

**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE REPUBLIC FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012 FOR THE THIRD SESSION OF THE ELEVENTH NATIONAL ASSEMBLY APPOINTED BY THE RESOLUTION OF THE HOUSE ON 27<sup>TH</sup> SEPTEMBER, 2013**

Consisting of:

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

The Honourable Mr Speaker  
National Assembly  
Parliament Buildings  
**LUSAKA**

Sir,

Your Committee has the honour to present its Report on the Report of the Auditor-General on the Accounts of the Republic for the Financial Year ended 31<sup>st</sup> December, 2012.

**Functions of the Committee**

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

**Meetings of the Committee**

3. Your Committee held thirty-six meetings to consider the Report of the Auditor-General on the Accounts of the Republic for the financial year ended 31<sup>st</sup> December, 2012.

**Procedure adopted by the Committee**

4. With technical guidance from the Auditor-General, the Accountant-General and the Controller of Internal Audit, your Committee considered both oral and written submissions from Controlling Officers of ministries and institutions that were mentioned in the Report of the Auditor-General on the Accounts of the Republic for the Financial Year ended 31<sup>st</sup> December, 2012. The Secretary to the Treasury was also requested to comment on all the ministries and institutions. Your Committee also had an interaction with the Hon Minister of Agriculture and Livestock on the Fertilizer and Input Support Programme (FISP).

Your Committee undertook inspection field visits to selected infrastructure construction projects in Lusaka, Central, Luapula, Muchinga and Northern Provinces. The projects were cited in the Audit Report for accountability and implementation challenges. Your Committee further undertook a benchmarking foreign tour to the Parliament of Ghana.

This Report contains the observations and recommendations of your Committee and includes, in some cases, proposed remedial measures to correct identified irregularities and weaknesses. The Report is in three (3) parts. Part I is on the Auditor-General's comments and the response from the Secretary to the Treasury. While Part II captures the responses from Controlling Officers. Part III is on the Committee's local and foreign tours.

## **PART I**

### **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<sup>st</sup> December 2012 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 6 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 Public Finance 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 submitted that the execution of the audit programmes was limited by factors beyond her Office's control and these included the factors set out below:

*i. Staff Constraints*

Although the staffing position in the Office has over the years been improving, staffing levels are still not commensurate with the number of Government programmes being undertaken throughout the Country.

*ii. Financial Constraints*

Over the past years, the Office has been receiving the funding as approved in the estimates of Revenue and Expenditure. However, the challenge has been that the proposed budgets by the Office have often been reduced by the Treasury to levels not commensurate with the Office's operational plans.

iii. *Challenges caused by the Integrated Financial Management Information System (IFMIS)*

The implementation of the IFMIS in ministries had caused considerable challenges in the finalisation of the Financial Report. In a number of cases, transactions were processed outside the system, thus resulting in un-captured expenditures in the Statement C. This caused delays as ministries have had to revert to the old FMS to post the transactions.

**Internal Control**

*The Public Finance Act No. 15 of 2004* provides for the formation of Audit Committees in all Ministries, Provinces and Spending Agencies (MPSAs). However, though formed in the MPSAs, most of the Audit Committees have not been operational. Therefore, the Audit Committees have not provided the required oversight so as to enhance Corporate Governance in the MPSAs.

Although there have been some improvement in financial management in the MPSAs as a result of measures the Government has put in place, weak internal controls were observed in certain operations in the MPSAs. The common internal control weaknesses observed in most MPSAs include: flouting of procurement procedures; failure to account for stores procured; failure to supervise projects for which contractors were paid; failure to collect revenue due to the Government; failure to terminate retired, deceased officers from the payroll; poor custody of financial records; non-processing of data in the IFMIS leading to incomplete financial statements; misapplication of funds; and non submission of expenditure returns, among others.

**Statement of revenue, financing and expenditure for the year ended 31<sup>st</sup> December, 2012**

*Article 118 (2) of the Constitution* states that a Financial Report in respect of a financial year shall include accounts showing the revenue and other moneys received by the Government in that financial year, the expenditure of the Government in that financial year other than expenditure charged by the Constitution or any other law on the general revenues of the Republic, the payments made in the financial year other than for the purposes of expenditure, a statement of the financial position of the Republic at the end of the financial year and such other information as Parliament may prescribe.

**SUBMISSION BY THE SECRETARY TO THE TREASURY**

**(Paragraph 1 - 5)**

6. The Secretary to the Treasury submitted on the findings of the Auditor-General as set out below.

**Introduction and statement of responsibility**

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<sup>st</sup> December, 2012, before the National Assembly. The Minister and the Secretary to the Treasury who constitute the Treasury did ensure that each Controlling Officer performed accordingly as outlined in *Section 7(3 to 9) of the Public Finance Act* by preparing and submitting certified financial statements for audit and inclusion in the financial report.

**Audit scope and methodology**

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. He thanked the Auditor-General for availing vital information to assist Parliament in its oversight responsibility over the management of public resources by the Executive. He noted that the Government appreciated the risk-based approach adopted by the Auditor-General in prioritising clients assisted in ensuring that the most risky areas of the Government operations were audited.

### Limitation of scope

The Secretary to the Treasury assured your Committee that the Treasury would continue engaging Controlling Officers on the need to co-operate with the Auditor-General by urging them to provide all required information and explanations when required to do so.

Regarding staffing constraints in the Office of the Auditor-General, the Secretary to the Treasury submitted that it was regrettable that despite the staffing position improving over the years, staffing was not adequate to cope with the volume of work to enable the Auditor-General increase the scope of work. He also noted the financial constraints reported by the Auditor-General and assured your Committee that the Treasury would engage the Auditor-General over both matters.

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 the system could be compatible with the Government operations.

### Internal control

Regarding internal control weaknesses, the Secretary to the Treasury submitted that as observed by the Auditor-General, the Treasury would urge Controlling Officers to carry out their responsibilities diligently as provided for in the *Public Finance Act Section 7(3) to (9), Financial Regulations of 2006* and Treasury Guidelines.

### (Paragraph 6)

#### Statement of revenue, financing and expenditure for the year ended 31<sup>st</sup> December, 2012

##### a) Shortfall/Surplus in revenue

The Secretary to the Treasury submitted that the surplus of revenue amounting to K134,973,393,286 was attributed to over-collections of income tax, customs and excise, other revenue and general budget support.

##### b) Excess expenditure

On the excess expenditure of K9,495,894,076, the Secretary to the Treasury submitted that it was as indicated in the Statement "C" of the 2012 Financial Report set out in the table below.

Ministry	Total Authorised Provision K	Actual Expenditure K	Excess Expenditure K
Ministry of Chiefs and Traditional Affairs	77,130,791,355	77,806,017,300	675,225,945
Drug Enforcement Commission	41,863,422,400	50,683,890,531	8,820,468,131
Zambia Intelligence Service	321,444,299,489	321,444,499,489	200,000
<b>Total</b>	<b>440,438,513,244</b>	<b>449,934,407,320</b>	<b>9,495,894,076</b>

The Secretary to the Treasury further submitted that the main reason for the excess expenditure was due to Controlling Officers' failure to regularise the expenditures during the financial year in accordance with Financial Regulations. He sought the indulgence of the House to regularise the Excess Expenditure amounting to K9,495,894,076 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 the submission and recommends that the expenditure be regularised in accordance with the provisions of the Constitution. Further, your Committee urges the Secretary to the Treasury to caution the Controlling Officers concerned to avoid such anomalies in future.

## GENERAL REVENUE

### AUDIT QUERY

### PARAGRAPH 7

#### PROGRAMME:

Income Tax (Other than Mineral Tax) – Zambia Revenue Authority (ZRA)  
Mineral Revenue  
Customs and Excise  
Value Added Tax  
Exceptional Revenue

#### **Accounting and other irregularities**

7. An examination of accounting and other records maintained at ZRA Headquarters and fourteen (14) stations namely Solwezi, Kasumbalesa, Kitwe, Ndola, Kasama, Nakonde, Mwami, Livingstone, Chirundu, Lusaka, Katima Mulilo, Kazungula, Kenneth Kaunda International Airport and Victoria Falls revealed accounting and other irregularities to which the Secretary to the Treasury submitted as set out below.

a) **Failure to collect Tax on Assessments-K1,926,735,058**

Tax arrears had remained outstanding mainly due to taxpayers facing liquidity problems. He noted that in some cases, taxpayers had objected and appealed against the debt while others could not be traced due to changes in their address details. He explained that Station Managers had been instructed to clear the objections from taxpayers and to ensure that tax arrears were systematically followed up and debts promptly collected.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that taxes have remained outstanding for the reasons that were advanced by the Secretary to the Treasury which situation is unacceptable and urges the Zambia Revenue Authority Management to intensify its efforts to collect the tax arrears. Your Committee awaits a progress report on the matter.

b) **Outstanding Mineral Royalty – Ndola Lime Company-K2,532,212,446**

The Secretary to the Treasury acknowledged the outstanding mineral royalty amounting to K2,532,212,446 in respect of Ndola Lime Company and stated that the Zambia Revenue Authority had engaged the Company with a view of reconciling the tax account after they disputed the earlier assessments.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that disputes relating to the outstanding mineral royalties are not being settled promptly and urges the Zambia Revenue Authority Management to expedite the resolution of this matter so that taxes can be collected. Your Committee awaits a report on the matter.

c) **Failure to honour Time to Pay Agreements (TPAs)-K1,933,962,204**

The Secretary to the Treasury submitted to your Committee that out of the outstanding amount of K1,933,962,204, a total sum of K259,691,811 had since been collected leaving a balance of K1,674,270,393. He noted that this sum had remained outstanding mainly due to taxpayers facing liquidity problems hence failure to collect the taxes. He also noted that in some cases, taxpayers had objected and appealed against the debt while others could not be traced due to changes in their address details. He explained that Station Managers had been instructed to clear the objections from taxpayers and to ensure that tax arrears were systematically followed up and debts promptly collected.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that a lot of clients are failing to honour TPAs and advises the Management of Zambia Revenue Authority to be more stringent before accepting to enter into these agreements. Your Committee further urges the Management of Zambia Revenue Authority to ensure that the tax arrears are systematically followed up and promptly collected. Your Committee awaits a progress report on the matter.

#### **d) Customs Services Division**

##### *i. Uncollected duties on transits-K90,544,967,744*

The Secretary to the Treasury submitted to your Committee that the outstanding transits had reduced to K88,616,019,200. He noted that Authority had resorted to using the computer programme which automatically blocks the code for Agents with outstanding transits.

### **Committee's Observations and Recommendations**

While noting the measures put in place to reduce arrears on transits, your Committee urges the Management of ZRA to continue devising other ways of collecting the outstanding duties on transits. Your Committee also urges the Management of Zambia Revenue Authority to ensure that the surety bonds in respect of these transits are pursued to avert the loss of revenue. Your Committee awaits a progress report on the matter.

##### *ii. Customs debt-K116,446,431,230*

The Secretary to the Treasury submitted to your Committee that the debt which stood at K116,446,431.23 was reduced to K113,299,583.60. The Zambia Revenue Authority Management was working hard to reduce all the outstanding debt and among other measures, a computer program had been developed which automatically blocks the Taxpayer Identification Number (TPIN) for any importer and declarant code for the associated agent who did not settle assessed taxes after five days.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that there has not been a significant reduction in the tax arrears and urges the Secretary to the Treasury to ensure that the Management of ZRA put measures in place to collect all the customs debt. Your Committee awaits a progress report on the matter.

##### *iii. Expired Temporal Importation Permits (TIPs) (K19,443,197,844) and Customs Importation Permits(CIPs) (K790,047,156,818)*

The Secretary to the Treasury submitted to your Committee that ZRA had, through the Transaction Monitoring Unit (TMU) of the Customs Services Division, been pursuing both Clearing Agents and importers with outstanding TIPs and CIPs among other transaction types particularly under suspense procedures. To this effect, declarant codes and Taxpayer Identification Numbers (TPINs) for agents and importers respectively with outstanding transactions were continuously and consistently being blocked (suspended) until the outstanding liabilities were settled.

Further, a schedule of motor vehicles on outstanding CIPs and TIPs had been forwarded to the Road Transport and Safety Agency (RTSA) to ascertain whether some of the vehicles were fraudulently registered.

### **Committee's Observations and Recommendations**

Your Committee notes the submission by the Secretary to the Treasury and urges the Management of Zambia Revenue Authority to continue pursuing the clearing agents and

importers with outstanding Temporal Importation Permits to pay the arrears. Your Committee awaits a progress report on the matter.

- iv. *Missing goods – Nakonde Border Post State Warehouse-K1,149,049,451*  
The Secretary to the Treasury submitted to your Committee that acquittal and payment details for 100 boxes of hair cosmetics and twenty-five packages of assorted goods with values of K12,076,070 and K2,352,941 respectively had since been found. The Station had been directed to account for all the goods on the schedule.

**Committee’s Observations and Recommendations**

Your Committee expresses concern that little has been done to account for the missing goods and urges the Management of Zambia Revenue Authority to take disciplinary action against the erring officers at the Station who have failed to account for the said goods. Your Committee awaits a progress report on the matter.

- v. *Unaccounted for duty on motor vehicles – Nakonde Border Post-K122,187,223*  
The Secretary to the Treasury submitted to your Committee that the reconciliation was still being undertaken by the Station and clearance details for the Toyota Harrier and Toyota Starlet with Value for Duty Purposes (VDPs) of K25,866,000 and K18,591,815 respectively had since been found. Regarding the ten seized motor vehicles captured on the yard status register but could not be traced in the customs yard and acquittal details for the vehicles could not be provided, an investigation and reconciliation were also underway.

**Committee’s Observations and Recommendations**

Your Committee observes that the Zambia Revenue Authority still has a lot to do to bring sanity to the way seized goods are managed and secured. Your Committee is concerned that despite the matter of missing vehicles being highlighted by the Auditor-General, little progress has been made to clear it which is an indictment on the Management of Zambia Revenue Authority. Your Committee urges ZRA to immediately resolve the matter and put in place measure to improve record management at ZRA ware houses. Your Committee awaits a progress report on the matter.

- vi. *Failure to dispose of damaged motor vehicles – Chirundu Border Post-K77,750,000*  
The Secretary to the Treasury submitted to your Committee that out of the total number of six vehicles, two vehicles had since been auctioned while the Station had been requested to sell to the highest bidders for the other four vehicles that failed to sell during the auction.

**Committee’s Observations and Recommendations**

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

## PART II

### RESPONSES FROM CONTROLLING OFFICERS

#### MINISTRY OF MINES, ENERGY AND WATER DEVELOPMENT

AUDIT QUERY

PARAGRAPH 8

PROGRAMME:

Exceptional Revenues-

ACTIVITIES:

Energy Regulation Board (ERB) Licence Fees

Mining licences

Fees and Surface Rental Charges

Water Board Fees

#### Irregularities in Accounting for Revenue

8. An examination of accounting and other records maintained at the Ministry Headquarters and selected stations carried out in June, 2013, revealed several irregularities to which the Controlling Officer responded as set below.

a) **Unaccounted for revenue – Water Board Fees – K78,346,187.35**

The Controlling Officer acknowledged that at the time of audit, revenues totalling K78,346,187.35 were unaccounted for. He explained that this was because some documents were misplaced when officers from the former Ministry of Energy and Water Development were shifting from Mulungushi House to join their Mines counterpart at Government Complex. He further explained that the sum in question related to cheques and the Ministry was still in the process of reconciling the documents relating to the unaccounted for revenue.

#### Committee's Observations and Recommendations

Your Committee views the Ministry's failure to account for funds as a very serious omission and urges the Controlling Officer to take disciplinary action against the erring officers. Your Committee also urges the Controlling Officer to carry out regular checks to ensure that moneys are being deposited in accordance with Financial Regulations. Your Committee awaits a progress report on the matter.

b) **Outstanding licence fees – K3,902,337,217.17**

The Controlling Officer acknowledged that the sum of K3,902,337,214.17 was owed to the ERB by licenced entities as at 31<sup>st</sup> December, 2012. He explained that the sum of K2,951,685,600 had since been collected and remitted to the Ministry of Finance while the ERB was actively engaging with other licence holders to recover outstanding amounts of K950,651,614.17.

Asked by your Committee what challenges the Ministry was facing in the collection of these fees, the Controlling Officer explained that the Ministry could not take sanctions on defaulters as most companies that were defaulting were undergoing liquidation while in some cases, such as the Copperbelt Energy Corporation (CEC) revoking the license for such a company would mean cutting electricity supply to the mines as it was the major supplier of electricity to the sector.

#### Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to continue engaging the companies with arrears in licence fees. Your Committee awaits a progress report on the matter.

c) **Delayed banking-Ranging from five to fifty-eight days**

The Controlling Officer acknowledged that there was delayed banking at Headquarters, Cadastre Office and Mine Safety Department and the officers involved had since been reprimanded and re-assigned to other duties. He submitted further that a dedicated revenue collection team had been constituted to conduct weekly inspections.

### **Committee's Observations and Recommendations**

Your Committee notes the action taken by the Controlling Officer and urges him to ensure that revenue banking is done in accordance with Financial Regulations. Your Committee further urges the Controlling Officers to take stiffer disciplinary action should this happen again. Your Committee awaits a progress report on the matter.

## **MINISTRY OF HOME AFFAIRS**

AUDIT QUERY

PARAGRAPH 9

PROGRAMME:

Fees of Court

ACTIVITY:

Immigration fees and charges

### **Accounting and Other Irregularities**

9. An examination of accounting and other records maintained at the Ministry Headquarters and selected provincial offices revealed accounting and other irregularities to which the Controlling Officer submitted as set out below.

#### **a) Unaccounted for revenue-K112,450,000**

##### *i. Unaccounted for funds at Mansa -K61,800,000*

The Controlling Officer submitted that the amount of K61,800,000 reported as unaccounted for revenue at Mansa Regional Immigration Office was as a result of an overstatement by K33,000,000, due to the fact that thirty-three permits were issued to NGOs and Government employees at K1,000,000 and not at K2,000,000 as reported by the auditors. Hence the actual unaccounted for collections on the permits was K28,800,000. The Controlling Officer further submitted that, out of the K28,800,000 unaccounted for, K11,800,000 was receipted and banked while K9,000,000 was paid back and receipted by the Officers leaving a balance of K8,000,000 which had not yet been accounted for. In addition, your Committee was informed that the officer who was responsible for the collection of revenue at Mansa had since been suspended awaiting the final determination of the case by the disciplinary committee.

### **Committee's Observations and Recommendations**

Your Committee expresses concern at weak controls in the management of revenue at the Station and urges the Controlling Officer to ensure that corrective measures are taken without further delay. Your Committee also urges the Controlling Officer to avail documentary evidence on the amounts said to have been accounted for and ensure that the balance of K8,000,000 is also accounted for. Your Committee awaits a progress report on the matter.

##### *ii. Unaccounted for funds at Mansa- K20,100,000*

The Controlling Officer submitted to your Committee that amounts totalling K11,600,000 were recorded in the general revenue cash book and deposited in the revenue transit account leaving a balance of K8,500,000. The officer responsible had since paid back a total amount of K8,500,000 and he had since been removed from handling Government Revenues.

### **Committee's Observations and Recommendations**

Your Committee notes that the whole amount totalling K20,100,000 has since been accounted for but urges the Controlling Officer to take disciplinary action against the erring officer who refunded an amount totalling K8,500,000. Your Committee awaits a progress report on the matter.

- iii. *Unaccounted for funds at Kaputa-\$200*  
The Controlling Officer acknowledged that \$200 was not deposited at the time of audit but had since been recorded in the General Revenue cash book and deposited in the revenue transit account.

**Committee's Observations and Recommendations**

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

- iv. *Unaccounted for funds at Chipungu- K30,550,000 and \$1,460*  
The Controlling Officer submitted that an analysis of the Auditors' Schedules indicated that the actual amount not accounted for as at the time of Audit was only K28,400,000 contrary to the amount of K30,550,000 reflected in the Audit Report. She noted that amounts of K14,200,000 and K8,400,000 were banked on 20th June and 4<sup>th</sup> November, 2011, respectively leaving a balance of K5,800,000 not accounted for.

The Controlling Officer further submitted that the officer who was responsible for collection of revenue at Chipungu died on 11<sup>th</sup> April, 2013, and that the revenue in question was banked prior to his death. The auditors could not verify the documents as at the time of Audit as these were handed over to the Regional Immigration Office - Mansa prior to the officer's death.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that internal controls are strengthened and the banking details availed for audit verification. Your Committee awaits a progress report on the recovery of the balance of K5,800,000.

- v. *Unaccounted for funds - Nchelenge - US\$2,050*  
The Controlling Officer submitted that the officer responsible had since died and the Department would recover the amount of US\$2,050 from his terminal benefits.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that internal controls are strengthened. Your Committee awaits a progress report on the recovery of the funds.

- vi. *Unaccounted for funds-Chembe-US\$100*  
Your Committee was informed that a US\$100 note at Chembe was found out to be a fake dollar and the Management had started procuring currency verifiers for all various border controls to avoid the losses.

**Committee's Observations and Recommendations**

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

b) **Delayed banking- Ranging from 2 to 169 days**

The Controlling Officer submitted to your Committee that the delayed banking by the various stations was due to the non-availability of banking facilities near the revenue collecting points and lack of transport coupled with inadequate funding experienced during the year under review.

**Committee's Observations and Recommendations**

Your Committee does not agree with the submission by the Controlling Officer because the main culprits for delayed banking were the Headquarters and Mansa office which have banking facilities and cautions the Controlling Officer against defending irregularities. Your Committee also urges the Controlling Officer to instead put strict control measures in place to ensure that revenues are banked in accordance with Financial Regulations. Your Committee further urges

the Controlling Officer to take disciplinary action against the erring officers and awaits a progress report on the matter.

c) **Missing Accountable Documents**

The Controlling Officer submitted to your Committee that this was due to the fact that the officer who was handling revenue had been sent on suspension due to misappropriation of Government Revenue. However, efforts were being made to retrieve the documents.

