

**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR
- GENERAL FOR THE FINANCIAL YEAR ENDED 31 DECEMBER, 2011 FOR THE SECOND
SESSION OF THE ELEVENTH NATIONAL ASSEMBLY APPOINTED BY THE RESOLUTION
OF THE HOUSE ON 2 OCTOBER, 2012**

Consisting of:

Mr V Mwale, MP (Chairperson); Mr H H Hamududu, MP; Ms M Imenda, MP; Mr M Mbulakulima, MP; Mr C Matafwali, MP; Mr P Mucheleka, MP; Mr J E S Chishiba, MP; Mr Jimba, MP; and Mr A Milambo, MP.

However, the membership of your Committee changed following the appointment of Mr E J Muchima, MP to replace Mr J E S Chishiba, MP who resigned as a Member of Parliament.

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, 2011.

Functions of the Committee

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

Meetings of the Committee

3. Your Committee held twenty-six (26) meetings to consider the Report of the Auditor-General on the Accounts for the financial year ended 31 December, 2011.

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 2011. The Secretary to the Treasury was also requested to comment on all the ministries and institutions. Your Committee undertook a local tour to selected fines, fees and revenue collection points in Central, Copperbelt, Southern and Western provinces in order to acquaint itself with their operations. Your Committee also undertook a foreign tour to the Zambian Mission in Brussels in order to check on the state of the Mission in respect to accountability and financial management.

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

AUDITOR-GENERAL'S COMMENTS

5. The Report on the audit of the accounts of the Government of the Republic of Zambia for the financial year ended 31 December 2011 was 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/her 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 Auditor-General stated in her Report that the findings were 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 the Auditor-General express an opinion on the financial statements for the year. They were also intended to provide information that would assist the National Assembly in its oversight responsibilities over the application of resources and execution of programmes by the Executive.

The Auditor-General further stated that in the course of preparing the 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

The Auditor-General indicated that the execution of the audit programmes was limited by factors outside the control of the Office. 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 addition, the changing of ministries and Controlling Officers presented challenges in that most Controlling Officers could not respond to audit queries on time as they were trying to settle down. Further, the delay in the finalisation of Statement 'C' presented challenges in that all accounts that were prepared under the Integrated Financial Management Information Systems (IFMIS) were delayed.

However, through appropriate programmes and approach, the Auditor-General's Office reasonably carried out its work in order to ensure that the information so provided gave some level of assurance on the completeness of the financial statements.

Excess Expenditure

A review of Statement 'C' of the Financial Report for the year ended 31 December 2011 revealed that there was excess expenditure of K456,014,072,942 on eight (8) Heads of Expenditure contrary to the Appropriation Act for 2011.

SUBMISSION BY THE SECRETARY TO THE TREASURY

6. The Secretary to the Treasury started by making general comments on the Report of the Auditor-General as set out below.

a) **Introduction and Statement of Responsibility (Paragraph 1 and 2)**

The facts were as stated by the Auditor-General in her Report and the Ministry of Finance did table the Annual Financial Report for the year ended 31 December, 2011 before the National Assembly.

b) **Audit Scope and Methodology (Paragraph 3)**

The scope and methodology used by the Auditor-General was appreciated and the interaction with the various Controlling Officers was encouraging as it provided checks and balances in the Management of Public Resources.

The Report highlighted various weaknesses in the management of Public Funds during the year under review by Controlling Officers which required immediate remedial action by the Executive through the implementation of Public Finance Management Reforms.

c) **Limitation of Scope (Paragraph 4)**

The Secretary to the Treasury assured your Committee that the Treasury 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 the audit process and hope that the current status of the revised ministries would be maintained by the Executive. Furthermore the Secretary to the Treasury hoped that the changes at Controlling Officer level would be minimised so as to allow for continuity of tenure which would permit them to fully respond to the audit queries.

On the delays in the finalisation of the Statement 'C' due to the use of the Integrated Financial Management System (IFMIS), the Secretary to the Treasury submitted that the Treasury intended to review the system by engaging consultants so that it could be compatible with the Government operations and hope to run it parallel to the Activity Based budget and Commitment Control/Financial Management System as a fall back once challenges were experienced.

d) **Misappropriation of Funds-K1.060 billion**

The Secretary to the Treasury submitted to your Committee that there had been a minimal improvement regarding irregularities relating to misappropriation of funds in Ministries, Provinces and Spending Agencies (MPSAs) as evidenced in the Auditor-General's Report of 2011. The amount of misappropriated funds was reduced from K1.096 billion in 2010 to K1.060 billion in 2011. The misappropriation of funds had largely been due to the lack of adherence to financial regulations by Controlling Officers. In this regard the Treasury had been orienting Controlling Officers on Financial Regulations through quarterly meetings aimed at enhancing prudent financial management of public resources. Stern disciplinary action against erring officers was being taken by Controlling Officers.

Your Committee notes the measures that the Treasury was putting in place but urges the Secretary to the Treasury to continue impressing on the Controlling Officers and Heads of Government Departments on the need to strengthen controls so that misappropriation of funds could be completely eliminated.

e) **Unaccounted for Revenue - K531.87 billion**

The Secretary to the Treasury noted that the amount increased from K1.761 billion in 2010 to K531.87 billion in 2011. The increase of K530 billion was largely due to untraced Mineral Royalty and Windfall Tax Arrears at the time of audit. However, a total sum of K 431.18 billion in Mineral Tax and K 84.56 billion of Windfall Tax receipts had been traced to Bank of Zambia. This revenue could not be traced to the Bank of Zambia receipts at the time of audit from the shared excel data base but had since been obtained from the Treasury Unit data base which was maintained separately.

The Zambia Revenue Authority (ZRA) Management had since put up measures that would ensure that the internal shared folder on the Revenue Bankings for all Units was availed to the Auditors. Furthermore Management had appointed Audit liaison Officers to coordinate both internal and external audits so that timely responses were availed to audit queries.

Committee's Observations and Recommendations

Your Committee notes the huge increase in the funds that were unaccounted for at the time of audit and urges the Secretary to the Treasury to aggressively address the matter by ensuring that matters were clarified during the audit process as it painted a bad picture of the Treasury.

f) **Delayed Banking - K1.89 billion**

There was a reduction in the incidence of delayed banking from K13.51 billion in 2010 to K1.89 billion in 2011. This reduction was largely due to enhanced systems on the collection of revenues. These systems include involvement of Commercial Banks in the collection, receipting and transmission of revenue direct to the Bank of Zambia and signing of Service Level Agreements (SLAs) between the Treasury and Commercial Banks requiring that Revenue be remitted to the Bank of Zambia within 24 hours.

Committee's Observations and Recommendations

Your Committee notes the submission and the measures that the Treasury has put in place to curb delayed banking but urges the Secretary to the Treasury to extend the measures aimed at reducing human cash contact to as many revenue types as possible.

g) **Unaccounted for Funds-K5 billion**

There was an increase in unaccounted for funds from K3.8 billion in 2010 to K5 billion in 2011. The increase was as a result of poor supervision by supervising officers especially in the Ministries of Education and Agriculture and Livestock and non adherence to timelines stipulated in the Financial Regulations regarding reconciliations and Expenditure Returns.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Secretary to the Treasury to impress upon all Controlling Officers to put in place strong controls so that unaccounted for revenue could be completely eliminated.

h) Misapplication of Funds - K23.69 billion

There was a reduction in the levels of misapplied funds from K220.63 billion in 2010 to K23.69 billion in 2011. This reduction was attributed to interventions by the Treasury in the Management of Funds especially for capital projects, grants and salaries which were now being managed through the established Treasury Single Accounts at the Bank of Zambia. Further, the Treasury was also in the process of streamlining payments of loans and advances through the establishment of a Credit Union or Micro Finance institution for the public service workers. This intervention was expected to minimise misapplication of resources earmarked for capital projects and poverty reduction programmes.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Secretary to the Treasury to find ways of combating the widespread misapplication of funds at the Provincial Administration offices especially in respect of presidential visits.

i) Unretired Imprest-K33.14 billion

There was a reduction from K77.16 billion in 2010 to K33.14 billion in 2011. This reduction was largely due to interventions by the Treasury in the Management of imprest and further improvement will be enhanced. In this regard, Treasury and Financial Management Circulars were issued clearly stipulating the economic rates for foreign and local travel and provision of a fuel formula effective January 2013. In addition authority to issue Accountable Imprest in respect of tours outside Zambia would only be granted by the Secretary to Cabinet, in the case of a Public Officer or The President, in the case of a Minister.

Committee's Observations and Recommendations

Your Committee commends the Secretary to the Treasury for responding to your Committee's appeals to deal with the matter of unretired imprest decisively. Your Committee hopes that the new measures will help to address the matter but urges the Secretary to the Treasury to ensure that all Controlling Officers are sensitised on the need to follow the new circular on imprest. Your Committee further urges the Secretary to the Treasury to impress upon the Controlling Officers to take a tough stance against questionable retirement of imprest as in most cases this involves forgery of receipts which is criminal in nature and requires reporting to the police.

j) Unvouched Expenditure- K77.01 billion

There was an increase from K 74.8 billion in 2010 to K77.01 billion in 2011. This was due to laxity in supervision by supervising officers. It was hoped that interventions by the Treasury through regular meetings of Controlling Officers in which resolutions were passed and reviewed would go a long way to curb unvouched expenditure and further more the Treasury would review the process of payments made through electronic transfers.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Secretary to the Treasury to, in addition to the measures indicated, ensure that disciplinary action is instituted whenever necessary to deter would be offenders.

k) **Unaccounted for Stores-K22.08 billion**

There was a reduction from K43.92 billion in 2010 to K22.08 billion in 2011 due to adherence of stores regulations. It was hoped that interventions by the Treasury through regular meetings with Controlling Officers in which resolutions were passed and reviewed would go a long way to curb unaccounted for stores. Further challenges regarding unaccounted for stores especially fuel had been addressed through the circular on accounting for fuel. The Treasury had also issued a Circular to Controlling Officers on issues relating to discipline of erring Officers.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Secretary to the Treasury to, in addition to the measures indicated, ensure that disciplinary action is also instituted whenever necessary so as to deter would be offending officers. Your Committee also wish to make special mention of the Provincial Administration in Western Province which has continued to have serious anomalies in accounting for stores especially fuel. Your Committee recommends that stores management should no longer be delegated to unqualified personnel and all Controlling Officers should ensure that stores are managed by qualified and competent staff.

l) **Irregular Payments - K4.23 billion**

There was a reduction from K10.3 billion in 2010 to K4.23 billion in 2011 regarding irregular payments mainly due to stern disciplinary action taken against erring officers and the following of laid down procedures by Controlling Officers.

Committee's Observations and Recommendations

Your Committee commends the Secretary to the Treasury for the reduction in this type of anomaly but urges him to ensure that close monitoring is maintained so that the gains made so far could be sustained or even enhanced.

m) **Non-recovery of Advances and Loans - K4.23 billion**

There was a reduction from K10.3 billion in 2010 to K4.23 billion in 2011. This was due to the intervention by the Government through the issuance of guidelines for the allocation of deduction codes and administration of loan recoveries on the Government payroll. This Circular had introduced measures which included the limit on the recovery periods on advances and loans obtained from the Government, Commercial Banks and Financial Institutions; threshold of 40% of basic salary requirement after taking into consideration all deductions including statutory obligations; and MPSAs had also been instructed to open and maintain registers of loans disbursement and deductions in line with the recently updated Accounting and Financial Procedures Manual.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Secretary to the Treasury to ensure that inertia which currently exists in effecting recoveries is completely eliminated as it is affecting the operation of the loan accounts. There should also be disciplinary action taken against officers who commit themselves beyond the 40% basic threshold.

n) **Failure to follow Procurement Procedures-K4.67 billion**

There was an increase from K2.54 billion in 2010 to K4.67 billion in 2011 on queries relating to the adherence of procurement procedures. This was due to laxity by supervising officers in

MPSAs in ensuring that the provisions of the *Public Procurement Act No. 12 of 2008* were adhered to and unplanned procurements which in most cases led to use of inappropriate methods of procurements and general breach of *the Public Procurement Act No. 12 of 2008*.

Interventions through issuance of the Treasury Circular No.6 of 2012 on the Procurement Thresholds and Procedures and constant meetings would effectively minimise the incidences of failure to follow procurement procedures.

Committee's Observations and Recommendations

Your Committee in noting the measures put in place by the Treasury, urges the Secretary to the Treasury to ensure that disciplinary action is taken against officers who deliberately ignore the procurement procedures. The Secretary to the Treasury is also urged to emphasise to all Controlling Officers on the requirement to consult the Attorney-General's Chambers on all procurements contracts that demand so.

o) Undelivered Materials-K2.1 billion

There was an increase from K0.65 billion in 2010 to K2.1 billion in 2011 for undelivered materials due to laxity by supervising officers in MPSAs in ensuring that the provisions of *the Public Procurement Act No. 12 of 2008* were adhered to and inadequate resources including human resource to efficiently and effectively manage the functions of procurement units.

Interventions through issuance of the Treasury Circular No. of 2012 on the procurement thresholds and Procedures will effectively minimise the incidences of undelivered materials as Good Governance Principals had been enhanced by ensuring that Internal Auditors were no longer part of Procurement Committees.

Committee's Observations and Recommendations

Your Committee notes the measures put in place by the Treasury but urges the Secretary to the Treasury to ensure that disciplinary action is also taken against officers who deliberately ignored the procurement procedures. The Secretary to the Treasury is also urged to emphasise to all Controlling Officers on the need to consult the Attorney-General's Chambers on procurement contracts that demand so as provided for in the Constitution.

p) Non Submission of Expenditure Returns-K27.08 billion

There was an increase from K3.09 billion in 2010 to K27.08 billion in 2011 regarding non submission of expenditure returns which was attributed to non-submission of expenditure returns by Grant Aided Institutions (GAI's) under the Ministry of Commerce. This was due to laxity by supervising officers.

It was hoped that interventions by the Treasury through regular meetings with Controlling Officers in which resolutions were passed and reviewed would go a long way to curb non-submission of expenditure return.

Committee's Observations and Recommendations

Your Committee observes with concern the failure by various grant-aided institutions to avail expenditure returns which denied your Committee and the House an opportunity to know how grants by the Treasury were utilised. Your Committee is of the strong view that where laxity is the major cause of any anomaly, the Secretary to the Treasury should take or recommend disciplinary action against the offenders.

q) **Unauthorised Expenditure-K0.5 billion**

There was a decrease from K4.81 billion in 2010 to K0.5 billion in 2011 regarding unauthorised expenditure mainly because of adherence by Controlling Officers to Financial Regulations and implementation of resolutions from the regular meetings with the Treasury.

The reduction was also attributed to interventions by the Treasury in the management of Public Resources especially for capital projects, grants and salaries which were now being managed through the established Single Treasury Accounts at the Bank of Zambia. In addition, the Treasury had been regularly issuing Financial Guidelines to MPSAs.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Secretary to the Treasury not to relent but to keep the matter in view at all times.

r) **Wasteful Expenditure-K2.61 billion**

There was a reduction from K7.36 billion in 2010 to K2.61 billion in 2011 regarding this matter because of improved supervision of officers by Controlling Officers as a result of follow-ups on resolutions from the regular meetings with the Treasury and the introduction of a Single Treasury Account at the Bank of Zambia especially for capital projects where funds are released to MPSAs based on the amounts of the Certificate of Completion of Works. In order to curb wasteful expenditure, disciplinary action was being taken on erring officers in addition to the implementation of IFMIS.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Secretary to the Treasury to surcharge officers who deliberately cause wasteful expenditure.

s) **Overpayments - K6 million**

There had been a reduction from K132 million in 2010 to K6 million in 2011 due to improved supervision and adherence to Financial Regulations. This was envisaged to be improved on through the implementation of IFMIS.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Secretary to the Treasury to keep the matter in view at all times.

t) **Excess Expenditure - K456,014,072,942 (Paragraph 5)**

The Secretary to the Treasury informed your Committee that Excess Expenditure of K456,014,072,942 was as indicated in the Statement "C" of the Financial Report which was tabled before the House. He noted, however, that the correct position on the Excess Expenditure was that at the point of consolidating the data by the Treasury in readiness for printing the Financial Report for the year under review, data in respect of the Ministry of Sports and Ministry of Health was corrupted which affected the Supplementary Provision for Ministry of Youth and Sports and Actual Expenditure for Ministry of Health thereby causing Excess Expenditure on certain lines.

In this regard, the Secretary to the Treasury clarified that the correct position of the Excess Expenditure was as tabulated below:

EXCESS EXPENDITURE FOR FINANCIAL YEAR ENDED 31 DECEMBER 2011

Head	Ministry/ Department	Total Authorised provision (K)	Actual Expenditure (K)	Excess Expenditure (K)
37/07	Ministry of Finance - FMA	973,273,877,332	1,205,734,901,809	(232,461,024,477)
77/02	Ministry of Defence - Zambia Army	692,562,360,157	698,091,553,147	(5,529,192,990)
80/01	Ministry of Education – Headquarters	726,130,876,485	733,126,680,733	(6,995,804,248)
80/03	Ministry of Education - Planning and Information Directorate	556,556,640,189	674,071,891,731	(117,515,251,542)
	Total			(362,501,273,257)

This therefore brought the total to K362,501,273,257 and sought the indulgence of your Committee to submit a corrigendum on the correct position of the two Ministries.

The Excess Expenditure was mainly due to lapses in the budgeting process by MPSAs such as the Ministry of Education on certain programmes of national importance and the Treasury was compelled to release funds above Appropriated Supplementary Warrants.

In this regard, the Secretary to the Treasury sought the indulgence of your Committee to regularise the Excess Expenditure amounting to K362,501,273,257 through the Excess Expenditure Appropriation Bill in accordance with the provision of *Article 117(5) of the Constitution of Zambia*.

Committee's Observations and Recommendations

Your Committee notes that due to errors contained in the Financial Report, the figure of the Excess Expenditure was overstated and takes note that the correct figure is K362,501,273,257. Your Committee recommends that the said amount be regularised as provided for in the Constitution so that it can stand as a charge to public revenues.

GENERAL REVENUE

Accounting and Other Irregularities

An examination of Statement B, accounting other records maintained at the Ministry of Finance and other revenue collection agencies carried out during the period under review revealed some weaknesses to which the Secretary to the Treasury submitted as set below.

a) Lack of Supporting Documents for Revenue Budget Revision.

The Secretary to the Treasury submitted that the facts were as stated and the Treasury had taken note of the Auditor-General's observation and would ensure that that Financial Regulation no.133 was enforced in future before any downward revision of Revenue was done.

Committee's Observations and Recommendations

Your Committee takes note that the Secretary to the Treasury acknowledges the lapse when he failed to avail documents to support budget revisions as was provided for in Financial Regulation no. 133. Your Committee closes the matter but urges the Secretary to the Treasury to ensure that the Treasury as a custodian of Financial Regulations is never found wanting in order to serve as a good example to others.

b) Tax and Non-Tax Revenue

i. *Discrepancies in Reporting Revenue*

The accounting for Government revenue by the MPSAs from receipting to reporting the revenue collected to Ministry of Finance (MoF) was based on manual systems. The Financial Management System (FMS) computer based system was only employed by Ministry of Finance during the capturing of the MPSAs revenue collections that had been traced to Control Account 99 at the Bank of Zambia. This practice resulted in differences between the revenue collections reported by the MPSAs and that recognised by the Ministry.

This also resulted in the loss of audit trail for the revenue collections by the MPSAs not traced to the Control Account Bank Statements and for which there were neither details on the FMS nor reconciliations to establish where these revenues were held up. For instance, for the period under review, there were discrepancies in reporting of revenue in that some collections by some MPSAs were understated by K105,868,004,923 whilst collections by other MPSAs were overstated by K14,799,230,574.

Your Committee was informed by the Secretary to the Treasury that the matter was noted and the Treasury had put in place measures to reconcile all the Non – Tax Revenue with the MPSAs which were credited to Transit Accounts for the credit of the Treasury. Some of the interventions by the Treasury in this regard were the signing of Service Level Agreements with Commercial Banks in which the use of Internet banking facilities was used to monitor the deposits and the daily transactions. However, moving forward, the Treasury shall endeavor to complete the Integrated Financial Management Information System (IFMIS) roll out which would automate the receipting and reporting of all revenue collections by linking all MPSAs to the Treasury.

Committee's Observations and Recommendations

Your Committee takes note that the Treasury acknowledges the lapse which resulted into discrepancies in the reporting of revenue. Your Committee notes that this problem has been a challenge to the Treasury for a long time and urges the Secretary to the Treasury to take concrete steps to resolve it.

ii. *Other Revenue – Dividends Weaknesses in Accounting for Dividends*

The Secretary to the Treasury acknowledged the failure by the Treasury to identify dividends amounting K15,830,993,329 but submitted that a reconciliation detailing the dividends received in the dividend account during the year under review had been done and a register of dividends received had since been prepared.

Committee's Observations and Recommendations

Your Committee, in noting the submission by the Secretary to the Treasury, finds it unacceptable for the Treasury being custodians of all public funds not to demonstrate keen interest in accounting for the dividends from State Owned Enterprises. The Secretary to the Treasury is, therefore, urged to review the situation and take corrective action. He was also urged to take disciplinary action against the officers that failed to perform their duties. Your Committee resolved to await a progress report on the matter.

c) External and Domestic Borrowings

i. *Borrowing from Domestic Financial Institutions – Unidentified Loans-K99,266,335,013*

The Secretary to the Treasury stated that the matter was noted and the loan obtained from ZANACO for farmer Input support Programme under the Ministry of Agriculture and Co-operatives was accounted for under the line Ministry and that the proceeds of the loan were not deposited into Control 99.

Committee's Observations and Recommendations

Your Committee notes the submission but finds it unacceptable that the Treasury failed to render this explanation to the Office of the Auditor-General during audit. Your Committee resolves to close the matter subject to audit verification.

ii. *Disparities in Closing and Opening Balances – External Borrowings-K358,014,821,622*

The Secretary to the Treasury submitted to your Committee that the variance of K358,014,821,622 had been reconciled as indicated in the break down below.

- K106, 661,702,165.90 closing stock under cast before validation in 2010 which should be added to the Closing Stock
- K104, 336,062,032 under cast in disbursement before validation in 2010 which also should be added to the Closing Stock
- K90, 631,443,210 withdrawal application before validation
- K56,385,614,214.10 Exchange losses not validated 2010 and 2011 broken-down as follows: (K21,656,341,306 for 2010) and (K34,699,272,908.10 for 2011)

Committee's Observations and Recommendations

Your Committee takes note that the Treasury had acknowledged the lapse which resulted in serious disparities in opening and closing balances which was unacceptable. Your Committee, therefore, urges the Secretary to the Treasury to ensure that measures are put in place to avoid recurrence of this anomaly.

GENERAL REVENUE - ZAMBIA REVENUE AUTHORITY (ZRA)

AUDIT QUERY

PARAGRAPH 6

Programme:

Income Tax (Other than Mineral Tax)-ZRA

Mineral Revenue
Customs and Excise
Value Added Tax
Exceptional Revenue

Activities: Various

7. During the financial year ended 31 December 2011, an amount of K18,934 billion was collected against a target of K18,620 billion resulting in a surplus of K313.9 billion.

Tax Revenue Collections

An examination of accounting and other records maintained at ZRA Headquarters and ten (10) stations namely Nakonde, Kasumbalesa, Ndola Direct Tax, Kapiri Mposhi Customs, Livingstone Direct Tax, Kazungula, Chipata Direct Tax, Mwami, Chanida and Chirundu revealed weaknesses to which the Secretary to the Treasury responded as set out below.

a) **Revenue Deficits on Some Taxes-K494,970,300,550**

The Secretary to the Treasury submitted that on the overall, the revenue performance was dampened by, among other things, the total revenue foregone on account of various concessions amounting to K2,274.9 billion and failure to liquidate outstanding obligations brought forward by major debtors being; First Quantum Mining & Operations Ltd – K31.5 billion, TAZAMA – K19.4 billion and ZESCO – K11.3 billion due to some appeal issues in one case.

On reasons for deficits on specific taxes, the Secretary to the Treasury submitted as set out below.

i. *Withholding Tax (Rent, Interest and Royalties)*

There was a deficit of K35 billion in withholding tax due to reduced compliance over the years. The poor performance was attributable to low compliance especially on withholding tax on rent and the reduction in payments from banks. However measures were now in place to improve revenue collection in these tax types. Some of the measures include carrying out surveys for withholding tax purposes and door to door compliance visits.

Committee's Observations and Recommendations

Your Committee notes with concern that compliance levels have often been low on this tax type and urges the Treasury and the ZRA Management to come up with innovative measures to improve compliance in order to reduce the deficits.

ii. *Mineral Royalty*

The actual mineral royalty collections as reported by Auditor-General were understated by about K199 billion which effectively wipes out the deficit as reported by the Auditor-General's Office.

Committee's Observations and Recommendations

Your Committee directs ZRA Management to ensure that the figures are reconciled with the Office of the Auditor-General so that the matter can be closed.

iii. *Domestic VAT*

Domestic VAT posted a deficit of K 136 billion in the financial year ended 2011 which was mainly attributed to VAT refunds in the year 2011 which were higher, compared to what was claimed in the year 2010. In gross terms, VAT collections between the year 2011 and 2010 increased by 1% while VAT refunds in the same period increased by 17%.

Committee's Observations and Recommendations

Your Committee note that this matter should have been resolved with auditors during the audit process and urges ZRA management to pay attention to the audits in order to obtain full benefits of the audit process.

iv. *Medical Levy*

Medical Levy posted a deficit of K1.642 billion in the financial year ended 2011 and this was mainly attributed to a drop in Medical Levy payments by the Bank of Zambia of about K2 billion compared to the financial year 2010. The possible reasons to this drop in Medical Levy collections may be attributable to the change in investments patterns in treasury bills and government bonds from short to long-term investments.

Committee's Observations and Recommendations

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

v. *Customs Duty*

Customs duty posted a deficit of K77 billion or 4.34 percent against the revised annual target. Compared to last year, this tax type recorded a surplus of K460.3 billion or 36.46 percent. The performance of Customs Duty in the period under review was dampened by the increased imports of goods under concession.

Committee's Observations and Recommendations

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

vi. *Excise Duty*

The Secretary to the Treasury submitted that Excise Duty posted a deficit of K108.6 billion or 8.56 percent against the revised Parliamentary target in the year 2011. Compared to the year 2010, the tax type recorded a surplus of K213.3 billion or 22.53 percent.

The Secretary to the Treasury further submitted that the performance in Excise Duty was dampened by the revenue loss in this tax type amounting to K106 billion as a result of various concessions the accumulated debt of K15.3 billion in the year under review; the reduction in contribution from some excisable products such as mineral waters and beer

made from malt also negatively affected the performance of Excise Duty; and the low registration to assessment conversion rate with no collections made on K2.8 billion.

Committee's Observations and Recommendations

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

b) **Unaccounted for Windfall Arrears (K84,561,021,592) & Mineral Royalty Taxes (K445,060,936,847)**

The Secretary to the Treasury informed your Committee that windfall tax arrears balance amounting to K84,561,021,592 paid in the year 2011 were properly accounted for as records showing the dates when the Bank of Zambia credited these amounts and also the date the ZRA receipted these amounts. Two receipts were paid through offsets.

Regarding Mineral Royalties, the Secretary to the Treasury submitted that all the amounts cited were properly accounted for and traced to Bank of Zambia except for three (3) entries with a combined total of K13,879,336,071.15.

Committee's Observations and Recommendations

Your Committee urges the Secretary to the Treasury to ensure that all records in respect of taxes are kept in good custody and availed to auditors once they are required. Your Committee expresses concern that an amount of K13,879,336,071.15 arising from mineral royalties is still unaccounted for and urges the Secretary to the Treasury to ensure that the funds are accounted for without further delay and a progress report to be availed to your Committee.

c) **Unpaid Tax Assessments-K370,349,639,644**

Your Committee was informed that the Mineral Royalty amounting to K360,486,324,234 actually comprises a number of taxes, namely; corporate tax, PAYE, withholding tax and value added tax. The reasons why this amount remained unpaid included that taxpayers objecting and appealing against these assessments, while to some assessments, amounts were being offset against other tax types and some taxpayers were entering into time to pay agreements. It should be noted that out of the K315,258,222,908, an amount of K48,790,588,696 had since been paid.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the ZRA Management to ensure that where disagreements arise, they are dealt with promptly so that taxes can be collected in a timely manner.

d) **Reduction in Tax Arrears without Supporting Payments**

The Secretary to the Treasury submitted that reduction in tax arrears was mainly attributable to higher provisional income tax returns liability figures which were normally reversed when a taxpayer submitted a final income tax return with lower tax liability amount. A further reduction in company arrears was as a result of posting payments to Taxpayer accounts which were missing from the Tax Administration and Refunds Processing System (TARPS) but were sitting on Integrated Tax Administration System (ITAS). TARPS was designed as a data cleaning platform while ITAS was the main tax administration system.

The Secretary to the Treasury further submitted that during the initial stages of the current system, it was observed that most accounts had payments missing either from the legacy systems

or ITAS. An update of the missing payments was made on the system and this resulted in the reduction in company tax arrears in 2011. Therefore, some of the huge debt appearing on the 2010 schedules were on account of payments not having been loaded on the accounts and thus reduced the debt after upload in 2011.

Committee's Observations and Recommendations

Your Committee is of the view that this information should have been given to the Office of the Auditor-General during the audit process so that it could have been verified. Your Committee, therefore, requests the Office of the Auditor-General to verify the response and provide a report to your Committee for determination.

e) VAT Refunds to Tax Debtors - K10,102,479,093

The Secretary to the Treasury submitted that an analysis of the VAT refunds of taxpayers who owed ZRA-Kitwe revealed that the refund figure had been inflated by about K4,600,000,000 due to duplications on the Auditor-General's Report. The Refunds balance of K 5.5 billion was made but the debt shown against the taxpayers did not owe at the time the refunds were made; the debt referred by audit was wrong and total or partial offsets were effected.

Committee's Observations and Recommendations

Your Committee observes that it is unacceptable for the ZRA Management who failed to provide responses during audit to refute audit findings in the manner they were doing. Your Committee, therefore, urges the Secretary to the Treasury to caution management at ZRA for their failure to pay adequate attention to the audit process.

f) Customs Services Division

i. *Uncollected duties on Transit-K14,160,517,641*

The Secretary to the Treasury submitted that the audit report noted that K15.95 billion was outstanding on account of the four Stations as at the end of October 2012. The outstanding transits on account of the four Stations had reduced to K14.16 billion as at 28 November 2012 and reduced to K13.97 billion as at 19 February, 2013.

Customs Services Division had enhanced measures to ensure the Clearing Agents account for the outstanding transits. Additionally, where Clearing Agents had outstanding transits, the Division had provided for automated blocking of the Agents accounts.

Committee's Observations and Recommendations

Your Committee is concerned that the Government will continue to lose revenue unless loopholes associated with this provision are sealed through improved monitoring and tracking.

ii. *Amounts owed in Customs Taxes-K82,379,827,092*

The Secretary to the Treasury submitted to your Committee that the total customs debt stock of K82,379,827,092 as at 27 November, 2012 had largely remained static on account of being importers that were not registered or declarants and consignee that were no longer operating as business entities. Of that amount, the total debt above 365 days as

at 27 November 2012 was K68,019,830,724 out of which K60,407,815,494 was in respect of static debts or liquidated businesses.

The Customs Division now automatically suspends (blocks) the Taxpayer Identification Numbers (TPINs) and Declarant Codes for importers and Clearing Agents respectively who have assessed unpaid bills of entry beyond the statutory five (5) day allowance. The Division had made it mandatory for all importers to have TPINs before they register a bill of entry on the Customs processing system.

Committee's Observations and Recommendations

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

iii. ***Expired Temporal Importation Permits (TIPs)-K4,464,579,677***

Your Committee was informed that the two expired TIPs for Kitwe Port Office had since been acquitted. Further, he clarified that the value for the fifty (50) outstanding TIPs under Chirundu was ZMK3,494,816,682.98 and not K4,453,716,787 as reported.

The Transaction Monitoring Unit (TMU) alluded to earlier was scheduled to be established within the credibility and control Section to deal with among others transits and TIPs.

Committee's Observations and Recommendations

Your Committee observes that ZRA will continue to face the problems of expired TIPs if monitoring mechanisms are not enhanced. Your Committee is concerned that under the circumstances, the nation will continue to lose revenue as goods will continue to enter the nation as if destined for exit when in fact not. Your Committee, therefore, urges the Secretary to the Treasury to work closely with ZRA management and find ways of addressing the situation.

iv. ***Unaccounted for Duty on Motor Vehicles-K723,424,992***

The Secretary to the Treasury reported that the recommendation had been noted and they would endeavour to address the issues raised. The challenges at Nakonde had further been compounded by the incomplete infrastructure and lack of adequate space to conduct Customs formalities in the midst of high volumes of importations. A team from the Internal Affairs Unit was currently in Nakonde looking into this matter. In addition, the station had continued carrying out a reconciliation of motor vehicle clearances in the period under review and had now instituted controls to enhance compliance.

Committee's Observations and Recommendations

While noting the submission by the Secretary to the Treasury, your Committee is concerned that no progress has been made to trace the vehicles that went missing from the yard in Nakonde and urges the Government to come up with a lasting solution by upgrading infrastructure at the border post in order to improve security. Your Committee will await a progress report on the matter.

v) ***Missing Gazetted Goods - Chirundu Border Post-K9,940,000***

Your Committee was informed that following engagements with the station, goods with value for duty purposes amounting to K6,710,000 on account of seizure number E1159

were cleared through bill of C35538 of 01/10/2010. Further, goods with a value for duty purposes amounting to K3,230,000 were sold and the receipt details would be availed.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the ZRA Management to strengthen safety controls of all goods kept in the warehouses through enhanced warehouse management and security. Your Committee resolved to close the matter but requested the Office of the Auditor-General to keep the matter in view in future audits.

MINISTRY OF ENERGY AND WATER DEVELOPMENT

AUDIT QUERY

PARAGRAPH 7

Programme: Exceptional Revenue
 Fees and Fines
 Ministry of Energy and Water Development
Activity: ERB License Fees
 Water Board Fees

Accounting and Other Irregularities

8. An examination of revenue records pertaining to collections carried out in March 2012 at the Ministry revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Non-remittance of 20% ERB License Fees to Government-K6,243,903,568**

The Controlling Officer submitted that in 2004, the Ministry of Finance and National Planning reaffirmed the ERB's retention of 80% of the license fees. Further, ERB was directed to remit the 20% of the fees to the Treasury on a quarterly basis and not monthly. In this regard, the ERB remitted funds due to the Government after receiving payments from licensees. Regarding the observation that the ERB had not remitted funds equivalent to K6,243,903,568, the Controlling Officer stated that 80% of all the license fees collected by the ERB during the period under review were remitted to GRZ and that the discrepancy in figures arose from the misinterpretation of accrued income for actual revenue. Further, according to the Auditor-General's verification report dated 15 October 2012, the figure for late remittance stood at K1,038,568,143.81. The Auditors also established that there was no under remittance of Government Revenue.

Committee's Observations and Recommendations

In closing the matter, your Committee cautions the Controlling Officer against failure to respond to audit queries in a timely manner.

b) **Failure to collect Water Board Fees Arrears - K250,633,402,969**

The Controlling Officer informed your Committee that the bulk of the outstanding debt amounting to K252,857,070,400 arose over time and was mainly attributable to hydropower companies such as Zesco limited and Lusemfwa Hydropower Company and the water utility companies.

The Controlling Officer submitted that one of the reasons for the accumulation of the debt from hydropower companies was the provisions of Statutory Instrument No. 20 of 1993 which did not take into account the non-consumptive use of water for hydropower generation. He noted, however, that a new *Statutory Instrument No 83 of 2011* specifically tailored to the unique nature of the hydro power industry had been developed and hydropower companies were now charged

based on the power they generated and not the volume of water they used. There had since been an improvement in the payment by the companies for example Lunsemfwa Hydropower Company Limited was now meeting all its obligations in full whereas Zesco Limited was now meeting about 60% of its obligations. As a way forward, a letter had been written to the Secretary to the Treasury requesting for authority to cancel the debt of the hydro companies and a response was still awaited.

As regards, the debt of K17,609,876,716 disputed by some of the farmers, the Controlling Officer submitted that the receipts showed that this amount was still outstanding and the Government would, therefore, follow the information that they had in their records to recover the debt.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves not to close the matter until it is exhaustively resolved.

MINISTRY OF FINANCE

AUDIT QUERY

Programmes:

Exceptional Revenue
Interest (Loans and Investments)
Fees and Fines

PARAGRAPH 8

Accounting and Other Irregularities

9. An examination of accounting and other records relating to the collection and reporting of revenue carried out in August 2012 revealed irregularities to which the Controlling Officer responded as set out below.

a) Rent of Government Premises - Uncollected Revenue

The Controlling Officer informed your Committee that the Ministry allowed the Zambia National Commercial Bank to operate an agency on the ground floor of their building with no requirement to pay rent. However, the Ministry had written to the Bank of Zambia Governor informing him that the Ministry was considering evaluating the building with a view of engaging the bank on the need to pay rentals. The Controlling Officer added that the Ministry had written to the Permanent Secretary, Ministry of Local Government and Housing for the valuing of the building and legal guidance was being sought from the Ministry of Justice through the Treasury Counsel.

Committee's Observations and Recommendations

Your Committee expresses concern that it took the Auditor-General to unveil the irregularities for the Ministry to realise that it was not collecting revenue from the rented out offices. Your Committee, however, takes note of the measures being taken by the Controlling Officer and awaits a progress report on the matter.

b) Sale of Pool Houses

i. Failure to provide Accurate Data on the sale of Pool Houses

The Controlling Officer stated that the Pool House Register was reconstructed indicating the captured total number of people who were offered the houses and status up to June, 2011. In addition, a request was made in writing to the Permanent Secretary, Ministry of

Transport, Works, Supply and Communication to appoint an officer to be part of the team reconciling the Pool Houses sale.

Committee's Observations and Recommendations

Your Committee expresses concern that the records on the sale of pool houses held at the Ministry of Finance and those at the Ministry of Transport, Works, Supply and Communication differed to the tune of up to 6369 housing units which made it difficult for audit and your Committee to establish how many units were sold and how much should have been realised. Your Committee strongly urges the Controlling Officer to come up with a more robust inter-ministerial reconciliation exercise so as to reconcile the figures to adequately inform the nation on the matter. Your Committee awaits a progress report.

ii. *Unaccounted for Revenue from Sale of Pool Houses- K404,894,842*

The Controlling Officer stated that the case was reported to the Police and the concerned officer was under investigation.

Committee's Observations and Recommendations

Your Committee regrets that the Ministry was unable to detect the anomaly until the Office of the Auditor-General discovered it. Your Committee urges the Controlling Officer to strengthen internal controls and provide a report to your Committee.

iii. *General Receipt Books not Availed for Audit*

The Controlling Officer submitted that it was unfortunate that receipt books relating to pool houses for 2011 were not available at the time of audit, however, these were now available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern that receipts that were missing during audit have resurfaced and cautions the Controlling Officer to put controls in place as such incidents could be used to conceal fraud.

MINISTRY OF MINES AND MINERALS DEVELOPMENT

AUDIT QUERY

PARAGRAPH 9

Fees and Fines
Fees and Surface rental Charges
Other Revenue

Accounting and Other Irregularities

10. An examination of records carried out in March 2012 at the Ministry Headquarters, Livingstone, Chipata and Kitwe Regional Mining Bureaux as well as Kitwe Mines Safety Department revealed weaknesses as set out below.

a) **Failure to collect Outstanding Area Charges-K22,464,885,255**

In paragraph 10 of the Auditor-General's Report for the financial year ended 31December, 2008, mention was made of the failure by the Ministry to collect area charges arrears amounting to

K6,293,008,954 from mining license holders. A review of records carried out in March 2012, revealed that the situation had not improved as outstanding area charges had increased to K22,464,885,255.

The Controlling Officer submitted that the Ministry had no system of keeping record of payments made by mining rights holders hence the failure to collect all area charges due in each year. However, with the establishment of the computerised mining cadaster the Ministry would input all payments once the capturing of all historical payments of area charges were completed.

Committee's Observations and Recommendations

Your Committee expresses concern as to why the Ministry waited this long to come up with a system of capturing the data in question despite the advice given in the last audit report. Your Committee awaits a progress report on the matter.

b) Unaccounted for Revenue-K302,600,000

The Controlling Officer reported that the problem of not accounting for revenue from scrap metal certificates came about because of allowing officers in the Laboratory section to collect revenue from scrap metal exports in the field. To correct the situation, the officers were now accompanied by accounting personnel to ensure that there was accountability. In addition, officers who did not account for the revenue raised from the issuance of the certificates were charged and made to pay back the money. Five of the officers paid back the full amounts while two have not completed paying back the money. One officer declined to pay the money and was dismissed from the civil service. The issuances of scrap metal certificates ceased in 2011 following the ban on scrap metal exports.

Committee's Observations and Recommendations

Your Committee expresses concern on weak controls that exist in the Ministry that resulted in such huge sums not being accounted for. Your Committee is of the view that this amounted to theft and the matter should have been reported to the Police so that those involved were prosecuted. Your Committee, however, notes the measures taken by the Ministry and resolves to close the matter subject to audit verification.

c) Missing Receipt Book – Chipata Regional Mining Bureau

Your Committee was informed that the mentioned receipt book was issued to the Provincial Administration Office and not the Ministry.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to verify the matter before it can be closed.

THE JUDICIARY

AUDIT QUERY

PARAGRAPH 10

Programme:	Fees and Fines
Activities:	Court and Other Fees
	Library Services
	Fines of Court

Accounting and Other Irregularities

11. An examination of accounting and other records relating to the collection of revenue maintained at Judiciary Headquarters, Sheriff's Office and selected courts in Lusaka, Southern, Luapula and Copperbelt Provinces, carried out in September 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Unaccounted for Revenue - K20,497,440**

Headquarters

Principal Registry Fees - K740,940.38

The Controlling Officer informed your Committee that the officer concerned had since been suspended by management.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take concrete measures to strengthen internal controls that are apparently weak. Your Committee further urges the Controlling Officer to ensure that the amount of K740,940.38 is recovered without further delay and evidence provided to the Office of the Auditor-General for verification.

High Court Commercial List Fees-K6,762,000

The Controlling Officer informed your Committee that K6,762,000 had been accounted for.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the officer(s) who failed to account for the funds are disciplined and submit evidence of this action to your Committee before the matter can be closed.

Small Claims Court Fees-K2,146,000

The Controlling Officer informed your Committee that all the revenue collected during the financial year ending 31December 2011 was banked. The amount of K2,146,000 which was said not to have been accounted for was actually part of revenue collected for the year ended 31December 2010. The officer involved appeared before the Judiciary's Disciplinary Committee and was subsequently dismissed by the Judicial Service Commission.

Committee's Observations and Recommendations

Your Committee resolves to have the matter closed subject to audit verification. However, the Controlling Officer is urged to strengthen internal controls to curb the abuse of revenue.

Lusaka Boma

Court 5 –K1,822,800

The Controlling Officer informed your Committee that revenue collectors and their supervisor had since been suspended, and the matter was now before the Judiciary's Disciplinary Committee.

Committee's Observations and Recommendations

Your Committee notes the response and awaits the outcome of the disciplinary process before the matter can be closed.

Kafue Local Court – Fees-K371,670

The Controlling Officer informed your Committee that the amount of K371,670 was part of K3,657,700 which was not accounted for but had since been accounted for.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to take disciplinary action against the officers that failed to account for money and provide a progress report on the disciplinary actions taken.

Southern Province

Choma Urban Local Court – Fees - K1,089,070

Your Committee was informed that the officer involved failed to exculpate himself and the matter was before the Judiciary's Disciplinary Committee.

Committee's Observations and Recommendations

Your Committee resolves to await the outcome of the disciplinary process before making a resolution on the matter.

Mapanza Local Court Fees/Fines- K3,643,960

The Controlling Officer informed your Committee that the officer involved failed to exculpate himself and the matter was before the Judiciary's Disciplinary Committee.

Committee's Observations and Recommendations

Your Committee awaits the outcome of the disciplinary process before making a resolution on the matter.

Luapula Province

Mansa Local Court Fees/Fines-K3,921,000

Your Committee was informed that the amount of K3,921,000 had since been accounted for.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Controlling Officer to take disciplinary action against the officer(s) who failed to account for money and provide a progress report on the disciplinary actions to be taken.

b) **Delayed Banking – period ranging from one (1) to eighty (80) days**

Your Committee was informed by the Controlling Officer that all revenue collectors had been directed to strictly adhere to the requirements of the financial regulations.

Committee's Observations and Recommendations

Your Committee expresses concern that the bankings were delayed without any concrete reason(s) and urges the Controlling Officer to ensure that the officer(s) concerned are cautioned. Your Committee resolves not to close the matter until a remarkable improvement is recorded.

c) **Misappropriation of Revenue - K155,389,255**

Lusaka Boma Courts 1, 2, 3, 4, 5, and 6 Fees

The Controlling Officer informed your Committee that they had since recovered K47,899,090 while the officers involved had since been suspended and the matter was before the Disciplinary Committee.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to have the documents verified by the Office of the Auditor-General. The Controlling Officer is also urged to have the balance recovered and report the matter to the Police for possible prosecution without further delay.

Kafue Local Court fees - K3,142,530

Your Committee was informed that they had since recovered K3,142,530 and officers involved were the same ones appearing under Lusaka Boma Courts.

Committee's Observations and Recommendations

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

d) **Missing General Receipt Books (7) and General Revenue Cash books(31)**

The Controlling Officer informed your Committee that the General Receipt Books in question were in the custody of the officers who had been suspended and their cases were before the Disciplinary Committee. Your Committee was however informed that all the thirty-one (31) General Revenue Cash Books for Lusaka Boma Local Courts 3, 4, 5, and 6, had been traced. The said revenue cash books were unused and were kept by the cashiers' office at the Headquarters.

Committee's Observations and Recommendations

Your Committee is concerned with the weak controls which resulted in the failure by the Management to detect the missing accountable documents until the audit did so. Your Committee urges the Controlling Officer to put measures in place to correct the situation. Your Committee awaits the outcome of the disciplinary decision on the matter.

MINISTRY OF TRANSPORT, WORKS, SUPPLY AND COMMUNICATION

AUDIT QUERY

PARAGRAPH 11

Programme: Fees and Fines-Road Transport and Safety Agency
Activity: Road Traffic Collections

Accounting and other irregularities

12. The examination of revenue records revealed weaknesses to which the Controlling Officer submitted as set out below.

a) Unaccounted for Revenue-US\$4,940 and K225,896,432

i. *Lumumba-K176,864,954 (ZTIS) and K4,218,500(Carbon Emission Surtax)*

The Controlling Officer informed your Committee that the loss of Government revenue at Lumumba was as a result of fraudulent activities by a member of staff who had since been discharged from RTSA and his case was in court. Further, there was negligence on the part of the officer who reconciled the accounts but failed to report the difference between the collections and deposits. He too was relieved of his duties after appearing before the Disciplinary Committee. To mitigate this, the RTSA Internal Audit Unit had been directed to ensure that that Government revenue was frequently audited in order to minimise the occurrences of frauds.

Committee's Observations and Recommendations

ii. *Your Committee notes the submission and resolves to close the matter. Nakonde- of K44,812,978 (Road service Licences and US\$4,940 (Toll fees)*

The Controlling Officer informed your Committee that as in (i) above, the loss of K44,812,978 and USD4,940 at Nakonde RTSA station was occasioned by one officer who tampered with the manual receipt cash books and under- banked cash. The employee had since been dismissed from RTSA and subsequently reported to Zambia Police and the case was in Court. Furthermore, all the receipt books had since been computerised to curb occurrences of fraud as well as enhance controls.

Committee's Observations and Recommendations

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

MINISTRY OF LANDS

AUDIT QUERY

PARAGRAPH 12

Programme:	Fees and Fines
Activities:	Government Rent
	Document Fees and Registration Fees
	Survey and Miscellaneous Fees
	Rent of Government Premises
	Consent Fees
	Interest on Late Payments
	Consideration Fees
	Preparation Fees

Accounting and other Irregularities

13. An examination of accounting and other records maintained at the Ministry Headquarters and selected stations carried out in September, 2012 revealed several irregularities to which the Controlling Officer responded as set out below.

a) **Unaccounted for Revenue - K84,443,836**

The Controlling Officer informed your Committee that Solwezi, Mansa, Chipata Survey and Chipata Lands had banked all the amounts that were not accounted for during audit. The Mongu station however, had only banked K83,914,232 leaving a balance of K19,604,751. The officer concerned was suspended in August, 2012 while banking was currently done by the Provincial Administration.

Committee's Observations and Recommendations

Your Committee expresses concern at the weak control systems in the Ministry and urges the Controlling Officer to immediately put measures in place to correct the situation. Your Committee further recommends that the case of the officer at Mongu office be reported to the Police for prosecution while administrative disciplinary action should be taken against officers in the other stations that were responsible for delayed banking. Your Committee awaits a progress report on the matter.

b) **Delayed Banking**

The Controlling Officer informed your Committee that the delays in banking were because some districts such as Chavuma and Mufumbwe had no banking facilities resulting in officers having to travel to Solwezi to deposit the money. She further explained that due to lack of staff in the provinces, the task of banking revenue was vested in Revenue Collectors and Lands Officers as they performed other responsibilities such as bill distribution which resulted in delays because the officers only banked the money upon return to station.

Committee's Observations and Recommendations

While appreciating the difficulties highlighted by the Controlling Officer, your Committee urges her to guard against delayed banking in order to prevent teaming and lading by the officers. Your Committee resolves not to close the matter until improvements are made and progress reported.

c) **Dishonoured Cheques – Ndola Office-K11,243,020**

The Controlling Officer informed your Committee that the three (3) cheques in amounts totalling K11,243,020 had since been replaced.

Committee's Observations and Recommendations

Your Committee expresses concern that it took so long for the cheques in question to be replaced which is a clear indication of weak internal controls and poor supervision in the Ministry. Your Committee urges the Controlling Officer to discipline the officers involved and produce evidence of this action for verification before the matter can be closed.

MINISTRY OF AGRICULTURE AND CO-OPERATIVES

AUDIT QUERY

PARAGRAPH 13

Programme: Fees and Fines

Accounting and other Irregularities

14. An examination of revenue records maintained at the Ministry and selected stations carried out in October 2012 revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Un-accounted for Revenue-K202,115,092**

- **Zambia Agriculture Research Institute – K147,417,300**

The Controlling Officer explained that this money was misappropriated by the revenue collecting officer and the matter was in the hands of the Police and the officer had been put on suspension effective on 27 February, 2012. Measures to stop this had been put in place by avoiding cash – human contact on the part of the cashier where the client deposited funds directly in the bank and the cashier only acted upon production of a bank computer generated receipt.

Committee's Observations and Recommendations

While noting the action taken by the Controlling Officer, your Committee expresses concern over the long time it took the Ministry to take action. Your Committee awaits a progress report on the matter.

- **Fisheries Department-Solwezi-K15,438,600**

Your Committee was informed that the officer was not banking revenue regularly because he had a mental illness and up to now, the officer was not well. Medical copies were available for audit verification. The Ministry had made some efforts to recover this money and so far her relatives had paid on her behalf K14,600,000 leaving a balance of K838,600. Another officer had been assigned the responsibilities of receiving and banking revenue.

Committee's Observations and Recommendations

Your Committee notes that the situation arose due to poor supervision at the district level but resolves to close the matter subject to audit verification.

- **Fisheries Department- Mkushi-K1,363,200**

The Controlling Officer submitted that the failure to make deposits was due to lack of transport at the station. The banks were found in Mkushi Boma 50 kilometres from Chalata Station hence banking was done by chancing vehicles going to Mkushi. The money had since been banked and deposit slips were available. Management had planned to acquire transport in the 2014 budget so that the Accountant from Mkushi would now be collecting and banking funds on a regular basis.

Committee's Observations and Recommendations

The Controlling Officer is advised to ensure that all funds are banked in accordance with financial regulations. In case of difficulties, he is advised to seek authority from the Treasury for the station to be given special permission to vary the banking requirements. Your Committee resolves to close the matter but requests the Auditor-General to keep the matter in view during future audits.

- **Chilanga-K2,321,600**

Your Committee was informed that a loss report was filed and the Controlling Officer had continued to pursue the case whilst the officer was surcharged and the money had been receipted and banked. Measures to stop this had been put in place by ensuring no cash – human contact on the part of the cashier. The client deposited funds directly in the bank and the cashier only acted upon production of a bank computer generated receipt.

Committee's Observations and Recommendations

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

- **Livingstone Fisheries and Livestock Department - K918,620 and K3,263,200**

The Controlling Officer submitted to your Committee that the failure to avail the Auditors with the documents was due to misfiling as the two departments had just moved to new offices. These documents had since been retrieved from the archives and the officer involved was cautioned. As one of the measures put in place, the Ministry had carried out an in-house training for record keeping.

Committee's Observations and Recommendations

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

- **Sinazongwe - K9,101,117**

The Controlling Officer submitted to your Committee that the documents were kept by one officer who was away on catchment assessment survey which normally took months. An amount of K613,000 was deposited in October 2011 leaving a balance of K8,487,717 which had since been deposited. The officer had since been cautioned for failure to perform his duties accordingly.

Committee's Observations and Recommendations

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

- **Mazabuka - K496,000**

The Controlling Officer submitted to your Committee that the under-banking was due to a shortfall the officer had incurred and he was surcharged while K196,000 was recovered and deposited. The balance of K300,000 had also been deposited. To overcome this problem, the Ministry was conducting in-house training and orientations on revenue collection to ensure that Government revenue was all collected, accounted for and banked correctly.

Committee's Observations and Recommendations

Your Committee notes that this is a clear case of theft which should have been reported to the Police immediately the matter was discovered. However, your Committee notes the action taken by the Controlling Officer and resolves to close the matter subject to audit verification.

- **Mongu - K2,779,750**

Your Committee was informed that the money had since been recovered and deposited and the officer was reprimanded. To stop the unauthorised usage of appropriation-in-aid, there was an instruction to all PACOs to ensure that no revenue was used for expenditures.

Committee's Observations and Recommendations

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

- **Chipata Phytosanitary and Livingstone Import and Export – K3,578,500 and K3,695,000, respectively**

The Controlling Officer submitted to your Committee that this was due to poor supervision and therefore the officers involved were cautioned. The funds had since been recovered and deposited.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification that the said funds had been deposited and disciplinary action taken as indicated by the Controlling Officer.

