:

i. *Unretired Imprest-K3,070,889,740*

The Controlling Officer informed your Committee that imprest in amounts totalling K2,647,271,180 issued to sixty-six officers has been retired leaving a balance of K423,618,560 involving fourteen officers. Efforts were being made to ensure that all the officers retire their imprest failure to which deductions would be effected against their salaries.

Committee's Observations and Recommendations

Your Committee is disappointed that the Controlling Officer failed to institute recoveries as provided for in the regulations and urges her to show leadership by taking immediate action on the matter. They await a progress report on the matter.

ii. *Failure to Provide Reports-K3,168,807,240*

The Controlling Officer informed your Committee that the imprest for which the assignments was issued ranged from getting of information from lower levels such as attending budget preparations, collection of data and preparations of annual reports. The Ministry has since designed a form to ensure that officers undertaking assignments filled in and attached a report after undertaking the assignment.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry did not seem to have clear reporting guidelines and urges the Controlling Officer to put in place a reporting system to ensure timely submission of reports by all officers sent on assignment. They request the Office of the Auditor-General to verify the prevailing situation before the matter can be closed.

iii. *Irregular Procurement of Stores items and Services-K99,462,240*

The Controlling Officer informed your Committee that the mentioned amount of K99,462,240 in the schedule was imprest issued to executive officers, maintenance officers and secretaries for activities including labour, women's, youth, and inter-company relay. The amounts were meant for payments such as allowances, PA system, dancers, water and minor electrical accessories which were procured over the counter and could not be subjected to tender procedures in their individual form.

Committee's Observations and Recommendations

Your Committee notes the submission but are of the view that most payments could still have been paid directly to the suppliers instead of issuing accountable imprest. Your Committee, therefore, resolves not to close the matter until it is verified that the practice of paying accountable imprest for such procurements has been halted.

d) Unsupported and inadequately supported payments-K3,656,432,415

The Controlling Officer informed your Committee that sixty-four payments in amounts totalling K866,858,771 has been fully supported with receipts, invoices and local purchase orders leaving a balance of ten payments in amounts totalling K2,789,573,644. These were made up of payment to ZAMTEL amounting to K1,150,743,843, whose bills have been misplaced while the remainder were for payments for air tickets for 140 sponsored students travelling to Russia, Algeria and Cuba whose competitive quotations had been misplaced but contracts were available for verifications. Efforts were being made to ensure that all the payments were fully supported.

Committee's Observations and Recommendations

Your Committee notes that the Controlling Officer did not render any explanation for the misplacement of the supporting documents and urges her to take disciplinary action against the officers that failed to execute their responsibility to the expected standard. Your Committee will await a progress report on the payments yet to be supported fully.

e) Fuel drawn by Motor Vehicles not belonging to the Ministry-K28,011,114

The Controlling Officer informed your Committee that all the mentioned vehicles belonged to the Ministry and were classified as follows:

- GRZ 578 and GRZ 611 BX came from the Ministry of Finance and National Planning with the former Permanent Secretary;
- ABD 8115 and ABF 1740 were project vehicles which had been handed over to the Ministry under Planning Unit;
- GRZ 301 CA a newly acquired vehicle whose records were still at Ministry of Works and Supply; and
- GRZ 680 BS was under HRA up to 2010 and had been bought by the former Permanent Secretary.

Committee's Observations and Recommendations

Your Committee expresses concern that this information was not availed during audit in order to facilitate the closure of the matter before the Auditor-General's report was concluded. Your Committee takes great exception to this and in future will not hesitate to recommend disciplinary action.

f) Lack of Receipt and Disposal Details-K3,244,934,130

The Controlling Officer informed your Committee that stores items costing K1,037,742,816 now have receipt and disposal details leaving a balance of K2,207,191,314. Efforts were being made to ensure that all the stores items had receipt and disposal details.

Committee's Observations and Recommendations

Your Committee notes that the balance of K2,207,191,314 without supporting details was very huge and urgent steps need to be taken to ensure that the matter is resolved. They await a progress report on the matter.

g) **Payment for Workshops without Cabinet authority-K1,985,156,955**

The Controlling Officer informed your Committee that the Ministry has always adhered to holding workshops only after Cabinet Office authority was obtained but in this case authority given to hold some workshops could not be traced and availed for audit verification. The Controlling Officer further explained that authority for Financial Management System (FMS) workshops was usually given for the whole year for the purpose of preparing quarterly financial statements. She stated that no Cabinet Office authority was required when holding workshops in a government lodge and such transactions involved twenty-seven payments amounting to K1,906,651,686. The Cabinet Office authorities for the rest of the transactions involving nine payments amounting to K78,505,269 were available for audit verification.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until approval for all the workshops were availed for audit verification. Your Committee are of the view that Cabinet authority is needed as long as the workshop is being held outside the premises of the Ministry.

h) **Loss of funds through thefts-K131,782,358**

The Controlling Officer informed your Committee that the robberies in September, 2010 in which the Ministry's two cashiers were robbed of K40,068,495 and K91,713,863 were reported to the Police by the Ministry and a police report for amounts totalling K40,068,495 was issued while the report for amounts totalling K91,713,865 had not been issued to the Ministry. Considering that the Police has not yet concluded the investigations, the Ministry was unable to seek authority from the Secretary to the Treasury to charge the amounts as a loss to public funds. In order to mitigate the loss the Ministry refunded the funds from the personal emoluments using the provisions under the dismantling of arrears/non personal emoluments provided for in the estimates of revenue and expenditure for the year under review.

Committee's Observations and Recommendations

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

- **Allowances-Students**

- i. *Lack of acquittal sheets*

The Controlling Officer informed your Committee that the Ministry has faced a lot of challenges in securing acquittal sheets for payments of top up allowances for students studying abroad because, in most cases, the allowances for students were deposited into their bank accounts hence making it difficult for

the mission abroad to produce acquittal sheets. As regards the amounts totalling K6,661,128,153 released to Zambian missions abroad as top up allowances and medical insurances for students studying in Algeria, China, Cuba and Russia, some acquittal sheets have been obtained while in cases where the allowances were deposited into student's bank accounts, some write ups have been obtained to confirm payment of allowances.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that a lasting solution as the current situation could not be allowed to continue. It should be an obligation for students to ensure that they sign acquittal forms for the monies they obtain from the Government. All the traced acquittal sheets should be availed to the Office of the Auditor-General for verification.

ii. *Students Studying at Copperbelt University and University of Zambia*

The Controlling Officer acknowledged that there were no acquittal sheets for amounts totalling K19,297,107,675 disbursed to the Bursaries Committee for meal, project and book allowances to various students at Copperbelt University and University of Zambia during the period under review but , these were now available.

Committee's Observations and Recommendations

Your Committee notes that failure by the Controlling Officer to render an explanation as to why acquittal sheets were not availed for audit inspection is a clear indication that the irregularity was as a result of negligence of duty within the Ministry. Your Committee, therefore, urges the Controlling Officer to take appropriate disciplinary action against the officer(s) who failed to produce the said acquittal sheets for audit inspection. Further, the traced acquittal sheets should be availed to the Office of the Auditor-General for verification.

iii. *Failure to Submit Expenditure Returns-K137,439,906*

The Controlling Officer informed your Committee that the Ministry did not collect expenditure returns from the listed institutions but got annual reports through the Financial Management System (FMS) through the districts. As regards, universities they submitted their annual financial statements.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the matter before it can be closed.

j) **Non-recovery Loans and Salary Advances-K3,660,698,333**

The Controlling Officer informed your Committee that the delay in effecting recoveries was as a result of the challenges faced by the new P MEC but all the inputs

had been effected and the recoveries on all the employees that were paid loans and advances were running.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

k) Construction of Kamfinsa Day High School

The Controlling Officer informed your Committee that in July, 2008, the Ministry engaged Hua Jiang Investment Limited for the construction of Kamfinsa Day High school at the contract price of K14,288,940,000 for a period of 105 weeks. The project commenced on 28 August 2008 and was expected to be completed in September, 2010 and as of December, 2010, the contractor has been paid a total of K13,291,396,554.96 leaving a balance of K997,543,445. She added that the main structures were completed with minor works to the internal walls left. One borehole has been sunk with a water stand erected while the boundary wall was nearing completion.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification that all the works have been completed.

l) Construction of Moomba High School

The Controlling Officer informed your Committee that as of December, 2011, the contractor had been paid a total of K20,865,749,486 leaving a balance of K6,594,929,514. So far, works on the two (2) girls' dormitory ablution blocks in respect of roofing, plastering, floor screed, wall tiling, concrete benches, fitting brise soleil, fitting of door frames and doors, concrete apron and spoon drain were completed while rough casting, plumbing, electrification and painting were in progress. The sewerage systems and access roads were still outstanding. As regards the poor workmanship over cracks on the ceiling board of the home economics block, the weaknesses has not been addressed.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to await a progress report on the outstanding works. Your Committee also urges the Controlling Officer to ensure that the weaknesses observed by the auditors are addressed while the contractor is still on site.

m) Construction of Kafushi Boarding High School

The Controlling Officer acknowledged that as of December, 2011, the contractors had been paid a total of K11,215,322,202 leaving a balance of K9,387,414,148. She reported that painting of the administration block and hostels had been completed while the outstanding works included access road, landscaping, sewerage and water reticulation system.

Committee's Observations and Recommendations

Your Committee resolves to await a progress on the completion of outstanding works.

n) Construction of Kalundu Basic School

The Controlling Officer acknowledged that as of December 2011, the contractor had been paid a total of K7,090,521,444 leaving a balance of K2,766,798,556. She reported that the contractor was recalled to rectify all the concerns that were raised and they have since been worked on. On the other hand, the conduit pipes could not be concealed because that was the design from Ministry of Education.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

o) Construction of Nakanya Technical Boarding High School

The Controlling Officer submitted that in May, 2008, the Ministry engaged Hua Jiang Investments Limited to construct a boarding school in Mongu district of Western province at a contract price of K25,700,951,000 and as of December, 2011, the contractor had been paid a total of K24,184,473,409 leaving a balance of K1,516,477,591. She updated your Committee that works all the structures had been plastered except for anti gurd, and ceiling that had been done in parts in all the twenty houses. Further, plumbing works to houses had been done outside only while electrical conduit pipes had been fitted in all the structures and wiring done in some. However, access roads, sewerage and water reticulation, flooring and glazing had not been done.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to await a progress report on the outstanding construction works.

p) Construction of Situnga Basic School

The Controlling Officer submitted that in July, 2009, the Ministry engaged Yangts-Jiang Enterprises Limited to construct two basic schools in Mongu district in Western Province at a contract price of K7,497,416,460 and as of December, 2011, the contractor had been paid a total of K6,998,613,472 leaving a balance of K675,223,544. However, the contractor was informed of the defects that have been identified during the audit and was currently on site working on all of them.

Committee's Observations and Recommendations

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

MINISTRY OF EDUCATION HEADQUARTERS

AUDIT QUERY

PARAGRAPH 48

Unit	Various
Programme	Various
Activities	Various

Accounting and Other Irregularities

47. An examination of accounting and other records maintained at the Ministry headquarters and visits to some selected Districts carried out in September 2011 revealed the following.

a) **Misappropriation of Funds-K1,210,356,300**

The Controlling Officer submitted that as of December, 2011, K360,000,000 has been recovered while the balance of K769,195,300 remained outstanding. Meanwhile, the matter has been reported to the Police and the suspects were currently appearing in the Courts of Law.

Committee's Observations and Recommendations

Your Committee resolves to await the outcome of the Court process.

b) **Un-accounted for Funds-K1,019,768,001**

The Controlling Officer submitted that it was regrettable that during the period under review, fifteen (15) stations were unable to account for amounts totalling K1,019,768,001 but a total amount of K164,951,010 had been accounted for leaving a balance of K796,177,071.72.

Committee's Observations and Recommendations

Your Committee expresses concern that such large amounts have not been accounted for and urges the Controlling Officer to report the matter to the Law Enforcement Agencies for further investigations. They await a progress report on the matter.

c) **Unapproved Payments-K683,868,679**

The Controlling Officer submitted that sixty-three payment vouchers in amounts totalling K301,514,300 have been approved retrospectively leaving a balance of eighty payment vouchers in amounts totalling K382,354,379 and all these documents were available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the high levels of financial indiscipline in the Ministry and urges the Controlling Officer to caution all the officers that made payments without approval. Further, all the remaining payments should be verified

to establish whether they can be approved in retrospect. They await a progress report on the matter.

d) **Questionable Payments - Headquarters**

i. *Failure to produce Contract- K34,647,444*

The Controlling Officer submitted that the contract with Ultimate Technology Limited was available for audit verification.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

ii. *Overpayment of Allowances*

The Controlling Officer submitted that the officers were paid allowances for four days each in line with the Cabinet Office authority and not five days as observed by the auditors and therefore, there was no overpayment.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

iii. *Overpayment to G.E.S Architects-K61,646,480*

The Controlling Officer submitted that G.E.S Architects have acknowledged the overpayment and have agreed to refund the funds. The firm was reclaiming the VAT from ZRA after which a refund would be made to the Ministry.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until the refund of K61,646,480 is made to the Ministry. They await a progress report on the matter.

e) **Un-vouched Expenditure-K1,666 064,620**

The Controlling Officer submitted that 284 payments in amounts totalling K1,463,981,450 had been vouched leaving a balance of K41,694,437 involving one 166 payment vouchers while efforts were being made to ensure that all the missing vouchers were found.

Committee's Observations and Recommendations

Your Committee expresses concern that supporting documents were not availed during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the Officer(s) whose responsibility it was to ensure that vouchers were

adequately supported. Further, all the recovered documents should be availed to the Office of the Auditor-General for verification.

f) Failure to deliver Projects on time

The Controlling Officer submitted that delays in the completion of the school projects were generally caused by delays in the release of funds by Government for honouring payment certificates. The delays in honouring payment certificates began in September, 2010 when the funds were only released in April, 2011 while the next payments were made in July/August, 2011 and thereafter in December, 2011.

Committee's Observations and Recommendations

Your Committee notes that some projects have been completed while a few are still outstanding and urges the Controlling Officer to ensure that all the remaining works are completed. Your Committee requests the Office of the Auditor-General to verify the current status of the works and provide a progress report.

g) Delayed Distribution of Desks

The Controlling Officer submitted and acknowledged that the Ministry engaged three suppliers to supply, deliver and assemble 19,363 desks to various schools in North Western, Northern and Southern provinces at a contract sum of K4,883,090,000 but the performance of the suppliers was characterised by delays in late payments by the Ministry to the suppliers after signing of the contracts. However, almost all the desks have been assembled although some have remained unassembled.

Committee's Observations and Recommendations

Your Committee directs the Controlling Officer to ensure that all the desks are delivered and assembled in accordance with the contracts that were signed by the three suppliers and provide a progress report. The Office of the Auditor-General is urged to verify the current status before the matter can be closed.

h) Failure to disburse School Grants in Full-K204,970,177

The Controlling Officer submitted in respect of the Luangwa DEBS, that schools resolved to subscribe towards district sports events and minutes were available for audit verification while for Mpika and Chongwe DEBS the funds had been disbursed. For DEBS in Chinsali, materials had been bought and distributed to other schools. In Chipata, schools closed and funds were swallowed up in bank charges while for DEBS in Namwala, the underfunding of K9,136,669.83 was as a result of deductions for all schools at source to enable schools affiliate to provincial sports activities.

Committee's Observations and Recommendations

Your Committee expresses concern that excuses are being given for the funds that were withheld and urges the Controlling Officer to always insist that grants are administered in accordance with conditions set by the Ministry.

i) **Non-submission of Expenditure Returns**

The Controlling Officer submitted that 391 schools that received grants in amounts totalling K954,042,491 did not submit expenditure returns to their respective DEBS' offices and that five DEBS offices disregarded the guidelines and funded amounts totalling K381,814,357 to 194 schools which had not submitted expenditure returns. All the expenditure details were available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern that returns were not submitted as required and urges the Controlling Officer to caution the DEBs and the school heads that failed to submit returns. A progress report is awaited.

j) **Unretired Imprest-K5,048,844,865**

The Controlling Officer submitted that amounts totalling K3,747,729,621 issued to 418 officers has been retired leaving a balance of K1,380,371,802 involving 164 officers unretired. The Controlling Officer submitted that efforts were being made by the Ministry to ensure that all the imprest was retired failure to which recoveries should be effected against their salaries.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to administer imprest as provided for in the financial regulations and urges the Controlling Officer to effect the recoveries immediately. Further, the Controlling Officer should take disciplinary action against accounting officers for failing to follow-up on the retirement of imprest. A progress report is awaited.

k) **Unaccounted for Stores-K2,533,956,222**

The Controlling Officer submitted that stores items costing K1,840,252,507 now have receipt and disposal as detailed while efforts were being made by the Ministry to ensure that all the stores items had receipts and disposal details.