**Committee's Observations and Recommendations**

Your Committee is concerned that the Management at Mansa failed to take necessary measures to ensure that the officer who was proceeding on suspension handed over all Government documents and properties that were under his custody. Your Committee also expresses concern that this matter has not been reported to Police for further investigation and possible prosecution. Your Committee, therefore, urges the Controlling Officer to caution the Management at Mansa for the omission and immediately report the matter to the Police. Your Committee awaits a progress report on the matter.

**JUDICIARY**

AUDIT QUERY

PARAGRAPH 10

PROGRAMME:

Fees and Fines

ACTIVITIES:

Court and Other Fees

Library Services

Fines of Court

**Irregularities in accounting for revenue**

10. An examination of accounting and other records maintained at the Judiciary Headquarters and a visit to selected courts carried out in June, 2013, revealed some irregularities in accounting for revenue to which the Controlling Officer responded as set out below.

a) **Unaccounted for revenue-K279,459,587**

The Controlling Officer submitted on each of the cited stations as below.

**Headquarters- Boma Local Court 6 and 5**

The officer had since been dismissed by the Judicial Service Commission and the matter had also been reported to Police for possible prosecution.

**Committee's Observations and Recommendations**

Your Committee notes the action taken by the Controlling Officer but urges him to put measures in place to avert similar irregularities in future. Your Committee resolves to close the matter subject to audit verification.

**Mumbwa Subordinate Court – Fines and Fees**

The officer involved was dismissed by the Judicial Service Commission and the matter had also been reported to Police for possible prosecution.

**Committee's Observations and Recommendations**

Your Committee notes the submission but awaits a progress report on the outcome of police action.

**Nakonde Subordinate Court**

According to records, the money was accounted for and the records were available.

**Committee's Observations and Recommendations**

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

**Kasama Subordinate Court**

The matter was currently in the hands of the Police.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

**Choma Urban Court – Fees and Fines**

The matter was still before the disciplinary committee.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

**Solwezi Kyawama Local Court**

Your Committee was informed that the funds in question were accounted for and banked.

**Committee's Observations and Recommendations**

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

**Mazabuka Subordinate Court**

The Controlling Officer requested that this matter be subjected to further audit scrutiny.

**Committee's Observations and Recommendations**

Your Committee requests the Auditor-General to verify the matter and provide an update.

**Petauke Boma Local Court – Fees and Fines**

The records showed that all the funds were accounted for. The cashbooks and the bank deposit slips were now at Judiciary Headquarters and were ready for audit scrutiny.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Controlling Officer did not ensure that the matter was resolved during the audit process. Your Committee resolves to close the matter subject to audit verification.

**Kalindawalo Local Court**

Contrary to the Auditor-General's findings, records on the ground showed that all the funds were accounted for. The cashbooks and the bank deposit slips were now at Judiciary Headquarters and were ready for audit scrutiny.

**Committee's Observations and Recommendations**

Your Committee takes great exception to the Controlling Officer's attitude of not clearing queries during the audit process. Your Committee resolves to close the matter subject to audit verification.

**Chipata High Court**

The money in question had been accounted for and the deposit slips were ready for audit scrutiny.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the funds were only accounted for after the audit and urges the Controlling Officer to take disciplinary action against the officers responsible for failure

to produce accounting records at the time of audit. Your Committee resolves to close the matter subject to audit verification.

**Clients Account**

Your Committee was informed that the officers involved were appearing before the Disciplinary Committee.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

**Mumbwa Subordinate Court – Sheriff's Fees**

The officer involved was dismissed by the Judicial Service Commission.

**Committee's Observations and Recommendations**

Your Committee notes the submission, but urges the Controlling Officer to report the matter to the Police for possible prosecution. The officer should also be surcharged in accordance with the *Public Finance Act* so as to recover the revenue. Your Committee awaits a progress report on the matter.

**Mapanza Local Court – Court Fees and Fines**

The officer involved was appearing before the disciplinary committee.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

**Macha Local Court – Court Fees**

The officer involved was appearing before the disciplinary committee.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

**Chelstone Local Court**

The officer involved was appearing before the disciplinary committee.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

**Mazabuka Local Court – Court Fees**

According to the records between January and December, 2012, a total of K1,885,000 was collected and out of this, a total of K1,029,000 was accounted for leaving a balance of K826,800 which was later accounted for.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Controlling Officer failed to address the query during the audit process. Your Committee urges the Controlling Officer to take disciplinary action against the officers who failed to account for the funds during the audit and provide a progress report on the matter.

b) **Delayed banking-From 3 to 240 days**

The Controlling Officer acknowledged that there were delays in banking funds in most of the stations and in this regard, all revenue collectors had been directed to strictly adhere to the requirements of the Financial Regulations. He added that the Judiciary had carried out short training programs on the importance of adhering to the dictates of financial regulations.

### **Committee's Observations and Recommendations**

Your Committee observes that stations that experienced delayed banking were in fact, the same ones implicated in failure to account for funds. Your Committee also observes that the worst culprits in delayed banking were the Headquarters and stations at provincial centers where banking facilities were available. Your Committee therefore, urges the Controlling Officer to take disciplinary action against the erring officers. Your Committee awaits a progress report on the matter.

c) **Missing Receipt Books**

Contrary to Financial Regulation No.10 (n), three (3) general receipt books (Accounts Form 40) were not presented for audit at Chipata Local Court II and Lusaka Boma VI.

#### **Chipata Local Court II – Receipt Range 3912701 to 39127550**

The receipt book in question had been traced as it had been transferred to Kapatamoyo Local Court when the said Local Court ran out of receipt books.

### **Committee's Observations and Recommendations**

Your Committee observes that the transfer of the receipt books was not done in accordance with Financial Regulations which require that if need arises to transfer a receipt book, the transfer should be reported to the Controlling Officer, the Auditor-General and the Strong Room Superintendent. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against erring officers. Your Committee awaits a progress report on the matter.

#### **Lusaka Boma Court VI – Receipt Ranges 3719051 to 3719100 and 3725251 to 3725300**

The officer who was responsible for the said missing receipt books was charged for loss of Government property and he went through the disciplinary process and was subsequently dismissed.

### **Committee's Observations and Recommendations**

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

## **MINISTRY OF INFORMATION, BROADCASTING AND TOURISM**

### **AUDIT QUERY**

PARAGRAPH 11

### **PROGRAMME**

Fees and Fines - Ministry of Information,  
Broadcasting and Tourism

### **ACTIVITIES**

Licences for Private Radio and TV Stations  
Information Services

### **Accounting and other irregularities**

11. An examination of accounting and other records maintained at the Ministry Headquarters and selected stations revealed the matters set out hereunder and the Controlling Officer responded as set out below.

a) **Failure to collect outstanding Licence Fees-K152,000,000**

The Controlling Officer submitted that all amounts had been recovered except for the Copperbelt Broadcasting System (K3,000, 000) and Central Broadcasting Company TV (K10,000,000).

### **Committee's Observations and Recommendations**

Your Committee notes the efforts made to recover the outstanding amounts but cautions the Controlling Officer to desist from protecting officers' laxity to recover the said fees. The Controlling Officer is urged to ensure that all amounts outstanding are immediately recovered. Your Committee awaits a progress report on the matter.

b) **Delayed banking - K52,891,000**

The officers that were involved in the collections were journalists who did not understand the Financial Regulations and would only attend to collections once in a while out of their busy schedules. He further submitted to your Committee that all erring officers were cautioned to ensure that they deposit revenue before the end of a business of the following day as per Financial Regulations requirements. Furthermore, the Secretary to the Cabinet had been written to requesting for provincial accounting units to handle the collection of and banking of revenue from the districts and provinces while authority had been granted for Kabwe District to fill the vacant positions.

**Committee's Observations and Recommendations**

Your Committee does not accept the reason given for delayed banking as the officers fully understood the banking rules. The Controlling Officer is urged to caution all officers to desist from delaying to bank revenues. Your Committee resolves to close the matter subject to audit verification.

c) **Missing General Receipt Book**

The missing receipt book was due to loss of a key by an officer entrusted with the responsibility of storing accountable documents and a Police report was obtained to that effect. Efforts were made by the Ministry to open the safe but the Ministry of Finance Strongroom Superintendent who visited the station discovered that the spare keys he had were not the right ones as the safe's locks could have been changed at one time.

**Committee's Observations and Recommendations**

Your Committee expresses concern with the laxity on the part of the Controlling Officer in handling the matter as the police report was only obtained a year. The Controlling Officer is urged to take disciplinary action against the erring officer for negligence of duty and resolve the issue of keys with the Office of the Accountant-General. Your Committee awaits a progress report on the matter.

**MINISTRY OF INFORMATION, BROADCASTING AND TOURISM**

**AUDIT QUERY**

PARAGRAPH 12

**PROGRAMME:**

Fees of Court -

**ACTIVITIES:**

Hotel Licence Fees

Casino Licence Fees

Tourism Enterprise

Tourism Levy

TDCF Loan Repayments

**Irregularities in accounting for revenue**

12. An examination of revenue records at the Ministry Headquarters and regional offices carried out in September, 2013, revealed several accounting irregularities on which the Controlling Officer submitted as set out below.

a) **Unaccounted for revenue-K996,907,300**

The case of the two officers who had failed to account for the revenue of K996,907,300 was before the Ministerial Disciplinary Committee (MDC) which had since recommended dismissal of one officer while suspension was recommended for the other.

Concerning the unaccounted for revenue for 2013, amounting to K302,013,760, the Controlling Officer submitted that the verification report dated 29<sup>th</sup> January, 2014, from the Office of the Auditor-General indicated that K274,661.96 was unaccounted for and not K302,013,760.

Regarding the ZW274, 661.96 for 2013, the Controlling Officer submitted that this was part of the revenue attributed to the two officers referred to above.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission but expresses concern at the weak internal controls. Your Committee is further saddened that it took the Auditor-General to discover that funds were missing when with regular reconciliation, the Ministry could have spotted the anomaly and addressed it. Your Committee, therefore, urges the Controlling Officer to take measures to correct the situation and provide a progress report on the matter.

b) **Failure to collect revenue-K137,619,000**

Your Committee was informed that failure to collect revenue was partly due to the fact that the Ministry was realigned in 2011 and the Department of Tourism was handed over to the Ministry of Information and Broadcasting Services, Ministry of Foreign Affairs before being reconstituted into the Ministry of Tourism and Arts later in July, 2012. The Controlling Officer noted that this movement had impacted negatively on revenue collection as officers were not able to settle down quickly and carry out compliance activities. He added that the problem was further compounded by lack of transport as some hospitality establishments were located in distant areas. Regarding the accrued licence fees arrears, the Controlling Officer submitted that the Ministry would continue to pursue the collections through regular inspection of tourism establishments.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission but urges the Controlling Officer to urgently work on the challenges that are hindering the Ministry from collecting revenue more effectively. Your Committee resolves to close the matter but requests the Auditor-General to note the matter in future audits.

c) **Failure to carry out inspections of tourism enterprises and casinos**

The Controlling Officer responded that inspections could not be undertaken due to lack of transport and inadequate staff. Further, the frequent realignment of the Tourism Department had an impact on inspections of tourism enterprises. However, the countrywide inspections were undertaken by Regional Offices to capture data on all tourism establishments for 2013 and were continuing in 2014. Regarding the returns on casinos, the Controlling Officer submitted that it was not possible to enforce returns by casino operators due to lack of a statutory instrument to operationalise the *Tourism and Hospitality Act of 2007*. Measures were underway to facilitate the enactment of the Statutory Instrument on casinos. Your Committee would be informed on the progress.

#### **Committee's Observations and Recommendations**

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

d) **Missing General Receipt Books and Tourism Enterprise Licences**

The Controlling Officer submitted that the thirteen licence books that were not availed for audit had since been traced while out of the ten receipt books collected from Headquarters, six had been traced leaving a balance of four books. The remaining four receipt books collected could not be accounted for as the officer who was handling the revenue at the time had passed away.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to ensure safe custody of accounting documents and urges him to ensure that regular checks of receipt books are carried out in accordance with Financial Regulations. Your Committee urges the Controlling Officer to take disciplinary action against the erring officer. As for the four receipt books that are

still missing, the Controlling Officer is urged to raise a loss report as required by Financial Regulations. Your Committee resolves to close the matter subject to audit verification.

e) **Printing of Tourism Enterprise Licences without authority**

The Controlling Officer submitted that there was an oversight on the part of the Ministry to hire a private company to print books without authority from the Secretary to the Treasury. A letter had been written to the Secretary to the Treasury for retrospective authority for the supply of licensing books.

**Committee's Observations and Recommendations**

Your Committee observes that there was breach of Financial Regulations for which disciplinary action should be taken against the erring officers. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the officers who caused the omission. Your Committee awaits a progress report on the matter.

**MINISTRY OF LANDS, ENERGY AND WATER DEVELOPMENT**

**AUDIT QUERY**

**PARAGRAPH 13**

HEAD : Ministry of Lands, Energy and Water Development  
PROGRAMME: : Fees – Ministry of Lands  
ACTIVIY : Various

**Irregularities in accounting for revenue**

13. An examination of accounting and other records maintained at the Ministry Headquarters, Livingstone, Ndola, Kabwe, Mongu, Solwezi, Mansa, Kasama and Chipata offices revealed irregularities set out hereunder and the Controlling Officer responded as set out below.

a) **Unauthorised appropriation of revenue-K6,731,604,850**

The Controlling Officer submitted that the Ministry spent K6,731,604,850 over and above the authorised amount of K4,113,561,790 due to the fact that appropriation provision in the abstract was less than the amount in the detailed budget. During the period under review, the Ministry used to appropriate funds at source and concentrated on the amounts for appropriation in aid in the detailed budget which was not aligned to the abstract amount. The Ministry had since written to the Treasury seeking retrospective authority for the unauthorised appropriation of revenue amounting to K6,731,604,850.

**Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer to desist from abrogating laid down procedures on appropriations. Your Committee awaits a progress report on the matter.

b) **Unaccounted for revenue-K48,102,512**

The Controlling Officer submitted that since officers could not account for funds accordingly, disciplinary action by way of dismissal was taken in the case of Mongu Lands while for Kaoma Forestry, disciplinary action was yet to be taken against the erring officer. As for Chipata Survey Office, the officer was yet to be charged as he was written to in 2011, to exculpate himself for a similar offence which he did, but had continued to have unaccounted for revenue. The Ministry was now compelled to take disciplinary action against him.

In her oral submission to your Committee, the Controlling Officer revealed that the funds in relation to Chipata office were banked except that records were not available during the time of audit. She stated that all relevant documents to prove the banking were now available for audit verification.

### **Committee's Observations and Recommendations**

Your Committee finds the response by the Controlling Officer unacceptable as it had taken her too long to act on the matters and circumstances are not clear as to why only one officer was disciplined. The Controlling Officer is, therefore, urged to ensure that all funds are recovered and disciplinary action taken in order to deter others from the vice. Your Committee awaits a progress report on the matter.

#### **c) Failure to collect arrears on rent of Government Premises**

The Controlling Officer submitted that the Kwacha House tenants were written to in 2007, to vacate the office space to allow GRZ Ministries and Departments to occupy the building but they contested their eviction order and sued the Ministry of Transport, Works, Supply and Communication and the Attorney-General. She submitted that following receipt of the Auditor-General's Report for the year ended 31<sup>st</sup> December, 2012, the Ministry wrote to Kwacha House tenants reminding them to pay their rental arrears and to the Attorney General, Ministry of Justice who in turn had advised that in order for them to pursue the claims, there was need for both physical and postal addresses of the debtors to be provided by the Commissioner of Lands.

Concerning South Down Airport in Kalulushi District, the information on the rental arrears of South Down Airport was that the Airport was under the Department of Civil Aviation and the Department did not have enough information concerning arrears.

### **Committee's Observations and Recommendations**

Your Committee expresses concern with the response by the Controlling Officer as she failed to explain why the matter had not been dealt with in the past five years. Your Committee urges the Controlling Officer to put more effort to ensure that all arrears are immediately collected. As regards the South Down Airport, your Committee urges the Controlling Officer to report the matter to law enforcement agencies for further investigations. Your Committee awaits progress reports on these matters.

#### **d) Unpresented Receipt Book**

In respect of Mongu, the Controlling Officer submitted that the anomaly was due to the officer's misconduct and the officer had since been dismissed. As regards the receipt book number range, 3504451 – 3504500, and receipt number 1453200 for Kitwe District Forestry Office which was not presented for audit and plucked out the receipt book respectively, the matter was yet to be reported to the Police as this had proved to be pure theft.

### **Committee's Observations and Recommendations**

Your Committee notes the action taken in respect of the officers in Mongu but is concerned with the delay in instituting disciplinary action on the erring officer at Kitwe District Forestry Office. Your Committee, therefore, urges the Controlling Officer to take appropriate disciplinary action against the erring officers. Your Committee awaits a progress report on the matter.

#### **e) Delayed banking-K724,598,254**

The Controlling Officer submitted that at Mongu Forestry, the two collection centres were far from the bank while the licensing officers at both centres had other duties such as extension work, clearing of timber in the forest and conducting forest patrols. Further, they had no transport as transport was only provided by the Provincial Forestry office as and when it was available. As regards Kabwe, Kitwe, Luanshya and Ndola Lands and Forestry Offices, the Controlling Officer submitted that this was a result of the instruction to use banking slips from respective banks and when they ran out, Revenue Collecting Officers were just told to wait as there was no alternative, hence the delay in banking.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Controlling Officer to explore ways aimed at reducing human/cash contact in the collection of revenue to avoid delays in banking. Your Committee resolves to close the matter.

## **MINISTRY OF AGRICULTURE AND LIVESTOCK**

### **AUDIT QUERY**

PARAGRAPH 14

PROGRAMME: Licences- Ministry of Agriculture  
ACTIVITIES: Fish Licences  
Import and Export Permits  
Other Fees  
Inspection Fees  
Plant Quarantines and Phyto-sanitary Services

### **Accounting for revenue and other irregularities**

14. An examination of accounting and other records maintained at the Ministry Headquarters and a visit to selected districts carried out in May, 2013, revealed accounting irregularities in revenue on which the Controlling Officer submitted as set out below.

#### **a) Delayed banking periods ranging from 5 to 360 Days**

The Controlling Officer submitted that at Veterinary Headquarters delayed banking was caused by the introduction of the IFMIS system because it required that all revenue accounting documents were captured before they could be used. He noted that the delay could also be attributed to lack of training among revenue collectors on the IFMIS which had since been conducted and revenue was now recorded through the system and banked promptly. As regards delayed banking in Chipata, the Controlling Officer explained that the officer responsible for collecting revenue was advised to stop receiving cash as clients would be depositing the money in the revenue transit account while the officer would only be issuing receipts based on the banking slips.

### **Committee's Observations and Recommendations**

Your Committee notes the submission but observes that the officer at Chipata contravened Financial Regulations and should be cautioned accordingly. Your Committee resolves to await a progress report on the matter.

#### **b) Unaccounted for revenue-K320,461,719**

- *Chilanga Fisheries- K295,508,215*

The Controlling Officer acknowledged that revenue amounting to K295,508,215 was not accounted for at Chilanga Fisheries Department and the two officers who were responsible for handling revenue were suspended and arrested by the Drug Enforcement Commission for fraud related offences and the case was still in the Courts of Law and the Department was awaiting the outcome.

### **Committee's Observations and Recommendations**

In noting the submission from the Controlling Officer, your Committee urges the Controlling Officer to strengthen internal controls to curb fraudulent activities in the Ministry. Your Committee resolves to await a progress report on the matter.

- *Seed Control and Certification Institute-K240,104*

The Controlling Officer submitted that revenue collected at Seed Control and Certification Institute amounting to K240,104 was deposited late by the officer and the officer had been verbally warned.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that this could not be established during audit which raises fears that the officer was involved in timing and lading and urges the Controlling Officer to take measures to strengthen internal controls. Your Committee resolves to close the matter subject to audit verification that the verbal warning was issued.

- *Nakonde-K1,880,000*

The Controlling Officer acknowledged that K1,880,000 was unaccounted for and the officer responsible was charged and the unaccounted for revenue was earmarked for recovery at once in the month of March, 2014, from his salary.

#### **Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

- *Livingstone –K16,426,500*

The Controlling Officer submitted that the District Veterinary Office had used the revenue in question on a different programme at the time there was an outbreak of Foot and Mouth Disease. He stated that the District had reimbursed a total of K12,300,000 leaving a balance of K4,117,000 which was retained for administrative purposes in accordance with authorisation from the Provincial Veterinary Office.

#### **Committee's Observations and Recommendations**

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

- *Kapiri Mposhi-K4,424,500*

The Controlling Officer acknowledged that K4,424,500 was unaccounted for and the case was reported to the Police on 31<sup>st</sup> January, 2014.

#### **Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

- *Petauke –K1,982,400*

The Controlling Officer submitted that the office was not availed details of the newly introduced account under NATSAVE Bank which was opened for revenue transit deposits. The Office was also not availed with the relevant codes. The required information was provided to the office in September, 2013 and all revenue collected from January, 2012 to August, 2013, was deposited in this new account using the codes that were provided.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that the matter of codes was not clarified during the audit process and urges the Controlling Officer to take audits seriously. Your Committee resolves to close the matter subject to audit verification.

c) **Chipata Veterinary- missing receipt book pages**

The Controlling Officer informed the Committee that the case was reported to the Police who were pursuing it. Further, the matter was before the Provincial Disciplinary Committee and the officers had since been suspended to pave way for investigations.