- **Veterinary – Chipata-K7,618,400**

The Controlling Officer submitted to your Committee that this was due to poor judgment on the part of the supervisor who entrusted an unqualified officer to collect revenue and that the supervisor had since been surcharged. A total amount of K2,996,000 had since been recovered and banked leaving a balance of K4,622,400 to be deducted from the salary of the Supervisor with effect from March, 2013.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until evidence that the recoveries have started is received through the Office of the Auditor-General.

b) **Delayed Banking**

The Controlling Officer submitted to your Committee that this was partly due to transport logistical problems and poor supervision. To stop this, the Controlling Officer sent Circular No. 1 of 2011 dated December, 2010 issued by Ministry of Finance in order to bring it to the

attention of revenue collectors and their supervisors so that revenue procedures were complied with. Further, clients had been advised to deposit cash at banks rather than paying through the cashier in order to eliminate cash- human contact.

Committee's Observations and Recommendations

In closing the matter, your Committee urges the Controlling Officer to ensure that there was close supervision so that the query is not repeated. Your Committee also requests the Office of the Auditor-General to keep the matter in view during future audits.

c) Missing Accountable Documents

- i. *Twenty (20) export permit books, nine (9) stock movement permit books, twelve (12) general receipt books and twenty (20) stock movement permit receipts*

The Controlling Officer submitted to your Committee that the receipt and permit books that were missing at the time of audit were in different locations within the respective districts and were not indicated in the register for accountable documents. The documents had since been accounted for and to redress the situation, accounting officers were recruited in December 2012 and were in the process of being deployed.

Committee's Observations and Recommendations

Your Committee is concerned that the Controlling Officer failed to avail these documents during the entire audit process. Your Committee also notes with concern the failure by the stations to keep a register of accountable documents which is a serious breach of financial regulations. Your Committee, therefore, urges the Controlling Officer to discipline the officers concerned and to put in place measures to avert the repeat of the audit query.

- ii. *Seven (7) receipt books and three (3) certificates*

The Controlling Officer submitted to your Committee that the un-presented receipt books at Chilanga were kept by an officer who was under criminal investigations and to date books have not been found. This was a case of poor supervision as this should have been noticed earlier. The Supervisor had been cautioned and as mitigation, clients had been advised to deposit cash at banks and not pay through the cashier in order to eliminate cash- human contact. As regards the three Phytosanitary Certificate Books, he submitted that these had since been found as they were wrongly entered in the register for accountable documents. The officer responsible was charged.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until the whereabouts of the missing receipts at Chilanga were established. Your Committee awaits a progress report on the matter.

MINISTRY OF GENDER AND CHILD DEVELOPMENT

AUDIT QUERY

PARAGRAPH 14

Accounting and Other Irregularities

15. An examination of the financial and other records maintained at the Ministry Headquarters and visits to selected provinces carried out in July 2012 revealed weaknesses to which the Controlling Officer submitted as set out below.

a) **MINISTRY HEADQUARTERS**

i. *Unretired Imprest-K20,470,000*

The Controlling Officer informed your Committee that the outstanding imprest amounting to K20,470,000 related to the officers in other ministries and one officer in the Ministry who had since retired the outstanding imprest of K1,700,000. Several reminders to officers from other ministries were sent but no responses had been received. The Ministry had written to respective Permanent Secretaries requesting them to deduct the outstanding imprests from the concerned officers.

Committee Observations and Recommendations

Your Committee notes the submission but resolves not to close the matter until all the imprest is recovered or retired. Your Committee also urges the Controlling Officer to put control measures in place to avoid reoccurrence of the similar queries.

ii. *Economic Empowerment for Women-K11,916,666,667*

Contract with Saro Agro Industrial Ltd-K4,121,206,567

The Controlling Officer acknowledged the shortcomings on the part of the Ministry with regard to observations on Citizen's Economic Empowerment programme. She stated that the Ministry used the MPs for identification of beneficiaries and distribution of the equipment because MPs were a direct link with the people in their constituencies and were more aware of the needs of people. The Controlling Officer further submitted that 2011 being an election year, the Ministry decided to expedite the procurement and distribution of the hammer mills and other equipments in order to avoid distributing them during the election time and risk being cited for election malpractice. The Ministry paid in full because the hammer mills were ex-stock.

On late delivery of hammer mills, the Controlling Officer submitted that the Ministry procured ex-stock at the time of payment but failed to collect the consignment immediately due to lack of storage facilities. The Ministry could not rent space because the rentals for the storage facilities were too high. The Ministry of Finance offered space at Government Stores, which was, however, inadequate forcing the Ministry to collect a few hammer mills at a time and issue the balance from the Saro warehouse. Furthermore, the delivery note was only signed after the last hammer mill had been delivered.

On failure to claim liquidated damages, the Controlling Officer submitted that the Ministry bought the ex-stock and the question of liquidated damages did not arise. The supplier had the required number of hammer mills, and the Ministry had the funds. The transaction was on cash on delivery basis.

Committee's Observations and Recommendations

Your Committee notes the submission but observes that the reasons advanced by the Controlling Officer were not sufficient to justify the abrogation of procurement procedures and urges the Controlling Officer to always follow procurement procedures strictly. Your Committee also urges the Controlling Officer to always take advantage of the audit process to clear the matters.

- **Contract with Chunlei Machinery**

The Controlling Officer submitted that the Ministry decided to pay in full because the company had hammer mills in stock and that the year 2011, was an election year and distributing the hammer mills during the election time, the Ministry was going to be cited for election malpractice.

The Controlling Officer further submitted that the Ministry procured ex-stock at the time of payment but failed to collect the consignment immediately due lack of storage facilities as it had no storage facility of its own. Ministry of Finance offered the Ministry a warehouse space at Government Stores, whose capacity was inadequate to take in the procured number of hammer mills. The Ministry made arrangements to store the hammer mills at the supplier's premises. Furthermore, the delivery note was only signed after the last hammer mill had been delivered.

On lack of pre-shipment certificates, the Controlling Officer stated that the Ministry did buy ex-stock from Chunlei making the pre-shipment certificates not applicable to this transaction.

Committee's Observations and Recommendations

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

b) **Unaccounted for Hammer Mills-fifty-seven (57): K1,215,240,000**

The Controlling Officer acknowledged that a total of 322 hammer mills were procured out of which 265 were distributed at the time of audit. The schedule of the distribution of the fifty-seven (57) hammer mills were with Anti-Corruption Commission.

Committee's Observations and Recommendations

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

c) **Physical Inspection of Delivered Hammer Mills**

A physical inspection in selected constituencies, carried out in July 2012, revealed the following:

Lusaka Province

Lusaka Province was allocated a total of twenty four (24) hammer mills out of which seventeen (17) were collected by the respective area Members of Parliament, leaving a balance of seven (7) which were in storage at Government Stores Headquarters. A physical verification revealed weaknesses to which the Controlling Officer submitted as set out below.

i. *Matero Constituency – Two Unaccounted for Hammer Mills*

The Controlling Officer reported that two (2) hammer mills were at the constituency office and would soon be redistributed to other clubs who had applied for hammer mills from the same constituency.

ii. *Mandevu Constituency-Two uncollected*

The two (2) hammer mills would soon be re-distributed to other clubs who had applied for hammer mills from the same constituency.

iii. *Kanyama Constituency-Two uncollected*

The Ministry was redistributing the two (2) hammer mills to new applicants who had applied for same.

iv. *Chongwe Constituency – Two Un accounted for Hammer Mills*

The Ministry had managed to locate the two (2) Hammer Mills which were allocated to Mutamamino Community Association and Chinkuli Area Women Association.

Southern Province

i. *Provincial Administration-one (1) missing*

The Controlling Officer the ‘missing’ hammer mill was collected and an acquittal form for the same was attached for verification.

ii. *Livingstone central constituency-One more that allocated*

The Province indicated that Livingstone Central Constituency received the three hammer mills after a need was identified.

iii. *Katombora Constituency*

The Controlling Officer confirmed that the hammer mills were missing and the matter had been reported to Police who were still investigating.

iv. *Pemba Constituency*

The Controlling Officer submitted that the missing hammer mill had been found.

North Western Province

i. *Zambezi East Constituency*

The Controlling Officer acknowledged that the Constituency received five (5) instead two (2) hammer mills because the Ministry received special requests from the Constituency. The Controlling Officer further submitted that one (1) hammer Mill was at the Police Station because women of Luwi Lwa Nzambi club had not yet constructed the shelter for the Hammer Mill by the time of the audit. One other hammer mill reported not to be operational Hammer mill meant for Kudizosa Women's club would be given to other women as they did not ask for it.

ii. *Solwezi West Constituency*

The Controlling Officer submitted that the hammer mill was given to Tukwatankane Women Club who had since managed to build a shelter for the hammer mill and the mill was operational.

Copperbelt Province

i. *Provincial Administration-seven (7) were not accounted for*

The Controlling Officer reported that seven Hammer Mills which were said to be unaccounted for were distributed as follows: two (2) Chingola; two (2) Nchanga; one (1) Luanshya and two (2) Mufulira.

ii. *Chililabombwe Constituency*

The Controlling Officer informed your Committee that the hammer mill designated for Naomi women's club was given to another Women Group namely Makatens Chardy Pastawa while for Nakatindi the District Council volunteered to build a shelter and was in the process of finalising the same. While this process was being undertaken, the hammer mill meant for Nakatindi would be re-distributed to other groups and Nakatindi Women's Group would be considered on the new consignment.

iii. *Chingola/Nchanga Constituencies*

The Controlling Officer reported hammer mills that were said to be lying idle had been re-allocated to Twalumba club in Mimbila ward and Phuzilo Orphans club in Katuba village in Kasompe ward.

iv. *Kalulushi Constituency*

The Controlling Officer informed your Committee that hammer mills were earmarked for redistribution since the community preferred electrical hammer mills which the Ministry was not providing.

v. *Luanshya Constituency-Two (2) hammer mills missing*

The Controlling Officer reported that the hammer mills had been installed at the Mpindu Ward Councillors' residence for security reasons although the women were in charge of the same hammer mills.

vi. *Kankoyo Constituency-Two (2) hammer mills*

The Controlling Officer submitted that the Member of Parliament collected one hammer mill which was given to women club operating within the Catholic Church in Kankoyo. The other hammer mill was collected by the Copperbelt Provincial Administration.

vii. *Wusakile Constituency*

The Controlling Officer informed your Committee that the Ministry had failed to redistribute these hammer mills to other clubs that had applied because the law enforcement agencies had confiscated the same hammer mills that were installed at the Chairman's residence.

Central Province

i. *Chisamba Constituency-One(1) hammer unaccounted for*

The Controlling Officer submitted that the hammer mill which was said to be unaccounted for was at Anti Corruption Commission Offices in Lusaka.

ii. *Kabwe Central Constituency*

Your Committee was informed that the District Administrative Officer (DAO) retrieved the hammer mill for security reasons, because initially the hammer mill was being kept at the Chairperson's residence. This was a temporary measure until the women club completed the construction of the house for the mill.

iii. *Keembe Constituency*

The Controlling Officer submitted that the Ministry was making a follow up on this matter.

iv. *Mkushi Constituency*

The Controlling Officer submitted that the hammer mill was in Chief Kanyesha in Lunsemfwa under Bwafwano and Twikatane Association and the other one was in Kumpale/Chipatuyu given to Mubolela Association.

Committee Observations and Recommendations

Your Committee observes that although the programme was well intended its implementation faced many challenges because of the rush created by the fact that implementation was within the election year. This resulted in delivery mechanisms not being put in place which resulted in a lot of delivery inefficiencies because the Ministry did not have capacity to deliver the hammer mills to the beneficiaries by itself. Further, this resulted in some hammer mills not reaching the intended target.

Your Committee, therefore, urges the Controlling Officer to ensure that the Ministry takes full responsibility for the delivery of the programme materials so as to ensure full accountability. Further, the Ministry should put in place monitoring mechanisms to ensure that the materials reach the intended beneficiaries. Your Committee resolved to close the matter but requested the Office of the Auditor-General to keep the matter in view in future audits.

Irregularities in Accounting and Management of Funds

16. An examination of accounting and other records maintained at the Zambia Police Headquarters and selected Divisional Offices carried out in March 2012 revealed irregularities to which the Controlling Officer responded as below.

a) **Headquarters**

i. *Holding Workshops without Cabinet Office Authority - K334,053,451*

The Controlling Officer informed your Committee that the workshops were held without Cabinet approval because of urgent information requested for by the Ministry of Finance and Cabinet Office and finding accommodation in the Government lodges proved futile hence the activities being conducted at the private lodges. However, the Controlling Officer assured your Committee that he would endeavour to ensure that authority was sought before any workshop took place. The Controlling Officer, however, noted that the current policy empowered the Controlling Officer to authorise the holding of workshops. He further submitted that the officers concerned were reprimanded.

Committee's Observations and Recommendations

Your Committee finds the reason advanced by the Controlling Officer unacceptable and cautioned that in future such disregard of the guidelines should attract stern disciplinary action. Your Committee resolves to close the matter.

ii. *Irregular Drawings of Fuel- K32,892,015*

The Controlling Officer informed your Committee that this was an anomaly and the concerned officers would be made to pay back the amounts they got.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

iii. *Fuel Drawings by Former Inspectors General of Police- K18,171,414*

The Controlling Officer informed your Committee that fuel amounting to K18,171,414 was drawn to meet logistics for the security officers that were attached to the former Inspector-Generals (IGs) as per their conditions of service and the cabinet circular of 2006. The former IGs were invited occasionally to attend Police functions like Pass out Parades, State functions and awarding of medals to deserving officers.

Committee's Observations and Recommendations

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

iv. *Unretired Imprest- K410,128,250*

The Controlling Officer explained to your Committee that imprest in amounts totalling K301,253,250 issued to fourteen (14) officers had since been retired while K31,050,000 was being recovered through the payroll. The balance of K74,075,000 involving six (6) officers would be recovered through the payroll starting the month of March 2013.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take concrete measures to strengthen internal controls that are apparently weak and not wait for the Auditor-General's Office to unearth problems. Your Committee further urges the Controlling Officer to ensure that the remaining amount of K74,075,000 was recovered and officers involved were strongly cautioned.

v. *Goods without Receipt and Disposal Details- K161,339,252*

The Controlling Officer submitted that stores items amounting to K161,339,252 could not be verified due to lack of communication between the Main Stores and the receiving departments. However, this had been corrected and all the receipt and disposal details were available for verification.

Committee's Observations and Recommendations

Your Committee finds the explanation rendered by the Controlling Officer unacceptable as this matter could have been cleared during the audit process. Your Committee cautions the Controlling Officer that failure to attend to audit queries during audit is a serious omission which should never repeat itself. The matter is closed subject to verification.

vii. *Purchase of Houses in Mufulira - K323,729,000*

The Controlling Officer explained to your Committee that the whole procurement was done with the confirmation by the Government Valuation Department and a letter from the Department was available. He added that the houses were assessed at market value basis which was the reasonable price at which the seller and the buyer would be willing to transact over the houses. Among the factors taken into account in valuation assessments were location, state of repair and sales data of similar houses in the township. The cracks did not only affect the fourteen (14) houses in question but that the cracks were a general occurrence on similar houses in the township and were the type that could be mended.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until the criteria that was used to assess the value of the houses is availed to the Office of the Auditor-General. Your Committee cautions the Controlling Officer against laxity when expending and accounting for public resources.

viii. *Construction of a Forensic Laboratory in Lusaka West -K9,856,323,361*

- **Lack of Defect Liability Clause**

The Controlling Officer submitted that the Ministry was still holding on to the retention funds of five percent (5%) of the contract sum for the contractor, Spencon Polyphase Zambia Limited, who was yet to go back to site and rectify the defects on the sewerage ponds.

Committee's Observations and Recommendations

In noting the submission, your Committee observes that it was an omission on the part of the Ministry not to have included a defect liability clause in the contract and urges the Controlling Officer to ensure that all identified defects are attended to without fail. A progress report was awaited.

- **Sewer ponds - 1st Phase**

The Controlling Officer submitted that the cracks on the walker ways of the sewer ponds are among the snags that were noted and the contractor had since been requested to rectify the defects.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

viii. *Construction of Pump Houses and Associated Works (2nd Phase)-K3,033,788,600*

- **Delays to Complete Works**

The Controlling Officer explained that the delay was due to delays in receiving funding from Ministry of Finance.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

- **Physical Status**

The Controlling Officer informed your Committee that there were two pump houses that were supposed to be constructed by African Brothers Corporation, one pump house for the booster pumps and another one for submersible pump control panels because it was unknown at the time of tender where the four (4) boreholes would be located. The Controlling Officer further informed your Committee that they assumed that the boreholes would be drilled very far away from the location of the booster pumps but when the boreholes were sited and drilled, it was discovered that they were very close to the booster pumps house and that was how the decision to construct one pump house was made. The omitted pump house had not been paid for.

Committee's Observations and Recommendations

Your Committee resolves to have the matter closed subject to verification by the Office of the Auditor-General.

b) **Zambia Police Divisions**

i. *Uncompetitive Procurements - K52,902,400*

The Controlling Officer stated that the location of the Division disadvantages it since there were very few companies operating in the area hence certain items were only stocked by a single company making it difficult for the Division to make comparisons.

Committee's Observations and Recommendations

Your Committee finds the response unacceptable and urges the Controlling Officer to ensure that procurement procedures are followed by all divisions without fail. Your Committee resolves not to close the matter until the practice has been stopped.

ii. *Irregular Fuel Drawings - K256,150,400*

The Controlling Officer clarified that all the officers who were paid fuel allowance were entitled to it as they were Senior Assistant Commissioners of Police and not below the rank of Senior Assistant Commissioner as reported. Before the new establishment, divisions were headed by Commanding Officers who were Senior Assistant Commissioners and Deputy Commissioners of Police respectively and they were entitled to fuel allowances. The additional fuel costing K256,150,400 was also drawn by the same officers when carrying out operational duties in the respective Provinces.

Committee's Observations and Recommendations

In closing the matter, your Committee advises the Controlling Officer to put measures in place to ensure that no fuel is abused on basis of carrying out operational duties.

iii. *Irregular Payment of Housing Allowances - K117,270,000*

The Controlling Officer submitted that an assessment was done which revealed that K65,590,000 was correctly paid to officers who were not accommodated while K51,590,000 was wrongly paid to officers who were not eligible and had since been fed for recoveries through the payroll. He further submitted that this was caused by the Commanding Officers in the respective provinces who misinterpreted the circular.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until audit verification is done on whether K51,590,000 was the only amount that was wrongly paid out. Your Committee recommends that disciplinary action should be taken against the concerned commanding officers in the provinces for failing to correctly interpret and execute the circular in question. A progress report is awaited.

iv. *Non-recovery of Loans and Advances - K110,500,000*

The Controlling Officer informed your Committee that the delay in the recovery was because the Division was not allocated a recovery code by PMEC in time but all recoveries had since been effected.

Committee's Observations and Recommendations

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

v. *Questionable Fuel Drawings - K10,214,268*

The Controlling Officer explained to your Committee that Zambia Police number plates were used on fuel coupons due to none availability of utility vehicles at the Divisions, hence private vehicles were used for operations before, during and after the elections. He informed your Committee that the transport officer had since been reprimanded for not ensuring that proper government procedures were adhered to at all times.

Committee's Observations and Recommendations

Your Committee finds the practice by the Division unacceptable as it might have been used to abuse fuel drawings. The Controlling Officer is urged to submit evidence to the Auditor-General's Office on the private vehicles which actually drew the fuel before the matter is closed.

MINISTRY OF ENERGY AND WATER DEVELOPMENT

AUDIT QUERY

PARAGRAPH 16

Headquarters
Energy Department
Department of Water Affairs
Planning and Information
ACTIVITY: Fees and Surface rental Charges
Other Revenue

Accounting and Other Irregularities

17. An examination of accounting and other records maintained at the Ministry Headquarters and visits to some provinces in September 2012 revealed weaknesses to which the Controlling Officer submitted as set out below.

a) **Lack of a Strategic Plan**

The Controlling Officer submitted that following the merging of the two ministries, there was need to fast track the Mines Section to bring it to the same level with the energy side. Once this was completed, the next phase would be the Organisation Design (OD) before doing the strategic plan for the new Ministry.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Controlling Officer to expedite the process of finishing the strategic plan for the Ministry. Your Committee will await a progress report.

b) **Unretired Imprest-K292,253,472**

The Controlling Officer submitted that all unretired imprest had now been retired.

Committee's Observations and Recommendations

Your Committee views failure to retire imprest as a very serious omission and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest as per financial regulations. Your Committee awaits a progress report on the matter.

c) **Failure to insure Motor Vehicles**

i. *Isuzu KB 300 – GRZ 248 BX*

The Controlling Officer submitted that the officer was surcharged and that recovery of funds from the payroll was effected.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Controlling Officer to ensure that Government regulations on the insurance of assets is adhered to and the matter is recommended for closure subject to audit verification.

ii. *Toyota Hilux – GRZ147 BX*

The Controlling Officer submitted that the officer was surcharged and that recovery of funds from the payroll was effected and records were available for verification.

Committee's Observations and Recommendations

In noting the submission, your Committee cautions the Controlling Officer to ensure that Government regulations were adhered to regarding the insurance of assets and the matter is recommended for closure subject to audit verification.

d) **Unaccounted for Fuel-K218,700,000**

The Controlling Officer submitted that receipts and disposal details for the fuel costing K218,700,000 were now available for scrutiny.

Committee's Observations and Recommendations

Your Committee is concerned that the Ministry failed to avail receipt and disposal details during the audit which is a very serious omission and urges the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the documents. Your Committee also urges the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification.

e) **Construction of Earth Dams**

i. **Southern Province–Construction of Konkola Dam- Mazabuka-K1,196,061,180**

The Controlling Officer submitted to your Committee that the full payment for incomplete works was made with regard to the construction of Konkola Dam in Mazabuka District because the Provincial Water Officer for Southern Province erroneously issued a Certificate of Completion to the contractor on which basis full payment was made. The Provincial Water Officer had since been reprimanded. Kalomo Contractors, who had been engaged by the Ministry to construct the dam, had by 15 March 2013 only accomplished 80%. The Controlling Officer added that the Ministry would follow legal provisions to deal with outstanding issues in this matter while the Department of Water Affairs would complete the remaining works using funds under the retention clause from the same contract as well as funds for dams in the approved budget for 2013.

Committee's Observations and Recommendations

Your Committee expresses concern that the certificate was issued even before the works were completed and considers that the reprimand which was issued by the Controlling Officer was not adequate punishment for this omission. Your Committee urges the Controlling Officer to provide evidence of the disciplinary action which was taken against the officer who caused the omission. Your Committee awaits a progress report on the completion of the outstanding works.

ii. Eastern Province – Construction of Munduwi Dam in Chipata

- **Failure to Maintain Records-K799,190,000**

The Controlling Officer informed your Committee that the Ministry had maintained records with regard to utilisation of funds on the construction of Munduwi Dam in Chipata, Eastern Province. However, at the time of audit, these records had been seized by the Provincial Administration Office in Eastern Province rendering them unavailable to Auditors. The records had since been released to the Ministry.

Committee's Observations and Recommendations

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

- **Uncompleted Works**

The Controlling Officer submitted that as a way forward, the Ministry would undertake remedial measures by increasing the height of the dam wall to 12 meters using the available materials, which were procured from the 2011 funding for the same project and additional materials to be procured from the 2013 approved budget.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

b) Maintenance of Dams

i. Eastern Province – Chaboli Dam – Wasteful Expenditure-K500,000,000

The Controlling Officer submitted to your Committee that the planned rehabilitation works of Chaboli Dam were completed in November, 2011. However, during the 2011-2012 rainy season, the dam wall was bleached at another section other than the one that had been rehabilitated earlier in 2011. Unfortunately, the Auditors reported on the 2nd bleached section.

Committee's Observations and Recommendations

Your Committee observes that this matter should have been addressed during the audit process but resolved to close the matter subject to audit verification.

ii. Central Province-Chikumbi Dam–Wasteful expenditure- K340,156,000

The Controlling Officer informed your Committee that the rehabilitation works on the dam commenced in November, 2011 at the onset of the 2011/2012 rainy season and were abandoned due to heavy rains. Consequently, initial works done on the spillway were washed away rendering the expenditure wasteful. The delay in commencement of work

was as a result of delayed initiation of the procurement process although funds had been received earlier in June, 2011.

As a way forward, the Ministry would proceed with rehabilitation works of the Chikumbi Dam at the end of current rainy season in May, 2013, using the equipment which had been hired for the same purpose earlier and additional funds from the 2013 approved budget.

Committee's Observations and Recommendations

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

c) Groundwater Resources Development for Drought Prone Cholera Areas

i. *Southern Province – Works not commenced*

The Controlling Officer submitted that the borehole construction works commenced with citing to locate ten (10) borehole drilling targets in Southern Province. Two (2) boreholes were constructed after the audit inspection. The remaining eight (8) sites had not yet been drilled on account of lack of equipment although the funding amounting to K85,728,578 was still available. The drilling rig assigned to Southern Province had not been available for this purpose as it broke down after drilling two (2) boreholes. The situation had been made worse by the non-availability of spare parts for the types of drilling equipment owned by the Ministry. As a way forward, the Ministry will accomplish all the outstanding works.

Committee's Observations and Recommendations

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

ii. *Eastern Province – Incomplete Works-K187,500,000*

The Controlling Officer stated that three (03) out of the planned fifteen (15) boreholes earmarked for construction in Eastern Province in 2011 were constructed by September, 2012. However, seven (07) more boreholes were constructed after the audit inspection, bringing the number of boreholes constructed to ten (10). Further, three (03) existing boreholes, which required urgent attention, were rehabilitated from funds disbursed for borehole construction. The cost of rehabilitating one (01) borehole was almost the same as that of constructing a new one (1). These boreholes were constructed or rehabilitated using materials, which had been procured at the beginning of the project from within the disbursed funds for 2011.

Committee's Observations and Recommendations

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

iii. *Central Province – Incomplete Works*

The Controlling Officer submitted that a total of seven (7) out of the planned ten (10) boreholes were drilled. Of the boreholes drilled, four (4) were in the planned sites while three (3) were in Katuba. The boreholes drilled in Katuba were drilled under an emergency programme. The reduction in the number of boreholes from ten (10) to seven (7) was due to the fact that part of the funds were used to repair the drilling rig that was used to construct the boreholes as stated above.

Committee's Observations and Recommendations

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

d) Water Resource Development for Health, Education and Strategic Institutions

- **Southern Province – Incomplete Works**

The Controlling Officer submitted that at the time of audit inspection, only (1) borehole had been drilled and as at now, three (3) more boreholes had been drilled by a private contractor bringing the number of boreholes drilled to four (4) out of the planned five (5). The reduction in the number was because borehole drilling services were outsourced.

Committee's Observations and Recommendations

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

- **Eastern Province – Incomplete Works**

The Controlling Officer submitted that at the time of audit inspection, four (4) boreholes had been drilled. However, a total of nine (9) out of the planned ten (10) boreholes had been constructed to date and one (1) had been rehabilitated.

Committee's Observations and Recommendations

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

e) Groundwater Resources for Trachoma Control-K1,000,000,000

Southern Province — Works not Commenced

The Controlling Officer submitted that at the time of audit inspection, no borehole had been drilled on this programme. However, five (5) boreholes had been drilled through outsourcing to date out of which one (1) is dry.

Committee's Observations and Recommendations

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

Eastern Province — Incomplete Works

The Controlling Officer submitted to your Committee that eight (8) out of the planned ten (10) boreholes were drilled at the time of audit inspection, of which four (4) were successful while the other four (4) were dry boreholes. As at now, a total of sixteen boreholes had been drilled out of which seven (7) were dry bringing the number of successful boreholes to nine (9).

Committee's Observations and Recommendations

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

North Western Province — Works not commenced

The Controlling Officer submitted that North Western Province constructed twenty two (22) water points (wells) in Chavuma District. Four (4) more water points were constructed, two (2) in

Chavuma, one (1) in Zambezi and one (1) in Kabompo using funds released. The water points were equipped with hand pumps.

Committee's Observations and Recommendations

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

MINISTRY OF HOME AFFAIRS

AUDIT QUERY:

PARAGRAPH 17

Departments - Headquarters
Passport and Citizenship
Archives
Immigration
National Registration
Research and Information Department

Accounting and Other Irregularities

18. An examination of accounting and other records maintained at the Ministry Headquarters, Passport and Citizenship, Immigration and National Registration Departments carried out in March 2012 revealed irregularities to which the Controlling Officer responded as set out below.

a) **Unaccounted for Stores - K505,282,661**

The Controlling Officer informed your Committee that the documents had since been traced and the ledgers updated.

Committee's Observations and Recommendations

Your Committee expresses concern that stores records that were not availed for audit have resurfaced and expressed concern on whether they are genuine and authentic. Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the documents. The matter will only be closed after audit verification.

b) **Non Recovery of Loans and Advances-K263,900,000**

Your Committee was informed that K171,500,000 involving (9) officers was being recovered while K92,400,000 involving (5) officers would be effected in the month of March 2013. The balance of K15,000,000 involving a deceased officer would be recovered from the terminal benefits.

Committee's Observations and Recommendations

Your Committee expresses concern that the recoveries were delayed without any concrete reason and urges the Controlling Officer to avoid this in future. Your Committee resolves not to close the mater until all the recoveries have been effected.

c) **Construction of the National Registration Offices**

i. *Kapiri Mposhi Office Block - K3,074,445,907*

The Controlling Officer explained that the Contractor could not complete the various works according to the scheduled thirty one (31) weeks because of delays in the issuance

of works certificates by the Buildings Department. As a result, payments due to the contractor could not be made because the funds were surrendered back to the Treasury. The Controlling Officer informed your Committee that the current position regarding the outstanding works was that the construction of the car park was done, final coat of paint was applied while all window panes were fitted. Further, the ceiling board had been done and the plumbing works which were partially done were completed. The only outstanding works at the site was the connection of power supply to the building by ZESCO Ltd.

Committee's Observations and Recommendations

Your Committee finds the reason stated by the Controlling Officer unfortunate as it is apparent that the Ministry did little to ensure that the Buildings Department issued the completion certificates in time. Your Committee resolves to close the matter subject to audit verification.

ii. *Luangwa Office Block - K3,255,724,418*

The Controlling Officer explained that the contract period was extended on two (2) occasions with the new completion date being 24 February 2012 because the Project Supervisors delayed in the issuance of works certificates in order for the Ministry to process payments due to the contractor. He explained further that plumbing, fitting of window frames and panes, floor tiling, fitting of the ceiling board, painting and electrical fittings have all been completed. The Controlling Officer also informed your Committee that the only outstanding works included procurement of electrical generator, sinking of borehole, connection of power supply by ZESCO to the building and construction of the car park and land scarping. The Ministry had engaged the Project Supervisors to closely monitor the contractor and ensure that the remaining works were completed within the first quarter of 2013.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

MINISTRY OF HOME AFFAIRS

AUDIT QUERY

PARAGRAPH 18

Unit : Infrastructure Development
Programme : Prison Infrastructure Development - PRP

Accounting and other Accounting Irregularities

19. An examination of accounting and other records maintained at the Ministry Headquarters, Prisons and Reformatory Departments carried out during the period from January to July 2012, revealed irregularities to which the Controlling Officer responded as set out below.

a) **Construction of Administration, Reception and Duty Rooms - Kalabo State Prison**

The Controlling Officer submitted that because the contractor had failed to finish the works, the Ministry of Home Affairs, Western Province administration and the contractor had resolved to terminate the contract. The Ministry was in the process of evaluating the remaining works after which a new contractor would be engaged to complete the remaining works.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

b) Construction of Luwingu State Prison - Northern Province

i. Construction of Security Fence, Kitchen, Dining Hall and Borehole-Lot 1

- **Security Wire Fence**

The Controlling Officer submitted that the first phase of fixing the wire fence was completed and the contractor was doing the second phase which included the fittings of the security gate and fixing of the vertical wire in the concrete. The Contractor was on site and the works were ongoing.

Committee's Observations and Recommendations

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

- **Drilling of a borehole and mounting of overhead tank had not been done**

The Controlling Officer explained that no works had been done on the drilling of the borehole and the mounting of overhead tanks because during the tender evaluation meeting by the Provincial Procurement Committee, for Northern Province, the awarded bid sum was corrected to K1,048,520,694 instead of K1,211,079,694 leaving out an amount of K162,559,000.

Since the amount was higher, the subject was tabled before the Permanent Secretary who advised that the tender for drilling of a borehole and mounting of overhead tank be advertised. After the tender process, the tender for drilling the borehole was awarded to the Provincial Water Engineering Office-Northern Province while the tender for the supply and erection of a stainless steel panel water tank and stand was awarded to Alro Engineering.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

- **Kitchen and Dining Hall**

The Controlling Officer informed your Committee that fixing of the terrazzo, wiring ceiling of the kitchen, fixing of kitchen wood and the seven (7) doors and the connection of electricity had since been completed.

Committee's Observations and Recommendations

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

ii. Construction of two (2) Ablution Blocks and three (3) Cell Blocks

The Controlling Officer explained that the said works were not done because of some delays by ZESCO to connect power to the site. However, ZESCO had since connected power and all the remaining works had since been completed and the final physical inspection meeting was scheduled for 18 February, 2013.

Committee's Observations and Recommendations

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

- **Congested Prisons**

The Controlling Officer explained to your Committee that all the prisons in the Country were generally congested by an average of 250 percent due to limited holding capacity. However, the Ministry was constructing a number of prisons across the country which included, Luwingu, Kalabo and Monze prisons and Mwembeshi Maximum Prison. Once completed, these prisons would be used to decongest other prisons. Plans were also underway to construct a new prison in Lusaka.

Committee's Observations and Recommendations

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

MINISTRY OF HOME AFFAIRS

AUDIT QUERY

PARAGRAPH 19

Unit:

Infrastructure Development

Programme:

Prison Infrastructure Development - PRP

Accounting and Other Irregularities

20. An examination of accounting and other records maintained at Prisons Headquarters and Regional Offices, carried out in July 2012, revealed irregularities to which the Controlling Officer responded as set out below.

a) **Unretired Imprest- K42,650,000**

The Controlling Officer explained that the imprest would be recovered from the officers' salaries.

Committee's Observations and Recommendations

Your Committee is concerned at the failure by the Controlling Officer to enforce financial regulations on the retirement of imprest and urges him to take disciplinary action against the officers for failing to retire imprest according to financial regularities.

b) **Questionable Retirement of Imprest- K11,019,065**

The Controlling Officer informed your Committee that officers were reprimanded and recoveries were effected.

Committee's Observations and Recommendations

Your Committee notes that this is a very serious offence and urges the Controlling Officer to take stiffer disciplinary actions in order to deter other would be culprits. Your Committee resolves not to close the matter until audit verification of the new retirements and evidence of disciplinary action taken on the concerned officers.

c) **Irregular Payment of House Rentals- K160,249,191**

The Controlling Officer submitted that the funds would be recovered from the officers' salaries and the Regional Commanding Officers were responsible for misinterpreting the circular which actually meant to provide for the camp houses occupants' water bill and electricity only.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the Commanding Officers concerned for approving the payment of rentals against the circular. Your Committee resolves not to close the matter until evidence of the recoveries is verified by the Office of the Auditor-General.

d) **Unaccounted for Food Stuffs**

The Controlling Officer informed your Committee that the current status regarding the unaccounted for food rations amounting to K127,750,000 distributed to Mwembeshi Open Air Prison and Lusaka Remand was that the food rations were received and accounted for and the receipt and disposal details for the food rations were verified. With regards to receipts for foodstuffs costing K19, 090,000 issued to Nyango Open Prison by Kaoma State Prison, the officer responsible was surcharged and the whole amount of K19,090,000 would be recovered from the officer's salary effective March 2013.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification that the recoveries have been effected.

MINISTRY OF FOREIGN AFFAIRS

AUDIT QUERY

PARAGRAPH 20

Headquarters
Zambia Anti-Personnel Mine Action Centre
Development and International Cooperation Organisation
Protocol Department
Political Affairs

Accounting and Other Irregularities

21. An examination of accounting and other records maintained at the Ministry carried out in March 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Unvouched Expenditure - K882,127,363**

• **Missing Payment Vouchers- K787,506,863**

The Controlling Officer submitted to your Committee that out of the twenty-seven (27) missing payment vouchers and cancelled cheques, twenty-three (23) had been traced leaving a balance of four (4) cancelled cheques to be traced.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against the erring officer(s). Your Committee also urges the Controlling Officer to ensure that those still

missing are traced and availed for audit verification. Your Committee awaits a progress report on the matter.

- **Inadequate Supported Payments-K94,620,500**

The Controlling Officer reported that out of seven (7) inadequately supported payments, four (4) payment vouchers totalling K53,097,000 had been adequately supported leaving a balance of K41,523,500 and that the Ministry was making efforts to trace the missing supporting documents.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take stern disciplinary action against the erring officer(s). Your Committee further urges the Controlling Officer to ensure that all the supporting documents still missing are traced and availed to Auditors for verification before the matter can be closed.

b) **Irregular Payments**

i. *Foreign Service Allowances*

The Controlling Officer informed your Committee that it was Government's decision that the officers who were evacuated from Libya continue getting Foreign Service Allowances until a further decision was made on their status. The decision was in view of the fact that upon being evacuated, the fighting factions who were in charge of the Airport did not allow them to carry their personal effects. The Controlling Officer further clarified that after a presidential directive was given, the Ministry wrote to the Secretary to the Cabinet notifying him of what had transpired.

Committee's Observations and Recommendations

While appreciating the challenge which the Ministry faced, your Committee is of the view that authority of the Secretary to the Treasury should have been sought before the payments were effected in order to avert the abrogation of laid down guidelines. Your Committee resolves to close the matter.

ii. *Failure to capture transactions via IFMIS*

Your Committee was informed by the Controlling Officer that in the year 2011 the Ministry had challenges with the IFMIS system in that the ministerial funding was done outside the IFMIS system by the Treasury. This, therefore, made it difficult for the Ministry to process payments using the system. In addition, the new system at the time had teething problems which led to constant systems failure and as a result, at the time of the audit, the Auditors could not access the funding details in the system. The Ministry, therefore, had to provide the Auditors with hard copies of funding slips. The challenges faced with the system were communicated to the Ministry of Finance who advised the Ministry to prepare financial statements using the old system.

Committee's Observations and Recommendations

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

c) **Revolving funds**

i. *Non-Recovery of Loans and Advances- K132,440,000*

The Controlling Officer submitted that out of the fourteen (14) transactions in question, loans and advances for thirteen (13) officers had been recovered in full and for the remaining officer, details had been submitted to Payroll Management and Establishment Control (PMEC) for recoveries.

Committee's Observations and Recommendations

Your Committee expresses concern that recoveries in respect of loans and advances were delayed without any valid reasons and urges the Controlling Officer to strengthen internal controls so as to avert unnecessary delays in effecting recoveries. Your Committee resolves to close the matter subject to audit verification.

ii. *Failure to recover advances in full- K17,288,425*

The Controlling Officer informed your Committee that the failure to recover four (4) of the advances which were stopped due to the officers offsetting the outstanding advances through cash receipts and the rest of the officers were dropped by the PMEC System during the upgrading of the system because the officers' net salaries were below 40%.

Committee's Observations and Recommendations

In noting the submission, your Committee observes that the Controlling Officer delayed to effect the recoveries giving an opportunity for officers to take up other obligations. Your Committee urges the Controlling Officer to ensure that all balances are recovered and evidence availed to the Office of the Auditor-General for audit verification.

d) **Weaknesses in the Management of Imprest**

i. *Unretired Imprest- K1,118,593,320*

The Controlling Officer reported that out of the total amount of K1,118,593,320 unretired imprest, a sum of K765,425,227 had been retired leaving a balance of K353,168,093.10. The retired imprests were available for verification and that the balance from the unretired imprest of K353,168,093.10 would be recovered from the concerned officers' salaries.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to reprimand accounting staff who failed to ensure that the imprest was retired and to take disciplinary action on erring officers. Your Committee further urges the Controlling Officer to ensure that the remaining imprest totalling K353,168,093.10 is retired without further delay and evidence availed to the Office of the Auditor-General for audit verification. A progress report is awaited.

ii. *Questionable Retirements*

Your Committee was informed by the Controlling Officer that out of the seventeen (17) officers who were paid imprests totalling K332,016,098 and had questionable retirements, fourteen (14) cases had now been properly retired. Copies of stamped passports and boarding passes were attached and were available for verification. At the

moment only three (03) imprests were still outstanding and shall be recovered from officers' salaries. In addition, supporting acquittal sheets for thirty (30) officers totalling K345,611,714 had now been properly acquitted leaving a balance of K138,418,700 for five (05) officers. Acquittal sheets had been verified by Auditor-General.

Committee's Observations and Recommendations

Your Committee is concerned that the Controlling Officer failed to ensure that imprest was retired as per financial regulations and your Committee directs the Controlling Officer to find supporting documents in respect of the balance of K138,418,700. Your Committee awaits a progress report on the matter.

e) **Uncompetitive Procurement-K97,678,587**

The Controlling Officer submitted that five (5) of the procurements were ready for verification while two (2) others were single sourced because two boreholes that supply water to all the three buildings the Ministry of Foreign Affairs Headquarters broke down at the same time. The situation was considered an emergency and Eastward Limited was contracted for the repairs and servicing of two borehole pumps at a cost of K7,500,000. The other was Game Stores purchase of a vacuum cleaner amounting to K790,000 which was single sourced because Game Stores was the only shop which had the equipment with the required specifications.

Committee's Observations and Recommendations

Your Committee is concerned that the documents for five transactions were not availed during the time of the audit. As for the reasons given for single sourcing, your Committee is of the view that three quotations for the boreholes could still have been obtained if the Ministry took the matter seriously. Your Committee resolves to close the matter but urges the Controlling Officer to ensure that such decisions were not taken in future.

f) **Unaccounted for Stores-K106,046,383**

The Controlling Officer submitted that records of receipt and disposal details totalling K79,868,000 had been traced while three purchases amounting to K26,178,383 revealed that the services were obtained in 2010 but paid for in 2011. The records of the same would be availed to the Auditor-General once traced.

Committee's Observations and Recommendations

Your Committee expresses concern at poor record keeping in the Ministry and urges the Controlling Officer to put measures in place to correct the situation. Further, the Controlling Officer is urged to take disciplinary action against the officers that failed to maintain records as required. Your Committee resolves not to close the matter until all the missing records are traced and verified by the Office of the Auditor-General.

Accounting and Other Irregularities

22. An examination of the accounting and other records maintained at the Ministry and the Mission carried out in May 2012 revealed several weaknesses as set out below.

a) **Poor Management of Property**

i. *The Chancery - 54/58 Corner of Ruwe /Lufira*

The Controlling Officer confirmed to your Committee that AMREZA, an association for Zambian residents in Katanga Province had been occupying the office since the establishment of the consulate in the 1980s. She stated that on three occasions, the Ministry had held discussions with the Association to persuade them to vacate the property but they gave a condition that they would only move out after being refunded the money they deposited with the Mission in 1980. Efforts had recently been made to establish the amounts involved through a verification exercise of documents held by the Mission but documents were not available. The Association had been requested to submit copies of the records in their possession to the Mission for verification. Your Committee would be informed of the outcome of this exercise.

Committee's Observations and Recommendations

Your Committee notes with regret that the matter has been allowed to degenerate to this level because the Ministry had taken too long to address it. Your Committee, therefore, urges the Controlling Officer to ensure that the verification exercise is successful by asking the Association in question to prove their claim of having a stake in the property. Your Committee awaits a progress report on the resolution of the matter.

ii. *The residence – 26 Luvura*

The Controlling Officer informed your Committee that non-completion of house No. 26 Luvura was as a result of sub-standard works by Innovex Consulting Pty Company. The Controlling Officer further explained that the Ministry reported the matter to the Ministry of Works, Supply and Transport as supervisors of the contract who had since advised that the contract be terminated and that a new contractor, registered both in Zambia and the Democratic Republic of Congo, be engaged. The tender procedures to engage the contractor had commenced and the Ministry was currently waiting for a “no objection” from the Zambia Public Procurement Authority.

Committee's Observations and Recommendations

Your Committee observes that poor performance on construction contracts will continue as long as the monitoring of the works was not improved. Your Committee urges the Controlling Officer to enhance collaboration with the Ministry of Communication, Works, Supply and Transport in the monitoring of various construction and rehabilitation works being carried out in foreign missions. Your Committee awaits for a progress report on the matter.

iii. *Staff Houses*

The Controlling Officer submitted that the Ministry had a provision of K2 Billion for rehabilitation of properties in the 2013 budget and some of the properties would be attended to by using these same funds.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

b) **Delayed replacement of Title Deeds**

Your Committee was informed that the Ministry had instructed the Mission to ensure that the title deeds were replaced as soon as possible.

Committee's Observations and Recommendations

Your Committee expresses concern at the Ministry's failure to follow-up the matter so as to ensure that the title deeds for the properties are obtained in order to safe guard the properties. Your Committee urges the Controlling Officer to expeditiously resolve the matter and provide a progress report.

c) **Rehabilitation of Properties**

i. *Termination of contract*

The Controlling Officer submitted that the contract between Innovex Consulting and Government was done upon recommendation by the Federation of Congolese Enterprises (FEC) whose functions were similar to those of the Chamber of Commerce in Zambia.

Committee's Observations and Recommendations

In noting the submission, your Committee notes that despite the Contractor having been recommended to the Mission, it was gross negligence on the part of officers concerned to fail to carry out a due diligence to establish the history of the Contractor. Your Committee recommended, therefore, that disciplinary action should be taken against the officers concerned for negligence of duty. Your Committee awaits a progress report on the matter.

ii. *Compensation for termination of contract*

The Controlling Officer submitted that the Mission sought advice from Yabili and Partners, who advised the Mission that the Contractor had no legal basis to sue the Mission and accordingly responded to the Contractor who had not pursued the matter.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

iii. *Single sourcing of Chinese contractor-K5 billion (USD\$1 million)*

The Controlling Officer informed your Committee that the Mission had applied to the Ministry to single-source a Chinese contractor due to the bad state of the properties and urgent need for repairs. However, it was recommended that a new contractor who had a

presence in Zambia and the Democratic Republic of Congo be engaged. The Ministry of Works and Supply, therefore, recommended to single source New Era Enterprise because of their past reputation and for ease of monitoring. Authority was granted by the Zambia Public Procurement Authority to single source.

Committee's Observations and Recommendations

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

MISSION ABROAD - WASHINGTON

AUDIT QUERY

PARAGRAPH 22

Accounting and Other Irregularities

23. An examination of accounting and other records maintained at the Ministry and the Mission carried out in June 2012 revealed several weaknesses as set out below.

a) Payment of Education Allowance without Authority

The Controlling Officer submitted that payment to the officer on cheque number 7759 dated 25 October, 2011 was in respect of the adopted child who travelled with the officer and not the dependant, whose authority was granted through minute dated 16 December, 2011.

Committee's Observations and Recommendations

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

b) Failure to recover Security Deposit

The Controlling Officer submitted that the Mission claimed a security deposit from the landlord, who only refunded US\$3,350 and the cheque received, was dishonored due to insufficient funds on the Bank Account. The Landlord sold the property and relocated to another State, making it difficult for the Mission to follow up as there was no forwarding address. The Ministry had instructed the Mission to contact the Department of State in that Country to help in locating the Landlord. Your Committee was also informed that funds amounting to K38,480,000 (US\$8,000) had been recovered from the former Ambassador's benefits.

Committee's Observations and Recommendations

Your Committee observes that the Mission has found itself in this position due to failure by officers responsible to pursue the matter aggressively. Your Committee awaits a progress report on the matter.

c) Properties

The Controlling Officer informed your Committee that due to the current deplorable state of Mission properties, the Government had put in place comprehensive measures to address the issue of dilapidated Government properties in the Missions. Among the measures put in place was the constitution of an Inter-Ministerial Committee to work out modalities for the acquisition and maintenance of properties in Missions Abroad. The Committee had since submitted a report to the Secretary to the Cabinet on the sustainable modalities to address the dilapidated state of Government properties abroad and recommendations on methods of financing the rehabilitation

works and that your Committee would be informed of the decisions on which properties would be rehabilitated.

Committee's Observations and Recommendations

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

MISSION ABROAD- LILONGWE

AUDIT QUERY

PARAGRAPH 23

Unit: Administration

Accounting and Other Irregularities

24. An examination of accounting and other records maintained at the Ministry Headquarters and at the Mission carried out in May 2012 revealed several weaknesses to which the Controlling Officers responded as set out below.

a) **Use of Revenue without Authority-K206,249,682 (US\$61,705)**

The Controlling Officer informed your Committee that she had since instructed all Missions not to use revenue without authority from Secretary to the Treasury. As for the revenues in question, an amount of \$58,516.34 out of \$60,313.42 was reimbursed by the Mission. The balance of \$1,797.08 was yet to be reimbursed by end of March 2013.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the use of revenue without authority is stopped and further to ensure that measures are taken to recover whatever was taken by the Missions. Your Committee resolves to close the matter subject to audit verification.

b) **Repairs and maintenance of Residence-K55,588,776 (US\$10,548)**

The Controlling Officer informed your Committee that the Ministry had since written to the Mission to follow-up with the Contractor to finish the repairs of the leaking roof and ceiling board and thereafter issue a certificate of completion of works.

Committee's Observations and Recommendations

Your Committee is concerned that the payment was made without completion certificates to support the payment and urges the Controlling Officer to investigate the matter further and take disciplinary action against the officers who were responsible for the omission. Your Committee awaits a progress report on the matter.

c) **Painting of Non-Mission Properties-K35,881,431 (US\$7,683.39)**

The Controlling Officer informed your Committee that these were rented houses whose terms of contracts demanded that the tenant painted the house upon vacating it. The Mission therefore painted the vacated houses under the obligations of the signed lease agreements which meant that the Landlord was under no obligation to refund the tenant (Mission) for the painting of the houses.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

d) **Wasteful Expenditure – K2,911,931 (US\$623.54)**

The Controlling Officer agreed with the audit that a shelter which was built to house the generator was too small and the Ministry had instructed the Mission to turn the shelter into a store room.

Committee's Observations and Recommendations

Your Committee finds the submission by the Controlling Officer unacceptable as it shows that she attached little attention to the prudent use of public resources. Your Committee urges the Controlling Officer to source funds so that the shelter can be expanded and used for the intended purpose. Your Committee awaits a progress report on the matter.

MISSION ABROAD - LONDON

AUDIT QUERY

PARAGRAPH 24

Accounting and Other Irregularities

25. An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in May 2012, revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Internal Control Weaknesses**

i. *Irregular Payment of Penalty Fees-K11,701,691 (£1,710)*

Your Committee was informed by the Controlling Officer that the Mission in London had only three slots allocated to the Chancery against the seven Government vehicles resulting in drivers parking in unauthorised slots, hence, breaching traffic laws and regulations thereby attracting penalty fees. In view of the fore-going, no driver was charged for these offences. The Ministry had since instructed the Mission to enter into an arrangement with the West Minster Borough and Royal Borough of London to have more parking slots available.

Committee's Observations and Recommendations

Your Committee expresses concern that it took so long for the Mission to take the course of action that was being proposed by the Controlling Officer and urges that the matter should urgently be attended to, so as to avoid further loss of public funds. A progress report on the matter is awaited by your Committee.

ii. *Unclaimed Rental Security Deposits-K197,444,063 (£25,539)*

The Controlling Officer had since instructed the Mission to collect the security deposits paid as soon as possible, failure to which disciplinary action would be taken against the officers concerned.

Committee's Observations and Recommendations

Your Committee expresses concern that the Mission has not been proactive in claiming the deposit which can result in loss of public funds. Your Committee urges the Controlling Officer to ensure that whenever such a thing happens, disciplinary action is taken against officers who fail to execute their responsibilities. Your Committee awaits a progress report on the matter.

b) Unsupported Payments

i. *Unsupported Wages and Overtime K1,155,733,722 (£183,753)*

The Controlling Officer had instructed the Mission to ensure that all locally engaged staff opened Bank accounts and that wages be paid direct to their accounts.

Committee's Observations and Recommendations

Your Committee finds the response by the Controlling Officer unacceptable as the amount involved is too huge to be paid without acquittal sheets being filled in. It, therefore, urges the Controlling Officer to ensure that the funds are properly accounted for through the provision of acquittal forms failure to which the officers that made the payments should be surcharged. A progress report on the matter is awaited by your Committee.

ii. *Locally Engaged Staff without Written Contracts-K142,343,432 (£168,056)*

The Controlling Officer reported that all locally engaged staff were now being made to sign contracts of employment.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action on the officer that failed to obtain authority from the Ministry and failed to ensure that contracts were signed. It also urges the Controlling Officer to carry out an investigation on what really transpired as these are the same officers whose payments were not acquitted. Your Committee awaits a progress report on the matter.

c) Procurement of Specialised Stationery for State House-K286,776,973 (£38,256)

The Controlling Officer submitted that the Ministry of Foreign Affairs and State House had an arrangement of procuring the specialised stationery from the United Kingdom. Due to the physical presence of the Mission in London, arrangements were made for the Mission to conduct the procurement process on behalf of State House as a cost saving measure. Arrangements were being made on clearing of the bills for the stationery.

Committee's Observations and Recommendations

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

d) Wasteful Expenditure – Airport VIP Charges-K218,242,172 (£31,003)

The Controlling Officer submitted that during the periods under review, there were a lot of movements in and out of London by Ministers and other Senior Government officials. As a result of these visits, the expenditure greatly increased. The cost was incurred due to the requirement

that Ministers and other Senior Government officials utilise the services of Government VIP Lounges when they travel abroad.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take note of the auditor's observation and see how this wasteful expenditure could be removed through harmonisation of the two services. Your Committee is of the view that where such officers and officials travel by Business Class, they should be encouraged to utilise the services associated with the Business Class. Your Committee also urges the Controlling Officer to engage the Secretary to Cabinet on the matter and provide a progress report on the matter.

e) **Inadequately Supported payments – K140,617,812 (£19,876)**

The Controlling Officer submitted that the anomaly had been noted and corrected and that all payments were now being supported by relevant authorities and receipts.