Committee's Observations and Recommendations

Your Committee is concerned that the Ministry failed to avail the stores details in question during audit and urges the Controlling Officer to ensure that the remaining records are found without further delay. Further, the Controlling Officer should take disciplinary action against the officers responsible for the omission.

l) **Failure to produce Reports- K159,046,278**

The Controlling Officer explained that all the reports for monitoring were available for audit verification while the reports on short term training abroad for six officers were also available.

Committee's Observations and Recommendations

Your Committee observes that this is a straight forward matter on which management should have already taken disciplinary action. The Controlling Officer is strongly urged to immediately caution the officers concerned for submitting the reports in question late and provide a progress report.

m) Failure to maintain Records

The Controlling Officer submitted that accounting officers at all the fourteen stations now maintain all various books of accounts as could be evidenced from the samples of some accounts records from some stations.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the accounting officer(s) who failed to maintain the records in question. The Office of the Auditor-General is requested to verify the current status.

n) Misapplication of Funds-K1,456,224,431

The Controlling Officer submitted that amounts totalling K656,241,999 had been reimbursed leaving a balance of K846,882,432.38.

Committee's Observations and Recommendations

In closing the matter, your Committee expresses concern that funds were used to make all sorts of payments unrelated to the NIF and urges the Controlling Officer to strongly caution the station against such irregularities.

o) Failure to adhere to Procurement Guidelines-K614,246,836

The Controlling Officer submitted that in most of these institutions procurements were being done by untrained staff.

Committee's Observations and Recommendations

Your Committee finds the excuse of the stations lacking trained staff unacceptable as it is unlikely that all staff involved in the procurement process including internal auditors, accounting staff and signatories were ignorant of the procurement guidelines. The Controlling Officer is therefore urged to stop looking for excuses and ensure that procurements are done in accordance with procurement guidelines.

p) Construction of Classroom Blocks, VIP Latrines and Staff Houses

The Controlling Officer submitted that delays in the completion of the school projects were generally caused by delays in release of funds by government for honouring payment certificates. The delays in honouring payment certificates began in September, 2010 when the funds were only released in April, 2011. The next payments were made in July and August, 2011 and thereafter in December, 2011.

According to the contract which is standard for all projects, the payment certificates are supposed to be honoured twenty-eight days after approval by the Project Manager. As regards to the defects the Ministry has informed the contractors to get back to the projects and rectify all the defects.

Committee's Observations and Recommendations

In taking note of the progress attained towards the completion of the various works, your Committee requests the Controlling Officer to ensure that follow up is made so that all remaining works are completed by the contractors and all the defects were rectified. The Office of the Auditor-General is requested to verify the current status and provide a progress report.

MINISTRY OF LANDS

AUDIT QUERY

PARAGRAPH 49

PROGRAMMES: Various

ACTIVITIES: Various

Accounting and Other Irregularities

48. An examination of accounting and other records carried out in April 2011 revealed some weaknesses to which the Controlling Officer responded as set out below.

a) Unretired Imprest - K1,603,757,887

The Controlling Officer submitted that the observations made by the Office of the Auditor General that imprest amounting to K1,603,757,887 issued to forty-one officers during the period under review had not been retired as of December 2011 was correct. He, however, reported that K962,960,051 has since been retired and that he has continued to pursue the concerned officers to retire the remaining amounts.

Committee's Observations and Recommendations

Your Committee expresses concern that imprest is not being handled in accordance with the provisions of the financial regulations and urges the Controlling Officer to take disciplinary action against the officers who should have follow up the imprest. A progress report is awaited on the retirement of the outstanding imprest.

b) Unvouched Expenditure - K1,587,611,798

The Controlling Officer informed your Committee that out of the seventy-four payments not supported, forty-four have been supported while the Ministry was also making follow-ups to suppliers to obtain certified copies of invoices and receipts in order to support these payments.

Committee's Observations and Recommendations

Your Committee is concerned that supporting documents were not availed during audit and directs the Controlling Officer to ensure that these documents are verified by the Office of Auditor-General and submit a progress report on the matter.

c) **Unaccounted for stores - K3,716,627,312**

The Controlling Officer stated that the disposal details and receipts had now been availed for audit. He went further to explain that the absence of receipts and disposal details at the time of audit was because at the time there was no Stores Officer responsible for maintaining stores records and that an Officer has now been placed to maintain stores records.

Committee's Observations and Recommendations

Your Committee wonders how possible it was to receive and issue stores without any record, not even an exercise book and why it has been allowed to go on for such a long time. Your Committee resolves not close the matter until the necessary documents have been availed for verification.

d) **Contracts**

i. *Wasteful Expenditure*

The Controlling Officer submitted that the observations by the Office of the Auditor-General were correct and explained as set out below.

- a. Installation could not commence due to delays in the renovations of the Map Bulk Store, which constituted the premises where the printing press would be installed and commissioned. The delays in the contract for renovations arose due to lack of funds to fulfill the contract in time.
- b. The supplier of the printing press had not been able to find logistical tools and equipment in Lusaka to aid heavy lifting and accurate placement of printing press components within the bulk store building premises. Heidelberg Graphics Systems of South Africa, were on site at the Bulk Store at Impala House, in December 2010 and commenced installation arrangements until constraints with logistical tools and equipment issues were discovered. The Ministry resolved with Heidelberg Graphics System that the supplier would import equipment from South Africa in January 2011 to undertake the installation.
- c. Heidelberg Graphics Systems' return to Zambia in January 2011 was dependant on the provision of printed plates by the Ministry for the use in test printing during installation. The Ministry was only able to provide printed plates, using a Heidelberg plate Making Machine at Government Printing Department (GPD) in Lusaka. Unfortunately, the Ministry could not secure printed plates at GPD because the Plate Making Machine was no longer in use due to a missing software dongle. GPD assured the Ministry

that they were procuring a new software dongle from Heidelberg Graphics Systems, RSA. GPD made a payment late last year, 2011 to Heidelberg for the replacement part.

Committee's Observations and Recommendations

Your Committee expresses concern that machinery bought at such colossal sums could not be installed for such a long time running a risk of it being rendered obsolete. Further, your Committee urges the Controlling Officer to ensure that the machine is insured comprehensively and that it should be installed in the quickest possible time and provide your Committee with an update.

ii. *Irregularities in the Renovations of the Bulk Store*

The Controlling Officer stated that he had attached responses from the Permanent Secretary, Ministry of Transport, Works, Supply and Communications through the Director of Buildings to support his response.

Committee's Observations and Recommendations

Your Committee resolved to close the matter.

iii. *Zambia Land Administration System (ZLAS) - Wasteful Expenditure*

The Controlling Officer stated that although the Ministry of Lands received support from the Millennium Challenge Corporation (MCC) through which the International Land Systems (ILS) was engaged to configure and implement the Zambia Land Administration System (ZLAS), it was decided that the project be abandoned due to several reasons, the notable ones being:

- the ZLAS design and development was not completed at the time the project funding came to an end in June, 2008 and therefore it meant that the Ministry had to start paying for developing the rest of the several system modules that were either unfinished or not working properly;
- the exercise was unsustainable for the Ministry because the developers of ZLAS, who were based in Ukraine, were to be paid hefty allowances, salaries as well as accommodation and flight fees among other things, each time they were called to work on the system;
- Software License fees were also prohibitive, since ILS were asking for US\$ 44,512, for the cashier module only, per annum for Lusaka and Ndola Offices, meaning that to install the system in all the provinces, the cost would have been too high for the Ministry; and
- the above problems arose from the fact that there was no contract agreement between the Ministry and the Developers; since the project was administered by the Zambia Threshold Project (ZIP) under the Millennium Challenge Account (MCA) and issues of the Intellectual

Property Rights for the software was not resolved at the end of the project.

He added that with regard to the K170,179,999 reported to have been spent on ZLAS, the Ministry actually spent this money on data cleaning in the current lands system (LIMS). The money was also used for the usual maintenance of the Information and Communication Technology (ICT) infrastructure linking to LIMS hence rendering this expenditure not wasteful since the activities undertaken were meant to benefit the Ministry both with the current LIMS and the new system.

Committee's Observations and Recommendations

Your Committee notes that the abandonment of the project was a direct result of poor planning and lack of foresight on the part of the Ministry at the formulation stage. Your Committee resolves to close the matter but warns that in future this will not be taken lightly.

MINISTRY OF AGRICULTURE AND COOPERATIVES

AUDIT QUERY

PARAGRAPH 50

Units: Various
Programmes: Various
Activities: Various

Accounting and Other Irregularities

49. An examination of accounting and other records maintained at the Ministry Headquarters and a visit to the provinces in March 2011 revealed weaknesses to which the Controlling Officer responded as set out below.

a) Stores Without Receipt and Disposal Details - K56,821,145

The Controlling Officer submitted that stores items costing K4,400,000 had since been accounted for leaving a balance of K52,421,145. Officers who collected cheques and did not provide receipts had been identified and recoveries would be instituted.

Committee's Observation and Recommendations

Your Committee expresses concern that very little has been done to trace the missing documents and urges the Controlling Officer to, in addition, to making the recoveries institute disciplinary action against the officers for negligence of duty. They await a progress report on the matter.

b) Unretired Imprest-K111,886,869

The Controlling Officer submitted that imprest amounting to K45,096,000 has since been retired leaving a balance of K66,190,869. Meanwhile recoveries from all officers with outstanding imprest have been instituted.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to avail documentary evidence on the retirements and recoveries to the Office of the Auditor-General for verification after which the matter should be closed.

c) Central Veterinary Research Institute (CVRI) - Balmoral

i. *Fuel without Receipt and Disposal Details-K229,500,000*

The Controlling Officer submitted that fuel worth 229,500,000 has since been accounted for and records were available for verification. These documents could not be availed at the time as they were submitted late from the Central Veterinary Research Institute Accounts Section.

Committee's Observations and Recommendations

Your Committee notes the submission and expresses concern that documents could not be produced during the entire audit and urges the Controlling Officer to take disciplinary action against the officer(s) who caused the query through the late submission of reports. Further, the Controlling Officer is directed to avail the traced documents to the Office of the Auditor-General for verification.

ii. *Unretired Imprest-K229,500,000*

The Controlling Officer submitted that imprest totalling K51,635,000 which was issued to three officers during the year under review has since been retired. Further imprest that was issued to five officers totalling K62,312,000 has also been retired.

Committee's Observations and Recommendations

Your Committee notes with concern that financial regulations in the retirement of imprest were not being followed and urges the Controlling Officer to caution the accounting staff for failing to ensure that the regulations were adhered to. The Controlling Officer is further urged to avail the retirement details to the Office of the Auditor-General for verification after which the matter should be closed.

d) Construction and Rehabilitation of Disease Free Zone Infrastructure

i. *Renovation of Central Veterinary Research Institute (CVRI)*

The Controlling Officer submitted that in December 2009, the Ministry engaged three contractors to carry out construction and rehabilitation works at Central Veterinary Research Institute and progress was as set out below.

a. **Nelkan Industrial Construction**

The site was handed over to the Contractor but the Client (Central Veterinary Research Institute) could not vacate the entire buildings because the laboratory work was required to continue. Therefore, one wing of the building was later handed over to the contractor while the rest of the building was still occupied. The contractor was doing works in phases because laboratories needed to continue with operations. Further, the works were varied upwards at the request of the Client to use aluminium windows and doors instead of the existing mild steel sections which altered the amount of work and had a knock on effect on the time required to complete the works. The works were at 95% completion. The contractor was paid on the strength of the bank guarantee. The Ministry was in the process of regularising the extension of the contract for the completion of works.

Committee's Observations and Recommendations

Your Committee wonders why the need to work in phases because the laboratories needed to be maintained was not taken into account in the design of the project. Your Committee resolves to await a progress report on the completion of the project.

b. **African Brothers**

The Controlling Officer stated that the generator set had to be moved from the proposed Bio- Technology Laboratory which required the construction of a new generator house. The process required the production of drawings and getting quotations from the contractor for new generator house. Changes in the design of the proposed Bio-Technology Laboratory layout required time to produce fresh drawings to be used by the contractor. Further, during construction, a cable supplying power to the facility was accidentally cut and the contractor was requested to supply and fix the cable. Additionally, the client had to move the existing water tank before any work could be done to the exterior of the Bio-Technology Laboratory. The works have been completed.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter as the works have now being completed.

c. **China Geo Engineering**

The Controlling Officer submitted that the delay was largely due to the relocation of service pipes found on the sites where the new block was to be constructed. The Project Managers had to provide changes in the design of the roof and external works. The works were completed.

Committee's Observations and Recommendations

Your Committee resolves to close the matter as the works have been completed.

ii. *Extension of Old Office Block-Kafue Bridge Site-Lot 3*

The Controlling Officer informed your Committee that Langashe Investments Limited completed the paddock in 2011 and the office block has also been completed. The works were not executed within the stipulated time frame due to inadequate funds as the initial payment was done on 17 June, 2010 while the next payment was done on 3 February, 2011.

Committee's Observations and Recommendations

Your Committee expresses concern at the delays in the completion of the works but resolves to close the matter subject to verification by the Office of the Auditor-General.

iii. *Construction Works - Lusaka Westwood Site-Lot 6*

The Controlling Officer explained that Manjaluso Building and Civil Contractors had completed the office block while two houses were completed and the general framework for the paddock had also been completed. He noted that the works were delayed because of inadequate funds and delays in receiving payment certificates from the Provincial Administration.

Committee's Observations and Recommendations

Your Committee notes with concern the delay in the completion of the works but resolves to close the matter subject to verification by the Office of the Auditor-General.

iv. *Construction of Office Block and 2x3 Bed Roomed Houses at Luangwa Bridge - Lot 7*

The Controlling Officer explained that works were delayed due to inadequate funding. Further, the land was initially encroached upon by marketeers who took long to vacate it. The construction of the office block was at foundation level while the two houses were completed and were occupied by staff.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

v. *Renovation of a House and construction of an Office Block at Nkalamabwe-Lot 9*

The Controlling Officer submitted that completion of work was delayed due to inadequate funds and delays in releasing payment certificates by the Provincial

Administration. Meanwhile, Messrs Kumila Enterprises have completed the office block but additional things such as water tank which was needed to be erected but unfortunately there was no power.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves not to close the matter until the contract is executed in full. The Office of the Auditor-General is requested to verify the submission by the Controlling Officer on the status of the works.

vi. *Renovation of Four Houses at Nkalamabwe Site-Lot 10*

The Controlling Officer explained that works were delayed because of inadequate funding and delays in receiving payment certificates by the Provincial Administration. The Ministry of Finance and National Planning only released funds for construction of check points in July, 2011 after the audit had been done. Meanwhile, the Contractor, Messrs Sokotela Enterprises has completed three houses and the other house is at 99% completion.

Committee's Observations and Recommendations

Your Committee resolves to await a progress on the completion of the remaining works. The Office of the Auditor-General was requested to verify the current status on the works.

MINISTRY OF AGRICULTURE AND COOPERATIVES

AUDIT QUERY

PARAGRAPH 51

Unit: Various
Programmes: Various
Activities: Various

Accounting and Other Irregularities

50. An examination of accounting and other records maintained at the Ministry carried out in August 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Missing Payment Vouchers-K36,666,666**

The Controlling Officer submitted that four payment vouchers amounting to K36,666,666 paid to Grant Aided Institutions were still missing and the institutions had been contacted so as to provide copies of payment vouchers and receipts. The Tobacco Board, Coffee Board and Cotton Development Trust has confirmed receipt of the said funds during the year under review and had provided copies of missing vouchers and receipts.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the missing payment vouchers are found and submitted for audit verification after which the matter should be closed. Further, the Controlling Officer is strongly urged to take disciplinary action against the officer(s) who should have ensured safe custody of the vouchers.

b) **Unsupported and Inadequately Supported Payments-K1,467,559,745**

The Controlling Officer submitted that documents pertaining to five payments totalling K1,039,703,175 had been availed to the Auditors. Further, out of K427,856,570.95, receipts amounting K168,093,439 have since been provided by the suppliers of goods and services leaving a balance of K259,763,131.95. A stores officer has been assigned specifically to collect cheques and ensure that receipts were collected and filed without delay.

Committee's Observations and Recommendations

Your Committee expresses concern that supporting documents in respect of such a huge amount were missing during audit and urges the Controlling Officer to strongly caution the officers whose responsibility it was to ensure that all the payments were adequately supported. The Controlling Officer is also urged to ensure that all the recovered documents are availed to the Office of the Auditor-General for verification after which the matter should be closed.

c) Irregular Payment-K396,750,480

The Controlling Officer submitted that authority to pay Longacres Lodge an amount of K255,500,000 was granted by the Secretary to the Cabinet. For the balance of K141,250,480 authority the explanation was that K27,948,000 was paid to the In-Service Training Trust while K37,000,000 was paid to the Taj Pamodzi for a dinner hosted by the Minister for the IFAD president. The remaining K76,302,480 was paid to Budget Hotels for the Farmer Crusade funds Cabinet Office for Standing Committee of Permanent Secretaries approve Independence Day celebrations

Committee's Observations and Recommendations

Your Committee wonders why the approvals were not produced to auditors during the audit and urges the Controlling Officer to avail the documents to the Office of the Auditor-General for verification.

d) Stores- (No Receipt and disposal details - K555,441,356) (No disposal details - K1,028,074,881)

The Controlling Officer submitted that stores items totalling K383,571,000 had been accounted for leaving a balance of K171,870,356.32. Further, documents pertaining to fuel amounting to K1,028,074,881 procured during the year under review had since been traced.