#### **Committee's Observations and Recommendations**

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

## MINISTRY OF GENDER AND CHILD DEVELOPMENT

### AUDIT QUERY

PARAGRAPH 15

UNITS: Various  
PROGRAMMES: Various  
ACTIVITIES: Various

#### **Accounting and other irregularities**

15. An examination of accounting and other records maintained at the Ministry Headquarters and visits to selected districts carried out in July, 2013, revealed accounting and other irregularities to which the Controlling Officer responded as set out below.

a) **Inadequately supported payments-K73,460,000**

The Controlling Officer submitted that the six payment vouchers amounting to K63,670,000 had been adequately supported with relevant supporting documents leaving a balance of one payment voucher amounting to K9,790,000 from the Government Printer. Your Committee was informed that the Ministry had since written to the Government Printer requesting it to provide the invoice and the receipt. The Controlling Officer further submitted that in order to address the situation, the Ministry had assigned an officer with the responsibility of filing all documents pertaining to payments processed.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that the payments in respect of K9,790,000 have not been traced and urges the Controlling Officer to ensure that the supporting documents are immediately found and availed for audit verification. The Controlling Officer is further urged to take disciplinary action against the officers who misplaced the documents. Your Committee awaits a progress report on the matter.

b) **Irregular payment of allowances-K70,500,000**

The Controlling Officer informed the Committee that the Payroll Management and Establishment Control (PMEC) had been instructed to effect recoveries effective February, 2014.

#### **Committee's Observations and Recommendations**

The Controlling Officer is urged to ensure that the officer who made this decision is disciplined. Your Committee awaits a progress report on the matter.

c) **Unaccounted for Stores - K895,096,666 (General stores - K662,812,346 and Fuel - K232,284,320)**

The Controlling Officer submitted that the receipts amounting to K232,284,320 for fuel had been located. Further, details for general stores amounting to K273,472,354 had been located leaving a balance of K389,339,992. She stated that the Ministry was unable to locate disposal details for the balance of K389,339,992 due to poor record keeping. The Ministry had, however, engaged three officers in Purchasing and Supplies Unit and one Purchasing and Supplies Assistant who would be managing stores. Additionally, the Ministry had been strengthened with people in internal audit, two accountants, three assistant accountants and administrative staff.

#### **Committee's Observations and Recommendations**

Your Committee observes with concern that the Ministry still has a lot to do to improve stores management and urges the Controlling Officer to improve internal controls and supervision to address the matter. The Committee resolves not to close the matter until all the missing records are found. Your Committee awaits a progress report on the matter.

d) **Economic empowerment of women**

i. *Failure to collect Day Old Chicks-K86,400,000*

The Controlling Officer submitted that the distribution of chicks was dependant on the availability of startup capital which was anticipated to be released by the Ministry of Finance but was not. She stated that as of January, 2014, the Ministry had allocated start-up capital amounting to K116,500 (K116,500,000 old currency) to facilitate the distribution of 12,200 chicks leaving a balance of 7,000 chicks.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that all the remaining chicks are collected without further delay. Your Committee awaits a progress report on the matter.

ii. *Misapplication of funds-K292,272,650*

The Controlling Officer submitted that the Ministry had taken note of the concerns raised by the Auditor-General and remedial measures were being instituted.

**Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer against misapplication of funds which prevented planned activities from being implemented. She is urged to ensure that all women-related activities are implemented as earlier planned. The matter is recommended for closure subject to audit verification.

iii. *Child Protection – Misapplication of funds-K1,379,184,838*

The Controlling Officer submitted that the authority was sought from Ministry of Finance to vary funds amounting to K1,617,647,488 from Child Protection to other four Departments of the Ministry which were not adequately funded with a view to reimbursing the Department.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Ministry varied funds from the Child Protection vote which affected the implementation of planned activities and urges the Controlling Officer to desist from this practice. The matter is recommended for closure subject to audit verification.

**MINISTRY OF HOME AFFAIRS: ZAMBIA POLICE**

AUDIT QUERY

PARAGRAPH 16

UNITS: Various

PROGRAMMES: Various

ACTIVITIES: Various

**Accounting and other irregularities**

16. An examination of accounting and other records maintained at the Zambia Police Headquarters and selected stations carried out from January to March, 2013, revealed irregularities to which the Controlling Officer submitted as set out below.

a) **Zambia Police Headquarters**

i. *Misapplication of funds- K1,350,008,986*

The Controlling Officer submitted that out of the total amount of K1,350,008,986, an amount of K130,000,000 was utilised to procure motor vehicles while K700,864,965 was utilised for other operations at the time when the department had no funds. These funds were later reimbursed once funding from Ministry of Finance was released.

She clarified that the above mentioned amount was funded on Unit: 8 Programme: 4031

Operations Activity: 032 for Fuel/Fleet Management. It should have, however, been released on Unit: 22 Programme 4044 Operations Activity: 003 Procurement of Commodities. To harmonise this discrepancy, the Project Manager was written to for variation of funds so that budget releases and expenditures could reconcile. The response was not received on time.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Police Command gave a conflicting report during the audit process by indicating that the authority to vary funds had been obtained. Your Committee, therefore, strongly cautions the Police Command against giving incorrect information to auditors. Your Committee resolves to close the matter subject to audit verification.

ii. *Unaccounted for Stores- K205,011,034*

The Controlling Officer submitted that the receipt and disposal details of stores were available and were being kept by the Inspections and Forensic Departments and were verified by the Auditors.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission, but urges the Controlling Officer to caution the Police Command to always adhere to Public Stores Regulations and to take disciplinary action against the erring officers. The matter is recommended for closure subject to audit verification.

iii. *Irregular drawing of fuel - K93,593,240*

The Controlling Officer submitted that the amount of K10,389,200 was being recovered from the affected officers while a circular had been written restraining all officers who received fuel allowance to draw fuel from the pool account.

#### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter subject to audit verification, but requests the Auditor-General to note the matter in future audits.

iv. *Unretired imprest- K166,532,781*

The Controlling Officer submitted that an amount of K158,462,781 had since been retired and verified by the auditors while a balance of K8,070,000 under Kasama office had also been recovered through the payroll and records were available for verification.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Police Command to ensure that imprest was retired in accordance with Financial Regulations and urges the Command to take disciplinary action against the officer responsible for the omission. The Command is also urged to avail the retirement documents to the Auditor-General for verification. Your Committee resolves to close the matter subject to audit verification.

v. *Non-recovery of loans and advances- K300,375,000*

The Controlling Officer submitted that all recoveries had since been effected in the month of January, 2014, and records were available for verification.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission, but urges the Controlling Officer to caution the officers who failed to ensure that proper arrangements were made for the recoveries to be made. Your Committee resolves to close the matter subject to audit verification.

vi. *Procurement of Housing Units*

The Controlling Officer submitted that there were weaknesses in the procurement of housing units as detailed below.

- **House No. 2310 – New Township - Kasama**

The Controlling Officer acknowledged that the Ministry of Home Affairs -Zambia Police purchased House No. 2310-New Township -Kasama in Northern Province costing K270,000,000 but the structural assessment report as well as a valuation report were not presented to the auditors during the time of audit. She added that these were available for verification while the title deeds were still being processed by the Ministry of Lands. As regards, why full payment was made to the seller, the Controlling Officer submitted that this was due to the fact that there were many buyers and the Institution feared it would lose the house to other buyers.

**Committee's Observations and Recommendations**

Your Committee finds the response unacceptable as the decision taken by the Ministry was irregular and disregarded the advice of the Ministry of Justice. Your Committee advises that in future, the advice from the Ministry of Justice should be followed as it is meant to protect the interest of the public. Your Committee resolves to close the matter subject to audit verification.

- **House No. 4559 – Mukulumpe Township - Kasama**

The Controlling Officer acknowledged that the structural assessment as well as valuation reports were not presented to the auditors during the time of audit, but were now available for audit verification. Your Committee was further informed that the title deeds were not available for audit scrutiny at the time of audit because they were not ready. The assignments for change of ownership had been processed and were with the Ministry of Lands.

**Committee's Observations and Recommendations**

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

vii. *Installation of a Boom Barrier and Access Control System*

The Controlling Officer explained that the commencement, completion, modification and termination of contract clause were included in the Contract although the exact date of completion of works was not included. Your Committee was informed that the defect liability period and after sale service were not included in the contract. However, the Contractor was re-engaged and it was included in the Completion Certificate. The Controlling Officer added that the current status regarding this matter was that the supply and installation of a three metre electronic boom barrier, controller, fourteen twin terminals, twenty-eight card readers, fourteen magnetic locks, fourteen automatic door closes, 14 emergency break glass, 14'3 Amp" switch power supply, 1 PC for access control and the construction of serving window/ intercom system at guard house had since been completed.

**Committee's Observations and Recommendations**

Your Committee observes that the Controlling Officer failed to give any reason for the delayed works and urges her to ensure that supervision of such works is enhanced. Your Committee resolves to close the matter subject to audit verification.

**Rehabilitation of Kalomo Police Station and Cells**

The Controlling Officer submitted to your Committee that the rehabilitation of staff houses and old detainee cells, toilets, reception and corridors and construction of new

cells had not yet been completed at the time of audit. This was as a result of some defects which were identified and needed to be corrected before the other works could be completed. She explained to your Committee that all works had since been completed and handed over to the client ministry by the Contractor.

#### **Committee's Observations and Recommendations**

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

### **MINISTRY OF HOME AFFAIRS**

#### **AUDIT QUERY**

PARAGRAPH 17

	Headquarters
	Immigration
	National Registration, Passport and Citizenship
UNITS:	Various
PROGRAMMES:	Various
ACTIVITIES:	Various

#### **Accounting and other irregularities**

17. An examination of accounting and other records maintained at the Ministry Headquarters, Passports and Citizenship, Immigration and National Registration Departments carried out from April to June, 2013 revealed accounting and other irregularities to which the Controlling Officer responded as set out below.

a) **Irregular payment of rural hardship allowance – Solwezi Regional Immigration Office-K9,224,200**

The Controlling Officer submitted that the anomaly and recoveries for the amount of K9,224,200 were effected in January, 2014, from the officer and were currently running.

#### **Committee's Observations and Recommendations**

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

b) **Missing payment vouchers - K256,550,492**

The Controlling Officer submitted that the payment vouchers were misplaced at the time of audit and were still missing.

#### **Committee's Observations and Recommendations**

Your Committee finds the response by the Controlling Officer unacceptable and urges her to ensure that officers who failed to secure the payment vouchers are disciplined in accordance with the Terms and Conditions of Service of the Public Service. Your Committee also directs the Controlling Officer to ensure that the missing payment vouchers are immediately traced and availed for audit verification.

c) **Unaccounted for Stores - K79,611,000**

The Controlling Officer acknowledged the auditor's observation and explained each case as set out below.

i. *Immigration — K15,111,000*

The receipt and disposal details that were missing at the time of audit had since been traced.

#### **Committee's Observations and Recommendations**

Your Committee observes that misplacement of stores documents is tantamount to negligence of duty and the officers responsible for this omission should, therefore, be

disciplined in line with the Terms and Conditions of Service of the Public Service. The Controlling Officer is also directed to immediately avail the recovered documents to the Office of the Auditor-General for verification after which the matter will be closed.

ii. *National Registration — K64,500,000*

The receipt and disposal details for stores items costing K64,500,000 not presented at the time of audit were in respect of various registration forms which were procured from Shorthorn Printers and Government Printing Department. The stores ledgers had since been updated and were now available for audit verification.

**Committee's Observations and Recommendations**

Your Committee observes that the Ministry still has much to do to guarantee proper record keeping and urges the Controlling Officer to take concrete steps to address the situation. The Controlling Officer is further urged to take disciplinary action against the officers who did not update the stores records and to immediately avail the records to the Office of the Auditor-General for audit verification. Your Committee resolves to close the matter subject to audit verification.

d) **Non-recovery of loans and advances-K574,500,000**

The Controlling Officer explained that this was due to the fact that most of the officers were transferred to various provinces and districts under the various departments while some of the payrolls were managed by the respective Departments. The Controlling Officer added that the Ministry had since written to the Office of the Accountant-General to effect the recoveries through the PMEC End-user effective February, 2014, and progress on the matter would be reported upon receipt of the February, 2014, pay slips.

**Committee's Observations and Recommendations**

Your Committee observes that it was incumbent upon the officers authorising and processing the loans and advances to ensure that arrangements were in place for the recovery of the money. The Controlling Officer is therefore, urged to take disciplinary action against erring officers. Your Committee awaits a progress report on the matter.

e) **Unretired imprest-K42,620,120**

The Controlling Officer explained that the imprest in amounts totalling K30,602,900 had since been retired leaving a balance of K12,017,220. This related to two officers who were attached on special assignments and were not on the Ministry's payroll but efforts were being made to have these recovered from their respective payrolls.

**Committee's Observations and Recommendations**

Your Committee considers the failure to retire imprest a serious omission for which the officers affected should be disciplined. Your Committee, therefore, urges the Controlling Officer to caution the officers involved for not following Financial Regulations. Your Committee also urges the Controlling Officer to ensure that the retirement details are immediately availed for audit verification while the remaining unretired imprest in respect of officers from other departments should also be pursued. Your Committee awaits a progress report on the matter.

f) **Payment of rentals in excess of entitlements-K206,025,643**

The Controlling Officer explained that the excess amount not fed for recoveries as verified by the auditors in December, 2013, was K189,073,880 which had since been effected for recoveries starting February, 2014.

### **Committee's Observations and Recommendations**

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

g) **Rehabilitation of Staff Houses - Kariba Border Post**

The observations on the above were as set out below.

i. *Commencement of works without site possession certificate*

The Controlling Officer submitted that the District Works Supervisor (DWS) used the letter of offer issued by the Council Secretary to commence works.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that procurement guidelines were abrogated and urges the Controlling Officer desist from this practice in future procurements. Your Committee resolves to close the matter.

ii. *Payment of full contract amount before completion of all works*

The Controlling Officer submitted that being a rehabilitation project, a lot of civil works were left out of the original Bill of Quantities by the Consultant when preparing the tender documents. Some of the works left out were to be executed first before attending to the quoted ones, for example, the mending of cracks on walls before painting. Therefore, the contractor was authorised to proceed with works awaiting re-measuring of the works and preparation of extra works. After re-measuring, it was found that the Contractor had done more works than quoted which prompted the Ministry to pay the whole amount of the contract awaiting procuring of the extra-works. Furthermore, the letter was written by Immigration to the Permanent Secretary - Ministry of Home Affairs dated 5<sup>th</sup> September, 2013, for the mentioned extra-works.

### **Committee's Observations and Recommendations**

Your Committee expresses concern at the way the payments were made upon discovery that the design of the works was inadequate, the works should have been halted until correct measurements were undertaken. Your Committee resolves to close the matter but cautions the Controlling Officer against recurrence of the irregularity in future.

iii. *Outstanding works*

Your Committee was informed that the works valued at K61,780,000 which were still outstanding were part of extra works which were procured in December, 2013 by the Procurement Unit under the Permanent Secretary-Ministry of Home Affairs. The Contractor had since been written to informing him of the procured extra-works.

In the oral submission to your Committee, the Controlling Officer stated that all the works on House No. 7 and the painting were completed as at March, 2014 and the house was ready for occupation. The Ministry was awaiting a completion certificate from the Ministry of Works and Supply who were the supervisors for the works on behalf of the Ministry.

### **Committee's Observations and Recommendations**

The matter is recommended for closure subject to audit verification.

## MINISTRY OF FOREIGN AFFAIRS

### AUDIT QUERY

PARAGRAPH 18

UNITS:	Human Resource & Administration
	Procurement & Supplies
	Infrastructure Development
	Planning & Information
	Accounts & Supplies
PROGRAMMES:	Various
ACTIVITIES:	Various

### Accounting and other irregularities

18. An examination of accounting and other records maintained at the Ministry Headquarters carried out in March, 2013 revealed irregularities and the Controlling Officer responded as set out below.

#### a) **Personal Emoluments**

##### i. *Returning diplomats not yet deployed*

Your Committee was informed that out of the nineteen officers, only four officers were still awaiting redeployment. However, the Ministry had written to Public Service Management Division (PSMD) to redeploy them considering that they were all permanent and pensionable employees.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission but urges the Controlling Officer to ensure that redeployment of the recalled diplomats is expedited. The matter awaits a progress report.

##### ii. *Salary arrears for newly appointed diplomats (salary arrears-K453,661,670)*

Your Committee was informed that out of the thirty-two newly appointed diplomats who were not on the payroll at the time of audit, twenty-eight had been introduced on the payroll leaving a balance of four. The Ministry had since written to PSMD to redeploy the four recalled diplomats above to create vacancies for the remaining four newly appointed diplomats. The Ministry had also compiled a list indicating funds that were owed as salary arrears to officers for the period 2012 – 2013 and had included these in the 2014 budget.

#### **Committee's Observations and Recommendations**

Your Committee notes with concern that the newly deployed officers were in salary arrears while others were drawing salaries without performing their functions. The Controlling Officer is urged to expedite the process of redeployment so as to create PMEC vacancies for the new officers. Further, he is urged to find a lasting solution to the problem of recalling officers before new places for them are found. The Committee awaits a progress report on the matter.

#### b) **Non-recovery of loans and advances-K547,000,000**

The Committee was informed that the Ministry had effected deductions for an amount of K439,000,000 on the officers' pay slips and the deductions were currently running. The Ministry had also written to PMEC for the recovery of K108,000,000 owed by officers who were not on the Ministry's payroll.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to effect the recoveries as he should have ensured that arrangements were in place for the recoveries before the amounts were paid. The Controlling Officer is urged to ensure that all recoveries are

immediately effected. He is also urged to take disciplinary action against officers who failed to ensure that recoveries were made. Your Committee awaits a progress report on the matter.

c) **Unretired imprest-K48,668,300**

The Controlling Officer informed your Committee that the Ministry had since effected deductions for an amount of K38,961,500 on the officers' pay slips and deductions were currently running. He explained that the Ministry had also written to P MEC for the recovery of K5,860,000 owed by the officers who were not on the Ministry's payroll. An amount of K1,846,800 had been included on the Casualty Form to be recovered when being paid benefits considering that the officer resigned. The Controlling Officer further submitted that K2,000,000 was paid to an officer to facilitate medical examination upon appointment into foreign service, but before he could complete the medical examinations, his appointment was halted. The officer had been written to retire the imprest.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Financial Regulations on the retirement of imprest were willfully disregarded by the officers in question and urges the Controlling Officer to take disciplinary action against them in addition to the recoveries that were effected. Your Committee awaits a progress report on the matter.

d) **Irregular drawings of fuel-(K8833060 and K4,307,570 for extra vehicle)**

The Committee was informed that the Ministry refueled the personal to holder vehicles for the two Ministers from the pool fuel account because they had travelled outside station and used their utility vehicles for the trip. The official personal to holder vehicle was left at the station and was used for office and home errands. The Ministry was, therefore, obliged to refuel the vehicles from the pool account. The other motor vehicle number GRZ 457CF Mercedes Benz was negotiated by the Minister from Cabinet Office to be used as a ceremonial car. This vehicle was used by the Minister's official visitors. On the fuel account books, the Controlling Officer submitted that the Ministry now kept them at central stores to avoid recurrence.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Ministry flouted conditions on fuel by irregularly issuing fuel to the Ministers and Deputy Ministers who had already drawn fuel for their personal to holder vehicles. Your Committee, therefore, recommends that all the fuel that was irregularly drawn should immediately be recovered. Your Committee also recommends that officers who issued the fuel in question should be appropriately sanctioned for negligence of duty. Your Committee awaits a progress report on the matter.

e) **Management of Contracts – No progress reports and uncompleted works**

The Committee was informed that the work had not been completed due to inadequate budgetary funding and the reduction in the levels of student enrolment which had reduced the levels of internally generated resources. However, the progress report showing the levels of completion and what was remaining had been prepared. The contract between the Zambia Centre of Diplomacy and International Studies (ZIDIS) and the contractor was a labour contract where the institution was to provide materials while the contractor was to provide labour. K16,000,000 was paid to the contractor as labour charges while the K5,000,000 was an addition to K11,000,000 down payment towards labour costs. It was added because the contractor's workers threatened to down tools for non-payment of their wages.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the contract is completed by exploring all available options including liaising with the Secretary to the Treasury to release the amounts outstanding from the treasury. Your Committee awaits a progress report on the matter.

## MISSION ABROAD – WASHINGTON

### AUDIT QUERY

PARAGRAPH 19

UNITS: Human Resources and Administration  
PROGRAMMES: Personal Emoluments  
General Administration  
Political and Economic Relations  
ACTIVITIES: Various

### Weaknesses in the management of Mission Properties

19. A physical inspection of selected properties in five missions in June, 2013, revealed the weaknesses on which the Controlling Officer submitted as set out below.

- a) **2300 Wyoming Avenue - Ambassador's Official Residence (deplorable state)**  
During the period July, 2010 and May, 2013, the Mission had paid rentals in amounts totalling K1,327,971,600 (US\$261,600) which could have been avoided had the house been repaired.
- b) **2419 Massachusetts Avenue – Chancery**  
The ceiling boards in the rest room on the first floor and the visa offices were damaged due to water leakages.
- c) **5208 Linnean Avenue - First Secretary (Account's Residence)**  
The residence was generally in a poor condition and required routine and immediate rehabilitation.

The three properties in disrepair, the Consultant, PCB International, was engaged to do the drawings and submit the Bill of Quantities (BOQ) for the three properties. The BOQ had since been given to three prospective bidders. The Ministry was awaiting the bids from Washington Mission to be submitted to start the tender process.

### Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the Government sends enough funds to the Mission to enable it complete the renovations at the three properties without any further delay in order to save the structures from further deterioration. Further, the Government should expeditiously come up with a system to manage properties in the missions abroad and probably restate its position on the earlier planned inter-ministerial committee. They await a progress report on the matter.

## MISSION ABROAD-NEW YORK

### AUDIT QUERY

PARAGRAPH 20

UNITS: Human Resources and Administration  
PROGRAMMES: Personal Emoluments  
General Administration  
Infrastructure Development  
Political and Economic Relations  
ACTIVITIES: Various

### Accounting and other irregularities

20. A review of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in June, 2013, revealed the irregularities set out hereunder to which the Controlling Officer responded as set out below.