Committee's Observations and Recommendations

Your Committee cautions the Controlling Officer for the omission and directs that all recovered documents be availed to the Office of the Auditor-General for verification before the matter can be closed.

f) **Unrecovered Salary Advances- K46,252,001 (£5,773)**

The Controlling Officer informed your Committee that the advance for one (01) officer was recovered in full from the terminal benefits, while the other one would be effected from the officer who was still in employment.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that officers who delayed to effect the deductions are cautioned to ensure strict adherence to financial regulations in the Ministry. Your Committee awaits a progress report on the matter.

g) **Inspection of 13 Foscote Road, Hendon NW4**

The Controlling Officer submitted that the main reason was that there were many competing demands of the National Treasury and therefore there had not been enough funds made available to rehabilitate the house.

Committee's Observations and Recommendations

Your Committee observes that this is one of the matters that is under consideration by a special Inter Ministerial Committee set up by the Ministry and awaits a progress report on the comprehensive measures to be undertaken to address the issues of properties in foreign missions.

h) **Irregular payment on the provision of Security Services**

Your Committee was informed that the Mission was yet to trace the contract agreement documents which it entered into with S M Lewis Security Company for security services.

Committee's Observations and Recommendations

Your Committee expresses great concern on how the Ministry was able to make the payments without reference to the contract agreement. It, therefore, urges the Controlling Officer to ensure that the Mission finds the missing contract agreement and take disciplinary action against the officers who failed to ensure safe custody of the documents. Your Committee awaits a progress report on the matter.

MISSION ABROAD - DAR-ES-SALAAM

AUDIT QUERY

PARAGRAPH 25

Unit: Human Resources and Administration

Accounting and Other Irregularities

26. An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in May 2012 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) Revenue

i. *Weaknesses in Reporting Revenue*

The Controlling Officer submitted that the difference between revenue remitted to the Treasury and the actual revenue collected by the Mission was due to non-submission of revenue returns for some months for the year under review. However, the Mission had since submitted the actual revenue returns for the whole year 2011 which would enable the Ministry to remit the understated revenue amounts to the Ministry of Finance.

Committee's Observations and Recommendations

Your Committee observes that had it not been for the casual manner the Ministry and the Mission handled the audit query, it could have been resolved during the audit process. Your Committee urges the Controlling Officer to take disciplinary action against the officers who failed to submit the revenue returns. Your Committee also directs the Controlling Officer to ensure that the revenue in question is remitted to the Treasury without further delay. A progress report is awaited.

ii. *Delays in Banking Revenue (Periods ranging from one to sixty-eight days)*

The Controlling Officer informed your Committee that delays in banking revenue in 2010 and 2011 respectively for US\$11,160 was due to a cheque received on Friday 3 December 2010 evening when the bank had already closed and was banked on 6 December, 2010 which was the next working day. Further, the delayed banking in 2011 was as a result of a cheque having not cleared by the bank after it was deposited because it was not stamped behind. It took the bank days to send it back to the Mission before it was re-deposited.

Committee's Observations and Recommendations

Your Committee observes that both reasons rendered by the Controlling Officer do not warrant such long delays as highlighted in the Auditor-General's Report. Your Committee is of the view that this matter should have been cleared during the audit

process if it was given due attention by the Ministry. Your Committee resolves to close the matter subject to audit verification.

iii. *Failure to Maintain a Debtors' Ledger for the Rent Receivable*

The Controlling Officer noted the observations of the Auditors and had since opened the debtors register and the amount that was owed amounting to US\$24,344 had since been collected from the debtors.

Committee's Observations and Recommendations

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

b) **Expenditure**

i. *Unsupported Payments-K222,216,835*

The Controlling Officer submitted that the payments in question had since been supported.

Committee's Observations and Recommendations

Your Committee finds the habit of misplacing supporting documents during audit unacceptable and directs the Controlling Officer to take stern disciplinary action against the officer(s) that were responsible for the omission. Your Committee resolves to close the matter subject to audit verification.

ii. *Unaccounted for Stores-K74, 737, 532*

The Controlling Officer informed your Committee that the Mission had taken note of the Auditor's observations and had since opened a stores ledger.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission, your Committee resolves not to close the matter until the missing receipt and disposal details as queried by the Auditors are traced and availed to the Office of the Auditor-General for audit verification.

iii. *Failure to follow Procurement Procedures*

The Controlling Officer informed your Committee that the Mission procured most of its goods and services on credit due to erratic funding and this was done through companies that they had entered into contracts with. The Controlling Officer noted that not every supplier could accept credit terms, making it difficult to obtain the required quotations.

Committee's Observations and Recommendations

Your Committee finds the reason given by the Controlling Officer unacceptable as at the time of obtaining the quotations, evidence of capacity to pay is not a requirement. The Controlling Officer is urged not to defend wrong doing as she was a custodian of government guidelines and procedures. Your Committee resolves to close the matter but urges the Controlling Officer to ensure that that such a practice is stopped.

iv. *Failure to include Diplomatic Clause in Lease Agreement*

The Controlling Officer informed your Committee that failure to insert the diplomatic clause was a lapse on the part of the Mission but it had been included for the year 2012 and in the current Lease Agreement, the Mission would be paying rentals quarterly to avoid loss of Government money.

Committee's Observations and Recommendations

Your Committee expresses concern that amounts totalling K50,820,000 were lost due to the Mission's failure to see through the Agreement and urges the Controlling Officer to put measures in place to prevent such losses. The Controlling Officer is also urged to raise a loss report as per Financial Regulations. Your Committee awaits a progress report on the matter.

c) **Mission Properties**

The Mission owns eight (8) properties consisting of the Chancery, the Residence and six (6) staff houses. A physical inspection of the properties conducted in May 2012 revealed weaknesses on which the Controlling Officer submitted as set out below.

i. *The Chancery*

Apart from the fourth (4th) floor occupied by the Mission, other floors have remained in a deplorable state as they have cracks and the walls have never been painted.

ii. *The Residence*

Although the Official residence was recently rehabilitated, the balcony was flooding and the water was flowing into the house. In addition, the driveway was not well maintained resulting in pools of water collecting. The servant's quarters were also dilapidated.

iii. *Plot No. 396 Toure Drive Masaki*

The house was dilapidated and had worn out wooden doors and kitchen cupboards and damaged door frames. In addition, portions of the ceiling board had fallen off.

iv. *Plot No. 22 Ocean Road*

The roof was leaking and the guest toilet on the ground floor was not connected to the sewer pipe.

The Controlling Officer submitted that due to the deplorable state of Mission properties, the Government had decided to constitute an Inter-Ministerial Committee under the Chairmanship of Secretary to the Cabinet to look into the acquisition and maintenance of properties in Missions Abroad.

Committee's Observations and Recommendations

Your Committee notes the submission and awaits the outcome of the deliberations of the Inter-ministerial Committee.

MISSION ABROAD - GABORONE

AUDIT QUERY

PARAGRAPH 26

Accounting and Other Irregularities

27. An examination of accounting and other records maintained at the Ministry and the Mission carried out in May 2012 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Revenue - Failure to reimburse Revenue-K145,998,815 (US\$30,768)**

The Controlling Officer submitted that she had instructed all Missions not to use revenue without authority from the Secretary to the Treasury.

Committee's Observations and Recommendations

Your Committee directs the Controlling Officer to ensure that revenue in missions is not utilised without authority. The Controlling Officer was also urged to ensure that reimbursement is made and action taken against erring officers. Your Committee awaits a progress report on the matter.

b) **Mission Properties**

The Controlling Officer acknowledged that the Chancery had a leaking roof which caused damage to the ceiling and the carpets while the office space that was occupied by the now defunct Zambia Airways had remained vacant for a period of eighteen (18) years and was in a deplorable state. Further, the house at Plot No. 4703/105, Mongana Close had developed cracks on the walls. The Controlling Officer further submitted that due to the deplorable state of mission properties, Government decided to constitute an Inter-Ministerial Committee under the Chairmanship of Secretary to the Cabinet to look into the acquisition and maintenance of properties in Missions Abroad.

Committee's Observations and Recommendations

Your Committee is greatly concerned that the Ministry has failed to attend to the defects on the properties for a long time resulting in further deterioration of the properties. Your Committee, therefore, urges the Controlling Officer to ensure that the concerned properties are worked on without further delay so as to avert further damage. Your Committee awaits a progress report on the matter.

MISSION ABROAD- MAPUTO

AUDIT QUERY

PARAGRAPH 27

Unit: Human Resources and Administration

Accounting and Other Irregularities

28. An examination of accounting and other records maintained at the Ministry and the Mission carried out in May 2012 revealed several weaknesses.

a) **Delays in Banking Revenue**

The Controlling Officer submitted that the Mission had been instructed to ensure that that revenue collected was banked in accordance with Financial Regulation No. 121.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to put controls in place in order to prevent the recurrence of the problem. The matter is closed subject to audit verification.

b) Irregular Payments of Gratuities to locally engaged staff

The Controlling Officer submitted that the payment of gratuities to the locally engaged staff was a temporary measure which came about as a result of the court ruling which was in favour of the twenty (20) retrenched staff. The court ruled that each retrenched locally engaged staff be paid US\$20,000 as compensation for the years worked for the Mission despite already having been paid long service bonuses and leave days as per Foreign Service Regulations and Conditions of Service of 2007. The Mission decided to engage locally engaged staff on one (01) year contracts to avoid paying long service bonus.

Committee's Observations and Recommendations

In closing the matter, your Committee urges the Controlling Officer to ensure that laid down procedures on the recruitment of locally engaged staff are adhered to, to avoid recurrence of the matter.

c) Wasteful Expenditure-K2,418,253

The Controlling Officer informed your Committee that the fax machine bought in October 2011 was small and could not accommodate the workload at the Chancery, hence prompting the Mission to buy a bigger fax machine. She noted that though at the time of audit the small fax machine was not being used, the Mission had indicated that the fax machine would be transferred to the High Commissioner's Office at the Chancery.

Committee's Observations and Recommendations

Your Committee observes with dismay that the Mission purchased the fax machine that has not been put to good use which is wasteful. The Controlling Officer is, therefore, urged to ensure that officer(s) responsible for this procurement are surcharged in order to avert the loss of revenue. Your Committee awaits a progress report on the utilisation of the fax machine and disciplinary action taken.

MISSION ABROAD- WINDHOEK

AUDIT QUERY

PARAGRAPH 28

Accounting and Other Irregularities

29. An examination of financial and other records maintained at the Ministry Headquarters and the Mission carried out in May 2012 revealed weaknesses as set out below.

a) Revenue

i. Unaccounted for Revenue – K5,859,360 (US\$ 1,111)

The Controlling Officer submitted that revenue in question was collected on 11 December, 2008 and deposited on 12 December 2008 although they were erroneously not recorded in the General Revenue cash book at the time of collection. It was still banked at the time of collection and was reported on revenue Form II.

Committee's Observations and Recommendations

Your Committee expresses concern that evidence of banking was not availed during the audit process and urges the Controlling Officer not to take audits lightly. Your Committee also urges the Controlling Officer to take disciplinary action against the officer who failed to appropriately record the revenue and provide evidence to the Office of the Auditor-General for verification before the matter can be closed.

ii. *Failure to collect Rent Arrears*

The Controlling Officer informed your Committee that the Mission had submitted all the defaulting tenants' files to a lawyer who had since started the legal proceedings and the Ministry was awaiting the outcome of the legal action.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that a debt management policy is put in place and ensure that delays in the collection of rentals are addressed. Your Committee awaits a progress report on the matter.

iii. *Missing Receipt Books*

Your Committee was informed that the Mission presented six receipts books out of the seven at the time of the audit for verification. However, the Mission was still looking for the seventh book which would be forwarded to the office of the Auditor-General for verification once found.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that receipt books and other accountable documents are always kept in safe custody. She is further urged to ensure that disciplinary action is taken against the erring officers and the remaining receipt book is located promptly and availed for audit verification. Your Committee awaits a progress report.

iv. *Failure to reconcile the Revenue Account*

The Controlling Officer submitted to your Committee that the Mission used to maintain an investment account where there were narrations such as principals increase and decrease. This did not mean cash withdraws but simply referred to amounts invested which were carried forward separately which explained the debits in question. She noted that this account was closed in March 2011 to open the current account.

Committee's Observations and Recommendations

Your Committee is concerned that this was not clarified during the audit process and cautions the Controlling Officer against taking audits lightly. Your Committee requests the Office of the Auditor-General to verify the matter after which it should be closed.

b) **Expenditure**

i. *Unsupported Refunds-K22,984,118.30 (US\$4,862.97)*

Your Committee was informed that refunds for the officers in question had accumulated due to insufficient funding of RDCs resulting in splitting of the payments.

Committee's Observations and Recommendations

In noting the submission, your Committee advises the Controlling Officer to ensure that that even in a case of split payments reference is made to the previous payment so as to avoid misrepresentation. The matter is recommended for closure subject to audit verification.

ii. *Missing Payment Vouchers-K44,521,423.10 (US\$8,594.83)*

The Controlling Officer informed your Committee that the reported ten (10) missing vouchers were accounted for in that, three (3) were in respect of bank charges which were direct debits, three (3) were for insurance of Government property which were also direct debits while four (4) were for officers and suppliers of goods and services which were found and were available for verification.

Committee's Observations and Recommendations

Your Committee is concerned that the Mission failed to produce the payment vouchers during the audit and urges the Controlling Officer to take audits seriously so as to avoid unnecessary audit queries. The matter is recommended for closure subject to audit verification.

c) **Properties**

The Controlling Officer acknowledged that the seven (7) properties had various defects which needed attention and stated that the Government had constitute an Inter-Ministerial Committee under the Chairmanship of Secretary to the Cabinet to look into maintenance of properties in Missions Abroad.

Committee's Observations and Recommendations

Your Committee awaits the outcome from the Inter-Ministerial Committee appointed to study the matter.

MISSION ABROAD - BRUSSELS

AUDIT QUERY

PARAGRAPH 29

Accounting and Other Irregularities

30. An examination of accounting and other records maintained at the Ministry and the Mission carried out in June 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Unretired Imprest-K15,316,142 (€1,822.83)**

The Controlling Officer submitted that the imprest in question had been retired.

Committee's Observations and Recommendations

Your Committee expresses concern that the Controlling Officer failed to ensure imprest was managed as per financial regulations. Your Committee urges the Controlling Officer to take disciplinary action against officers who failed to retire imprest as per financial regulations.

b) **Irregular Payment of Education Allowance-K56,531,250 (US\$8,437)**

The Controlling Officer informed your Committee that in accordance with Foreign Service Regulation and Condition of Service No. 48 (ii) of 2007, an officer whose child was above 21 years and in college/University was entitled to 50% education allowance and, therefore, the payment was not irregular as the officer's child was accepted into college at the time as was evidenced by the acceptance letter and the child's completion.

Committee's Observations and Recommendations

Your Committee expresses concern that the Mission failed to provide evidence to the Auditors during the audit process in order to justify the payment of the education allowance which is a clear indication of lack of seriousness towards the audit. Your Committee resolves to close the matter subject to audit verification.

c) **Irregular payment of Representation, Entertainment and Extra Accreditation – K6,922,316 (£994.30)**

The Controlling Officer submitted that this query came after the former Ambassador had been paid her gratuity. However, she had been informed about her indebtedness of K6,822,316 to the Government and the Accounts Department had been instructed to deduct this amount.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to pursue the matter to its logical conclusion. The Controlling Officer is also urged to take disciplinary action against the accounting officer(s) who failed to effect the deduction despite receiving lawful instructions to do so. Your Committee awaits a progress report on the recovery of the K6,822,316.

d) **Irregular payment of Cost of Living Allowance-K19,411,875 (€3,937.50)**

The Controlling Officer submitted that the Defence Attache was accommodated in an apartment and not a hotel. The Mission therefore paid rentals to the landlord within his entitlement just like it paid for other officers. The officer was therefore not paid subsistence allowance for 40 days but was paid his Cost of Living as per Foreign Service Regulations and Conditions of Service.

Committee's Observations and Recommendations

Your Committee finds this to be another indication that the Controlling Officer and the Mission did not take audits seriously as this matter could have been concluded during the audit process. Your Committee resolves to have the matter closed subject to audit verification and warned that in future such laxity will not be taken lightly by your Committee.

e) **Non-recovery of Insurance Payments**

Your Committee was informed that 50% insurance contribution from the former Ambassador was deducted from her gratuity and remitted to the Mission. While a casualty form had been prepared

where the deduction was indicated and the Ministry was waiting the recovery of insurance by the Ministry of Finance from her gratuity.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the recovery of the outstanding amounts.

f) **Failure to recover Utility Bills Contributions**

The Controlling Officer informed your Committee that the Ambassador had vacated the residence to pave way for renovations yet, heating system had to be left on in order to protect the equipment. With regard to the telephone, she submitted that the amount was a fixed charge on the phone receiver.

Committee's Observations and Recommendations

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

g) **Failure to recover Security Deposits**

The Mission had an arrangement with landlords whereby a Green Saving Account was opened in the name of the lessee with a bank in order to deposit the rent guarantee for each house rented for its diplomats. In this case, neither party could have access to the funds without the written authority of the other party.

The Mission paid K36,850,000 (€5,500) as rent guarantee for houses rented for the Counselor (Political and Administration) and Counselor (Economy). Though the two officers vacated their residences in September, 2011, as of October 2012, the landlord had not released the rent guarantee due to an outstanding amount of K106,530 (€15.90) owed by the Counselor (Political and Administration). The Controlling Officer informed your Committee that the outstanding amount of €15.90 was paid to the landlord and the security deposit had since been released.

Committee's Observations and Recommendations

Your Committee resolves to have the matter closed subject to audit verification.

h) **Failure to rehabilitate the Residence – 260- Dreve Richele Waterloo**

The Controlling Officer submitted that the rehabilitation of the residence was not done due to erratic funding. However the Treasury had released some funds and works would commence as soon as tender procedures were completed.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

MISSION ABROAD - HARARE

AUDIT QUERY

PARAGRAPH 30

Unit: Human Resources and Administration

Accounting and Other Irregularities

31. An examination of accounting and other records maintained at the Ministry and the Mission carried out in May 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Revenue**

i. *Weaknesses in Reporting of Revenue*

The Controlling Officer stated that the correct position of revenue reported to the Ministry of Finance was K660,235,172 (US\$135,038) instead of K665,060,231(US\$136,025) as this was due to the fact that the revenue returns for the last Quarter of the year 2011 was not captured at the time of the audit hence the difference in the amount of US\$ 987 or K4,825,059.

Committee's Observations and Recommendations

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

ii. *Delays in Banking Revenue*

The Controlling Officer submitted that this occurred when the Mission Accountant would travel to Lusaka to deal with main account transactions. This was at a time of high inflation level in Zimbabwe and the Mission opened an account in Zambia.

Committee's Observations and Recommendations

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

iii. *Lack of Tenancy Agreements*

The Controlling Officer submitted that the Mission had been requested to have lease agreements compiled for all the tenants and have them sent for the Controlling Officer's signature so that the contracts would be normalised.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

b) **Failure to follow Tender Procedures**

The Controlling Officer submitted that authority had earlier been granted to the Mission to purchase a Land Cruiser at a cost of US\$90,168 from Mc Cathy Toyota South Africa. However, the stock of vehicles had finished when the funding was made available and the earlier authority had since expired. She reported that new retrospective authority had been granted for the Mission to normalise the purchase of a Land Rover Discovery from Premium Auto Services. She further submitted that the over expenditure of K6,129,438 was as a result of the difference in the actual invoice amount due to inflation levels during that period. As for differences in transportation costs between the High Commissioner and the Third Secretary Accounts, she stated that the reason was that at the time the Third Secretary Accounts was leaving the Mission, the economic

situation was at its worst. The inflation rate was more than 100% whilst at the time His Excellency the High Commissioner was leaving in 2011 the economic situation had stabilised and the inflation levels had improved hence the difference in the two amounts. It was difficult to obtain three quotations due to the economic situation at that time in Zimbabwe as the prices were very unstable.

Committee's Observations and Recommendations

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

c) **Unaccounted For Stores-K10,650,634**

The Controlling Officer stated that the Mission had been advised to use Stores Ledgers so that the materials receivable and issued were properly accounted for.

Committee's Observations and Recommendations

Your Committee notes the submission but advises the Controlling Officer to ensure that all transactions are recorded in accordance with stores regulations. The Controlling Officer is therefore urged to ensure that that disciplinary action is taken against the officers who failed to follow regulations. Your Committee awaits a progress report on the matter.

d) **Failure to review the Rental Charges**

Your Committee was informed by the Controlling Officer that the Mission had reviewed the rental charges and that the new charges were effective on 1 March, 2013.

Committee's Observations and Recommendations

While noting the submission, your Committee requests the Office of the Auditor-General to verify the matter before it is closed.

MISSION ABROAD- BERLIN

AUDIT QUERY

PARAGRAPH 31

Accounting and Other Irregularities

32. An examination of accounting and other records maintained at the Ministry and the Mission carried out in June 2012 revealed several weaknesses to which the Controlling Officer responded as set below.

a) **Wasteful Expenditure - Vor Schorhor 23 Berlin – Pankow**

The Controlling Officer stated that the expenditure incurred on the old Chancery in Berlin was inevitable in that the heating system needed to be maintained in order to prevent it from further disrepair. Regarding insurance, it was mandatory that all buildings were insured. Further, she reported that funds for preparation of bills of quantities had been released to the Mission.

Committee's Observations and Recommendations

Your Committee observes that the Government will continue to lose a lot of money on the maintenance of the building unless decisive action is taken to fund the renovations exhaustively or resolve to dispose of the property. Your Committee, therefore, urges the Controlling Officer to

ensure that the Ministry decides on what it wishes to do with the property. Your Committee awaits a progress report.

MISSION ABROAD- PRETORIA

AUDIT QUERY

PARAGRAPH 32

Accounting and Other Irregularities

33. An examination of accounting and other records maintained at the Ministry and the Mission carried out in May 2012 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) Internal Control Weaknesses

i. *Uncollected Passports*

The Controlling Officer acknowledged that eighty-three (83) passports were uncollected and noted that most of the applicants did not reside in Pretoria and only collected their passports as and when they needed to use them. She however assured your Committee that the passports were secure at the Mission.

Committee's Observations and Recommendations

While appreciating the submission by the Controlling Officer, your Committee urges the Mission to come up with a notification system that would reduce the incidence of passport not being collected. In closing the matter, your Committee urges the Office of the Auditor-General to keep the matter in view in future audits.

ii. *Conflict of Interest – Approval of Payments for Medical Expenses*

The Controlling Officer submitted that having considered the exit report by officers from the Auditor-General, the Ministry had appreciated the need for segregation of duty involving approvals and immediately the High Commissioner issued a memo to the Accountant to ensure that all payments involving the High Commissioner were authorised by the Deputy High Commissioner.

Committee's Observations and Recommendations

Your Committee takes note of the corrigendum submitted by the Auditor-General to amend the figure involved from K88,283,603,953 to read K250,165,961. Your Committee resolves to close the matter subject to audit verification.

b) Un-approved Payments – K221,959,969 (US\$44,704)

The Controlling Officer submitted that she had since taken corrective measures that if a payment was not approved by the High Commissioner or responsible officer, no payments could be made. In the absence of the High Commissioner, the Acting High Commissioner would approve the payments.

Committee's Observations and Recommendations

Your Committee is greatly concerned that controls were overlooked as making a payment without approval is a very serious lapse in the control function as it may result in loss of public funds. Your Committee resolves to close the matter subject to audit verification.

c) **Payments of Rentals in Excess of Entitlement – K14,686,967(US\$ 2,958)**

The Controlling Officer submitted that rental payments for First Secretary Economics and Trade and Second Secretary Accounts were understated using the exchange rates of ZAR6.68 and ZAR7.055, to US\$1 instead of ZAR8.30 to US\$1. This resulted in an overstatement of US\$260 and US\$988 respectively whilst rental payments for Second Secretary Protocol and Third Secretary (Personal Secretary) were above officers' entitlements due to annual escalations in the Lease Agreements and the amounts had since been recovered from the officer's Foreign Service Allowances.

Committee's Observations and Recommendations

Your Committee observes that the query was as a result of the failure by the Controlling Officer to provide evidence to the Auditor to confirm that the recoveries had been effected. Your Committee directs that documentary evidence in respect of the overpayment be availed for audit verification without further delay. A progress report on the matter is awaited.

MISSION ABROAD- PARIS

AUDIT QUERY

PARAGRAPH 33

Accounting and Other Irregularities

34. An examination of accounting and other records maintained at the Ministry and the Mission carried out in June 2012 revealed weaknesses to which the Controlling office responded as set out below.

a) **Revenue - Improper Use of VISA Receipt Books**

The Controlling Officer reported that the former Second Secretary Accounts at the Mission was cautioned and the new Mission Accountant had been advised to apply the correct receipt books and avoid alterations.

Committee's Observations and Recommendations

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

b) **Expenditure**

i. *Questionable Retirement of Imprest-K7,684,633*

The Controlling Officer submitted that the Ministry had written a letter to the former Ambassador to Paris to remind him to pay the amount of €2,000 which involved questionable receipts on the trip he undertook during the UNESCO meeting in Lusaka.

Committee's Observations and Recommendations

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

ii. *Unaccounted for Stores-K15,203,289 (€2,337.54)*

The Controlling Officer submitted that suppliers of goods and services did not issue receipts to the Embassy for payments made to them. The Mission made the suppliers to sign on the cheques paid as proof and acknowledgement of payment.

Committee's Observations and Recommendations

Your Committee cautions the Controlling Officer not to defend an irregularity but to advise the Mission on the correct way of doing things. Your Committee urges that the Mission should henceforth ensure that all suppliers of goods and services issue receipts at the time of collecting the cheques. Your Committee resolves to close the matter but urged the Auditor-General to keep it in view in future audits.

iii. **Property Management: The Chancery and the Residence**

The Controlling Officer explained that the Ministry had remitted funds for the renovation of the Chancery but before the renovations could start, the host country required that an Architect be involved to assess the nature of the works. The Ministry had sought guidance from the Zambia Public Procurement Authority on the matter.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

MISSION ABROAD- ROME

AUDIT QUERY

PARAGRAPH 34

Accounting and Other Irregularities

35. An examination of the accounting and other records maintained at the Ministry and the Mission carried out in June 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Unretired Imprest-K9,320,258 (€1,597.20)**

Your Committee was informed by the Controlling Officer that the unretired imprest in question relate to one officer and not seven (7) officers as indicated in the audit report and the whole amount of €1,597.2 equivalent to K9,320,258 had since been recovered from the officer.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to caution the officer for delaying the retirement of imprest and ensure that the documents are availed to the Office of the Auditor-General for verification before the matter can be closed.

b) **Irregular Payment of Child Allowance – K67,924,000 (US\$ 14,400)**

The Controlling Officer submitted that the child allowance was one of the entitlements to the officers as per Foreign Service Regulation number 43 (f). Under this regulation, there were conditions which disqualified an officer from getting child allowance and the mission's understanding of child allowance was that "Child Allowance shall be paid to an officer to enable

him/her meet incidental expenses in respect of a child under the legal custody of the officer”. Legal custody does not mean that the child should physically be with the officer at the station.

Committee’s Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification by the Office of the Auditor-General.

c) **Failure to recover Utility Bills Contributions for Official Residence**

The Controlling Officer submitted that the residence of the Ambassador remained vacant for a period of seven (7) months from June to December 2010 when the former Ambassador left for Lusaka on promotion as Permanent Secretary. During this period, the residence needed water for the gardens and electricity and gas for use by the Caretaker. These bills could not be deducted from the New Ambassador, who took over the residence in January, 2011 and it was, therefore, the responsibility of the Mission to settle them.

Committee’s Observations and Recommendations

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

d) **Irregular approval of payment beyond authorised threshold-K72,541,664 (10,846.04)**

The Controlling Officer informed your Committee that the payment in question was about fuel coupons and Embassies and Diplomatic staff in Rome who were entitled to buy tax free fuel after being allocated a vendor by the Ministry of Foreign Affairs of the Republic of Italy and the total amount for the Embassy was K42,296,950 that was within the Embassy’ threshold. The balance of K30,244,714 were contributions from the diplomatic staff which did not need tender authority.

Committee’s Observations and Recommendations

Your Committee is concerned that this was not explained during the audit process and cautions the Controlling Officer to be serious when dealing with the audits. Your Committee, however, resolves to close the matter subject to audit verification.

e) **Failure to claim Security Deposits for House Rentals**

The Controlling Officer submitted that the Mission had taken this case to its lawyer who was currently pursuing the matter. The Ministry had given instructions to all Missions to stop paying security deposit for staff rented houses in order to save Government/Public funds from landlords who did not return security deposits. It was now the responsibility of individual officers to pay their security deposits.

Committee’s Observations and Recommendations

Your Committee notes the response and awaits the outcome of the legal process.

f) **Properties**

The Controlling Officer informed your Committee that due to the deplorable state of Mission Properties, Government decided to constitute an Inter-Ministerial Committee under the Chairmanship of the Secretary to the Cabinet to look into the acquisition and maintenance of properties in Missions Abroad.

Committee's Observations and Recommendations

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

MISSION ABROAD- LUENA

AUDIT QUERY

PARAGRAPH 35

Accounting and Other Irregularities

36. An examination of the accounting and other records maintained at the Ministry and the Mission carried out in May, 2012 revealed some weaknesses to which the Controlling Officer submitted as set out below.

a) Failure to reimburse the Revenue Account

The Controlling Officer submitted that the Mission was given K20,657,700 in June 2011 to reimburse the revenue account for the money used during the Heads of Missions Conference but the Mission did not pay back and the Ministry would deduct the amount from the Mission's allocation and transfer the equivalent amount to the Treasury.

Committee's Observations and Recommendations

Your Committee expresses concern that the Controlling Officer failed to caution the Mission for failing to reimburse the Revenue account despite funds having been sent to the Mission with specific instructions. Your Committee directs the Controlling Officer to deduct the said money from the Mission's funding without further delay and institute disciplinary action against the Mission staff who ignored instructions to reimburse the funds. Your Committee awaits a progress report.

b) Wasteful Expenditure on Rentals-The Residence (14th Street, Nzanji Area)

The Controlling Officer reported that the Mission was granted authority to continue paying rentals for the official residence in order to safeguard furniture and equipment that were in the house.

Committee's Observations and Recommendations

Your Committee is disappointed that such a large amount of money was used for rentals at the time the building was vacant and urges the Controlling Officer to guard against such tendencies. Your Committee notes the submission and resolves not to close the matter until authority to pay the rentals in question is availed for audit verification.

OFFICE OF THE VICE PRESIDENT – DISASTER MANAGEMENT AND MITIGATION UNIT

AUDIT QUERY

PARAGRAPH 36

Human Resources and Administration

Accounting and Other Irregularities

37. An examination of accounting and other records maintained at the Office of the Vice President – Disaster Management and Mitigating Unit in Lusaka carried out in March 2012 and subsequent verifications in selected provinces carried out in June 2012 revealed weaknesses which the Controlling Officer responded to as set out below.

a) Unretired Imprest-K34,482,000

The Controlling Officer submitted that one officer who had not retired two(2) imprest in amounts of K11,750,000 and K12,050,000 left the Civil Service and never claimed his terminal benefits making it difficult for the imprest to be recovered. This matter was therefore pursued by the Chief Accountant at Common Services Accounting Unit and out of the total amount of K23,800,000, an amount of K14,449,000 was recovered from his terminal benefits leaving an outstanding amount of K 9,350,000 in respect of which a demand letter had been written to the officer requesting him to settle the amount still owing. The Controlling Officer also submitted that deductions in respect of two officers who obtained imprest in amounts totalling K10,682,000 had been effected for recovery.

Committee's Observations and Recommendations

Your Committee observes that if the regulations on the retirement of imprest had been followed, the Unit would not have found itself in this precarious situation and urges the Controlling Officer to ensure that there is no recurrence of this kind of anomaly. Your Committee resolves not to close the matter until all the imprest is recovered.

b) Provinces

i. Northern Province

The Controlling Officer submitted that the incomplete works resulted from the omission in the Bill of Quantities (BOQ) for the bridge approach roads made by the engineering team which performed the initial assessment. However, the Provincial Office had since requested for additional funds to complete the project which has since been remitted. The team of engineers would be moving on site as soon as the rainfall levels subsided.

Committee's Observations and Recommendations

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

ii. Central Province

The Controlling Officer submitted to your Committee that the challenge at this crossing point was due to the unstable ground in the area of the bridge construction compounded by the constantly meandering river. The ground was stabilised enough at the time of the construction but some ground movements were later recorded. It has been

recommended that an extra relief culvert be constructed and the ground stabilised further.

The Controlling Officer submitted further that resources had since been mobilised to undertake remedial works to the approach and the Unit was awaiting the reduction in rainfall levels for a good job to be done.

Committee's Observations and Recommendations

Your Committee takes note of the submission and resolves to close the matter subject to audit verification.

MINISTRY OF LOCAL GOVERNMENT AND HOUSING

AUDIT QUERY

PARAGRAPH 37

Accounting and other Irregularities

38. An examination of accounting and other records pertaining to the year under review maintained at the Ministry Headquarters and a visit to selected districts in April 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Un-vouched Expenditure - K940,412,827**

The Controlling Officer reported that this was to poor coordination between the procurement and accounting units and the Ministry had since traced all the supporting documents. To mitigate this, all cheques payable to suppliers were collected and signed for by one identified officer from procurement unit for easy obtaining of receipts.

Committee's Observations and Recommendations

In noting the submission, your Committee observes that there is no disciplinary action taken on the erring officer(s) and advises the Controlling Officer to caution them accordingly. Your Committee resolved to close the matter subject to audit verification.

b) **Un-accounted for Fuel - K387,338,880**

The Controlling Officer submitted that the fuel ledgers from various departments were maintained on the Human Resource Departmental computer and these were not printed at the time of audit. Fuel ledgers had been reproduced from other source documents. Departmental heads had been instructed to be submitting monthly reconciled fuel consumption report to the transport officer for consolidation through the Director Human Resource and Administration.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the Ministry failed to avail documentary evidence during the entire audit process and cautions the Controlling Officer to put measures in place to ensure that there was proper accountability of the resources used on the fuel. Your Committee resolves to close the matter but requests the Office of the Auditor-General to keep the matter in view in future audits.

c) **Unaccounted for stores - K486,843,200**

The Controlling Officer submitted that stores records had since been updated and the Ministry had directed the Internal Audit Unit to conduct regular verifications of all stores items.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) that failed to keep stores records as required by financial regulations. Your Committee also implores the Controlling Officer to strengthen internal controls to ensure proper maintenance of records. The matter is recommended for closure subject to audit verification.

d) **Unretired Imprest - K300,725,000**

The Controlling Officer submitted that unretired imprest amounting to K253,000,000 was due to non-updating of the records and transfers of staff who could not submit their retirement documents on time and had now been updated. In addition, a reminder had been written to a driver owing the balance of K47,725,000 who had since retired from the Ministry. Recoveries would be made from his retirement dues.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the accounting officer(s) who failed to keep the imprest records. The Controlling Officer is also directed to caution all officers that fail to retire their various imprest as per financial regulations and provide a progress report to your Committee. The Controlling Officer is further implored to ensure that all the unretired imprest is retired and documents availed to the office of the Auditor-General for verification.

f) **Failure to Submit Expenditure Returns - K155,000,000**

The Controlling Officer submitted that Provincial offices had not sent the expenditure returns to the Ministry Headquarter for audit purposes. However, your Committee was informed that the expenditure returns had since been received from the institutions concerned and the Ministry had issued circular letters to all institutions who receive funding from the Government to adhere to timely submission of expenditure returns.

Committee's Observations and Recommendations

Your Committee notes the submission but strongly urges the Ministry to be aggressive in seeking accountability by even withholding further grants to institutions that fail to abide by the requirement of submitting expenditure returns. Your Committee resolves to close the matter subject to audit verification. The Office of the Auditor-General is urged to keep the matter in view in future audits.

g) **Workshops - K374,171,300**

The Controlling Officer reported that authority to hold workshops had been sought in retrospect for authentication of expenditures.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry ignored the requirement to seek Cabinet approval for no apparent reason and cautions the Controlling Officer to desist from such unlawful practices. Your Committee resolves to close the matter subject to audit verification.

h) Weaknesses in the Management of Revolving Fund Account

The Controlling Officer submitted that the failure to recover loans and advances was due to malfunctioning of IFIMS and further reported that they had been updated. The recoveries were being done through the restored system and to mitigate this, the Internal Audit Unit had been assigned to make follow ups on all outstanding recoveries on regular basis.

Committee's Observations and Recommendations

Your Committee finds it unacceptable for the Ministry to put the blame on the malfunctioning of the system for the poor administration of the loans and advances. For example, your Committee does not agree that the lack of minutes on the loan approvals is attributable to this and urges the Controlling Officer to take this matter seriously. Your Committee resolves to close the matter subject to audit verification.

i) Misapplication of Funds – K6,520,853,625

The Controlling Officer reported that the records had been reconciled by both Zambia Congress of Trade Unions (ZCTU) and ZULAWU. The two unions had reconciled records with their respective member institutions.

Committee's Observations and Recommendations

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

j) Procurement of Motor Vehicles – K4,062,974,560

The Controlling Officer reported that the records had been traced and all the tender documents, delivery notes and a list of distribution of motor vehicles were in place.

Committee's Observations and Recommendations

Your Committee expresses concern that such important documentation was not availed for audit during the entire audit process and urges the Controlling Officer to take disciplinary action against the officers responsible for the misplacement of the documents. Your Committee resolves not to close the matter until the tender documents are verified by the Auditor-General and a report on the disciplinary actions taken is received.

k) Variation of Funds without Treasury Authority – K8,044,000,000

The Controlling Officer reported that the funds were paid on the understanding that the supplementary funds would be sent in due course by the Ministry of Finance. She further informed your Committee that CDF for three (3) Constituencies were sent and the Ministry had since written to the Ministry of Chiefs and Traditional Affairs to refund the sum of K2,244,800,000 used to clear the chief's vehicles. However, on the outstanding balance of K5,800,000,000 paid to the retirees of the National Housing Bonds Trust, the Controlling Officer had engaged the Ministry of Finance for a refund and to mitigate this, the Ministry had since

prepared the annual funding profile and procurement plans to avoid payment for services outside what was planned for.

Committee's Observations and Recommendations

Your Committee is concerned that the funds were varied without seeking approval from the Secretary to the Treasury which is a serious omission on the part of the Controlling Officer and urges her to ensure that all the funds that have not been reimbursed to the CDF are refunded without further delay. Your Committee awaits a progress report on the matter.

MINISTRY OF JUSTICE

AUDIT QUERY

PARAGRAPH 38

Programme: Legal Costs

Activities: Compensations and Awards

Observation on the Management of Compensation and Awards

39. An examination of accounting and other records maintained at the Ministry for the financial year ended 31 December, 2010 and 2011 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) Inadequate Funding

The Controlling Officer acknowledged that the accumulated debt as at 31 December, 2010 was K552,230,117,786 while the funding was only K265,702,801,951.99. The Ministry, however, hoped that at the rate the Government was allocating funds to the Compensation and Awards, the debt would reduce by the end of the year. The desire of the Ministry was to reduce the debts to manageable levels by reducing law suits.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Controlling Officer to ensure that adequate funding is provided to this vote so as to avert a drain on public resources on account of the accumulation of interest on claims.

b) Judgments entered in Default

The Controlling Officer acknowledged that there were cases where judgments were entered in default mainly because the state failed to file a defence to the claim. This unfortunate situation arose mainly because of the client ministries failing to provide necessary information to the Attorney-General's Chambers in order for the State Advocates to effectively defend the actions and due to a serious shortage of State Advocates in the Ministry to manage all the cases against the State. He explained that, currently, the Ministry only had twelve lawyers to defend all the cases in the country handling not less than 200 cases each, which was challenging. He informed your Committee that, in order to address this situation, the Government had granted the Ministry approval to recruit lawyers to be stationed in all Government ministries. The effect of this was that Default Judgments as a result of having no instructions from ministries to the Attorney-General would end.

The Controlling Officer further submitted that the long term solution was to carry out the justice reforms so that all the Organs of the State involved in the delivery of justice carried out their work according to the provision of the law.

Committee's Observations and Recommendations

Your Committee notes the submission and requests a progress report on the recruitment of lawyers to be based in all Government ministries.

c) Failure to provide Supporting Documents

The Controlling Officer submitted that all the payments made to the listed law firms were made as a result of court judgments or consent orders agreed by all the parties. He also pointed out that these were not lump sum payments but each of the figures represented a sum total of the installment payments made to the law firm as follows:

1. Mutemwa and Mutemwa Chambers - K20,335,671,057

This figure related to the cases of Kearney and Company Limited vs Attorney General No. 2008/HP/0114; Pious Mufwaya and 15 Others (No. 2002/HP/0561); Grain Marketing Board of Zimbabwe (No. 20021HP1945); ZCF Finance Service Limited (In Liquidation) (No. 1996/HP/25); and Cusa (Z) Limited vs Attorney General (No. 1996/HP/4091). In this regard, the following supporting documents were available for verification:

- (i) High Court Order dated 25 August, 2008 relating to the case of Kearney and Company Limited;
- (ii) High Court Ruling dated 17 February, 2009 relating to the case of Pious Mufwaya and 15 others;
- (iii) Consent Order dated 5 February, 2009 relating to the case of ZCF Finance Services Limited (in Liquidation) vs Attorney General;
- (iv) Consent Order dated 27 February, 2009 relating to the case of Cusa (Z) Limited vs Attorney General;
- (v) Approved schedules for payment by the Ministerial Committee on Compensation and Awards; and
- (vi) Copies of payment vouchers.

2. Lukona Chambers - K157,264,229,112

This amount related to the case of Nasando Isikanda (No. 2002/HP/1055) and the following supporting documents were available for verification:

- (i) High Court Judgment dated 14 December, 2006 for Nasando Isikanda and 3523 Others;
- (ii) Copies of the Consent Order dated 29 May, 2008;
- (iii) Approved schedule for payment by the Ministerial Committee on Compensation and Awards; and
- (iv) Copies of payment vouchers.

3. Enias Chulu - K8,817,683,980

This amount related to the case of Copperbelt Weaving Mills (No. 1999/HN/358) and the following documents were available for verification:

- (i) High Court Consent Order on costs dated 9 October, 2013 for Copperbelt Weaving Mills Limited;
- (ii) Approved schedules for payment by the Ministerial Committee on Compensation and Awards; and
- (iii) Copies of payment vouchers.

4. **Mulenga Mundashi – K1,800,000,000**

This amount related to the case of Ingrid Loiten (Appeal No. 99/2010) and the following documents were available for verification:

- (i) Supreme Court Consent Order dated 15 April, 2011 for Ingrid Loiten;
- (ii) Approved schedules for payment by the Ministerial Committee on Compensation and Awards; and
- (iii) Copies of payment vouchers.

Committee's Observations and Recommendations

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

MINISTRY OF COMMERCE, TRADE AND INDUSTRY

AUDIT QUERY

PARAGRAPH 39

Accounting and Other Irregularities

40. An examination of accounting and other records maintained at the Ministry carried out in August 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Missing Payment Vouchers-K8,247,622,745**

The Controlling Officer submitted that the Ministry had located all the payment vouchers which could not be availed at the time of the audit. Five (05) payment vouchers amounting to K4,166,666,665, paid to the Zambia Development Agency, one(1) payment voucher amounting to K383,671,273.72 paid to Comp Source International and K159,475,000 paid to Fringilla were currently being held by the Drug Enforcement Commission (DEC) following some money laundering investigations. The case was now in court and some of the officers in the Ministry had appeared as prosecution witnesses.

Committee's Observations and Recommendations

While noting that the matter had been recommended for closure by the Office of the Auditor-General, your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the supporting documents as required by financial regulations.

b) **Failure to Reconcile Bank and Cash Book Transactions- K8,247,622,745**

i. *General Administration Account- K85,459,169*

The Controlling Officer submitted that the cashbook presentation had been improved as it showed all the relevant details such as payee and balances in line with the Auditor-General's guidance. He further submitted that the bank reconciliation statements and the cash book reflected reconciled and adjusted balances. The cash books and reconciliation statements were available for verifications. He added that Contrary to the instruction from the Ministry, the Bank debited the amounts on the two cheques no. 012334 and 012333 as K7,149,160 and K7,149,161 respectively instead of K7,154,000 on each cheque giving rise to the difference reflected in the query. This transaction was reversed on the 7 January 2013 and the correct amounts were posted to the account. The cash book had been adjusted and was available for verification.

The K62,846,800 reflecting as unknown credit was actually credited in two amounts of K51,806,000 and K11,090,000 by Bank of Zambia. The cash book had been adjusted. The K19,220,223.10 had been investigated and was the result of the exchange rate movements as the rate which the Ministry used at the time of paying was higher than the rate used by the Bank at the time of transfer.

The K3,381,740 and not K3,382,466.03 was investigated and is income to the Ministry which was intended to cater for accommodation for Messrs Patrick Macrorys and Jean Anderson. This amount had since been recognised in the cash books.

Committee's Observations and Recommendations

Your Committee expresses concern that despite the Ministry having qualified accounting staff, no regular bank reconciliations were undertaken on the accounts which could have resulted in the loss of funds. Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to reconcile cash and bank transactions as required by financial regulations. Your Committee resolves to close the matter subject to audit verification.

ii. *Foreign Payment debited to Ministry account-K281,454,923*

The Controlling Officer informed your Committee that the queried amount related to payment of member State contributions to international bodies or groupings to which Zambia was a member and these contributions attracted bank charges. The cited payments amounting to K164,151,000 related to the Subsistence Allowances for the twenty-three (23) Trade Attaches based in Missions abroad when they were called to Lusaka for training.

The Controlling Officer submitted further that the amount had been investigated and a letter from the Zambia National Commercial Bank (ZANACO) had been received giving a detailed breakdown and explanation of the amounts.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to sternly warn the officers tasked with the responsibility of undertaking bank reconciliations for failure to regularise this anomaly in time. The matter is recommended for closure subject to audit verification.

c) *Standing Imprest – Missing Petty Cash Vouchers-K50,682,019*

The Controlling Officer stated that out of the above stated amount of K31,697,500 of the petty cash payment vouchers had been traced while the balance of K18,984,519 would be recovered from the officers' salary.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Controlling Officer to discipline the officer (s) who misplaced the vouchers. Further, the Controlling Officer is urged to take disciplinary action against the officer who failed to account for the K18,984,519 and awaits a progress report on the matter.

d) **Unretired Imprest-K3,094,496,007**

The Controlling Officer, in his submission, clarified that the amount involved was K2,289,217,712 of which twenty-two (22) accountable imprest retirement forms amounting to K907,595,330 were rejected for being incomplete but had since been completed. It also included 133 accountable imprest retirement forms amounting to K1,341,234,882 which had since been found. The accountable imprest which was not retired at the time of the audit amounting to K40,387,500 had been given to officers that had since been separated through death, resignation, retirement and dismissal which had since been indicated in the respective former officers notification of casualty forms for recoveries from their terminal benefits.

Committee's Observations and Recommendations

Your Committee considers failure to retire imprest as a very serious omission and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest in time as per financial regulations. Your Committee resolves not to close the matter until all the retirement details have been verified by the Office of the Auditor-General.

e) **Unaccounted for Stores - K1,003,497,079**

The Controlling Officer submitted that following a subsequent visit by the Auditor-General, the cost of the stores items involved was revised downwards to K171,411,900. The Ministry had since normalised the stores records in relation to the sum of K171,411,900.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry failed to avail receipt and disposal details during the audit which is a very serious omission and urges the Controlling Officer to take disciplinary action against the officers who should have ensured that safe custody of the documents. Your Committee resolves to close the matter subject to audit verification.

f) **Undelivered Stores-K100,035,000 and K177,424,320**

The Controlling Officer informed your Committee that the laptops had been delivered and documentation regarding the delivery was verified by the Office of the Auditor-General.

Committee's Observations and Recommendations

Your Committee resolves to close the matter based on the recommendation by the Auditor-General that the matter had been resolved.

g) **Failure to follow Procurement Procedures - K31,470,000**

The Controlling Officer stated that the Director responsible for administration had been directed to cease this practice with immediate effect. Further the Ministry undertook to collect a minimum of three (03) quotations for all maintenance work to ensure that the Ministry got value for money.

Committee's Observations and Recommendations

Your Committee resolves to close the matter based on the recommendation of the Auditor-General that the matter had been resolved.

h Irregularities in the Management of Workshop/Conference Facilities Costs

i. *Overpayment - K9,593,010*

The Controlling Officer informed your Committee that the Ministry Procurement Committee convened and considered the additional payment of K20,482,560 to Aninas Lodge for which prior authority had not been sought and retrospective authority was granted. The Ministry had received a refund of the K9,593,010 which was an overpayment from the Lodge. He added that the failure to detect the refund was due to lack of proper scrutiny of the invoice.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Controlling Officer to seek authority for the correct amounts from the Ministry's Procurement Committee but resolves to close the matter on the advice of the Auditor-General that the matter had been resolved.

ii. *Payment without Approval- K82,364,940*

The Controlling Officer submitted to your Committee that authority for the workshop held at Ndozo Lodge was given and the quotation was below the threshold at the time of holding the workshop. However retrospective tender authority had been granted

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

i) Management of Transport

i. *Non-reconciliation of Fuel Ledger to Fuel Statements*

The Controlling Officer submitted that for the period under review, the fuel ledger and fuel statements were now fully reconciled and the documents were available for verification.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until the reconciled fuel ledgers are verified by the Office of the Auditor-General and ensure that officers concerned are disciplined.

ii. *Coupon Numbers appearing More than once on the Fuel Statement*

The Controlling Officer informed your Committee that this problem was identified by the Ministry which promptly carried out internal investigations which led to the matter being reported to the Zambia Police Service and subsequent prosecution of a driver. The case was now in the Courts of Law and the two officers and the driver had been suspended pending the outcome of the case.

Committee's Observations and Recommendations

Your Committee resolves to await the outcome of the court process but urges the Controlling Officer to strengthen internal controls so as to prevent such anomalies. Your Committee awaits a progress report on the matter.

iii *Fuel Drawn by Unknown Vehicles-K32,022,780*

The Controlling Officer submitted that the explanation for this issue was the same as the one above.

Committee's Observations and Recommendations

Your Committee resolves to await the outcome of the court process but urges the Controlling Officer to strengthen internal controls so as to prevent such anomalies. Your Committee awaits a progress report on the matter.

j) **Lack of Expenditure Returns on Grants - K27,083,333,334**

The Controlling Officer submitted to your Committee that the amount was disbursed as grants to Statutory Bodies under the Ministry who did not submit expenditure returns. The Ministry directed Statutory Bodies to submit the expenditure returns and these had now been submitted.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry failed to secure the expenditure returns until the Auditor-General's Report came out which is unacceptable and urges the Controlling Officer to be firm on the institutions that fail to submit expenditure returns in time. Your Committee resolves to close the matter but urges the Auditor-General to keep the matter in view in future audits.

k) **Misapplication of Infrastructure Funds - K1,960,110,061**

The Controlling Officer submitted to your Committee that the amount was released for infrastructure development, establishment of the one stop shop in Livingstone and rehabilitation of buildings at the Ministry.

Committee's Observations and Recommendations

Your Committee resolves to close the matter on the basis of the advice from the Auditor-General that the matter had been resolved.

l) **Review of Internal Audit Report**

A review of the internal audit report referenced MCTI/71/22/1c dated 18 July 2012 revealed the following:

i. *Non-recovery Loans and Salary Advances-K572,440,000*

The Controlling Officer clarified to your Committee that all the salary advances that were given in 2010 and 2011 were being recovered at the time of the audit with the exception of K12,000,000 which was given to one officer and was erroneously omitted on the Casualty Form at the time of his retirement in public interest. The officer had been contacted and requested to pay back the salary advance that was given to him and that

should he fail to repay the money, other measures would be taken to recover the money. With regards the non recovery of the household and car loans, the Ministry clarified that these were being recovered from those officers who were still working for the Government although they may have been transferred from the Ministry, while those that had been separated from Government had the outstanding loans amount indicated on their respective Casualty Forms so that the amounts could still be deducted from their terminal benefits. The documents showing the effected recoveries were available for audit verification.

Committee's Observations and Recommendations

- ii. Your Committee awaits a progress report on the matter.
Partial Recoveries on Household Loans

The Controlling Officer submitted that the partial recovery of the loans was as a result of the payroll system loans functionality not working properly. The Public Service Management Division (PSMD) issued Circular No. B1 reference number PSMD/71/53/9 dated 2 February, 2011 in which they addressed this problem through centrally undertaking loans reconciliation on the payroll system.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

MINISTRY OF FINANCE

AUDIT QUERY

PARAGRAPH 40

Accounting and Other Irregularities

41. An examination of accounting and other records maintained at the Ministry Headquarters carried out in August 2012 revealed weaknesses as set out below.

a) Weakness in the Preparation and Production of Financial Statements

The Controlling Officer submitted to your Committee that Ministries, Provinces and Spending Agencies (MPSAs) were unable to produce reports for 2011 because the system was unable to produce the required report with incomplete transactions. Hence, MPSAs were compelled to transact in the system to ensure that there was completeness of data and printing of statements in 2012. This matter had been resolved and the majority of MPSAs that were connected live in 2012 were transacting through the System and were able to access reports such as Statement C.

Committee's Observations and Recommendations

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

b) Unsupported Payment - K4,183,286,760

The Controlling Officer informed your Committee that a payment to Shorthorn Printers for an outstanding bill of K4,183,286,760 was done on 27 December, 2011 while the delivery notes and a copy of the tax invoice on which the stationery was received were now available.