Committee's Observations and Recommendations

Your Committee expresses concern at the missing stores documents and urges the Controlling Officer to take disciplinary action against the Officer(s) whose responsibility it was to maintain the records in question. Further the Controlling Officer is urged to submit the traced stores records to the Office of the Auditor-General for verification.

e) Unretired Imprest-K1,281,928,738

The Controlling Officer submitted that out of K247,120,557 unretired imprest of K94,850,000 has since been retired leaving a balance of K152,270,557 in respect of which recoveries has been instituted.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry failed to follow financial regulations on the retirement of imprest and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups to have the imprest retired.

f) **Failure to Recover Loans and Advances**

The Controlling Officer submitted that recovery input was submitted to PMEC for recovery of outstanding salary advances totalling K200,800,000 issued to officers in the year under review.

Committee's Observations and Recommendations

In closing the matter, your Committee expresses concern that information for the input of recoveries of loan and advance seemed to have been communicated late and urges the Controlling Officer to ensure that this situation does not recur.

MINISTRY OF AGRICULTURE AND LIVESTOCK -

AUDIT QUERY

PARAGRAPH 52

Unit: Agribusiness and Marketing Department
Agriculture Finance and Credit Management
Programmes: Farmer Input Support Programme (FSP) - (PRP)

Accounting and Other Irregularities

51. An examination of accounting and other records maintained at the Ministry Headquarters carried out in October 2011 and visits to selected districts revealed some weaknesses to which the Controlling Officer responded as set out below.

a) **Unaccounted for Stores- Fuel (K125,593,666) other items (K2,122,933,950)**

The Controlling Officer acknowledged that stores ledgers were not properly maintained but receipts and disposal details for stores items amounting to K2,122,933,950 had been traced. Further, fuel returns for payments amounting to K125,593,666 were available for verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to caution the officer(s) that failed to maintain stores details as required by financial regulations. The Controlling Officer is further urged to ensure that all the traced stores details are availed to the Office of the Auditor-General for verification.

b) **Unretired imprest-K145,980,680**

The Controlling Officer submitted that documents on the retirement of imprest amounting to K139,980,680 which was issued to officers at headquarters were available and have since been verified. Imprest amounting to K6,000,000 in Senanga district was retired on 24 December, 2010 and documents were available for verification.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to have the matter verified after which it should be closed.

c) Distribution of inputs to Unqualified Cooperatives

The Controlling Officer submitted that the cooperative societies involved in all the highlighted districts, were in existence and active for more than one year except there were delays in processing their registration due to changes in registration requirements, especially the use of improved by-laws by the Registrar of Cooperatives.

Committee's Observations and Recommendations

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

d) Un-reconciled Deposits-K2,843,760,000

The Controlling Officer submitted that this happened because the Ministry had challenges to have banks disaggregate bank statements by districts. The responses from banks has been positive except for one which the Ministry was still engaging. He added that a reconciliation done, using the Authority-to-Deposit, deposit slips and bank statements, proved that the money in question was deposited in the respective banks, although some banks did not capture the full details of the depositors.

Committee's Observations and Recommendations

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

e) Delayed Delivery of Inputs-K2,002,010,000

The Controlling Officer submitted that the delays were caused by the delayed signing of contracts for additional inputs which was only done in August 2010.

Committee's Observations and Recommendations

Your Committee, in closing the matter cautions the Controlling Officer to guard against such delays as they impact negatively on the preparedness of the farmers.

f) Unaccounted for Inputs

i. *DACO Mumbwa-K111,400,000*

The Controlling Officer submitted that Nyiombo Investments Ltd supplied only 48,546 x 50 Kg bags of D compound and 48,126 x 50 kg bags of urea resulting in the shortage revealed by the audit.

Committee's Observations and Recommendations

Your Committee expresses concern that this information was not availed during audit and awaits a progress report on the recovery of the inputs worth K111,400,000 yet to be delivered by Nyiombo Investments Ltd.

ii. *DACO Solwezi-K17,600,000*

The Controlling Officer submitted that the Ministry had been working with Nyiombo Investments Limited to authenticate and reconcile the quantities of fertiliser that were supplied during the 2010/2011 season. In view of this, the Ministry has not fully paid Nyiombo Investment Limited for the 2010/2011 season. If the reconciliation proved that the supplier undersupplied, Government would charge cost the undersupplied inputs against the outstanding amount.

Committee's Observations and Recommendations

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

g) **Issuing of Incomplete Packs - Luanshya and Lufwanyama**

The Controlling Officer submitted that the actual total number of 'D' Compound Fertilizer which was not given to farmers to make complete packs was 430 x 50kg bags. The inputs had since been given to the farmers. The delay was largely attributed to late signing of contracts for the additional inputs which were only signed in August 2010.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

h) **Excess Issuance of Inputs -Mkushi District Agriculture Co-ordinating Office**

The Controlling Officer submitted that after reconciliation, the Ministry discovered that the over issuance was caused by poor record keeping and communication during the inputs distribution process between the District Agricultural Coordinator and Nyiombo Investment Limited in Mkushi. To avoid recurrence of the problem, officers who were managing the exercise in Mkushi at that time have been reprimanded and were not allowed to handle the exercise in the subsequent season. Copies of disciplinary letters were available for verification.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

i) **Co-mingling of Funds - Chadiza District Agriculture Co-ordinating Office**

The Controlling Officer submitted that in the co-mingling of Chadiza and Chipata

farmer contributions arose from the absence of a Commercial Bank in Chadiza. Participating banks have been advised to improve data capture on their statements, by including details such as name of cooperative or farmer group, name of the district and authority to deposit numbers. Copies are available for verification.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

j) Under Banking (NATSAVE) - Chipata District Agriculture Co-ordinating Office

The Controlling Officer submitted that the under-banking of K349,480,000 was caused by cooperatives that deposited with Barclays Bank Limited and Zambia National Commercial Bank PLC against the Authority to Deposit (ATD) issued by the Chipata District Agricultural Coordinating Office (DACO). The cooperatives deposited a total of K296,040,000 with Barclays Bank and K57,120,000 with ZANACO as reflected in the extracts of the bank statements which were available for verification.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

k) Unreconciled Deposits - Kasama District Agriculture Co-ordinating Office Revenue - K29,890,000

The Controlling Officer submitted that according to the inputs received the expected revenue was K5,165,760,000. However, the actual deposit as reflected on the bank statements for the three banks that participated in the programme was K5,166,330,000 which led to a positive variance of K570,000 and not K29,000,000 reported in Audit Report. The over deposit of K570, 000 was created by Mukanga Multipurpose Cooperative Society.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the matter after which it should be closed.

l) Excess Issuance of Inputs - Mpika District- K243,320,000

The Controlling Officer submitted that the cooperatives concerned resolved to issue inputs to non cooperative members by invoking the principles of "Cooperation among Co operators" to assist some of their community members as enshrined in their Cooperative by- laws.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the matter after which it should be closed.

m) **Fraudulent Collection of Agricultural Inputs - Chinsali District Agriculture Coordinating Office-K91,280,000**

The Controlling Officer acknowledged the anomaly and submitted that the Ministry has directed the District Agricultural Coordinator to report the matter to the law enforcement agencies for further investigations.

Committee's Observations and Recommendations

Your Committee agrees with the Controlling Officer that the matter should be reported to the investigative wings without further delay. They await a progress report on the matter.

n) **Missing Accounting Records - Mongu District Agriculture Coordinating Office**

i. *Missing Authority to Collect*

The Controlling Officer submitted that the two missing Authority to Collect (ATCs) numbers 03715 and 03716 were not used because the warehouse managers who issued inputs under the programme had been alerted not to issue input against any documentation bearing these numbers. However, in order to ensure that this was avoided in future, the District Agricultural Coordinator had been instructed to strengthen the security of these accountable documents.

Committee's Observations and Recommendations

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

ii. *Missing Goods Issued Vouchers*

The Controlling Officer submitted that Goods Issued Vouchers for 2,002 maize packs valued at K560,560,000 and 171 packs of rice valued at K30,780,000 were not produced for audit because some Extension Officers were still collecting vouchers for inputs which were distributed in the unmanned camps. However all the GIVs were now available for verification.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

o) **Missing Goods Issued Vouchers (GIVs) - Kaoma District Agriculture Coordinating Office**

The Controlling Officer submitted that the Goods Issued Vouchers which were reported missing at the time of the audit had since been collected from the cooperative societies and farmer groups which had not yet made their returns.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

MINISTRY OF AGRICULTURE AND COOPERATIVES

AUDIT QUERY

PARAGRAPH 53

Unit: Western Province Provincial Office
Headquarters
Programmes: Personal Emoluments
General Administration
Activities: Salaries Division I
Salaries Division II
Salaries Division III
Wages
Other Emoluments
Revolving Fund

Weaknesses in Accounting for Personal Emoluments and other Irregularities

52. An examination of accounting and other records maintained at the Provincial Agriculture Coordinating Office carried out in November, 2011 revealed some weaknesses on which the Controlling Officer submitted as set out below.

a) **Unsupported Payments-K177,161,839**

The Controlling Officer submitted that relevant supporting documents such as receipts and schedules have been attached to seven payment vouchers totalling K102,390,302 while payments totalling K1,803,274 have no receipts because the Ministry of Finance and National Planning were not issuing receipts on the spot and as a result a number of receipts were not received. Further, relevant supporting documents such as receipts and schedules have since been attached to four payment vouchers in amounts totalling K24,230,066 out of the (24) mentioned in the Report. The remaining twenty payments totalling K48,737,298 have no supporting documents because the Ministry of Finance and National Planning were not issuing receipts on the spot and as a result a number of receipts were not received. Additionally, a number of cheques were stale as they remained uncollected for more than six months whilst the majority were cancelled when it was later learnt that the payments were effected using the recently introduced Direct Debit And Credit (DDAC) System.

Committee's Observations and Recommendations

Your Committee expresses concern that this information was not availed to the auditors during audit and urges the Controlling Officer to take future audits seriously. Your Committee requests the Office of the Auditor-General to have the matter verified.

b) Missing Payment Vouchers-K38,198,856

The Controlling Officer submitted that the two payment vouchers totalling K38,198,856 had since been located.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer whose responsibility it was to ensure safe custody of the payment vouchers in question. Meanwhile, the Controlling Officer is urged to submit the payments vouchers to the Office of the Auditor-General for verification after which the matter should be closed.

c) Misapplication of Funds- K13,750,000 and K5,250,000

The Controlling Officer submitted that in 2008 and 2009, a number of new officers were posted to the province, including those mentioned in the Audit Report. At the time the new members of staff arrived at the station, the Ministry had not received funding from which settling-in-allowances could have been paid. It was, therefore, decided to pay the officers' advances from the salaries account to enable them settle in their new stations as they awaited introduction on the Government payroll. The advances were recovered when the officers were finally introduced on the payroll.

The recoveries remained in the salaries account from which the advances were made and not transferred to the Revolving Fund.

Three (3) of the five payments totalling K1,050,000 were later cancelled as a decision was made not to pay the advances from the salaries account. One officer who was paid K2,000,000 was still on the Ministry Headquarters' Legacy payroll, who has since been advised about the non-recovery whilst recoveries were expected to commence on the officer who was overpaid K1,500,000 as soon as PMEC end-users effected the deductions.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the matter subject to which it should be closed.

d) Irregular Payment of Salaries and Allowances

The Controlling Officer submitted that the officer responsible was suspected to be suffering from a mental health condition which had caused her not to be consistently reporting for work. Nevertheless, payment of salaries and allowances could not be stopped because procedure required that a Medical Examination Board was constituted to look at the case and make the necessary recommendations. In this respect, a letter had been written to the Ministry of Health, specifically, Lewanika General Hospital requesting them to constitute the Board and a response was still awaited.

Committee's Observations and Recommendations

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

e) Non-recovery of Loans and Advances

The Controlling Officer submitted that according to records available, recoveries for loans amounting to K237,500,000 paid to thirty two (32) officers were actually running on the respective officers' pay slips while one loan amounting to 12,000,000 had in fact been fully recovered. Furthermore, recoveries of advances paid to twenty-six officers totalling K22,500,000 have been fully recovered. Inputs to effect recoveries on advances paid to five (5) officers totalling K4,500,000 had been raised.

Two (2) payments totalling K4,200,000 were actually refunds on over recovered amounts while the balance of K5,600,000 of advances were paid to eleven officers who were on the legacy payroll, which was still at the Ministry Headquarters.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to have the matter verified after which it should be closed.

OFFICE OF THE PRESIDENT -LUSAKA PROVINCE

AUDIT QUERY

PARAGRAPH 54

Unit: Rural Roads Department
Rural Roads Unit
Programmes: Feeder Roads Rehabilitation/Construction (PRP)
Rehabilitation of District Roads (PRP)
Rehabilitation of Other Gravel Roads (PRP)
Activities: Various

Irregularities in Accounting for Rural Roads Funds

53. An examination of accounting and other records maintained at the Provincial Accounting Control Unit and physical inspections of the projects carried out in February 2011 revealed weaknesses on which the Controlling Officer submitted as set out below.

a) Lack of Expenditure Details-K2,014,267,063

The Controlling Officer submitted that the K574,542,157 indicated in the Auditor-General's report represented the balance in the HIPC account at the Zambia National Commercial Bank only and did not include the balance in the HIPC account at Bank of Zambia. The Treasury released funds into Control 92 account at the Bank of Zambia and the Poverty Reduction Programme funds were transferred to the HIPC account at the same institution. Therefore the un-utilised funds remained in HIPC account until a payment was made. When a payment was made, the funds moved from the HIPC account at Bank of Zambia to the PRP account at the Zambia National Commercial Bank. Funds were returned to the Treasury at the beginning of the following year

unless authority was obtained to retain them. The Office applied to Ministry of Finance and National Planning for the retention of the K2,200,000,000 and the account was credited with the same. Further, the Office of the Auditor-General has verified and cleared the matter.

Committee's Observations and Recommendations

Your Committee resolves to close the matter upon confirmation by the Office of the Auditor-General that the matter has been verified and cleared.

b) Unsupported Payments-K1,547,071,980

The Controlling Officer submitted that supporting documents for payments amounting to K1,516,098,979 were now in place and were available for audit verification while payments totalling K1,319,904,104.54 were actually verified by the Office of the Auditor General leaving a balance of K227,167,875 which have been properly supported and were available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to avail all the missing supporting documents during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the missing supporting documents. The recovered documents should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

c) Unretired Imprest-K244,866,140

The Controlling Officer submitted that when the Auditors did the verifications, there was imprest amounting to K108,489,220 which was not availed to the Auditors and included imprest amounting to K84,350,180 which was issued to Officers with outstanding amounts. All the imprest has since been retired and documentation was available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to ensure that imprest is retired in accordance with the provisions of the financial regulations and urges the Controlling Officer to ensure that disciplinary action against the accounting officer(s) who failed to ensure that regulations were followed. They await a progress report on the matter.

d) Feeder Roads Rehabilitation/Construction

i. *Shikabeta Road - Chongwe*

The Controlling Officer submitted that the codes used on some vouchers were wrong creating an impression that there was an over expenditure. The expenditure codes for Shikabeta were used on other projects, but were

corrected when inputting in the Financial Management System (FMS). Therefore, there was no over expenditure. As regard defects on the culvert, the Controlling Officer submitted that the work done was only light grading as the funds available could not allow for other works including that of replacing culverts. The culverts would be done when adequate funds were available.

Committee's Observations and Recommendations

Your Committee expresses concern that this explanation was not rendered during audit and urges the Controlling Officer to pay attention to future audits. The matter is closed but the office of the Auditor-General is requested to keep it in view in future audits.

ii. *Chakwenga Mine Road - Chongwe*

The Controlling Officer submitted that it was true that a total of K180,891,000 was released and K106,650,000 was utilised leaving a balance of K74,241,000. He noted however, that the funds were not enough to replace the culverts and put up a bridge. The rest of the road could not be done because the road was cut off at the stream which had over flooded due to heavy rains and the grader could not cross. The works involved light grading only and the balance of K74,472,100 was used to complete the works budgeted for. The balance was actually part of the funds that were retained and brought forward to 2011.

Committee's Observations and Recommendations

Your Committee recommends that works on the culverts, the drains and any other outstanding works on the road should be provided for in the budget and worked on without further delay. They await a progress report on the matter.

iii. *Kalubwe Road - Lusaka*

The Controlling Officer acknowledged that a total of K160,450,000 was released for road works on the D177 Kalubwe road while a total of K138,179,110 was used on the road leaving a balance of K21,730,890. This balance had since been utilised on the same road and was part of the funds carried forward to the year 2011. The Controlling Officer submitted further that the road developed pot holes quickly due to the high number of trucks that used it. Further, the works could not continue due to the heavy rains. The works were, however, on-going and more funds had been allocated in this year's budget for the same road.