- a) **Non-submission of revenue returns-K9,392,400 (US\$1,800)**  
The revenue returns for the months of May and September, 2012, were submitted to Headquarters on 6<sup>th</sup> June and 6<sup>th</sup> October, 2012, respectively.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to submit revenue returns timely and is urged to ensure that the erring officers are cautioned for causing this irregularity. Your Committee resolves to close the matter subject to audit verification.

- b) **Unrecovered loans and advances-K295,009,000 (US\$57,000)**  
The loans and advances paid to the affected officers had been recovered as follows; three officers through the casualty forms, one officer on the payslip while the other officer had gone on unpaid study leave and the Ministry had written to her on the matter.

**Committee's Observations and Recommendations**

Your Committee observes that officers who processed the loans and advances erred when they failed to ensure that arrangements were in place for the recoveries to be made. The Controlling Officer is also urged to ensure that the recoveries in respect of the remaining officer are immediately effected. Your Committee resolves to await a progress report on the matter.

- c) **Property management**  
i. *Lack of maintenance- 201 Wyndclif Scarsdale and the Chancery*  
The Committee was informed that the Mission had been advised to identify a consultant to work on the Bill of Quantities (BOQ) and the drawings for the two properties. The Ministry was awaiting their submission.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

- ii. *Inventory – At the Chancery*  
The Controlling Officer acknowledged that furniture was not labelled and the Mission had been advised to ensure that all Government property was stamped with a GRZ stamp while waiting for numbering from the Ministry of Transport, Works, Supply and Communication. Furthermore, the Mission had since received disposal guidelines from the board of survey and the Mission was in the process of disposing off the items. Following the instruction from the Ministry, the Mission had since recorded the items in the register and were available for verification at the Mission.

**Committee's Observations and Recommendations**

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

**MISSIONS ABROAD – CAIRO**

AUDIT QUERY

PARAGRAPH 21

PROGRAMMES: Various

ACTIVITIES: Various

**Accounting and other irregularities**

21. An examination of accounting and other records maintained at the Ministry of Foreign Affairs Headquarters and the Mission carried out in May, 2013, revealed the following and the responses from the Controlling Officer were as set out below.

- a) **Irregular payment of education allowances-K52,583,925 (US\$10,208.33)**  
Your Committee was informed that the letter from the school confirmed that the child to the officer in question was in primary school at Pakistan International School and not in nursery as reported.

**Committee's Observations and Recommendations**

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

- b) **Irregular use of security deposit - US\$1,500**  
Your Committee was informed by the Controlling Officer that the Ministry had written to the Office of the President Special Division (where the officer was seconded from) to have the US\$ 1,500 recovered from the officer.

**Committee's Observations and Recommendations**

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

- c) **Locally Engaged Staff (LES)**  
i. *Lack of signed Contract for Locally Engaged Staff (LES)*  
Your Committee was informed that the Ministry had noted the observation and the Mission had normalised the issue of employment contracts for the Locally Engaged Staff and records were available for audit verification.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that all locally engaged staff in missions abroad are formally engaged and should sign contracts to avoid loss of Government funds in cases of dispute. The matter is, however, recommended for closure subject to audit verification.

- ii. *Outstanding litigation regarding terminal benefits for a retired LES US\$14,727*  
Your Committee was informed that the matter was settled out of court and the former employee had since been paid all her benefits in full.

**Committee's Observations and Recommendations**

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

- d) **Unaccounted for fuel-K26,229,947**  
Your Committee was informed that the Mission had started maintaining fuel ledgers following the Auditor's recommendation and records were available for verification.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against the erring officers.

**MISSION ABROAD – NAIROBI**

AUDIT QUERY

PARAGRAPH 22

PROGRAMMES: Various

ACTIVITIES: Various

**Accounting and other irregularities**

22. An examination of accounting and other records maintained at the Ministry of Foreign Affairs Headquarters and the Mission revealed the following and responses from the Controlling Officer were as set out below.

a) **Bank Accounts**

i. *Failure to Surrender balances*

The Mission obtained authority to retain funds from the Secretary to the Treasury and records were available for audit verification.

**Committee's Observations and Recommendations**

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

ii. *Poor record keeping*

The reconciled closing balances on the Local Shilling Account for 2012 was KSH958,938.90 and the Revenue Account for 2011, was USD10,362.10.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against the accounting officer at the Mission for poor record keeping. Your Committee resolves to close the matter subject to audit verification.

b) **Expenditure**

i. *Foreign Service Allowances (FSA)*

• **Overpayment of Foreign Service Allowances-K8,850,328 (US\$1,718.15)**

Your Committee was informed that the overpayments were recovered as follows; USD 450 made to the First Secretary (Economic) was recovered in July, 2013, on Payment Voucher No. 202696 dated 9<sup>th</sup> July 2013, while USD600 and USD821 made to the former First Secretary (Political and Administration) and the former Secretary (Accounts), respectively, were recovered from their October, 2013 Foreign Service Allowances.

**Committee's Observations and Recommendations**

Your Committee observes that, in addition to the recoveries, the officers who processed the overpayments should also be cautioned. The matter is, however, recommended for closure subject to audit verification.

• **Overpayment of education allowances - K50,973,800 (US\$9,895.75)**

Your Committee was informed that the former Third Secretary (Personal) continued to receive education allowance for one child who had attained the age of twenty-one years in March, 2013. This was irregular and the Ministry would recover overpaid education allowance of USD 2,604.15 from the terminal benefits since the officer retired in November, 2013 as per attached casualty forms. The overpaid education allowances of US\$ 2,604.14 and US\$4,687.46 paid to Second Secretary (Protocol) and former High Commissioner, respectively, had been recovered from the officers' October, 2013, Foreign Service Allowances.

**Committee's Observations and Recommendations**

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

ii. *Locally Engaged Staff (LES)*

• **Lack of signed Contract for Locally Engaged Staff (LES)**

The Controlling Officer had noted the observation and had issued guidelines to the Mission to address the issue of employment contracts for Locally Engaged Staff.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to deal with this matter exhaustively by directing all missions abroad to sign contracts with Locally Engaged Staff. Your

Committee resolves to close the matter, but requests the Auditor-General to note the matter in future audits.

iii. *Irregular payment of LES allowances*

- **Unauthorised increments in allowances K59,628,202 (Ksh957,114)**

Your Committee was informed that the Mission had submitted a request for salary increments which also included schedules for other allowances for local staff. Authority was granted for increment of salary at 15% effective 1<sup>st</sup> July, 2012, but inadvertently omitted to grant the authority to pay the allowances as well. However, the Ministry had now regularised the payment of allowances and documents were available for verification.

**Committee's Observations and Recommendations**

Your Committee notes the submission and recommends the matter for closure subject to audit verification.

- **Extra responsibility allowance-K11,227,519 (Ksh180,217) in 2012 and K13,430,946 (Ksh215,585) in 2013**

Your Committee was informed that the Ministry has since been instructed to stop paying the responsibility allowance.

**Committee's Observations and Recommendations**

Your Committee recommends that the funds that were irregularly paid be recovered from the affected officers. The Controlling Officer is also urged to take disciplinary action against the officers in Accounts Section that flouted the conditions of service on the payment of extra allowance. Your Committee awaits a progress report on the matter.

iv. *Unretired imprest-K99,046,549*

Your Committee was informed that the whole amount of K99,046,549 had been retired.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against all the erring officers. Your Committee further urges the Controlling Officer to ensure that internal controls are strengthened. Your Committee resolves to close the matter subject to audit verification.

c) **Mission Properties**

*The Chancery - 209/5450 Nyerere Road and Official Residence – 94 Riverside Drive – High Commissioner's Residence*

The Ministry had allocated K300, 000 in the 2014 budget to cater for rehabilitations of the chancery and the official residence.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

d) **Failure to follow procurement procedures-K183,733,718**

Your Committee was informed that the Mission had one year renewable contracts with the two companies for the provision of security and transport services and copies of contracts were attached for audit verification. He also added that the Mission was authorised to engage a consultant to assess the extent of damage to the chancery and the other two houses and to prepare

the scope of work/BOQ which would have been submitted to the Ministry of Transport, Works, Supply and Communications for analysis and advice.

#### **Committee's Observations and Recommendations**

Your Committee observes that the Mission flouted procurement procedures when it failed to sign contracts for the running services. Your Committee, urges the Controlling Officer to caution the Mission to desist from such anomalies.

#### **MISSION ABROAD – MOSCOW**

##### **AUDIT QUERY**

PARAGRAPH 23

PROGRAMMES: Various

ACTIVITIES: Various

#### **Accounting and other irregularities**

23. An examination of accounting and other records maintained at the Ministry of Foreign Affairs Headquarters and the Mission carried out in June, 2013, revealed the following and responses from the Controlling Officer were as set out below.

##### **a) Revenue**

###### **i. *Under reporting of revenue-K14,478,970 (US\$2,911.64)***

The variances in the actual revenue collected by the Mission and the revenue reported by the Ministry Headquarters was due to the Mission's failure to submit revenue returns for the months of March, April and May, 2012.

#### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against the erring officers and also direct management to ensure compliance to Financial Regulations. Your Committee resolves to close the matter subject to audit verification.

###### **ii. *Missing Receipt Books***

Your Committee was informed that the General Receipt Book serial number 0032301 to 0032350 was used to receipt cash arising from refunds of imprest for Counsellor (Defence) since defence used a different bank account; this was done to enhance accountability from Defence Account. The General Receipt Book was available for audit verification at the Mission. He noted however, that the Visa Fee Receipt Booklet with serial numbers 60001 to 60100 could not be traced at the time of audit despite hand over notes indicating that both receipt books (Serial No.'s 0032301- 0032350 and 60001-60100) were handed over by the former Accountant to the incoming Accountant. The Ministry was pursuing the matter with the Accountant to ascertain why these receipts were not presented for audit.

#### **Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer for his failure to handle the matter within the audit period and urges him to ensure that the said receipts are availed for audit verification.

###### **iii. *Irregular use of revenue-K31,815,553 (US\$6,614.46)***

The Committee was informed that the use of revenue was without authority from the Secretary to the Treasury. However, the Mission used the revenue because the Ambassador was given the date which could not be changed to present the Credentials. The Ministry would deduct the amount in question (US\$6,614.46) from the Mission's RDC's which would be deposited into Control 99.

### **Committee's Observations and Recommendations**

Your Committee awaits a progress report on the recovery of the US\$6,614.46 from the Mission.

#### **b) Expenditure**

##### *i. Unaccounted for cash withdrawals-US\$352,961.15*

The Committee was informed that the Mission Accountant had opened a cash register for acknowledging receipt of cash handed over by the Accounts Clerk and was ready for verification at the Mission. The bank form which the Mission used to withdraw cash did not provide detailed information, hence, the wording "office needs". The Mission Accountant in turn prepared payment vouchers which showed the purpose for which cash had been drawn.

In addition, some of the payment vouchers relating to USD318,024.69 had been traced for the months of October, November and December 2011. During this period, the Ambassador had not yet been introduced at the bank as he had not presented credentials to the Host Country. However, requests for withdrawal were submitted to him for approval.

### **Committee's Observations and Recommendations**

Your Committee observes that there was a complete breakdown of internal controls at the Mission and urges the Controlling Officer to ensure that measures are put in place and avoid recurrence of such anomalies and that all the remaining cash accounted for. Your Committee resolves to close the matter subject to audit verification.

##### *ii. Irregular payment of Foreign Service Allowances*

The following were observed:

- **Over-payment of extra-accreditation allowance to the Ambassador-US\$1,700**

The Controlling Officer submitted that he had since written to the former Ambassador to state as to how he intended to dismantle the amount owing.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against the officers who processed the payment and the recipient for failing to adhere to conditions of service. Your Committee awaits a progress report on the matter.

- **Overpayment of education allowances-K30,819,520 (US\$5,624)**

The Committee was informed that the Ambassador had requested the Ministry to replace the dependant but the request was not granted. The Ministry was left with no option but recover the amount from the Ambassador from the February, 2014, Foreign Services Allowances at source and records were there for verification.

### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter subject to audit verification that the money in question was recovered.

- **Payment of medical expenses without the Permanent Secretary's Authority - US\$19,736.32**

The Committee was informed that the former Ambassador appealed to Cabinet Office to have the balance on medical bills set aside amounting to US\$10,079.

Authority was subsequently granted by Secretary to Cabinet for the sum of US\$10,079 to be charged to the Government funds and a letter was available for verification.

**Committee's Observations and Recommendations**

Your Committee notes the submission and recommends the matter for closure subject to audit verification.

- iii. *Lack of formal contracts for Locally Engaged Staff (LES)*  
The Committee was informed that the employment contracts for all the Locally Engaged Staff had been prepared and were available for verification.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that all Locally Engaged Staff in missions abroad are formally engaged by making them sign contracts to avoid loss of Government funds in cases of dispute. The matter is, however, recommended for closure subject to audit verification.

- iv. *Unretired imprest-K184,428,866 (US\$38,213.31)*  
The Committee was informed that the Ministry would institute recoveries from the salaries of the serving officers while at the same time, the Ministry would attempt to locate other officers who were no longer serving.

**Committee's Observations and Recommendations**

Your Committee observes with dismay that the Controlling Officer has delayed to institute recoveries which is unacceptable. Your Committee urges the Controlling Officer to institute recoveries without further delay. The Controlling Officer is further urged to take disciplinary action against the erring officers. They await a progress report on the matter.

- v. *Unaccounted for stores K47,080,874 (General Stores - K12,610,390 and Fuel - K34,470,484)*  
Your Committee was informed that the Stores Ledgers and Fuel Ledger were now being maintained and updated regularly. They were ready for verification at the Mission.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against the officers responsible for the anomaly.

c) **General observations**

- i. *Failure to submit expenditure returns to Headquarters*  
The Controlling Officer submitted that during the period under review, the Accountant had travelled to Lusaka for medical attention.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to submit the expenditure returns to the Office of the Auditor-General for verification before the matter can be closed.

- ii. *Weaknesses in the management of students' allowances*  
The Controlling Officer submitted that during the period under review, the student representative would travel to Moscow with consent letters from the other students and also with copies of their passports. This was due to the fact that not all students could travel to Moscow from other states. The Ministry of Education in liaison with the

Ministry of Foreign Affairs had now introduced VISA Cards for all the students in Russia. The allowances were now paid in their respective accounts.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to explore ways of avoiding human cash contact. Your Committee resolves to close the matter but urges the Auditor-General to note the matter in future audits.

d) **Mission Properties-K179,433,229 (US\$32,743.29 rental per month)**

The Controlling Officer submitted that the Ministry had taken note of the Auditor-General's observation. However, the issue was under discussion in consultation with the Ministry of Finance as well as the Ministry of Transport, Works, Supply and Communication.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to expedite the process of acquiring new property to reduce on rental expenses and the matter is recommended to be noted in future audits.

**MISSION ABROAD – ADDIS ABABA**

**AUDIT QUERY**

PARAGRAPH 24

PROGRAMMES: Various

ACTIVITIES: Various

**Accounting and other irregularities**

24. An examination of accounting and other records maintained at the Ministry of Foreign Affairs Headquarters and Addis Ababa Mission revealed the issues hereunder and the corresponding responses by the Controlling Officer were as set out below.

a) **Bank Accounts – No monthly bank reconciliations**

Your Committee was informed that the Accountant had started preparing the bank reconciliation.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against erring officers. The matter is recommended for closure subject to audit verification.

b) **Revenue**

i. *Revenue projections and actual collections*

Your Committee was informed that the Ministry regretted the Mission's failure to prepare revenue projections for 2011 and 2012; however, the Ministry had prepared projections for 2013 to 2015.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to put internal control measures in place to ensure that the anomaly is avoided.

ii. *Management of Visa Fees Booklets*

The Committee was informed that the Mission had been advised to locate the books reported to be missing and surrender all the unused or obsolete books to the Ministry Headquarters so that the books could be handed back to the Ministry of Finance.

**Committee's Observations and Recommendations**

Your Committee observes that internal controls at the Mission are weak and need to be strengthened to avoid such irregularities. The Controlling Officer is urged to take disciplinary action against the erring officers and ensure that all the receipt books are

located and availed to auditors for verification. Your Committee awaits a progress report on the matter.

iii. *Unaccounted for Visa Fee Collections-K962,000 (US\$200)*

The Committee was informed that the bank statement showed that there was a deposit of US\$200 on the 19<sup>th</sup> August, 2011, which matched with the entries in the 2011 General Revenue Cashbook covering the period between 17<sup>th</sup> and 19<sup>th</sup> August, 2011.

**Committee's Observations and Recommendations**

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

iv. *Failure to maintain a prescribed General Revenue Cashbook (Accounts Form 47B)*

The Committee was informed that the Mission had since started using the prescribed General Revenue Cash Book (accounts form 47B) which was available for verification.

In his oral submission, the Controlling Officer further submitted that the erring officer was recalled and redeployed to a different station.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Controlling Officer redeployed an officer who had caused irregularities instead of taking disciplinary action. Your Committee resolves to close the matter subject to audit verification.

c) **Expenditure**

i. *Mission Diplomatic Establishment (five Vacant Positions)*

The Committee was informed that the filling of vacant positions in the missions sometimes delayed because the Government wanted to ensure that suitable candidates were picked. The Controlling Officer further submitted that the position of Counselor (Economics) had since been filled.

**Committee's Observations and Recommendations**

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

ii. *Foreign Service Allowances (FSA)*

• **Payment of rentals in excess of entitlement-K188,784,000 (US\$36,000) and K15,875,210 (US\$3,027) in electricity**

The Committee was informed that the Ministry had authorised the Mission to rent a house for the Ambassador at a total cost of \$7,000 per month because of the escalating rental charges which had gone up beyond the Ambassadors' entitlement of \$5,000 approved in 2007. It was anticipated that funds to renovate the Ambassadors' residence would be released within the period of one year so that the Mission could have carried out renovations. Unfortunately, funds had not been released to date, hence the reason the Ambassador had continued to stay in a rented house. The Ministry had since granted tender authority to the Mission for the commencement of repair works. The authority for extension was available for verification. The consultant was yet to communicate how much the renovations would cost.

**Committee's Observations and Recommendations**

Your Committee implores the Controlling Officer to liaise with the Secretary to the Cabinet on the status of the inter-ministerial committee that was set up to look into the renovations of properties in missions abroad. Your Committee awaits a progress report on the matter.

- **Irregular payment of child and education allowances-K3,992,025 (US\$775)**  
The Committee was informed that the Ambassador sought authority to have the fostered child considered for Government sponsorship at the time he was appointed to go into the Foreign Service. However, the Ambassador had since been retired and had been paid all his dues. Therefore, the Ministry had since written to the individual for the recovery of the February Child Allowance.

**Committee’s Observations and Recommendations**

Your Committee expresses concern at the vice of paying allowances before actual authority is granted. The Controlling Officer is urged to take disciplinary action against the accounting officers for abrogating the conditions of service willfully. Your Committee awaits a progress report on the recovery of the allowance which was paid without authority.

- **Lack of controls on the use of official telephones-K20,545,897 (US\$3,988.72)**  
The Committee was informed that the limit set on the use of telephones at the Mission was now being observed and amounts which were not recovered at the time of the audit had since been recovered.

**Committee’s Observations and Recommendations**

The matter is recommended for closure subject to audit verification.

- **Unaccounted for fuel - K178,535,051**  
The Committee was informed that the fuel ledger had since been opened.

**Committee’s Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to ensure that the Mission maintained stores records and urges him to take disciplinary action against the erring officers. Your Committee awaits a progress report on the matter.

- **Unaccounted for Stores - K113,222,830**  
The Committee was informed that the stores ledger had since been opened.

**Committee’s Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to ensure that the Mission maintains stores records and urges him to take disciplinary action against the erring officers. Your Committee resolves to close the matter subject to audit verification.

- **Failure to maintain a Fixed Asset Register**  
Your Committee was informed that the Fixed Asset Register had since been updated and maintained and was available for verification at the Mission.

**Committee’s Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against the erring officers. Your Committee resolves to close the matter subject to audit verification.

- **Inventory not inscribed with GRZ Identification Marks**  
The Committee was informed that the Ministry had advised the Mission to ensure that all Government property was appropriately stamped “GRZ” whilst waiting for numbering by Ministry of Transport, Works, Supply and Communication.

### **Committee's Observations and Recommendations**

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

- **Wasteful expenditure on rentals – House No 1797 Woreda Kepele-K45,419,287 (rentals - K40,657,357, electricity - K3,919,410 and guard services - K842,520).**  
The Committee was informed that the Ethiopian Government had indicated that there was a possibility of the house being offered to the Zambian Government for purchase at a later date. This was an Institutional Ethiopian Government house offered to the Mission for rent at a reasonable rental charge. According to the tenancy agreement, the tenant was expected to carry out maintenance works. It would have been difficult for the Mission to find a similar house at reasonable rental charges on the open market had the Mission surrendered the house. The rentals that were paid during that period were to safeguard the house and to ensure that the house was not offered to somebody else. He further stated that the house was now occupied by the Minister Counsellor.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Controlling Officer did not follow up the offer to purchase the house from the Ethiopian Government. Your Committee is further concerned that the Mission took too long to carry out renovations when the tenancy agreement stated clearly that it was the tenant's obligation. Your Committee urges the Controlling Officer to take disciplinary action against the officers for this anomaly. Your Committee resolves to close the matter.

- **Outstanding advances-K82,850,486 (US\$16,084.35)**

The Committee was informed that the loans and advances paid to the affected officers had all been recovered.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Controlling Officer needed to be reminded by auditors to effect some deductions. Your Committee resolves to close the matter subject to audit verification.

- **Third Party Payments – Unrecovered amounts - K77,158,744 (US\$16,571.71)**

The Committee was informed that the records at the Mission indicated that Cabinet Office refunded US\$ 13,320 (K63,538,546.50).