Committee's Observations and Recommendations

Your Committee expresses concern that the supporting documents were missing at the time of audit and strongly urges the Controlling Officer to ensure that the officer(s) responsible for the misplacement of the support documents in question are disciplined. Your Committee also urges the Controlling Officer to avail the recovered documents to the Office of the Auditor-General for audit verification.

c) Undelivered Pay Statements from 2011 Purchase Order

The Controlling Officer submitted that in the contract for the supply and delivery of Pay Statements that was signed on 8 July 2011, between the Ministry of Finance and Rank Industries Limited, the Contractor was supposed to supply 4,550 boxes of A4 Ply 4 paper, not 5,750 boxes of A4 Ply 4 and 2,400 boxes of A3 Ply 3 paper. As at 21 June 2012, Rank Industries Limited had supplied 4,400 boxes of A4 Ply 4 paper out of the 4,550 boxes leaving a balance of 150 boxes and only 15 boxes of the A3 Ply 3 paper out of the 2,400 boxes leaving a balance of 2,385. The balance of 150 boxes was later supplied. The Manager for the Centralised Computer Services Department requested for the conversion of the 2,385 boxes of A3 Ply 3 paper to A4 Ply 4 paper as the usage of A3 Ply 3 paper had reduced. This was intended to serve as a stop-gap measure while waiting for the signing of a new contract. The Procurement Committee approved the request to convert the 2,385 boxes of A3 Ply 3 to 2,385 boxes of A4 ply 4 paper. The converted 2,385 boxes of A 4 Ply 4 paper were all delivered by the supplier, Rank Industries Limited. The undelivered quantity of 245 boxes of A3 Ply 3 and 107 boxes of A4 Ply 4 from the 2009 Contract were not paid for due to delays in payment by the Ministry contrary to the contract terms. The contract stated that payment should be made after completing the delivery of half of the quantity ordered, however the supplier was only paid after 2 (two) years in October 2011. Despite the delivery period being stipulated on all the contracts with Rank Industries Limited, it was agreed that the supplier delivers the boxes only as and when required by the Ministry due to lack of storage space at the Ministry. This was the reason why on the 2011/2012 contract the specific delivery period was not stated.

Committee's Observations and Recommendations

Your Committee expresses concern why such important information was not availed to the Auditors at the time of the audit. Your Committee resolves to close the matter subject to audit verification but cautioned the Controlling Officer to take audits seriously in order to avert audit queries.

d) Contract not fully executed

The Controlling Officer submitted to your Committee that only one Generator Set and one Generator Housing per Pilot Site were supposed to be installed. He informed your Committee that both the Generator Set and Generator Housing had been supplied and done respectively at Chipata, Kabwe and Livingstone offices. The supply at Livingstone went beyond the contract period due to logistical and procurement challenges experienced by the contractors. The Controlling Officer further informed your Committee that the contractor had since supplied the 5KVA UPS yet although delivery took long and the Ministry would ensure that that this was avoided in future.

Committee's Observations and Recommendations

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

e) **Unacquitted Allowances -K331,500,000**

The Controlling Officer informed your Committee that the whole amount of K331,500,000 had since been acquitted.

Committee's Observations and Recommendations

Your Committee finds it unacceptable for the Ministry to fail to have acquittal sheets in place and expresses concern how genuine and authentic those documents were. Your Committee, therefore, urges the Controlling Officer to take stern disciplinary action against the officer(s) who paid out the allowance without securing acquittals. The Controlling Officer is also urged to avail the acquittals and evidence of the disciplinary action taken against the officers to the Office of the Auditor-General for verification.

f) **Non-recovery of Loan Repayments from Loan Beneficiaries – K1,967,295,000**

The Controlling Officer submitted to your Committee that the release of funds for the applicants was done in January 2011, but the payments could not immediately be done due to other processes that needed to be satisfied at the Zambia National Building Society. The Controlling Officer noted, however, that nine (9) beneficiaries whose loans totalled K1,165,000,000 were now being serviced while K70,000,000 in respect of one officer was not being serviced due to delays in effecting deductions through the payroll. The Ministry was doing everything possible to have this loan serviced through the payroll for consistence. The Controlling Officer further submitted that loan totalling K197,697,500 in respect of three(3) applicants had not been disbursed because the applicants had not been to Zambia National Building Society (ZNBS).

Your Committee was also informed that an amount of K220,000,000 was not being recovered because inputs for deductions were to be done in December 2012, but could not be made due to the closure of the inputs window by PMEC. Access to the payroll had remained locked to all End-Users until the rebasing process was perfected. The inputs would be done when the service for inputs became available. The Controlling Officer also submitted that there were also cases that would only be discharged after the substitution of property was completed and the Society was satisfied with all the other procedures. The amount affected by this was K314,597,500.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that all recoveries are effected and verified by the Office of the Auditor-General.

MINISTRY OF FINANCE

AUDIT QUERY
Central Statistical Office

PARAGRAPH 41

Accounting and Other Irregularities

42. An examination of the accounting and other records maintained by Central Statistical Office Headquarters and selected provincial offices carried out in August 2012 revealed weaknesses to which the Controlling Officer submitted as set out below.

a) **Non-recovery of Loans and Advances- K281,753,600**

The Controlling Officer submitted to your Committee that recoveries in respect of loans and advances were effected in the month of December, 2012 an input documents and pay slips were available for audit verification.

Committee's Observations and Recommendations

Your Committee observes that the Ministry delayed to effect recoveries for no apparent reason which is very unacceptable and therefore urges the Controlling Officer to take disciplinary action against officer(s) responsible for the omission. A progress report is awaited.

b) **Non-remittance of Tax-K68,967,950**

The Controlling Officer submitted to your Committee that the payments made to various officers in respect of long service bonus, leave terminal benefits and commutation of leave days were part payments due to inadequate budget releases. He advised that the tax deductions component should be remitted to Zambia Revenue Authority once the balances due to officers were made. Documents indicating total dues to officers, part payments made, tax component and balances due to various officers were available for verification.

Committee's Observations and Recommendations

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

c) **Failure to deduct Tax - K468,248,357**

The Controlling Officer clarified that documents used to compute the tax component relating to leave terminal benefits, salary arrears, long serving bonus and commutation of leave days for cash were currently on respective officer's salary files and were available for verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that statutory obligations are discharged in order to avoid audit queries. The matter is recommended for closure subject to audit verification.

d) **Missing Payment Vouchers – Headquarters-K1,974,019,541**

The Controlling Officer submitted to your Committee that payment vouchers amounting to K1,974,019,541 were not audited as they were misfiled in a box file for cancelled cheques.

Committee's Observations and Recommendations

Your Committee is concerned that payment vouchers in respect of such a huge amount of were missing and urges the Controlling Officer to ensure that disciplinary action is taken against the officers who misplaced the payment vouchers. Your Committee awaits a progress report.

e) **Unretired Imprest-K5,793,844,802**

Your Committee was informed by the Controlling Officer that out of K5,793,844,802 unretired imposts, K543,225,194 were direct payments to suppliers of services and goods, leaving the balance of K5,250,619,608 which had since been retired.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General.

f) **2010 Census Materials - Unaccounted for Bicycles and Mattresses**

The Controlling Officer submitted that most districts could not provide details of how bicycles and mattresses were distributed. The authority to distribute these materials was vested in Provincial Permanent Secretaries and District Commissioners through Cabinet circular minutes dated 16 November, 2010 and 25 July, 2011 giving them guidelines on the disposal of the 2010 Census Materials. Therefore, Central Statistical Office had limited controls on the distribution of these materials.

Committee's Observations and Recommendations

Your Committee notes that the issue of the distribution of materials that remain after the census is conducted has remained a major problem as officers tasked to undertake the task have consistently failed to follow guidelines. Your Committee is of the view that this should not be allowed to continue and urges the Controlling Officer to work out mechanisms of how to correct the situation. Your Committee resolves to close the matter but urges the Office of the Auditor-General to keep the matter in view in future audits.

MINISTRY OF COMMUNITY DEVELOPMENT, MOTHER AND CHILD HEALTH

AUDIT QUERY

PARAGRAPH 42

Irregularities in Accounting for Funds

43. An examination of accounting and other records maintained at the Ministry Headquarters and a visit to nine (9) districts namely Livingstone, Kazungula, Kalomo, Monze Chipata, Katete, Kabwe, Kapiri Mposhi and Mkushi in April 2012 revealed several weaknesses and the Controlling Officer responded as set out below.

a) **General Administration**

i. *Unsupported Payments - K278,258,326*

The Controlling Officer responded that the necessary supporting documents had been traced and were available for audit verification.

Committee's Observations and Recommendations

Your Committee considers failure to avail supporting documents a very serious omission for which the officers responsible should be disciplined. Your Committee urges the Controlling Officer to curb this practice by strengthening internal controls. The Controlling Officer was further urged to avail the recovered documents to the Office of the Auditor-General for audit verification before the matter can be closed.

ii. *Irregular Payment of Medical Bills K169,247,281*

The Controlling Officer responded that the Scheme had since been closed and the matter was recommended for closure by your previous Public Accounts Committee during the last sitting. In her oral clarification, the Controlling Officer submitted that recoveries could not be effected due to lack of documentation, both at the Ministry and the hospital, on the type of service received and by which officer.

Committee's Observations and Recommendations

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

iii. *Unretired Imprest K102,369,500*

The Controlling Officer submitted that retirement details for imprest totalling K102,369,500 issued to ten(10) officers had been traced and were available for audit verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that financial regulations are strictly observed at all times and further urges her to take disciplinary action against the officers responsible for the misplacement of the retirement documents. The matter can only be closed after documents on the retirement and the disciplinary actions taken have been availed for audit verification.

iv. *Irregular Payment of Sitting Allowances K1,509,195,000*

The Controlling Officer submitted that the Ministry was no longer paying un authorised sitting allowances and instructions had since been issued to effect recoveries.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until evidence that recoveries have been effected is availed for audit verification.

b) **Social Safety Net – Misapplication of Funds-K477,249,006**

The Controlling Officer responded that expenditure returns from the districts on how the K477,249,006 was utilised had been submitted and were available for audit verification.

Committee's Observations and Recommendations

Your Committee notes with concern the failure by the Controlling Officer to deal firmly with district officials who failed to submit expenditure returns as per guidelines. Your Committee resolves to close the matter subject to audit verification.

c) **Public Welfare Assistance Scheme (PWAS)**

i. *Irregular Retention of Funds by the Ministry Headquarters K482,183,957*

The Controlling Officer responded that the disbursement of PWAS funds to the provinces and districts was based on the PWAS guidelines that required that 90% of the funds be disbursed to the districts while 3% be disbursed to the provinces for monitoring related activities. Therefore, the total disbursement from the Ministry Headquarters amounted to 93%. She stated that a payment schedule amounting to K465,000,000 was missing from the audited documents meaning that the total disbursement was K7,437,398,443, which amounted to 93%. The schedule for disbursement was now available for audit verification.

Committee's Observations and Recommendations

Your Committee regrets the failure by the Controlling Officer to submit the missing schedule at the time of audit and is urged to ensure that the officer(s) responsible for misplacing the document is disciplined.

ii. *Misapplication of Funds - K329,645,874*

The Controlling Officer stated that the air ticket and purchase of food stuffs for Chikumbi Children's Home were PWAS related activities as per the report available for audit verification.

Committee's Observations and Recommendations

Your Committee notes the submission but cautions the Controlling Officer that the report was supposed to have been available to auditors in time and the matter is recommended for closure subject to audit verification.

d) **Street Children - Misapplication of Funds K1,202,673,835**

The Controlling Officer responded that all the funds under Street Children were spent on activities related to street children such as construction of a Hostel at Chikumbi Street Children Centre, payment of wages for Chikumbi Street Children Centre workers, purchase of food stuff for street children at Chikumbi, purchase of air tickets to facilitate the Ministry's participation at international forums on child related issues of orphans and vulnerable children which included street children. She added that not all funding under Street Children was meant for disbursement to the Districts but some was to be used for programs at Headquarters. Report was available for audit verification.

Committee's Observations and Recommendations

Your Committee observes that there is an urgent need to clarify the guidelines by coming up with a list of what could and could not be considered as an activity under the street children programme despite being related to the welfare of children. Your Committee is of the view that as long as this is not done, the funds will remain a target for misapplications which can loosely be justified by the Ministry. Your Committee awaits a progress report on the matter.

e) **Women Development**

i. *Misapplication of Funds - K1,551,325,105*

The Controlling Officer submitted that the payments unrelated to this programme were borrowings by other departments which had since been paid back.

Committee's Observations and Recommendations

Your Committee cautions the Controlling Officer to avoid misapplication of funds as it affects the implementation of planned programmes. The matter is recommended for closure subject to audit verification.

ii. *Distribution of Equipment*

The Controlling Officer responded that the documentation relating to the distribution of the equipment through Members of Parliament was now available for audit verification.

Committee's Observations and Recommendations

Your Committee, while appreciating the role played by Members of Parliament in the distribution of materials, emphasised the need to ensure that such materials reached the intended target by obtaining and keeping evidence to this effect. Your Committee is concerned that this evidence was not available at the time of audit and urges the Controlling Officer to avail the same to the Office of the Auditor-General for audit verification.

iii. *Inadequately Supported Payments to Clubs-K175,880,000*

Your Committee was informed by the Controlling Officer that the anomaly had since been corrected in that the necessary documents were obtained from clubs in question and were available for audit verification.

Committee's Observations and Recommendations

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

Districts

i. *Failure to carry out monitoring activities*

Your Committee was informed by the Controlling Officer that not all clubs could be monitored due to inadequate funds for administration but as a remedy, the Ministry had started sending funds for monitoring directly to the districts. The Ministry had also planned to procure some motorised transport (vehicles and motor-bikes) for district and field staff so that monitoring could be effective.

Committee's Observations and Recommendations

Your Committee is concerned that despite an amount of K512,787,518 being set aside for administration, no programmes or activities were monitored during the period under review. Your Committee urges the Controlling Officer to ensure that monitoring of activities is given due attention as they are critical to effective implementation.

- ii. *Payments to clubs not on lists from the districts K366,880,000*

The Controlling Officer responded that the Ministry had put in place measures to ensure that the district offices were always involved in the project identification process, by sending funds for monitoring directly to districts. The newly developed guidelines had also provided for a technical committee to be scrutinising the applications at district level so that appropriate clubs could be funded.

Committee's Observations and Recommendations

Your Committee resolves to have the matter closed.

- f) **Misapplication of Funds - Learning Resource Centre K250,000,000**

Your Committee was informed that the payments made under this vote were made with a view of paying back when resources of the appropriate votes were available. In addition, expenditure for graduation ceremonies was in line with the programme as the learners under the skills training eventually graduated.

Committee's Observations and Recommendations

Your Committee expresses concern as to why the Controlling Officer treated the programmes that were funded as urgent and diverted funds towards them depriving the planned project of its funds. She is sternly cautioned to ensure that funds are not diverted in future.

- g) **Food Security Pack Programme (FSP)**

- i. *Misapplication of Funds*

The Controlling Officer submitted to your Committee that under Food Security Pack Programme, not all the funding was meant for direct disbursement to the districts, as other programmes under the Food Security Pack were done by Headquarters such as purchase and distribution of inputs, purchase of motor vehicles for the programme and Administration of the program. Further, an amount of K856,758,558 was a borrowing with the intention of paying back.

Committee's Observations and Recommendations

Your Committee observes that as long as the guidelines are not clear as to what could be funded under the programme, the Ministry Headquarters would continue funding activities that benefitted it and not the programme beneficiaries in general. Your Committee therefore recommends that a list of what is allowable and not should be developed to guide all involved. Further, all planned activities should be captured under an activity based budget so that the funds are spent according to the approved budget.

- ii. *Distribution of Farming Inputs in the Districts*

The Controlling Officer responded that the Ministry had introduced refresher courses in Food Security Committees to document recoveries and an on-going capacity building programme for staff.

Committee's Observations and Recommendations

Your Committee expresses concern that management was not able to monitor district

officials to ensure that they utilised the disbursed funds to monitor the implementation of the programme. Your Committee urges the Controlling Officer to come up with a monitoring framework that will ensure that the programme is implemented correctly. Your Committee resolves to close the matter but requests the Office of the Auditor-General to keep the matter in view in the next audit.

MINISTRY OF HEALTH

AUDIT QUERY

PARAGRAPH 43

Unit:	Clinical Care & Diagnostics Services
Programmes:	Clinical Care and Diagnostic Services
Activities:	Health Service Delivery
	Outreach Clinical Services

Accounting and Other Irregularities

44. An examination of accounting and other records maintained at the Ministries of Health and Finance in respect of the procurement and management of mobile hospitals carried out in June 2012, revealed the following:

a) Lack of Feasibility Study to Implement the Programme

The Controlling Officer informed your Committee that the Ministry of Health had been providing Mobile Health Outreach Services. These services include nutritional outreach services, male circumcision services, cervical cancer screening services to mention a few. In rural Zambia, 60-70% of the population lives more than 9km from a health facility. In the quest to provide equity of access of health services as close to the family as possible, the mobile outreach services were scaled up by acquiring the Mobile Health Units through Cabinet Office in its circular minute of 2009 dated 5 October 2009 to all line ministries to develop action based plans comprising the activities to be undertaken by the Government for the year 2010. This included the strengthening of mobile health services as one of the activity that the Ministry of Health was going to undertake. The thrust of the sustainability plan was the attachment of the Mobile Health Units to the Provincial Hospitals (static facility) as their outreach wing. The outreach activities were planned as part of the static facility activities.

Committee's Observations and Recommendations

Your Committee objects to the Controlling Officer submission that feasibility studies were not necessary as the Ministry has been involved in delivering outreach programmes in the past. Your Committee is of the view that the operation of the mobile units was new and unique requiring an in-depth understanding before being rolled out. In closing the matter, your Committee advises the Ministry that, in future, the right procedure must be followed to arrive at informed decisions.

b) Tender and Award of Contract to AVIC International Limited

i. Irregular Award of the Contract

The Controlling Officer informed your Committee that, ZPPA invited the tenders on behalf of Ministry of Health. The responsibility of the Ministry was to evaluate the bids. However, the awarding of the Tender was the mandate of the ZPPA since this procurement was above the threshold of ZMK30 billion.

Committee's Observations and Recommendations

Your Committee expresses concern that the contract was entered into despite the AVIC not satisfying all the conditions laid down which put the project at risk of not being implemented successfully. Your Committee urges the Controlling Officer to report the matter to investigative wings to determine whether there was a possible case of abuse of authority.

ii. *Failure to Develop Specifications by the Ministry*

The Controlling Officer stated that the Contract was a “Build”, “Operate,” and “Transfer” and therefore, the Ministry of Health instructed providers to design and develop the Mobile Units.

Committee's Observations and Recommendations

Your Committee finds the submission by the Controlling Officer unacceptable because as buyers, the Ministry should have taken keen interest in specifying what they wanted. Your Committee notes that failure to own the project by the Ministry was tantamount to gross negligence which should be discouraged in future. The matter is, however, recommended for closure.

iii. *Failure to submit the Contract to the Attorney-General*

The Controlling Officer submitted to your Committee that the Attorney General was duly consulted during the process before the contract was finally signed.

Committee's Observations and Recommendations

Your Committee observes that failure to seek legal opinion from the Attorney-General was a serious Constitutional breach which should attract stiff punishment on the erring officers. Your Committee requests the Controlling Officer to submit evidence to the Office of the Auditor-General to demonstrate the involvement of the Attorney-General's Chambers in the contract before the matters can be closed.

iv. *Failure to attach Local Technicians to Service Mobile Health Units*

The Controlling Officer informed your Committee that Technicians from Vehicle Service Centre had since been attached to the Mobile Units in form of technical staff and mechanics who worked closely with the AVIC team. The supplier (AVIC) had held trainings for drivers and mechanics. Further, additional training specific to medical equipment was done and had continued through on the job training.

Committee's Observations and Recommendations

Your Committee expresses concern at the delay to ensure that Zambian technical staff were attached to the mobile units to facilitate knowledge transferability from AVIC technical team as per provision in the contract. Your Committee is concerned that the training will not be guaranteed since the technicians attached were not availed enough time to learn contrary to the initial plan. It is recommended that the period is extended to the initial plan.

v. *Failure to provide Documentation - Medical Consumables (Drugs)*

The Controlling Officer submitted that the Ministry of Health had received two (2) batches of medical consumables including reagents and the third batch was expected towards the end of first quarter of 2013. These supplies were currently being stored at Medical Store Limited.

Committee's Observations and Recommendations

In noting the submission, your Committee is concerned that the documentation was not availed to Auditors at the time of the audit and cautions the Controlling Officer against not paying attention to Auditors during the audit process. Your Committee resolves to close the matter but urges the Auditor-General to keep the matter in view in future audits.

vi. *Non - Delivery of Equipment*

The Controlling Officer submitted that satellite phones had since been received although they were yet to be delivered to the Mobile Health Units. The electronic colposcopy equipment was delivered in September 2012 to all the Mobile Health Units. Currently, a training programme had been initiated in collaboration with the Africa Cancer Center based at UTH for Medical personnel to fully utilise this equipment. Western Province was the first to send its personnel and the equipment was used on the commemoration of World Cancer Day in Sesheke. Following an inventory conducted by the Ministry of Health, it was noted that some equipment had not been supplied these include wheel chairs, sand bags and the public address system. The Ministry was in the process of writing to AVIC to deliver the remaining equipment indicated in the report.

Committee's Observations and Recommendations

Your Committee expresses dissatisfaction at the way the Ministry is handling the issue of undelivered equipment. Your Committee is particularly concerned that the Controlling Officer waited for Auditors to remind him of the undelivered equipment which is a sign of lack of seriousness on the part of his Ministry. Your Committee urges the Controlling Officer to avail for audit verification a complete list of what had been delivered and where it was distributed. A progress on the matter is awaited.

vii. *Non-functioning Equipment*

The Controlling Officer informed your Committee that at the time of audit, some medical equipment such as the urine analyser, was not functioning due to the fact that the personnel that were appointed to operate it were still undergoing training. Further, the second batch of reagents for the urine analyser had not arrived in the country. He stated, however, that the equipment was now functioning and trained local and AVIC technicians were available to ensure that the equipment was functioning at all times.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Controlling Officer to ensure that full use of the equipment in order for the nation to realise the full benefits of what was envisaged at the inception of the project. The Office of the Auditor-General is urged to keep the matter in view in the next audits.

viii. *Lack of a Sustainability Strategy*

The Controlling Officer submitted to your Committee that the Ministry had put in place a long term strategy of sustaining the mobile hospitals. He informed your Committee that the Government provides funding for operations, insurance, medical supplies and maintenance of units. The Ministry of Health had developed a service schedule for maintaining the vehicles. Further the technicians under Vehicle Service Centre in all nine provinces had been trained to carry on the maintenance even when the AVIC contract expires.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to avail documentation on the strategy that has been put in place for sustaining the mobile hospitals to the Office of the Auditor-General before the matter can be closed.

ix. *Unexplained Expenditures- K1,557,528,326*

The Controlling Officer submitted to your Committee that an amount of K1,557,528,326 was spent on specialists outreach programmes of the Federation of Health Institutions, Surgical Society of Zambia and other Specialists. The specialist's services were part of mobile services and compliment services of static hospitals.

Committee's Observations and Recommendations

Your Committee notes the submission but expresses concern as to why the Controlling Officer failed to resolve this matter at the time of audit. Your Committee resolves to close the matter subject to audit verification.

x. *Non Production of Reports*

The Controlling Officer submitted that the committee that was constituted to carry out the pre-shipment inspections was made up of personnel from various stations. As a result, the Ministry delayed to get a consolidated report. However, the reports had since been produced and had been availed to the Auditors.

Committee's Observations and Recommendations

Your Committee finds the submission by the Controlling Officer unacceptable as delaying the submission of reports for such a long time is tantamount to gross negligence of duty. Your Committee urges him to ensure that the situation did not repeat itself.

c) **Cost of running the Mobile Health Services Versus the number of Patients screened**

The Controlling Officer informed your Committee that since inception, the Mobile Health Units had attended to a total of 244,469 patients and performed in excess of 14,000 operations. The variations in cost during the first year arose due to differences in distance to site of deployment, the duration of the deployment and the number of staff involved in the deployment. To address this, the Ministry of Health had developed Standard Operating Procedures. This was because some regions were in difficult terrain and others had marine equipment to operate. However the funding model to each region had taken all factors into account such as distance, the number of teams taken and the period of deployment. Therefore the differences in the cost of running the units were justified.

Committee's Observations and Recommendations

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

d) High cost of running the Marine Equipment

Your Committee was informed by the Controlling Officer that the Ministry had operational guidelines on the use of the equipment. Each mobile unit was used once every month and on emergency. At the time of audit the boats and ambulances were not scheduled to be on outreach services. However, the passenger boats were in 2012 handed over to the Ministry of Transport, Works, Supply and Communication while the marine ambulances were used when there was a patient who needed urgent evacuation.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to ensure full utilisation of the boats in order to benefit as many Zambians as was envisaged by the project.

e) Inadequate Trained Manpower

Your Committee was informed that mobile outreach service was an extension of the static services. For example, the Western Province Unit where Shang'ombo falls would draw staff from Lewanika General Hospital and the Chinese Specialists for outreach services.

Committee's Observations and Recommendations

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

f) Payments made to the Supplier

Your Committee was informed that the payment of US\$1,112,624.96 made by the Ministry of Finance and National Planning (MoFNP) was towards the interest component of the loan, while the principle component would be due in 60 months.

Committee's Observations and Recommendations

Your Committee expresses concern that the Controlling Officers failed to clear this audit query which only needed an explanation with supporting documentation. The Controlling Officer is urged to be more timely in responding to audit queries. The matter is recommended for closure subject to audit verification.

MINISTRY OF HEALTH

AUDITS QUERY

PARAGRAPH 44

Head: Ministry of Health – Copperbelt Province
Unit: Ronald Ross General Hospital
Programmes: Personal Emoluments
Health Service Delivery
Health Systems Management

Accounting and Other Irregularities

45. A scrutiny of accounting and other records maintained at the Hospital carried out in July 2012 revealed the following:

a) **Missing Payment Vouchers-K23,083,000**

The Controlling Officer informed your Committee that the documents were soaked at the time but that all the vouchers were available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry failed to ensure safe custody of the payment vouchers and urges the Controlling Officer to take measures to correct the situation. The Controlling Officer is also urged to take disciplinary action against the officers who failed to keep the payment vouchers in safe custody. Your Committee is of the view that to avoid doubt of the authenticity of the recovered documents, the soaked documents should have been shown to Auditors.

b) **Unsupported Payments-K25,066,849**

The Controlling Officer informed your Committee that the twenty-two (22) payments referred to inadequately supported payments in that only one (1) quotation was attached instead of all three (3) quotations. During the audit, the institution maintained a box file for quotations and only the quotation which qualified for payment was filed together with the payment including local purchasing orders and the invoices. It was for this reason that the payment vouchers were reported as unsupported. However, the quotations which were not attached to the payment had since been supported and were available for verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that all supporting documents were availed for audit verification before the matter could be closed.

c) **Failure to recover Salary Advances-K8,750,000**

The Controlling Officer informed your Committee that officers concerned got advances from the institution and within the same month they got other loans from other lending institutions. By the time the institutions took the inputs to PMEC for deductions the system rejected them because the officers' net pay was below 40%. Due to human error, the institution forgot to make a follow up with PMEC. However, the advances were being deducted.

Committee's Observations and Recommendations

The Controlling Officer is urged to ensure that the officers concerned are cautioned against committing themselves above the permissible level of indebtedness. Further, disciplinary action should be taken against the officers who failed to make necessary follow-ups in ensuring that the deductions were effected. They await a progress report on the matter.

d) **Irregular Payment of Subsistence Allowance-K43,880,000**

The Controlling Officer informed your Committee that the Ministry paid subsistence allowances on first appointment to Health Personnel in accordance with the Terms and Conditions of Services for the Public Service under Section 154b. When medical staff graduated, their services were required urgently in various health institutions, and could, therefore, not wait until Cabinet Office (PSMD) appointed them due to the number of officers awaiting appointment. It was for this reason that PSMD granted Authority to the Office to provide provisional letters so that the staff could assume their positions immediately, hence based on these letters, the institution paid them subsistence allowance on first appointment.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that in future the right procedure is followed. The matter is recommended for closure subject to verification of the provisional authority granted by PSMD.

e) **Unretired Imprest - K23,053,500**

Your Committee was informed that imprest worth K23,053,500 was recorded as unretired yet the nine (9) officers had in fact retired the imprest but had not attached Accounts Form 44, a requirement by the Government when one was retiring imprest. This made the Auditors to treat the imprest as unretired. The officers had since attached the Accounts Form 44.

Committee's Observations and Recommendations

Your Committee is concerned that it took too long to attach the relevant documents to the purportedly retired amounts. The Controlling Officer is urged to sternly warn these officers to deter them from doing so in future. The Controlling Officer is urged to avail the documents to the Office of the Auditor-General for verification.

f) **Irregular Use of Accountable Imprest - K782,133,360**

Your Committee was informed that at the time of audit, the Accounts Assistant was not conversant with the use of Standing Imprest. Funds were drawn as standing imprest but when paying out as petty cash, the officer was raising a payment voucher and attaching the receipt. The officer was cautioned and advised to use a cash voucher for payments made using petty cash and where a cheque was prepared three (3) supporting quotations should be obtained.

Committee's Observations and Recommendations

Your Committee finds the submission by the Controlling Officer unacceptable as it implied that the officer in question worked in isolation without any form of supervision. The view of your Committee is that the situation was allowed to occur due to weak controls on the part of the Controlling Officer. Your Committee resolves not to close the matter until it is verified that the practice has been stopped. Your Committee awaits a progress report on the matter.

g) **Unaccounted for Stores - K64,356,100**

The Controlling Officer submitted to your Committee that the receipts and disposal details had been attached to the relevant documents and they were available for audit verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to keep the stores records as required by regulations and provide evidence to your Committee of this action. Your Committee awaits a progress report on the matter.

h) **Failure to fill Staff Establishment**

The Controlling Officer informed your Committee that the School engages guest lecturers from various health institutions and universities to strengthen the insufficient number of Clinical Instructors and Tutors.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Controlling Officer to ensure that authority is sought to fill the vacancies as it is more sustainable than relying on guest lecturers. Your Committee awaits a progress report on the matter.

MINISTRY OF TRANSPORT, WORKS, SUPPLY AND COMMUNICATION

AUDIT QUERY

PARAGRAPH 45

Accounting and Other Irregularities

46. An examination of accounting and other records maintained at the Ministry Headquarters carried out during the period April to August 2012 revealed irregularities to which the Controlling Officer responded as set out below.

a) **Unretired Imprest-K160,665,500**

The Controlling Officer informed your Committee that deductions of K112,725,500 against four (04) officers had since been effected while for the other two, the recoveries amounting to K47,940,000 were not picked by Payroll Management and Expenditure Control (PMEC) and, a resubmission to PMEC to commence recoveries with effect from March, 2013 had been made.

Committee's Observations and Recommendations

Your Committee, in noting the submission, observes that no punitive action was instituted against the erring officers and also that the query was left unattended to for a long time. Your Committee further observes that the deductions for the two officers will go on for as long as up to 240 months which is unacceptable. Your Committee, therefore, urges the Controlling Officer to revise the repayment period so that public fund can be applied to other activities. Your Committee awaits a progress report on the matter.

b) **Irregularities in the purchase of Fire Tenders**

The Controlling Officer submitted that the highlighted irregularities in the purchase of fire tenders were as a result of the Government failure to meet its contractual obligations on time.

Committee's Observations and Recommendations

Your Committee finds it unfortunate that the Government lost money through penalties due to poor planning and urges the Controlling Officer not to enter into contractual obligations before funding was secured. Your Committee recommends closure of the matter.

c) Contract to supply Fire Tenders by Carmicheal International limited

The Controlling Officer informed your Committee that Carmicheal International limited supplied the Government with two (2) fire tenders, one at Kitwe South Downs and the other at Kenneth Kaunda International Airport. The Government had since fulfilled its contractual obligation via supplementary funding of K63,000,000,000 for the financial year ended 31 December, 2012. The Controlling Officer confirmed that the Ministry was awaiting delivery of the remaining, six (06) "Fire Tenders", subject to ensuring that the specifications were complied with.

Committee's Observations and Recommendations

Your Committee observes that with poorly contracted procurements, the Government will continue to lose money. Your Committee, however, notes what has been done to correct the situation and awaits a progress report on the delivery of the six (6) fire tenders.

d) Upgrading of Kasaba Bay Run Way

The Controlling Officer submitted that the Kasaba Bay Runway Project commenced in 2009 because of the need to open up the Northern Tourism Circuit. This was to open up the other parts of the Country for tourism as opposed to the traditional Livingstone, the Tourist Capital.

On the project concept, the Controlling Officer submitted that the first phase of the project involved construction of a 2.2 Km runway because the existing 1.5Km runway was run down and was inadequate to accommodate bigger aircrafts. He submitted that under the contract, Project Management Services for the construction of Kasaba Bay Airport Runway was initiated to ensure that efficient and maximum use of Government resources within minimum time and reduced cost as opposed to conventional methods that usually take long due to involvement of multiple project parties.

In this regard, the Rural Roads Unit (RRU) was engaged to provide earth moving equipment and operators. However, due to the limitation on the number of engineers within the RRU, there was need to outsource technical expertise of qualified engineers in the form of Project Managers.

As regards contract management modalities, the Controlling Officer submitted that prior to the Project Management role, the Government had already awarded Ng'andu Consulting a contract to design and prepare contract documents as well as supervise the runway projects for Solwezi, Kasama and Kasaba Bay.

The Controlling Officer further submitted that as opposed to conventional methods of advertising and procurement of a contractor at a higher cost, it was felt that RRU as a Government Unit had the capacity to mobilise at short notice and execute the works under the supervision of the designer and supervisor, Ng'andu Consulting. In the absence of a conventional contractor, it was decided that the designer of the works assume the role of Project Manager for these works to ensure conformity to the design standards.

The Controlling Officer noted that under this sort of contract referred to as the Integrated

Construction Unit (ICU) approach, RRU assumed the role of a Contractor, while N'gandu Consulting Engineers assumed the role of Project Managers and the Department of Civil Aviation as the Client on behalf of the Government of Zambia. He noted that this contract approach had been used by several government agencies such as the Road Development Agency.

On the extent of project execution, the Controlling Officer submitted that the project undertook to construct the runway through all stages of earth works namely:

- Bush Clearing and Grubbing
- Cut and Borrow to Fill
- Ripping to Spoil Existing 1.5 km Runway
- 150mm Subgrade Construction of 2.22 km Long and 45 m wide
- 150mm Sub-base Construction of 2.22km Long and 45m wide
- 200mm Cement Stabilised Base Construction Of 2.22km and 45m Wide
- 150mm Cement Stabilised Shoulders on either Side of the 2.22km
- Drainage Works

The project was arranged to be executed in two phases. The first phase involved earth works while the second phase would involve constructing the wearing course (asphalt layer). 80% of the total project works consist of earthworks out of which 70% had been fully completed leaving a balance of about 10% on earthworks. The construction of the asphalt layer would be undertaken in the second stage which constitutes part of the remaining 20% of the total works.

Pertaining to the project cost and the source of funding, the Controlling Officer submitted that the initial project cost for the construction of the runway for Kasaba Bay Airport was estimated at K63 Billion but was later adjusted upwards to K71 Billion. The upward adjustment was as a result of the changes in the scope of works to enable construction of the culvert across the runway to accommodate passage of power and communication cables, as well as allowing storm water to cross over to the other side of the runway.

The Controlling Officer added that Global Construction was sub contracted to provide additional equipment which RRU did not have which was allowable under the Contract, while Ng'andu Consulting Engineers, the Project Manager was mandated to procure all materials on site as well as handle all logistical requirements for the contractors.

The Controlling Officer also explained that all works were certified by the Project Manager, Ng'andu Consulting Engineers verified by the Contractor, RRU and approved by the Department of Civil Aviation.

On works done under certificate number 7 and 8, the Controlling Officer submitted that there was still an outstanding amount of K13,730,511,118.63, because the payments were put on hold by the Anti- Corruption Commission (ACC).

The initial estimate for RRU for the project period was K16 billion meant for fuels, lubricants, spares and wages for RRU staff. Out of the K16 billion (Kr16 million), K6 billion had so far been used by RRU for the works done to date. The balance was due on subsequent works yet to be carried out. The RRU was, therefore, not owed any money as alleged in the Auditor General's Report. However, Global Construction was owed K9,447,271,859.24 on works done under certificate Number 7 and 8 which were withheld by the ACC.

In concluding his submission, the Controlling Officer stated that the project as managed by Ng'andu Consulting Engineers and as contracted by RRU had all the tenets of a conventional project. In this regard, all provisions and management needs of the project were observed and

adhered to.

Committee's Observations and Recommendations

- Your Committee is concerned with some clauses contained in the contract which made it difficult to segregate the role of the main players in this case Road Reconstruction Unit (RRU), Ng'andu Consulting Engineers and the Ministry of Works and Supply which may have resulted in accountability challenges leading to matters being subjected to anti- corruption investigation.
- While noting that funding and subsequently the works had stopped due to allegation of corruption in the management of the Contract, your Committee expresses concern at this state of affairs because a lot of funds have already been invested on the project and a lot of materials including plant already on site risk going to waste if works did not resume without further delay. Your Committee is of the view that stalling of the works is not in the best interest of the nation as the original vision of the project and the Government to open up the Northern Tourism Circuit is still valid.

In light of the above, your Committee:

- expresses concern at the decision to use RRU equipment for the project as it has denied the Unit of equipment to use on road works in the region and other part of the country.
- urges the Government to urgently review the contract so that works could be concluded without further delay.
- resolves to seek the Attorney General's Chambers opinion on the efficacy of this kind of contract in order to provide guidance on other future contracts procurements.
- strongly urges the Government to ensure that RRU equipment is never employed on assignment outside its mandate so as not to state road works.

e) District Aerodromes-K3,939,432,900

Provincial Administration - Western Province

The Controlling Officer submitted that at the time of the funding, there was no funding for other programmes and activities in the Ministry and as a result, the Ministry varied the amount of K3,203,192,900 to implement other priority programmes and activities with a view of reimbursing the amount when funded. Unfortunately funding for the same planned activities was not availed.

Committee's Observations and Recommendations

Your Committee expresses disappointment at the poor manner the Ministry handled the funding meant for the rehabilitation of aerodromes in the Country which is a clear indication of the little importance the Ministry attaches to it. Your Committee is particularly concerned that almost all the funding was misapplied and the little that was disbursed to districts was not adequately accounted for. Your Committee urges the Ministry to source for funding to ensure that the aerodromes that were earmarked for rehabilitation were attended to without further delay.

MINISTRY OF SCIENCE, TECHNOLOGY AND VOCATIONAL TRAINING

AUDIT QUERY

PARAGRAPH 46

Unit : Vocational Education and Training
Programme : Entrepreneur Developments.
Activity : Kabwe Trades Training Institute

Accounting and Other Irregularities

47. An examination of accounting and other records maintained at the Institute carried out in May 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Failure to disburse Funds-K223,500,129**

Your Committee was informed that the then Ministry of Science Technology and Vocational Training had signed service level agreement between the Ministry and the Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA) for the purposes of the operations and Management of the TEVETA funds which was called Teveta Financing Strategy and Kabwe Trades Training Institute was one of the beneficiaries. Furthermore, the Ministry had received the approved allocation of a grant from the Ministry of Finance amounting to K1,638,536,189 on behalf the Institute and transferred the same amount to TEVETA for disbursement to Kabwe Trades. The arrangement was that TEVETA would only release funds to Kabwe Trades upon attainment of agreed benchmarks on the student's enrolment numbers. For this reason, the Institute was not funded in full because they did not meet the benchmarks in full.

Committee's Observations and Recommendations

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

b) **Missing Receipt Books**

The Controlling Officer submitted to your Committee that out of the ten (10) receipt books reported missing, three (3) with serial numbers from 20551 - 20600, 22151 - 22200 and 23951 – 24000, had been found. Furthermore, five (5) receipt books with serial numbers 22301 – 22350, 22351 - 22400, 22401 - 22450, 22501 - 22550 and 22601 – 22650 were distributed to various basic and high schools in Southern Province in whose custody there were still in. The remaining two (2) receipt books with serial numbers 20301 – 20350 and 24201 – 24250 got lost when shifting from the old to the new administration block and management had taken full responsibility.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry failed to keep the receipt books in safe custody which was a very serious omission. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the two receipt books. Your Committee further urges the Controlling Officer to avail the traced receipt books to the Office of the Auditor-General for audit verification before the matter can be closed.

c) **Unretired Imprest-K474,784,950**

The Controlling Officer informed your Committee that imprest totalling K474,784,950 was retired on wrong forms but the Institute management had since been advised to use the correct retirement forms which were available for audit verification.

Committee's Observations and Recommendations

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

d) **Unsupported Payment-K1,893,406,900**

The Controlling Officer informed your Committee that the Ministry had already written to the Principal of Kabwe Trades Training Institute asking him to provide an explanation as to why 297 payments were not supported with documentation during audit.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the supporting documents as required by financial regulations. Your Committee will not close the matter until the missing supporting documents are availed for audit verification.

e) **Irregular Payment of Allowances-K616, 816,225**

The Controlling Officer submitted that his Office had written to the Principal of the Institute to provide an explanation why irregular payments of allowances were done.

Committee's Observations and Recommendations

The Controlling Officer is urged to ensure that internal controls are put in place to avoid reoccurrence. Your Committee awaits a progress report on the matter.

f) **Unaccounted for Stores-K1,033,535,862**

Your Committee was informed that a disciplinary letter had since been written to the Principal to deter future recurrence of irregularities in the management of stores and other resources. The charge letter was available for verification.

Committee's Observations and Recommendations

Your Committee observes that close supervision is lacking and the Controlling Officer is being reactive by writing disciplinary letters long after audit revelations were made. Your Committee urges the Controlling Officer to ensure that internal controls are strengthened. The Controlling Officer is also urged to consider sending an internal audit team to establish what transpired and provide a progress report to your Committee.

g) **Failure to remit Taxes - K1,006,486,229**

Your Committee was informed that the Principal had already been charged for failure to remit the statutory obligations to ZRA and NAPSA. The charge letter was available for verification.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

h) Failure to recover Salary Advances-K38, 365,000

Your Committee was informed that deductions had now been effected.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

MINISTRY OF DEFENCE- HEADQUARTERS

AUDIT QUERY

PARAGRAPH 47

Defence - Medical Services
Research and Planning

Accounting and other Irregularities

48. An examination of accounting and other records maintained at the Ministry headquarters carried out in June 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) Procured Goods not supported with User Requisitions-K2,509,952,050

The Controlling Officer informed your Committee that the user requisitions for goods procured at a total cost of K2,160,043,500 were located and submitted to the Office of the Auditor-General for verification. Further, of the remaining user requisitions amounting to K349,908,500, the Ministry had since located the user requisitions amounting to K124,798,500 which were available for verification while efforts were being made to locate the remaining user requisitions amounting to K225,110,000. Measures had been put in place to avoid misplacement of user requisitions by stopping the usage of temporal jacket files (TJs) when processing payments.

Committee's Observations and Recommendations

Your Committee observes that user requisitions for goods are very important because they show whether goods were received by the intended end users or not and expresses concern that the Ministry failed to keep them in safe custody which is a very serious omission. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the officers who should have ensured that safe custody of the user requisitions in question. Your Committee also urges the Controlling Officer to avail the recovered user requisitions to the Office of the Auditor-General for audit verification before the matter can be closed.

b) Unaccounted for Stores Items-K107,068,500

The Controlling Officer responded that the Ministry had located all the receipt and disposal details for goods procured at a total cost of K107,068,500.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the supporting documents as required by financial regulations. Your Committee also urges the Controlling Officer to avail the recovered supporting

documents to the Office of the Auditor-General for audit verification before the matter can be closed.

c) **Unretired Imprest-K253,090,765**

The Controlling Officer informed your Committee that out of the total unretired imprest, an amount of K2,387,490 had been recovered and instructions had since been issued to Zambia Army and Zambia Air Force to effect recoveries of the remaining unretired imprest amounting to K250,703,275.

Committee's Observations and Recommendations

Your Committee considers failure to retire imprest a very serious omission and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest in accordance with financial regulations. Your Committee awaits a progress report on the outstanding imprest amounting to K250,703,275.

d) **Construction of Housing Units for Defence**

i. *Non Adherence to Contract Terms and Conditions*

The Controlling Officer submitted that at the point of executing the contract, the Ministry of Defence had no capacity to undertake the site clearing works prompting the Contractor to undertake the works on behalf of the Government in order to meet the schedule of planned works. The Controlling Officer regretted the failure to obtain prior authorisation for the variation in the contract provisions and in an effort to normalise it, the Ministry proceeded to apply to the Zambia Public Procurement Authority (ZPPA) for retrospective authority. The request was turned down on grounds that there was no provision for retrospective authority in the Public Procurement Act or its subsidiary legislation. The Ministry was, however, advised to liaise with the Ministries of Finance and Justice for guidance. The Ministry was still awaiting guidance from the two ministries.

Committee's Observations and Recommendations

Your Committee observes that the Ministry has found itself in this situation due to failure to follow regulations and guidelines and urges the Controlling Officer that stern disciplinary action be taken against the officer(s) who presided over this contract. Your Committee also awaits a progress report on the outcome of the consultations with the Ministries of Finance and Justice and the Treasury.

ii. *Rehabilitation of Bon Accord Building for Zambia Army in Livingstone*

The Controlling Officer submitted that the contractor abandoned the project following delayed payments for the works he had done. The Ministry consulted the Ministry of Works and Supply on the matter who advised that the contract be re-assessed and revalued with a view to either terminate or revalidate the contract. The Ministry had since written to Zambia Army to re-assess the contract.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

MINISTRY OF DEFENCE – ZAMBIA ARMY

AUDIT QUERY

PARAGRAPH 48

UNITS:

Administration Branch
Operations & Training Branch
Logistics Branch

Accounting and Other Irregularities

49. An examination of accounting and other records maintained at the Zambia Army and a visit to selected units carried out in September 2012 revealed weaknesses to which the Controlling Officer submitted as set out below.

a) **Unaccounted for Funds-K690,513,072**

The Controlling Officer submitted to your Committee that at the time of audit, the accounting documents at the pay office were not properly organised resulting in failure to show the audit team how the cash withdrawn was spent. This had, however, been corrected and cash withdrawals had been reconciled with the payment vouchers.

Committee's Observations and Recommendations

Your Committee considers failure to account for funds on account of documents not being available at the time of the audit a very serious omission as such incidences could be used to conceal fraud. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the officers who failed to ensure safe custody of the documents in accordance with financial regulations. Your Committee resolves to close the matter subject to audit verification.

b) **Loan Revolving Fund – Non-recovery of Advances-K313,000,000**

The Controlling Officer submitted that records at the Zambia Army showed that an amount of K185,200,000 in respect of advances to 112 officers had been recovered in full as at 31 December, 2012 leaving a balance of K97,800,000. The unrecovered amount related to salary advances paid out in August 2011 which were erroneously omitted on inputs raised for recovery. The situation had now been corrected and recoveries would start with effect from February, 2013.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to caution the officer(s) responsible for the omission before the matter can be closed.

c) **Unretired Imprest-K711,253,360**

The Controlling Officer submitted that the recovery of unretired imprest amounting to K711,253,360 had been effected from the affected officers starting February 2013.

Committee's Observations and Recommendations

Your Committee observes that failure to retire imprest is a very serious omission and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest in accordance with financial regulations.

d) **Unaccounted for Stores-K1,478,991,369**

The Controlling Officer submitted that the receipt and disposal details for various stores items costing K1,417,631,370 had been located leaving a balance of K61,359,999 and efforts were still being made to locate the misplaced documents.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry failed to avail receipt and disposal details during audit which is a very serious omission and urges the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the documents. Your Committee further urges the Controlling Officer to ensure that the remaining stores details in respect of the balance of K61,359,999 are found and availed to the Office of the Auditor-General for audit verification.

e) **Unsupported Payments to Landlords-K208,330,130**

The Controlling Officer submitted that the assessment reports for repairs to landlords houses amounting to K208,330,130 had been located.

Committee's Observations and Recommendations

Your Committee expresses concern that the assessment forms were misplaced and expresses concern on how payments were made without these forms. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the officers who caused the omission. Further, your Committee urges the Controlling Officer to avail the traced assessment forms to the Office of the Auditor-General for verification after which the matter should be closed.

f) **Purchase of Properties-K350,000,000**

i. *Stand Number 385 Mansa*

The Controlling Officer submitted that the valuation of the property was carried out on 26 March 2010 by the Ministry of Works and Supply prior to the purchase. The title for the property was passed on to the Zambia Army although change of ownership had not yet been done. The Ministry of Lands had been engaged to have the title changed into Zambia Army and a copy of the title was attached for audit verification. The Zambia Army had allocated K10,000,000 to renovate the house. As for running water, the general water situation in the area where the house was located was poor and most households in that area relied on water drawn from wells at the back of their houses and private boreholes. The Zambia Army intended to drill a borehole at the house subject to availability of funds.

Committee's Observations and Recommendations

Your Committee expresses concern that the valuation report and the title deed were not availed to the Office of the Auditor-General during audit and urges the Controlling Officer to always cooperate with Auditors in order to avert queries. Your Committee notes the submission and resolves to close the matter.

ii. *Kabwata Maintenance Yard*

The Controlling Officer submitted that the Zambia Army would launch the papers for change of ownership at Ministry of Lands by the end of February 2013. The initial plan

of using the property as a museum was abandoned because after inspection of the building, it was found not to be conducive for the purpose. Hence, a decision was made to turn it into a transit guest house for soldiers.

Committee's Observations and Recommendations

Your Committee is concerned that the Zambia Army spent a lot of money on the property without being convinced that it was suitable for the intended purpose. In closing the matter, your Committee urges the Ministry to be prudent in the way it applies public resources.

g) Construction of a Cook House-K217,992,650

The Controlling Officer informed your Committee that a team was constituted from Zambia Army Headquarters to investigate the alleged undelivered construction materials for the cook house at Mushili Camp. The findings of the team were that out of the alleged undelivered material costing K217,992,651, only materials amounting to K5,400,000 had actually not been delivered.

Committee's Observations and Recommendations

Your Committee requests the Office of the Auditor-General to visit the site and verify the submission that has been made by the Controlling Officer. The matter, therefore, awaits a progress report.

h) Electrification Project - Kaoma

The Controlling Officer responded that funds that were allocated for electrification of Chisuzi and Chavula Army Compounds in Kaoma were not sufficient to cater for the purchase of electrical materials and treated poles resulting in improvised poles being used. Your Committee however, heard that K30,000,000 had since been allocated to replace the improvised poles by the end of April 2013.

Committee's Observations and Recommendations

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

MINISTRY OF DEFENCE

AUDIT QUERY

PARAGRAPH 49

Units:

Zambia National Service
Land Development Services
Administration
Production
Logistics
Projects

Accounting and Other Irregularities

50. An examination of accounting and other records maintained at the Zambia National Service (ZNS), carried out in August 2012, revealed several weaknesses on which the Controlling Officer submitted as set out below.

a) **Misapplication of Funds meant for Personal Emoluments - K200,000,000**

The Controlling Officer submitted that during the last quarter of 2011, the funding for RDC's were not adequate and the Zambia National Service transferred funds meant for personal emoluments to the industries account to meet urgent administrative payments in order to continue with operations. It was regrettable that authority was not sought before transferring the funds. The Ministry, therefore, sought the indulgence your Committee to consider granting retrospective authority.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to seek retrospective authority from the Secretary to the Treasury before the matter can be closed. Your Committee urges the Controlling Officer to desist from misapplying funds meant for personnel emoluments as this is expressly prohibited by the financial regulations. They await a progress report on the matter.

b) **Stores without Receipt and Disposal Details-K360,255,504**

The Controlling Officer submitted that at the time of the audit, some receipts and disposal details of stores items costing K360,255,504 from remote units were not available for verification. These were, however, received and forwarded to the Office of the Auditor-General for verification.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry failed to avail receipt and disposal details during the entire audit process which is a very serious omission and urges the Controlling Officer to take disciplinary action against the officers who caused the omission. Your Committee resolves to close the matter subject to audit verification.

c) **Renovation of Deputy Commandant's Residence-Outstanding works and defects**

The Controlling Officer submitted that the items totalling K15,600,000 were not fixed by the contractor and would be deducted from the balance yet to be paid to him. The Controlling Officer further submitted that while works on the Annex were done, the main house was not done due to financial constraints. It was regrettable that the decision was made to start the works with Annex instead of the main house which was not in the best interest of the Ministry and the Service. The Controlling Officer had since written to the Commandant advising him to desist from making such decisions without consulting other relevant institutions of government. The Service however, was making efforts to source funds in order to complete the works.

Committee's Observations and Recommendations

Your Committee finds the decision taken by the Ministry very unfortunate and unwise as it had resulted in huge cost on rentals which could have been avoided had the correct decision been made. Your Committee urges the Controlling Officer to caution the Command against making such costly decisions. The Controlling Officer is urged to ensure that funds are sourced to complete the house without further delay.

d) **Procurement of Earth Moving Equipment**

i. *Non delivery of spare parts-K1,012,679,640 (US\$195,498)*

The Controlling Officer submitted that the spare parts costing K1,012,679,640 (US\$195,498)

were not delivered by the contractor who confirmed that the undelivered spare parts would be delivered. The spare parts would be delivered as a third batch as per letters of confirmation from the Zambia National Service Commandant. The spare parts would be delivered in two batches. First batch to be air freighted and expected in Zambia by week beginning 18 March 2013 while the second and final batch by Sea Freight was expected in Zambia by June, 2013

ii. *Non compatible spare parts - K86,651,040 (US\$16,728)*

The Controlling Officer submitted to your Committee that the wrong spare parts costing K86,651,040 (US\$16,728) not compatible with the equipment were brought to the attention of the supplier who has since agreed to replace them and ship them together with the third consignment of undelivered spare parts.

Committee's Observations and Recommendations

Your Committee notes the submission and will await a progress report on the equipment that is yet to be delivered.

e) **Misapplication of Funds - Ndola Land Development Branch-K213,606,000**

The Controlling Officer submitted that the funds were misapplied on payment of rentals. This was necessitated by eviction threats by landlords to officers due to erratic funding on RDCs. To avoid accumulation of rental bills, some personnel had been posted to other units with service accommodation and the remaining essential workers were drawing housing allowances in line with Government Circulars on housing allowances.

Committee's Observations and Recommendations

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

MINISTRY OF EDUCATION

AUDIT QUERY

PARAGRAPH 50

- Headquarters
- Human Resource and Administration
- Planning and Information
- Standards and Curriculum Directorate
- Teacher Education and Specialised Services
- Distance Education Directorate

Accounting and Other Irregularities

51. An examination of accounting and other records maintained at the Ministry carried out in June 2012 revealed some weaknesses to which the Controlling Officer responded as set out below.

a) **Unvouched Expenditure-K46,275,050,139**

The Controlling Officer submitted that payments in amounts totalling K44,626,012,199 had been vouched leaving a balance of K1,649,037,940. The unvouched payments were due to the fact that payments were being captured in IFMIS and raising payments outside was seen as unnecessary. With advice from Office of the Auditor-General, the Ministry had also started raising payment vouchers outside the system and had continued to work on those payment vouchers that were not vouched to ensure that they were vouched.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to avail the recovered supporting documents to the Office of the Auditor-General for audit verification before the matter can be closed.

b) Payment without Cabinet Authority-K1,095,922,199

The Controlling Officer informed your Committee that payments in amounts totalling K91,301,869 now had Cabinet authority leaving a balance of K1,004,620,330. He further informed your Committee that the Ministry would endeavour to ensure that Cabinet authority was obtained each time the Ministry was holding workshops.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

c) Unretired imprest-K6,350,381,348

The Controlling Officer submitted that amounts totalling K4,645,401,102 had been retired leaving a balance of K1,704,980,246. The Ministry had effected recoveries from the officers' salaries.