Committee's Observations and Recommendations

Your Committee recommends that the culverts should immediately be unblocked and any other outstanding works on the road should be done without further delay. They await a progress report on the matter.

iv. *Failure to Execute Planned Activities*

The Controlling Officer submitted that a total of K276,389,000 was received in respect of the named roads and spent on fuel and lubricants. The works have been completed in respect of the Mungwi road D170, the old Kafue road D158 and the Chilongolo road D167 while the D178 road had not yet been done as it had been closed because it passes through a private farm. The Office would seek authority to vary the K50,126,000 in respect of the D178 road to other roads.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

v. *Rehabilitation of Other Gravel Roads*

▪ **Failure to Utilise Funds**

The Controlling Officer submitted that work was actually done on the planned projects apart from Kabwata where fuel was purchased, but, the works had to wait for more equipment to be made available since the work involved more than just grading. The works have since been completed in these constituencies apart from Kabwata, since the remaining funds were part of the funds retained and brought forward to the year 2011.

As for Chelstone and Ngwerere, only some spot gravelling was done since the funds released were not enough to cover the planned works which included the installation of culverts.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

▪ **Misapplication of Funds - Matero Constituency Roads**

The Controlling Officer submitted that an officer was paid a total of K6,214,000 to enable him travel to South Africa for an accounts course and would be refunded as soon as funds were available.

Committee's Observations and Recommendations

Your Committee finds it unacceptable for the Officer to vary funds from a capital project which is against the provisions of the financial regulations and requests that the officer(s) responsible for the anomaly should be cautioned. Your Committee will only close the matter once the funds in question have been refunded and urges the Auditor-General to verify the matter.

OFFICE OF THE PRESIDENT-LUSAKA PROVINCE

AUDIT QUERY

PARAGRAPH 55

Programmes: Various

Activities: Various

Accounting and Other Irregularities

54. An examination of accounting and other records maintained at the Provincial Administration carried out in March 2011 revealed irregularities to which the Controlling Officer responded as set out below.

a) **Missing Payment Vouchers-K6,766,240**

The Controlling Officer submitted that payment vouchers in amounts totalling K6,766,240 that were not presented during audit were now available.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to avail the missing supporting documents during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the missing supporting documents. The traced documents should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

b) **Unsupported and Inadequately Supported Payments K193,673,664**

The Controlling Officer submitted that of the payment vouchers totalling K193,673,664 with no supporting documents, vouchers totalling K110,337,975 were now adequately supported leaving a balance of K83,335,689.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to avail the missing supporting documents during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the missing supporting documents. The traced documents should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

c) **Unretired Imprest-K237,355,463**

The Controlling Officer submitted that a total of K199,656,609 has since been retired leaving a balance of K37,698,854.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to ensure imprest is retired in accordance with financial regulations and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s)

responsible ensuring the retirement of imprest. They await a progress report on the matter.

d) Unaccounted for Stores-K224,175,641

The Controlling Officer submitted that receipt and disposal details in respect of stores items worth K224,175,641 were now available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to avail the receipt and disposal details in respect K224,175,641 at the time of audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the missing documents. The traced stores details should be availed to the office of the Auditor-General for verification after which the matter should close. They await a progress report on the matter.

e) Failure to follow Tender Procedures

The Controlling Officer submitted that the Office would ensure that procurement procedures were be followed in all future procurements.

Committee's Observations and Recommendations

Your Committee expresses concern at the apparent breakdown in the procurement procedures and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the abrogation of the procurement guidelines. The Office of the Auditor-General is urged to keep the matter in view in future audits.

f) Fuel without Receipt and Disposal Details-K463,539,881

The Controlling Officer submitted that receipt and disposal details in respect of fuel costing K463,539,881 were now available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to find the missing supporting documents and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the missing supporting documents. Your Committee further urges the Controlling Officer to avail the documents for verification.

g) Wasteful Expenditure

The Controlling Officer submitted that the motor vehicle registration no. GRZ 521BV has since been repaired and retrieved from the garage whereas motor vehicle registration no.GRZ 424 BM had been boarded and was set to be auctioned by the state. Arrangements have been made to retrieve the vehicle from the garage and settle the remaining balance of K13,116,250.

Committee's Observations and Recommendations

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

OFFICE OF THE PRESIDENT - COPPERBELT PROVINCE

AUDIT QUERY

PARAGRAPH 56

Programmes: Personal Emoluments
General Administration

Activities: Various

Accounting and Other Irregularities

55. An examination of accounting and other records maintained at the Provincial Administration carried out in December 2010 revealed weaknesses on which the Controlling Officer submitted as set out below.

a) Personal Emoluments

i. *Payment of Salaries to Retired Officers*

The Controlling Officer submitted that all the seventeen former employees have since been removed from the payroll while out of K237,679,854 irregularly paid as salaries, K34,093,930 has since been recovered from two employees, leaving a balance of K203,585,924. Files for the remaining fifteen former employees have been processed for terminal benefits and taken to Public Service Management Division (PSMD) for onward transfer to the Pensions Fund. Recoveries would be effected from the payments of the same benefits.

Committee's Observations and Recommendations

Your Committee expresses concern that as a result of poor record keeping, the Provincial Administration could not effectively monitor employees who were leaving the service and required to be removed from the payroll. The Controlling Officer is directed to ensure that records are in order and recoveries are accordingly done. Your Committee resolves not to close this matter until the records are verified by the Office of the Auditor General.

ii. *Failure to Remit Statutory Contributions*

The Controlling Officer responded that the unremitted statutory contributions of K7,526,715 in respect of thirty-seven officers reported as not remitted to either NAPSA or Pensions included amounts deducted from five District Commissioners, totalling K2,811,668.90 who were above fifty-five years and therefore not supposed to contribute to either NAPSA or Pensions. Deductions for the remaining thirty-two officers were introduced in July, 2011.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to remit statutory contributions in question and urges the Controlling Officer to ensure that this comes to an end. The matter is closed subject to verification by the Office of the Auditor-General.

b) General Administration

i. *Unvouched Expenditure*

The Controlling Officer submitted that twenty-eight transactions of missing and unsupported payment vouchers amounted to K57,680,205 and not K68,018,223. Out of twenty-eight payment vouchers, thirteen were reported missing, while fifteen were unsupported.

Regarding missing payment vouchers, the Controlling Officer submitted that out of thirteen missing payment vouchers totaling K37,462,205, two cheques numbered 027609 and 027655 totalling K6,210,000 were cancelled while four payment vouchers totalling K10,407,549 have since been traced bringing the total to K16,617,549. However, efforts were being made to trace the remaining six payment vouchers totalling K16,134,656.

On unsupported payment vouchers, the Controlling Officer submitted that fifteen transactions amounting to K20,218,000 had now been supported and verified by the Auditors leaving a balance of two (2) transactions amounting to K1,000,000.

Committee's Observations and Recommendations

Your Committee expresses concern that the Provincial Administration failed to produce the supporting documents during audit and urges the Controlling Officer to ensure that all the remaining payments are vouched. Further, the Controlling Officer should take disciplinary action against the officers who caused the query.

ii. *Unretired Imprest*

The Controlling Officer explained that out of the 255 imprest transactions totalling K792,775,329 reported as outstanding, 187 transactions had since been verified by Auditor General's office as retired leaving a balance of sixty-six transactions totalling K126,616,371. Deductions have been effected to recover the outstanding imprest from the officers' salaries.

Committee's Observations and Recommendations

Your Committee directs that recoveries should be effected without fail and the officers involved should be reprimanded. Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General.

iii. *Failure to submit Expenditure Returns*

The Controlling Officer explained that the expenditure returns from all the districts had been submitted and availed to the Auditors for verifications.

Committee's Observations and Recommendations

Your Committee resolves to close the matter, subject to verification by the office of the Auditor-General.

iv. *Irregular Payments - K28,056,526.60*

The Controlling Officer explained that out of K28,056,526.60 representing ten payments perceived to be irregular, K11,577,400 relating to three officers had since been recovered. Further, K10,021,666 was payment was made to sponsor an officer from Buildings department, on the understanding that the Ministry headquarters would provide approved authority from PSMD while K6,457,460 relating to two workshops did not require PSMD's authority as these were in-house training workshops.

Committee's Observations and Recommendations

Your Committee requests the office of the Auditor-General to verify the matter.

v. *Unaccounted for Stores-K1,660,548,298*

The Controlling Officer explained that out of disposal details of fuel and assorted stores costing K1,660,548,298, an amount of K575,870,942 represented records pertaining to fuel while K1,084,677,356 represented purchases of assorted stores as set out below.

- i. Fuel - records for fuel disposal details in amounts totalling K273,977,705 involving various departments has since been verified leaving a balance of K301,893,237.
- ii. Assorted Stores Items -out of stores items totalling K1,084,677,356 that were not recorded, K523,543,101 has been recorded and verified by the Auditors leaving a balance of K561,134,255 to be recorded.

Committee's Observations and Recommendations

Your Committee directs that records for fuel disposal on the unaccounted balance as well as stores items that were still being recorded, should be in place and made ready for verification by the Office of the Auditor-General.

OFFICE OF THE PRESIDENT - COPPERBELT PROVINCE

QUERY

PARAGRAPH 57

Buildings Department

Programme: Infrastructure Developments

Activities: Rehabilitation of Minister's House

Rehabilitation of Permanent Secretary's House

Accounting and Other Irregularities

56. An examination of accounting and other records maintained by the Provincial Administration carried out in December 2010 revealed some irregularities to which the Controlling Officer responded as follows.

a) Irregular Payments- Rehabilitation of Minister's House

The Controlling Officer explained that the Buildings department recalled the contractor to site and instructed him to carry out the works that were omitted valued at K17,431,540. The contractor did all the works except burglar proofing of the windows to the garage.

Committee's Observations and Recommendations

Your Committee directs that all the remaining works should be carried out forthwith because the Contractor has already been paid. The matter will be closed after verification by the Auditor-General's office.

b) Rehabilitation of the Permanent Secretary's House

The Controlling Officer explained that the overpayment of K15,088,582 has since been recovered in full from the contractor on cheque number 009257 dated 04/08/2011.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Auditor-General's office.

c) Unaccounted for Stores

The Controlling Officer replied that the receipts for the stores items purchased costing K134,164,555 were available for verification.

Committee's Observations and Recommendations

Your Committee emphasises the need to always have the necessary documents prior to the auditor's visit. The matter will only be closed after verification.

OFFICE OF THE PRESIDENT - COPPERBELT PROVINCE

QUERY

PARAGRAPH 58

Programmes: Various

Activities: Various

Accounting and Other Irregularities

57. An examination of accounting and other records maintained at the Provincial Administration and physical inspections of the projects carried out in May 2011 revealed some irregularities to which the Controlling Officer responded as below.

a) Headquarters-Infrastructure Development

i. *Failure to Produce Monitoring Reports*

The Controlling Officer explained that it was true that a total of K29,100,000 was paid to five officers to carry out monitoring and evaluation of various activities under infrastructure in the province and the report was done.

Committee's Observations and Recommendations

Your Committee expresses concern over the non availability of the monitoring reports at the time of the audit and warn that it will no longer condone a situation where vital documents go missing during audits only to resurface after the auditors have left. The Controlling Officer is directed to ensure that documents are properly kept failure to which sanctions would be instituted.

ii. *Construction of District Commissioner's House-Ndola*

The Controlling Officer explained that construction of the District Commissioner's house in Mitengo area had commenced. However, on the contrary, Provincial Administration did not over commit the project. The Provincial Buildings Engineer was advised in a minute CBP/10/5/2 dated 16 April, 2010 on the Budget available and how it was spread out vis a vis the available funds. The other advice was on the execution of the approved budget by phasing the project in line with Parliamentary approval. This was done, as could be evidenced by the verified completion certificates paid to date. This arrangement was communicated and accepted by the Contractor. The evaluation report and tender minutes were availed to the auditors and the records were verified. The current status of the project was that the house was near completion.

Committee's Observations and Recommendations

Your Committee notes that the Controlling Officer omitted to submit on the aspect of failure to follow tender procedures as highlighted by the Auditor-General. The matter will not be closed until verification of this aspect.

iii. *Construction of District Commissioner's House-Kalulushi*

The Controlling Officer explained that Kalulushi District Council tendered and awarded the contract to Rockstone Construction Company for the construction of a house in Kalulushi. The tender documents were availed to the auditors and the documents were verified. Your Committee was also informed that no funding was released by the Ministry of Finance and National Planning in the year under review and that a total of K83,730,516 was paid to the contractor from the authorised carry over funds from the releases of the previous year.

The Controlling Officer conceded that there were cracks on one (1) side of the sub-structure and also on the top of the slab. The Provincial Buildings Engineer took action by writing to the Contractor instructing him to make good of all the defects at no extra cost to Government. The contractor mobilised and moved to the site and all the cracks had been repaired.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Auditor-General's office that the cracks have been repaired.

b) Copperbelt Support Programme - Failure to undertake Planned Activities

The Controlling Officer explained that the funds were not utilised in the three activities namely; animal husbandry, fish farming and Copperbelt diversification due to the fact that no group among the applicants was willing to venture into the named activities. As a result, a variation of K61,000,000 was applied on monitoring and evaluation, leaving a total balance on the three (3) activities as K155,700,432.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Auditor-General's office.

c) Resettlement Department

i. *Unauthorised Use of Revenue*

The Controlling Office explained that the Department of Land Resettlement was not a revenue collection centre, and therefore, the amount of K318,297,490 collected, was not government revenue but contributions towards the Land demarcations and allocations by the applicants. It was regrettable that GRZ receipt books were used to collect the contributions.

Committee's Observations and Recommendations

Your Committee cautions against such irregularities where government receipt books are used to collect personal contributions and urges the Controlling Officer to take action against the officers involved so that such a mistake does not repeat itself in future. Your Committee resolves to await a progress report on the matter.

ii. *Failure to demarcate Land*

The Controlling Officer explained that the Maposa demarcation programme started in 2007 but land allocation to the successful applicants was delayed due to the wrangles with the illegal settlers who did not accept and welcome applicants for resettlement from outside the area. Meetings had taken place with the illegal settlers to try and resolve the issue, but all in vain.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to find an amicable solution to the wrangle before the matter can be closed.

iii. *Construction of a Clinic in Lukanga Resettlement*

The Controlling Officer explained that the construction of a clinic in Lukanga Resettlement area was a labour based project and the Department of Resettlement relied on the community which assumed authority to engage a local contractor on a labour only contract.

Committee's Observations and Recommendations

Your Committee observes single sourcing or direct bidding is only permissible in very specific situations as outlined in the Public Procurement Act. The Controlling Officer is therefore directed to ensure that the works are properly supervised by the provincial Buildings Engineer, so that there is value for money. Your Committee resolves to close the matter subject to verification that works have been completed.

iv. *Construction of Teacher's House in Kafubu Block Resettlement*

The Controlling Officer explained that the construction of a teacher's house in Kafubu block Resettlement area was a labour based project and the Department of Resettlement relied on the community which assumed authority to contract Ken Construction on a labour only contract.

Committee's Observations and Recommendations

Your Committee notes that despite the contract being a labour only contract, government money is being expended and therefore adherence to both procurement and financial regulations is extremely important. Your Committee directs that the works should be properly supervised so that

Government can derive value for money. A progress report will be awaited in the completion of the works.

d) **Water Affairs Department**

i. *Wasteful Expenditure*

The Controlling Officer conceded that the borehole collapsed due to the geological effects as the area was on the banks of the Kafue river which caused the casing, hand pump and apron to sink.

Committee's Observations and Recommendations

Your Committee bemoans the fact that despite money being released to sink the borehole, it collapsed due to poor sitting and is of the view that Engineers in the Water Affairs department have an obligation to ensure that the works are done professionally. Your Committee resolves not to close the matter until the borehole is done and verified by the Office of the Auditor-General.

ii. *Irregular Payment of Allowances*

The Controlling Officer explained that eight officers were paid allowances in amounts totalling K20,280,000 for drilling of boreholes in Lufwanyama district and the boreholes have since been drilled at no extra cost to Government.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Auditor General's office.

iii. *Undelivered Stores Items*

The Controlling Officer explained that it was not possible to collect all stones purchased because of insufficient space at the Department of Water Affairs yard. Stones were collected as and when they were required at the site and so far deliveries for K6,693,440 have been made.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

e) **District Administration-Failure to produce Monitoring Reports**

The Controlling Officer submitted that minutes of the DDCC meetings for Kitwe; Kalulushi, Luanshya, Mufulira, Mpongwe, Chingola, Chililabombwe, Ndola and Masaiti district councils were obtained. Additionally, monitoring reports for Kalulushi, Kitwe, Chingola and Chililabombwe councils have copies of minutes and monitoring reports relating to K124,169,070 verified by the Auditors.