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to avail the records in question for audit verification and to ensure that the balance is also recovered. Your Committee awaits a progress report on the matter.

- **Unretired imprest-K126,759,043**

Your Committee was informed that out of K126,759,043 mentioned in the Audit Report, K69,640,008 was retired leaving a balance of K 57,119,035 to be recovered from the affected officers.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against the erring officers and also ensure that the remaining balance is recovered without further delay. He is further urged to ensure that accounting officers are also disciplined for failing to make necessary follow-ups for the imprest to be retired. Your Committee awaits a progress report on the matter.

d) **Other observations**

i. *Lack of formal contracts for Locally Engaged Staff (LES)*

The Committee was informed that the Ministry had issued guidelines to the Mission that would address the issue of employment contracts for Locally Engaged Staff (LES).

**Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer to ensure that all LES in missions abroad are formally engaged by way of making them sign contracts to avoid loss of Government funds in cases of dispute. The matter is, however, recommended for closure subject to verification that the situation has improved.

ii. *Failure to credit Locally Engaged Staff Salaries into personal accounts K168,890,594 in 2011 and K238,566,946 in 2012 and no payslips*

The Committee was informed that the Mission paid locally engaged staff through cashed cheques according to the labour laws in Ethiopia. However, the Mission had started preparing pay slips which were available for verification at the Mission.

**Committee's Observations and Recommendations**

Your Committee resolves to close the matter subject to audit verification that the situation has been corrected.

iii. *Work plans and returns (No progress reports)*

The Committee was informed that the Ministry had put in place monitoring mechanisms to ensure that missions meet their set targets such as revenue collections, direct foreign investments and number of tourists. Each year, missions submitted annual reports for which their performance was appraised although the system was not yet perfected due to staffing challenges. The Ministry would in 2014 train the officers from Ministry and missions on Monitoring and Evaluation tool.

**Committee's Observations and Recommendations**

Your Committee resolves to close the matter, but urges the Auditor-General to keep the matter in view in future audits.

e) **Mission Properties**

i. *The Chancery*

The Committee was informed that the Ministry sponsored a team to travel to Ethiopia to come up with the BOQs for the renovations of the Chancery and Annex Building. The Ministry was awaiting the BOQs from the Ministry of Transport, Works, Supply and Communications.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

ii. *Annex Building*

The Committee was informed that the Annex Building had cracks and also needed attention. Although in July, 2011, the Ministry of Transport, Works and Supply and Communication recommended that the Annex Building be demolished and a new one constructed as rehabilitation would be costly, as of December, 2013, this had not been done.

iii. *The Residence*

The Committee was informed that the official residence was purchased in 1971, at a cost of US\$13,428.71. The building was in a poor state and needed urgent attention. A

scrutiny of records at the Mission revealed that the two properties were not insured. It was also observed that the two properties had not been valued to establish their current market value. Your Committee also heard that rehabilitation had since been approved and the Ministry had since allocated funds for renovations in the 2014 budget.

**Committee’s Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the Government insures all missions abroad and sends enough funds to this Mission to enable it complete the renovations at the two properties without any further delay. Your Committee awaits a progress report on the matter.

iv. *Failure to develop a plot*

The Committee was informed that the audit report had correctly revealed that the plot was given in 2006. Since then, only a wall fence had been built to secure the plot. However, the Ministry would pursue the issue with the Ministry of Finance to try and secure some funding to develop the plot. The delay in developing the plot had been due to budgetary constraints.

**Committee’s Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the Government sends enough funds to the Mission to enable it commence the construction works at the plot without any further delay. Your Committee awaits a progress report on the matter.

**MISSIONS ABROAD - BEIJING**

**AUDIT QUERY**

PARAGRAPH 25

UNITS: Various  
PROGRAMMES: Various  
ACTIVITIES: Various

**Accounting and other irregularities**

25. An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in June, 2013, revealed the following and corresponding responses by the Controlling Officer were as set out below.

a) **Overpayment of extra-accreditation allowance-K77,138,229 (US\$15,408.33)**

The Committee was informed that the anomaly was due to communication breakdown to the affected Mission. The amount over paid to the Ambassador as extra-accreditation allowance for the period May, 2011, to September, 2011,would be recovered. The Ministry had written to the officer to indicate how he intended to repay the overpaid allowance since he had retired from Public Service.

**Committee’s Observations and Recommendations**

Your Committee observes that the anomaly was as a result of the Ministry’s failure to provide guidance to the Mission. The Controlling Officer is urged to ensure that the recoveries are made and the Committee will await a progress report on the matter.

b) **Over-payment of allowances-(K13,937,500 (US\$2,787.50)**

Your Committee was informed that at the time of the review of the 2007 Foreign Service Regulations, the position of Minister Counsellor was not on the establishment. However, the Mission based the payment on an average between the allowances for Ambassador and Counsellor.

**Committee’s Observations and Recommendations**

Your Committee observes that the payment was made to the officer without following guidelines. The Controlling Officer is urged to ensure that the amount is recovered from the officer expeditiously. Your Committee awaits a progress report on the matter.

c) **Unaccounted for Stores-(K204,603,773 (¥273,754.50)**

The Committee was informed that the Ministry had since opened the ledgers which were available for verification at the Mission.

**Committee’s Observations and Recommendations**

Your Committee observes that failure to account for stores is a serious omission and urges the Controlling Officer to ensure that the officers who failed to avail the records are cautioned. Your Committee resolves to close the matter subject to audit verification.

d) **Payment of full per diem on a sponsored programme (Overpayment K2,617,050 (US\$547.50)**

The Committee was informed that the Ministry had taken note of the observation of the Auditor-General and had since written to the officer informing him of the recovery to be instituted in March, 2014.

**Committee’s Observations and Recommendations**

Your Committee awaits a progress report on the matter.

**MISSION ABROAD – ABUJA**

**AUDIT QUERY**

PARAGRAPH 26

UNITS: Various  
PROGRAMME: Various  
ACTIVITIES: Various

**Accounting and other irregularities**

26. An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in June, 2013, revealed the issues set out below and the corresponding responses by the Controlling Officer were as set out hereunder.

a) **Unaccounted for revenue-K2,821,250 (US\$750)**

The Controlling Officer was informed that the amount in question was actually accounted for, though the deposit slip was misplaced at the time of audit. However, the bank statement had been attached to show proof that the money was banked.

**Committee’s Observations and Recommendations**

The Controlling Officer is urged to ensure that disciplinary action is taken against the officers who misplaced the deposit slip. Your Committee resolves to close the matter subject to audit verification.

b) **Purchase of representational car - K451,733,333 (N14,000,000)**

Your Committee was informed that the Mission had requested for funding to buy a new representation car due to the continued break down of the old car. Upon being funded, the Mission sought authority from the Ministry to buy the car from Abuja Capital Motors from whom a quotation had been obtained. The Mission further indicated that the quotation obtained was valid for a period of one month only, which meant that any further delay to purchase the car could have resulted in the upward adjustment of the price by the supplier. Based on this understanding, the Ministry gave the Mission a go ahead whilst written authority was being processed.

**Committee's Observations and Recommendations**

Your Committee observes that the premise for buying the car did not warrant the abrogation of procurement procedures. Your Committee is concerned that faults on the car were detected even on the day of delivery. Your Committee urges the Controlling Officer to refer the matter to investigative wings for further action. Your Committee awaits a progress report on the matter.

c) **Outstanding advance-K60,607,993 (US\$12,114.33)**

The Committee was informed that the outstanding advances had been recovered.

**Committee's Observations and Recommendations**

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

d) **Unretired imprest-K118,267,900**

The Committee was informed that the unretired imprest had been retired.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against the erring officers before the matter can be closed.

e) **Unsupported payments-K697,848,280 (N20,075,519)**

The Committee was informed that the receipts and invoices had been attached for the said payments.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against the officers who caused the anomaly. Your Committee resolves to close the matter subject to audit verification.

f) **Wasteful expenditure - rental payments (K291,434,746) (US\$59,843)**

Your Committee was informed that the Government instructed the Mission not to terminate the tenancy agreements to allow newly appointed diplomats to occupy the same houses considering that the rentals in Nigeria were paid two years in advance.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the amount wastefully expended as a result of the decision made by the Government. Your Committee is of a view that the terms were supposed to have been agreed in such a way that all the two parties were not disadvantaged and that the contract of such nature could have been avoided. The Controlling Officer is cautioned to desist from committing the Government in such contracts which would result in losing the much needed funds by the Government. The matter is, however, recommended for closure while the amount is to stand as part of the expenditure of the Republic.

g) **Failure to contribute towards utility bills - Lighting and Heating K8,000,807 (N246,130)**

The Controlling Officer submitted that due to the unique nature of Nigeria where power cuts were rampant, there was excessive use of diesel to generate power. In this respect, authority was obtained for the Mission to pay the whole amount.

**Committee's Observations and Recommendations**

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

h) **Properties**

i. *The Residence and Chancery*

The Controlling Officer acknowledged that at the residence there were leakages in two bedrooms and the passage located on the first floor resulting in peeling off ceiling board. Further, at the Chancery building, there two residential flats which were not occupied as they were in a deplorable state and had no fire escape in the event of an emergency. He added that the Ministry had embarked on a phased approach to renovate properties in Missions Abroad. In 2014, the Ministry of Foreign Affairs had set aside K26 million for renovations of missions' properties. Further, title deeds were being pursued by liaising with the Ministry of Foreign Affairs in Abuja, Nigeria.

**Committee's Observations and Recommendations**

Your Committee is concerned with the poor state of infrastructure in missions abroad and, therefore, urges the Controlling Officer to ensure that a holistic approach is arrived at in terms of renovations for all mission properties. Further, the Controlling Officer is urged to expedite the process of acquiring title deeds by liaising with his counterpart in the Ministry of Foreign Affairs in Abuja, Nigeria. Your Committee awaits a progress report on the matter.

**MISSIONS ABROAD - NEW DELHI**

AUDIT QUERY

PARAGRAPH 27

PROGRAMMES: Various

ACTIVITIES: Various

**Accounting and other irregularities**

27. An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in June, 2013, revealed the issues set out hereunder and the corresponding responses by the Controlling Officer were as set out below.

a) **Irregular payment of extra - accreditation allowance-K29,728,412 (US\$5,878.91)**

The Committee was informed that the Ministry had since recovered an amount of K16,333,962 from the February, 2014, Foreign Service Allowance at source in respect of irregularly paid extra accreditation allowance to the High Commissioner for countries where he did not present letters of credence. Further, the Ministry had since written to the former High Commissioner to advice on how he intended to pay back an amount of K13,394,450 for extra accreditation which was irregularly paid for countries where he did not present letters of credence.

**Committee's Observations and Recommendations**

While noting the submission, your Committee urges the Controlling Officer to be proactive in matters of financial accountability as it had been observed that he only acted days before your Committee's sitting. The matter awaits a progress report.

b) **Travelling out of station without authority-K36,219,400 (US\$6,970)**

The Committee was informed that the Ministry had since granted retrospective authority to the Mission in respect of the former High Commissioner who travelled out of the station without authority. The Ministry had also issued a circular to all missions advising the Heads of Mission not to travel out of station without prior authority from the Permanent Secretary.

**Committee's Observations and Recommendations**

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

c) **Failure to recover loans and advances-K125,793,355 (US\$24,501)**

Your Committee was informed that the Ministry had prepared casualty forms and had been submitted to the Ministry of Finance to institute recoveries of an amount of K106,882,521.76 in respect of two officers. Furthermore, the Ministry had effected recoveries of K18,860,100 on the salary of the other officer affected.

**Committee's Observations and Recommendations**

Your Committee notes the submission but urges the Controlling Officer to take disciplinary action against the officers who processed the loans and neglected to ensure that arrangements for the recoveries were in place before the loans and advances were paid out. Your Committee resolves to close the matter subject audit verification.

d) **Properties**

***Relocation of Chancery: Lack of Security & Lease Agreements K4,428,404,612 (US\$871,495.29)***

The Controlling Officer acknowledged that although the Mission had taken occupancy of the property in June, 2012, as of June, 2013, the Chancery had not been fitted with security features. The Controlling Officer submitted that the Chancery had now moved to a more secure location. Furthermore, the Ministry took note of the irregular renovations at the rented Chancery and had written to the officer to show cause why disciplinary action should not be taken against her. He also submitted that the Ministry had since received the lease agreements from the Mission in respect of accommodation rented for diplomatic staff.

**Committee's Observations and Recommendations**

Your Committee notes the submission but urges the Controlling Officer to ensure that the erring officers are disciplined and that lease agreements are availed for audit verification.

**MISSION ABROAD - LUANDA**

**AUDIT QUERY**

PARAGRAPH 28

UNITS: Various  
PROGRAMME: Various  
ACTIVITIES: Various

**Accounting and other irregularities**

28. An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in June, 2013, revealed the issues set out hereunder and the corresponding responses by the Controlling Officer were as set out below.

a) **Non-recovery of advance-K51,500,000 (US\$10,000)**

The Committee was informed that the Ministry had prepared casualty forms in respect of the former Counsellor - Political and submitted them to the Ministry of Finance to institute recoveries. The process of recovery had started but the officer was inadvertently recalled.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that recoveries are done from the officer. Your Committee awaits a progress report on the matter.

b) **Unsupported payments (K207,655,338 (US\$41,413)**

The Committee was informed that the unsupported documents in question had since been supported.

### **Committee's Observations and Recommendations**

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

c) **Irregular payment of medical bills-K18,526,411**

The Committee was informed that the Ministry had prepared casualty forms in respect of the former Counsellor - Political and First Secretary (Administration) and submitted to the Ministry of Finance to institute recoveries. With regard to the Counsellor – Political, the difference of an amount on the casualty form (US\$3,871) was as a result of the refund made by the officer amounting to US\$500.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to caution the officers who processed the payments and ensure that the recoveries are done. Your Committee awaits a progress report on the matter.

## **MISSION ABROAD – PRETORIA**

### **AUDIT QUERY**

PARAGRAPH 29

PROGRAMME: Various

ACTIVITIES: Various

### **Accounting and other irregularities**

29. An examination of the accounting and other records maintained at the Ministry Headquarters and the Mission carried out in June, 2013, revealed the issues set out hereunder and the corresponding responses by the Controlling Officer were as set out below.

a) **Missing Receipt Books**

The Committee was informed that the receipt books referred to in the audit report were presented for audit as evidenced by the marks in the accountable document register.

### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter, but urges the Controlling Officer to ensure that queries are resolved during the audit process.

b) **Outstanding advances-K6,200,000 (ZAR10,000)**

The Committee was informed that the casualty form in respect of the former First Secretary Tourism was prepared and submitted to the Ministry of Finance and recoveries had since been made.

### **Committee's Observations and Recommendations**

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

c) **Unsupported payments (K331,923,807 (ZAR112,320)**

The Committee was informed that the Mission received statements from service providers and not receipts. Most of the payments were made through direct debit. The companies only provided account statements to show a credit when a payment had been made. Copies of account statements were available for audit verification.

### **Committee's Observations and Recommendations**

Your Committee recommends the matter for closure subject to audit verification.

## MISSION ABROAD - ACCRA

### AUDIT QUERY

PARAGRAPH 30

UNITS: Various  
PROGRAMME: Various  
ACTIVITIES: Various

#### **Accounting and other irregularities**

30. An examination of accounting and other records maintained at the Ministry Headquarters and the Mission carried out in June, 2013, revealed the issues set out hereunder and the corresponding responses by the Controlling Officer were as set out below.

a) **Failure to fill vacant positions**

The Controlling Officer submitted that an officer was identified to take up the position of First Secretary-Trade but declined to take up the appointment. However, the position of First Secretary (Economy and Trade) would be filled as soon as a suitable candidate was identified.

#### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the vacancies are filled immediately. Your Committee awaits a progress report on the matter.

b) **Outstanding advances-(K91,971,000) (US\$18,000)**

The Committee was informed that the Ministry had since recovered the outstanding advances for the three recalled diplomats and casualty forms were available for verification.

#### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to avail the documents to the Office of the Auditor-General after which the matter should be closed.

c) **Unsupported payments-K150,262,373 (GHc22,312)**

The Committee was informed that the Mission was still trying to locate the receipts in question. In his verbal submission, the Controlling Officer stated that K146,715,733.90 worth of payments were now supported leaving a balance of K3,546,639.10 yet to be traced.

#### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against officers who failed to secure the supporting documents and also that all the remaining payment vouchers be traced without further delay. Your Committee awaits a progress report on the matter.

## MINISTRY OF LOCAL GOVERNMENT AND HOUSING

### AUDIT QUERY

PARAGRAPH 31

PROGRAMMES: Various  
ACTIVITIES: Various

#### **Accounting and other irregularities**

31. An examination of accounting and other records maintained at the Ministry Headquarters and visits to selected local authorities and commercial water utilities carried out in September, 2013, revealed the issues set out hereunder to which the Controlling Officer responded as set out below.

a) **Irregular payment of travel expenses for a fully sponsored trip-K122,981,000**

The Committee was informed that the letter written to the Secretary to the Cabinet requesting for authority to travel abroad erroneously stated that the expenses were fully paid for by the World Bank instead of indicating that the trip was fully sponsored by the World Bank through the Water Sector Performance Improvement Project (WSPIP). The WSPIP was funded eighty percent by

the World Bank and twenty percent by GRZ. The funds were managed by the Ministry of Local Government and Housing and it was from these funds that the allowances and air tickets were paid from. He also submitted that accountable imprest was issued for the purchase of the air tickets

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Controlling Officer failed to give this explanation to the auditors at the time of audit and urges him to take audits seriously. Your Committee resolves to close the matter.

b) **Procurement of Goods and Services**

i. *Unaccounted for Stores K1,724,806,649 (general stores - K1,435,809,800 and fuel - K288,996,849)*

The Controlling Officer submitted that disposal details were not availed because they were misfiled but had now been traced. Other stores were issued as a bulk issue to the Department of Decentralisation. There was, however, an oversight on the part of the Department as distribution lists were not prepared for some issues.

**Committee's Observations and Recommendations**

Your Committee observes that failure to avail receipt and disposal details was a very serious omission as it makes it difficult to establish whether the goods were delivered and distributed to rightful users. Your Committee urges the Controlling Officer to take disciplinary action against the officer who was assigned to manage stores records. Your Committee resolves to close the matter subject to audit verification.

ii. *Non-functional network system*

The Controlling Officer submitted that due to increasing recurring charges by Zamtel and financial constraints faced by the Ministry, the system connecting the thirty-one councils and PLGOs was suspended while the Local Area Network (LAN) that provided connectivity to all departments that were based at the Headquarters was functioning. The Controlling Officer added that the procurement of computer equipment (Servers) and accessories for the server room was done to upgrade the old servers.

**Committee's Observations and Recommendations**

Your Committee is concerned that the Controlling Officer failed to carry out cost assessments before purchasing the equipment at such great cost. Your Committee is of the view that the Ministry must engage the Secretary to the Treasury to consider creating a budget line to run the service. Your Committee awaits a progress report on the matter.

c) **Unretired imprest-K5,897,366,662**

The Controlling Officer submitted that imprest in amounts totalling K4,455,411,160 had now been retired leaving a balance of K1,441,955,502 unretired and the Ministry had written to the Director P MEC to recover this balance through the payroll.

**Committee's Observations and Recommendations**

Your Committee observes that a lot still remains to be done for the Ministry to be compliant on this matter and urges the Controlling Officer to take a tough stance on officers who wilfully flout Financial Regulations. Your Committee is disappointed that it has taken so long without recoveries being effected and urges the Controlling Officer to take disciplinary action against the officers concerned. Your Committee awaits a progress report on the recoveries.

d) **Unsupported payments-K13,487,729,594**

The Controlling Officer submitted that payment vouchers in amounts totalling K11,632,288,874 had been traced and attached to the payment vouchers and verified by auditors leaving payments amounting to K1,855,440,720. The Ministry was making efforts to find all the remaining supporting documents.

**Committee's Observations and Recommendations**

Your Committee observes that poor record management at the Ministry can be attributed to poor supervision by the Controlling Officer and other seniors officers. Your Committee, therefore, urges the Controlling Officer to put internal controls measures in place to correct the situation and to ensure that all missing documents are traced and verified by the Office of the Auditor-General.

e) **Missing payment vouchers-K3,886,223,316**

Your Committee was informed that all the fifty-seven payment vouchers were traced. The reported missing payment vouchers were actually in the box files that were transferred to town office for storage.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Ministry did not avail the payment vouchers during the audit process. Your Committee is also concerned because such poor management of records can be used to conceal misappropriation of funds and other malpractices. Your Committee resolves to close the matter subject to audit verification.

f) **Questionable payments - Stock Take verifications**

The Controlling Officer acknowledged that officers were getting allowances on a daily basis throughout the month. He further acknowledged that other officers were being paid for more than the days in a calendar month ranging from thirty-five to forty days. He explained that the activities were dully authorised by his predecessor. However, he clarified that the situation occurred because the verification exercise was being undertaken in all departments over a period of time and due to inadequate staff to carry out the assignment, the same officers were used in all departments resulting in the accumulation of days. He assured your Committee that the stock taking was undertaken and verification report would be availed to the auditors for verification.

**Committee's Observations and Recommendations**

Your Committee observes that the payments were made with the wilful intention to misappropriate public funds and urges the Controlling Officer immediately report the matter to the security wings for investigations. Your Committee awaits a progress report on the matter.

g) **Unauthorised payments-K2,542,627,681**

Your Committee was informed that all the payment vouchers in amounts totalling K2,542,627,681 were authorised in accordance with Financial Regulations. He submitted that although authority was granted by his predecessor, the anomaly was on the completion of the application forms for imprest, where one part was not duly signed by the Head of Department. As for three payments pertaining to travel abroad, the Cabinet Authority was not attached to the payment voucher, but instead filed in the subject files. Cabinet Authority to travel abroad had since been attached to the payments.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to always ensure that accounting documents are completed appropriately and are availed during audit. Your Committee resolves to close the matter subject to audit verification.

h) **Misapplication of funds - Infrastructure and Support Services-K52,305,880.07**

Your Committee was informed that there were no funds for personal emoluments and as such the payment was made as a borrowing and the Ministry had since reimbursed the whole amount.

**Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer to desist from misapplying funds which in this case delayed some water and sanitation programme from taking place as scheduled. The matter is, however, recommended for closure subject to audit verification.

i) **Decentralisation Secretariat-K22,264,338,062**

i. *Questionable payment of consultancy fees to ASCO Ltd – K1,185,352,000*

The Controlling Officer submitted that a copy of the contract between the Ministry of Local Government and Housing and Asco Ltd along with a contractor's progress reports were now available and ready for verification. The copies were being held by the contractor at the time the audit was taking place.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the contract and progress reports are immediately availed to the auditors. Your Committee awaits a progress report.

iv. *Wasteful expenditure - K66,500,000*

The Controlling Officer submitted that at the time of the audit, ministries that were earmarked to devolve their functions were still preparing and finalising their sector devolution plans. Copies of their Sector devolution plans were available and ready for verification. The Controlling Officer further added that the consultant was only paid for the work done and the delay in completing the devolution plan was due to the reallocation of departments to other Ministries.

**Committee's Observations and Recommendations**

Your Committee expresses concern that a project that was supposed to be completed in forty days had taken close to more than one and half years without being completed. Your Committee urges the Controlling Officer to explore options including engaging the Secretary to the Cabinet to compel the ministries to expedite the process of sector devolution which has taken too long to finalise. Your Committee awaits a progress report on the matter.

iv. *Disbursements to the District Councils- K18,176,627,180*

**Lunga District Council -Failure to implement planned activities-K2,310,000,000**

The Controlling Officer submitted that the Council was faced with so many challenges which resulted in the delay in the implementation of the projects as set out below.

- *Water and Sanitation-K900,000,000*

The Council could not proceed with the boreholes as originally planned because it was observed that drilling of boreholes was not suitable for that area due to its geological formation. It was, therefore, agreed during a full Council Meeting that an alternative technology such as a water treatment plant be explored rather than boreholes. The Controlling Officer also submitted that the Council had since engaged a consultant Brian Colquhoun, Hugh O'Donnell (BCHOD) consulting engineers to undertake a site analysis in preparation for a feasibility study. The funds were still in the bank and the bank statement was available for verification.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Controlling Officer to speed up the implementation of funded projects to avoid escalating costs due to inflationary pressures with time that could consequently result in the loss of public funds. Your Committee resolves to close the matter subject to audit verification.

- *Construction of a market-K210, 000,000*

The Council was faced with a challenge of acquiring land for the market site from the traditional leadership hence the delays in implementing the project. The Controlling Officer stated that the Council had since secured land for the market. A contract was awarded to JCC contractor who was expected to complete the works after the 2013/2014, rainy season.

### **Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

- *Advance payment for the construction of the 20 Medium Cost Houses*

The Council completed the procurement process and the contract was awarded towards the end of the 2013. A part- payment had so far been paid to the contractor in the sum of K1,200,000 against the Bank Guarantee of K1,994,944.

### **Committee's Observations and Recommendations**

Your Committee notes the submission from the Controlling Officer and urges him to ensure that the project is completed within the planned time frame. Your Committee awaits a progress report on the matter.

### **Chadiza District Council - Failure to provide accounting records -K200,000,000**

The street lights were not installed at the time of the audit because the Council was waiting for the road rehabilitation works that were in progress to be completed. The Controlling Officer also submitted that the works had not yet been undertaken as the road works were still in progress.

### **Committee's Observations and Recommendations**

Your Committee notes the submission by the Controlling Officer but urges him to avail the bank statement as proof that the funds are still unutilised. Your Committee awaits a progress report on the matter.

v. *Disbursement to commercial utilities (UCs)K93,980,108,600*

A visit to four selected utility companies revealed the issues set out below.

- **Luapula Water and Sewerage Company**

- **Failure to implement planned activities - K5,550,000,000**

*Implementation of Water Infrastructure in Nchelenge, Chiengi and Mununga – K2,000,000,000*

With regard to the implementation of water infrastructure in Nchelenge, Chiengi and Mununga, the Controlling Officer submitted that the works had not been implemented due to lack of technical staff to prepare documentation for the procurement of the works. In order to expedite the implementation of the works, the utility company was assisted in the procurement process of a consultant to undertake detailed designs and feasibility of the project through the Ministerial Procurement Committee. However, the contract for the hire of the consultant had

not been awarded as the Ministry was waiting for the contract to be cleared by the Office of the Attorney-General.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

*Water Schemes for Kashiba and Lukwesa – K2,600,000,000*

The Controlling Officer submitted that the consultant for this project was engaged upon obtaining clearance from the Attorney-General. The consultant was already on the ground undertaking project designs and feasibility studies.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

- *Procurement of water meters and accessories-(K950,000,000)*

The Controlling Officer submitted that the procurement of water meters and accessories was fully implemented by March, 2013, but unfortunately the status was not captured by the auditors.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to avail the Auditors with the expenditure details. Your Committee awaits a progress report on the matter.

- **Inadequately supported payment vouchers-K629, 577,759**

The Controlling Officer submitted that the Company had been contacted to ensure that the documentation in the form of receipts, contracts, invoices and budgets to justify the payments were provided and availed for verification by the auditors.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that all the documents are availed to auditors without further delay. The Controlling Officer is further urged to ensure that disciplinary action is taken against officers who were responsible for filing the payment vouchers. Your Committee awaits a progress report on the matter.

- **Lack of receipt and disposal records-K1,815,944,924**

The Controlling Officer submitted that the distribution lists for the computers acquired with the help of DANIDA were not submitted at the time of the audit, because the Company was in the process of establishing the fixed asset register following the valuation of assets and restructuring of the accounting systems. The Controlling Officer indicated that the rest of the documentation was available but were being used by external auditors appointed by DANIDA which coincided with this audit. He, however, reported that all documents were now available for verification. He further reported that the asset register had been established and updated and was available for verification by the auditors.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against the erring officers to avoid recurrence of the anomaly. The recovered disposal list should immediately be availed for audit verification. Your Committee awaits a progress report on the matter.

- **North-Western Water and Sewerage Company- K8,000,000,000**
  - *Irregular variation of contract with Mango Tree Construction, Ltd - Mushitala Project - Lot 3 - K1,989,052,000*

The Controlling Officer submitted that the Commercial Utility signed the contract without the legal opinion from the Attorney-General due to the critical need to supply water to Government institutions and offices at Chingi border. He added that management of North-Western Water and Sewerage Company had written to the Attorney-General's Office to request for retrospective clearance for purposes of normalising the revised contract. The Controlling Officer had directed all commercial utilities to adhere to laid down procurement procedures in the procurement of goods and services. Further, the Ministry conducted training on procurement procedures in May-July, 2013, in conjunction with ZPPA in order to enhance their procurement knowledge.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the perceived emergencies should not be used as an excuse for abrogating procurement procedures. The Controlling Officer is, therefore, urged to ensure that procurement procedures are followed and that retrospective authority is sought accordingly. Your Committee further urges the Controlling Officer to caution the Management of the Company. Your Committee resolves to close the matter subject to audit verification.

- *Unsupported payment vouchers - K2,895,064,458*  
The Controlling Officer submitted that the unsupported payment vouchers were not availed due to misfiling but all the supporting documents in form of receipts, reports, invoices and budgets had been traced.

**Committee's Observations and Recommendations**

The Controlling Officer is urged to ensure that management takes disciplinary action against the officers who misfiled the supporting documents. The recovered documents should be availed for audit verification.

- **Chambeshi Water and Sewerage Company (CWSC) - K32,855,412,836**
  - *Inadequately supported payment vouchers - K2,278,552,268*

The Controlling Officer submitted that the accounting unit did not avail the supporting documents to the auditors due to misfiling of the documents, but all the supporting documents had been traced.

**Committee's Observations and Recommendations**

The Controlling Officer is urged to ensure that management takes disciplinary action against the officers who misfiled the supporting documents. Your Committee resolves to close the matter subject to audit verification.

- *Single sourcing in the procurement of a 500 cubic meter per hour pump*  
The Controlling Officer submitted that the action on the part of CWSC was based on the fact that the reported break-down of the water intake system at the time posed a major health hazard as the entire township had no water. In view of the critical situation, management acted to contain the situation by urgently procuring the pump which was available off the shelf with the correct specifications from Saro Agro. He also reported that the omission on the part of management for CWSC was serious and the Ministry had written to them seeking explanation as to why they procured the pumps before clearance was given by ZPPA.

The Controlling Officer stated that management had been cautioned to always ensure adherence to laid down procurement procedures in the procurement of goods and services and the Ministry had conducted training for all CUs on procurement procedures in May-July, 2013, in conjunction with ZPPA in order to enhance their procurement knowledge. However, the Controlling Officer further submitted that the matter was being handled by the Anti-Corruption Commission (ACC) and the officers who were involved had since been dismissed.

#### **Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

o **Delayed Improvement of Water Supply System in Nakonde District**

The Controlling Officer submitted that due to delays in the implementation of this project and the reported poor workmanship, the contract was terminated in January, 2014. He assured your Committee that in future, the Ministry would ensure that the commercial utility was strictly supervised to ensure that contracts were executed within the stipulated period.

#### **Committee's Observations and Recommendations**

Your Committee observes that management at CWSC may have acted in a dishonest manner in awarding the contract to a company that had no capacity to carry out the project works and was actually registered as a dealer in automotive repairs and sales. Your Committee, therefore, urges the Controlling Officer to refer the matter to law enforcement agencies for further probe. Your Committee awaits a progress report on the matter.

• **Nkana Water and Sewerage Company - Unaccounted for Stores-K81,196,200**

The Controlling Officer submitted that the utility company indicated that the receipts and disposal details were availed to the external auditors while the supporting documents for various stocks procured such as goods received notes, goods issue notes delivery notes and distribution details had been availed to the Ministry and were available for verification.

#### **Committee's Observations and Recommendations**

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

### **MINISTRY OF FINANCE-LOANS AND INVESTMENTS**

AUDIT QUERY

PARAGRAPH 32

PROGRAMMES:

Various

ACTIVITIES:

Various

#### **Accounting and other irregularities**

32. An examination of accounting and other records maintained at the Ministry Headquarters and a visit to provincial offices carried out in September, 2013, revealed accounting and other irregularities to which the Secretary to the Treasury submitted as set out below.

a) **Non-provision of acknowledgement receipts by foreign institutions-K15,957,959,979**

The Committee was informed that the anomaly was caused by non-response by the payee institutions and all institutions involved had been written to and advised to immediately send acknowledgements whenever a payment was made to them. All institutions had since acknowledged receipt.

### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter but urges the Auditor-General to take note of the matter in future audits.

b) **Inadequately supported payments (Projects and Institutions)**

The Secretary to the Treasury submitted as set out below.

i. *Millennium Challenge Account-K535,087,207*

The Secretary to the Treasury stated that receipts were misplaced due to shifting from the old office to the new office and the Project Manager had since been cautioned to always secure documents. All the misplaced receipts were traced and verified by auditors.

### **Committee's Observations and Recommendations**

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

ii. *Zambia Institute for Policy and Research-K24,325,000*

The Secretary to the Treasury acknowledged the anomaly which was as a result of the Project Director's failure to avail to the auditors the Treasury authority to recruit extra staff. The Project Director had since been reminded to take audits seriously by ensuring that matters were dealt with during the audit process. Documentary evidence was availed for audit verification and the matter was recommended for closure.

### **Committee's Observations and Recommendations**

Your Committee notes the submission but is not satisfied with the action taken by the Secretary to the Treasury on the Project Director as he should have been reprimanded for this omission. Your Committee resolves to close the matter.

iii. *Administrator-General – Mansa Batteries-K25,660,901*

The three payments amounting to K25,660,901 were not availed to the auditors at the time of audit because the cheques together with the supporting documents were sent to Mansa for distributions to the beneficiaries in order to alleviate transport costs incurred by ex-employees when travelling to Lusaka to collect their cheques. The cheques and the supporting documents had since been retrieved from Mansa and were available for verification.

### **Committee's Observations and Recommendations**

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

iv. *Sovereign Credit*

The Secretary to the Treasury stated that the acquittal sheet was misplaced during the replacement of old furniture with new ones. The Director had been reminded to ensure that all payments were immediately vouched upon payment. The acquittal sheet was traced and availed for audit verification. The matter had since been resolved by the Office of the Auditor-General.

### **Committee's Observations and Recommendations**

Your Committee finds the response by the Secretary to the Treasury inadequate because no action has been taken against the officers who misplaced the acquittal sheets. Your Committee urges him to caution the officers responsible for the omission as the irregularity was basically due to negligence on their part.

v. *Zambia Revenue Authority- K2,103,049,709*

The receipts were not availed due to delays in acquiring the receipts from suppliers and contractors. The ZRA Management had been reminded to ensure that payments to suppliers and contractors were immediately vouched upon payment. The receipts were obtained and availed for audit verification and the matter had since been recommended for closure by the Office of the Auditor-General.

**Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

c) **Questionable payment of allowances- Cancer Diseases Hospital Phase II-K176,720,000**

The Committee was informed that the supporting documents were not attached to the payment because they were misplaced. The Treasury would ensure that all necessary documents were attached to the payment voucher on retirement of imprest.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the query was as a result of documents being misplaced which was unacceptable. Your Committee urges the Secretary to the Treasury to ensure that officers responsible for this omission are disciplined. Your Committee awaits a progress report on the matter.

d) **Misapplication of funds - National Housing Authority (NHA)-K5,000,000,000**

The Secretary to the Treasury stated that the anomaly was caused by a misunderstanding on the application of K5,000,000,000 paid to NHA between the Auditor-General and NHA. He noted that all liabilities in respect of Indeco Estates Development Company Limited (IEDCL), Zimco Properties Limited (ZPL) and the Presidential Housing Initiative (PHI) were taken over on 14<sup>th</sup> April, 2005. However, there was a misinterpretation of the conveyance that liabilities for PHI were to be taken over from 2005, by the NHA. Whereas NHA commenced settlement of the liabilities in 2002, the Government made a decision to take over the liabilities of IEDCL, ZPL and PHI on 11<sup>th</sup> April, 2005.

In his oral submission to your Committee, the Managing Director for NHA admitted that at the time of requesting for money from the Ministry of Finance, the Authority did not state that it would use some of the funds on other activities on the basis that the Authority at some stage used its own resources to settle PHI liabilities.

**Committee's Observations and Recommendations**

Your Committee agrees with the Office of the Auditor-General that the funds in question were varied to other activities without approval and requests that the matter should accordingly be normalised by seeking retrospective approval. Your Committee awaits a progress report on the matter.

e) **Irregular payment of Commission – Administrator-General and Official Receiver**

The Secretary to the Treasury submitted that following the guidance by your Committee and the Auditor-General, the Attorney-General, he had advised that consent from the Secretary to the Treasury should always be obtained whenever the Administrator-General and Official Receiver required to retain the 5% Receiver's fees since the funds raised were part of the General Revenue. On the funds paid in 2011, the Secretary to the Treasury explained that it had been difficult to recover as most of the recipients had since retired or separated from the Government.

On the sum of K313,862,500 charged in April, 2012, as 5% Receivership Commission on Kapiri Glass Ltd (In Liquidation) and Mansa Batteries Ltd (In Receivership), he explained that the Auditor-General's observations were correct that the Commission was paid to thirty-eight officers

in the Department. The Administrator-General and Official Receiver was granted authority before payment was made.

#### **Committee's Observations and Recommendations**

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

f) **Failure to produce Monitoring and Evaluation Reports – State Owned Enterprises-SOEs (K1,049,203,999,999)**

The Secretary to the Treasury acknowledged the failure to produce monitoring and evaluation reports for State Owned Enterprises (SOEs) as the Treasury relied on information from line ministries which were directly responsible for overseeing the management of SOEs. He bemoaned the lack of Government ownership policy to provide policy guidance on different aspects of Government ownership of SOEs. The parts of Government that dealt with SOEs were focused on policy and regulation and not on being an effective shareholder or ensuring that the state gets a reasonable return on its investments. It was against this background that the Ministry of Finance found it expedient to come up with the SOEs policy document to invariably contribute to better performance of SOEs. He noted that after the development of the SOEs Policy, the Government had proceeded to incorporate the Industrial Development Corporation Limited (IDC) as a company limited by shares in accordance with the provisions of the Minister of Finance (*Incorporation) Act Cap 349 of Laws of Zambia*. The main objective was to transfer Government shares in all SOEs to the IDC so that they fell directly under the Minister of Finance in order to fulfil the provisions of the Minister of Finance (*Incorporation) Act Cap 349 of Laws of Zambia*. This would enable the IDC to hold the shares on behalf of the Government, supervise and manage all Government investments.

#### **Committee's Observations and Recommendations**

Your Committee observes that the Government has not done much to take on board the monitoring of the performance of state owned enterprises in the country. Your Committee, therefore, urges the Secretary to the Treasury to expedite the implementation of the measures mentioned to your Committee.

### **MINISTRY OF INFORMATION, BROADCASTING AND TOURISM**

#### **AUDIT QUERY**

PARAGRAPH 33

UNITS:	Various
PROGRAMMES:	Various
ACTIVITIES:	Various

#### **Accounting and other irregularities**

33. An examination of accounting and other records maintained at the Ministry Headquarters and a physical inspection of selected projects carried out in June, 2013, revealed various irregularities to which the Controlling Officer responded as set out below.

a) **Unvouched expenditure-K1,144,564,100**

i. *Missing payment vouchers - K29,329,800*

The Controlling Officer submitted that there was misplacement of documents due to the merging of the Ministry of Labour and the Ministry of Information and Broadcasting Services. However, the two missing payment vouchers were finally traced at the Ministry of Tourism and Arts after a thorough check. Further, a payment voucher amounting to K9,529,800 on cheque number 003255 dated 14.09.12 in the name of Mathias Mwanza was still yet to be located and a letter was written to the Controlling Officer, Ministry of Tourism and Arts, to assist in tracing the missing voucher while the other two vouchers were available for verification.

### **Committee's Observations and Recommendations**

Your Committee does not accept the reasons given by the Controlling Officer as the accounting officers from whichever ministry should be well vested in the accounting processes. Further, your Committee observes that there was poor record keeping at the Ministry which resulted in misplacing documents to another ministry's file. The Controlling Officer is urged to take, or where applicable, recommend for stern disciplinary action against the erring officers. He is further urged to ensure that the remaining document is traced without further delay. Your Committee awaits a progress report on the matter.

ii. *Inadequately supported payments-K1,115,234,300*

The documents were misplaced during the merging of Ministry with the Ministry of Tourism and Arts. Cheques were inadvertently issued to suppliers of goods and services without collecting receipts in return. He, however, submitted that accounting officers were tasked to go round and collect supporting documents from the suppliers of goods and services but had encountered challenges because most suppliers could no longer issue copy receipts for the year 2012, which was in the un-rebased data base. Out of the K1,144,564,100.25 which was unsupported payments, amounts totalling K126,189,324.29 were now supported leaving a balance of K1,018,374,776.

### **Committee's Observations and Recommendations**

Your Committee does not accept the reasons given by the Controlling Officer as the officers responsible should be well versed in both accounting and procurement processes. Further, your Committee observes that there was poor record keeping at the ministry which resulted in misplacing documents to another ministry's file. The Controlling Officer is urged to take, or where applicable, recommend for stern disciplinary action against the erring officers. He is further urged to ensure that the remaining documents are traced and availed to auditors without further delay. Your Committee awaits a progress report on the matter.

b) **Unretired imprest-K653,384,979**

The Controlling Officer submitted that out of the total amount of K653,384,979 representing seventy-three transactions for outstanding imprest, imprest amounting to K346,839,070 had since been retired. He also clarified that payments totalling K15,397,500 representing five transactions were actually claims which were paid to officers for transport, book allowances and refunds for tuition fees for officers who were studying and sponsored by the Ministry. He added that during the preparations for the UNWTO General Assembly, a good number of officers were pooled together from various Government institutions outside the Ministry to be part of the National UNWTO Secretariat and imprest totalling K107,743,088.25 was paid to these officers and to that effect, the Controlling Officer had instituted recoveries from officers who had failed to retire their imprest effective March, 2014. The total unretired balance would now be K23,990,000.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against erring officers and that all the remaining imprest is retired without further delay. Your Committee awaits a progress report on the matter.

c) **Unauthorised workshops and seminars- K106,499,660**

The Controlling Officer submitted that there was an oversight in seeking for authority from the Secretary to Cabinet over the holding of six workshops.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to seek retrospective authority from the Secretary to the Cabinet. Your Committee awaits a progress report on the matter.

d) **Failure to recover loans - K64,500,000**

The Controlling Officer submitted that even when recoveries were instituted, only interest recoveries were being recovered for six officers. The matter for the other five officers was being handled by the Ministry of Tourism and Arts. A schedule for officers from Ministry of Tourism and Arts whose loans were not being recovered had been forwarded to them for recoveries to be instituted. The input process had also been revisited to ensure that the principal amounts which were not running were recovered.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against the officers responsible for loans and advances. Your Committee further urges the Controlling Officer to ensure that all recoveries are correctly fed into the system without further delay. Your Committee awaits a progress report on the matter.

e) **Unaccounted for Stores-K1,519,634,919**

The reason was that some items were being received at Ministry of Tourism and Arts while others were being received at the Ministry of Information and Broadcasting Services due to delayed systems integration. A casting error was also noticed on the auditors schedule which was under-cast by K4,380,000. The total amount for unaccounted for stores was supposed to be K1,524,014,919 and not K1,519,634,919. In this regard, out of a total amount of K1,524,014,919 unaccounted for, K257,594,775 worth of stores now had receipt and disposal details. The Head of Procurement had also been directed to ensure that these anomalies were not repeated.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against erring officers as the reason given was not valid. Your Committee also urges the Controlling Officer to ensure that all remaining stores records are traced. Your Committee awaits a progress report on the matter.

f) **Failure to follow procurement procedures**

The Controlling Officer acknowledged that procurement procedures were not adhered to in the purchase of ladies' and men's uniforms, where orders were split making the Controlling Officer approve orders which were over and above his threshold. The Controlling Officer, however, stated that this occurred due to the realignment of Ministries that was taking place at that time. The Controlling Officer assured your Committee that such short cuts would not be repeated in future.