Committee's Observations and Recommendations

Your Committee considers failure to retire imprest a very serious omission and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest in a timely manner. Your Committee resolves to close the matter subject to audit verification of the retirements and the recoveries.

d) Unaccounted for Stores - K565,931,577

The Controlling Officer informed your Committee that the Ministry had taken steps to avert the recurring of irregularities of this nature by replacing the current stores officers with officers that were more conversant with stores management. These new officers had since facilitated the maintenance of the appropriate stores ledgers which were available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry failed to avail receipt and disposal details during audit which is a very serious omission and urges the Controlling Officer to ensure close supervision of the stores section. Your Committee also urges the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification before the matter can be closed.

e) Un-acquitted Allowances paid to Students

The Controlling Officer informed your Committee that previously, payment of student allowances in universities was done over the counter and acquittal sheets were done there and then. The payment system had since changed as students were now paid through bank transfers to their individual bank accounts which had made physical acquittal sheets difficult to attain. Therefore, verification of payments of student allowances could only be verified through copies of telegraphic bank transfers.

Committee's Observations and Recommendations

Your Committee notes the submission by the Controlling Officer but urges the Controlling Officer to ensure that all transfers to any student are accounted by obtaining confirmation from the banks that the accounts of students have been credited.

f) Poor Maintenance of Fuel Records-K1,032,596,176

Your Committee was informed that the poor maintenance of fuel records had been compounded by the fact that the fuel records were being maintained by various directorates and units instead of the central stores office. The Ministry had since moved the management of fuel from individual directorates and units to the central stores which were being managed by qualified stores officers. This had made it possible for the fuel registers to be maintained as well as perform monthly fuel reconciliations.

Committee's Observations and Recommendations

Your Committee observes that the Ministry failed to avail receipt and disposal details in respect of fuel costing K1,032,596,176 mainly due to poor supervision and weak controls. The Controlling Officer is implored to take disciplinary action against the officers who should have ensured safe custody of the documents. Your Committee also directs the Controlling Officer to avail the traced stores documents to the Office of the Auditor-General for audit verification so that the matter can be closed.

g) School Health Nutrition -Failure to Collect Purchased Maize-K29,750,000,000

The Controlling Officer informed your Committee that the Ministry had started collecting the maize from the Food Reserve Agency (FRA) which was now being milled by the contracted millers for the subsequent distribution to various schools. The Controlling Officer added that since the Ministry did not have storage facilities, maize was only collected when the Ministry was ready to distribute it to schools.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Controlling Officer to put in place measures to help reduce inefficiencies in the management of the programme. Your Committee resolves to close the matter subject to audit verification that the situation has improved.

h) Delays in the completion of Construction Works for Schools and Poor Workmanship

i. *Construction of Masaiti Boarding High School*

The Controlling Officer submitted that water and sewerage system had now been done while the drive way, walk ways and access roads had been done partially and the works were ongoing. On the other hand, landscaping and construction of the wall fence were outstanding.

Committee's Observations and Recommendations

Your Committee is concerned with the increasing trend of public institutions failing to ensure that works are completed within the contract period and urges the Controlling Officer to work closely with the Buildings Department to improve supervision of such projects. Your Committee resolves not to close the matter until all the works are completed.

- **Construction of Lufwanyama Boarding High school**

The Controlling Officer submitted that fitting of laboratory taps, construction of sewer ponds, sewerage and water reticulation system, the drive and walls ways had all been done. The only outstanding works were some minor touches and other external works.

Committee's Observations and Recommendations

Your Committee expresses concern that works were delayed without any convincing reasons and urges the Controlling Officer to ensure that all works are completed within the contract period by working closely with the Buildings Department to improve supervision of such projects. The matter is recommended for closure subject to audit verification.

- **Construction of Mpongwe (B) Basic School**

Your Committee was informed by the Controlling Officer that the water reticulation system, erection of a water tank, construction of walkways, painting of shelves in class store rooms, connection of electricity to the main line, external plumbing works on the staff houses had all been done and the school was in operation.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to ensure that such works are always completed within the contract period. Your Committee resolves to close the matter subject to audit verification.

- ii. *Construction of Kapiri Mposhi Technical Boarding High School*

The Controlling Officer submitted that the structures were completed and the school was in operation. Further, construction works involving septic tanks and water reticulation system were all completed while landscaping and construction of wall fence was in progress. The cracks in the library and laboratory floors had been worked on.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to ensure that such works are always completed within the contract period.

- iii. *Construction of Mpongwe (Misongwe) Boarding High School*

Your Committee was informed that the Ministry was still waiting for the progress reports regarding the construction works on all the outstanding works.

Committee's Observations and Recommendations

Your Committee notes with concern that the Controlling Officer failed to obtain a current status of the works despite the Auditor-General having raised the query months back which is unacceptable. Your Committee awaits a progress report on the matter and urges the Controlling Officer to ensure that works are completed without further delay.

iv. *Construction of Chipepo Boarding High School*

The Controlling Officer submitted that windows in the home economics laboratory and curtain rails in the dormitories had all been fitted. The access roads, outside sewerage and water reticulation system, landscaping and the wall fence, all were still outstanding.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to ensure that such works are completed within the contract period by working closely with the department of Building in the supervision of the works.

v. *Outstanding Construction of Itezhi Tezhi Boarding High School*

The Controlling Officer acknowledged that at the time of audit, there were outstanding works on Phase I and II contracted to Provident Investment Limited and Hua Jiang Investment Limited respectively but the Ministry was still waiting for progress reports regarding the outstanding construction works on both phases.

Committee's Observations and Recommendations

Your Committee notes with concern that the Controlling Officer failed to obtain a current status of the works despite the Auditor-General having raised the query months back which is unacceptable. Your Committee awaits a progress report on the matter and cautions the Controlling Officer against taking audits lightly.

MINISTRY OF EDUCATION

AUDIT QUERY

PARAGRAPH 51

Department : Regional Headquarters

Accounting and Other Irregularities

52. An examination of accounting and other records maintained at the Provincial Education Offices, selected District Education Boards, Teacher Training Colleges, High schools and Basic Schools and a physical inspection of selected projects carried out during the period from February to June 2012 revealed weaknesses to which the Controlling Officer submitted as set below.

a) **Missing Payment Vouchers-K929,197,165**

Your Controlling Officer informed your Committee that the 134 payment vouchers in amounts totalling K366,867,467 had been traced leaving a balance of K562,329,698. The Controlling Officer further submitted that he had written to the lower levels that all missing payment vouchers should be found within fourteen (14) days.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the balance amounting to K562,329,698 is retired and availed to the Office of the Auditor-General for audit verification without delay. They await a progress report on the matter.

b) **Unsupported Payments-K4,130,589,760**

The Controlling Officer submitted that payments in amounts totalling K2,003,153,920 had been supported with relevant documents leaving a balance of K2,096,010,020.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the supporting documents as required by financial regulations. Your Committee also urges the Controlling Officer to avail the recovered supporting documents to the Office of the Auditor-General for audit verification. The Controlling Officer is implored to ensure that the K2,096,010,020 which was unsupported is supported without further delay before the matter can be closed.

c) **Unacquitted Funds-K86,053,500**

The Controlling Officer submitted that the payments in amounts totalling K49,022,000 had been acquitted leaving a balance of K37,031,500.

Committee's Observations and Recommendations

Your Committee considers failure to acquit payments a very serious omission as it is impossible to verify whether the payments were made for the intended purposes. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the officers who failed to secure the acquittals. Your Committee awaits a report on the balance of K37,031,500.

d) **Unretired Imprest-K2,611,198,846**

The Controlling Officer submitted that imprest in amounts totalling K1,363,968,735 had been retired leaving a balance of K1,405,325,671. He further submitted that his Office had directed lower levels to recover from the payroll for all the outstanding amounts from the affected officers. With regards imprest in amounts totalling K339,302,073 issued to eighteen (18) officers who had not retired previous imprest, the Controlling Officer submitted that all the imprest had since been retired. In respect of imprest in amounts totalling K592,482,851 issued to fifty three (53) officers to undertake various activities which had no reports, he explained that imprest in amounts K128,654,960 had reports submitted leaving a balance of K463,827,891.

Committee's Observations and Recommendations

Your Committee expresses concern at the general poor management of imprest in the Ministry and urges the Controlling Officer to urgently put measures in place to correct the situation. Your Committee urges the Controlling Officer to take disciplinary action against the officers who fail to retire imprest in time. Further, the Controlling Officer is strongly urged to take disciplinary action against officers who failed to produce reports after drawing imprest to undertake assignments. Your Committee awaits a progress report on the matter.

e) **Questionable Retirement of Imprest-K434,078,157**

The Controlling Officer informed your Committee that the various DEBS offices had been instructed to recover imprest through the payroll. For Mpika DEBS, the Controlling Officer submitted that the days, in respect of K42,176,000, had been reconciled and those with overlapping days had been asked to refund the money and a total amount of K3,100,000 had so far been recovered.

Committee's Observations and Recommendations

Your Committee observes that cases of questionable retirement of imprest are to be taken seriously as in most cases, the intention was to defraud Government and hence the Controlling Officer should have carried out investigations to determine whether the cases should be reported to Police instead of merely recommending deductions. The Controlling Officer is, therefore, implored to send an internal audit team to establish what transpired and decide on the way forward.

f) **Misapplication of Funds-K8,257,081,538**

The Controlling Officer submitted that amounts totalling K712,756,712 had been re-imbursed and used for the intended purposes leaving a balance of K7,544,324,826.

Committee's Observations and Recommendations

Your Committee finds the widespread misapplication of funds in the Ministry unacceptable considering that most of the activities on which the funds were misapplied were not urgent in nature. Your Committee further expresses concern at the failure by the Controlling Officer to seek authority from the Secretary to the Treasury as set out in the financial regulations before usage of these funds. Your Committee, therefore, urges the Controlling Officer to seek retrospective authority from the Treasury.

g) **Unaccounted for Funds-K821,297,831**

The Controlling Officer submitted that funds totalling K305,355,671 had been accounted for leaving a balance of K515,942,160, in respect of which institutions had been requested to account for these funds failure to which disciplinary action would be instituted.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry was not able to account for such huge sums of money and cautions the Controlling Officer for not taking disciplinary action against the officers who failed to account for the funds. Your Committee resolves not to close the matter until the funds are fully accounted for.

h) **Irregular Payment of Subsistence Allowance**

i. *Irregular loading and offloading allowance- K22,170,000.*

The Controlling Officer informed your Committee that the Ministry was making efforts through the DEBS offices involved namely; Shangombo DEBS, Sesheke High School and Mpika to ensure that all the officers who were irregularly paid the subsistence allowance refunded it.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that, in addition to the recoveries, supervising officers who approved the payments are cautioned. Further, the Controlling Officer is advised to remind all other stations of the need to avoid such irregular payments. Your Committee awaits a progress report on the matter.

ii. *Payment of Subsistence Allowance for activities held within station- K29,121,900*

The Controlling Officer informed your Committee that he had instructed concerned institutions to recover amounts totalling K29,121,900 within six months.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that, in addition to the recoveries, supervising officers who approved the payments are cautioned. Further, the Controlling Officer is advised to remind all other stations of the need to avoid such payments. Your Committee awaits a progress report on the matter.

i) **Unaccounted for Stores-K2,737,825,191**

The Controlling Officer informed your Committee that stores items costing K634,336,977 had now been accounted for leaving a balance of K2,103,488,214 and efforts were being made by the Ministry to ensure that all stores receipts and disposal details were found.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry has not managed to find the receipt and disposal details amounting to K2,103,488,214 which is worrisome as it is not possible to verify whether the materials procured were delivered and how they were utilised. Your Committee, therefore, urges the Controlling Officer to take stern disciplinary action against the officers who should have ensured safe custody of the documents. Your Committee also urges the Controlling Officer to avail the recovered stores documents amounting to K634,336,977 to the Office of the Auditor-General for audit verification.

j) **Failure to remit Tax-K566,420,897**

The Controlling Officer explained to your Committee that the DEBS offices had not re-mitted these funds to Zambia Revenue Authority to date due to erratic funding on third party payments from Headquarters.

Committee's Observations and Recommendations

Your Committee expresses concern that tax remittances in respect of an amount of K566,420,897 had been delayed due to erratic funding and urges the Controlling Officer to engage the Secretary to the Treasury on how this matter can be addressed. Your Committee awaits a progress report on the matter.

k) **Failure to recover Loans and Salary Advances-K1,247,972,581**

The Controlling Officer submitted to your Committee that salary inputs were not effected because of the PMEC system failure but these had since been effected except for those in respect of Mufulira High School and Chililabombwe that were still outstanding.

Committee's Observations and Recommendations

Your Committee notes the submission but resolves not to close the matter until all the recoveries have been effected.

l) Payment of Loans and Salary Advances to employees whose salaries were below 40%

Your Committee was informed that with regards to this matter, the Provincial Education Officer had been written to for him to explain why the Provincial Office paid salary advances to employees earning below 40% take home pay.

Committee's Observations and Recommendations

Your Committee is disappointed by the failure on the part of the Controlling Officer to detect this irregularity in time and also on the delay to respond to the matter. Your Committee awaits a progress report on the matter.

m) Failure to disburse Grants to Basic Schools - K353,896,968

The Controlling Officer submitted that the Ministry had written to the District Education Board Secretary for him to provide an explanation as to why they failed to disburse funds to the schools failure to which the Ministry would withhold their quarterly grant which was sent to respective schools.

Committee's Observations and Recommendations

Your Committee expresses concern at the casual manner the matter was being dealt with by the Ministry. Your Committee is of the view that the Controlling Officer should have taken more drastic measures to establish what transpired. Your Committee urges him to address the matter without further delay and provide a progress report.

n) Rehabilitation of Mulira Basic School – Eastern Province – Nyimba

The Controlling Officer submitted that the school entered into a labour based contract at a contract price of K9,783,520. As of September, 2012, a total amount of K60,965,780 had been spent on building materials (K49,438,000), transportation (K6,515,789), labour charge (K3,712,000) and allowances (K1,250,000) leaving a balance of K11,010,020. The construction works that were still outstanding would be done once funds were made available through the District Education Board.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

o) Irregular Payment of Long Service Bonus (PEO – Livingstone) - K77,233,153

The Controlling Officer informed your Committee that the teachers who were paid long service bonus were assistant teachers who were not trained and therefore were Classified Daily Employees who were entitled to long service bonus.

Committee's Observations and Recommendations

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

p) **Overpayment of Leave Terminal Benefits by PEO - K6,000,000**

The Controlling Officer informed your Committee that the current position regarding this matter was that, the Provincial Education Office had been written to find out means and ways of how to recover the over payment to the retired officer.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

q) **Rehabilitation of Schools – Blown-off Roofs K117,759,000**

The Controlling Officer submitted that Choma District obtained authority from the District Tender Committee while at Monze District, the District Education Board Secretary had been asked to obtain tender ratification immediately.

Committee's Observations and Recommendations

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

r) **Misappropriation of Funds – Masaiti DEBS – Copperbelt Province K2,800,000**

The Controlling Officer submitted that the District Education Board Secretary had been written to, to explain how they had dealt with this fraud case so as to establish if appropriate disciplinary action has been taken against the officer.

Committee's Observations and Recommendations

Your Committee observes that this was a clear case of fraud in respect of which the Controlling Officer should have issued immediate instructions to report the matter to investigative wings instead of the way it was handled. Your Committee, therefore urges the Controlling Officer to ensure that the case is reported to the Police without further delay and provide a progress report.

MINISTRY OF LIVESTOCK AND FISHERIES DEVELOPMENT

AUDIT QUERY

PARAGRAPH 52

Accounting and Other Irregularities

53. An examination of the accounting and other records maintained at the Ministry Headquarters and visits to selected provinces carried out in March 2012 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Unvouched Expenditure - K89,336,000**

- **Missing Vouchers – K34,227,600**

The Controlling Officer informed your Committee that the missing payment vouchers had since been located and filed correctly and the officer had been charged and moved to perform other duties. The Ministry endeavours to improve its filing system through training of staff and acquire more storage space.

Committee's Observations and Recommendations

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

- **Unsupported Payments – K55,108,400**

The Controlling Officer submitted that of the K55,108,400 that had no supporting documents, K49,118,400 had still no supporting comparative quotations. This procurement was single sourced because of the specialised nature of the item procured and there was only one supplier. The officer who was supposed to offer advice had been charged and in an effort to correct the situation instructions were issued to all officers to adhere to the procurement procedures.

Committee's Observations and Recommendations

Your Committee resolves to close the matter upon recommendation by Auditor-General that the matter had been resolved.

- b) **Unretired Imprest (K413,071,715 and additional K67,100,000)**

The Controlling Officer submitted that this situation was attributed to poor supervision of accounting staff but the outstanding imprest of K413,071,715 was reduced to K299,425,000 as per Auditor's status report. Of this outstanding amount, K130,278,520 had since been retired leaving a balance of K169,146,980. Recoveries had been instituted in March 2013 for the remaining amounts and a copy of the input form was available for audit verification while accounting officers had been charged for the irregularity. As regards K67,100,000 subsequent imprest issued to six officers, the Controlling Officer had strongly cautioned the accounting officers not to issue imprest to officers with outstanding imprest.

Committee's Observations and Recommendations

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

- c) **Non - recovery of Loans and Advances-K1,438,000,000**

The Controlling Officer submitted that after audit verification, this amount was reduced to K847,000,000 in respect of which recoveries had been effected. The recoveries could not be instituted in time due to delayed inputting by the officer responsible for effecting recoveries and he had since been charged.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification of the disciplinary actions that the Controlling Officer had taken and that recoveries have been instituted.

- d) **Unaccountable for Fuel - K1,394,100,000**

The Controlling Officer submitted that this situation arose because the Transport Officer had misfiled the documents at the time of audit and had since been charged. The situation was corrected as reconciliation of fuel purchased and issued had been matched with receipts and disposal details. The Ministry had introduced the use of Tomcards to strengthen the controls.

Committee's Observations and Recommendations

Your Committee notes the action that has been put in place to correct the situation but resolves not to close the matter until evidence of the disciplinary action taken by the Controlling Officer is availed to the Office of the Auditor-General for audit verification.

e) Construction Works at Mukulaikwa Animal Breeding Centre - K106,020,380

The Controlling Officer submitted that the reason was that the animals had already arrived at Mukulaikwa Livestock Breeding Centre and a bio security system was urgently required and there was need to speed up civil works at the breeding centre in order to protect the animals from disease outbreaks. The works were not fully completed at the time of auditing but had since been completed and the completion certificate obtained. The responsible officer had been cautioned for authorising payment before receiving certificate of completion of works. In future the Controlling Officer promised to ensure that they abide by the contract agreement and no payment was made in full before the works were completed.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that strict adherence to contractual payment terms and requests the Auditor-General to verify the matter before it is closed.

f) Chilanga Department of Fisheries

i. *Non - recovery of Loans and Advances-K155,000,000*

Your Committee was informed that this was due to the delay in inputting the information by the officer entrusted with effecting recoveries. The Assistant Human Resource Officer had since been cautioned and the recoveries had since been running. The Ministry had put internal controls such as ensuring that recoveries start running in the following month after obtaining the loan and or advance.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to audit verification that recoveries are running and evidence of the disciplinary action said to have been undertaken on the erring officers availed to the Office of the Auditor-General.

ii. *Failure to utilise boats*

The Controlling Officer submitted that the first boat was taken to Lake Kariba Research Station instead of Mweru-wa-ntipa due to an urgent joint Survey that was to be conducted with Zimbabwe and Lake Kariba had no boat at the time. A replacement for this boat would be procured and sent to Mweru-wa-ntipa and a budget had since been provided for in 2013. On the second boat, the Controlling Officer submitted that it over stayed at Chilanga due to difficulties in finding an appropriate transporter. However, the vessel was subsequently transported to Samfya and was launched in October, 2012.

Committee's Observations and Recommendations

Your Committee expresses concern at the anomaly which brought to light a high level of poor planning prevailing in the Ministry and urges the Controlling Officer to be more systematic in the Ministry's procurements. Your Committee awaits a progress report on the procurement of the boat meant for Mweru-wa-ntipa.

MINISTRY OF LIVESTOCK AND FISHERIES DEVELOPMENT

AUDIT QUERY

PARAGRAPH 53

Copperbelt Province - Provincial Livestock and Fisheries Coordinating Office

Copperbelt Province - District Livestock and Fisheries Coordinating Office

Accounting and Other Irregularities

54. An examination of accounting and other records maintained at the Provincial and District Livestock and Fisheries Offices carried out in October 2012 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Missing Payment Vouchers - K79,383,370**

The Controlling Officer submitted that the vouchers were misfiled due to understaffing. However, all the payment vouchers had since been retrieved and filed appropriately.

Committee's Observations and Recommendations

Your Committee finds the explanation rendered by the Controlling Officer unacceptable and urges him to ensure that officers are closely monitored to enable them respond in a timely manner to such basic queries. The matter is recommended for closure subject to audit verification by the Auditor-General's Office.

b) **Unsupported Payments K199,663,539**

Your Committee was informed that the payments were unsupported because the office had run out of documents like local purchase orders. The procurement unit had made an order but they were not supplied in good time. As for the vouchers which were unsupported with tax computations, the payments had total figures less than what was recommended for deduction (threshold) as per ZRA No. 120 Procedures no. 1 of 2011 Part III Art 17.5. (c). The receipts were not attached due to misfiling and the officer responsible was cautioned. The Local Purchase Orders had since been received and unsupported payments had been accounted for and receipts attached for all the cost centres in question. The Ministry had improved the filing system by employing qualified staff.

Committee's Observations and Recommendations

Your Committee observes that the reason given by the Controlling Officer is a strong indication of poor planning in the Ministry and urges him to put strong controls in place to avert such omissions. Your Committee, however, resolves to close the matter subject to audit verification.

c) **Unaccounted for Store - K192,819,226**

The Controlling Officer submitted that receipt and disposal details that were unaccounted for was due to mis-filing of documents by the stores officer and lack of supervision, both officers were cautioned. All the receipt and disposal details had since been located. Officers handling stores in all districts had been reoriented on office management in order to improve performance.

Committee's Observations and Recommendations

Your Committee notes the action taken by the Controlling Officer but resolves not to close the matter until evidence of the disciplinary action taken by the Controlling Officer is availed to the Office of the Auditor-General for audit verification.

d) **Unretired Imprest-K320,284,987 and K19,430,000**

The Controlling Officer submitted that following issuance of a status report by the Auditor, imprest amounting to K238,314,987 was verified as having been retired leaving a balance amounting to K81,970,000 issued to four (4) officers and allowances totalling K19,430,000 paid to three officers. The balances were being recovered from the officer's salaries. The imprest and allowances were not acquitted due to misfiling by officers and the Accountant had since been cautioned.

Committee's Observations and Recommendations

Your Committee notes the action taken by the Controlling Officer but resolves not to close the matter until evidence of the disciplinary action taken by the Controlling Officer against the officers who caused the query is availed to the Office of the Auditor-General for audit verification.

MINISTRY OF LIVESTOCK AND FISHERIES DEVELOPMENT

AUDIT QUERY

PARAGRAPH 54

Southern Province - Provincial Livestock and Coordinating Office

Southern Province - District Livestock and Fisheries Office

Programme: Provincial and District Livestock and Fisheries

Accounting and Other Irregularities

55. An examination of accounting and other records maintained at Choma Provincial Office and Livingstone, Mazabuka, Monze, Choma and Kalomo District Livestock and Fisheries Offices (DLFOs) and physical inspection of selected projects carried out in September 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Missing Payment Vouchers - K28,204,000**

The Controlling Officer submitted that this was due to misfiling of documents by the accounting staff in Livingstone and Monze Districts and the responsible officer had been strongly warned. The vouchers had since been found and were available for audit verification while the Ministry had undertaken in-house re-orientation of staff on office management and mindset.

Committee's Observations and Recommendations

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

b) **Inadequately Supported Payments – K332,772,752**

Your Committee was informed by the Controlling Officer that this was due to poor record keeping by staff and the documents had since been found. The Controlling Officer had cautioned the accountant at the provincial office to improve his performance and supervision.

Committee's Observations and Recommendations

Your Committee notes the measures put in place by the Controlling Officer but resolves not to close the matter until evidence of the disciplinary action taken against the erring accountant is availed to the Office of the Auditor-General for audit verification.

c) **Staff recruited without Authority - K61,845,000**

The Controlling Officer submitted that the decision to employ was made by provincial management as a result of inadequate human resource to herd cattle and feed animals at Mochipapa Research Station. The Ministry had limitations in the establishment and had no authority to employ permanent workers. Casual workers were paid from operational funds. The Ministry had since been granted treasury authority for a number of positions and staff were recruited and were being deployed.

Committee's Observations and Recommendations

Your Committee views this omission as another indication of poor planning in the Ministry and urges the Controlling Officer to be proactive to avoid being found in such circumstances. The matter is however recommended for closure subject to audit verification.

d) **Unretired Imprest-K144,118,042**

The Controlling Officer submitted that the unretired imprest at the time of the audit were due to lack of supervision and he had strongly warned officers and their supervisors to duly comply with Financial Regulations while the whole amount for all cost centres cited had since been retired. He had further instructed accounting staff to be submitting monthly updates on outstanding imprest to their supervisors.

Committee's Observations and Recommendations

Your Committee notes the submission by the Controlling Officer but resolves not to close the matter until retirement documents are verified by the Office of the Auditor-General.

e) **Unaccounted for Stores - K499,755,279**

The Controlling Officer reported that the irregularity was due to poor record keeping caused by unqualified stores personnel. Classified Daily Employees (CDEs) were the ones handling stores. The supervisors had been cautioned over poor supervision. As for the laptop, the concerned officer had since been charged and the Ministry had requested for authority from PSMD to employ qualified stores personnel.

Committee's Observations and Recommendations

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

f) **Fuel Drawn by Vehicles not belonging to Livingstone DLFO-K8,541,960**

The Controlling Officer submitted that the officer responsible had been charged and the Ministry was awaiting his response.

Committee's Observations and Recommendations

Your Committee awaits the outcome of the disciplinary process.

g) **Infrastructure-Provincial Livestock and Fisheries Office**

Your Committee was informed by the Controlling Officer that this was due to poor supervision by the Buildings Department. The contractor was written to and had agreed to fit the bull nose bricks. It was also true that there were discrepancies regarding dimensions of doors, window frames and back stair case and the province had since written to the Buildings Engineer to highlight the short comings for them to embark on correcting the situation and they had not yet replied.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that special attention is paid to the procurement process so that all procurements are done within required specifications. Your Committee awaits a progress report on the rectification of the identified defects.

i. *District Service Centres Infrastructure*

Choma Crush Pen at Chipande

- ***No contract document & Incomplete rails and no nuts and bolts in some joints***

The Controlling Officer submitted that the completion report was available and the contractual document was misfiled by one officer who had since been cautioned and the document had since been located. On the incomplete rails, the Controlling Officer submitted that this was due to delays by the contractor who had run out of materials such as teak timber. The missing nuts and bolts were because works were still ongoing at the time of the audit and the crush pen was completed and was now being used.

Committee's Observations and Recommendations

Your Committee observes that important documents such as contracts are supposed to be kept in safe custody and availed for audit when required. Your Committee resolves to close the matter subject to audit verification.

Sinazongwe

- **Water reticulation at Kanchindu goat breeding centre**
- **Incomplete laying of the poly pipes from tank to the goat house.**

The Controlling Officer stated that the Ministry had split the works into two parts; installation of pump and laying of poly pipes, and the construction of two (2) water troughs. At the time of audit, the first part of works (installation of pump and laying of poly pipes) was complete yet the second part of the works (construction of two (2) water troughs) was processed after the audit and this then completed the whole water reticulation system. The Controlling Officer further stated that the system was designed in such a way that the end point of poly pipe was placed at a central location away from the goat house so that water could be provided to both the water troughs and the dip tanks.

Committee's Observations and Recommendations

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

- **Rehabilitation of Fisheries centre- K73,350,000 had been spent on drawings but as of August 2012 no works has started**

Your Committee was informed that the project involved construction as well as rehabilitation of infrastructure and thus the delay was due to the tender process which took long and the late funding for the project. The funds were received in November 2011 while the tendering process started in April, 2012. The contract was evaluated in June 2012 and awarded in July. The project status was that the rehabilitation of the water reticulation system had been completed and one (1) dormitory was at roof level.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure timeliness in the implementation of projects so as to attain the intended objective. Your Committee awaits a progress report on the outstanding works.

Mazabuka Construction of a dip tank

- **Facility not yet handed over to community**
- **Construction of a dip tank**
- **Double VIP toilet at Kalambabakali**

The Controlling Officer reported that the delay in handing over of both the dip tank and the VIP toilet at Kalambabakali was because they developed cracks after completion, due to poor workmanship. The contractor wrote to confirm outstanding works and had undertaken to complete the works by 18 March 2013. The dip tank at Magoye Central had since been handed over to the community.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure timeliness in the implementation of projects so as to attain the intended objective. Your Committee awaits a progress report on the outstanding correction works.

Kazungula - Construction of a Dip tank, resting shelter & VIP toilet

The Controlling Officer submitted that the contractor, following a number of attempts, failed to find water and a decision was made by management to relocate the dip tank from Sikaunzwe to Kazungula Central. The VIP toilet and resting shelter on the other hand were relocated to Katapazi. The dip tank, resting shelter and VIP toilet had since been completed and were operational. The Ministry would endeavour to undertake feasibility studies prior to engaging a contractor.

Committee's Observations and Recommendations

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

Kalomo -Construction of crush pen at Camp No.3

- **The roofing of animal shelter had not been completed as some iron sheets had not been fitted**
- **Construction of dip tank at Camp No.3. The construction of the dip tank had not been completed in that the side walls and roofing were still outstanding as of July, 2012**

The Controlling Officer submitted that some iron sheets were fitted on the animal shelter but were stolen. The responsible officer unfortunately did not report the matter to the police and had been surcharged accordingly while the iron sheets had since been replaced. The animal shelter was completed and handed over to the community and the construction of a dip tank at No. 3 was delayed because the contractor ran out of materials. The contractor mobilised materials and the project had been completed and awaiting completion certificate.

Committee's Observations and Recommendations

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

Construction of Crush Pen at Mukanda - The rails used in Mukanda were small and started falling off

The Controlling Officer reported that this was because of poor supervision by the client and the Building Department. A letter was written to Buildings Department and the works supervisor was written to over the observations. The community was mobilised to repair the rails since the facility had already been handed over and was operational.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

Muyuni and Nsali - The poles had been attacked by termites in all three centres

The Controlling Officer submitted that the challenge faced was that the chemical that was used to treat the pole was ineffective in preventing termite attack and this was due to poor supervision by the client and Building Department coupled with dishonesty by the contractor who used a chemical that was ineffective. The community was engaged and advised to apply a different chemical to counter this attack.

Committee's Observations and Recommendations

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

Concrete Slab at Muyuni Crush Pen had started falling off

The Controlling Officer informed your Committee that this was partly due to poor workmanship by the Contractor and poor supervision by Buildings Department. The communities had formed effective crush pen committees that would be responsible for taking care of the facility in order to have a sense of ownership of the infrastructure.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the identified defects are attended to and provide a progress report.

Crush pens not yet handed over to the community

The Controlling Officer submitted to your Committee that it was because the Ministry of Livestock and Fisheries Development was still coming up with guidelines on how to use facilities and ensure that all the facilities had both a dip tank and a crash pen. The process of community mobilisation was still being implemented. The Guidelines had since been developed and the crush pen had since been handed over to the community.

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.

Construction of crush pen at Nantale (Some rails had fallen off)

- **Some feeding and drinking troughs had fallen off**

The Controlling Officer reported that this was due to poor workmanship by the contractor and poor supervision by Building Department. The Buildings Department was notified and had not replied, however, the communities had formed effective crush pen committees that would be responsible for taking care of the facility in order to have a sense of ownership of the infrastructure.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the identified defects are attended to and provide a progress report on the matter.

Adjusting of Loading Bay at Siachitema

No scope of works done, poles at loading bay not firmly fixed on slab

The Controlling Officer submitted that the scope of works was misfiled and that was why they were not available at the time of audit. The officer had been cautioned for misfiling and the scopes of works were appended for audit verification. With regards the loading bay, works were still ongoing at the time of audit and the poles had since been firmly fixed. The payments for the work were approved by the Ministry of Works and Supply on 7 January, 2011.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the identified defects are attended to and provide a progress report on the matter.

Rehabilitation of staff house

- **House not occupied by staff as at July, 2012**

Your Committee was informed that this was because the officer manning the camp had just been retired from the Civil Service and there was nobody to take over from him due to inadequate staffing in the department. A Veterinary Assistant occupied the house in January 2013 and the Ministry would endeavour to programme staff placement in order to fill in vacancies without delay.

Committee's Observations and Recommendations

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

Construction of crush pen at Kalonda

- **Some of the rails had fallen off**

The Controlling Officer submitted that this was due to poor workmanship by the contractor and lack of supervision by client and the Buildings Department.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the identified defects are attended to and provide a progress report on the matter.

Rehabilitation of staff house and construction of VIP toilet at Dimbwe

The Controlling Officer submitted that the Bill of Quantities was misfiled but had since been located and the officer had since been verbally cautioned and instructions were given to ensure that such documents were kept by procurement officers. As regards the window panes, work was still going on and had since been completed while the house was occupied by a teacher at the time to avoid vandalism because of shortage of staff in the Ministry. However, an officer was posted in November, 2012 and had since occupied the house. The Ministry would endeavour to programme staff placement in order to fill vacancies without delay.

Committee's Observations and Recommendations

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

- **Drilling of Boreholes and Installation of Water Pumps**

The Controlling Officer submitted that works at the other two (2) borehole sites in Sikaunzwe and Kazungula central had not been completed and the contractor had abandoned the site. The driller did dry boreholes at Sikaunzwe in Kazungula District and his machines broke down and therefore could not accomplish his works during the stipulated time. The matter had been reported to the Police by the Office of the Provincial Agricultural Coordinator. The Ministry had directed that all contracts should be sent to the Attorney General for clearance as per requirement of *Article 54 (3) of the Constitution of Zambia*.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that all the unfulfilled contracts are dealt with in accordance with the provisions of the law to avoid losses on the part of the Government. Your Committee awaits a progress report on the matter.

MINISTRY OF LIVESTOCK AND FISHERIES DEVELOPMENT

AUDIT QUERY

PARAGRAPH 55

Northern Province- Provincial Livestock and Fisheries Development Coordinating Office

Northern Province- District Livestock and Fisheries Development- Coordinating Office

Accounting and Other Irregularities

56. An examination of accounting and other records maintained at Provincial and District Offices revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Unremitted funds – K337,987,650**

The Controlling Officer submitted that funds were retained at Headquarters for the purchase of motor vehicles as the Ministry of Livestock and Fisheries had just been created and there was urgent need to purchase vehicles. The decision to retain the money was made by senior management in order to take advantage of economies of scale by bulk buying and getting a discount. A total of forty (40) vehicles were approved during the 17 Ministerial Procurement Committee Meetings on 21 July, 2010. The vehicles were purchased of which Northern Province was given three which were sent to Kasama, Luwingu and Chinsali Districts.

Committee's Observations and Recommendations

Your Committee strongly urges the Controlling Officer to ensure that funds are used for the intended purposes and not diverted to other needs. Further, your Committee urges the Controlling Officer to apply for authority to vary funds and ensure the reimbursement of the same so that planned programmes do not suffer.

b) **Irregular Recruitment of Casual Workers**

The Controlling Officer submitted to your Committee that this was due to lack of staff in the new Ministry as Treasury authority to employ permanent staff was still being awaited from PSMD. However, the decision to employ casual workers was made by management and they were employed on oral contracts.

The Controlling Officer explained to your Committee that expenditure at Mbesuma was from operational funds in respect of workers at the Breeding Centre. Mbesuma Steering Committee made the decision to employ casual workers such as herdsmen, tractor drivers and watchmen. As a new breeding centre, it did not have Treasury authority for employing workers in general. Funds were also expended for casual workers at Misamfu Livestock Research Station from the General Administration Budget. They had concluded works at Misamfu and the services of casual workers are no longer being used. As for Mpika, Mbala, Isoka and Chinsali, the casual workers were paid using operations and administration budget lines. The services of the casual workers had since been terminated and the Ministry had since been granted Treasury authority to employ a number of staff and some of these had been recruited on permanent basis and were being posted to the districts.

Committee's Observations and Recommendations

While appreciating the reason given by the Controlling Officer for the irregular recruitment of workers, your Committee observes that the Controlling Officer should have sought authority before engaging the casual workers. Further, the casual workers should have been made to sign written contracts in order to avert any possible loss of revenue arising from oral contracts. Your Committee resolves to close the matter.

c) **Misapplication of Funds-K307,817,577**

The Controlling Officer submitted that the amount totalling K307,817,587 was used on administration operations and that a total of K17,216,178.94 was paid in respect of training under Mpika. He added that this emanated from the pressure to pay training fees to sponsored students whose budget allocation was not released and balance was spent at districts as the block and camp requirements were bought by districts as cost centres. The Mpika District Veterinary Officer had been sternly cautioned for not applying for authority to vary funds and the Ministry had since conducted in house training on financial management and had written to all staff on training matters.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to desist from varying funds without authority as it disadvantages planned activities. Your Committee resolves not to close the matter until the Controlling Officer avails evidence of the disciplinary action taken against officer (s) responsible for the omission.

d) **Unretired Imprest-K438,278,283**

The Controlling Officer reported that this was due to disregard to guidelines by officers pertaining to Financial Regulations and lack of supervision requiring necessary action. In addition, inadequate qualified accounting staff in FMU, at Mpika, Mbala, Isoka and Chinsali exacerbated this problem. In view of this, the Ministry had strongly cautioned the officers and urges them to duly comply with Financial Regulation No. 96. Imprest amounting to K438,278,283 had since been retired.

Committee's Observations and Recommendations

The Controlling Officer is urged to ensure that all officers retired imprest within 48 hours and failure to do so should attract disciplinary action. The matter is recommended for closure subject to audit verification.

e) **Unsupported Payments - K4,382,500**

The Controlling Officer informed your Committee that the documents were missing due to misfiling by the accounting officer who had since been cautioned.

Committee's Observations and Recommendations

In closing the matter, your Committee urges the Controlling Officer to submit evidence of the disciplinary action that was taken against the officer responsible for the audit query.

f) **Missing payment vouchers-K31,362,000**

The Controlling Officer submitted to your Committee that these were filed in different folders, which could not be traced during the audit as the officer performing the filing was an unqualified daily employee (CDE). The vouchers had since been traced and filed properly. Qualified staff had been employed and management had introduced file movement registers in the Financial Management Unit in order to trace movements of files from office to office.

Committee's Observations and Recommendations

Your Committee finds the submission by the Controlling Officer unacceptable as the omission was simply as a result of weak internal controls in the Province. The matter is, however, recommended for closure subject to audit verification of the measures put in place to correct the situation.

g) **Unaccounted for Stores-K250,422,369**

The Controlling Officer submitted to your Committee that the situation was attributed to the fact that the district and provincial offices under the Ministry of Livestock and Fisheries had no qualified stores personnel leading to stores being handled by unqualified staff. A qualified Assistant Purchasing and Supplies Officer had since been posted to the province and stores items costing K250,422,369 had been accounted for. The use of fuel registers had been enhanced by training stores personnel.

Committee's Observations and Recommendations

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

h) **Undelivered Building Materials - K7,560,000**

The Controlling Officer informed your Committee that the supplier delivered sub standard planks which were rejected by management who demanded for a fresh consignment and quality planks were later delivered by the supplier. During the period under review, there was a shortage of planks in Kasama as the only sawmill could not provide timber as it was not operational. Documents showing the correspondence between management and the supplier were available for audit audit verification. The goat house had since been completed and the Ministry would endeavor to comply with procurement procedures in order to avoid such occurrences in future.

Committee's Observations and Recommendations

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

MINISTRY OF LIVESTOCK AND FISHERIES DEVELOPMENT

AUDIT QUERY

PARAGRAPH 56

Western Province Provincial Office

Accounting and Other Irregularities

57. An examination of accounting and other records maintained at the Provincial Livestock and Fisheries Coordinating Office carried out in August 2012 revealed weaknesses to which the Controlling Officer submitted as set out below.

a) **Unsupported Payments-K94,622,460**

The Controlling Officer submitted to your Committee that at the time of audit, some attachments had been misfiled due to inadequate and an inexperienced staff who was overwhelmed with work. The Accounting Officer had since been cautioned and the Unit had been strengthened with a new Accountant. Payment vouchers in amounts totalling

K78,613,460 had been supported leaving a balance of K16,000,000 for one contractor who constructed a house in Kalabo and efforts were being made to collect the said documents. The Ministry had sought assistance from the Police to help retrieve the documents.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to strengthen internal controls in order to avert the recurrence of such omissions. Your Committee resolves not to close the matter until all the supporting documents in respect of the K16,000,000 have been found and verified. The Controlling Officer is also urged to avail the documents that have been traced to the Office of the Auditor-General for audit verification.

b) Unretired Imprest-K221,950,800

The Controlling Officer submitted to your Committee that imprest in amounts totalling K221,950,800 was not retired and monitoring reports by officers who drew imprest in amounts totalling K45,045,060 were not produced at the time of audit. It was regrettable that the Financial Regulations were not followed. This was because when the Ministry was split, there was a challenge of supervision because there was only one accounting office who was handling both ministries. The Unit had been strengthened with a new accountant. However, imprest in amounts totalling K172,751,940 had been retired leaving a balance of K49,198,860 out of which K14,277,960 obtained by one(1) officer would be recovered from his benefits while an amount of K30,654,900 obtained by a serving officer would be recovered from his salary and the difference amounting to K4,266,000 on cheque number 00565 was recorded twice by the Auditors.

The Controlling Officer further submitted that the missing monitoring reports in amounts totalling K44,190,060 had since been traced leaving a balance of K855,000 whose recoveries had been effected.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that all imprest is retired in accordance with financial regulations and failure to do so should attract disciplinary action against the erring officers. On the failure by officers to submit monitoring reports, your Committee observes that this was a serious lapse on the part of management who were supposed to demand that all staff sent on assignment outside the station submit reports upon return and failure to do so should also attract disciplinary action. Your Committee also observes that recoveries being made from the officers who failed to submit reports is an indication that officers actually obtained imprest without travelling to undertake the assignments. Your Committee, therefore, urges the Controlling Officer to thoroughly investigate the matter and take necessary remedial measures and provide a progress report.

c) Unaccounted for Fuel-K120,860,178

The Controlling Officer submitted that this was as a result of using an unqualified staff in respect of procurement and stores work. However, the amount quoted on cheque no. 000382 was supposed to be K2,500,016 paid to Kobil Mongu Service Station not the reported K25,000,016 in the audit report. The fuel registers and stores books had since been updated and the Officers in-charge of stores and procurement had been re-oriented on their duties.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that all receipt and disposal details are recorded as required by stores regulations. The matter is recommended for closure subject to audit verification.

MINISTRY OF LIVESTOCK AND FISHERIES DEVELOPMENT

AUDIT QUERY

PARAGRAPH 57

Western Province – District Livestock and Fisheries Coordinating

Accounting and other irregularities

58. An examination of accounting and other records maintained at the seven (7) District Livestock and Fisheries Coordinating Offices carried out in August 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) Unsupported Payments – K75,677,178

The Controlling Officer submitted that the said payments made at Sesheke, Kaoma and Shangombo were not supported mainly because the stations had no qualified manpower which resulted in misfiling of documents. All the missing documents had, however, been found.

Committee's Observations and Recommendations

Your Committee observes that the main cause of the anomaly was lack of supervision by management in the districts and urges the Controlling Officer to come up with strict controls to ensure that there are proper records. The Controlling Officer is urged to avail the recovered documents to the Office of the Auditor-General for verification.

b) Missing Payment Vouchers

Your Committee was informed that payment vouchers for amounts totalling K17,675,000 at Senanga and K20,397,990 at Shangombo were not availed at the time of auditing due to poor record management arising from pressure of work as the officer was servicing two ministries in two districts and the vouchers had since been found and were available for audit verification while officers had been re-oriented in record management.

Committee's Observations and Recommendations

Your Committee notes that the query was caused by poor management of records as it took the Auditor-General to identify the challenge which was being faced at the two districts and resolves not to close the matter until measures are put in place to correct the situation.

c) Unretired Imprest-K252,797,493

Your Committee was informed by the Controlling Officer that imprest in amounts totalling K252,797,499 was not retired and monitoring reports were not available at the time of audit in relation to Mongu, Kaoma, Lukulu, Sesheke, Senanga, Shangombo and Kalabo districts. The officers obtained group imprest and only the acquittal forms were attached without individual Account Form 44 (a) which had since been attached and were available for audit verification while monitoring reports and retirement details were available at the district offices.

Committee's Observations and Recommendations

In closing the matter, your Committee expresses concern that the Controlling Officer did not attach adequate attention to the matter during the audit process and cautions that in future this would not be taken lightly.

d) Questionable Retirement of Imprest

i. *Mongu District Livestock and Fisheries Office - K1,393,700*

The Controlling Officer submitted that the officer's retirements were not done accordingly due to lack of supervision and the officer involved was charged and had since refunded the K1,393,700.

Committee's Observations and Recommendations

Your Committee disagrees with the Controlling Officer's view that the query was as a result of poor supervision as the receipts in question bore dates outside the date of travel which was a clear sign of forgery which should have been reported to the Police. In closing the matter, your Committee urges the Controlling Officer to deal sternly with such omission in future.

ii. *Lukulu District Livestock and Fisheries Office*

The Controlling Officer submitted that the trip was from Lukulu to Lusaka but the officers had to pass through Mongu to cash the imprest as there were no commercial banks in Lukulu. The officer was reprimanded for using imprest to procure tyres. The officers had been advised to obtain invoices and quotations through e-mail or fax for convenience. There was no fuel purchased on the first return trip to Lukulu because officers returned by own transport arrangement leaving the vehicle in Lusaka for repair. The documents from CFAO indicating the servicing of the vehicle were available as payment was done later after the repair.

Committee's Observations and Recommendations

Your Committee expresses concern that this submission was not rendered during the audit process and cautions the Controlling Officer for not paying attention to the audit process. Your Committee resolves to close the matter subject to audit verification.

e) Unaccounted for Fuel and Store - K298,791,224

The Controlling Officer submitted that four (4) entries totalling K8,127,010 in Shangombo were duplicated leaving a balance of K290,664,214 unaccounted for. Fuel registers and stores book had since been updated. The unaccounted for fuel and stores documents were missing because of lack of qualified staff in procurement and stores record management.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to take disciplinary action against the officers who failed to maintain the stores records as required by regulations. Your Committee resolves to close the matter subject to audit verification.

MINISTRY LIVESTOCK AND FISHERIES DEVELOPMENT

AUDIT QUERY

PARAGRAPH 58

Eastern Province - Livestock and Fisheries
District Livestock and Fisheries Coordinating Office

Accounting and Other Irregularities

59. An examination of accounting and other records maintained at PACO and DACO and a physical inspection of projects carried out in October 2012 revealed several weaknesses as set out below.

a) **Missing payment Vouchers - K486,180,177**

The Controlling Officer submitted to your Committee that the accounting officers had misfiled the payment vouchers and could not locate them during the audit. This was due to inadequate supervision on the part of the supervisors at the province. The officers at these centres had since been charged and they had been instructed to put in place a good record and filing system. The missing payment vouchers were located except for Chadiza where twenty-nine (29) vouchers totalling K32,788,320 were yet to be found.

Committee's Observations and Recommendations

In noting the action taken by the Controlling Officer, your Committee urges him to ensure that the traced supporting documents and evidence of the disciplinary action taken against erring officers is availed to the Office of the Auditor-General for audit verification. The Controlling Officer is also urged to ensure that the remaining vouchers in respect of K32,788,320 are found and availed for audit verification.

b) **Unsupported Payments - K97,090,810**

The Controlling Officer informed your Committee that the challenge faced was lack of qualified staff resulting in some documents being misplaced. The documents had since been located and the officers concerned had since been charged.

Committee's Observations and Recommendations

Your Committee notes that misplacement of documents cannot be attributed to lack of qualified staff but to weak controls and poor supervision in the Ministry. The matter is however recommended for closure subject to audit verification of the traced documents.

c) **Unaccounted for Stores – K121,167,348**

The Controlling Officer submitted that the Provincial Office did not update its records as per requirements, hence, failure to account for stores and the officer responsible for records had been cautioned. However, at Katete and Mambwe districts personnel managing stores were unqualified and the officers had since been assisted to normalise the situation and management would closely supervise the stores. Treasury authority for 2012 had enabled them to have a qualified staff for the stores.

Committee's Observations and Recommendations

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

d) **Unretired Imprest (K354,364,720 and no reports for K38,563,312)**

The Controlling Officer submitted that the documents had been misfiled by unqualified staff in Chadiza and Mambwe districts that were not adequately supervised by accounting staff. A balance of K6,180,000 at Mambwe District was still unretired. The K1,750,000 which was attributed to the retiree would be recovered from his terminal benefits, while the balance of K4,430,000 was being recovered from salaries of two (2) serving officers. The supervising officers had also been cautioned and the Ministry had made request for accountants to man the affected districts.

Committee's Observations and Recommendations

Your Committee expresses concern at the poor supervision at the stations and urges the Controlling Officer to ensure that all the outstanding imprest was retired or recovered. Your Committee also requests the Controlling Officer to submit evidence of the disciplinary action taken against the supervising officers as stated in his report. Your Committee awaits a progress report on the matter.

e) **Construction of Mphangwe Fish Seed Production Centre**

Centre Katete – District

i. *Delayed Completion of Construction of the Hatchery*

The Controlling Officer reported that the delays in completion of the projects were due to inadequate supervision of the works but the contractor had successfully completed the project and a certificate of completion was available.

Committee's Observations and Recommendations

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

ii. *Misapplication of Funds-K9,120,000*

The Controlling Officer submitted that there were inadequate resources to monitor the project and training of staff in the management of the centre. The officer involved was however cautioned and the department had been advised not to vary any funds without authority from the Controlling Officer.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that internal controls are strengthened to avoid a situation where officers ignore financial regulations at the expense of effective project implementation. Your Committee resolves to close the matter subject to submission of evidence of disciplinary action taken against the erring officer.

iii. *Uncollected fingerlings-K2,000,000*

Your Committee was informed by the Controlling Officer that the fingerlings were not collected because the ponds were not ready and the officer had been cautioned. The ponds were completed and fingerlings would be collected in April, 2013 and the Ministry would ensure that proper planning and timely execution of projects was done.

Committee's Observations and Recommendations

Your Committee expresses concern that the Ministry rushed to make payment for the fingerlings when the ponds were not ready. Your Committee resolves to close the matter subject to audit verification that the fingerlings have been collected.

f) **Rehabilitation of Kakumbi Tsetse Research Centre – Mambwe District**

The Controlling Officer submitted that commencement of the works delayed because the funds were released towards the end of the year in November 2011 and delays of supplying of materials by the suppliers. The initial works were labour based and involved partitioning of the rooms for the guest house into self contained rooms, plumbing works, painting and mending of the leaking roof and construction of two septic tanks. Other works were rehabilitation of office and ablution blocks. The challenges faced were the delays in the release of funds and supply of materials but the work commenced in 2012 and significant progress had been done. The Ministry would ensure that infrastructure funds were released on time to avoid such.

Committee's Observations and Recommendations

Your Committee notes the submission but resolves not to close the matter until all works are completed and verified by the Office of the Auditor-General.

MINISTRY OF LIVESTOCK AND FISHERIES DEVELOPMENT

AUDIT QUERY

PARAGRAPH 59

North-Western Province, Provincial Livestock and Coordination Office
North-Western Province, District Livestock and Coordination Office

Accounting and Other Irregularities

60. An examination of accounting and other records maintained at the Provincial and District Livestock and Fisheries Coordinating Offices carried out in July 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Unsupported Payments-K48,719,800**

Your Committee was informed that this happened because the office was using unqualified accounting persons which resulted in misfiling of documents. In the province in question, there were only two (2) qualified accounting staff instead of the required number of ten (10). All the supporting documents had since been traced and had been attached and the issue of accounting staff was being seriously looked into by the Ministry.

Committee's Observations and Recommendations

Your Committee is of the view that with close supervision, this query could have been avoided and therefore finds the explanation by the Controlling Officer unacceptable. Your Committee resolves to close the matter subject to audit verification.

b) **Unretired Imprest-K290,299,650**

The Controlling Officer submitted to your Committee that the main challenge in this respect was unqualified accounting personnel who misfiled retirement of imprest forms. However, out of K290,299,650, an amount of K170,561,700 in respect of twenty-two (22) officers had since

been retired leaving a balance of K119,737,950. Recoveries from the concerned officers' salaries had been effected. On the failure to submit reports, the Controlling Officer submitted that the reason was that the reports that were undertaken were filed elsewhere outside the accounting units and could not be availed promptly. The requirement that reports should be attached to accounting documents had been communicated to DACOs by the PACO accordingly. Monitoring reports in respect of K21,790,000 for trips undertaken had since been availed accordingly.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to caution accounting staff who failed to abide by financial regulations regarding retirement of imprest. Your Committee urges the Controlling Officer to avail the reports to the Office of the Auditor-General for verification and ensure that the query does not reoccur. Your Committee awaits a progress report on the matter.

c) Unaccounted For Stores and Fuel - K364,488,389

The Controlling Officer submitted that the main challenge was poor supervision of staff and this was exacerbated by the use of unqualified procurement and stores personnel. However, all the unaccounted for stores items had since been accounted for with all appropriate documentation.

Committee's Observations and Recommendations

Your Committee is of the view that with close supervision this query could have been avoided and therefore finds the explanation by the Controlling Officer unacceptable. Your Committee resolves to close the matter subject to audit verification.