Committee's Observations and Recommendations

Your Committee reiterates the need to have a good filing system so that documents are available to the auditors at the time of audit. Your Committee also emphasizes the need to execute duties diligently on the part of officers carrying out monitoring and evaluation. Your Committee resolves to close the matter, subject to verification.

f) Misapplication of Funds

The Controlling Officer submitted that it was imperative that the special assignment of an internal audit of Poverty Reduction Programme funds be carried out to ascertain and take necessary action on any problematic areas. The Controlling Officer approved the assignment to be undertaken and that the departments involved met the cost of the special audits under Poverty Reduction Programmes. The internal audit department had no funds in their routine audits vote to undertake the special assignment. Internal audit Report was produced and copied to the Auditor-General's office.

Committee's Observations and Recommendations

Your Committee cautions against diverting funds from one programme to another, without approval and resolves not to close the matter, until the internal audit report is duly verified by the Office of the Auditor-General.

g) Unretired Imprest

The Controlling Officer reported to your Committee that imprest in amounts totalling K32,327,800 has been retired leaving a balance of K19,062,083 while recoveries have been effected from the affected officers.

Committee's Observations and Recommendations

Your Committee directs that apart from the recoveries that have been instituted, some disciplinary measures should be instituted against the officers involved to serve as an example to would be erring officers. The Controlling Officer is further urged to ensure that after the money is recovered in full, the necessary documents are available to the auditors for verification.

h) Unsupported Payments-K32,999,725

The Controlling Officer explained that out of payment vouchers in amounts totalling K32,999,725, an amount of K25,629,336 has since been acquitted with receipts, invoices and cash sales leaving a balance of K7,798,728.

Committee's Observations and Recommendations

Your Committee expresses concern over the rate at which documents are being misplaced each time there is an audit by the Office of the Auditor-General and urges the Controlling Officer to ensure that the missing documents are found and disciplinary action is taken against the officers concerned.

i) **Unaccounted for Stores**

The Controlling Officer informed your Committee that out of receipts and disposal details involving fuel purchases and other stores items involving K176,122,262, K15,538,461 has since been verified by the auditors leaving a balance of K160,583,801. Efforts were being made to provide the necessary documentation to the auditors for verifications.

Committee's Observations and Recommendations

Your Committee notes that the unaccounted for balance is huge and therefore, efforts should be taken to provide the missing documents. Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General.

OFFICE OF THE PRESIDENT - CENTRAL PROVINCE

AUDIT QUERY

Programme
Activities

General Deposit Account
Various

PARAGRAPH 59

Irregularities in Accounting for Rural Roads Funds (PRP)

58. An examination of accounting and other related records maintained at the Provincial Administration carried out in April 2011 revealed weaknesses and the Controlling Officer submitted as set out below.

a) **Unaccounted For Funds-K367,471,194**

The Controlling Officer submitted that the reason for the difference was because the funds were used for the completion and monitoring of other PRP projects. This was necessitated so as to avert wastages and delays in the completion of the projects which had already progressed. The rehabilitation of the roads was not in any way affected by this arrangement as funds were recouped to continue with the road projects.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

b) **Misapplication of Funds**

The Controlling Officer submitted that the funds used to procure fuel and maintenance of vehicles have since been refunded and documents were available for verifications.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

c) **Unretired Imprest**

The Controlling Officer submitted that imprest amounting to K11,215,115 have since been retired leaving a balance of K6,700,475 and deductions would be effected from the officer concerned.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to ensure that imprest is retired in accordance with financial regulations and urges the Controlling Officer to ensure that disciplinary action is taken against the accounting officer(s) who should have followed up the retirement of the imprest. The retirement details should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

d) **Unaccounted for Fuel-K127,278,657**

i. *Serenje District*

The Controlling Officer submitted that the works on the mentioned projects were completed and disposal details for the 16,949.19 liters of fuel drawn have now been made available.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to produce the fuel disposal details during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the omission. The fuel disposal details in question should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

ii. *Mkushi District*

The Controlling Officer submitted that disposal details had been found and were available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to produce the disposal details during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the omission. The disposal details in question should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

OFFICE OF THE PRESIDENT - CENTRAL PROVINCE

AUDIT QUERY

PARAGRAPH 60

Programmes: General Deposit Account

Activities: Various

Accounting Irregularities in the Management of Funds

59. An examination of accounting and other records maintained at the Provincial Administration carried out in March 2011 revealed weaknesses and the Controlling Officer submitted as set out below.

a) **Poor Record Keeping**

The Controlling Officer submitted that documents relating to deposits for cash receipts amounting to K5,782,000 during the period under review were now available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to produce the accountable documents the audit process and urges the Controlling Officer to ensure that disciplinary action is taken against the accounting officer(s) responsible for the omission. The records in question should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

b) **Unsupported Payments-K27,822,100**

The Controlling Officer submitted that vouchers totalling K27,822,100 which were missing at the time of the audit were now available.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to produce the supporting documents during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the omission. The supporting documents should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

c) **Unretired Imprest- K66,901,520**

The Controlling Officer submitted that of the K66,901,520 unretired at the time of the audit imprest amounting to K56,501,521.50 has been retired leaving K10,400,000 which would be recovered from concerned officers.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to ensure imprest is retired in accordance with financial regulations and urges the Controlling Officer to ensure that disciplinary action is taken against the accounting

officer(s) who should have followed up on the retirement of the imprest. The retirement details as well as on recoveries should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

d) Unaccounted for Stores-K6,583,000

The Controlling Officer submitted that the receipt and disposal details for various stores items procured in the year under review worth K6,583,000 were now available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Ministry to produce the stores details in respect of K6,583,000 during audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the missing documents. The traced documents should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

OFFICE OF THE PRESIDENT - CENTRAL PROVINCE

AUDIT QUERY

PARAGRAPH 61

Programmes: Various
Activities: Various

Accounting and Other Irregularities

60. An examination of accounting records and other records maintained at the Provincial Administration carried out in March 2011 revealed weaknesses and the Controlling Officer submitted as set out below.

a) Unretired Imprest-K79,383,820

The Controlling Officer submitted that the retirement documents for these imprest were not fully approved at the time of audit and that imprest amounting to K79,383,820 had now been fully retired.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until the retirement details have been verified by the Office of the Auditor-General.

b) Unaccounted for Stores- K21,246,000

The Controlling Officer submitted that receipt and disposal details in respect of various stores items involving eleven transactions costing K21,246,000 were not availed at the time of audit because departments were not able to submit their stores ledgers in time. However, receipts and other disposals details for ten transactions costing K14,246,000 were now available for inspection. Further, the Toshiba laptop costing K7,000,000 was also now available for physical verification.

Committee's Observations and Recommendations

Your Committee closes the matter but urges the Controlling Officer to caution departments against submitting their documents late.

OFFICE OF THE PRESIDENT - NORTHERN PROVINCE

QUERY

PARAGRAPH 62

Departments: Various

Programmes: Various

Activities: Various

Accounting and Other Irregularities

61. An examination of accounting and other records maintained by the Provincial Administration carried out in December 2010 revealed weaknesses and the Controlling Officer submitted as set out below.

a) Inadequately Supported Payments - K1,114,891,887

The Controlling Officer submitted that seventy-four payment vouchers amounting to K1,114,891,887 were quoted as not supported at the time of audit. Supporting documents for sixty-six payment vouchers for K1,077,385,937 have been found and were available for verification. Efforts to trace supporting documents for the remaining eight transactions has continued.

Committee's Observations and Recommendations

Your Committee observes that supporting documents for eight transactions are still missing in this regard the Controlling Officer is urged to ensure that the documents are found and presented to the Auditors for verification. In the event that the documents are not traced, recoveries should be instituted against officers responsible. They await a progress report on the matter.

b) Questionable Refunds

The Controlling Officer conceded that it was difficult to establish whether prior authority was obtained to use personal money on Government procurements. In all cases officers were already out of station on duty and they needed to either overstay or incur extra expenses. Written authority in such cases was difficult hence verbal authority was granted while written authority was obtained before refunds were effected.

Committee's Observations and Recommendations

Your Committee observes that this practice should be halted without further delay and urges the Office of the Auditor-General to keep the matter in view in future audits.

c) **Weaknesses in Management of Stores and Fuel**

i. *Stores without Receipt and Disposal Details*

The Controlling Officer informed your Committee that stores records to support twenty-seven transactions for stationery and computer accessories amounting to K63,068,308 and thirty transactions for vehicle spare parts costing K92,382,233 have been found and were attached to the payment vouchers, ready for verification.

Committee's Observations and Recommendations

In noting the submission, your Committee directs the Controlling Officer to avail the documents to the office of the Auditor-General before the matter could be closed. Further, the Controlling officer should caution the officer(s) who caused the anomaly for negligence of duty.

ii. *Unaccounted for Fuel*

The Controlling Officer explained that fuel costing K30,219,829 was paid for at various filling stations by departments under Provincial Administration as per auditor's schedule. Details for fuel disposal at the time of audit were with the departments concerned. These were collected and were ready for verification. In addition, fuel worth K306,630 was used in a lawn mower to clean the office surroundings, while fuel worth K12,444,185 was used by the Provincial Minister for ministerial duties.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

iii. *Unauthorised Fuel Drawings*

The Controlling Officer explained that the debt of K1,800,000 worth of fuel was a mistake by the filling station and the transaction has since been reversed. The fuel statement showing the reversal was available and ready for verification.

Committee's Observations and Recommendations

Your Committee directs that the fuel statement should be presented to the Office of the Auditor-General for verification before the matter can be closed.

iv. *Questionable Fuel Drawings*

The Controlling Officer explained that out of the thirteen transactions amounting to K6,967,660 reported by the auditors, five vehicles correctly refuelled outside the imprest retirement period. He added that circumstances were that vehicles would be at station but later in the day would be allocated duties outside the station. Those which returned from duty would be allocated

other local duties. Your Committee was also informed that six transactions amounting to K3,098,630 related to the minister's vehicle. The Minister used to go back to Kasama to attend to various programmes whilst he was still holding imprest for attending Parliamentary sessions. It was during such times that his vehicle was refuelled. In relation to the two transactions amounting to K1,029,400 for the fuel drawn by two officers, PMEC office had been instructed to commence recoveries from salary and terminal benefits respectively.

Committee's Observations and Recommendations

Your Committee observes that there was serious flouting of procedure with regard to drawing of fuel. The Controlling Officer is therefore directed to ensure that officers are acquainted with the laid down procedures and that recoveries are effected as indicated above.

d) Imprest - K1,075,118,357

i. *Unretired Imprest*

The Controlling Officer submitted that out of the 195 transactions amounting to K1,075,118,357 reported as unretired, 190 transactions for K1,052,871,059 have been retired. Three (3) were payments to suppliers of goods and services while one (1) was a refund to the officer. Further, one payment was duplicated in the audit report.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to ensure imprest is retired in accordance with financial regulations and urges the Controlling Officer to ensure that disciplinary action is taken against the accounting officer(s) who should have followed up the retirement of the imprest. The retirement and recoveries details should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

ii. *Questionable Retirements*

The Controlling Officer explained that in relation to the two transactions amounting to K4,377,800 issued to seven officers whose retirement receipt dates were not consistent with the period of claims, PMEC has been instructed to commence recoveries from their monthly salaries.

Committee's Observations and Recommendations

Your Committee observes that the retirement is questionable because the dates on the receipts are at variance with the retirement period indicated on the claim form. There is actually an attempt on the part of the officers to conceal the period within which they were supposed to retire. Your Committee therefore, directs the Controlling Officer to institute some form of

disciplinary action against the officers apart from recovering from their salaries. They await a progress report on the matter.

OFFICE OF THE PRESIDENT - NORTHERN PROVINCE

AUDIT QUERY

PARAGRAPH 63

District Administration

Programmes:

General Administration

Capacity Building

Utilities

Public Functions and Ceremonies

Activities:

Various

Accounting and Other Irregularities

62. An examination of accounting and other records maintained by the Provincial Administration carried out in December 2010 revealed weaknesses and the Controlling Officer submitted as set out below.

a) Misapplication of Funds-K939,121,051

The Controlling Officer explained that out of the K939,121,051 reported as funds retained at Provincial Administration, an amount of K880,403,950 was paid towards District Commissioners' expenses at Provincial Administration. Whenever District Commissioners were in urgent need of money and they had no funds at their respective districts, they always sought assistance from the Provincial Administration. Whenever this was done recoveries were made from their funding.

Committee's Observations and Recommendations

Your Committee cautions the Provincial Administration against diverting funds from one programme to another without approval from the Secretary to the Treasury. Your Committee resolves to close the matter subject to verification.

b) Un-vouched Expenditure-K63,159,193

The Controlling Officer responded that it was true that payments in amounts totalling K63,159,193 were unvouched at the time of audit. However, all the payments have been traced and adequately supported.

Committee's Observations and Recommendations

Your Committee emphasises the importance of good record keeping but resolves to close the matter subject to verification by the office of the Auditor-General.

c) **Unretired Imprest K55,677,000**

The Controlling Officer informed your Committee that all the unretired imprest amounting to K55,677,000 has been retired.

Committee's Observations and Recommendations

Your Committee notes that the imprest of K12,440,000 was issued to officers with outstanding amount to which an explanation was not made by the Controlling Officer. Your Committee therefore directs that the said imprest should be recovered immediately and records sent to the Auditor-General's office for verification.

d) **Unaccounted for Stores-Fuel(K55, 199,678) & other stores (K54,294,593)**

The Controlling Officer submitted that all the 155 transactions for assorted stores amounting to K54,294,593 reported as unsupported, have now been supported. These documents were misplaced at the time of audit, but were now available for verification. The Controlling Officer is further urged to ensure that the practice is halted henceforth.

Committee's Observations and Recommendations

Your Committee re-emphasises the importance of good record keeping and urges the Controlling Officer to take disciplinary action against the officer(s) responsible for poor record keeping. They await a progress report on the matter.

e) **Unauthorised Fuel Drawings**

The Controlling Officer submitted that fuel worth K3,197,010 was drawn by Government vehicles which were used on various Government Programmes such as hosting Presidential visits and other public functions and ceremonies. This could be confirmed by the Auditor's schedules which were attached to the preliminary queries.

Committee's Observations and Recommendations

Your Committee expresses concern that this matter was not addressed during audit and urges the Controlling Officer to avail all the necessary documents to the Office of the Auditor-General for verification before the matter can be closed.

f) **Questionable Refunds**

The Controlling Officer explained to your Committee that seven payments totalling K7,342,300 were either paid using accounts form V or accounts form 44. The documents were properly approved. However, it is true that prior written authority was not sought in some cases and the District Commissioner has been informed accordingly.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Office of

the Auditor General.

OFFICE OF THE PRESIDENT-WESTERN PROVINCE

AUDIT QUERY

PARAGRAH 64

Programmes: Headquarters
Buildings Department
Sports Department
Improvement of Office Infrastructure (PRP)
Monitoring and Evaluation of PRP Projects
Maintenance and Rehabilitation of Public Buildings
Rehabilitation of Mongu Stadium

Activities: Various

Irregularities in Accounting for PRP funds

63. An examination of accounting and other records maintained at the Provincial Administration carried out in February 2011 revealed several weaknesses to which the Controlling officer responded set out below.

a) **Misapplication of Funds- Extension of New Office Block - K99,528,400**

The Controlling Officer submitted that an amount of K50,471,600 was spent on the extension of the new office block at Provincial Administration while the balance of K99,528,400 was used on rehabilitation works of Lealui Palace that needed to be carried out urgently as the state of the structures posed a danger to His Majesty the Litunga if left unattended to.

Committee's Observations and Recommendations

Your Committee wonders why Treasury authority was not obtained before the funds were misapplied and urges the Controlling Officer to ensure that authority is obtained in retrospect to normalise the expenditure of K99,528,400. They await a progress report on the matter.

b) **Misapplication of Funds-Transport Acquisition-K55,654,600**

The Controlling Officer explained to your Committee that the balance of K55,654,600 on the transport acquisition account was refunded on 2 December 2011 from loan recoveries and settlement of advances.

Committee's Observations and Recommendations

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

OFFICE OF THE PRESIDENT-WESTERN PROVINCE

AUDIT QUERY

PARAGRAH 65

Programmes: General Administration
Utilities
Dismantling of Arrears
Activities: Various

Accounting and Other Irregularities

64. An examination of accounting and other records maintained at the Provincial Administration carried out in January 2011 revealed several weaknesses to which the Controlling officer responded as follows.

a) **Unvouched Expenditure-K200,114,508**

The Controlling Officer submitted that seventeen transactions amounting to K20,166,031 had been supported while thirty-five transactions totalling K138,594,000 were procured without competitive quotations as these were the only suppliers who were willing to transact with the office on credit basis. He submitted further that efforts were being made to make good on the remaining eighteen unvouched transactions totalling K41,666,806.