### **Committee's Observations and Recommendations**

Your Committee observes that the officers willfully split the payments to circumvent the procedures and the Controlling Officer is, therefore, urged to ensure that disciplinary action is taken against the officers responsible for the omission and that authority be sought retrospectively from the Secretary to the Treasury. Your committee awaits a progress report.

g) **Failure to install procured equipment – Chipata and Kasama**

i. *Construction of Printing Press Building-Chipata*

The Controlling Officer submitted that the equipment was delivered on 3<sup>rd</sup> March, 2009, while the tender for construction was signed on the 3<sup>rd</sup> of November, 2009. Although the building was certified complete on 21<sup>st</sup> April, 2011, it was only fully completed in July, 2012, due to adjustments that were requested for. It further took additional months

before ZESCO could fully electrify the building to operationalise the press. Despite the completion of the construction, there was need for the supplier of the equipment to be present when off loading it into the building to ensure that proper management of the equipment was adhered to. When the request was sent to the supplier to come and install the equipment, the Ministry was advised that the supplier needed to assess the state of the equipment considering that it had been kept in the container for more than three years. The Controlling Officer also reported that the supplier sent a technician in February, 2013, to assess the condition of the equipment to ensure that the installation would be done. This was required as the equipment had been idle in shipping containers since 2008.

However, the period that it had taken in the container rendered some components unfit to be used on the machine. During the off loading process, an extensive examination was made on the equipment. Although the equipment was not electronically tested, it was assumed that the equipment was still in good working condition. Arising from the inspection and considering that the equipment could still be used, a list of parts and components that needed to be replaced was generated. Currently, the Ministry had started the process of procuring the said parts.

#### **Committee's Observations and Recommendations**

Your Committee is of the view that the anomaly was as a result of poor planning on the part of the Ministry as the building could have been prepared before actual delivery of the equipment. Your Committee, therefore, urges the Controlling Officer to ensure that in future all such transactions are well planned to avoid loss of the much needed Government funds. Your Committee resolves to close the matter subject to audit verification.

v. *Construction of Printing Press – Kasama*

- **Failure to follow tender procedures**

The Controlling officer submitted that he had written to the Provincial Permanent Secretaries for them to avail him with proof of tendering procedures in relation to the buildings of the printing presses which should be well documented and which led to the signing of the contracts.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Controlling Officer failed to address the matter during audit which was unacceptable. The Controlling Officer is, therefore, urged to ensure that details of what transpired are availed to the Office of the Auditor-General without further delay. Your Committee awaits a progress report on the matter.

- **Delayed completion of the project**

The Controlling Officer submitted that construction works for the building began in the third quarter of 2012 and the works had since progressed well. The last inspection was made in November, 2013, following a request to supervise the works on the concrete pad that would sit the equipment. The concrete pad had since been erected to ensure that as the Chinese technicians arrived to install the Chipata press, the Kasama structure would be ready for installation as well.

#### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that in future, all such transactions are well planned to avoid loss of Government funds. Your

Committee also urges him to take disciplinary action against the erring officers. Your Committee awaits a progress report on the matter.

h) **Hosting of the 20<sup>th</sup> Session of the United Nations World Tourism Organisation (UNWTO) General Assembly**

- **Lack of expenditure returns - K488,394,115**

The Controlling Officer submitted that funds were disbursed to the Tourism regional office on the Copperbelt through the Copperbelt Museum account because Tourism office had no account at the time. He further stated that it took long for the Tourism office to utilise the funds as there was a delay in receiving instructions on the use of these funds. He also stated that the funds were finally spent on the UNWTO activities and an expenditure return had since been availed to the auditors for verification.

**Committee's Observations and Recommendations**

Based on the recommendation of the Office of the Auditor-General, your Committee resolves to close the matter.

- **Failure to produce reports-K3,476,465,116**

The Controlling Officer submitted that lack of submission of UNWTO reports was caused by the fact that the merged Ministries were undergoing management and structural harmonisation as the officers concerned were reporting directly to the Secretariat. Efforts were being made to locate reports relating to UNWTO activities totalling K3,476,465,115.83 as the officers who undertook the activities were under the UNWTO Secretariat. The amount in question related to K1,362,156,948 which was paid for air tickets and K2,114,308,167.83 for subsistence allowances (per diems) for officers who attended meetings and conferences outside the country.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling officer to avail the reports and urges the Controlling Officer to ensure that the activity reports are immediately availed to auditors for verification. Your Committee awaits a progress report on the matter.

**MINISTRY OF LOCAL GOVERNMENTS AND HOUSING  
AUDIT QUERY**

PARAGRAPH 34

**Accounting and other irregularities**

34. An examination of the accounting and other records maintained at the Ministry Headquarters and visits to selected districts, carried out in April, 2013, revealed various irregularities to which the Controlling Officer responded as set out below.

a) **Failure to recover loans and advances-K663,757,649**

The Controlling Officer submitted that the loans reported as unrecovered were mainly for officers from the delinked Ministry of Tourism and Arts and staff who had been transferred to other ministries and for one retired officer whose file was in circulation for round robbing (clearance). He, however, reported that management engaged the relevant institutions to provide it with the information on the loan recoveries. The information had since been submitted and copies of pay slips had been availed to the auditors for verification. The details for officers who were either retired or working were still being awaited from the cost centres they operated from lastly.

**Committee's Observations and Recommendations**

Your Committee observes that the Ministry failed to ensure that arrangement were in place for the recoveries to be made before the loans and advance were made. Your Committee urges the

Controlling Officer to ensure that all loans and advances are recovered and to take disciplinary action against officers who were responsible for the anomaly. Your Committee awaits a progress report.

b) **Missing payment vouchers - K364,696,894**

The Controlling Officer submitted that payment vouchers were missing during the audit due to misplacement. He, however, reported that the missing payment vouchers amounting to K358,197,894.35 had since been located leaving a balance of K6,500,000 under the Ministry of Tourism and Arts which had been notified accordingly.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the missing payment vouchers for K6,500,000 are traced without further delay. Your Committee awaits a progress report on the matter.

c) **Un-acquitted allowances - K192,327,000**

The Committee was informed that the unacquitted allowances and retiree benefits were for drawings made by their counterparts at the Ministry of Tourism and Arts and the acquittals were not provided to the auditors at the time of audit. He also added that management wrote to the Controlling Officer of the Ministry of Tourism and Arts regarding the unacquitted funds and requested for the acquittal sheets which had not been submitted to date. The acquittal sheets for payment for retirees amounting to K150,000,000 were provided and availed to the auditors, but were not cleared as further information on the retired officers was requested by the auditors. A letter had been written to the Ministry of Tourism and Arts to assist clear the outstanding queries.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to liaise with his counterpart in the Ministry of Tourism and Arts to ensure that all the acquittal sheets and full information on the acquittals are provided to the auditors without further delay. Your Committee also recommends that the matter be reported to the law enforcement agencies for further action. Your Committee awaits a progress report on the matter.

d) **Irregular use of imprest - K755,634,000**

The Committee was informed that the allowances were paid to officers for assignments which were outside their areas of operation. He also reported that management had taken note of the auditor's observation and would ensure that assignments of the same nature would not be remunerated in future.

**Committee's Observations and Recommendations**

Your Committee observes that the imprest was used irregularly as the tasks executed by the officers were of a routine nature and should have been done during normal working hours. Your Committee, therefore, recommends that all the allowances paid should be recovered from the concerned officers. Your Committee awaits a progress report on the matter.

e) **Unretired imprest – K902,441,720**

The Controlling Officer submitted that imprest amounting to K902,441,720 (actual figure K867,161,720) were reported as unretired because the retirements submitted by officers had not yet been processed at the time of the audit. Further, the differences in the figures being reported were due to an error on the auditors' schedule which recorded an amount of K3,920,000 as K39,200,000. He also reported that the current position of unretired imprest stood at K87,500,000 as of 31<sup>st</sup> January, 2014 and documents for retirements amounting to K590,052,720 had since been verified by the auditors. He further submitted that retirements

amounting to K189,609,000 had been received from officers and were available for verification. The remaining unretired imprest totalling K87,500,000 was held by officers under the Ministry of Tourism and Arts which was merged with the Ministry of Local Government and Housing, but later delinked in 2012. A follow-up letter had been written to PMEC to institute recoveries for the outstanding unretired imprests.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that all the outstanding imprest is retired and take disciplinary action against the officers who caused the anomaly. Your Committee awaits a progress report on the matter.

f) **Irregular use of imprest to procure Goods and Services – K122,565,000**

The Committee was informed that the use of imprest to make procurements for goods and services in amounts totalling K122,565,000 during the period under review was related to unplanned activities to facilitate for adhoc administrative activities. The Controlling Officer also submitted that the use of imprest to procure goods and services had now been abolished and Heads of Departments had been informed in a circular dated 2<sup>nd</sup> January, 2014.

**Committee's Observations and Recommendations**

Your Committee observes that the use of imprest to procure goods and services was highly irregular in that the values of goods and services procured were obtainable on the market. Your Committee also observes that the goods said to have been bought were not even recorded in the stores records, raising doubts as to whether they were indeed procured. Your Committee urges the Controlling Officer to furnish the auditors with full details of the said expenses before the matter can be closed.

g) **Inadequately and unsupported payments- K648,220,503**

The Controlling Officer informed your Committee that the inadequately supported payments were as a result of misfiling of supporting documents. He submitted that out of K430,801,530.02, documentation for payments amounting to K133,296,008 had been traced leaving a balance of K297,505,522.02 related to payments for the Ministry of Tourism and Arts.

**Committee's Observations and Recommendations**

Your Committee observes that the management of accounting records and documents at the Ministry leaves much to be desired and urges the Controlling Officer to take steps to reverse the situation. Your Committee urges the Controlling Officer to ensure that all the missing supporting payments are immediately availed to the Office of the Auditor-General for verification. Your Committee awaits a progress reports on the matter.

h) **Unaccounted for Stores and Fixed Assets – K479,855,917 (other stores items K343,255,917 and fuel K136,600,000)**

The Controlling Officer informed your Committee that the unaccounted for stores were as a result of not having a stores officer at the time. He, however, reported that a registry officer was assigned the functions of stores officer in 2013 and the records had since been updated. He had also appointed a qualified Purchasing and Supplies officer to manage the stores office while the internal controls had been enhanced to ensure the systems put in place were adhered to.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against erring officers. Your Committee resolves to close the matter subject to audit verification.

i) **Failure to follow Tender Procedures.**

i. *Procurement of motor vehicles - Over expenditure – K373,882,602*

The Committee was informed that the tender committee minutes, procurement reports and Plant, Vehicle and Equipment Committee (PVEC) were obtained and were available for audit verification.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to follow procurement procedures and urges him, to ensure that the provisions of ZPPA Act of 2008 are adhered to and also that disciplinary action is taken against the erring officers. Your Committee resolves to close the matter subject to audit verification.

ii. *Procurement of Clearing Services - K404,035,616*

The Controlling Officer acknowledged that the supplier was engaged by Tanzania Port Authority on behalf of the Zambian Government without the knowledge of the Ministry after the equipment had overstayed at the port of discharge and started accumulating demurrage charges. It was, therefore, difficult for the Ministry to obtain a no-objection from ZPPA as the supplier had already been engaged and a bill submitted to the Ministry for payment. The Controlling Officer further submitted that management regretted the development and had implored Tanzania Port Authority to communicate to the Ministry, in future, before making financial commitments on behalf of the Government to avoid future occurrence of this nature. The Ministry had directed that no contracts would be allowed on third party transactions to avoid this kind of situation arising in future.

In his oral submission, the Controlling Officer added that the donation of fire tenders was not communicated on dispatch and even receipt to his Office.

**Committee's Observations and Recommendations**

Your Committee observes that the Controlling Officer must have known about the donation of the equipment way before the said equipment was dispatched from Japan as documents must have been sent to the destination upon dispatch. Your Committee resolves to close the matter subject to audit verification.

j) **Variation of funds without authority - K521,914,754**

The Committee was informed that the vehicles were meant for the purposes of monitoring local service delivery in the councils, but the funds were partly drawn from the capital grant hence, there was no over expenditure. The funds used to procure the motor vehicles were capital grants meant for procurement of capital items which included motor vehicles and there was no need for the Ministry to apply for variation of funds from the Secretary to the Treasury.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Controlling Officer did not use the audit process to render the explanation he gave your Committee. Your Committee urges the Controlling Officer to reconcile the Ministry's position with that of the Office of the Auditor-General. Your Committee awaits a progress report on the matter.

## MINISTRY OF JUSTICE

### AUDIT QUERY

PARAGRAPH 35

UNITS: Various  
PROGRAMMES: Various  
ACTIVITIES: Various

#### **Accounting and other irregularities**

35. An examination of accounting and other records maintained at the Ministry Headquarters carried out in September, 2013, revealed various irregularities to which the Controlling Officer responded as set out below.

a) **Non-recovery of loans and advances-K234,000,000**

The Committee was informed that the delay in effecting deductions was due to negligence on the part of the salaries officer who did not properly advise Management whether the payees were eligible or not in view of the 40% threshold. Consequently, officers' whose net pay was below 40% were erroneously paid loans and advances whose recoveries could not be effected in the year in which the loans and advances were paid due to the officers net pays falling below 40% threshold. Recoveries were only effected in the following year after salary increments. The Controlling Officer also submitted that no action was taken against the salaries officer because at the time of audit, he had already left Government. The Controlling Officer explained that recoveries relating to these loans and advances amounting K234, 000,000 were effected in December, 2013.

#### **Committee's Observations and Recommendations**

Your Committee observes that the response by the Controlling Officer is an indictment on the Management as it failed to ensure that there were enough internal controls to detect such anomalies. Your Committee finds it irresponsible for the Controlling Officer to put blame on the salaries officer when other structures like the internal audits should be there to provide guidance. Your Committee also notes that the Controlling Officer should have taken disciplinary action instead of waiting for the audit outcome. Your Committee resolves to close the matter but urges the Controlling Officer to strengthen internal controls in the Ministry.

b) **Overpayment of commutation allowance - K39,131,993**

The Controlling Officer stated that this weakness was attributed to the salaries officer at that time who was negligent in applying the correct terms and conditions of service relating to payment of commutation allowances. He further stated that the officer in question resigned from the Government way before the audit of the year 2012 began. A new salaries officer had since been appointed and oriented regarding this matter and that recoveries commenced in December, 2013.

#### **Committee's Observations and Recommendations**

Your Committee observes that this was yet another indication of poor internal controls and supervision in the Ministry and therefore, urges the Controlling Officer to put strong internal controls in place. Your Committee also urges the Controlling Officer that recoveries must be effected from all erring officers including the transferred supervisor to recover the amounts overpaid. Your Committee awaits a progress report.

c) **Non-remittance of Tax-K37,158,339**

The Controlling Officer stated that the amount of K37,158,339 had since been paid to Zambia Revenue Authority (ZRA) on cheque number 026218 and receipted by ZRA on receipt number 313001062936. The Controlling Officer noted that the anomaly was due to poor supervision during the year under review in the office of the cashier resulting into cheques payable to ZRA totaling K37,158,339 becoming stale.

### **Committee's Observations and Recommendations**

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

d) **Unvouched expenditure-K12,282,966,902**

i. *Inadequately supported payments-K3,948,620,087*

The Controlling Officer submitted that out of 247 payments amounting to K3,948,620,087 cited as inadequately supported, a total of ninety-one payments amounting to K1,942,837,509 had been supported and were available for verification.

ii. *Missing vouchers - K8,334,346,815.54*

Regarding the missing vouchers, the Controlling Officer submitted that out of 67 vouchers worth K8,334,346,815.54 cited as missing, six vouchers amounting to K6,328,748,360 were now available for verification.

As for the remaining sixty-one missing vouchers amounting to K2,005,598,455.54 and the 156 inadequately supported payments amounting to K2,225,827,171, the Controlling Officer requested your Committee that backing sheets and bank statements be used to certify that the payments were authentic.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to discipline the erring officers who were responsible for the custody of the payment vouchers. The Controlling Officer is further urged to strengthened internal controls which are evidently weak and ensure that all missing payment vouchers are traced and submitted for audit verification. Your Committee awaits a progress report on the matter.

e) **Unretired imprest-K252,257,090**

The Controlling Officer submitted that there was serious negligence on the part of the accounting officers at that time because they did not submit monthly imprest status reports to his office which was the basis of taking disciplinary action against them. The Controlling Officer further reported that the Ministry had embarked on a monthly review and production of imprest status reports in the year 2013. Your Committee was also informed that recoveries from all the twenty-eight officers involved commenced in December, 2013.

### **Committee's Observations and Recommendations**

Your Committee notes the submission, but urges the Controlling Officer to ensure that disciplinary action is taken against the erring officers for failing to comply with Financial Regulations. The Controlling Officer is also urged to ensure that retirement documents are availed for audit verification. Your Committee awaits a progress report on the matter.

f) **Questionable payment of meal allowances-K1,295,000,000**

The Committee was informed that the payments in question were approved by the then Controlling Officer through a blanket authority for the entire 2012, to enable officers to carry out various accounting assignments during lunch hour, after 5 o'clock and during weekends. He explained that this authority was, unfortunately abused by the Director Human Resources and the Principal Accountant. The Controlling Officer added that no disciplinary action had been taken against the senior officers who were authorising these payments because by the time of audit, these senior officers were already transferred from the Ministry for different financial offences. He also submitted that recoveries could not be effected immediately after the audit exercise in November, 2013, because the officers involved disputed the auditors' findings claiming that they genuinely deserved the allowance.

Thereafter, management decided to verify this claim by counterchecking the facts together with the auditor's findings. The Controlling Officer further added that management also took keen interest in this particular revelation because it was shocking as to how authority could have been given to pay lunch allowance claims for more than 365 days in a year. After reviewing the individual payment vouchers and recompiling the figures, it was discovered that since the blanket authority from the Controlling Officer did not specify the number of days approved for meal allowance in the year 2012, the Director Human Resources and Administration was the one generating the subsequent authority to process the payments where the approved number of days was specified. He also added that besides being paid for more than 365 days in a year, the officers involved were not even entitled to a meal allowance because the public service terms and conditions of service prohibited such a claim when work was done within the station. Therefore, management later decided to recover 100% from the twenty-three officers involved and recoveries for these questionable allowances commenced in December, 2013. Letters of staff transfers and pay slips together with samples of authority were now available for verification.

After further probe by your Committee, the Controlling Officer submitted that disciplinary action was to be taken after investigations by both the Disciplinary Committee and the Police were completed.

#### **Committee's Observations and Recommendations**

Your Committee observes that the officers concerned wilfully made the irregular payments with a view to defraud the Government. Your Committee notes that recoveries have been made but urges the Controlling Officer to take disciplinary action against the officers involved in the anomaly. Your Committee awaits a progress report on the matter.

g) **Unaccounted for Stores-K964,455,640 (general stores K710,301,303 and fuel K254,154,337)**

The Controlling Officer acknowledged the Auditor-General's observations and reported that this anomaly was attributed to negligence on the part of the procurement staff who could not ensure that for every stock movement in or out of the stores, goods received notes and goods issue vouchers were raised, respectively. However, he submitted to your Committee that the procurement officers involved were transferred from the Ministry in the year 2012.

The Controlling Officer submitted that stock worth K386,906,303 and fuel worth K254,154,337 was now accounted for in form of goods received notes and disposal details. As for the balance of K 323,395,000, there was no system of certifying various small maintenance works done at the Ministry in the year 2012. He, however, reported that following the auditors recommendation, the Controlling Officer had now devised a way of certifying all the maintenance works being carried out by involving the Government Buildings Department. This anomaly was attributed to negligence on the part of the procurement staff that had since been transferred to other ministries.

#### **Committee's Observations and Recommendations**

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

h) **Misapplication of funds - Gender Mainstreaming-K119,211,365**

The Controlling Officer acknowledged the auditors observation on this matter but stated that the misapplication was as a result of inadequate funding during the period in question compared to the needs of that time. The Ministry decided to reprioritise the use of the limited resources available at its disposal but it was regrettable that variation of these funds was done without seeking the Treasury Authority.

### **Committee's Observations and Recommendations**

Your Committee strongly urges the Controlling Officer to desist from varying funds without seeking Treasury Approval. He is further urged to seek retrospective Treasury Approval from the Secretary to the Treasury. Your Committee awaits a progress report on the matter.

#### **i) Compensation and Awards**

##### **i. *Inadequate funding-K552,230,117,786***

The Committee was informed that the debt stock on the Compensation and Awards Account kept on swelling despite the Government having made a provision of K200,000,000 in the 2013 budget. Your Committee was informed that by December, 2013, the debt stock on the Compensation and Awards Account stood at K335,271,347.10, in spite of Government having released a total sum of K145,600,000 towards servicing of this debt and K21,266,231.47 as supplementary funding. Furthermore, your Committee was informed that even with these substantial annual increases in the debt stock of Compensation and Awards, due to limited resources and increasing needs, the Government, through the Ministry of Finance, reduced the allocation from K200,000,000 in the year 2013, to K100,000,000 in the 2014 budget.