MINISTRY OF AGRICULTURE AND CO-OPERATIVES

AUDIT QUERY

PARAGRAPH 60

Accounting and Other irregularities

61. An examination of accounting and other records maintained at the Ministry Headquarters carried out in March 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) Unvouched Expenditure-K191,310,824

The Controlling Officer submitted that the supporting documents for the sixteen (16) transactions were misfiled at the time of audit and there was an error in numbering with respect to two (2) transactions totalling K16,208,000. These were previous payments where the original support documents were attached and some of them had been archived. When making the final payments, only the second copies of the previous payments were attached. The challenge in good record keeping was that the officer responsible was unqualified who just replaced a qualified officer who had retired and he was also overwhelmed by the amount of work. The officer had been reoriented and in future, all support documents would be attached to payment vouchers and filed immediately while the supervision of accounting staff would also improve. According to the status report from the Auditor-General dated 14 March, 2013, fifteen (15) transactions involving K102,735,824 were recommended for closure.

On the unacquitted amount of K88,575,000, the Controlling Officer submitted that five (5) payments amounting to K14,750,000 indicated were duplicated while, three (3) transactions

totalling K11,025,000 involved staff who had been transferred from the Ministry and recoveries would be made from their respective Ministries. This left a balance of K62,800,000 which had since been retired as per the acquittal sheet provided. The challenge was that the documents were misfiled and put on individual officers' personal files and for this, the responsible officer had since been cautioned.

Committee's Observations and Recommendations

Upon advice of the Auditor-General that the matter had been fully resolved, your Committee resolves to close the matter but urges the Controlling Officer to put in place strict measures to prevent the recurrence of the situation.

b) Unaccounted for Stores Items fuel (K395,800,000) and stores items (K536,195,361)

The Controlling Officer submitted to your Committee that according to the status report from the Auditor-General dated 3 December, 2012, fuel costing K395,800,000 was cleared leaving a balance on stores items of K536,195,361 for fifty-two (52) transactions. The details of stores items costing K310,565,129 were not available as they were kept by various departments under the Ministry and officers involved were charged.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that receipt and disposal details are always availed to the Auditors during audit. Your Committee resolves to close the matter subject to audit verification.

c) Unretired Imprest-K526,418,725

The Controlling Officer submitted that according to the status report from the Auditor -General dated 3 December, 2012, imprest in amounts totalling K397,418,725 in respect of thirteen (13) officers was still outstanding. Furthermore, imprest amounting to K9,480,725 had been retired leaving a balance of K387,938,000. The situation was due to poor supervision and the accounting officer was charged. Recoveries for K387,938,000 would be effected in March 2013 as there were no inputs since January 2013.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until all the imprest is retired or recovered and the retirements and the recoveries are availed to the Office of the Auditor-General for verification. The Controlling Officer is urged to avail the evidence of the disciplinary action taken against the erring officer. Your Committee awaits a progress report on the matter.

d) Non-recovery of Loans and Advances - K778,891,706

The Controlling Officer submitted that the non recovery of the loans and advances was because information on loans and advances was not provided to the PMEC end user to effect recoveries and the officer responsible for providing information was reprimanded and recoveries had now been effected and were running.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that all recoveries are done as per financial regulations. Your Committee requests the Controlling Officer to avail evidence of the

disciplinary action taken against the officer who failed to effect the recoveries on time before the matter could be closed.

e) **Weaknesses in accounting for outstanding bill - K3,006,466,315**

The Controlling Officer informed your Committee that it was difficult to maintain an updated ledger and reconciliation because ZNBC at times sent bills before a programme produced by National Agriculture Information Services (NAIS) was aired. The Ministry had since developed a spread sheet presentation indicating programmes, contracts and tax invoices.

Committee's Observations and Recommendations

Your Committee finds the submission by the Controlling Officer unacceptable as the query was evidently due to failure by the Ministry to keep records as a result of weak controls. Your Committee, however, takes note of the measures that have been put in place and resolves to close the matter subject to audit verification.

MINISTRY OF AGRICULTURE AND CO-OPERATIVES

AUDIT QUERY

PARAGRAPH 61

Agribusiness and Marketing Department

Unit: Agriculture Finance and Credit Management

Programme: Farmer Input Support Programme (FISP) - (PRP)

Accounting and Other Irregularities

62. An examination of accounting and other records maintained at the Ministry in respect of selected Provincial Agriculture Co-ordinating Offices (PACO), District Agriculture Co-ordinating Offices (DACO) and visits to cooperatives and warehouses carried out in June 2012 revealed some irregularities to which the Controlling Officer submitted as set out below.

a) **Distribution of Inputs to Provinces**

i. *Unaccounted for Revenue-K397,285,745*

The Controlling Officer submitted to your Committee that the main reason for this problem was the delay that was experienced in the delivery of the inputs to the designated districts. He explained to your Committee that the total revenue expected, however, was K255,627,600,000 computed based on quantities of inputs procured and stipulated farmer contributions and not the K255,717,600,000 that was captured in the audit report. The Controlling Officer further stated that out of K255,627,600,000, an amount of K254,096,224,255.95 was collected and transferred to the Treasury. The difference of K1,531,375,744.05 between the expected and the collected amount arose from replacements of inputs paid for in the 2010/2011 season but not collected by farmers (K482,820,000), lost inputs (K118,850,000), under-deposits and undistributed packs (K85,650,000), undelivered and carryover fertilizer (K583,700,000) and carryover seed (K260,800,000). The under-deposits by two(2) cooperatives were caused by the reversal of their bank transfer by the bank and the cooperatives had been directs to transfer the money back into FISP collection account. The undistributed inputs in 2011/2012 season were to be distributed during the 2012/2013 farming season and would be captured during the 2012/2013 season reconciliation. Replacements were made to compensate farmers for inputs that were not delivered in 2010/2011 season, for which recoveries from the supplier were made. Lost and undelivered inputs were

charged to transporters, warehouse managers and suppliers. In order to avoid any recurrence of such problems in future, revisions to the programme had been made to unbundle the zones and thereby increase the suppliers with a view to delivering all inputs before the beginning of the planting season and this would give all programme implementers at all levels ample time to reconcile the figures on time.

Committee's Observations and Recommendations

Your Committee observes that the matters raised by the Auditor-General highlighted the major weaknesses inherent in the programme which resulted in serious leakages. Your Committee expresses hope that the assurance made by the Controlling Officer concerning the revision of the FISP programme will be done in time to combat the current weaknesses. Your Committee awaits a progress report on the matter.

ii. *Unsupported ATDs-K74,760,000*

The Controlling Officer submitted that this was as a result of poor record keeping due to inadequate staffing at the district level. The Ministry was using unqualified staff to do the filing and in order to address this problem, the Ministry had started orienting staff in record keeping. Further, the Ministry would fill in vacant positions after getting Treasury authority. An amount of K74,760,000 had since been supported with deposit slips.

Committee's Observations and Recommendations

Your Committee resolves to close the matter upon confirmation by the Auditor-General that it has been resolved.

iii. *Unaccounted for Revenue – Kalabo DACO-K112,820,000*

The Controlling Officer submitted that the matter was reported to the law enforcement agencies and the officers involved, including the Accountant, were currently appearing in the courts of law for theft by Public Servant. The Ministry had opened one mopping bank account for each participating bank in which farmers can deposit their contributions. Mobile banking had been brought in to facilitate banking.

Committee's Observations and Recommendations

Your Committee notes that the Controlling Officer has reported the matter to the law enforcement agencies for further investigations and awaits the outcome of the court process.

b) **Weaknesses in Management of Inputs**

i. *Issuance of Inputs to Unqualified Recipients*

- **Inputs Issued to Unqualified Cooperatives**

The Controlling Officer submitted to your Committee that according to the status report from the Auditor-General dated 14 March, 2013, 7305 packs worth K2,053,100,000 issued to 167 farmers was cleared leaving a balance of 1844 packs worth K568,695,000 issued to sixty-three (63) farmers. Evidence regarding the registration status of some cooperatives could not be provided for audit verification at the time of audit was being conducted due to shortcomings in poor record keeping. The Ministry was using

unqualified staff to do the filing at the time but would ensure that vital documents and information were properly secured and reachable when required. Evidence regarding the registration status of the cooperatives cited in the report had been found and therefore the cooperatives met the criteria to receive inputs from FISP, in accordance with FISP guidelines. Some selection criteria in the implementation manual, such as the need to operate a bank account had presented challenges to cooperatives and other farmer groups. However, such criterion was put in order to encourage savings. The absence of a bank account does not necessarily disqualify cooperatives and other farmer groups from obtaining inputs. The criteria would be amended to solve the problem with effect from the 2013/2014 farming season. On poor record keeping, the Ministry was orienting staff on record keeping and had started filling vacant positions.

Committee's Observations and Recommendations

Your Committee observes that the issues raised by the Auditor-General highlighted major weaknesses inherent in the programme which resulted in serious leakages. Your Committee expresses hope that the assurance made by the Controlling Officer concerning the revision of the FISP programme would be done in time to combat the current weaknesses. Your Committee awaits a progress report on the matter.

- **Inputs Issued to Unregistered farmers - K796,540,000**

The Controlling Officer submitted to your Committee that this happened because some cooperatives did not submit their returns on time as required by the *Cooperative Societies Act*. Without the returns, the cooperatives could not prove that some of the beneficiaries were part of their cooperative membership. Currently the *Cooperative Societies Act* does not penalise cooperatives that do not submit annual returns. However, the updated membership lists had been submitted and in future, the Ministry would ensure that all cooperatives submitted their membership lists before final selection and approval. The Ministry was in the process of reviewing the *Cooperative Societies Act* among other things to compel cooperatives to submit their annual returns.

Committee's Observations and Recommendations

Your Committee observes that the matters raised by the Auditor-General highlighted weaknesses inherent in the programme's policy and legal framework which had resulted in serious leakages. Your Committee expresses hope that the assurance made by the Controlling Officer concerning the review of the FISP programme and the Cooperative Societies Act will be done in time to combat the current weaknesses. Your Committee will await a progress report on the matter.

- **Inputs Issued to Nonexistent Cooperatives-150 packs**

The Controlling Officer submitted to your Committee that Camp and District Agricultural Committees, who were responsible for implementing the programme failed to detect the non-existent cooperatives due to challenges in the screening process. The Provincial Agricultural Coordinator would ensure that farmers in the districts where such cases prevailed were suspended for one season. Further, farmers who benefited more than once would pay back the cost of the additional packs at full market price plus 10% surcharge on the commercial value. The Ministry had engaged the Ministry of Community Development, Mother and Child Health to share the list of intended beneficiaries for FISP and FSPP in order to enhance screening at DAC level.

Committee's Observations and Recommendations

Your Committee strongly urges the Controlling Officer to ensure that targeting is improved to benefit the intended beneficiaries. The Controlling Officer should also ensure that officers who failed to ensure the successful implementation of the programme are disciplined to avoid recurrence. In closing the matter, your Committee urges the Auditor-General to keep the matter in view in future audits.

ii. *Late Delivery of Inputs-K3,039,644,450*

Your Committee was informed that late delivery of inputs was caused by the suppliers contracts which were signed late in July 2011 and therefore, the Government exercised caution and did not make claim for liquidated damages for late delivery to avoid a counter claim from the suppliers for late payment by the Government in line with the contract.

Committee's Observations and Recommendations

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

iii. *Issuance of incomplete packs*

The Controlling Officer submitted that this was as a result of incompetence in stock management and thefts of stocks. According to the status report from the Auditor-General dated 14 March, 2013, inputs worthy K26,640,000 which were missing from 312 packs were cleared leaving a balance of 833 packs worth K69,120,000. In Mansa, the Warehouse Manager was charged for 114 packs worth K9,120,000 and in Chienge, 124 packs worth K12,400,000 were replaced while in Katete, the Warehouse Manager paid K10,115,000 out of K47,600,000 leaving a balance of K37,485,000. With effect from 2013/2014, the Ministry conducted training sessions for Warehouse Managers to build their capacity in input management.

Committee's Observations and Recommendations

The Controlling Officer is urged to ensure that there is strict supervision of the distribution exercise from the start by the Office of the DACO to avoid mismanagement by warehouse managers which normally result in losses on the part of the farmers. Your Committee resolves to close the matter.

iv. *Expired inputs-K36,400,000*

Your Committee was informed that according to the status report from the Auditor-General dated 14 March, 2013, 241 x 10kg seed worth K34,040,000 had no Seed Control and Certification Institute (SCCI) test report and was still outstanding. The certificates were, however, sent directly to the respective districts by the SCCI and were, therefore, not available at the FISP Coordination Office where audit verifications were being conducted but were now available.

Committee's Observations and Recommendations

The Controlling Officer is cautioned to ensure that documents are available at the time of audit. Your Committee resolves to close the matter subject to audit verification.

v. *Unaccounted for Inputs- Monze DACO*

The Controlling Officer submitted that this was because there was a mix up in handling the loss caused by Kaumuzya Women and Youth Cooperative Society Limited. The District Agricultural Coordinator (DACO) was guided to recover the cost of the lost inputs in accordance with the warehouse management contract which stipulated that the value of inputs plus 10% surcharge should be paid. The DACO, therefore, wrote to the cooperative on 26 January, 2012 and followed it up with a reminder on 1 February, 2013. The balance of K14,289,100 had since been paid by the cooperative society. The Ministry would re-emphasise the need to follow warehouse contract provision during the FISP sensitisation meetings for the 2013/14 season.

Committee's Observations and Recommendations

Based on the Auditor-General's advice that the matter had been resolved, your Committee resolves to close the matter. Your Committee however urges the Controlling Officer to put measures in place to prevent the recurrence of the audit query.

c) **Questionable issuance of packs-1,602 packs costing K448,560,000**

The Controlling Officer submitted that this was caused by inadequate efforts to screen the applicants by the implementers of the two programmes on the ground. The Provincial Agricultural Coordinator in the districts where such cases prevailed had been instructed to exclude the farmers from benefiting from FISP for one season. The farmers would also be surcharged for the additional packs at full market price plus 10% surcharge on the commercial value. The Ministry of Agriculture and Livestock had engaged the Ministry of Community Development, Mother and Child Health to share the list of intended beneficiaries for FISP and FSPP in order to enhance screening at DAC level and would introduce the e-voucher Programme which would improve on beneficiary selection.

Committee's Observations and Recommendations

Your Committee observes that the omission was as a result of laxity on the part of officers who failed to strictly adhere to programme guidelines. It is also evidence of poor supervision in the Ministry as the anomaly was only discovered by the Auditor-General. Your Committee awaits a progress report on the matter.

d) **Failure to replace damaged Inputs-K11,988,000**

The Controlling Officer informed your Committee that audit verification revealed that there was damaged seed in the three districts. The Ndola case was reported to the police and was in the courts of law while the Copperbelt Provincial Agricultural Coordinator had been directed to pass the liability to the warehouse managers and the full amount would be recovered from the 10% of the contract price.

Committee's Observations and Recommendations

The Controlling Officer is urged by your Committee to ensure that there is strict supervision by the office of the DACO during distribution exercise from the start to avoid mismanagement of inputs by warehouse managers. Your Committee resolves to close the matter subject to audit verification.

e) **Undelivered Farming Inputs-K162,081,000**

The Controlling Officer submitted that a reconciliation was carried out with suppliers to ascertain the status of delivery of inputs for all the provinces and according to the status report from the Auditor-General dated 14 March, 2013, inputs worthy K306,000 delivered to Itezhi-tezhi district were cleared leaving a balance of inputs worth K161,775,000. The delays in the delivery of fertilizer were caused by the suppliers while that for seed was caused by thefts during transportation. All the seed was delivered to Mongu and the recovery for Kalabo and Masaiti would be made during the 2012/2013 season when the Ministry would effect payments. Reconciliation was carried out with suppliers to ascertain the status of delivery of inputs for all the provinces. It was further agreed between the Ministry of Agriculture and Livestock and the suppliers of fertiliser that the undelivered fertiliser would be supplied during the 2012/2013 farming season because some farmers had already deposited their contribution for the inputs. The Ministry would through the 2012/2013 reconciliation exercise, verify that these inputs had been supplied, failure to which the value of inputs would be recovered from the 10% of the contract for the 2012/2013 inputs supply.

Committee's Observations and Recommendations

The Controlling Officer is urged to ensure that regular reconciliation of farming inputs is done in order to facilitate timely corrective measures in case of discrepancies. Your Committee awaits a progress report on the matter.

f) **Missing Authority to collect (ATC) Twelve (12) Forms**

The Controlling Officer informed your Committee that according to the status report from the Auditor-General dated 14 March, 2013, eight (8) ATCs were cleared leaving a balance of four (4) ATCs which went missing at the warehouse manager in Samfya. The ATC for Chiengi was available. Although the ATC was not found in Samfya, there were other matching documents that showed that inputs were released. As for the two ATCs for Kalabo, the documents could not be accessed because officers under whose custody they were, were under investigation by the Task Force on Corruption. The Ministry would call upon the suppliers to ensure that warehouse managers improve on record keeping.

Committee's Observations and Recommendations

Your Committee finds the level of poor record keeping at the stations unacceptable and urges the Controlling Officer to put corrective measures in place. The matter is recommended for closure subject to audit verification.

g) **Unacquitted for Farming Inputs - K36,120,000**

Your Committee resolves to close the matter based on the advice of the Auditor-General that the matter has been resolved.

h) **Unsupported Issuance of Inputs - K4,990,022,000**

Your Committee was informed by the Controlling Officer that according to the status report from the Auditor-General dated 14 March, 2013, inputs costing K1,641,002,000 were cleared leaving a balance of 50,300 x 50kg fertiliser and 10,424 x 10kg seed worth K3,349,020,000. This was as a result of challenges in getting Goods Issued Vouchers (GIVs) from farmers.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the missing supporting documents in respect of inputs amounting to K3,349,020,000.

i) Unaccounted for Inputs-K562,140,000

Your Committee was informed by the Controlling Officer that according to the status report from the Auditor-General dated 14 March, 2013, inputs costing K470,350,000 were cleared leaving a balance of 897 x 50kg fertiliser and 598 x 10kg seed worth K91,790,000. This was as a result of challenges in getting Goods Issued Vouchers (GIVs) from farmers. Some of these forms were never recovered or were misplaced or lost in the custody of farmer organisations. The documents had since been found and that there was need to incorporate measures to compel farmer organisations to return completed GIVs within a stipulated time back to DACO's office if they had to qualify to benefit from the following years' programmes.

Committee's Observations and Recommendations

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

j) Other Observations

The following observations were made on the utilisation of operational funds:

i. *Irregular Transportation Claim – Chibombo DACO*

The Controlling Officer submitted to the Committee that the Ministry headquarters wrote to the Provincial Agricultural Coordinator for Central Province, instructing him to report the matter to the Police. However, the matter was not reported because further investigations by the Provincial Office revealed that Chibombo District Cooperative and Marketing Union Limited had actually subcontracted Kalola Transporters Association to transport inputs to Kalola camp. The Shibuyunji Camp, however, does not fall under Chibombo District. According to the status report from the Auditor-General, dated 14 March, 2013 the matter of irregular transport claim in Chibombo was recommended for closure.

Your Committee, resolved to close the matter based on the advice of the Auditor-General that the matter had been resolved.

ii. *Unaccounted for stores-K241,937,250*

The Controlling Officer submitted to your Committee that according to the status report from the Auditor-General dated 14 March, 2013, stores items with receipt and disposal details amounting to K30,017,000 were cleared leaving a balance of K211,920,250. Receipt and disposal details amounting to K199,317,750 had been traced leaving a balance of K42,619,500.

Committee's Observations and Recommendations

Your Committee observes that the reasons advanced by the Controlling Officer are unacceptable as the real cause was lack of supervision by the superiors. Your Committee awaits a progress report on the outstanding amounts of K42,619,500.

iii. *Unretired Imprest K372,678,356*

Your Committee was informed that according to the status report from the Auditor-General dated 14 March, 2013, imprest amounting to K223,708,712 involving eleven (16) officers was cleared leaving a balance of imprest amounting to K148,969,644 involving eleven (11) officers. The unretired imprest at the time of the audit was due to lack of close supervision. Imprest amounting to K148,969,644 for all cost centres cited had since been retired.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against accounting officers and supervisors who failed to make necessary follow-ups for the imprest to be retired. Your Committee awaits a progress report on the action that will be taken by the Controlling Officer.

iv. *Missing Payment Vouchers- Sinazongwe DACO*

The Controlling Officer submitted that according to the status report from the Auditor-General dated 14 March, 2013, ten (10) payment vouchers in amounts totalling K11,176,000 were cleared leaving a balance of two payment vouchers amounting to K8,800,000 which had now been retrieved. However, the officer had been cautioned and the Ministry had undertaken an in-house re-orientation of staff on office management and mindset.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

v. *Unsupported Payments-K36,095,000*

The Controlling Officer submitted that payments in amounts totalling K36,095,000 were supported by relevant documents such as quotations, cash sale receipt and local purchase orders. The Controlling Officer had strongly cautioned the accountant at the Provincial Office to improve his performance and supervision.

Committee's Observations and Recommendations

The matter was recommended for closure following a status report from the Auditor-General's Office.

MINISTRY OF AGRICULTURE AND CO-OPERATIVES

AUDIT QUERY

PARAGRAPH 62

Copperbelt Province- Provincial Agriculture Coordinating Office

Copperbelt Province- District Agriculture Coordinating Office

Accounting and Other Irregularities

63. An examination of accounting and other records maintained at PACO and selected DACOs carried out in October 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Missing Payment Vouchers-K208,395,999**

The Controlling Officer submitted to your Committee that the documents were filed in different folders which could not be traced during the audit as the officer responsible was not qualified to perform this duty. The payment vouchers had since been traced and filed correctly. The officer had since been replaced by qualified staff who were employed recently. The supervising officers who were the District Agricultural Officers had been directed to intensify supervision of their officers.

Committee's Observations and Recommendations

Your Committee expresses concern at the lack of close supervision at the station which resulted in poor filing of documents. Your Committee finds it unacceptable that these documents could not be traced during the entire audit process and urges the Controlling Officer to take audits seriously to avoid audit queries. Your Committee resolves to close the matter subject to audit verification.

b) **Unsupported Payments - K130,613,034**

The Controlling Officer submitted that the documents were not available due to misfiling and the accounting officers based in Ndola, Chililabombwe and Masaiti where this happened had been cautioned. The documents had since been found and directives were issued to all District Agricultural Coordinators (DACOs) who were the supervising officers to make routine supervision of their officers.

Committee's Observations and Recommendations

Your Committee notes action taken by the Controlling Officer and resolves to close the matter, subject to audit verification.

c) **Unaccounted for Stores - K162,219,270**

The Controlling Officer submitted that these records were not available due to misfiling by stores personnel who had since been cautioned and the situation had improved in that the items had been receipted correctly. The Ministry would strengthen the districts by employing qualified stores officers and scheduled routine inspections on a quarterly basis as had been planned by the PACOs office for all districts and other cost centres.

Committee's Observations and Recommendations

Your Committee observes that this omission was as a result of poor supervision in the Ministry and urges the Controlling Officer to ensure strict supervision as failure to account for stores was a

serious omission. Your Committee resolves to close the matter but urges the Controlling Officer to avail evidence of the disciplinary action taken against officer(s) who caused the omission.

d) **Unretired Imprest-K582,921,154**

Your Committee was informed by the Controlling Officer that imprest amounting to K566,291,564 had actually been retired leaving a balance of K16,629,500. The situation was attributed to misfiling of retirement documents by the accounting staff. The process to recover the balance through salaries had been effected and the Ministry had written to all staff on the need to follow financial regulations.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officers responsible for the query. The matter is however recommended for closure subject to audit verification of the retirement and recovery details.

e) **Unauthorised Payment of Wages-K60,238,662**

The Controlling Officer submitted that this was because of a shortage of support staff following retirements and deaths. The decision to employ these casual workers was made by management while waiting for authority to employ permanent workers. Some of the casual workers had since been put on government payroll after authority was granted by Public Service Management Division (PSMD).

Committee's Observations and Recommendations

Your Committee observes that the Ministry finds itself in this situation due to poor planning and urges the Controlling Officer to be proactive in ensuring that the required human resource is employed. The Controlling Officer is urged to take necessary steps to ensure that the expenditure is normalised.

f) **Failure to recover Loans and Advances-K65,540,000**

The Controlling Officer reported that the unrecovered loans and salary advances were due to the fact that the office had experienced problems with the introduction of DDACC payment system which resulted in recoveries being stopped prematurely and subsequent inputs failing to be effected. He noted, however, that deductions had been effected.

Committee's Observations and Recommendations

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

MINISTRY OF AGRICULTURE AND COOPERATIVES

AUDIT QUERY

PARAGRAPH 63

Southern Province – Provincial Agriculture Coordinating Office
District Livestock and Fisheries Coordinating Office

Accounting and other irregularities

64. An examination of accounting and other records maintained at PACO and Livingstone, Mazabuka, Monze, Choma and Kalomo DACOs and physical inspection of selected projects carried out in August 2012 revealed the weaknesses set out below.

a) **Missing Payment Vouchers - K171,953,311**

The Controlling Officer informed your Committee that this was as a result of poor record keeping on the part of the officers involved who had since been reprimanded and the Provincial Financial Management Unit had since updated its books. The missing payment vouchers were now available for verification before the matter can be closed.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the Ministry maintains an efficient filing system through effective supervision and control. Your Committee also urges the Controlling Officer to avail the traced supporting documents and evidence of the disciplinary action taken against the erring officer to the Office of the Auditor-General for verification.

b) **Inadequately Supported Payments - K206,065,122**

The Controlling Officer reported that the omission was because in Livingstone and Kazungula districts, the Accounts Assistant from the Provincial Accounting Unit who was handling both accounts had suddenly passed on while for Monze, Mazabuka and Kalomo the concerned officers misfiled the documents. For the Provincial Office, where part payments were made such as long service bonuses, documents remained with the first payment. The officers were cautioned and all District Agricultural Coordinators had been advised to ensure that all accounting records were properly kept. The supporting documents had since been accounted for and the Ministry would now ensure that all supporting documents were attached to payment vouchers and filed immediately.

Committee's Observations and Recommendations

Your Committee notes with sadness the loss of one accounting officer in Livingstone but urges the Controlling Officer to take disciplinary action in cases where documents were misfiled by staff. A progress report is awaited by your Committee.

c) **Staff recruitment-K18,850,000**

The Controlling Officer submitted that during restructuring, most of the Classified Daily Employees were retrenched, and some had since died without being replaced while those who were on legacy pay roll could not be replaced. It was a management decision to employ casual workers and operational funds were used to pay them. The Ministry wrote to Public Service Management Division requesting for authority to employ CDEs and authority to replace deceased cases was granted and these were employed.

Committee's Observations and Recommendations

In closing the matter, your Committee urges the Controlling Officer to be proactive in ensuring that the required human resource are employed in time.

d) **Unretired Imprest - K147,527,676 and additional K82,471,200**

The Controlling Officer submitted that this was as a result of poor supervision and poor record keeping. The erring officers had since been reprimanded and the imprest had also been retired. The Ministry would strictly monitor the issuance and retirement of imprest so as not to go against the Financial Regulation No. 96, failure to which officers responsible will be penalised.

Committee's Observations and Recommendations

Your Committee notes the submission by the Controlling Officer but urges him to submit evidence of the retirements and the disciplinary action taken for audit verification before the matter could be closed.

e) **Unaccounted for Stores-K305,583,730**

The Controlling Officer submitted that most districts did not have Stores Officers because there was no provision in the establishment. The unaccounted for stores was due to poor record keeping caused by unqualified stores personnel as in most cases Classified Daily Employees (CDEs) were the ones handling stores. However, these stores and fuel records were available and officers in charge of stores and procurement had been re-oriented on their duties.

Committee's Observations and Recommendations

Your Committee observes that the failure to account for stores was due to lack of close supervision on the part of the officers in charge rather than having unqualified staff as these could have easily been groomed to work diligently. Your Committee resolves to close the matter subject to audit verification.

f) **Misapplication of funds – Livingstone DACOK45,441,263**

The Controlling Officer submitted that the funds used to pay the contractor were carryover funds from 2010 which were part of the funds authorised by the Secretary to the Treasury as retentions for the Ministry. Further, the schedule of works was not available at the time of audit because the documents were kept by officers from buildings department who were not available at the time of audit.

Committee's Observations and Recommendations

Your Committee expresses concern that this matter could not be explained during the audit process and strongly urges the Controlling Officer to take audits seriously. Your Committee resolves to close the matter subject to audit verification.

g) **Infrastructure – Rehabilitation of Camp Houses**

The Controlling Officer explained that for Tara House 1 and 2, the fading of the paint was as a result of the type of bituminous paint used while the cracks were caused by roots from trees nearby. The trees had since been cut to avoid further damage and the renovations were done under the supervision of the Buildings Department. On Chilala House 1 and 2, the Controlling Officer submitted that the work supervisor from the Building Department procured wrong

building materials which were not fitted for the following reasons: wrong dimensions for mukwa doors, asbestos sheets and ceramic sit pans but the mortise locks were fitted. The toilet sit pan was exchanged and the asbestos sheets were put on another Government House. The Ministry had ensured that officers handling such cases should always seek authority to vary funds under such circumstances as above.

Committee's Observations and Recommendations

Your Committee expresses concern that the majority of materials procured for the works were lacking in one way or another and urges the Controlling Officer to liaise with his counterpart in the Ministry of Transport, Work and Supply and Communication so that disciplinary action could be taken against the officer for the discrepancies in the procurement of materials. Your Committee awaits a progress report on the matter.

MINISTRY OF AGRICULTURE AND CO-OPERATIVES

AUDIT QUERY

PARAGRAPH 64

Northern Province- Provincial Agriculture Coordinating Office

Accounting and other Irregularities

65. An examination of Accounting and other records carried out in July 2012 at PACO and five (5) DACOs revealed accounting weaknesses as set out.

a) Irregular recruitment of Casual Workers - K84,305,061

The Controlling Officer reported that the Provincial Agricultural and Co-operative Coordinating Office had employed casual workers due to the non filling up of vacant positions for assistant accountants and other general workers at both Provincial and District offices. Out of the twelve (12) districts only four (4) had duly employed assistant accountants, these were Kasama, Mungwi, Mpika and Nakonde. The decision to employ was agreed upon by management in order to operationalise the vacant positions in the other districts. The casual workers referred to had since been laid-off and had asked for the activation of the said vacant positions from PSMD. Consequently, PSMD gave the Ministry authority to engage eleven (11) general workers, replacing the deceased and retired workers.

Committee's Observations and Recommendations

In closing the matter, your Committee urges the Controlling Officer to be proactive in seeking authority to fill vacancies for the required human resource at all times.

b) Unsupported Payments-K94,881,974

The Controlling Officer submitted that the anomaly arose because in 2011 the province had no qualified accountants and accounting duties in Mpika, Mbala, and Isoka districts were handled by a Classified Daily Employee who misfiled the documents. However, the support documents had been found and attached to payment vouchers in all the districts and the Province had received two accountants who would be deployed to the districts.

Committee's Observations and Recommendations

Your Committee is concerned that despite the same staff working well when it comes to preparing payments, they fail to keep records on account of not being qualified. Your Committee notes that this was due to lack of supervision in the Ministry which should be corrected to avoid

reoccurrence. Your Committee resolves to close the matter subject to audit verification of the traced records.

c) **Missing payment vouchers-K19, 661,987**

Your Committee was informed that the said vouchers were missing at the time of audit due to poor record keeping and misfiling by accounting and support staff. Although the vouchers had been found the Provincial Agricultural Coordinator had charged the accountants at Nakonde, Mbala and provincial offices to improve on their filing system and supervision. Further, the Ministry had introduced stringent measures aimed at recovering funds from officers who were found wanting.

Committee's Observations and Recommendations

Your Committee notes the disciplinary action taken by the Controlling Officer to correct the situation but resolves not to close the matter until the Controlling Officer avails evidence of the disciplinary action taken against the officers who caused the anomaly.

d) **Unaccounted for Stores-K98,460,000**

The Controlling Officer submitted that the situation was attributed to the fact that the district and provincial offices did not have qualified stores personnel and a Classified Daily Employee (CDE), was the one handling stores. The stores records worth K98,460,000 were updated and were available for verification. In addition, fuel utilisation details amounting to K6,441,898 had been updated in respect of fuel coupons worth K908,766 and log book totalling K5,533,132 and disposal details were indicated. In order to overcome this challenge, an Assistant Purchasing and Supplies Officer had been posted to the province and a circular had been issued to all departments and provinces instructing them to adhere to stores regulations.

Committee's Observations and Recommendations

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

e) **Unauthorised Fuel Drawings - K47,146,169**

The Controlling Officer acknowledged that this was a total disregard of procedure and lack of supervision and the involved officers had been surcharged. The DACO was cautioned to follow stores regulations and district staff had been re-oriented on handling of stores matters.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter after evidence that the officers have been surcharged is availed for audit verification.

f) **Unretired Imprest - K402,238,144 and additional K250,486,294**

The Controlling Officer informed your Committee that the delay in retirement of imprest was attributed to officers not cooperating with management despite several reminders both verbal and written. The imprest had since been retired and all officers had been cautioned to duly comply with Financial Regulations.

Committee's Observations and Recommendations

Your Committee considers failure to retire imprest a serious omission and urges the Controlling Officer to take disciplinary action against officers who failed to follow financial regulations.

g) **Un-acquitted allowances**

The Controlling Officer submitted that this was attributed to poor record keeping by accounting staff that misfiled the acquittal sheets. The officers were cautioned and the acquittal sheets were available for audit verification and the Ministry had started conducting quarterly review meetings to improve capacity.

Committee's Observations and Recommendations

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

MINISTRY OF AGRICULTURE AND CO-OPERATIVES

AUDIT QUERY

PARAGRAPH 65

Western Province- Provincial Agriculture Co-ordinating Office
District Agriculture Co-ordinating Office

Accounting and Other Irregularities

66. An examination of accounting and other records maintained at the PACO and DACOs carried out in September 2012 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Unsupported Payments-K108,610,902**

The Controlling Officer informed your Committee that transactions were unsupported at Provincial at the time of audit because of poor record keeping by unqualified officers in the Financial Management Unit who caused the misfiling of documents. The accountants had since been cautioned and the receipts and invoices had since been located and attached to the documents. However, the balance of K6,700,000 at Mongu District which was the difference between married and single rate on settling in allowance, would be deducted from the concerned officers since there was still a balance in the settling in allowance yet to be paid to the officers and the officers were informed. The Ministry would ensure that receipts were collected from suppliers when making payments and an in house orientation on filing and records management had been conducted to reduce such occurrences.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

b) **Missing Payment Vouchers-K36,844,000**

Kaoma

The Controlling Officer informed your Committee that payment vouchers were missing due to poor filing and storage system and the officers in charge of filing had been reprimanded and oriented on filing of documents. The amount quoted on the payment voucher on cheque Number 001891 was supposed to be K985,000 and not the earlier quoted figure of K1,140,000.

Nevertheless, the missing vouchers for all officers involved had been found and were available for verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that filing of documents was strictly done systematically to avoid loss or misfiling of documents. The matter was recommended for closure subject to audit verification.

Kalabo

This was due to the fact that there was no qualified accountant to perform accounting duties. The station had been using a CDE to manage accounting duties that misfiled the documents. However, the vouchers had since been found and the Ministry had since employed qualified accounting staff.

Committee's Observations and Recommendations

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

c) Unretired Imprest-K275,669,132

The Controlling Officer responded to your Committee that imprest issued was not retired at the time of auditing because the accountants at PACOs, Kaoma and Senanga were not regularly updating the imprest registers and reminding the officers to retire the imprest, while Sesheke, Mongu, Shangombo and Kalabo had unqualified staff leading to under performance. The accountants were charged and the imprest at Kaoma, had since been retired leaving a balance of K2,250,000 in respect of two officers who had since passed on. The amount would be recovered from their benefits. Imprest in amounts totalling K63,350,150 at Kalabo District had since been retired while an amount of K90,050,837 had not been retired by two officers who were also appearing before the courts of law.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the officer(s) involved are disciplined and all remaining amounts are traced expeditiously. Your Committee awaits a progress report on the matter.

d) Unaccounted for Stores-K259,991,339

Your Committee was informed that records were not available or not updated at the time of audit because officers had challenges as there were no qualified Procurement and Stores officers. However, cheque numbers 1137 and 1167 totalling K3,000,000 were duplicated and the records amounting to K256,991,339 had since been updated. An in house orientation of procurement and stores officers was done and the Ministry had engaged auditors from Provincial Administration to pre audit payments and check the books before the external auditors arrive since the provincial office had no internal auditor.

Committee's Observations and Recommendations

Your Committee observes that the main reason for the omission was lack of supervision as correct filing could have been attained through grooming and close supervision. Your Committee resolves to close the matter but urges the Controlling Officer to institute strict controls in order to correct the situation.

e) **Infrastructure Development – Sesheke DACO**

i. *1st Plant Quarantine and Phytosanitary House (PQPS)*

The Controlling Officer informed your Committee that the contract was not availed to auditors because the DACO who was in possession of the contract was not available at the time. A copy of the contract was however later sent to the Provincial Auditing Office. The amount paid to the contractor was an advance payment in line with the contract. The amount quoted amounting to K32,852,700 which was said to be an over payment was actually a payment done on the second contract which was awarded a month after the first contract. The works on the house had since been completed and was awaiting issuance of a certificate of completion.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to intensify monitoring of construction project so that all procurement procedures are followed. Your Committee resolves to close the matter subject to audit verification.

ii. *2nd Plant Quarantine and Phytosanitary House – Incomplete works*

The Controlling Officer informed your Committee that failure to avail supporting documents was due to poor record keeping by stores staff and the payments had since been supported with receipts and certificates of completion. The works were still ongoing and the contractor had not yet been paid a sum of K14,000,000 which would be paid when he finishes all the works. The schedule for the payments had been made and the minutes of the Procurement Committee were also available.

Committee's Observations and Recommendations

Your Committee expresses concern at poor record keeping and urges the Controlling Officer to take disciplinary action against the officers who failed to keep records. They await a progress report on the matter.

MINISTRY OF AGRICULTURE AND CO-OPERATIVES

AUDIT QUERY

PARAGRAPH 66

Eastern Province- Provincial Agriculture and Coordinating Office
Eastern Province- District Agriculture Coordinating Office

Accounting and Other Irregularities

67. An examination of accounting and other records maintained at the Provincial Agriculture Coordinating Office and a visit to seven (7) districts carried out in October 2012 revealed some weaknesses to which the Controlling Officer responded as set out below.

a) **Unretired Imprests (K318,749,240 and additional K19,450,000)**

The Controlling Officer informed your Committee that out of K318,749,240, a total amount of K282,519,240 had been retired while K10,350,000 was direct payments leaving a balance of K36,230,000 on which recoveries had been instituted. Your Committee was further informed that lack of supervision due to inadequate staff led to failure to properly secure the retirement documents. The supervisors were cautioned and respective accounting staff charged for lack of

supervision to ensure that compliance with Financial Regulation no. 96. Deductions from individuals who failed to retire imprest have been instituted.

Committee's Observations and Recommendations

In noting the submission by the Controlling Officer, your Committee resolves to close the matter but requests the Controlling Officer to submit evidence of the missing payment vouchers, recoveries and disciplinary action taken to the Office of the Auditor-General for audit verification.

b) Missing payment vouchers-K124,981,160

The Controlling Officer submitted that the anomaly was caused by accountants who failed to keep records properly. The accountants concerned had been charged for failure to secure documents and DACOs were cautioned for failure to supervise. All the forty-one (41) missing payment vouchers had now been located. Further, the office was employing more essential staff to mitigate these shortfalls.

Committee's Observations and Recommendations

In noting the submission by the Controlling Officer, your Committee resolves that the matter will only be closed after the Controlling Officer submits evidence of missing payment vouchers and disciplinary action taken to the Office of the Auditor-General for audit verification.

c) Unaccounted Stores-K160,978,390

The Controlling Officer submitted that the documents were not available for audit due to misfiling as a result of failure by responsible staff to follow financial regulations on stores management and poor supervision. Necessary documentation was secured and records were updated. Receipt and disposal details amounting to K160, 978,390 had been updated and the Ministry had embarked on in house reorientation training in stores management to improve capacity.

Committee's Observations and Recommendations

Your Committee expresses concern at the poor record keeping and urges the Controlling Officer to put measures in place to correct the situation. Further, the Controlling Officer is urged to take disciplinary action against the officers who caused the query and provide a progress report on the same.

d) Non- Remittance of Tax - K8,979,341

The Controlling Officer reported that the anomaly was due to pressure on outstanding bills relating to terminal benefits for the retirees and the deceased cases. At this time the outstanding bill for Personal Emoluments (PEs) was K3,858,549,000 and the funding during this period for PEs was only K49,000,000. At the time of the audit, most of the retirees and families of the deceased could not vacate houses to leave room for serving staff. The funds had since been remitted to Zambia Revenue Authority (ZRA). In future, this would not occur and payment to Zambia Revenue Authority would be paid on time. The 2013 budget had a provision for payment of Personal Emoluments (PEs) in the Ministry.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that statutory obligations were attended to as per financial regulations.

e) **Unacquitted Funds-K5,260,000**

The Controlling Officer submitted that at the time of the audit, the officers had not attached the Account Form 2 for payments made to field officers because the acquittal sheet had been misfiled. The officers were verbally warned and told to ensure that funds were acquitted promptly and the accountant was cautioned too. The balance of K5,260,000 had now been fully acquitted and activity reports submitted.

Committee's Observations and Recommendations

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

MINISTRY OF AGRICULTURE AND COOPERATIVES

AUDIT QUERY

PARAGRAPH 67

North-Western Province Agriculture Coordination Office
North-Western Province-District Agriculture Coordination Office

Accounting and Other Irregularities

68. An examination of accounting and other records maintained at the Provincial and District Agriculture Coordinating Offices carried out in July 2012 revealed weaknesses to which the Controlling Officer submitted as set out below.

a) **Unsupported Payments - K129,853,000**

The Controlling Officer informed your Committee that there was a challenge regarding the absence of qualified accounting personnel in Chavuma and misfiling of documents by accounting staff in Solwezi and Kabompo. The accountants in Solwezi and Kabompo were charged and the documents had since been located and the Province had applied for authority to recruit accounting staff.

Committee's Observations and Recommendations

The Controlling Officer is urged to ensure that all supporting documents are filed and kept in safe custody for easy traceability during audit. The matter is, however, recommended for closure subject to audit verification of the disciplinary action taken by the Controlling Officer.

b) **Unretired Imprest-K166,972,732 and additional-K237,522,580(Without reports)**

The Controlling Officer submitted to your Committee that the major challenge was record keeping by unqualified accounting personnel. All accountants concerned were charged for not complying with the laid down procedures. The imprest had since been retired and that poor supervision led to late production of reports. These had since been produced and supervisors had been reminded of the need for reports. The Province had applied for authority to recruit accounting staff and a circular of 22 December 2012 was sent to all responsible officers instructing them to comply with Financial Regulations on imprest matters.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that all accountable documents are filed and kept in safe custody. Your Committee further urges the Controlling Officer to ensure that supervisors are disciplined too for failure to do their work. Your Committee awaits a progress report on the matter and further urges the Controlling Officer to submit evidence of the disciplinary action that the Ministry has taken against erring officers for verification.

c) **Unaccounted for stores-K389,751,400**

The Controlling Officer explained that the main challenge was that the offices did not have qualified Stores and Procurement Personnel. Low cadre staff was used and this led to poor record keeping. The other challenge was lack of filling stations in six (6) out of eight (8) districts. However, the DACO was charged for not following laid down procurement procedures. The ledgers had been updated and the supporting documents retrieved. The Ministry was coming up with options on provision of fuel to district that had no filling stations. Executive officers in each of the districts were now in charge of Procurements and Stores as an interim remedial measure since employment of appropriate personnel was underway.

Committee's Observations and Recommendations

The Controlling Officer is urged to ensure that disposal details and receipts are available during audit. Your Committee further urges the Controlling Officer to ensure that update of disposal details are done regularly and the matter is recommended for closure subject to audit verification.

MINISTRY OF AGRICULTURE AND COOPERATIVES

AUDIT QUERY

PARAGRAPH 68

Lusaka Province- Provincial Agriculture Co-ordinating Office
Lusaka District-District Agriculture Coordinating Office

Accounting and Other Irregularities

69. An examination of accounting and other records maintained at the PACO and Lusaka, Chongwe, Kafue and Luangwa DACOs carried out in July 2012, revealed weaknesses as set out below.

a) **Un retired Imprest-K233,092,500**

The Controlling Officer informed your Committee that the challenge was that the query involved group imprest in Chongwe and Rufunsa Districts which took a long time to complete Accounts Form 44 individually of which all officers had finally done. For all future transactions, all Heads of Departments in all districts in the province had been instructed to acquit their group imprest by filling in individual Accounts Form 44.

Committee's Observations and Recommendations

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

b) **Un accounted for Fuel-K24,808,600**

The Controlling Officer informed your Committee that this involved fuel accounts held at Chilanga Seed Control and Certification Institute (SCCI) and at Total Great North Road Station for the Provincial Agricultural Coordinating Office. The unresolved amount stood at K13,048,600. The completed fuel returns were submitted late due to misfiling by the officer and

supervisor at SCCI. The non availability of statements from the filling station was a result of poor record keeping at Total Great North Road filling station. The officer at SCCI was constantly out of station on duty which made it difficult to adequately respond to the query on time. To avoid re-occurrence, the Provincial Agricultural Coordinator's office had closed the fuel account at Chilanga and the officer at SCCI had been cautioned for submitting fuel returns late. The Province had begun reconciling fuel accounts on a monthly basis. Additionally, only one account was being operated at the PACO's office for ease of data collection and documentation.

Committee's Observations and Recommendations

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

c) Lusaka District Agriculture Coordinating Office

i. *Questionable Payments*

The Controlling Officer submitted to your Committee that the irregular payment was due to mix ups in activities that were being undertaken by the same officers. The DACO's office failed to observe this to avoid the duplication and for that, the DACO had since been reprimanded and urged to ensure that that his work plan was properly followed to avoid a repeat. To further deter reoccurrence, officers had been made to pay back to the Government by way of effecting recoveries. These had been running since December, 2012 and copies of documents were available for verification. All the supervising officers had been advised to scrutinise each claim form before payment can be made.

Committee's Observations and Recommendations

Your Committee notes the submission by the Controlling Officer and resolves to close the matter subject to audit verification that recoveries have been effected.

ii. *Renovation of House on No. 8195 Block No. 49/1 Kabanana Site and Service-K98,078,000*

The Controlling Officer informed your Committee that the dilapidation was largely as a result of poor supervision of the rehabilitation works and failure to assign an officer to occupy the house in question. The DACO and the Executive Officer had since been reprimanded. The crack above the door was mended and the hand basin had since been fitted. Further, the officer to occupy the house had moved into the house and the Ministry had directed that payment terms be strictly adhered to as stipulated in the contracts.

Committee's Observations and Recommendations

The Controlling Officer is urged to ensure that payments are only made upon certification of works by the Buildings department and also that the contractors were closely supervised. The expense was therefore wasteful in that it did not meet the required intention. Your Committee resolves to close the matter subject to audit verification.

Accounting and other irregularities in management of RDC Funds

70. An examination of accounting and other records maintained at the Provincial Administration carried out in March 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Unsupported Payments - K105,001,424**

The Controlling Officer informed your Committee that out of twenty-eight (28) payments vouchers, nineteen (19) vouchers in amounts totalling K62,936,245 had been adequately supported leaving a balance of K42,065,179 yet to be supported.

Committee's Observations and Recommendations

Your Committee notes with concern that failure to avail supporting documents for audit is a very serious omission and urges the Controlling Officer to put measures in place to correct the situation. The Controlling Officer is also urged to ensure that the missing supporting documents in respect of K42,065,179 are availed for audit verification without further delay. The Controlling Officer is further urged to take disciplinary action against the officers who failed to keep the documents in safe custody. Your Committee awaits a progress report on the matter.

b) **Irregular Payments for Repairs of Motor Vehicles**

The Controlling Officer informed your Committee that police reports and the drivers' statements were obtained and it was recommended to the Standing Accidents Board that the two drivers should be held responsible for the accidents. The Standing Accidents Board had not yet made a decision on their cases. When the Board decides that the duo should be surcharged, the Controlling Officer would ensure that this was done.

Committee's Observations and Recommendations

Your Committee expresses concern at the manner the matter was handled as no relevant documents such as police reports were available for scrutiny. Your Committee urges the Controlling Officer to ensure that the persons taken before the Accident Board were senior officers who drove the vehicles at the time of the accidents without authority to do so. Your Committee awaits a progress report on the matter.

c) **Unretired Imprest - K46,267,023**

The Controlling Officer informed your Committee that at the time of audit, imprest totalling K46,267,023 had not been adequately retired. These had all since been retired and were available for audit verification and the office would ensure that no officer with an outstanding imprest was allowed to get another one.

Committee's Observations and Recommendations

Your Committee views the failure to retire imprest as a very serious omission and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling

Officer to caution the erring officers who failed to retire the imprest as per financial regulations. She is also urged to ensure that the retirement details are availed to the Office of the Auditor-General for audit verification.

d) **Failure to maintain Asset registers**

The Controlling Officer submitted that the register was now available for audit verification and was also liaising with the Ministry of Works to have the equipment labeled.

Committee's Observations and Recommendations

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

e) **Unaccounted for Stores - K727,931,675**

The Controlling Officer informed your Committee that receipt and disposal details of stores items amounting to K727,931,675 that were not availed to the Auditors at the time of audit were now available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern that the Provincial Administration failed to avail receipt and disposal details during audit which was a very serious omission and urges the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the documents. Your Committee also directs the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification.

f) **Non-Remittance of Tax to the Zambia Revenue Authority (ZRA) - K70,258,088**

The Controlling Officer informed your Committee that PAYE which was not remitted to ZRA at the time of audit had since been remitted and the relevant documents were ready for audit verification.

Committee's Observations and Recommendations

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

Accounting and Other Irregularities

71. An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects carried out in March 2012 revealed several weaknesses to which the Controlling Officer responded as set out below.

a) **Unvouched Expenditure**

i. *Missing Payment Vouchers- K145,173,600*

The Controlling Officer informed your Committee that the missing payment vouchers in amounts totalling K145,173,600 had been found and were available for audit verification.

Committee's Observations and Recommendations

Your Committee observes with concern that failure to avail payment vouchers at the time of audit is a very serious omission as missing payment vouchers can be used to conceal wrong doing. The Controlling Officer is, therefore, urged to discipline the officers who failed to keep the vouchers in safe custody and to avail the recovered documents to the Office of the Auditor-General for verification.

ii. *Unsupported Payment Vouchers-K80,103,205*

The Controlling Officer informed your Committee that vouchers in respect of a total amount of K80,103,205 had been supported and were available for verification.

Committee's Observations and Recommendations

Your Committee finds the habit of availing supporting documents long after the audit unacceptable as doubts can be raised on the authenticity and genuineness of such documents. The Controlling Officer is urged to ensure that measures are put in place to correct the situation. The matter is recommended for closure subject to audit verifications.

b) **Unretired Imprest-K194,512,626**

The Controlling Officer informed your Committee that imprest totalling K194,512,626 had been retired and documents were available for audit verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to avail the retirement documents to the Office of the Auditor-General for verification and ensure that the officers that caused the omission are disciplined.

c) **Misapplication of Funds - K31,300,000**

The Controlling Officer informed the Committee that these funds would be refunded by the affected departments.

Committee's Observations and Recommendations

Your Committee cautions the Controlling Officer against misapplying funds meant for poverty reduction programmes as it was expressly prohibited by financial regulations.

Your Committee resolves not to close the matter until the misapplied funds are refunded to the respective activities.

d) **Unaccounted for Stores-K250,978,514**

The Controlling Officer informed your Committee that stores records totalling K250,978,514 (K108, 983,340 for other stores items and K141, 995,174 for fuel) that were not availed to the Auditors at the time of audit were now available for audit verification.

Committee's Observations and Recommendations

Your Committee is concerned that the Provincial Administration failed to avail receipt and disposal details during audit which was a very serious omission and urges the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the documents. Your Committee further urges the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification.

e) **Infrastructure Development-Funds released K1,440,000,005**

i. *Construction of Institutional House – Chongwe*

- **Over Commitment-K359,779,750**

The Controlling Officer submitted to your Committee that the Provincial Administration had contracted Wah Kong Enterprises Ltd to complete the project at a contract price of K859,770,750 although the estimates of expenditure for the same project only totalled K200,000,000 for the year 2010 and K300,000,000 for the year 2011. She stated that the cause of the over commitment was the ceiling that were placed on the budget by the Treasury. As regards the lack of defect liability period and damages she submitted that the contract actually provided for them.

Committee's Observations and Recommendations

Your Committee strongly urges the Controlling Officer to desist from over commitment of the funds that distorts the budgets as it often leads to delayed completion of projects. Your Committee, however, resolves to close the matter subject to audit verification.

- **Delays in Completion of Works**

The Controlling Officer submitted that the house was actually painted as was required while the mortise lock on the door to the spare bedroom had been fitted and the wiring for the cooker unit had been done. The geysers, which had been delivered, would be

fitted as the house was occupied by the new District Commissioner. The outside double door and single door would be fitted properly.

Committee's Observations and Recommendations

The matter is recommended for closure subject to audit verification.

- **Defects**

The Controlling Officer submitted that all the defects that had been noted by the Auditor-General were being addressed. In particular, the leaking roof and the cracked verandah had been mended. Further, the septic pipe was worked on and the PVC pipe was no longer leaking.

Committee's Observations and Recommendations

Your Committee recommends the matter for closure subject to audit verification.

- ii. *Construction of the Provincial Administration Office Block*

The Controlling Officer informed your Committee that the construction of the Provincial Administration Block had not been completed as the contract with Pozzolona Engineers and Builders Limited had been terminated due to the delays in the works. She submitted that in the opinion of the contractor, the funding was inadequate to proceed on any major works hence the decision to terminate the contract by the institution. The Controlling Officer further submitted that arrangements were being made to engage another contractor to complete the works which required over K6,000,000,000 to be completed. She noted that a total of K2,735,394,299 had already been received.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

- iii. *Construction of Wall Fence (Chaisa Clinic)*

Lack of Bills of Quantities (BOQs)

The Controlling Officer submitted that these works were done by the Provincial Buildings Department and materials schedule was provided for the works. The office received a total of K220,000,000 for the construction of the wall fence at Chaisa Clinic and the project was completed.