Committee's Observations and Recommendations

Your Committee observes that all forms of single sourcing require the authority of the Zambia Public Procurement Authority whether the goods or services are being procured on credit or not. Your Committee urges the Controlling Officer to ensure that tender procedures are strictly followed. Further all supporting documents should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

b) **Irregular Payments of Subsistence Allowance**

The Controlling Officer submitted that the Provincial Administration was consulting the Public Service Management Division as approval to pay subsistence allowance was obtained at the time from the Secretary to the Cabinet to extend the stay of the outgoing Deputy Permanent Secretary in his official residence making it practically impossible for the incoming officer to occupy this house, hence the decision to pay subsistence allowance to the incoming Deputy Permanent Secretary than to keep him and his family at great expense in a lodge.

Committee's Observations and Recommendations

Your Committee observes that what was approved by the Secretary to the Treasury in the authority referred to, is the extended stay of the outgoing Deputy Permanent Secretary in the house and not necessarily the payment of subsistence allowances to the incoming officer. Your Committee, however, resolves to await the outcome of the consultations between the Provincial Administration with the Public Service Management Division on the matter.

c) **Wasteful Expenditure-K133,410,000**

The Controlling Officer submitted to your Committee that reports were received from five officers on the tours that they had undertaken to districts in the Province on various assignments to confirm that the officers had undertaken the trips. Meanwhile, the Controlling Officer at the Ministry of Finance and National Planning has been engaged to recover K24,705,000 in respect of an officer who was transferred there.

Committee's Observations and Recommendations

Your Committee observes that failure to produce tour reports is an offence on which an alert Controlling Officer should have taken disciplinary action against the offenders without having to be reminded by the Auditor-General's Office. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against all the officers whose reports were delayed and provide a progress report.

d) **Irregularities in Payment and Retirement of Imprest**

i. *Unretired Imprest-K1,084,814,374*

The Controlling Officer explained to your Committee that funds totalling K1,800,000 queried as unretired imprest by the Auditor were actually wage payments for casual workers who were not on the payroll. The vouchers were available for verification. Further, imprest totalling K478,880,969 had been retired while recoveries were effected in February, 2012 for imprest amounting to K121,902,008. Additionally, K256,823,825 would be recovered in March 2012 Schedule.

The Controlling Officer also submitted that the Ministry of Finance and National Planning had been engaged to recover imprest totalling K225,407,572 relating to officers that were not on Provincial payroll due to either retirements or transfers.

Committee's Observations and Recommendations

Your Committee expresses concern at the poor management of imprest in the Province and urges the Controlling Officer to strictly adhere to financial regulations in order to correct the situation. Further, documentary evidence on the retired imprest and recoveries should be availed to the Office of the Auditor-General for verification.

ii. *Questionable Retirement of Imprest-K223,129,800*

- **Irregularly drawn fuel-26,651,538**

The Controlling Officer submitted that fuel in amounts totalling K26,651,538 was irregularly drawn from the Provincial Administration fuel account and was charged to the officers concerned so that they could refund the funds. A

total of K19,445,278 has been refunded while the balance of K7,206,260 would be recovered in the month of February, 2012.

Committee's Observations and Recommendations

Your Committee expresses concern at the weak controls in the usage of fuel in the Province and urges the Controlling Officer to work closely with the Office of the Controller of Internal Audits to come up with strict internal control measures in the management of fuel. They also urge him to take disciplinary action against the officers who irregularly drew the fuel. They await a progress report on the matter.

- **No Bills to support retirements-K150,465,500**

The Controlling Officer informed your Committee that the officers concerned refunded the queried amounts on all hotel receipts that were not supported with hotel bills. A total of K15,075,000 was refunded in cash while K47,648,000 was recovered from the former Provincial Minister's terminal benefits through the clearance certificate issued by the Ministry of Finance and National Planning in November 2011.

Committee's Observations and Recommendations

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

e) **Unaccounted for Stores-K817,858,282**

The Controlling Officer explained that steps had been taken to improve stores and records management and in this respect, all departments have been issued with stores ledgers, demand, receipt and issue books. Further, training on how to utilise this was carried out for all districts and departments.

Committee's Observations and Recommendations

Your Committee, while noting the measures that have been put in place to correct the situation resolves not to close the matter until the missing stores documents are found and availed to the Office of the Auditor-General for verification and disciplinary action is taken on the officer responsible for the omission.

f) **Weaknesses in fuel usage**

i. *Irregular drawing of Fuel*

The Controlling Officer submitted that of the amount of K24,415,862 for fuel drawn by privately owned vehicles, fuel worth K8,115,280 has been traced to Government vehicles bearing private registration numbers while a total of K9,046,188 has been recovered from the officers who authorised the drawing of fuel. The balance of K7,253,864 has been scheduled to be recovered in March 2012 from the salaries of the officers who authorised the fuel drawings. Out of

the figure of K12,675,231 for unidentified vehicles, an amount of K5,123,645 was traced to Government vehicles.

On other actions taken , he submitted as below.

- An amount of K2,851,100 has been effected for recovery from the concerned officers' salaries with effect from February 2012.
- A total of K1,491,650 was recovered through the terminal benefits of the concerned officers while an amount of K125,400 has been recovered from an officer's long service bonus.
- An amount of K3,083,466 has been scheduled for recovery from the monthly salaries of officers concerned with effect from February 2012.
- Fuel worth K79,968,752 was utilised on various Government logistics such as VIP visits by the then Republican President and the then Vice President in addition to providing for emergencies and operations by the security wings in the Province.

Committee's Observations and Recommendations

Your Committee expresses concern at the abuse of fuel at the Provincial Administration and the lack of will by the Controlling Officer to take disciplinary action in addition to the recoveries. Your Committee requests the Office of the Auditor-General to verify the documents in respect of the recoveries alluded to by the Controlling Officer.

ii. *Drawing of both Diesel and Petrol by One Vehicle- K7,838,936*

The Controlling Officer explained that this mainly happened when District Commissioners and other heads of Department used one slip to draw both petrol and diesel. They would use diesel for the motor vehicle and petrol for either motor bikes, generators or speed boats on official Government duties. The officers had been instructed to stop this practice and fuel requisition books for each vehicle had been introduced to ensure proper monitoring and accountability of fuel.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter subject to verification by the Office of the Auditor-General that the vice has stopped. They await a progress report on the matter.

iii. *Questionable Fuel Drawings*

The Controlling Officer submitted that recoveries of fuel worth K2,881,300 from two officers would be made with effect from February, 2012 while K7,851,590 would be recovered from salaries of four officers in March 2012.

One officer who was not on the Provincial Administration payroll has been instructed to refund the amount of K223,650.

Committee's Observations and Recommendations

The Controlling Officer is urged to take disciplinary action against the officer concerned in addition to the recoveries. They await a progress report on the matter.

OFFICE OF THE PRESIDENT-WESTERN PROVINCE

AUDIT QUERY

PARAGRAH 66

Headquarters
Programme: General Deposit Account
Activities: Various

Accounting and Other Irregularities

65. An examination of accounting and other records maintained at the Provincial Administration carried out in January 2011 revealed several weaknesses to which the Controlling officer responded as set out below.

a) Failure to follow Tender Procedures

The Controlling Officer explained to your Committee that the Provincial Administration had no option at the time but to single source from these five (5) suppliers as they were the only ones willing to extend credit facilities.

Committee's Observations and Recommendations

Your Committee observes that willingness to sell goods or services on credit does not preclude any spending agency from obtaining a no objection from ZPPA for single sourcing. The Controlling Officer is therefore urged to strictly observe procurement procedures in all the procurements. The Auditor-General is requested to keep the matter in view in future audits.

b) Unretired Imprest-K412,912,357

The Controlling Officer informed your Committee that thirteen transactions in amounts totalling K122,315,787 has been retired while recoveries amounting to K87,227,500 were effected in February 2012 on the concerned officers' dues. Further, a total of K15,880,000 has been recovered from the former Provincial Minister's terminal benefits. Other recoveries were undertaken as below.

- Recoveries from two former Permanent Secretaries' totalling K57,824,030 were instituted through Casualty Forms
- Recoveries totalling K127,590,040 would be made with the assistance of P MEC in March 2012 from officers that were transferred from the Province.

- An officer who absconded from the Civil Service on learning that he was being investigated for impropriety was being pursued with the help of Security agents to recover K2,075,000 from him.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to put in place strict measures to ensure that retirement of imprest is done as provided for in the financial regulations. Documentary evidence of the recoveries should be availed to the Office of the Auditor-General for verifications. Further, accounting officers who failed to make necessary follow-ups on the retirement of imprest should be cautioned.

OFFICE OF THE PRESIDENT-WESTERN PROVINCE

AUDIT QUERY

PARAGRAH 67

Units: Various
 Programme: Revolving Fund Account
 Activities: Various

Accounting Irregularities

66. An examination of accounting and other records carried out in January 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) Non-recovery of Loans-K316,305,000

The Controlling Officer submitted to your Committee that recoveries for outstanding loans had been instituted and a total of K290,000,000 has been recovered. However, recovery from one officer amounting to K3,000,000, has not yet been effected as the officer was given the loan even when her debt service ratio was below 40%. The Ministry of Works and Supply and Ministry of Finance and National Planning would help recover loans amounting to K14,000,000 from two officers who has been transferred from Western Province. In order to stop the trend of giving Loans and Advances to officers whose take home pay was less than 40%, a committee under the Chairmanship of the Deputy Permanent Secretary has been constituted with a mandate of scrutinising loan applications.

Committee's Observations and Recommendations

Your Committee expresses concern that the Controlling Officer rendered no explanation for the delay in effecting the recoveries and urges him to put in place measures to correct the situation. Your Committee resolves not to close the matter until all recoveries are effected and documentary evidence is availed to the office of the Auditor-General for verification.

b) **Salary Advances**

i. *Failure to recover Advances from Twelve Officers-K16,200,000*

The Controlling Officer submitted that from the K16,200,000 that was queried one payment paid on 29 December, 2010 was K150,000 and not K1,500,000, resulting in an overstatement of K1,350,000 reflected in the query and had since been recovered. Further, K12,250,000 was fed for recovery and K6,883,328.74 has been recovered leaving a balance of K5,366,671.26. Efforts were being made to recover the balance of K2,600,000 from three officers.

Committee's Observations and Recommendations

Your Committee expresses concern that these explanations were not rendered during audit and urges the Controlling Officer to pay serious attention to future audits. Your Committee resolves to await a progress report on the matter.

ii. *Failure to recover Advances from Ten (10) Officers- K7,733,333*

The Controlling Officer submitted that out of the K7,733,333 that was queried by the Auditors, a total of K3,738,885.94 had since been recovered. A further sum of K500,000 had been recovered through casualty form from a deceased officer while the balance of K1,650,000 from the total outstanding amount would be recovered from the officers' salaries when their debt recovery ratio improves to above 40%.

Committee's Observations and Recommendations

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

iii. *Outstanding Balance K78,499,803.29*

The Controlling Officer submitted that out of the outstanding balance of K78,499,803.29 in respect of forty-five (45) officers paid as advances during the period from February 2003 to January 2010, a total of K23,622,761.68 had been accounted for. Further, out of the outstanding K31,455,941.07 in advances, arrangements have been made to deduct K22,488,718.89 by March 2012 from officers' terminal benefits in the case of retirees and current pay officers transferred out of Western province while K8,967,222.18 will be deducted from serving officers as soon as their Debt Service Ratio is above 40%.

Committee's Observations and Recommendations

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

iv. *Irregular Recovery of Advances-K19,428,333*

The Controlling Officer submitted that salary advances in amounts totalling K19,428,333 paid to four officers which were recovered as household good

loans has been reversed to their original status of salary advances and were being recovered as such.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who caused the omission.

OFFICE OF THE PRESIDENT-WESTERN PROVINCE

AUDIT QUERY

PARAGRAH 68

Unit:	Rural Roads Department
Programme:	Rural Roads
Activity:	Road Rehabilitation (Feeder Roads)
	Grading of Feeder Roads

Accounting Irregularities

67. An examination of accounting and other records maintained at the Provincial Accounting Control Unit carried out in January 2011 revealed several weaknesses to which the Controlling officer responded as set out below.

a) Irregular Procurement of Tyres and Tubes-K99,925,000

The Controlling Officer informed your Committee that the Provincial Administration intended to vigorously pursue this matter including referring it to security wings to determine what actually transpired.

Committee's Observations and Recommendations

Your Committee expresses concern that the Controlling Officer is taking long to report the matter to the investigative wings and has done nothing to resolve it. Your Committee, therefore, strongly urges him to immediately report the matter to the investigative wings for further action. They await a progress report on the matter.

b) Unretired Imprest-K24,547,893

The Controlling Officer submitted that imprest totalling K18,368,300 was retired while a total of K3,295,520 cleared by the Auditors, was still being reflected as outstanding on the schedule. Further, two (2) transactions totalling K2,419,073 were wrongly reflected in the Auditor General's report as imprest when they were actually claims for subsistence allowance for officers who had travelled for official duties outside their stations. A recovery has been effected on one (1) transaction involving a driver and amounting to K465,000.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter subject to verification by the Office of the Auditor-General.

c) **Unaccounted for Fuel-K20,757,288**

The Controlling Officer submitted that the amount was K20,297,288.36 as opposed to the K20,757,288 indicated in the Auditor General's Report. He further submitted that the documents were available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern that all the documents that were missing at the time of the audit have been traced and urges the Controlling Officer to take necessary steps to improve record keeping in respect of the usage of fuel.

d) **Chilombo - Katoya Road - Construction of Culvert**

The Controlling Officer submitted that the expenditure of K77,422,560 highlighted in the Audit-General's Report comprised two (2) projects namely, Chilombo-Katoya culvert project at an estimated cost of K36,256,000 and re-gravelling of a 9km stretch of Chilombo-Katoya road at an estimated cost of K589,619,625. However, only K44,108,120 was spent on re-gravelling the 9km stretch while K33,314,440 was spent on the culvert bringing the total expenditure of the two projects to K77,422,560. The four (4) cracks on the head walls of the culvert have been repaired.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General.

e) **Kalabo - Kalongola Road (D319)**

i. *Lack of Segregation of duties*

The Controlling Officer submitted that the observation had been noted and the Accounts Assistant was no longer manning both the Accounts and fuel records as this function has been shared between two officers - one to handle fuels and stores records; and the other to handle accounts.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General.

ii. *Unaccounted for Fuel*

The Controlling Officer explained that fuel drawings costing K63,256,580 made from the two fuel accounts and a total of 6,500 litres of diesel costing K45,943,500 was recorded in the fuel site register book in Kalabo and was cleared by the Auditor General in the verification response. Further, instead of recording in the fuel site register book on the Kalabo-Kalongola road project, fuel worth K17,313,080 was recorded in the Provincial Fuel Register for the

purpose of logistical expenses to move equipment to and from the Kalabo-Kalongola road site as well as monitoring and evaluation.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General.

f) Simungoma - Machile Road

The Controlling Officer informed your Committee that disposal details for fuel and lubricants amounting to K320,916,683 that was procured for use on the Simungoma - Machile road was presented for verification to the Auditors leaving K95,633,317 which was still held to the account of Government by BP Mongu Service Station as indicated on the BP Mongu Service Station's statement of account.

A decision was taken by the Rural Roads Unit during the execution of works on the Simungoma - Machile road to do away with the culverts but instead raise the road level at the lower points with gravel fill material to make an embankment to avoid the escalation of costs. The bill of quantity had been revised to incorporate the changes to do away with the construction of culverts. In future, all variations on works and adjustments in the bill of quantity to incorporate changes would have to be approved by the Tender Committee before any adjusted works were done.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General.

g) Limulunga - Ushaa Road

The Controlling Officer submitted that details on the procurement of fuels and lubricants amounting to K26,633,023 were available for verification. On culverts, the Controlling Officer submitted that, a decision was taken to do away with the culverts but instead raise the road level at the lower points with gravel fill material to make an embankment to avoid escalation of costs. The bill of quantity has been revised to incorporate the changes.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Office of Auditor-General.

OFFICE OF THE PRESIDENT-WESTERN PROVINCE

AUDIT QUERY

PARAGRAH 69

Unit: Provincial Planning Unit
Programme: Development Coordination, Monitoring and Evaluation-PRP
Activity: Updating District Development Profiles

Accounting and Other Irregularities

68. An examination of accounting and other records maintained at the Provincial Administration carried out in February 2011 revealed several weaknesses to which the Controlling Officer responded as follows.

a) **Wasteful Expenditure-K30,082,840**

The Controlling Officer stated that the district development profile reports for Kaoma, Lukulu, Sesheke and Shangombo were submitted late to the office of the Permanent Secretary by the officer who led a delegation on the tour. The delay was as a result of the officer's transfer to Northern Province.

Committee's Observations and Recommendations

Your Committee finds the explanation rendered by the Controlling Officer unacceptable as an alert Controlling Officer should have inquired about the reports immediately the officers returned to station. Your Committee urges the Controlling Officer to institute disciplinary action against the officers who delayed the reports and provide a progress report on the matter.

b) **Questionable retirement of imprest**

i. *Principal Planner K6,960,000*

The Controlling Officer responded that the questionable retirements were being recovered from the concerned officer's dues.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer concerned in addition to the recoveries. A progress report is awaited.

ii. *Principal Planner-K8,000,000*

The Controlling Officer explained that in view of the inconsistencies observed in the retirement of imprest and the fuel cash sale receipts, the Director Payroll Management and Establishment Control (PMEC) has been engaged to recover K1,968,850 relating to questionable fuel receipts submitted by an officer who was transferred to Northern Province. However, though delayed, a report on the updating of district development profiles for Sesheke and

Shangombo districts was subsequently received by the office of the Permanent Secretary as confirmation that the officer in question had under taken the trip.