Committee's Observations and Recommendations

Your Committee expresses concern that the Controlling Officer failed to avail the BOQ during the audit and cautions that in future disciplinary action will be recommended. The matter is, however, recommended for closure subject to audit verification.

- f) **Unsupported Payments-K144,493,080**

The Controlling Officer informed your Committee that the receipt and disposal details in respect of the K144,493,080 were now available for verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officers who failed to keep the supporting documents in safe custody. She is also urged to put measures in place in order to avoid the reoccurrence of the irregularity. The matter will only be closed after the submission of evidence of the disciplinary action taken and verification of the traced supporting documents.

g) **Unaccounted for Stores-K191,241,080**

The Controlling Officer submitted that all the receipt and disposal details in respect of K191,241,080 were now available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern that the Provincial Administration failed to avail receipt and disposal details during audit which was a very serious omission and urges the Controlling Officer to take disciplinary action against the officers who caused the anomaly. Your Committee further urges the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification before the matter can be closed.

OFFICE OF THE PRESIDENT-LUSAKA PROVINCE

AUDIT QUERY

PARAGRAPH 71

Programme: Feeder Roads Rehabilitation/Construction (PRP)
Rehabilitation of District Roads (PRP)
Rehabilitation of other Gravel Roads (PRP)

Accounting and Other Irregularities

72. An examination of accounting and other records maintained at the Provincial Accounting Unit and physical inspections of the projects carried out in February 2012, revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Unsupported payments-K76,335,960**

The Controlling Officer informed your Committee that the unsupported payments had since been adequately supported and were available for audit verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure that safe custody of the supporting documents as required by financial regulations. Your Committee also urges the Controlling Officer to avail the recovered supporting documents to the Office of the Auditor-General for audit verification before the matter can be closed.

b) **Unretired Imprest - K95,365,150**

The Controlling Officer submitted that payments totalling K95,365,150 that were not retired at the time of audit had since been retired and were available for audit verification.

Committee's Observations and Recommendations

Your Committee notes that failure to retire imprest is a very serious omission and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who fail to retire the imprest in a timely manner. Further the Controlling Officer is urged to put control measures in place to avoid recurrence of the omission.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

c) Weaknesses in Accounting for Fuel - K2,096,459,899

The Controlling Officer submitted to your Committee that fuel registers were now maintained regularly and reconciled with the fuel returns from the filling stations.

Committee's Observations and Recommendations

Your Committee expresses concern at the poor management of fuel and urges the Controlling Officer to work with the internal audit section to strengthen internal controls to ensure proper accountability of fuel. The matter is recommended for closure subject to audit verification.

d) Feeder Roads Rehabilitation/Construction

i. Grading and Spot Re-gravelling – Other Roads in Luangwa

The Controlling Officer informed your Committee that there was a total of K1,215,139,000 released by the Treasury for works on other roads in Luangwa District during the year ended 31 December, 2011. This resulted in an over funding of K784,761,000 and she had applied for supplementary estimates to regularise this. The Controlling Officer further submitted that there were unutilised funds in respect of works on other roads in Luangwa District and that not all the roads were done because the equipment was retrieved for use on emergency works in Lusaka. The unit was, currently, carrying out some works in the district and the defects were being addressed.

Committee's Observations and Recommendations

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

ii. Grading 50km of feeder roads-Chongwe

The Controlling Officer submitted to your Committee that a budget of K630,850,000 was provided and released for the grading of roads in Chongwe District and out of this, a total of K104,391,960 was spent leaving a balance of K526,458,040 at the time of audit. The balance was retained for use in the year 2012. The unit had graded a total of 50km of roads in the district as budgeted for in the year 2011. In order for the unit to achieve quality work, a lot more work had to be done on the roads unlike just grading as this did not remove the big gullies. The defects on the Mikango Road (D152) that had been reported were noted. The Road Development Agency (RDA) awarded contract to a company to work on the road and the Council had requested that the Unit instead worked on the Itope/Munyeta Road which had been done.

Committee's Observations and Recommendations

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

iii. *Grading 20km-Kasisi-Kasenga Road*

The Controlling Officer submitted that a total of K177,705,000 was budgeted for and released in respect of the light grading of the Kasisi-Kasenga Road out of which a total of K79,250,000 was utilised leaving a balance of K98,455,000. The funds were released late in the year and were part of the funds that had been retained for use in the year 2012. The Controlling Officer noted that she had taken note of the defects on the Kasisi –Kasenga Road that were reported and that these would be addressed. On the identified defects, the Controlling Officer submitted that light grading does not remove the big gullies and close the depressions as they would require more work but the Unit would revisit the road when works would be done in Chongwe District.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the identified defects.

iv. *Heavy Grading 65km- Chiawa/Chisakila/Kabanana Roads*

The Controlling Officer submitted to your Committee that a total of K134,350,000 was budgeted for and released in respect of the heavy grading of the Chiawa/Chisakila/Kabanana Road and a total of K49,250,000 was utilised leaving a balance of K85,100,000. The Unit was, currently, in the area and works were on-going. The Controlling Officer further submitted that the box culverts at Gota-Gota were in a very bad shape and required the assistance of the Roads Development Agency (RDA) to have the bridge replaced. The Provincial Administration would liaise with the agency to ensure that this was done. The balance of the funds totalling K85,100,000 were retained for use in the year 2012.

Committee's Observations and Recommendations

Your Committee awaits a progress report on all the outstanding works.

v. *Heavy Grading 20km-Chiawa/Malilansolo Road*

The Controlling Officer informed your Committee that a total of K79,100,000 was budgeted for and released in respect of 20km heavy grading of the Chiawa/Malilansolo Road in the year ended 2011 but works only commenced after May, 2011 because that was when the funds were released which was not even enough to do heavy grading, hence, only light grading was done. As a result of this, the road easily developed water ponds and wheel ruts which had been noted in the Auditor-General's Report. The RDA had since awarded a contractor a contract to upgrade it into bituminous standards under the Link Zambia 8000 Project. All the funds for this road were utilised and there was no balance which remained.

Committee's Observations and Recommendations

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

vi. *Heavy grading-20km Itope/Munyeta Road*

The Controlling Officer informed your Committee that a budget provision of K88,026,000 was approved and released in the year ended 31 December, 2011 in respect of the heavy grading of the Itope/Munyeta Road yet a balance of K20,825,850 had remained unused at the end of the year 2011 and was retained for use in the year 2012. The current status was that the funds had since been utilised. The defects that had been reported had been noted and works had been done to correct the situation. The road had not been worked on for years and was overgrown with a lot of trees and shrubs. This meant that the grading of the road had to delay as the vegetation had to be cleared using human labour and a bulldozer. The Unit also had to do a lot of spot gravelling and light grading as there were a lot of gullies on the road. The funds were, however, not enough to include heavy grading. The works on this road had since been completed.

Committee's Observations and Recommendations

The matter is recommended for closure subject to audit verification.

vii. *Heavy grading and Re-gravelling-Kampekete/Chitentabunga Road*

The Controlling Officer submitted that a total of K55,596,000 was budgeted for and released by the Treasury in respect of the Kampekete/ Chitentabunga Road but funds were not enough to enable the Unit to carry out all the required works on the road. Therefore, only light grading was done but the Roads Development Agency (RDA) awarded a contract to a contractor to up-grade the road to bituminous standard under the Link Zambia 8000 project.

Committee's Observations and Recommendations

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

e) **Rehabilitation of District Roads**

i. *Grading and Spot Re-gravelling – D145 Luangwa Road*

The Controlling Officer submitted that a total of K875,282,410 was received for grading and spot gravelling of the D145–Luangwa Road of which K167,750,520 was utilised leaving a balance of K707,531,890 as at 31 December, 2011. Most of these funds were released in December, 2011 and could, therefore, not be utilised before the end of the year. The Unit, however, also did heavy and spot gravelling on the road and the balance of the funds was retained for use in the year 2012. The Road Development Agency (RDA) had, however, awarded a contractor a contract to upgrade the road to bituminous standard under the Link Zambia 8000 project. The RRU had, however, worked on the road again to make it usable before the contractor commences the works.

Committee's Observations and Recommendations

Your Committee recommends the matter for closure subject to audit verification.

ii. *Heavy Grading- D566 Silverest Road*

- **Water ponding at 1.4km, 2.7km and 4.5km, and Wheel ruts at 1.4km.**

Your Committee was informed by the Controlling Officer that K53,254,000 was released for the heavy grading of D556-Silverest Road while there were also funds that were carried forward from the year ended 31 December, 2010 to the year 2011. Therefore, more funds were utilised in the year 2011 than was earlier budgeted for and provincial office had applied for supplementary estimates to normalise the expenditure. The defects on the road had also been noted but the Treasury did not, however, release any funds in respect of this road in the year 2012 for the Unit to do further works. The RDA had since awarded a contractor a contract to upgrade the road to bituminous standard under the Link Zambia 8000 project.

Committee's Observations and Recommendations

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

OFFICE OF THE PRESIDENT - COPPERBELT PROVINCE

AUDIT QUERY

PARAGRAPH 72

Accounting and Other Irregularities

73. An examination of accounting and other related records maintained at the Provincial Administration and inspections of projects carried out in March 2012 revealed accounting irregularities to which the Controlling Officer responded as set out below.

a) **Lack of Letters of Instructions-K495,576,313**

The Controlling Officer submitted that the letters of instructions for amounts totalling K495,576,313 deposited into the General Deposit Account were not issued by the ministries funding various activities as such the Provincial Administration relied on the departments accessing the funds showing the purpose of such payments.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to engage the Ministries and departments to avail the Provincial Administration details of the funding deposited in the General Deposit Account. Your Committee resolves to close the matter but requests the Auditor-General to keep the matter in view in future audits.

b) **Unretired Imprest-K1,904,902,676**

The Controlling Officer informed your Committee that the retirement of Presidential funds amounting to K1,888,000,000 was done through the Heads of Department or Sections where expenditure was incurred. The Controlling Officer noted that it was a requirement according to a Cabinet circular that all Presidential funds were accounted for within fourteen (14) days after each Presidential visit to the province. A register to show acknowledgement of the expenditure returns by Cabinet office was now available for verification. The Controlling Officer, further, stated that PMEC had been instructed to recover outstanding amounts totalling K16,902,676 from officer's salaries.

Committee's Observations and Recommendations

Your Committee is disappointed that the Provincial Administration failed to avail the retirement details throughout the audit process which is a sign that the Controlling Officer did not take audits seriously. Your Committee resolves to close the matter subject to audit verification but cautions that in future, this will not be taken lightly.

c) **Unaccounted for Stores-K7,150,000**

The Controlling Officer submitted that receipts and disposal details in amounts totalling K7,150,000 relating to procurement of toner cartridges for use under Provincial Administration had been recorded in the Stores Ledger.

Committee's Observations and Recommendations

The Controlling Officer is urged by your Committee to ensure that disciplinary action is taken on the erring officers to deter others. Your Committee resolves to close the matter subject to verification.

d) **Rehabilitation of Kitwe Little TheatreK156,655,100**

The Controlling Officer submitted that the contract had been sub-contracted, as labour only sub-contract, to Messrs Lupoto Enterprises to make good all uncompleted works at no extra cost to the Government. The completion period was three (3) weeks from 22 February,2013 and an amount of K12,716,000 was paid for materials supplied on site.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until all the outstanding works are completed.

OFFICE OF THE PRESIDENT - COPPERBELT PROVINCE

AUDIT QUERY

PARAGRAPH 73

Programmes:

General Administration

Accounting and other Irregularities

74. An examination of accounting and other records maintained at the Provincial Administration carried out in March, 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Missing Payment Vouchers-K11,500,000**

The Controlling Officer submitted that verification of the two (2) payments was done through fuel statements and it was discovered that the transactions were authentic for the purchase of fuel and utilisation was for Government activities.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that supporting documents are kept within the precincts of the offices so that verifications are done as the audit takes place. The matter is recommended for closure subject to audit verification.

b) **Unsupported Payments-K67,349,673**

Your Committee was informed by the Controlling Officer that amounts totalling K67,349,673 relating to inadequately supported payment vouchers, had since been adequately supported.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Provincial Administration to avail supporting documents during the audit and urges the Controlling Officer to take disciplinary action against the officers who misplaced the documents. The Controlling Officer is also urged to avail the traced supporting documents to the Office of the Auditor-General for verification.

c) **Payment Vouchers not signed-K12,000,000**

Your Committee was informed that two (2) payment vouchers in amounts totalling K12 million that were not signed, had now been signed after verifying their authenticity.

Committee's Observations and Recommendations

Your Committee expresses concern that payment vouchers that were not signed were passed for payment and urges the Controlling Officer to put measures in place to strengthen internal controls. Your Committee resolves to close the matter subject to audit verification.

d) **Failure to remit Tax-K30,203,021.81**

The Controlling Officer submitted that deduction of taxes totalling K30,203,021.81 which had not been remitted to ZRA had since been remitted on cheque number 030061 dated 8 October, 2012.

Committee's Observations and Recommendations

Your Committee expresses concern that the Provincial Office failed to remit taxes which is a statutory requirement and therefore, urges the Controlling Officer to put measures in place to prevent recurrence.

e) **Payments without authority-K94,158,620**

The Controlling Officer confirmed that amounts totalling K94,158,620 involving nine (9) transactions were paid to either Hotels or Lodges without prior authority from the Secretary to the Treasury and that observations and recommendations on this matter were appreciated and the Provincial Administration would strive to follow the prescribed procedures.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to seek authority from the Secretary to the Treasury, retrospectively, so that the expenditure can be normalised. Your Committee awaits a progress report on the matter.

f) **Unaccounted for Stores-K303,129,464**

Your Committee was informed by the Controlling Officer that receipts and disposal details in amounts totalling K303,129,464 relating to various stores items and fuel costing K194,432,000 procured during the year under review had since been obtained and a stores ledger has been generated to account for receipts and disposal of the procured goods.

Committee's Observations and Recommendations

Your Committee expresses concern that the Provincial Administration failed to avail receipt and disposal details during audit which is a very serious omission and urges the Controlling Officer to take stern disciplinary action against the officers who should have ensured safe custody of the documents. Your Committee further urges the Controlling Officer to avail the traced stores documents to the Office of the Auditor-General for audit verification before the matter is closed.

g) Failure to label Assets

The Controlling Officer submitted that the Provincial Administration had labeled all the newly procured assets including various assets noted in the audit.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to pay attention to regulations and Government guidelines as they are meant to protect Government resources. The matter is recommended for closure subject to audit verification.

h) Failure to follow Procurement Procedures-K73,600,000

The Controlling Officer admitted that the three (3) payments in amounts totaling K73,600,000 to Mwabango Enterprises Ltd were approved for the purchase of furniture contrary to the guidelines of the tender procedures. It was regrettable that such had happened and that guidelines shall strictly be followed.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that Procurement procedures are followed at all times. The matter is recommended for closure subject to audit verification.

i) Unretired Imprest-K142,886,071

Your Committee was informed that P MEC had been instructed to effect recoveries from officer's salaries for the unretired imprest of K142,886,071.

Committee's Observations and Recommendations

Your Committee observes that failure to retire imprest is a very serious omission and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest in a timely manner and ensure that recoveries were effected. Your Committee awaits a progress report on the matter.

j) Irregular payment of Subsistence Allowance

The Controlling Officer submitted that according to Section 154 b (i) of the Terms and Conditions of Service for the Public Service, which states that subsistence allowance shall be paid to officers travelling on duty, and that includes travelling on 1st appointment, K6,860,000 was paid to officers reporting on 1st appointment to enable them meet accommodation expenses as they were not resident in the district. A mistake was made on the description of payment by stating loading and offloading instead of subsistence allowances to officers traveling on 1st appointment.

Committee's Observations and Recommendations

Your Committee observes that the Controlling Officer is misinterpreting the conditions of service as officers arriving on first appointment are supposed to be paid settling in allowances and not subsistence allowances. Your Committee is of the view that this was an irregular payment which should be recovered from the affected officers. Your Committee awaits a progress report on the matter.

k) Irregular use of Accountable Imprest-K35,285,000

The Controlling Officer submitted that the use of accountable imprest in future would be done according to financial regulations.

Committee's Observations and Recommendations

Your Committee expresses concern that the Provincial Administration abused the accountable imprest provision and cautions that in future, your Committee will recommend stern action to be taken against the officers that would be found wanting.

OFFICE OF THE PRESIDENT - COPPERBELT PROVINCE

AUDIT QUERY

PARAGRAPH 74

Programmes:	Various – Poverty Reduction Programmes
Activities:	Various

Accounting and Other Irregularities

75. An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects carried out in March 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) Unsupported payments -K82,502,333

The Controlling Officer informed your Committee that four (4) payments in amounts totalling K82,502,333 which were inadequately supported at the time of audit, had now been adequately supported.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the supporting documents as required by financial regulations. Your Committee also urges the Controlling Officer to avail the recovered supporting documents to the Office of the Auditor-General for audit verification before the matter can be closed.

b) Unaccounted for Stores-K71,096,750

Your Committee was informed by the Controlling Officer that receipts and disposal details in amounts totalling K71,096,750 relating to various stores items, procured during the year under review had since been obtained and a stores ledger had been generated to account for receipts and disposal of the procured stores items.

Committee's Observations and Recommendations

Your Committee expresses concern that the Provincial Administration failed to avail receipt and disposal details during audit which is a very serious omission and urges the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the documents. Your Committee further urges the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification.

c) Unretired imprest-K77,069,070

The Controlling Officer stated that out of imprest amounts totalling K77,069,070 issued to officers in the year under review, K34,049,550 required no retirements while P MEC had been instructed to recover the outstanding amount of K43,019,520 from officers salaries.

Committee's Observations and Recommendations

Your Committee observes that failure to retire imprest is a very serious anomaly and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest in accordance with financial regulations. Your Committee awaits a progress report on the recovery of the K43,019,520.

d) Failure to produce minutes and monitoring reports-K415,142,097

Your Committee was informed that not all imprest holders cited in the observations, were expected to produced minutes and monitoring reports. The Controlling Officer stated that accounting officers were issued with group imprests amounting to K299,489,676 to facilitate DDCC meetings which only required acquittals because minutes and monitoring reports were prepared by the districts while drivers were issued with personal imprest totalling K26,175,000 to drive officers to various places of duty which only required retirements. Further, District Commissioners were issued with accountable imprest amounting to K41,650,080 to carry-out DDCC meetings and monitoring of projects in their parameters and required minutes and monitoring reports which had since been obtained. Others included government officers, who were issued with accountable imprest totalling K47,827,341 for monitoring of various programmes under their charge and required retirements and monitoring reports which had since been obtained.

Committee's Observations and Recommendations

Your Committee expresses concern that the Controlling Officer was in the forefront in defending the anomaly. Your Committee further expresses concern as to why the minutes of the DDCC for example were not availed as proof that the officers attended those meetings. Your Committee, therefore, urges the Controlling Officer to ensure that all officers sent on assignments prepare reports on their outings as a control measure. Your Committee resolves to close the matter but requests the Office of the Auditor-General to keep the matter in view in future audits.

e) Misapplication of Funds - K47,250,000

The Controlling Officer acknowledged that the renewal of motor vehicle insurance amounting to K20,000,000 was wrongly paid under PRP funds. According to the annual work plan for the Department of Water Affairs, payments totalling K27,250,000 for various purchases were budgeted for under Water Needs Assessment –PRP funds.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to reimburse the K20,000,000 so that the planned activities can be implemented without further delay.

f) Undelivered items

i. *Lufwanyama Multi Purpose – Fifty-nine (59) Bags of Pig feed*

The Controlling Officer submitted that the balance of fifty-nine (59) bags costing K5,192,000 had since been delivered.

Committee's Observations and Recommendations

Your Committee resolves to close matter subject to audit verification.

ii. *Chinci Wababili Women's Co-operative - Ndola District*

The Controlling Officer informed your Committee that the balance of poultry materials costing K5,142,000 which were not supplied as of October, 2012 had been delivered.

Committee's Observations and Recommendations

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

g) Failure to implement Projects

i. *Drilling and Rehabilitation of Boreholes*

The Controlling Officer submitted that the Department of Water Affairs had planned to drill twelve (12) new boreholes and rehabilitate five (5) already existing boreholes in the year 2011. The Department successfully drilled eight (8) bore holes. The Department had also successfully rehabilitated all the five (5) boreholes as planned.

The Department had faced a lot of challenges among other things, transfer of machinery to other provinces, breaking down of machinery, special assignments rendering the planned projects incomplete in the year 2011. The remaining balance of four (04) boreholes will be drilled after the rain season.

Committee's Observations and Recommendations

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

ii. *Solar Installation to Rural Health Centres*

The Controlling Officer submitted that solar installation was being undertaken in that amounts totalling K16,081,800 had since been disbursed to Zambia Flying Doctor Service – Ndola for solar lighting of Mwinuna health post and the staff house.

Committee's Observations and Recommendations

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

iii. *Copperbelt Support Programme*

The Controlling Officer submitted that funds were not utilised in the year under review due to the fact that no group among the applicants was ready to venture into the (3) named activities. However, promotion of manufacturing and crafts groups commenced in 2012 at both Fisenge farm centre and Kangonga production centre. Amounts totalling K92,116,000 had since been paid to various suppliers of materials intended for the projects leaving a favorable balance, for the three (3) projects, of K157,137,292 as at 30 November, 2012.

Committee's Observations and Recommendations

Your Committee observes that failure to implement the project was as a result of the Provincial Administration's failure to engage the community at the budgeting stage. However, your Committee notes that implementation of the projects has started and resolves to close the matter.

h) **Construction of Youth Skills Training Centre in Masaiti**

The Controlling Officer submitted that they had engaged J. Sapwe Enterprises for construction of a Youth Skills Training Centre in Masaiti District at a contract price of K371,068,688 with the completion period of sixteen weeks and the budget was less by K171,068,804 resulting in an over commitment of Government resources. The remaining works could not be completed because the contractor had not been paid the outstanding money and thus this activity would be included in the 2014 budget.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

OFFICE OF THE PRESIDENT - COPPERBELT PROVINCE

AUDIT QUERY

PARAGRAPH 75

Programmes:

Rural Roads Unit (PRP)

Irregularities in Accounting for Funds

76. An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects carried out in April 2012, revealed accounting irregularities to which the Controlling Officer responded as set out below.

a) **Unsupported Payments-K564,988,500**

The Controlling Officer submitted that four (04) payment vouchers in amounts totalling K564,988,500 which were captured as inadequately supported now had the supporting relevant documents attached.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the supporting documents as required by financial regulations. Your Committee also urges the Controlling Officer to avail the recovered supporting documents in respect of K564,988,500 to the Office of the Auditor-General for audit verification before the matter can be closed.

b) **Failure to produce Reports-K7,125,000**

The Controlling Officer submitted that reports had been obtained and were ready for verification.

Committee's Observations and Recommendations

Your Committee considers failure to produce reports after undertaking assignments a serious anomaly which is tantamount to wasteful expenditure as management decision making does not benefit from the trips. Your Committee urges the Controlling Officer to take action against the erring officers and submit a progress report.

c) **Failure to follow Tender Procedures - K282,780,000**

The Controlling Officer stated that the Provincial Tender Board approved the purchase through circularisation of tender documents.

Committee's Observations and Recommendations

Your Committee expresses concern that the Controlling Officer failed to avail evidence of the tender processes during audit and urges the Controlling Officer to take audits seriously as such queries were unacceptable. Your Committee resolves to close the matter subject to audit verification.

d) **Undelivered Stores items-K161,898,500**

Your Committee was informed that there was partial delivery on supply of various spares procured from Unicorp and the balance of K161,898,500 had now been delivered.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

e) **Unaccounted for Fuel - K690,000,000**

The Controlling Officer submitted that disposal details in respect of fuel costing K690,000,000 procured during the period under review that were not availed were now ready for verification.

Committee's Observations and Recommendations

Your Committee expresses concern that the Provincial Administration failed to avail disposal details in respect of fuel worth K690,000,000 during audit which was a very serious omission and urges the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the documents. Your Committee further urges the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification.

f) **Unretired imprest-K80,735,000**

The Controlling Officer submitted that imprest in amounts totalling K80,735,000 involving three (3) transactions issued to two (2) officers during the period under review, had since been retired.

Committee's Observations and Recommendations

Your Committee considers the failure to retire imprest a very serious omission and strongly urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make

necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest as per financial regulations.

g) **Rehabilitation of Rural Roads**

i. *Mpongwe District*

The Controlling Officer acknowledged that a provision of K439,350,000 was made in the Estimates of Revenue and Expenditure for the year 2011 to cater for 135km of Mpongwe roads. Unfortunately, the Ministry of Finance did not release the funds during the period under review and the funds used were carryovers from the year 2010 and 30km was done in that context.

Committee's Observations and Recommendations

Your Committee notes the submission but resolves not to close the matter until all the planned road works were undertaken. A progress report on the matter is awaited.

- **St Anthony – Mulela Road**

Your Committee was informed by the Controlling Officer that the Rural Roads Unit did carry-out the heavy grading, except the area had geological effects because it was a dambo. He further noted that the actual planned distance was 11.5 kilometres as submitted by the Council.

Committee's Observations and Recommendations

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

- **Chowa Road**

The Controlling Officer submitted that a total stretch of chowa road which leads to Lukanga North Resettlement area was 50km. In the previous year (2010) 21.3 km was done and in the current year (2011) 4.3 km was done as remedy on the spoiled sections within 21.3km thereby incurring expenditure of K99,545,000 including: allowances amounting to K49,545,000 and, fuels and lubricants worth K50,000,000.

Committee's Observations and Recommendations

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

ii. *Ndola district – Dag Hamarskjold Road- Excess Expenditure-K31,490,000*

The Controlling Officer informed your Committee that according to the priced bill of quantities for Daghammasklold access road for maintenance grading was K28,775,000,000 and was spent as per the Bill of Quantities. On the access road to the site and K31,490,000 incurred as excess expenditure was for general operations under the Unit.

Committee's Observations and Recommendations

Your Committee noted the submission and resolved to close the matter.

OFFICE OF THE PRESIDENT - CENTRAL PROVINCE (RURAL ROADS)

AUDIT QUERY

PARAGRAPH 76

Unit: Rural Roads Unit
Programmes: Infrastructure Development (PRP)
Activities: Rehabilitation of Feeder Roads in Districts
Maintenance of Equipment

Accounting and other Irregularities

77. An examination of accounting and other records maintained at the Provincial Administration carried out in April, 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Wasteful Expenditure - Repairs of a Low Bed Truck-K132,922,560**

The Controlling Officer submitted that an amount totalling K132,922,560 was spent on the repair of the low bed truck and it was a runner in good condition. The repairs were necessary because the truck was needed to transport graders and other heavy duty equipment to project sites.

The Controlling Officer further stated that different repairs were done on the truck: these included purchase of the injector pump, turbo charger, rims, fittings, steel bars and general spares to ensure that it was roadworthy. However, at the time of the audit, the vehicle was parked, prompting the Auditor to conclude that the vehicle was not operational. He added that maintenance of this vehicle was not cheap as it required specialised spares not easily available on the Zambian market.

Committee's Observations and Recommendations

Your Committee expresses concern that the Provincial Administration did not take the opportunity provided by the audit process to prove that the truck in question was operational. Your Committee notes that the truck was too old and had become too expensive for the Provincial Administration to maintain. Your Committee, therefore, urges the Controlling Officer to consider selling the truck and purchasing a replacement in order to cut on the maintenance costs.

b) **Poorly Rehabilitated Roads-K3,316,533,554**

i. *Kaindu - Mpusu Road, Mumbwa*

The Controlling Officer submitted that the Provincial Administration planned to rehabilitate eleven (11) rural roads under RRU at the cost of K3,316,533,554 covering the total distance of 354km. The Controlling Officer confirmed that before work started on this road, only 12km was accessible but the road had been upgraded to the level where it was passable and the road formation was 5.1 m wide in all the areas. Further, the side drains were done during the heavy grading exercise.

The Controlling Officer further submitted that the nature of this area was such that the road level was well below the level of the surrounding land which created a problem as the sand collected in the drains during the rainy season. The road works were done in 2011 before the 2011/2012 rainy season while the audit verification was done in 2012 after the rains had finished, hence some parts of the drainages were found to be shallow because the sand had collected in the drains.

Committee's Observations and Recommendations

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

ii. *Mulilima - Chibale Road, Serenje*

The Controlling Officer informed your Committee the road formation was well done in all the areas, except that the vegetation had grown following the rains in the 2011/2012 rainy season. The road works were done in 2011, before the rainy season and the audit verification was done in 2012 after the rains had finished, hence some parts of the drainages were seen to be shallow because of the sand that had collected in the drainages. However, a review was done and the drainages were unblocked.

Committee's Observations and Recommendations

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

OFFICE OF THE PRESIDENT - WESTERN PROVINCE

AUDIT QUERY

Programme:

General Administrations

PARAGRAPH 77

Accounting and Other Irregularities

78. An examination of accounting and other records maintained at the Provincial Administration carried out in January 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Unsupported Payments-K7,690,000**

The Controlling Officer submitted that an amount of K3,580,000 was currently being recovered from the salary of the officer whose payment voucher was not supported with acquittal sheets while an amount of K3,400,000 had been supported with a photocopy of the original receipt leaving a balance of K710,000.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the supporting documents as required by financial regulations. Your Committee also urges the Controlling Officer to avail the recovered supporting documents to the Office of the Auditor-General for audit verification and ensure that supporting documents in respect of the balance of K710,000 are found and verified.

b) **Unacquitted for Payments-K7,000,000**

The Controlling Officer explained that acquittal sheets were not attached to two (02) payment vouchers at the time of audit. The paying officer was suspended from work and the office had not been able to get the wage sheets in question from the officer's department and recoveries of the amount in question were currently running from the officer's salary.

Committee's Observations and Recommendations

Your Committee notes that the Provincial Administration found itself in this position due to poor controls and urges the Controlling Officer to strengthen controls so that such cases can be averted. Your Committee resolves to close the matter subject to audit verification.

c) **Irregular Payment of Subsistence Allowance-K16,520,000**

The Controlling Officer informed your Committee that this anomaly arose due to the misinterpretation of the Conditions of Service as it was sincerely believed that it was their responsibility to accommodate these officers while they were still looking for accommodation. Regrettably, the officer (former District Commissioner for Senanga) was retired before the anomaly was highlighted in the Audit Report and therefore they could not make any deductions from his gratuity benefits as he had already been cleared by Ministry of Finance. The office was engaging him to liquidate the amounts.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officers who misinterpreted the Conditions of Service and, therefore, caused the anomaly. Your Committee awaits a progress report on the matter.

d) **Unretired Imprest - K195,948,604 and Lack of Reports for K40,452,644**

The Controlling Officer submitted that imprest in amounts totalling K15,110,000 were retired while an amount of K28,792,356 was recovered from the terminal benefits of one officer who had retired from the civil service. Imprest in amounts totalling K56,397,593 were currently being recovered from the concerned officers while the balance amounting to K95,648,655 could not be recovered from the officers involved because their debt service ratio were below 40%. On failure to submit reports the Controlling Officer explained that officers who undertook trips to the districts did not submit tour reports upon return and amount of K8,714,871 was currently being recovered from the salary of one officer while the balance amounting to K17,847,773 could not be recovered because the Officers' debt service ratio was less than 40%. Further, the Province Administration had failed to retrieve tour reports for imprest amounting to K13,890,000 from three (03) officers who were retired from service and cleared by Ministry of Finance before the query was highlighted by the Auditors.

Committee's Observations and Recommendations

Your Committee considers the failure to retire imprest a very serious omission and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest in accordance with financial regulations. On failure to file reports upon return, your Committee notes that this was a very serious administrative lapse as the supervisors should always demand for these reports for Management use in making decisions instead of treating it as a matter for audit. Your Committee urges the Controlling Officer to take action on all the outstanding aspects of the audit query and avail evidence to the Office of the Auditor-General for audit verification before the matter could be closed.

e) **Questionable retirement of Imprest**

i. *Vehicles out of Station draw fuel from local Account- K9,825,180*

- One officer who was issued with imprest to travel to Lukulu, Kaoma and Kalabo on 27 June, 2011 drew fuel for a speed boat on coupon number 2464661, which could have been used by another officer.
- The three(3) other fuel drawings on 27 June, 2011 were as a result of the works of one stores officer at the Provincial Administration Office who was in a habit of forging officers' signatures and had since been arrested, charged and was serving a two (02) year jail sentence.
- The fuel drawn on coupon number 237804 was done on the date when the officer arrived back from his tour. Since the vehicle he was using was a pool vehicle and had to continue with other official duties at the station, the office decided to refuel the vehicle so that it could be used on other duties.
- However, the fuel that was drawn on coupon numbers 233375 and 233381 totalling to K839,886 had been refunded by the officer on General Receipt Number 2733937 and he had strongly been reprimanded
- Another officer had been suspended and the matter regarding the questionable fuel drawings was currently in the courts of law.
- An amount of K557,060 would be recovered from the salary of the officer when his debt service ratio improved to above 40%.

Committee's Observations and Recommendations

Your Committee is of the view that the submission should have been given to the Auditors during the audit so that facts could have been immediately verified. Your Committee is reluctant to close the matter and urges the Controlling Office to avail all the documents to support his submission to the Office of the Auditor-General for verification. Your Committee awaits a progress report on the matter.

ii. *Diesel propelled Vehicle drew 463.75 litres of Petrol*

The Controlling Officer submitted that recoveries of K4,010,000 from Senior Social Welfare Officer had been instituted with effect from October, 2012.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer in order to deter others from committing similar offences. A progress report on the matter is awaited.

f) **Irregularities in management of fuel**

i. *Fuel drawn by private vehicles-K15,093,450*

The Controlling Officer submitted that the fuel drawings were done by privately numbered vehicles engaged in Government activities such as Zambia Police, and

Ministry of Agriculture and that in future, they would ensure that that permission was obtained for private vehicles drawing fuel on Government activities.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Controlling Officer to render this submission during the audit so that further inquiries would have been carried out to find out whether indeed the private vehicle was assigned to perform Government tasks. Your Committee requests the Office of the Auditor-General to verify the matter before it could be closed.

ii. *Fuel drawn by unknown vehicles-K14,493,664*

The Controlling Officer acknowledged that fuel drawings were made and drawn without indicating on the requisition forms the registration numbers of the vehicles, and the officer(s) responsible for anomalies was eventually arrested and convicted.

Committee's Observations and Recommendations

Your Committee expresses concern at the weak controls in fuel usage in the Province and urges the Controlling Officer to take concrete steps to correct the situation. The Office of the auditor-General is urged to keep the matter in view in future audits.

iii. *Drawing of both Diesel and Petrol by one vehicle - K4,456,481*

The Controlling Officer submitted that this happened in incidences where one coupon was used to draw diesel for the vehicle and petrol for the generator or motor bike. The Ministry had since stopped this practice of drawing petrol (for the boat, motor bike or generator usage) and diesel for the motor vehicle using one slip as each motor vehicle had been allocated its own drawing book and another drawing book for general purpose had since been created to cater for the generator, motor bikes and boat fuels.

Committee's Observations and Recommendations

Your Committee dismissed the submission by the Controlling Officer as a mere cover up as all government assets such motorbikes and generators have identification numbers that could be used on the fuel slips. Your Committee urges the Controlling Officer to be more decisive on the matter identified as such audit queries have become synonymous with the Province. In closing the matter, your Committee urged the Office of the Auditor-General to keep the matter in view in future audits.

iv) *Fuel drawn by Personal to Holder vehicles-K7,794,826*

The Controlling Officer submitted that GRZ 108CH which was personal to holder to the former Permanent Secretary, drew fuel from the Provincial Administration account at the time that the Permanent Secretary's duty vehicle was not in good running condition. The other former Permanent Secretary, who was outgoing, was called to Cabinet Office for some issues hence the allocation of fuel to his personal to holder vehicle.

Committee's Observations and Recommendations

Your Committee resolves to close the matter subject to verification.

OFFICE OF THE PRESIDENT - WESTERN PROVINCE

AUDIT QUERY

PARAGRAPH 78

Programme: - General Deposit Account

Accounting and other Irregularities

79. An examination of accounting and other records maintained at Provincial Administration and a physical inspection carried out in January 2012 revealed weaknesses to which the Controlling Officer responded as set below.

a) **Unsupported Payments-K70,573,917**

The Controlling Officer submitted that out of the K70,573,917 queried as unsupported, an amount of K60,768,917 was now supported. Further, two (2) transactions amounting to K9,805,000 were supported with receipts but these were single sourced suppliers as they were the only ones willing to supply on credit for the rehabilitation of the cenotaph and transportation of the conference chairs from Lusaka to Mongu. The office had since made an application for a retrospective no objection to authorise the single sourced procurements amounting to K9,805,000 involving two (2) transactions.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the supporting documents as required by financial regulations. Your Committee also urges the Controlling Officer to avail the recovered supporting documents to the Office of the Auditor-General for audit verification before the matter can be closed.

b) **Misapplication of Funds-K338,834,027**

Your Committee was informed that the amount of K338,834,026 queried as misapplication had since been refunded.

Committee's Observations and Recommendations

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

c) **Unretired Imprest - K244,448,943 and no reports for K151,709,833**

Your Committee was informed by the Controlling Officer that out of the K244,448,943 queried as unretired, amounts totalling K99,748,000 involving twelve (12) officers were being recovered effective June 2012 while imprest in amounts totalling K31,880,944 involving three (3) officers were currently running on the pay slips of the concerned officers. Imprest in amounts totalling K107,910,000 involving six (6) officers had since been recovered through casualty forms while the balance of two (2) transactions totalling K4,909,999 involving two (2) drivers meant for servicing of motor vehicles was yet to be recovered as the two (2) had not yet been introduced on the payroll.

The Controlling Officer further submitted that out of the sixteen (16) officers issued with imprest to enable them carry out various assignments in the districts, two (2) officers issued with imprest amounting to K34,255,000 had since handed in their reports. The Controlling Officer had also resubmitted the tour reports that were earlier rejected by the Provincial Audit Office sighting that the officers did not sign in the visitors book at the respective District Commissioners Offices

amounting to K20,909,833. The six (6) transactions amounting K55,015,000 were being recovered and currently running from the officers involved as a charge for failure to produce tour reports. One (1) transaction amounting K2,435,000 was effected for recovery effective October 2012 and recoveries were currently running on the pay slip of the concerned officer. The Controlling Officer added that the Province was unable to obtain tour reports in amounts totalling K32,375,000 from two (2) officers who had since left the Province and one (1) officer had since passed on leaving a balance of K6,270,000.

Committee's Observations and Recommendations

Your Committee observes that there is disorder in the management of imprest in the Province and urges the Controlling Officer to be firm in dealing with erring officers in order to correct the situation. Your Committee awaits a report on the resolution of the matter and specifically the retirement of the balance of K6,270,000.

d) Questionable Retirement of Imprest-K3,150,000

The Controlling Officer submitted that recovery for the questionable imprest amounting to K3,150,000 was currently running on the pay slip of concerned driver effective October 2012.

Committee's Observations and Recommendations

Your Committee regrets the anomaly which has now become a permanent occurrence in the Province and observes that unless the Controlling Officer and other heads in the Province become more firm, the situation would not change. Your Committee urges the Controlling Officer to report this matter to the Police for further investigations and provide a progress report.

e) Non-remittance of Tax-K10,678,733

Your Committee was informed that the unremitted tax totalling K10,678,733 deducted from payments of commutation, leave terminal benefits and long service bonus had since been settled.

Committee's Observations and Recommendations

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

f) Missing Executive Chair-K5,200,000

The Controlling Officer informed your Committee that the matter was reported to Zambia Police.

Committee's Observations and Recommendations

Your Committee notes the submission and awaits the outcome of Police investigations.

g) Unaccounted for Stores - K227,212,276

The Controlling Officer submitted that the stores and fuel items costing K227,212,276 had since been recorded in the stores and fuel ledgers.

Committee's Observations and Recommendations

Your Committee expresses concern that the Provincial Administration failed to avail receipt and disposal details during audit which was a very serious omission and urges the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the

documents. Your Committee further urges the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification.

OFFICE OF THE PRESIDENT - WESTERN PROVINCE

AUDIT QUERY

PARAGRAPH 79

Programme: Road Rehabilitations (Feeder Roads) - PRP

Activities: Grading Of Feeder Roads

Accounting Irregularities

80. An examination of accounting and other records maintained at Provincial Accounting Control Unit and physical inspections of selected projects carried out in January 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Unretired Imprest -K13,575,000**

Your Committee was informed that Imprest in amounts totalling K7,465,000 was recovered from the salaries of the officers concerned. The balance of K6,110,000 would be effected for recovery in March 2013 when the debt service ratio for the officers concerned would be above 40%.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

b) **Unaccounted for stores-K20,290,000**

The Controlling Officer informed your Committee that stores items costing K20,290,000 were recorded in the site register for Lukulu - Katunda Road and the disposal details were available for verification.

Committee's Observations and Recommendations

Your Committee observes with concern that the Provincial Administration failed to avail receipt and disposal details during audit which was a very serious anomaly and implores the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the documents. Your Committee also urges the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification.

c) **Weaknesses in the Management of PRP Projects**

i. *Kalabo - Kalongola Road (D319)*

The Controlling Officer reported that fuel costing K23,072,979 was used in various ways that included fuel costing K1,325,850 used to transport an officer who went to pay casual workers and other officers who were attached to the Kalabo - Kalongola road project. He added that fuel costing K9,549,600 was used to undertake an on the spot improvements and grading of township roads in Kalabo while fuel costing K10,750,464 was used on the mobilisation of equipment for the emergency spot improvement works on the Katunda - Lukulu road. Further, fuel costing K1,447,065 was used on administrative operations at the Provincial Office. The initial condition survey that was conducted was aimed at doing 12 Km stretch at a cost of K1,097,916,168 but was later reduced to 10.1 kilometres up to Ndooka Bridge. A total of 10.1 Km was constructed up to Ndooka Bridge as at December 2011. The eroded part of the Road mentioned in the report was at 3.5

kilometer and it was done in the first phase of the project in 2010.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to avail the information to the Office of the Auditor-General for audit verification before the matter can be closed.

ii. *Lukulu - Katunda Road (D792)*

- Missing Fuel requisition slips-K8,648,685
- Fuel not recorded in the site book-K13,366,436

The Controlling Officer submitted that the Road Development Agency (RDA) carried out an assessment of Lukulu-Katunda Road on 13 November, 2010 to determine its condition and came up with interventions, action and cost estimates to improve on the vehicle operations cost (VOC). The scope of works was to carry out spot improvements in selected sections of the road to improve on accessibility by motorist.

Lukulu - Katunda road was a gravel road and that the rate of deterioration for a gravel road was very high and the area referred to was a dambo area. Therefore, the time lapse between the completion of works and the inspection by the Auditors needed to be considered. The works on this road were completed in May, 2011 and inspection was only carried out in March 2012 after the 2011/2012 rain seasons when the road was exposed to traffic and weather action.

Committee's Observations and Recommendations

In noting the submission, your Committee notes that the issues related to accounting for fuel have not be addressed and thus urges the Controlling Officer to avail the documentation that was indicated as missing by the audit to the Office of the Auditor-General for verification.

OFFICE OF THE PRESIDENT - WESTERN PROVINCE

AUDIT QUERY

Programme:

Poverty Reduction Programmes (PRP)

PARAGRAPH 80

Irregularities in Accounting for Funds

81. An examination of accounting and other records maintained at Provincial Administration and a physical inspection of the selected projects carried out in March 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Unsupported Payments-K30,950,000**

Your Committee was informed by the Controlling Officer that Provincial Administration had taken note of the Auditors recommendations and advice and all procurement of goods and services would be done on three competitive quotations. A cash receipt in respect of an amount of K7,700,000 had not yet been traced.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the supporting documents as required by financial regulations. Your Committee also urges the Controlling Officer to avail the recovered supporting documents to the Office of the Auditor-General for audit verification before the matter can be closed.

b) Unretired Imprest-K276,027,253

The Controlling Officer informed your Committee that imprest in amounts totalling K68,815,714 was retired and the vouchers would be presented to the Office of the Auditor-General for verification. Imprest in amounts totalling K30,027,868 was recovered from the terminal benefits of a retired officer and in-puts were raised on the balance of K176,183,671 whose recoveries would run effective March 2013 on the concerned officers salaries.

Committee's Observations and Recommendations

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

c) Failure to Implement Poverty Reduction Programmes-K387,500,000

The Controlling Officer submitted that the contract for the street lighting project in Kalabo and Sesheke was awarded to African Power while the one for rehabilitation works for Kaoma guest house were awarded to Eldamain Business Solution and the rehabilitation works were in progress while for rehabilitation of Kalabo guest house was awarded to PM Kamaya Ltd and the rehabilitation works were nearing completion.

Committee's Observations and Recommendations

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

OFFICE OF THE PRESIDENT – EASTERN PROVINCE

AUDIT QUERY

PARAGRAPH 81

Unit: Various

Programmes: General Deposit Account

Accounting and Other Irregularities

82. An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of selected projects carried out in March 2012 revealed weaknesses to which the Controlling Officer submitted as set out below.

a) Unretired Imprest-K19,782,500

The Controlling Officer submitted that imprest issued to two (02) officers amounting to K19,782,500 had since been retired.

Committee's Observations and Recommendations

Your Committee views failure to retire imprest on time as a very serious omission and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make

necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest in a timely manner.

b) Misapplication of Funds – K44,393,450

The Controlling Officer submitted that the K44,393,450 was paid from a balance from the amount meant for a construction project at Zozwe border post not from the Presidential Visits Fund as indicated in the Auditor-General's Report. The ledgers on the transactions were available for verification.

Committee's Observations and Recommendations

Your Committee observes that this matter should have been resolved during audit and urges the Controlling Officer to submit the ledgers for audit verification before the matter can be closed.

c) Lack of Disposal Details

The Controlling Officer acknowledged that disposal details in respect of fuel amounting to K300,000,000 for the period under review were not presented for verification but these were now available.

Committee's Observations and Recommendations

Your Committee is concerned that the Provincial Administration failed to avail disposal details during audit which was a very serious omission and urges the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the documents. Your Committee also urges the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification.

OFFICE OF THE PRESIDENT – EASTERN PROVINCE

AUDIT QUERY

PARAGRAPH 82

Unit: Various
Programmes: General Administration

Accounting and Other Irregularities

83. An examination of accounting and other records maintained at the Provincial Administration carried out in January 2012 revealed weaknesses as set out below.

a) Unretired Imprest - K328,986,665

The Controlling Officer submitted that the unretired imprest amounting to K307,296,665 in respect of thirty-six (36) officers had been retired.

Committee's Observations and Recommendations

Your Committee considers the failure to retire imprest a very serious omission and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest as per financial regulations.

b) **Failure to produce Reports-K50,704,533**

Your Committee was informed that the reports were subsequently attached to the payments for retirement.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to always insist that all officers returning from assignments submit reports which are cardinal in decision making. Your Committee resolves to close the matter subject to verification that the situation has changed.

c) **Unsupported Payments-K14,337,500**

The Controlling Officer submitted that the three payments were not supported at the time of audit due to misfiling. However, the payments were now fully supported with the relevant documentations and were hereby provided.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the supporting documents as required by financial regulations. Your Committee also urges the Controlling Officer to avail the traced supporting documents to the Office of the Auditor-General for audit verification before the matter can be closed.

d) **Unacquitted Payments-K167,800,000**

The Controlling Officer submitted that thirteen (13) payments totalling K167,800,000 had since been acquitted.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to secure acquittals for the payments in question as required by financial regulations. Your Committee also urges the Controlling Officer to avail the acquittals to the Office of the Auditor-General for audit verification before the matter can be closed.

e) **Irregular Payment of Allowances-K4,299,000**

The Controlling Officer reported that it was an anomaly on the part of the office to have effected this payment amounting to K4,299,000 but had however instituted recoveries from the officer concerned. Similarly, the K4,310,000 paid to the other officers for attending a funeral of one of the senior officer's father had recoveries instituted.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to guard against such irregularities but resolves to close the matter subject to audit verification that the recoveries have been effected.

f) **Lack of Receipt and disposal details-K40,937,000**

The Controlling Officer reported that there were no receipt and disposal details for various stores items costing K40,937,000 at the time of the audit due to the fact that these were misfiled and some of these were with District Administration offices (DC's) in the districts

during the audit. The Controlling Officer added that the concerned officers had been sternly warned and any future lapses would result in stern disciplinary action.

Committee's Observations and Recommendations

Your Committee is concerned that the Provincial Administration failed to avail receipt and disposal details during audit which is a very serious omission and urges the Controlling Officer to put in place internal controls to correct the situation. Your Committee resolves to close the matter subject to audit verification that the situation has improved.

g) **Failure to account for Fuel - K518,568,660**

The Controlling Officer explained that the receipt and disposal details were availed to the Auditors for verification. He assured your Committee that he had issued strict instructions to all the departments for reconciliations of fuel accounts on monthly basis failure to which disciplinary action would be instituted.

Committee's Observations and Recommendations

Your Committee is concerned that the Provincial Administration failed to avail account for fuel costing such a huge amount and urges the Controlling Officer to put in place internal controls to correct the situation. The Controlling Officer is further urged to take disciplinary action against the officer(s) who misplaced the documents. Your Committee awaits a progress report on the matter.

OFFICE OF THE PRESIDENT – EASTERN PROVINCE

AUDIT QUERY

PARAGRAPH 83

Programme: Various
Activities: Various (PRP)

Irregularities in Accounting for Funds

84. An examination of financial and other records maintained at the Provincial Administration and a physical inspection of the selected projects carried out in February 2012 revealed weaknesses to which the Controlling Officer submitted as set out below.

a) **Rehabilitation of Community Centre, Katete District**

i. *Failure to provide contract documents*

The Controlling Officer reported to your Committee that the contract document which was misplaced during audit had been found.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the contract document and urges him to avail it to the Office of the Auditor-General for audit verification before the matter can be closed.

ii. *Undelivered tables-K9,750,000*

Your Committee was informed that the fifteen (15) tables that were not delivered by Milestone Commercial Enterprises at the time of audit had now been delivered.

Committee's Observations and Recommendations

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

iii. *Failure to deliver Buildings Materials-K16,474,000*

The Controlling Officer submitted that the balance of K16,474,000 worth of materials which were not delivered at the time of audit had now been delivered and major works which included painting and fitting the ceiling had been completed.

Committee's Observations and Recommendations

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

b) **Construction of Mtilizi Community School in Nyimba District**

i. *Undelivered Building Materials-K37,613,000*

The Controlling Officer acknowledged that K83,321,000 was paid to Johabie and Brastone out of which K37,613,000 worth of materials were not delivered. The said materials were subsequently delivered except for materials worth K5,265,000 which had since been refunded.

Committee's Observations and Recommendations

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

ii. *Uncompleted Works*

Your Committee was informed that outstanding works at the time of the audit had now been completed and a completion report was available for verification.

Committee's Observations and Recommendations

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

c) **Unaccounted for Stores-K39,990,000**

i. *Unaccounted bags of cement-666 Bags*

The Controlling Officer acknowledged that this was a serious anomaly and his office had to institute disciplinary action on the officer concerned who was currently on suspension.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to immediately report the matter to the Police so that further investigations can be conducted to establish what transpired. Your Committee awaits a progress report on the matter.

ii. *Undelivered Plumbing & Electrical Material-K21,914,500*

The Controlling Officer acknowledged that, like in the case above, his office had to institute disciplinary action on the officer concerned who was currently on suspension.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to immediately report the matter to the Police so that investigations could be conducted to establish what transpired. Your Committee awaits a progress report on the matter.

d) **Irregular Payment of Goods - K24,965,000**

The Controlling Officer stated that his response in C (i) above applied to this query too although there was no alteration made by Provincial Administration on the dates of the invoices for the goods and that the goods in question were received and entered in stores and used for the intended purpose.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to also report this matter to the Police so that investigations could be conducted to establish what transpired. Your Committee awaits a progress report on the matter.

OFFICE OF THE PRESIDENT - NORTH-WESTERN PROVINCE

AUDIT QUERY

PARAGRAPH 84

Programme: General Administration

Accounting and Other Irregularities

85. An examination of accounting and other records maintained at the Provincial Administration carried out in March 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Missing Payment Vouchers-K113,439,292**

The Controlling Officer responded that documents were not available at the time of audit because of wrong filing as there was no officer assigned to ensure proper filing. All payment vouchers had since been traced and verified by the Auditor-General's Office as per attached verification report and an officer had also been assigned to ensure proper filing.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the payment vouchers as required by financial regulations. Your Committee also urges the Controlling Officer to avail the recovered payment vouchers to the Office of the Auditor-General for audit verification before the matter can be closed.

b) **Unsupported Payments - K756,948,356**

The Controlling Officer informed your Committee that documents at the time of audit inspections were not available because of wrong filing as there was no officer assigned to ensure proper filing. Support documents amounting to K505,154,393 had been traced and verified by the

Auditor-General while the balance totalling K251,793,965.77 would be provided soon and an officer had since been assigned to ensure that supporting documents were always in place.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the supporting documents as required by financial regulations. Your Committee also urges the Controlling Officer to avail the recovered supporting documents to the Office of the Auditor-General for audit verification. The remaining missing payment vouchers totalling K251,793,965.77 should be traced without further delay.

c) **Un-acquitted Payments-K23,024,783**

The Controlling Officer submitted that all allowances had been acquitted and verified by the Auditor-General's Office.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to secure acquittals as required by financial regulations.

d) **Unaccounted for Fuel - K557,128,353**

The Controlling Officer reported that at the time of audit, the fuel details were not available because there was no Stores Officer. Fuel disposal details for fuel amounting to K324,154,281.56 had been traced and verified by the Office of the Auditor-General. The remaining disposal details would soon be provided. The Provincial Administration had since written to Public Service Management Division seeking authority to introduce the position of Stores Officer in its establishment.

Committee's Observations and Recommendations

Your Committee finds the explanation rendered by the Controlling Officer unacceptable as measures should have been taken to ensure proper preparation and custody of records. Your Committee resolves not to close the matter until the matter is fully addressed.

e) **Unretired Imprest-K476,735,511**

Your Committee was informed that a total of forty-four (44) transactions totalling K284,292,161 had been retired and verified by the Auditor-General's Office. The remaining thirty-nine (39) transactions totalling K192,443,350 had been effected for recovery effective the month of March, 2013.

Committee's Observations and Recommendations

Your Committee considers failure to retire imprest a very serious omission and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest as per financial regulations. Your Committee resolves to close the matter subject to audit verification.

f) **Failure to obtain Study Leave Authority - K37,635,000**

The Controlling Officer submitted that the tuition fees totalling K37,635,000 paid for two Officers obtained without obtaining authority had since been refunded by the affected officers and verified by the Auditor-General's Office.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

g) **Misapplication of Funds-K30,657,341**

The Controlling Officer reported that a total of K30,657,341 which was misapplied had since been refunded and this was verified by the Auditor-General's Office.

Committee's Observations and Recommendations

Your Committee resolves to close the matter.

OFFICE OF THE PRESIDENT - SOUTHERN PROVINCE

AUDIT QUERY

PARAGRAPH 85

Accounting and Other Irregularities – Livingstone

86. An examination of accounting and other records maintained at the Provincial Administration carried out in March 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Misapplication of Funds-K509,721,514**

The Controlling Officer stated that the funds were spent on Presidential Visits, construction of a water fountain at the Provincial Administration in Livingstone, furnishing of the VIP lounge at the Harry Mwaanga Nkumbula International Airport and other services with a view to reimburse the funds. Your Committee was further informed that authority had been sought from the Secretary to the Treasury for variation of the amount.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to desist from misapplying funds without Treasury authority as it derailed the implementation of planned activities. Your Committee resolves not to close the matter until Treasury authority is obtained and verified by the Office of the Auditor-General.

b) **Failure to obtain Competitive Quotations -K282,852,578**

Your Committee was informed that these procurements were done on credit during periods of erratic funding. This was necessitated by the need to obtain stationery and other requirements to maintain normal office operations.

Committee's Observations and Recommendations

Your Committee finds the explanation rendered by the Controlling Officer unacceptable as no proof of ability to pay is required at the time of obtaining quotations. Further, cases where single

sourcing is the only solution, authority to go ahead should always be sought. Your Committee resolves to close the matter subject to verification by the Office of the Auditor-General that the situation has normalised.

c) **Unvouched Expenditure - K408,060,844,65**

The Controlling Officer informed your Committee that out of 101 payments in amounts totalling K408,060,844,65, payment vouchers in amounts totalling K376,000,000 had now been supported, leaving a balance of thirty-six (36) payments vouchers representing K32,060,844.15.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the supporting documents as required by financial regulations. Your Committee also urges the Controlling Officer to avail the recovered supporting documents to the Office of the Auditor-General for audit verification before the matter can be closed.

d) **Missing Payment Vouchers-K6,793,450**

The Controlling Officer informed your Committee that two (2) missing payment vouchers had been traced and were available for verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the payment vouchers as required by financial regulations. Your Committee also urges the Controlling Officer to avail the recovered payment vouchers to the Office of the Auditor-General for audit verification before the matter can be closed.

e) **Irregular Payments-K4,830,000**

The Controlling Officer informed your Committee that erring officers had been written to, to recover the amounts of K4,830,000 that was paid to them. However, the officers were paid meal allowances, over time allowances and accountable imprest which was all in line with the prevailing Civil Service Conditions of Service. In addition, prior authority was obtained from the Secretary to the Cabinet for the payment of out of pocket allowances during budget preparation activities.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to close the matter but urges the Controlling Officer to always use the audit process to clear the queries.

f) **Stores Items without Receipt and Disposal Details- K567,336,328**

The Controlling Officer informed your Committee that receipt and disposal details were now available for verification. The Provincial Administration had conducted basic training in procurement and stores management.

Committee's Observations and Recommendations

Your Committee observes that the Provincial Administration failed to avail receipt and disposal details during the audit which is a very serious omission and implores the Controlling Officer to

take disciplinary action against the officers who should have ensure that safe custody of the documents. Your Committee also urges the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification.

g) **Failure to Insure Motor Vehicle**

The Controlling Officer acknowledged that vehicle no. GRZ 491 was not insured at the time of the accident due to erratic funding. However corrective measures had been put in place and the same vehicle was now insured. The police traffic accident report and insurance policy were available for verification and the matter had since been reported to the Standing Accidents Board.

Committee's Observations and Recommendations

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

f) **Weaknesses in Management of Imprest**

i. *Unretired Imprest- K69, 370,000*

The Controlling Officer stated that out of K69,370,000 unretired imprest, K44,920,000 had been retired leaving a balance of K24,450,000 which had been fed for recoveries.

Committee's Observations and Recommendations

Your Committee expresses concern with the failure by the Provincial Administration to retire imprest and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest as per financial regulations. Your Committee further urges the Controlling Officer to avail evidence of the retirements and the recoveries to the Office of the Auditor-General for verification before the matter can be closed.

ii. *Questionable retirement of imprest-K16,980,000*

The Controlling Officer acknowledged that retirements in respect of the amount totalling K16,980,000 were questionable and an amount of K10,580,000 had since been recovered from the concerned officers. Measures had also been put in place to ensure that that officers retired imprest by using official retirement forms (Accounts Form 44) and that the retirement was fully supported with the necessary attachments.

Committee's Observations and Recommendations

Your Committee notes the measures taken by the Controlling Officer and resolves to close the matter subject to audit verification.

CHOMA ACCOUNTING UNIT

The Provincial Administration has a sub-accounting unit in Choma to cater for the departments of Water Affairs, Land Resettlement, Physical Planning and Forestry which are based in Choma. During the year under review, amounts totalling K1,563,633,553 were released to Choma Sub Accounting Unit. An examination of records maintained at Choma Sub Accounting Unit revealed the following:

i. *Irregular deductions from departments' funding- K88, 500,000*

The Controlling Officer acknowledged that K88, 500,000 was deducted from four (4) Choma based departments in order to meet administrative expenses such as stationary and fuel for the sub accounting unit based in Choma. However this was rectified in the financial year ending 2012 by the inclusion of the budget line for the Choma Sub Accounting Unit as could be evidenced by copy of the 2012 budget.

Committee's Observations and Recommendations

Your Committee expresses concern that despite the previous audit reports citing the matter, the Provincial Administration had decided to continue with the anomaly which was unacceptable. Your Committee, however, resolves to close the matter because steps had now been taken to resolve the matter through the creation of a specific budget line for Choma-based departments.

ii. *Payment for Security Services-K52,300,160*

The Controlling Officer stated that a formal contract had since been entered into between the Department of Water Affairs and Anderson Security Services Limited (Group 3 Security Limited). Further, he stated that Anderson Security Services was the only alternative and reputable security firm operating in the area after the termination of the contract with True Force Security Service due to poor service provision.

Committee's Observations and Recommendations

Your Committee observes that absence of contract and single sourcing are often motivated by corrupt intentions and urges the Controlling Officer to ensure that this does not reoccur. On single sourcing, your Committee urges the Controlling Officer to follow tender procedures which require that a no objection is obtained from the tender committee. Your Committee resolves to close the matter but urges the Auditor-General to keep the matter in view in future audits.

iii. *Rehabilitation of Office Block – Resettlement Department*

The Controlling Officer informed your Committee that a formal contract was entered into between the Department of Resettlement and Lloyd Glass Hardware for the rehabilitation of the office block in Choma and works were certified by the Building Department.

Committee's Observations and Recommendations

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

OFFICE OF THE PRESIDENT - SOUTHERN PROVINCE (HEADQUARTERS)

AUDIT QUERY

PARAGRAPH 86

Programmes:

General Administration

Activities:

General Deposit Account

Accounting Irregularities and Other Irregularities

87. An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of selected projects carried out in March 2012 revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Misapplication of Funds-K69,576,928**

The Controlling Officer stated that the whole amount totalling K69,576,928 had been reimbursed.

Committee's Observations and Recommendations

Your Committee, in noting the submission, cautions the Controlling Officer to desist from misapplying funds which results in delayed or non implementation of activities. Your Committee resolves to close the matter subject to audit verification.

b) **Unretired Imprest - K306,962,400**

The Controlling Officer stated that the imprest had since been retired.

Committee's Observations and Recommendations

Your Committee observes that failure to retire imprest was a very serious omission and urges the Controlling Officer to take disciplinary action against the accounting staff who failed to make necessary follow-ups for the imprest to be retired on time. Your Committee also urges the Controlling Officer to caution the officers who failed to retire the imprest as per financial regulations.

c) **Questionable Retirement of Imprest-K152,627,800**

The Controlling Officer stated that the receipts in amounts totalling to K110, 600,000 did not have details of transporters due to the fact that the transporters were not registered and therefore did not have official receipt books. However, the officer had been written to, to explain his failure to comply with regulations. He added that with regards fuel receipts in amount totalling K11,257,000, the officer concerned was cautioned and the purchase of fifty (50) pockets of cement in amounts totalling K2,550,000 were used for the erection of part of Maramba Stadium Wall Fence which fell in the run up to the rally and had to be erected to enhance security for the Presidential rally. The payment to SWASCO amounts totalling K2,180,000 was for hire of water bulser to water the area where the presidential rally took place. The purchase of men and women attire in amounts totalling K19,665,000 were for purposes of easier identification of protocol officers and were in line with Presidential activities. The purchase of talk time and others in amounts totalling K6,375,800 was for the purpose of coordinating for the presidential visit.

Committee's Observations and Recommendations

Your Committee is not satisfied with the action taken by the Controlling Officer in respect of the hire of transport and the issuance of fuel. Your Committee is of the view that the Controlling Officer should have by now investigated what transpired and taken disciplinary action against

officers if necessary. Your Committee resolves not to close the matter until the matter is fully addressed.

d) **Failure to follow Procurement Procedures - K65,098,588**

The Controlling Officer informed your Committee that the officer who was in charge at the time was terminally ill and had since passed on and the Department was being run by the new officers. With regard to the K37,584,000, he explained that there was need to safe guard the village from vandalism, Treasure Care Security Limited was the only company which was available to offer the service.

Committee's Observations and Recommendations

Your Committee observes that the reason for this anomaly was lack of supervision at the Province and urges the Controlling Officer to put measures in place to ensure that all departments in the Province procured goods and services in accordance with procurement procedures. Your Committee resolves to close the matter but urges the Auditor-General to keep the matter in view in future audits.

e) **Unvouched Expenditure-K48,209,301**

The Controlling Officer informed your Committee that all payment vouchers were now attached with relevant documents.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure that the expenditures were properly vouched as per financial regulations. Your Committee also urges the Controlling Officer to avail the traced supporting documents to the Office of the Auditor-General for audit verification before the matter can be closed.

f) **Missing Payment Vouchers-K15,295,000**

The Controlling Officer informed your Committee that all missing payment vouchers had since been traced.

Committee's Observations and Recommendations

Your Committee strongly urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the payment vouchers as required by financial regulations. Your Committee also urges the Controlling Officer to avail the recovered payment vouchers to the Office of the Auditor-General for audit verification before the matter can be closed.

g) **Stores Items without Receipts and Disposal Details - K30,958,990**

The Controlling Officer submitted that the receipts and disposal details were available for audit verification.

Committee's Observations and Recommendations

Your Committee expresses concern that the Provincial Administration failed to avail receipt and disposal details during audit which was a very serious anomaly as it could be used to conceal wrong doings. Your Committee, therefore, urges the Controlling Officer to take disciplinary

action against the officers who should have ensured safe custody of the documents. Your Committee also directs the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification before the matter can be closed.

h) **Rehabilitation of Aerodromes**

i. *Choma*

- **Lack of Bills of Quantities(BOQs)**

The Controlling Officer submitted that the Bill of Quantities were now available for audit verification.

Committee's Observations and Recommendations

Your Committee observes that BOQs are an important guide to project implementation and expresses concern that the Provincial Administration failed to keep them in safe custody which is a very serious omission. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the BOQ. Your Committee further urges the Controlling Officer to avail the BOQ to the Office of the Auditor-General for audit verification before the matter can be closed.

- **Failure to account for Supervision Costs - K1,631,000**

The Controlling Officer informed your Committee that at the time of audit, the buildings officer was on leave and the details of supervision costs were now available for audit verification.

Committee's Observations and Recommendations

Your Committee finds the explanation by the Controlling Officer unacceptable as these documents should have been availed during the audit process which took several months. Your Committee cautions that in future such an attitude will not be taken lightly. The matter is recommended for closure subject to audit verification.

ii. *Kalomo*

- **Failure to provide a Contract**

The Controlling Officer informed your Committee that the contract forms were now available for audit verification.

Committee's Observations and Recommendations

Your Committee observes that a contract is very important document which guides project implementation and expresses concern that the Provincial Administration failed to keep it in safe custody which is a very serious omission. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the contract. Your Committee also directs the Controlling Officer to avail the contract to the Office of the Auditor-General for audit verification before the matter can be closed.

- **Incomplete works and poor workmanship**

Your Committee was informed that the contractor had since worked on the identified defects.

Committee's Observations and Recommendations

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

OFFICE OF THE PRESIDENT - SOUTHERN PROVINCE

AUDIT QUERY

PARAGRAPH 87

Province – Headquarters

Forestry

Water Affairs

Social Welfare

Resettlement

Accounting and Other Irregularities

88. A review of accounting and other records relating to PRP revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Failure to Account for Funds- K121,365,177**

The Controlling Officer informed your Committee that the amount of K121,365,177 was accounted for in RDC Account because it was RDCs in nature; hence it could not be transferred to PRP Account. These included funds for capacity building and utilities such as electricity, water, telephone and internet services, as per detailed budget from the yellow book and expenditure ledgers.

Committee's Observations and Recommendations

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

b) **Misapplication of Funds- K371,934,000.98**

The Controlling Officer submitted that out of the K371,934,000.98 indicated as misapplied, K100,000,000 which was meant for Mubiana dam was spent on Sikweya Dam in Kalomo due to the fact that the contractor who was working on Zimba –Livingstone Road had destroyed the dam. The contractor was ordered to work on Mubiana dam and authority was sought from Secretary to Treasury which was granted. The K113,900,000 was used on board of survey to raise Government revenue amounting to K460,000,000. The authority to vary the funds from office administration to board of survey was granted by Secretary to the Treasury. He added that his office had no capacity to carry out this exercise at the time the Ministry of Finance granted authority to sale and funds totalling K67,702,812.35 had since been reimbursed. The K10,138,000 was spent to rehabilitate the VIP house because it was a component of PRP, hence there was no misapplication. The Ministry of Finance circular no. MFAL/102/11/259 of 25 April 2003 allows the 5% component of monitoring therefore, the K50,000,000 was spent on monitoring of PRP project.

Committee's Observations and Recommendations

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

c) Unretired Imprest

i. *Unretired imprest-K74,237,352*

The Controlling Officer informed your Committee that the recoveries had been effected from concerned officers through the payroll. The balance was attributed to one late officer of which a loss report had been prepared as his benefits were not adequate and he had no fixed properties.

Committee's Observations and Recommendations

Your Committee expresses sympathy at the loss of the officer but observes that if the Provincial Administration had ensured that financial regulations were followed strictly, this loss would not have been incurred. Your Committee resolves to close the matter subject to audit verification.

iii. *Payments without expenditure returns- K8,300,000*

The Controlling Officer informed your Committee that out of K8,300,000 expenditure returns representing four (4) transactions, one amounting to K1,660,000 had been retired leaving the balance of three (3) transactions representing K6,640,000. The officer in-charge for Community Development had been suspended for his incompetence.

Committee's Observations and Recommendations

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

d) Inadequately Supported Payments - K17,537,000.50

The Controlling Officer submitted that out of K17,537,000.50, an amount of K12,267,000.50 representing three (3) payments had been adequately supported leaving a balance of one (1) payment in the name Game Stores and efforts were being made to obtain a duplicate receipt.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to take disciplinary action against the officer(s) who failed to ensure safe custody of the supporting documents as per financial regulations. Your Committee also urges the Controlling Officer to avail the recovered supporting documents to the Office of the Auditor-General for audit verification. Your Committee awaits a progress report on the full resolution of the matter.

OFFICE OF THE PRESIDENT - SOUTHERN PROVINCE (RURAL ROADS DEPARTMENT)

AUDIT QUERY

PARAGRAPH 88

Unit: Human Resource Administration

Programme: Rural Roads (PRP)

Accounting and Other Irregularities

89. An examination of accounting and other records maintained at the Provincial Administration, Rural Roads Department and a physical inspection of projects in selected districts carried out in March 2012 revealed weaknesses to which the Controlling Officer submitted as set out below.

a) **Misapplication of Funds- K993,541,920**

- i. The Controlling Officer submitted that rehabilitation of roads under the Rural Roads Unit was based on force account principles which meant that there were payments directly related to these activities such as allowances and wages to operators, mechanics and casual workers. The expenses which amounted to K565,964,920 were direct expenditure on Rural Roads operations. The other component was on the monitoring and evaluation of Rural Roads projects in the year under review amounting to K270,591,000 which was within the 5% authorised in the guideline of Ministry of Finance. The other expenditure was spent on stationary that was directly related to Rural Roads Unit's operations which amounted to K67,490,300. The K13,566,000 was spent on security services in order to safe guard Rural Roads Unit equipments and materials at that time. The Controlling Officer further stated that Rural Roads Unit had only two watchmen based at Choma Office. The K14,291,200 was used to insure a Rural Roads Unit motor vehicle which was attached to the project while the balance of K3, 613,500 was used on training members of staff on operation of Rural Roads Unit plant and vehicles.

Committee's Observations and Recommendations

In noting the submission, your Committee expresses concern that the matter was not clarified with auditors during audit and urges the Controlling Officer to avail the evidence to the Office of the Auditor-General before the matter can be closed.

ii. *Procurement of Two Graders-K997,600,000*

The Controlling Officer submitted that the Province found it necessary to procure two (2) Re- conditioned Graders in order to replace one which caught fire while the other one was involved in an accident. Authority to procure the two (2) graders was granted.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to avail the Treasury authority to procure the two graders to the Auditor-General's Office so that the matter can be closed.

b) **Irregular Refund-K4,500,000**

The Controlling Officer submitted that the officer was warned not to procure goods and services before obtaining prior authority from the Controlling Officer. However, there was no loss to Government since the officer was trying to secure the safety of the motor vehicle.

Committee's Observations and Recommendations

Your Committee observes that this was a serious anomaly in whose respect the Controlling Officer should not have approved a refund without carrying out an investigation on whether the items were bought at the right price. The Controlling Officer is implored to have the K1,755,000 recovered from the officer since according to the audit the vehicle was already fitted with another bull bar. Your Committee awaits a progress report on the matter.

c) Procurement of Tyre Tubes and Spare Parts- K841,884,198

The Controlling Officer contended that the companies the Provincial Administration office procured tyres, tubes and spares from were actually duly registered.

Committee's Observations and Recommendations

Your Committee observes that the Controlling Officer failed to avail evidence to demonstrate that the said companies were duly registered according to the laws of Zambia. Your Committee, therefore, directs the Controlling Officer to provide evidence regarding the registration of the companies to the Office of the Auditor-General for audit verification.

d) Unaccounted for Stores Items-K276,717,932 (Culverts) and K73,883,282 (Portal Frames)

The Controlling Officer stated that thirty-four (34) culverts were issued and used for construction of a culvert on Kalomo-Kauwe road. He further stated that the remaining portal frame had been collected and was verified at the Choma workshop as per delivery note.

Committee's Observations and Recommendations

Your Committee expresses concern that the Provincial Administration failed to avail receipt and disposal details to the auditors during audit and urges the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the documents. Your Committee also urges the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification.

e) Weaknesses in Fuel Usage

i. *Fuel Drawn By Non Runner Vehicles/Equipments*

The Controlling Officer submitted to your Committee that plant and vehicles on construction sites usually broke down on a daily basis and were repaired within the month, while on the other hand, monthly returns were done at the end of the month and did not state that the vehicle was broken down the whole month.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the Controlling Officer is trying to justify a situation which was evidently fraught with weaknesses. For example the Controlling Officer failed to explain to your Committee why log books were not filled in as required by procedures. The Controlling Officer is, therefore strongly advised to put measures in place to strengthen controls and ensure effective accountability of fuel usage.

ii. *Fuel used on Trips not related to Rural Roads Unit*

The Controlling Officer informed your Committee that K29,641,689 was used for mobilisation, supervision and administrative purposes to ensure the smooth running of Rural Roads Unit operations. The K7,269,875,000 worth of fuel borrowed on the Vice President's visit was due to the urgency of the event as the office had no money to facilitate the event. It was, therefore, borrowed with expectation of reimbursement by Cabinet Office. However the Office of the Vice President had not yet reimbursed. The K3,629,320 spent on workshop was directly related to Rural Roads Unit operation activity to train Rural Roads Unit drivers and operators while the K3,000,000 was used on funeral expenses with a view to refund. Fuel amounting to 1,660 litres reimbursed by the Road Development Agency (RDA) was used to mobilise plant and vehicles from Livingstone to Choma.

Committee's Observations and Recommendations

Your Committee observes that there is rampant abuse and misapplication of the fuel meant for the Unit in the Province which is an indication of the little importance attached to road construction by the Provincial Administration. In closing the matter, your Committee strongly urges the Controlling Officer to ensure that fuel is only used on intended purposes and not on other unrelated programmes.

iii. *Questionable Retirement of Fuel Imprest*

The Controlling Officer submitted that at the time the imprest was issued to officers, the Unit had only one vehicle which was used for supervision of works, transportation of mechanics, materials and spare parts to various work sites. The same vehicle had to be reassigned to attend to other urgent works such as delivery of mechanics where plant and vehicles had broken down.

The above meant that the officers who had running imprest could only continue with their tour upon return of the vehicle from other assignments.

Committee's Observations and Recommendations

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

f) **Road Rehabilitation and Construction**

i. *Questionable Fuel Drawings - Construction of Maamba - Masuku Road- K15,730,640*

The Controlling Officer stated that fuel totalling 1,881 litres costing 15,730,640 was drawn from Rural Roads Unit account in Choma in order to facilitate movement of equipment/vehicles and officers to and from Maamba - Masuku project site, as the Memorandum of understanding (MOU) between the Government Republic of Zambia and Maamba Mine did not include mobilisation, demobilisation of plant and vehicles from the Maamba – Masuku construction site to construction of Chifusa Culvert in Kalomo District.

Committee's Observations and Recommendations

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

ii. *Questionable Usage of Fuel - Grading and Rehabilitation of Choma Roads*

The Controlling Officer stated that the money which was paid to a Service Station in Choma for procurement of fuel for road works was borrowed by other districts like Itezhi-tezhi and Siavonga for construction of Ikonkaile – Kalombe Road and Ing’ombe Illede Road respectively. The other fuel was used for collection of spare parts, tyres and tubes and lubricants from Lusaka to Livingstone, Livingstone to other districts and for collection of portal frames from Infraset in Kafue to Maamba-Masuku project site. He further stated that more fuel was drawn for administrative purposes which include movement of plant/vehicles to and from Maamba-Masuku construction project and movement of Rural Roads Unit officers from Maamba to Choma / Livingstone to get their wages and salaries and then back to Maamba while the other fuel was drawn from the above mentioned Service Station for movements of mechanics to project sites during servicing and repairing of plant/vehicles in the Province which included Maamba.

He finally summarised that the K50,000,000 was used on mobilisation and other Rural Roads Unit operations. The other K50,000,000 worth of fuel was used as stated above, but was unable to furnish details as fuel issue and demand vouchers were still in the custody of external auditors.

Committee’s Observations and Recommendations

Your Committee expresses concern that the Controlling Officer failed to explain this to the auditors during the audit process which cast doubt on whether the information provided was correct. Your Committee, therefore, directs the Controlling Officer to avail the evidence in respect of this query to the Office of the Auditor-General for verification.

OFFICE OF THE PRESIDENT - SOUTHERN PROVINCE

AUDIT QUERY

PARAGRAPH 89

Accounting and Other Irregularities

90. An examination of accounting and other records maintained at the Provincial Administration and nine (9) selected districts namely Livingstone, Kalomo, Mazabuka, Choma, Monze, Namwala, Itezhi-Tezhi, Kazungula and Sinazongwe carried out in March 2012 revealed the following:

a) **Unaccounted for Funds - K77,968,755**

The Controlling Officer submitted that an amount of K77, 968,755 was retained at the time of audit. However, the actual position was that an amount totalling K33,846,235 was rightly paid to the District Commissioner leaving a balance of K44,122,520 which was varied to Provincial Administration activities.

Committee’s Observations and Recommendations

Your Committee wonders why the Controlling Officer failed to avail documentation on what expenditures were made using the funds in question to auditors during the audit. Your Committee urges the Controlling Officer to reimburse the activities from which the funds were varied and provide evidence to the Office of the Auditor-General before the matter can be closed.

b) **Questionable Retirement of Imprest - K10,050,000**

Your Committee was informed that at the time of audit, imprest was questionable in that some receipts had no date and items procured were not described. However, the Controlling Officer had written to the District Commissioners to furnish him with details of the expenditure failure to which recoveries would be effected.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the matter.

c) **Unaccounted for Stores-K335, 201,215**

The Controlling Officer informed your Committee that stores items costing K335, 201,215 procured during the period under review had no receipt and disposal details. This was because District Commissioners had no competent personnel trained to handle issues of stores. However, officers at District Commissioners office had been trained in basic accounting and stores management.

Committee's Observations and Recommendations

Your Committee expresses concern that the Provincial Administration failed to avail receipt and disposal details during audit which is a very serious omission and urges the Controlling Officer to take disciplinary action against the officers who should have ensured safe custody of the documents. Your Committee also directs the Controlling Officer to avail the recovered stores documents to the Office of the Auditor-General for audit verification.

d) **Uncompetitive Procurements-K96,136,176**

The Controlling Officer informed your Committee that the imprest paid to District Commissioners were petty cash meant for office expenses which does not require three (3) competitive quotations.

Committee's Observations and Recommendations

Your Committee recommends the matter for closure pending audit verification.

PART II

MATTERS ARISING FROM LOCAL AND FOREIGN TOURS

MATTERS ARISING FROM THE COMMITTEE'S TOURS

a) Local Tours to Selected Revenue Collection Centres

91. In order to acquaint itself with the operations of fines, fees and revenue collection centres in the Country, your Committee undertook local tours to selected centres in Central, Copperbelt and Southern provinces. Your Committee also visited Katimamulilo Border Post in Western Province and the findings and recommendations are as set out below.

ZAMBIA POLICE STATIONS

Your Committee visited Kabangwe Police Post and Kampiri Mposhi and Kalomo Police Stations and makes the following observations and recommendations

1. The Police establishment does not provide for the recruitment of accounting officers at station level resulting in revenues being handled by police officers with little or no knowledge of accounting procedures.
2. Senior officers such as administrative and officers-in-charge who supervise the management of the revenues are often not conversant with financial regulations as they themselves may not have been oriented in accounting procedures.
3. Most Police Stations lack the basic requisite requirements such as safes and lockers for safe custody of both accounting documents such as receipts and cashbooks and the revenues collected

Your Committee, therefore, makes the recommendations set out below.

1. The Ministries of Home Affairs and the Ministry of Finance should immediately seek Cabinet Authority to revise the Police establishment so as to provide for the recruitment and placement of accounting officers in police stations.
2. The Ministry of Finance should consider the option of members of the public making direct payments to the bank in order to reduce the human cash contact.
3. The Ministry of Home Affairs working in conjunction with the Ministry of Finance should ensure that all senior officers and officers responsible for the management of public funds are regularly oriented in accounting procedures and financial regulations.
4. The Ministry of Home Affairs and the Ministry of Finance should ensure that all Police stations are availed with copies of financial regulations and other relevant circulars to serve as a guide to all officers responsible for handling revenue.
5. The Ministry of Home Affairs and the Ministry of Finance should ensure that all stations are facilitated with the acquisition of safes, lockers and strong rooms for safe custody of revenue and accountable documents.

ROAD DEVELOPMENT AGENCY (RDA)

Your Committee visited the Livingstone, Kapiri Mposhi and Kafue Weigh Bridge in order to familiarise itself with the operations of the weigh bridges and to learn how the funds collected there are

handled. Your Committee expresses satisfaction at the way the stations are handling funds as revenues are being banked according to financial regulations and all them have secure strong rooms for safe keeping of cash and accountable documents. Further, your Committee notes that cash at the stations visited is being handled by qualified and experienced personnel.

ZAMBIA REVENUE AUTHORITY (ZRA)

Ndola Port Office

In the year ending 31 December 2012, Ndola Port Office had collected K1,280,099 trillion against an annual target of K1,284,151, therefore recording a marginal deficit of K4 million. As for the first quarter of 2013, almost all the taxes posted surpluses except for customs duty and export duty which had negatives of K64 million and K22 million, respectively. The overall positive performance in 2012 and first quarter of 2013 could be attributed to, among other factors, the monthly payment of K20 billion by the Ministry of Energy towards the back taxes, import VAT offset from domestic taxes, increase in business volume with corresponding growth in value and fuel uplifts by oil marketing companies.

The revenue performance was negatively affected by the: removal of local excise duty management from the port to Lusaka; failure to liquidate outstanding obligations such as First Quantum Mining's K29.6 billion and Sundowner K750 million (Both these cases are in court); the statutory instrument number 13 of 2011 that revoked import duty and excise duty on import fuels specifically petrol and diesel; further reduction of the excise duty rate to 10 % instead of 15 % and; the frequent Asycuda connectivity failures emanating from severed optic fiber.

As for challenges, the following were presented to your Committee

1. the station experienced a critical staff shortage in 2012 as it operated with nineteen (19) instead of thirty-four (34) as per approved establishment which affected some operations such as enforcement activities. The situation had improved with of the employment of staff in 2013;
2. intermittent disruption of connectivity which affected processing of transactions;
3. lack of automation at Lufuwa Border Post resulting in untimely acquittal of Removals in Transits (RITs);
4. delayed receipting and reconciliation of the Real Time Gross Settlements;
5. Bonded Warehouse Management in 2012 was negatively affected due to low manpower levels; and
6. inadequate office space and automation at Simon Mwansa Kapwepwe International Airport.

Sakania Border Post

Your Committee was informed that Sakania Border Post was mainly a control point serving as a transit point for motor vehicles and consignments to the Democratic Republic of Congo (DRC).

The revenue collected at the Border Post was, therefore, mainly derived from the Carbon emission tax collected from foreign motor vehicles entering Zambia.

As regards measures being taken to facilitate trade and enhance revenue collection, your Committee was informed that Sakania Border Post had been fully automated enabling the station to serve clients efficiently and timely. Your Committee was further informed that in 2012, the station recorded a total of 1802 imports while exports were 132. The revenue collected in 2012 was K20,400,000.

On the challenges facing the station, your Committee was informed as set out below.

1. Although office space is adequate, the only setback is the state of the buildings which are old and need rehabilitation.

2. Policing the border remains a challenge due to lack of natural barriers making the conducting of anti smuggling activities and patrols difficult.
3. The borehole under the Ministry of Works, Supply and Communication has remained unserviced for over seven years affecting the efficient provision of service to the border community.
4. Staff houses are in a deplorable state and need urgent repairs.

Kitwe Port Office

Your Committee heard that in 2012, the station collected K987,415,514 against a target of K368,701,373 resulting in a surplus of K618,714,141. Your Committee also heard that in the first quarter of 2013, an amount of K257,252,034 had been collected against the target of K149,094,877 resulting in a surplus of K108,157,157.

The following challenges were reported at the station:

1. unreliable IT connectivity which is negatively impacting revenue receipting and service delivery to clients.
2. inadequate staffing levels as the station only has fifty (50) staff to cater for the tax of 5,330 some of whom are based in other provinces.
3. Non-full compliance by quasi-government institutions such as the Copperbelt University, Kitwe City Council and Zambia Flying Doctor Services, resulting in a huge debt.

Mokambo Border Post

Your Committee was informed that Mokambo Border Post was more of a control point rather than a revenue generating one because the DRC largely depended on imports which created an outward trend in trade for the Zambian side. Your Committee heard that despite this, the station still managed to collect some revenue and record an upswing from K21,504,000 in the 1st quarter of 2012 to K31,456,000 in the 1st quarter of 2013. The main drivers for the station's revenue were the enforcement activities such as late exit penalties and carbon emission tax. Further the station collects revenue from imports of lotions and cosmetics from the Congo.

Your Committee was also informed that in order to serve clients efficiently and in line with ZRA's client charter, the station had been completely automated connecting it to the ZRA network countrywide. As a result of this, Mufulira clients are now able to make their payments from within the District.

Your Committee were informed of the challenges set out below.

1. infrastructure at the border is very old and in a poor state, hence the need for urgent upgrading to bring it to minimum acceptable standards.
2. staff houses at the border were sold to sitting tenants in 2011 depriving serving staff of government accommodation.
3. power supply at the border is erratic which affects the operations of the border post, hence the need to install a backup generator in order to protect electrical appliances such as computers from damage.

4. the Democratic Republic of Congo's border with Zambia is very wide which was making it very difficult to police resulting in rampant smuggling of alcoholic beverages.
5. there is inadequate search and parking areas and the office boundaries at Mokambo are not well defined which has resulted in traders coming to within ten meters of the office.
6. the border operates between 06:00hours and 18:00hours as opposed to the DRC side which operates on the 24 hours basis which was causing a lot of consternation among the travelling public.

Kasumbalesa Border Post

Your Committee was informed that, as a result of large volumes of trade facilitated by the border, the Government of the Republic of Zambia entered into a Concession Agreement with the Zambia Intellectual Property Border Crossing Company (ZipBCC) Ltd under Private Partnership Programme (PPP) meant to design, construct and operate traffic management system.

Your Committee was, however, informed that the Concession Agreement was terminated and the facility was taken over by ZRA on 12 October, 2012. This followed the recommendations of the Kingsley Chanda Commission of Enquiry to the Government. Zambia Revenue Authority (ZRA) took over all the border operations, including the collection of border crossing fees and all assets.

In terms of performance in revenue collection in 2012, your Committee was informed that the Station had exceeded all monthly targets by K135 billion. Your Committee also heard that traditionally, revenue was largely from petty consignments of cosmetics and impounded smuggled beer. In 2012, import VAT had contributed 99% of the stations collections. This was mainly collected on mineral ores being copper and cobalt concentrates. Importers include Chambishi Copper Smelter, Chambishi Metals PLC, Sable Zinc of Kabwe and Mopani Copper Mines and Luanshya Copper Mines.

As regards station challenges, the issues set out below were highlighted.

1. the open counter cash office arrangement for both crossing fees and the regular customs transaction was very insecure as cashiers, drivers and clearing agents directly interacted;
2. the station has no secure strong room for safe keeping of revenue hence posing a security risk;
3. the parking yard fencing was incomplete posing a security risk;
4. the station experiences rampant smuggling of goods to the DRC due to the long stretch of a porous border which poses a serious challenge to enforcement activities. This is worsened by the poor location of the Kasumbalesa COMESA market which is located very close to the borderline/cordon area which makes it easy for smugglers to stock goods in depots and smuggle them in large quantities at night;
5. the Border Post operates up to 2030 hours while the DRC side operates on 24-hour basis leading to some Zambians travelling back to Zambia being stranded;
6. The station is facing staff accommodation challenges as members of staff live in very old inhabitable house resulting in staff opting for rented houses in Chililabombwe which is costly. Only ten (10) flats are being constructed against a staff compliment of thirty-three (33);
7. the station has no fire tender despite the border handling volatile consignments such as fuels, chemicals and explosives; and

8. the current design of the parking yard has no provision for an area for conducting physical inspection of goods as it has exclusive entry and exit lanes.

Chirundu Border Post

The One Stop Border Post at Chirundu was launched on 5 December, 2009. Among the benefits from the creation of the one-stop border post, included improved clearance time to less than a day, quick truck turn around increasing business, joint operations such as inspections – Interpol, information sharing among border agencies, drastic reduction of fraud and reduced cost of doing business.

As regards revenue performance, your Committee was informed that in 2012, the Annual Parliamentary Target of K1,898,968,000,000 was exceeded by 12% after the collection of a total of K2,120,758,790,888.31. In the 1st quarter of 2013, a 2.47% surplus had been posted.

On the challenges faced by the border post, your Committee was informed as set out below.

1. low staffing levels are hampering the level of processing efficiency resulting in some delays.
2. the station has experienced ICT connectivity and system failure in resulting in processing delays.
3. there is infrastructure inappropriateness in some areas such as the scanner which was positioned on the wrong side.
4. there was multiplicity of agencies of about fifteen (15) in Zambia and nine (9) in Zimbabwe leading to delays in processing.
5. the station is lacking fire preparedness, as it is working without a fire tender which poses a risk to both life and property in case of fire breaking out.

Kariba Border Post

Your Committee was informed that revenue at Kariba Border Post had drastically declined from K31,018,486.81 in 2010 to K2,174,680.81 in 2011 and K3,870,799.29 in 2012. This could be attributed to, among other things the introduction of vehicle carriers in Zimbabwe for vehicles in transit and the introduction of the Dam toll Fee by the Zambezi River Authority as a result importers of motor vehicles opted to use other ports like Dar-es-Salaam and Walvis Bay.

As regards Temporary Importations at the border, your Committee was informed that these were in high volumes which had resulted in a number of outstanding Customs Importations Permits which have remained in unacquitted due to lack of communication within the organisation. The second reason was false registration of these motor vehicles resulting in loss of potential revenue.

As regards the main challenges facing the station, your Committee was informed as set out below.

1. most gazetted and auctioned goods are not often sold because the bid prices are lower than the reserve price due to over stating especially taking into consideration the state of the goods due to overstaying in an unsuitable condition as well as the market prices.
2. the station is experiencing a shortage of staff as there are only six (6) instead of eight(8) staff which is hampering operations as no patrols are being taken to ensure compliance. The situation has also meant that the gate is being manned by a security guard who by law is not authorised to conduct searches.
3. the station was unable to conduct adequate patrols to ensure compliance and reduce smuggling to lack of operations funds as the imprest float is inadequate.

Kazungula Border Post

Your Committee was informed of the following challenges:

1. staff accommodation is a big challenge at the station resulting in officers sharing one house (bedrooms) and there are no houses around the community for them to rent;
2. bank facilities are still a challenge as ZANACO is only at the border from Monday to Friday, for about three (3) hours and basically collecting deposits from the various government departments and not offering desired banking services such as automated teller machines (ATM) and currency exchange. Clients, therefore, still have to change currency on the black market;
3. generally, the infrastructure is in a poor state as there are number improvements to be done such as the paving of the border, construction of the inspection bay and ablution block; and
4. border security is compromised because the fencing at the border is incomplete.

Victoria Falls Border Post

Your Committee was informed that the Victoria Falls Border Post collected revenue amounting to K85.332 billion in the year 2012 which translated into a surplus of K6.407 billion or 8.12 % against the target of K78.925 billion.

Your Committee was also informed that the target for 2013 was K94.761 billion and the station so far had collected a total of K17.91 billion for the period January to 31 March 2013 which translated into a deficit of K3.61million or 16.8% against the Parliamentary target of K21.525 billion. The deficit could be attributed to the decline in imports when compared to the same period in 2012.

As regards main revenue contributors for the year 2012, your Committee heard that Palm Olein, Grinding balls, Coke Breeze and Bitumen were leading and contributed a combined total of K46.58 billion.

Katima Mulilo Border Post

Your Committee was informed that the construction of the one stop border post was completed although it had not yet officially opened. The Border Post once officially opened would accommodate officers from ZRA, Immigration, Zambia Bureau of Standards, RTSA and Forestry Department. Your Committee was also informed that the construction works of the border post also included staff houses and water reticulation. Your Committee was however informed that although the works were completed and the contractor paid in full, water reticulation has not been functioning and the bore holes are not functioning. The contractor had requested that the ZRA Office connect the main water reticulation supplying the offices to the houses at ZRA cost.

Your Committee was also informed that currently, revenue collection has been declining due to the ban of using second hand vehicles on the Namibian side and the current arrangement were all the payments are done in Livingstone and what is done at the Border Post is just inspection and raising of the invoices. Your Committee was however informed that once the border post is opened and fully operational, revenue collected would rise.

On the challenges the station was facing, the following were highlighted:

1. the current staffing levels are below the establishment and there is need for more staff especially when the border post is fully operational;

2. inadequate staff accommodation resulting in some officer staying in guest houses which is too costly for them;
3. widespread smuggling of goods mainly due to the porous border because of lack of a perimeter fence; and
4. lack of banking facilities to serve customers and staff resulting in clients changing currency on the black market.

OBSERVATIONS AND RECOMMENDATIONS

After visiting the border areas and interacting with ZRA officials, your Committee was satisfied with the fact that almost all the stations visited, were on course in meeting their targets in the various tax types. This was attributed to the general increase of activity in the economy as a result of increased activity in the mining sector. Your Committee was also satisfied to note that all stations were in compliance with the banking requirements as all funds were being banked daily or by the end of the next business day in keeping with the financial regulations. Your Committee was also gratified to note that there are measures being taken in all stations to promote legitimate and legal trade while ensuring the protection of the local business.

Your Committee, however, observes the challenges set out hereunder which the stations are facing and which, if not urgently attended to will hamper revenue collection and its accountability.

1. While appreciating that almost all stations visited had exceeded their revenue collection targets for the year 2012, your Committee is concerned that this trend can be as a result of poor forecasting techniques which can result in under-budgeting.
2. All the stations visited by your Committee reported having inadequate staffing levels in their respective stations, a situation which is hampering efficient and effective revenue collection as activities such as regular patrols are not being undertaken.
3. At most stations visited, officers reported rampant smuggling activities due to porous borders which poses a serious challenge to enforcement activities which is resulting in loss of revenue and is a direct threat to legitimate business.
4. Although all stations visited have been automated, there are complaints of system failures experienced on the ASYCUDA system which is reducing processing efficiency. Your Committee is however happy to learn that measures are underway to migrate from ASYCUDA ++ to ASYCUDA world.
5. While noting that the modern warehousing facilities have been put up at Chirundu and Katimamulilo Border posts, your Committee is concerned that most warehouses in stations visited are of substandard and are poorly maintained resulting in the goods kept there deteriorating in condition.
6. Most stations visited are having difficulties in disposing of seized and forfeited goods due to long procedures, such as gazetting and auctioning that have to be followed before the goods are sold. Further, all stations noted that in most cases the reserve prices were higher than the offers that were received from the general public resulting in goods not being sold.

7. Almost all stations visited have problems of outstanding temporary importations. Your Committee is concerned that no serious follow up action is being taken by ZRA management to resolve the cases and improve the management of the temporary importations.
8. The current designs of some of the border posts visited do not have adequate space for parking and conducting of physical searches resulting in traffic congestion.
9. None of the stations visited had a fire tender despite most of them handling volatile consignments such as fuels, chemicals and explosives that are exposing both property and life to danger in case of fire.
10. There was lack of banking facilities in some border posts visited such as Katimamulilo, Kazungula and Victoria Falls is not good for business as visitors are forced to change money on the black market.
11. There was critical shortage of staff accommodation in some border posts visited such as Mokambo, Kasumbalesa and Kazungula is de-motivating to staff.
12. Except for Chirundu, Katimamulilo and Kasumbalesa border posts the infrastructure in most border posts visited is inadequate and in a poor state.
13. Due to a change in policy, the BOT Concession Agreement for the Kasumbalesa Border facility was terminated by the Government and the facility transferred to the Zambia Revenue Authority. Your Committee is concerned that if not well handled, the termination could lead to loss of public funds due possible law suits by the Concessionaire.
14. In some border posts visited, particularly in Mokambo and Kasumbalesa, there is a serious overlap of market trading areas with border operational areas resulting in security challenges and difficulties in undertaking anti-smuggling activities.
15. There are operational efficiencies that have arisen with the creation of one stop border post in Chirundu but observe that there still exists a multiplicity of border agencies which are creating inefficiencies and unnecessary delays in clearing of clients.

Your Committee recommends, therefore, as follows:

1. the Ministry of Finance and ZRA should immediately review their current forecasting techniques to ensure that the targets arrived at are realist and are not under budgeted;
2. given the rise in the volumes of trade being handled and anticipated to be handled by ZRA revenue collection centres, the Ministry of Finance should immediately fill the vacancies in all stations so as to maximise revenue collection and improve compliance, the increase in staffing levels will also reduce on smuggling activities through increased patrols;
3. the Ministry of Finance and ZRA management should ensure migration to the new ASYCUDA world software is done without further delay in order to address the many system failures that have been experienced on the current software;

4. the Ministry of Finance should come up with a deliberate plan to upgrade warehousing infrastructure in all ports that have inadequate warehousing facilities in order to keep seized goods in a good state;
5. the Ministry of Finance and ZRA management should urgently make proposals that will expedite the process of disposing of goods that have been forfeited to the state. The proposals should address the lengthy gazetting period and procedures and the auctioning modalities;
6. the Ministry of Finance should work with ZRA Management and put in place rigorous monitoring systems in order to reduce on outstanding temporary importations. Measures should be put in place to improve information flow on the acquitted entries so that they can be removed from the system;
7. ZRA Management should ensure that all border stations that handle trucks and other volatile goods are availed with at least one fire tender each in order to prepare them for emergencies;
8. the Government, through the Ministry of Finance should engage banks in which it has a stake to open branches in border area that are currently not being serviced by other service providers;
9. the Ministry of Finance should urgently find ways of beefing up staff accommodation as they are critically hit by the accommodation shortage at most border posts;
10. the Government should come up with a robust infrastructure development plans in order to upgrade infrastructure at the border posts to accepted levels;
11. the Government should immediately take measures to clarify the boundaries in the affected posts so that market places can be moved to appropriate locations;
12. the Ministry of Finance and Zambia Revenue Authority (ZRA) Management should continue working on the integration of the agencies working at the border in order to make clearance as efficient as possible; and
13. the Government should, as a matter of urgency, evaluate the work done by the Concessionaire during the time the Agreement was subsisting and determine to what extent the Government met its obligations under the Agreement, further, the Government should seek legal advice from the Attorney-General regarding the finalisation of the Agreement so that it is done in such a manner as to forestall possible suits for breach of contract.

COMMITTEE'S FOREIGN TOUR TO THE ZAMBIAN MISSION IN BRUSSELS, BELGIUM

92. In line with its programme of work for the year 2013, your Committee undertook a foreign tour to the Zambian Mission in Brussels, Belgium from 21 to 26 May, 2013. The overall objective of the tour was for the Committee to acquaint itself with the operations of the Mission in respect of financial management and accountability, and the management of the property that was seized by the Taskforce on Corruption. In this respect, your Committee inspected a total of three government owned properties. Below is a summary of your Committee's key findings and recommendations.

1. General Accounting Matters

- a. The Embassy maintains five (05) bank accounts as that include the Ministry of Foreign Affairs, Revolving Fund, Revenue, the O.P Account and the Defence Attaché's Account. The cash books, registers of accounting and bank reconciliations were all up to date. Further, the monthly returns in respect of expenditure, visa fee collection, properties and motor vehicles were all submitted to Headquarters as per financial regulations.

- b. Generally, there was erratic funding which had affected the operations of the Mission such as attendance of statutory meetings and attracting investors in countries of extra-accreditation. Despite this situation, the Mission has had no excess expenditure.
- c. The staff strength of the diplomatic Mission stands at thirteen (13) while two vacancies were yet to be filled and these included the Minister Counsellor and Counsellor Economics. These are key positions considering that the Mission is strategically positioned in terms of trade affairs in the European Region.
- d. Brussels Mission Monthly Expenditure on locally engaged staff was currently at Euro 25,355.44, other expenditure incurred on Locally Engaged Staff included; Accident Insurance (Euro 2,936.70), Social Security (Euro 102,949.27) and Holiday Allowance (Euro 15,000). Holiday Allowance had not yet been effected as Headquarters had not yet approved the Mission's proposal. However, according to Belgian Law, payment of holiday allowance was compulsory.
- e. There were no bills outstanding regarding rents, telephones, education, professional services and medical.
- f. Transport for operations of the Embassy was adequate. However, the vehicles need to be replaced every five years as they were also used to ferry officers who have to attend meetings and service delegations in countries of extra-accreditation. Two vehicles, the Toyota Hiace CDS 485 (purchased in 2003) and Toyota Previa CDW 350 (purchased in 2005), which take frequent trips to countries of extra-accreditation have outlived their life spans and need to be replaced at an estimated cost of Euro 60,000. The vehicles are all insured to date.
- g. All officers have individual medical insurance schemes and the Mission had no problems in settling bills related to health.
- h. There was diversion of funds meant for renovation of the Ambassador's residential property at 260 Dreve Richele to renovating the Chancery. This was misapplication which required variation by the Secretary to the Treasury through the Controlling Officer – Ministry of Foreign Affairs.
- i. There are no title deeds for all properties owned in Brussels.

2. **Chancery**

- a. The Chancery situated at 469, Avenue Moliere, 1050 Brussels is owned by the Zambian Government having been purchased in September, 1986. The structure is old and in a deplorable state. For example, the toilet on the third floor has massive leakages that has affected the second and third floors including the adjoining apartment. The Mission had to compensate the neighbour for the damage caused by leakage from this toilet. Further, the shutters, sinks, cracked tiles need to be removed while dirty carpets require major cleaning.
- b. Piecemeal works had been undertaken such as putting of new tiles in the entrance hall, removal of carpet in reception area and polishing of wooden floor, replacement of damaged tiles on the third floor and replacement of carpet with tiles in two offices on third floor.
- c. Works had slowed down due to insufficient funding. The estimated costs of works were €60,000. It was further submitted that the Chancery was last painted/renovated more than five years ago. Refurbishment required in the Chancery include changing of floor tiles, repair of toilets, kitchen sink, and purchase of office chairs and major cleaning of carpets. The Basement has no lighting system and generally, all its rooms are untidy.

- d. The office space is not enough to house all the officers at the Mission. Two officers operate from the corridor and the registry is also in the corridor. The Chancery is in a deplorable state and not depicting a good first impression for the country it represents.

3. **Ambassador's Residence**

- a. The Ambassador's Residence-260 Dreve Richele is wholly owned by the Government of the Republic of Zambia and was built in 1977. The structure is in a dilapidated state and needs complete overhaul of its roof. It has remained unoccupied since 2009 because of the leaking roof. Due to erratic funding, the property has deteriorated such that the roof leakages have greatly affected the walls and the carpets. The neighbours have threatened to sue the Zambian Government for loss of value in their properties as the house looks unkempt. The windows and swimming pool door can't close and needs to be replaced. To mitigate further damage, the roof was covered with a plastic. In addition, that the property had no title deeds.
- b. According to a preliminary assessment that was done, more than €500,000 was required to renovate the property. The High Commissioner reported that the structure was last painted in 2007 and refurbished between 2007 and 2008. The furniture, carpets, curtains and other household goods need replacement at an estimated cost of €5000.
- c. A conducted tour of the Residence revealed that; paint on the walls was peeling off due to leakages on the roof but it was observed that the structure was still solid. This matter needs an urgent attention.

4. **The Belsquare Property**

- a. The Belsquare Property is owned by the Zambian Government but held by Jarban S, a company based in Luxembourg acting as a holding company which owns the shares of the real estate company Belsquare N V, based in Brussels in Belgium.
- b. The property was seized by the Task Force on Corruption and its mortgage recoveries were still running but the bank recently had expressed concern due to late payments. The seized apartments were thirty in total and were all in good condition yet required minor attention on cracks on the walls of the building
- c. There is uncertainty on the property's financial management and the engagement of the Property Manager, a Mr Philip Winnepenninckx. Of the thirty apartments, one is being occupied by the care taker. The basement has 44 parking spaces which are well maintained and cleaned regularly.
- d) The apartments are operating at about 86% occupancy per month with an estimated income of €68,705.50, although the books of accounts have never been availed to the Mission nor have they been audited from the time the apartments were seized.
- e. The property is viable and only needs a little attention and replacement of furniture which was wearing out.
- f. There are other liabilities which are outstanding such as management fees relating to the Property Manager.
- g. The Belsquare N V has what is called a *Negative Equity* which under Belgium law arises when the net equity of the company decreases below a certain threshold, usually half or one quarter of its capital. This has mainly been due to the property having no Board of Directors to annually approve the Financial Statements of the company and re-assess the value of the assets and liabilities. By implication, any interested third party may claim dissolution of this company. If

Belsquare was judicially dissolved, a liquidator would be appointed and the Government of Zambia would lose control over it and the real estate it owns.

- h. There have been no accounts lodged in favour of the Belsquare N V for the years starting from 2008 to date and also that the value of the property is not known as there has been no current valuation done. The absence of the Board of Directors has led to breach on the part of the company to fulfill its statutory obligation.
- i. There is equally no clarity on who should supervise the operations at Belsquare between the Ministry of Justice, Ministry of Finance and Ministry of Foreign Affairs. There are no documents to show how much is being realised from the rentals and how much is going to servicing the mortgage. Further, out of the revenue realised from the Belsquare apartments, nothing is remitted to Control 99 Account. The issues surrounding the Belsquare apartments, if not resolved, might lead to losing the property.

RECOMMENDATIONS

- 1. There is urgent need to refurbish the Chancery which should include changing of floor tiles, repair of toilets, kitchen sink, purchase of office chairs and major cleaning of carpets and the basement rooms should be undertaken by the Mission expeditiously. Further, the Government should secure conducive office space for the officers at the Mission in Brussels.
- 2. The Mission should apply for variation of misapplied funds meant for renovations at the Ambassador's official residence which were used to renovate the Chancery.
- 3. The Government should as a matter of urgency, state clearly the status of the Belsquare Apartments with regard to ownership. The Government should also look at the report of the *Special Board of Survey for the Inspection* and come up with a decision. The Government should expeditiously move in to resolve the issue of the Belsquare Property in order to secure it by urgently paying off the mortgage and other liabilities attached so that the property can be owned fully by the Government. Selling the property should be avoided as this would disadvantage the Zambian government due to the risk of outstanding encumbrances.
- 4. The Government should send enough funds to the Mission to enable it complete the renovations at the Ambassador's official residence situated at 260 Dreve Richele without any further delay in order to save the structure from collapsing. Further, the Government should expeditiously come up with a system to manage properties in Missions abroad.
- 5. The Government should improve funding to the Mission to enable it operate efficiently and effectively.
- 6. The Government should urgently send a Minister and Counsellor Economics to the Mission in order to assist in the smooth operation of the Mission in terms of trade affair.
- 7. The Government should expeditiously secure title deeds for all the properties owned by the Government in Brussels Mission.

CONCLUSION

93. 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, 2011. Your Committee further wishes to thank Controlling Officers that appeared before it and the Secretary to the Treasury for their cooperation.

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

V Mwale, MP
CHAIRPERSON

June, 2013
LUSAKA