Committee's Observations and Recommendations

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

c) **Unretired imprest-K10,287,500**

The Controlling Officer informed your Committee that the Provincial Accounting Control Unit has engaged PMEC to help recover K10,287,500 from the then Principal Planner who had not retired this imprest before he was transferred to Northern Province.

Committee's Observations and Recommendations

Your Committee expresses concern at the manner imprest is being administered at the Provincial Administration and urges the Controlling Officer to ensure imprest is retired in accordance with financial regulations. They await a progress report on the matter.

OFFICE OF THE PRESIDENT - EASTERN PROVINCE

AUDIT QUERY

PARAGRAPH 70

Unit: Various
Programmes: Various
Activities: Various

Accounting and other Irregularities

69. An examination of accounting and other records maintained at the Provincial Administration carried out in March 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Unretired imprest-K550,087,613**

The Controlling Officer responded that at the time of audit, documentation on the retirement imprest totalling K550,087,613 was not availed to the auditors because the documents were at that time being used by the Integrated Financial Management and Information Systems (IFMIS) to capture debtors and also for the Financial Management System (FMS) during the final part of data capture and finalisation of the 2010 financial statements.

Committee's Observations and Recommendations

Your Committee is of the view that the matter should have been conclusively addressed during audit and urges the Controlling Officer to avail all the traced documents to the Office of the Auditor-General for verification.

b) Irregular Payments-K13,050,000

The Controlling Officer acknowledged that the officer was paid a total sum of K13,050,000 in excess of his entitlement when he was transferred from Mongu to Chipata as subsistence allowance. The officer was cautioned and had since paid the money back.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to caution those who authorised the payment as the officer did not pay himself. They await a progress report on the matter.

c) Stores items without Receipts and Disposal details-K432,115,975

The Controlling Officer acknowledged that there were no receipts and disposal details in respect of stores items costing K432,115,975 procured during the period under review mainly because there was no staff capable of handling stores records in the affected District Commissioners' offices. He however assured your Committee that the stores records have been updated.

Committee's Observations and Recommendations

Your Committee finds the explanation of lack of capacity unacceptable as the same officers that processed the payments for the stores could still have been tasked to maintain stores records. Your Committee requests the Office of the Auditor-General to verify the matter and keep it in view in future audits.

d) Non-deduction of tax-K133,614,941

The Controlling Officer acknowledged that it was true that an amount totalling K119,418,536 was paid to officers for commutation of leave, recruitment and retention allowances and that Income tax and Pay-As-You-Earn was not deducted. Further, the amount totalling K40,021,905 was payments towards commutation and that the payments made were part payments of which tax would be deducted from their final payments. The amount totalling K65,291,468 was retention allowance which was not taxable and hence tax was not deducted, even on the pay slip the tax was not deducted from the retention allowance. Amount totalling K14,105,163 for two (2) officers was terminal leave of which it was within the tax band but zero rated and tax was therefore not deducted.

Committee's Observations and Recommendations

Your Committee notes that this explanation should have been rendered during audit and urges the Office of the Auditor-General to verify the Controlling Officer's response before the matter can be closed.

OFFICE OF THE PRESIDENT - LUAPULA PROVINCE

AUDIT QUERY

PARAGRAPH 71

Programme: General Deposit Account

Activities: Various

Accounting and Other Irregularities

70. An examination of accounting and other records maintained at the Provincial Administration and a physical inspection carried out in March 2011 revealed several weaknesses on which the Controlling officer submitted as set out below.

a) **Poor Record Keeping**

The Controlling Officer submitted that bank reconciliations have been updated and submitted to the auditors for verification. Ledgers for 2010 were not updated on time but the balances have since been reconciled and the ledgers were now in up to date.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to keep financial records in accordance with financial regulations and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the anomaly. They await a progress report on the matter.

b) **Unvouched Expenditure-K782,204,090**

The Controlling Officer submitted that unvouched expenditure of K351,056,399.92 has been now vouched.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to find the missing supporting documents and payment vouchers and urges the Controlling Officer to take disciplinary action against the officer(s) responsible for the missing documents. A progress report is awaited. Further, the traced documents should be availed to the Auditor-General for audit verification.

c) **Misapplication of Funds**

i. *Samfya Youth Resource Centre*

The Controlling Officer submitted that the amount of K283,582,000 was misapplied towards the Vice President's visit due to delayed funding. However, funds were re-imbursed upon receiving funding for the Vice President visit and the Youth Resource Centre has since been completed.

Committee's Observations and Recommendations

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

to verification.

ii. *Chiefs' Retainers and Tree Planting*

The Controlling Officer submitted that the K25,000,000 for chiefs retainers and the final K20,000,000 for tree planting was paid in 2011.

Committee's Observations and Recommendations

Your Committee expresses concern that the funds in question were misapplied without seeking approval from the Secretary to the Treasury as required by regulations. Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General.

d) **Unretired Imprest-K966,341,210**

The Controlling Officer submitted that the imprest amounting to K966,341,210 reported as unretired imprest amounting to K903,048,710 has been retired leaving a balance of K63,292,500 and recoveries would soon be instituted from the concerned officers' dues.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to administer the retirement of imprest in accordance with financial regulations and urges the Controlling Officer to take disciplinary action against the officer(s) responsible for ensuring that imprest is retired according to regulations. They await a progress report on the matter.

OFFICE OF THE PRESIDENT - LUAPULA PROVINCE

AUDIT QUERY

PARAGRAPH 72

Programme: Resettlement Department
Scheme Establishment and Land Resettlement
Infrastructure Development
Activities: Various

Accounting and Other Irregularities

71. An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of the project carried out in February 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) Programme 7 - Scheme Establishment and Land Resettlement

i. *Missing Payment Vouchers-K23,747,000*

The Controlling Officer submitted that all eight (8) payment vouchers in amounts totalling K23,747,000 reported as missing were traced and submitted to the Office of the Auditor-General for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to find the missing payment vouchers and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the missing documents. They await a progress report on the matter.

ii. *Unretired Imprest-K20,180,000*

The Controlling Officer submitted that imprest amounting to K20,180,000 had been retired and documents were submitted to the Office of the Auditor-General for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to ensure that the imprest is retired in accordance with financial regulations and urges the Controlling Officer to take disciplinary action against officer(s) responsible. The retirement documents should be availed to the office of the Auditor-General for verification. They await a progress report on the matter.

iii. *Unaccounted for Fuel-K3,000,000*

The Controlling Officer submitted that disposal details for fuel worth K3,000,000 were submitted to the Office of the Auditor-General.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to produce the missing fuel records during the audit and urges the Controlling Officer to take disciplinary action against the officer(s) responsible for the missing fuel records. They await a progress report on the matter.

b) Programme 08 - Scheme Infrastructure Development

i. *Unretired Imprest-K59,720,000*

The Controlling Officer submitted that imprest totalling K59,720,000 issued to thirteen officers has been retired and verified by the Office of the Auditor-General.

Committee's Observations and Recommendations

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

ii. *Diversion of Building Materials-K14,950,000*

The Controlling Officer submitted that the K14,950,000 used for the construction of a 1 x 3 Classroom Block at Masaika Community School was from the K100,600,500 allocated for the construction of classroom blocks in Mansa District and not from the funds meant for construction of staff houses in Kapako and Mano. The ledger showing how the K100,600,500 meant for construction of classroom blocks in Mansa District including the K14,950,000 used was submitted to the Office of the Auditor-General.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the response and provide a progress report on the matter.

iii. *Unaccounted for Fuel-K13,832,500*

The Controlling Officer submitted that disposal details for fuel involving three transactions costing K13,832,500 were available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to produce the missing fuel disposal details during audit and urges the Controlling Officer to take disciplinary action against the officer(s) responsible for the anomaly. The documents should be availed to the Office of the Auditor-General for verification.

iv. *Irregular Payment*

The Controlling Officer submitted that the three payments in amounts totalling K9,200,000 were now supported by work completion certificates.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General.

c) **Weaknesses in Implementation of Projects**

i. *Mano Staff House*

The Controlling Officer submitted that the house at Mano had since been completed and was available for inspection.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

ii. *Kapako Staff House*

The Controlling Officer submitted that the Bill of Quantities (BOQ) for the above project only provided for the construction of the substructure and superstructure and roofing only. These were the works which were done by the contractor as per the certificate amounting to K38,735,000. Additional funds would be made available in the 2012 budget to complete the staff house.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

iii. *Construction of a Classroom Block at Kasenga Basic School*

The Controlling Officer submitted that the 1 x 3 Classroom Block has been completed as per attached Completion Certificate.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

OFFICE OF THE PRESIDENT - NORTH-WESTERN PROVINCE

AUDIT QUERY

PARAGRAPH 73

Programmes: Various

Activities: Various

Accounting and Other Irregularities

72. An examination of accounting and other related records maintained at the Provincial Administration carried out in March 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Inadequately Supported Payments-K618,142,390**

The Controlling Officer submitted that of the payment vouchers amounting to K618,142,390 that had no supporting documents at the time of audit, supporting documents in the sum of K302,349,854 has been found.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to find the missing supporting documents and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the missing supporting documents. They await a progress report on the remaining supporting documents.

b) **Missing Payment Vouchers-K51,900,000**

The Controlling Officer submitted that seven payment vouchers in amounts totalling K51,900,000 were not produced for audit and the office was still committed to tracing them.

Committee's Observations and Recommendations

Your Committee is concerned by the failure by the Provincial Administration to trace the missing vouchers and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the missing documents. They await a progress report on the recovery of the missing payment vouchers.

c) **Failure to Account for Stores-K575,001,482**

The Controlling Officer submitted that stores records have been updated.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to account for stores during the audit and urges the Controlling Officer to caution the officer(s) responsible for the omission. The matter should be closed subject to verification by the Office of the Auditor-General.

d) **Unretired Imprest-K1,533,181,738**

The Controlling Officer submitted that out of the unretired imprest amounting to K1,533,181,738, imprest worth K944,003,297.99 has been retired and documents were ready for verification. The remaining balance recoveries would be made from the officers concerned effective from April, 2012.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to ensure that imprest is retired in accordance with financial regulations and urges the Controlling Officer to caution the officer(s) who failed to make necessary follow-ups to ensure that imprest was retired on time. They await a progress report on the matter.

e) **Weakness in the Management of Fuel and Lubricants**

i. *Unauthorised Drawings of Fuel-K53,293,800*

The Controlling Officer submitted that authorisation of fuel was assigned to responsible officers from user departments and measures have been put in place to ensure that fuel drawn was authorised by various Heads of Department.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

ii. *Unaccounted for Fuel-K420,579,464*

The Controlling Officer submitted that fuel disposal documents were ready for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to secure fuel disposal details costing K420,579,464 and urges the Controlling Officer to take disciplinary action against the officer(s) responsible for the misplaced documents. They await a progress report on the matter.

f) **Failure to Maintain an Asset Register**

The Controlling Officer submitted that the asset register has since been put in place.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

OFFICE OF THE PRESIDENT - NORTH-WESTERN PROVINCE

AUDIT QUERY

PARAGRAPH 74

Headquarters
Programme: General Deposit Account
Activities: Various

Accounting and Other Irregularities

73. An examination of accounting and other records maintained at the Provincial Administration and a physical inspection carried out in October 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Unretired Imprest-K1,887,835,980**

The Controlling Officer submitted that imprest totalling K1,887,835,980 issued to forty-five officers during the period under review has since been retired.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to ensure that imprest was retired in accordance with financial regulations and urges the Controlling Officer to caution the officer(s) who failed to make necessary follow-ups to ensure the imprest was retired. Further, documentary evidence in respect of the retirement should be availed to the Office of the Auditor-General for verification. They await a progress report on the matter.

b) **Unsupported Payments-K130,377,000**

The Controlling Officer submitted that receipts and other supporting documents were now ready for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to provide the missing supporting documents during the audit and urges the Controlling Officer to ensure that disciplinary action is taken against the officer(s) responsible for the missing supporting documents. They await a progress report on the matter.

c) **Misapplication of Funds-K183,145,147**

The Controlling Officer submitted that a refund of K50,060,000 had so far been made while the Office remained committed to paying back the outstanding balance.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to seek Treasury authority to normalise the expenditure.

d) **Construction of Kamapanda and Kambimba Border Posts- Incomplete works**

i. *Kambimba Border Post*

The Controlling Officer submitted that only K500,000,000 had been released to date hence the project had remained incomplete.

Committee's Observations and Recommendations

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

ii. *Kamapanda Border Post*

The Controlling Officer submitted that only K600,000,000 had been released for the project which had resulted in works being incomplete to date. He added, however that in line with the on-going construction works of Kamapanda and Kambimba border post, the Permanent Secretary, Ministry of Home Affairs has confirmed the availability of capital funds to complete the two projects.

Committee's Observations and Recommendations

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

l) **Construction of Nsomo Traditional Ceremony Arena in Kasempa**

The Controlling Officer submitted that there was an excess of fifty-four (54) iron roofing sheets costing K3,375,000 because the shelter was redesigned from the initial capacity of 350 people to 300. The chief has refused to release the excess iron roofing sheets claiming that they were initially intended for his project at the palace.

Committee's Observations and Recommendations

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

OFFICE OF THE PRESIDENT - SOUTHERN PROVINCE

AUDIT QUERY

PARAGRAPH 75

Units: Various
Programmes: Various
Activities: Various

Accounting and Other Irregularities

74. An examination of accounting and other records maintained at the Provincial Administration carried out in March 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Un-vouched Expenditure- K406,084,948**

The Controlling Officer explained that out of thirty-three (33) payments amounting to K406,084,948 which were unvouched expenditure, a total of four (4) vouchers, amounting to K20,902,125 have since been vouched leaving a balance of K385,182,823.

Committee's Observations and Recommendations

Your Committee notes the efforts that have been made to find the supporting documents but urges the Controlling Officer to ensure that the remaining documents in respect of the balance of K385,182,823 are found and availed for audit verification. Further, disciplinary action should be taken against the officer(s) responsible for the missing supporting documents. They await a progress report on the matter.

b) **Irregularities in Management of Imprest**

i. *Unretired Imprest-K956,192,904*

The Controlling Officer explained that out of the total K956,192,904 unretired imprest, a total amount of K519,038,663 has been retired leaving a balance of K312,414,241 involving fifty-six (56) officers which had been fed for recoveries from owing officers. Further, K79,375,000 which was for presidential visits has been taken over by Cabinet Office for recoveries and the officer concerned had been suspended over the same imprest. Additionally, imprest amounting to K45,365,000 issued to one officer could not be recovered as the officer had died and the loss report has since been issued.

As regards the subsequent imprest issued amounting to K947,513,545, imprest of K519,038,663 had since been retired while the balance of K312,414,241 has been fed for recoveries and measures had been put in place to ensure that subsequent imprest was not given out, before an officer retired the previous one.

Committee's Observations and Recommendations

Your Committee notes the efforts that have been made to address the query but urges the Controlling Officer to ensure that the remaining imprest are traced and documentary evidence availed to the Office of the Auditor-General for audit verification. Further, a caution should be given to officer(s) responsible for ensuring that the imprest was retired through consistent follow-ups. They await a progress report on the matter.

ii. *Questionable Retirements-K8,884,500*

The Controlling Officer submitted that a letter had been written to the Honourable Minister to pay back failure to which recoveries would be made through the Treasury. The balance of K951,000 relating to an officer had been fed for recovery.

Committee's Observations and Recommendations

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

c) **Failure to repair Motor Vehicle**

The Controlling Officer acknowledged that K66,000,000 was received from the Insurance Company for the purpose of repairing the motor vehicle which was involved in an accident but instead of repairing it, the Office saw it more prudent to top up and procure a brand new vehicle which had been delivered. The Controlling Officer submitted that the vehicle in question has since been boarded for public sale by auction.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

d) **Stores Items without Receipt and Disposal Details**

The Controlling Officer submitted that the stores records have since been updated and were available for verification.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General.

e) **Non-maintenance of Asset Register**

The Controlling Officer submitted that the asset register has been established and was available for audit verification.

Committee's Observations and Recommendations

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

f) Misapplication of Funds-K704,199,357

The Controlling Officer explained that out of K704,199,357, an amount of K112,000,000 meant for IFMIS training under District Administration could not be spent on this programme because the Ministry of Finance and National Planning did not roll out the programme to the Districts and the funds were used to purchase air conditioners, furniture and computers in readiness for IFMIS.

Other funds were used as set out below.

- K60,000,000 meant for fire extinguishers was varied with authority from Ministry of Finance and National Planning.
- K161,000,000 and K74,000,000 were duly spent on dismantling of arrears by Provincial Administration and Community Development Department respectively.
- The balance of K371,199,357 was spent on budgeted programmes by various departments.

Committee's Observations and Recommendations

Your Committee is disappointed that funds were misapplied without seeking authority from the Secretary to the Treasury and urges the Controlling Officer to ensure that this does not recur. The Controlling Officer is further urged to seek retrospective authority in order to normalise the expenditures.

g) Choma Accounting Unit

i. *Irregular Deductions from Departments' Funding*

The Controlling Officer submitted that the matter has been cleared by the office of the Auditor-General.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

ii. *Claims Without Authority-K14,343,259*

The Controlling Officer informed your Committee that the amount in question has been recovered through the casualty form as the officer has retired from the Civil Service.

Committee's Observations and Recommendations

Your Committee strongly urges the Controlling Officer to put in place measures to halt the practice. Authority should be sought from the Controlling Officer before activities are undertaken using personal funds. The Office of the Auditor-General is requested to keep the matter in view in future audits.

OFFICE OF THE PRESIDENT - SOUTHERN PROVINCE

AUDIT QUERY

PARAGRAPH 76

Programme: Meteorological Supports to Agricultural Development- (PRP)
Activities: Meteorological Support to Agriculture
Meteorological Infrastructure

Accounting and Other Irregularities

75. An examination of accounting and other records maintained at Provincial Administration carried out in June 2011 revealed several weaknesses to which the Controlling officer submitted as set out below.

a) Excess Expenditure

The Controlling Officer informed your Committee that an over expenditure of K16,890,858 resulted from the underfunding by the Ministry of Finance and National Planning and a letter seeking retrospective authority from the Treasury was written though belatedly. The indulgence of your Committee was, therefore, sought to allow the expenditure of K16,890,858 to stand as a charge against public funds.

Committee's Observations and Recommendations

Your Committee recommends that the expenditure be allowed to stand as a charge against public funds but cautions the Controlling Officer to ensure that in future supplementary estimates are submitted in a timely manner.

b) Extension of an Office Block and Rehabilitation of two (2) Staff Houses at Nanga in Mazabuka

i. *Overpayment to Contractor*

The Controlling Officer submitted that the contractor was wrongly advised by a junior officer to make variations to the contract without the authority of the Controlling Officer and a letter to normalise the over expenditure has been written to the Secretary to the Treasury.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer who acted outside his authority to authorise a variation of the

contract causing an over-expenditure. They await a progress report on the matter.

ii. *Failure to Account for Supervision Funds*

The Controlling Officer submitted that out of the unaccounted for supervision funds amounting to K18,000,000, an amount of K6,000,000 had not been accounted for by the officer and was being recovered while K12,000,000 was retired by the officer.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Controlling Officer to have the documents verified by the Office of the Auditor-General. The Controlling Officer is also urged to take disciplinary action taken against the officer for causing the query.

iii. *Questionable Issuance of Certificates*

The Controlling Officer submitted that the officer was suspended and warned but has since been reinstated following the return of the contractor on site.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General that the disciplinary measures stated by the Controlling Officer have been instituted.

iv. *Irregular Payment*

The Controlling Officer submitted that the supervisor of the Nanga project had been advised to report the matter to the Police as the contractor had failed to finish the works for which he was paid.

Committee's Observations and Recommendations

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

v. *Failure to Effect Contract Clauses*

The Controlling Officer submitted that the contractor has since gone back to site to complete the works.

Committee's Observations and Recommendations

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

c) **Unretired Imprest-K4,285,000**

The Controlling Officer explained that imprest amounting to K4,285,000 has since been

retired.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

OFFICE OF THE PRESIDENT - SOUTHERN PROVINCE

AUDIT QUERY

PARAGRAPH 77

Programme: Rural Roads Department
Activities: Rural Roads Unit (RRU) - PRP
Various

Accounting and Other Irregularities

76. An examination of accounting and other records maintained at the Provincial Administration carried out in March 2011 revealed several weaknesses to which the Controlling officer responded as set out below.

a) Misapplication of Funds-K1,201,202,047

The Controlling Officer submitted that an amount of K29,000,000 was spent on the Permanent Secretary's house and was within authorised expenditure from the VIP Vote and was, therefore, not a misapplication. Further, an amount of K39,107,000 had since been reimbursed. The amount of K174,106,138 was varied because the department required a smaller vehicle to avoid high costs of fuel by using a tipper truck for supervision and monitoring. The remaining balance was spent on the rural roads administrative matters as rural roads activities was an administrative component.

Committee's Observations and Recommendations

Your Committee cautions the Controlling Officer to avoid varying funds without approval from the Secretary to the Treasury. Further, the Office of the Auditor-General is requested to verify the response before the matter can be closed.

i. Failure to Deduct Tax - Settling in Allowances

The Controlling Officer submitted that the settling in allowances in question fell within the threshold of K9,600,000 per annum according to the direct tax tables from ZRA hence could not qualify for tax deduction.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the matter after which it should be closed.

ii. *Unretired Imprest-K207,732,926*

The Controlling Officer submitted that the officers have since retired the imprest and the retirements were available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern that the retirements were not done within the stipulated period of forty-eight hours (48) and urges the Controlling Officer to ensure that financial regulations on the retirement of imprest are strictly adhered to. Disciplinary action should be taken against the officer who failed to ensure that the regulations were followed. The retirement documents should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

b) **Failure to Undertake Paid for Activities**

The Controlling Officer explained that the Mumbwa-Itezhi-tezhi roads were rehabilitated twice by the Rural Roads Department who used their own fuel and staff and later on by the Itezhi-tezhi District Council who used the Constituency Development Funds.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

OFFICE OF THE PRESIDENT - SOUTHERN PROVINCE

AUDIT QUERY

PARAGRAPH 78

Programme: General Deposit Account
Activities: Various

Irregularities in Accounting for Funds

77. An examination of accounting and other records maintained at the Provincial Administration carried out in June 2011 revealed several weaknesses and the Controlling Officer submitted as set out below.

a) **Misapplication of Funds**

The Controlling Officer submitted that the borrowed money has since been reimbursed.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

b) **Missing Payment vouchers-K18,757,000**

The Controlling Officer submitted that the missing payment vouchers totalling K18,757,000 have not yet been found, but measures have been put in place to avoid such occurrences.

Committee's Observations and Recommendations

Your Committee expresses concern that the payment vouchers have not been found and urges the Controlling Officer to ensure that the missing vouchers were found without further delay. Further, the Controlling Officer is urged to take disciplinary action against the officers that were responsible for the missing vouchers. They await a progress report on the matter.

c) **Unsupported Payments-K166,164,157**

The Controlling Officer submitted that all the payments have now been supported.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure to provide supporting documents during audit and urges the Controlling Officer to take disciplinary action taken against the Officer who was responsible for the documentation. Further, the documentation should be availed to the Office of the Auditor-General for verification after which the matter should be closed.

d) **Weaknesses in Management of Imprest**

i. *Unretired Imprest-K824,106,530*

The Controlling Officer submitted that out of K824,106,530, an amount of K250,015,000 has so far been retired while K574,091,538 has been fed for recoveries from the officers concerned through the payroll.

Committee's Observations and Recommendations

Your Committee expresses concern that such a large amount was not retired as provided for in the financial regulations and urges the Controlling Officer to take disciplinary action is taken against the accounting officers who failed to take necessary action to follow up the retirement of imprest. They await a progress report on the matter.

ii. *Failure to Produce Monitoring Reports*

The Controlling Officer submitted that the reports for the activities that were undertaken were available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern at the delay by the officers to prepare reports and urges the Controlling Officer to take disciplinary action against the responsible officers in order to serve as a deterrent to other officers.

e) Construction of an Office Block -Namafulo Border Post

i. *Works paid for but not executed*

The Controlling Officer submitted that the Provincial Building Engineer has been tasked to determine the difference of the cost of materials installed compared to the cost of those that were in the Bill of Quantities (BOQ) so that the difference could be deducted from the next payment due to the contractor. With regard to the specification in the Bill of Quantities (BOQ) and the items fitted by the contractor, the provision in the contract allowed for equivalent items to be fitted by the contractor.

Committee's Observations and Recommendations

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

ii. *Failure to Account for Supervision Costs*

The Controlling Officer submitted that the Officer has accounted for the K9,000,000.

Committee's Observations and Recommendations

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

SECRETARY TO THE TREASURY

AUDIT QUERY

PARAGRAPH 79

Constitutional and Statutory Expenditure
Programme: Various
Activities: Various

Accounting and Other Irregularities

78. An examination of accounting and other records maintained at the Ministry of Finance and National Planning revealed the matters set out hereunder.

a) **Misapplication of Funds/Irregular Payment of Down Payments from Debt Service**

The Secretary to the Treasury submitted that as explained in paragraph 6 under excess expenditure constitutional and statutory the Government of the Republic of Zambia and the Government of China signed loan agreements to finance the procurement of military equipment on 2 December 2010 and construction of the 4,527 housing units for Defence Forces on 15 December 2010 which required the Government to pay counterpart funds before the end of the year. In order to fulfill this agreement the Treasury had to source for funds from within the Ministry of Finance and National Planning hence the use of the Debt Servicing budget lines from which the Chinese Government was going to finance the loans.

Committee's Observations and Recommendations

Your Committee notes the submission and requests the Secretary to the Treasury to take necessary measures to regularise the expenditure.

b) **Failure to Maintain Ledgers-External Debt**

The Secretary to the Treasury submitted that the accounting officers failed to comply with Financial Regulation No.10 (n) by not providing accounting books and records under their charge and they have since been reprimanded and urged not to repeat this anomaly.

Committee's Observations and Recommendations

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

c) **Lack of Bank Reconciliation**

The Secretary to the Treasury explained that this observation has been noted and officers were carrying out the reconciliations to determine the reason for the variance. Among other reasons that were discovered for the variances which were being looked at were:

- i. in some instances, Bank of Zambia employees who were Investors or Market participants were being paid 100% while others market participants were paid net of withholding Tax on bonds/Treasury bills at maturity;

- ii. looking at the variance there could be an element of mis-posting by the Ministry because Government Bonds were over captured by 10% in Statement "C" while Treasury Bills were under captured in Statement "C" by 11%; this could have a correlation; and
- iii. some redeemed amounts were from interest paying accounts thereby causing the variance while others were being paid from Proceeds accounts.

However, this aspect would be improved in the coming years since the 2010 financial report was done in old Financial Management System (FMS) which had been replaced by Integrated Financial Management System (IFMIS) which was in its infancy and 2011 being the first year. Currently, profiles were prepared in Integrated Financial Management System (IFMIS) which meant that any variance would easily be noticed before Bank of Zambia made any payment.

Committee's Observations and Recommendations

Your Committee expresses concern that there has not been regular reconciliations pertaining to the records on internal debts with the Banks and urges the Secretary to the Treasury to take disciplinary action against the officer(s) who were responsible for the lapse. They await a progress report on the matter.

REPORT ON THE COMMITTEE 'S TOURS TO THE ZAMBIA'S FOREIGN MISSIONS IN DAR-ES-SALAAM AND HARARE

79. In line with its programme of work for 2012, your Committee undertook a foreign tour to Zambian Missions in Dar-es-Salaam and Harare. The overall objective of the tour was to enable your Committee undertake inspections on the state of the Mission properties with respect to financial management and accountability. In this regard, your Committee inspected a total of eight properties in Dar-es-Salaam while sixteen properties were inspected in Harare. Below is a summary of your Committee's key findings and recommendations.

Zambian Mission in Dar-es-Salaam

Your Committee observes that although the properties at the Mission in Dar-es-Salaam are in fair condition almost all of them have defects and problems requiring urgent attention. Almost all the buildings have cracks and constant leakages and if not attended to will lead to a further deterioration. Your Committee in acknowledging that over the past years the Treasury has released funds to undertake rehabilitation works, these have not been adequate to cater for rehabilitation of all the properties resulting in some of them being in bad state. Your Committee makes the specific observations and recommendations set out below.

- a) At the Chancery, apart from the 4th floor occupied by the High Commission, other floors have remained in a deplorable state as they have cracks and the walls have never been painted for a long time. This was attributed to lack of adequate funding from the Treasury to undertake exhaustive renovations and refurbishments.
- b) The High Commissioner's Residence is in a fair condition especially the 3rd floor which was recently worked on. There are, however, a number of areas such as cracks and minor plumbing works that need to be attended to. Further the Servants quarters are

in a dilapidated state and need urgent attention. Most furniture especially in the TV Room and some bedrooms are in poor conditions and needs urgent attention.

- c) Of the six (6) properties occupied by diplomatic staff, five (5) are in a fair condition except for House no. 396 Toure Drive for the Defence Attaché'. The house is in a dilapidated condition following the halting of renovations when the officer who occupied the House died in October, 2011. The late officer's property was still in the house.
- d) The rentals for the offices at the Chancery building have not been revised since 1999 resulting in them being far below the market rates.

Your Committee recommends as set out below.

- a) The Government should urgently find money to renovate and refurbish the ground, first, second and third floors of the Chancery as failure to do so will lead to further deterioration of the property as some offices are vacant.
- b) Further at the Residence, the Government should make available funding to attend to outstanding defects in other floors that were not attended to in the previous renovations. Funding should also be availed for the complete renovation of the servant's quarters. Funding should also be made available to enable the mission to refurbish furniture at the Residence.
- c) While acknowledging that the Mission may not charge market rates for its excess properties, your Committee advises the Controlling Officer to work with the Mission to find ways of revising the rentals to reasonable levels.
- d) The Mission should urgently take steps to address the outstanding renovations at the house previously occupied by the Defence attaché' in readiness for the arrival of the new officer.

Zambian Mission in Harare

Your Committee wish to report that the Zambian High Commission in Zimbabwe own fifteen properties for diplomatic staff of which seven are rented out while eight are occupied by staff.

Your Committee observes that most properties at the Mission in Harare are in bad state as almost all of them have defects and problems requiring urgent attention. The common problem is that of aging roofs that has resulted in massive leakages. Your Committee in acknowledging that over the past years the Treasury has released substantial amounts of money to undertake rehabilitation works, these have not been adequate to rehabilitate all the properties resulting in some of them being in bad state. Your Committee makes the specific observations and recommendations set out below.

- a) At the Chancery, other than the sixth and seventh floors occupied by the Mission, the rest of the offices on other floors are in a dilapidated state and need urgent attention. Specifically, PVC tiles are worn out while the walls need painting as they were last

painted in 2000. The wiring system using paper to insulate electricity cords exposes the building to the risk of catching fire. Further, the old water pipes are corroded leading to some floors facing water problems. Rehabilitations have not been done due to lack of funding.

- b) The Mission owes creditors an amount of US\$67,100 out of which US\$52,000 is in respect of property rates pegged at US\$2500 per month.
- c) Rentals charged by the mission for office space range from US\$350 to 700 per month. Your Committee heard that rentals have remained low because the Mission cannot charge economic rates as per diplomatic norms and an understanding between the two Governments.
- e) The High Commissioner's Residence is in a good condition structurally as it was recently painted. Further, the residence was under renovations and it was expected that the outstanding defects would be addressed. However, the Servant quarters is in a deplorable state and needs urgent attention.
- f) The Mission has eight excess residential properties of which eight are rented out to Zambians who are resident in Zimbabwe on a care taker role as they are only made to pay token rentals ranging from US\$240 to US\$350 per month which is too low for the houses located in low density areas. Your Committee is informed that the Mission was unable to charge market rates due to the restrictions placed by diplomatic norms.
- g) All the properties have problems related to the aging roofs resulting in leakages. Further, a property located at 44 Sloans Rd Highlands has been earmarked for sale due to its poor state.

Your Committee recommends as set out below.

- a) The Government needs to urgently source money for the complete renovation and refurbishment of the entire Chancery building, including the change of the electricity wiring system and replacement of the aging pipes. In this regard, the Ministry is urged to come up with comprehensive estimates for all the necessary renovation works
- b) The Government should come up with a robust plan on the rehabilitation and maintenance of excess properties to keep them from deteriorating further. The Government should also review the matter by considering options available for maintaining the properties so that they will not continue to be a drain on Public funds. The Government could for example consider transferring the excess properties to the government entity such as the Ministry of Transport, Works and Supply so that the charging of market rates is attained.
- c) The Government should consider allowing the Mission to retain a percentage of revenue as appropriation in aid to enable it to maintain the Properties.
- d) The Ministry should work with the Mission to raise the rentals for the excess properties being rented to Zambians to a reasonable level as what is being charged is unreasonably low. The Government should consider giving the responsibility of leasing out excess properties in its Missions Abroad to a parastatal company such as the

Ministry of Finance and Economic Development (MOFED) Limited that can charge market prices unlike the Ministry of Finance.

CONCLUSION

80. 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 for the financial year ended 31 December, 2010. Your Committee further wishes to thank the Controlling Officers that appeared before them for their cooperation.

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

V Mwale, MP
CHAIRPERSON

June, 2012
LUSAKA