### **Committee's Observations and Recommendations**

Your Committee is concerned that the debt stock on the Compensation and Awards has kept escalating and urges the Controlling Officer to liaise with the Secretary to the Treasury to find a lasting solution to the matter. Your Committee requests the Auditor-General to note the matter in future audits.

##### **ii. *Judgments Entered in Default***

The Committee was informed that the reason for the anomaly was because the Ministry of Justice was under staffed. He noted that following the recommendation of the Public Accounts Committee (PAC) for the Ministry to employ more state advocates, the Ministry applied and was given authority to employ thirty-two advocates by making a provision in the 2014 budget. The Controlling Officer stated that this had not been done due to the freeze in employment in 2014. However, in order to alleviate the staffing crises for state advocates, the Ministry engaged the Treasury on the possibilities of having the sixteen frozen positions for state advocates to be reactivated which was granted and the positions were filled in June, 2013.

### **Committee's Observations and Recommendations**

Your Committee notes the submission but observes that this matter will not be resolved unless the capacity of various Ministries, Provinces and Spending Agencies (MPSAs) to be able to provide necessary information for the cases to be effectively defended by the Ministry of Justice is done. Your Committee, therefore, urges the Controlling Officer to work hand in hand with Government departments to address the matter. Your Committee requests the Auditor-General to note the matter in future audits.

##### **iii. *Inadequately supported payments- K77,105,181,697***

The Controlling Officer submitted that due to the poor filing system, the Ministry could only manage to find photocopies of these documents which the auditors declined to honour. The practice then was that the lawyer handling a particular case retained the original copy of the judgment or consent order for future reference hence leaving photocopies on the file that eventually goes to accounts for payments. The Controlling Officer stated that with the measures put in place to improve the filing system, the Ministry would record a big reduction in the number of queries relating to missing vouchers and unsupported payments. It was unfortunate that original documents could not be provided to the auditors at the time of audit due to the poor filing system.

However, your Committee was informed that certified copies of the judgments and consent orders were now available for verification.

With regards to the payment made to Messer's W.M. Kabimba and Company, the Controlling Officer acknowledged that auditors' observations that the data base for the beneficiaries of the Compensation and Awards Funds was not maintained in accordance with the 'First in First out' (FIFO) rule. He explained that since the inception of the Fund at Ministry of Justice, the list of beneficiaries had been arranged according to the materiality value in ascending order. In this regard, and depending on the amount available as funding, the committee would give first priority to all the outstanding claims below K100 million. The next level to be considered was to consider claims falling between K100 million and K500 million and thirdly, claims over K500 million.

The Controlling Officer submitted to your Committee that it was unfortunate that the claim awarded to Messer's W. M. Kabimba and Company amounting to K200 million was not included on the list despite the Ministry having received judgment from the Supreme Court in May, 2011, and instructions to settle the debt from the Solicitor-General in the same year.

Your Committee was informed that at the time of making payments in May, 2012, the Compensation and Awards Committee first considered all the outstanding claims on the list which were below K100 million for payment. Since there was enough funding, all outstanding claims above K100 million, but below K500 million including the claim from Messer's W. M. Kabimba and Company of K200 million also qualified. The Controlling Officer assured your Committee that the Ministry did not disadvantage any eligible claimant by settling the debt owed to Messer's Kabimba and Associates. Further, that at the time of payment, Honourable W.M. Kabimba was not yet in Government as he was only appointed in September, 2012.

After being probed, the Controlling Officer revealed that only two companies were disadvantaged in the process and this was because the files were misplaced.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission but urges the Controlling Officer to ensure that all payments are adequately supported by judgment consent orders, among others documents before making payments. Furthermore, creditors aging list should be prepared and payments should be made on first-come first-serve basis.

As regards the questionable payment to a law firm, your Committee observes that in the absence of a consistent and transparent system used to consider which claims to honour, it is difficult for the Ministry's decision to be considered credible. Your Committee, therefore, urges the Controlling Officer to avail relevant supporting documents in respect of this payment to the Auditor-General for verification. Your Committee awaits a progress report on the matter.

iv. *Failure to maintain expenditure Ledgers for Voluntary Separatees Association (VSA)-K142,813,008,987*

The Controlling Officer submitted that at the time of the audit, the Ministry was still reconciling this account. The Voluntary Separatees Association debt was transferred to the Ministry of Justice from Ministry of Finance in the year 2009, without a list of beneficiaries or plaintiffs being provided and neither were the amounts owing to each plaintiff availed but simply records showing an opening balance of K189,129,496,772 at the beginning of the year 2009, maintained in the books of accounts.

The Controlling Officer further submitted that unfortunately, the Ministry of Justice, despite not having all these pieces of information required for them to reconcile and pay against a reconciled debt position of this account, the Ministry continued releasing payments to the law firms towards settlement of this debt merely using numbers of beneficiaries claimed by each law firm. The Controlling Officer stated that information pertaining to the names of the actual beneficiaries and how much was owed for each beneficiary was only known and kept by the law firms.

Therefore, in the absence of a reconciled position, it was impossible to open ledgers that would show the total payments so far released to each law firm, beneficiary and the total outstanding terminal benefits owing by the Government. However, early in the year 2013, the Ministry of Justice embarked on setting the records straight for this Account through a committee comprising of officers from Public Service Management Division (PSMD) and the Ministry of Justice. The Controlling Officer further stated that ledgers showing how much had been released to each law firm, how much each plaintiff was owed and the aggregate amount owing by the Government, had now been reconciled. The report was available for verification.

#### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that an expenditure ledger is maintained and updated on a monthly basis. Your Committee resolves to close the matter subject to audit verification.

- v. *Un-reconciled payments to Voluntary Separatees Association (VSA)- K472,843,648,093*
- The Controlling Officer submitted that a decision had been made regarding the outstanding amount to each plaintiff and the aggregated amount had also been established. However, the Controlling Officer added that through a thorough reconciliation of this account, the Ministry managed to save the Government from losing a colossal sum of not less than K800 billion kwacha through inflated claims from the VSAZ and their respective law firms. Before reconciling this debt, the claims from the VSA stood at over a trillion kwacha in April, 2013, after the Government had already released a total sum of K433,878,922,999.04 towards settlement of this debt. However, the Controlling Officer further added that after the reconciliation exercise which took more than six months to complete, the amount established was only K82,474,134.16. The Government had released a total sum of K526,261,657.16 in order to fully settle the whole outstanding amount owed to the VSAZ.

After further probe by your Committee, the Controlling Officer submitted that the matter was reported to the Police for further investigation.

#### **Committee's Observations and Recommendations**

Your Committee observes with concern that it was a deliberate move by officers not to undertake reconciliations which resulted in the Government almost losing huge sums of money. The Controlling Officer is urged to take disciplinary action against the erring officers for this serious omission and that he ensures that the matters are dealt with expeditiously by investigative wings while evidence is still available. Your Committee awaits a progress report on the matter.

## MINISTRY OF LABOUR, YOUTH AND SPORT

### AUDIT QUERY

PARAGRAPH 36

UNITS: Various  
PROGRAMMES: Various  
ACTIVITIES: Various

#### **Accounting and other irregularities**

36. An examination of accounting and other records maintained at the Ministry Headquarters and a visit to selected provinces carried out in July, 2013, revealed several irregularities to which the Controlling Officer responded as set out below.

a) **Unvouched expenditure - K5,764,550,972**

The Controlling Officer acknowledged that 185 payments in amounts totalling K5,764,550,972 made during the financial year under review from various programmes were unvouched. However, payments totalling K5,647,441,000 had been supported by relevant documents leaving a balance of K117,070,000. Efforts were being made to locate the remaining documents.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that such a huge amount was not vouched at the time of audit and urges the Controlling Officer to strengthen internal controls to ensure that the omission does not recur. Your Committee also urges the Controlling Officer to ensure that the supporting documents that have been traced are availed for audit verification. Further, your Committee urges the Controlling Officer to take disciplinary action against the officers that were responsible for the anomalies. Your Committee awaits a progress report on the matter.

b) **Unaccounted for Stores -K2,680,244,998**

The Controlling Officer submitted that various stores items amounting to K2,111,154,000 and fuel worth K387,791,000 had been adequately supported by receipts and disposal details and efforts were being made to locate the remaining documents. The located documents were available for verification by the Office of the Auditor-General.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern at the evident disorganisation at the Ministry pertaining to the management of stores records which is highly unacceptable as it is not possible to establish whether the goods were procured and utilised for the intended purposes. Your Committee, therefore, urges the Controlling Officer to put measures in place to correct the situation. The Controlling Officer is also urged to take disciplinary action against the officers who failed to maintain stores records in accordance with Stores Regulations. Your Committee awaits a progress report on the matter.

c) **Unretired imprest - K1,982,208,707**

The Controlling Officer submitted that out of amounts totalling K1,982,208,707, unretired imprest of K1,378,851,000.84 had since been retired while a total of K603,357,000.16 would be deducted from the concerned officers' salaries.

#### **Committee's Observations and Recommendations**

Your Committee is concerned that the Ministry is failing to manage imprest in accordance with Financial Regulations and urges the Controlling Officer to take responsibility for this state of affairs. Your Committee urges the Controlling Officer to take steps to correct the situation including taking disciplinary action against accounting officers and other supervisors for their laxity in enforcing Financial Regulations. Your Committee awaits a progress report on the matter.

d) **Non-recovery of loans and advances - K140,000,000**

The Controlling Officer submitted that recoveries in respect of loans and advances amounting K140,000,000 had since been effected on the affected officers.

**Committee's Observations and Recommendations**

Your Committee observes that this omission was as a result of laxity on the part of responsible officers as they should have ensured that arrangements for the recovery of the loans and advances were made before such payments were processed. Your Committee, therefore, urges the Controlling Officer to caution the officers responsible for the anomaly. Your Committee awaits a progress report on the matter.

e) **Youth Development Fund**

The following weaknesses were observed and the Controlling Officer responded as set out below.

i. *Irregular disbursement of loans - K49,969,830*

The Controlling Officer acknowledged that the Ministry paid a loan of K49,969,830 to NORICAH Enterprises, a Company owned by a Mr Godfrey Nshimbami (beneficiary) and that a review of the application details and the payments revealed that the name of the applicant and the beneficiary were different. She noted that the application was made by the father on behalf of the son without his knowledge and the matter had since been reported to the law enforcement agencies for further investigations.

**Committee's Observations and Recommendations**

Your Committee notes the submission and requests the Controlling Officer to avail evidence that the matter was before the investigative wings. Your Committee awaits a progress report on the matter.

ii. *Issue of loans without loan agreements - K1,274,269,000*

The Controlling Officer acknowledged that during the year under review, loans amounting to K1,274,269,000 were paid to forty-one Youth Associations without signed loan agreements. She added that thirty-six out of forty-one agreements had since been signed leaving a balance of five loan agreements yet to be signed. She submitted that those loan beneficiaries signed in their ledgers for the cheques they had collected and their guarantors represented them.

**Committee's Observations and Recommendations**

Your Committee is disappointed that the guidelines on the disbursement of the loans were not followed and urges the Controlling Officer to take steps to ensure that this does not recur. Your Committee also urges the Controlling Officer to take disciplinary action against the officers responsible for the omission. Your Committee resolves to close the matter subject to audit verification.

iii. *Issue of more than one loan to the same Youth Project - K32,000,000*

The Controlling Officer acknowledged that the Ministry paid K32,000,000 to Jerbeka in 2012, for Beef Processing, a Youth Association that had been paid K15,000,000 in 2011. The first payment of K15,000,000 was approved under the 2011 Operational Guidelines which provided for a youth association to be given only a down payment of the total approved amount for them to procure the initial equipment and only after providing proof of purchase was the remaining balance supposed to be given. The remaining K32,000,000 was given in 2012, after the Association provided proof of purchase of all the initial required equipment. The loan had since been consolidated and the Association had been making re-payments to that effect.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Ministry did not take advantage of the audit process to clear the matter. Your Committee resolves to close the matter subject to audit verification.

#### **f) Infrastructure Development - K58,479,335,67**

- **Failure to follow procurement procedures-K113,288,342,054**

The Ministry of Transport, Works, Supply and Communication was mandated to construct, maintain and supervise all construction of Government buildings. In this regard, when the Ministry entered into various contracts in amounts totalling K113,288,342,054, those contracts were within the Ministry of Transport, Works, Supply and Communication's threshold. Arising from that, they requested ZPPA for a "No Objection" to waiver from open bidding to selected bidding and to the use of solicitation document. Those "No Objections" were issued to the Ministry of Transport, Works, Supply and Communications and were available for verification by the Auditor-General's Office.

### **Committee's Observations and Recommendations**

Your Committee observes that the Ministry of Youth and Sport misdirected itself on the matter because the tender processes were supposed to be followed by itself as the procuring Ministry. Your Committee, however, resolves to close the matter and urges the Controlling Officer to avoid the recurrence of the anomaly.

- **Rehabilitation and construction at National Sports Development Centre (NASDEC)**

The Controlling Officer acknowledged that the constructed Tennis Courts and the three Netball Courts had developed deep cracks on the floors. The Controlling Officer added that the Ministry had written to the Ministry of Transport, Works, Supply and Communication as the Consultants who had confirmed that the contractor had acknowledged and provided a schedule of works to correct the defects. The Controlling Officer assured your Committee that the contractor would not be paid his retention until the defects were corrected.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the identified defects are attended to by the Contractor in order to avert possible loss of public funds. Your Committee awaits a progress report on the matter.

#### **g) Rehabilitation of the six (6) International Hostel Blocks-UNZA-K6,167,551,220.**

- **Omitted works-K164,087,000**

The Controlling Officer acknowledged that works valued at K164,087,000 were omitted upon request by the Ministry of Transport, Works, Supply and Communication because time was running out before the games. He noted that the said works were not paid for.

### **Committee's Observations and Recommendations**

Your Committee observes that the works that were omitted were not paid for hence there was no loss of public funds and resolves to close the matter subject to audit verification.

- **Defective works - K17,300,000**

The Controlling Officer submitted that these were done in accordance with specifications in that the 2.5mm<sup>2</sup> cables for the sockets were used as guided by the I.E.E regulations. She added that the Ministry of Transport, Works, Supply and Communication and the University of Zambia Management had agreed that the University was to ban cooking from the rooms. The ban had not been enforced which explained why cables meant to work at the permissible current of 16 amps were melting whenever they were subjected to currents between 30 amps to 45 amps for cooking appliances.

### **Committee's Observations and Recommendations**

Your Committee finds it unacceptable that the University which had never experienced such electrical faults could experience melting cables after the rehabilitation works were undertaken. Your Committee also observes that it was wrong for the engineers to base their work on the promise that cooking would be banned. Your Committee, therefore, urges the Controlling Officer to ensure that the melting electrical fittings are replaced without further delay. Your Committee awaits a progress report on the matter.

## **MINISTRY OF HEALTH**

### **AUDIT QUERY**

PARAGRAPH 37

UNITS: Various  
PROGRAMMES: Various  
ACTIVITIES: Various

### **Accounting and other irregularities**

37. An examination of accounting and other records maintained at the Provincial and District Medical Offices and physical inspections of selected projects carried out in selected districts in June, 2013, revealed various irregularities to which the Controlling Officer responded as set out below.

#### **a) Grants (Recurrent Departmental Charges – RDCs)**

##### **i. *Missing payment vouchers K1,240,612,324***

The Controlling Officer submitted that payment vouchers amounting to K692,822,526 had been traced leaving a balance of K544,590,530 and that efforts were being made to trace the remaining missing payment vouchers. He also stated that in an effort to mitigate the practice of missing payment vouchers, they had embarked on a programme of sensitising officers on records management so as to eliminate this trend.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against erring officers and that the remaining vouchers amounting to K544,590,530 are traced and availed to auditors without further delay. Your Committee awaits a progress report on the matter.

##### **ii. *Unsupported payments and transfers of funds-K5,738,272,259***

The Controlling Officer submitted that supporting documents worth K2,172,818,223 had since been attached leaving a balance of K2,952,326,480. Efforts were being made to have the remaining documents supported with relevant documentation.

### **Committee's Observations and Recommendations**

Your Committee expresses concern at the Ministry's failure to ensure that all payments are adequately supported and urges the Controlling Officer to take concrete steps to correct the situation. The Ministry is urged to ensure that disciplinary action is taken against officers responsible for the loss of documentation and that the remaining vouchers amounting to K2,952,326,480 are availed to auditors without further delay. Your Committee awaits a progress report on the matter.

##### **iii. *Unaccounted for funds-K683,015,440***

The Committee was informed that the whole amount of K683,015,440 had now been accounted for.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Ministry failed to account for the said funds during audit and urges the Controlling Officer to take disciplinary action against the

officers who caused the query. Your Committee resolves to close the matter subject to audit verification.

iv. *Unapproved payments-K226,634,723*

The Committee was informed that the payments in question were approved but the payment vouchers were not endorsed by the authorised officers. However, payment vouchers amounting to K192,450,073 had been signed by the relevant sub-warrant holders leaving a balance of K34,184,650. He also submitted that the sub warrant holder was directed to appoint officers who would be endorsing on the payments when they were out of their stations.

**Committee's Observations and Recommendations**

Your Committee observes that Financial Regulations were flouted by the Ministry and urges the Controlling Officer to ensure that disciplinary action is taken against erring officers and also that the remaining payment vouchers are immediately signed and availed for audit verification. Your Committee awaits a progress report on the matter.

v. *Unaccounted for funds-K116,382,000*

The Controlling Officer stated that acquittal documents amounting to K96,754,000 were now available for verification leaving a balance of K28,082,000.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Ministry failed to account for the said funds during audit and urges the Controlling Officer to take disciplinary action against the officers who caused the query. Your Committee also urges the Controlling Officer to avail the records of the accounted for funds to the Office of the Auditor-General for verification. Your Committee further urges the Controlling Officer to account for the remaining K28,082,000 failure to which the funds should be recovered from the concerned officers. Your Committee awaits a progress report on the matter.

vi. *Misapplication of funds-K726,012,647*

The Controlling Officer submitted that all payments made at DHMTs were ultimately related to health service delivery. The amount of K726,012,647 had been fully accounted for.

**Committee's Observations and Recommendations**

While noting the response, your Committee urges the Controlling Officer to ensure that, in future, all matters are dealt with during the period of audit. The matter is, however, recommended for closure subject to audit verification.

vii. *Failure to remit tax-K322,917,884*

The Committee was informed that the institutions had entered into a liquidation plan with ZRA and a total of K36,835,157 had been remitted leaving a balance of K286,082,727.

**Committee's Observations and Recommendations**

Your Committee notes the measures taken by the Ministry and resolves to close the matter subject to audit verification.

viii. *Failure to follow procurement procedures-K535,108,940*

The Committee was informed that the concerned DMOs had been cautioned and advised to adhere to the laid down payment procedures.

### **Committee's Observations and Recommendations**

Your Committee observes that the said stations flouted procurement procedures and resolves to close the matter subject to audit verification.

ix. *Unretired imprest-K4,416,812,630*

The Committee was informed that the imprest worth K3,491,410,815 had since been retired leaving a balance of K925,401,815 and that documents were available for verification.

### **Committee's Observations and Recommendations**

Your Committee observes that a lot remains to be done for the Ministry to inculcate a sense of discipline in the retirement of imprest. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against erring officers and also that the outstanding imprest amounting to K925,401,815 is immediately retired. Your Committee awaits a progress report on the matter.

x. *Subsequent issuance of imprest-K219,123,322*

The Controlling Officer submitted that he had issued instructions to institutions not to issue imprest to officers who had outstanding imprest in accordance with the Financial Regulations. Imprest totalling K216,388,322 had been retired leaving a balance of K2,735,000.

### **Committee's Observations and Recommendations**

Your Committee observes that the Financial Regulations are very clear on this matter and the Controlling Officer should, therefore, take disciplinary action on erring officers in order to safeguard public funds and also ensure that the outstanding imprest of K2,735,000 is retired without further delay. Your Committee awaits a progress report on the matter.

xi. *Failure to produce Activity Reports - K156,493,618*

The Committee was informed that reports were now available for audit verification.

### **Committee's Observations and Recommendations**

Your Committee observes that failure to produce activity reports for funded activities is tantamount to incurring wasteful expenditure as the Ministry is denied an opportunity to use such reports in its interventions. Your Committee urges the Controlling Officer to take disciplinary action against the erring officers who submitted activity reports late. Your Committee resolves to close the matter subject to audit verification.

xii. *Questionable retirement of imprest-K545,106,532*

The Controlling Officer stated that out of the total of K545,106,532 worth of questionable imprest retirements, a total of K257,903,526 had been attached with the relevant documentation leaving a balance of K243,863,106. Efforts were being made to find supporting documentation for the remaining imprest retirements.

### **Committee's Observations and Recommendations**

Your Committee observes that the Controlling Officer failed to avail answers to issues raised by the auditors. For instance, the Controlling Officer did not explain why some imprest was not approved by warrant holders and why some details on the retirement differed from those on the payment vouchers. Your Committee, therefore, urges the Controlling Officer to immediately clear the outstanding issues with the Office of the Auditor-General. Your Committee awaits a progress report on the matter.

- xiii. *Unaccounted for drugs and medical supplies-K4,718,976,561*  
The Controlling Officer submitted that out of K4,718,976,561 worth of drugs and medical supplies which were unaccounted for, drugs and medical supplies worth K3,129,055,574 had been accounted for leaving a balance of K1,657,716,988. Efforts were being made to find the disposal details for the remaining drugs.

**Committee's Observations and Recommendations**

Your Committee observes that the Ministry still has a lot to do to improve the accountability of drugs and other medical supplies. Your Committee is concerned that this has become a perennial challenge while no remedial measures seem to be put in place. Your Committee challenges the Controlling Officer to put measures in place to correct the situation. Your Committee also urges the Controlling Officer to take disciplinary action against erring officers and to trace all the remaining documents pertaining to drugs not accounted for. Your Committee awaits a progress report on the matter.

- xiv. *Expired drugs-K104,630,096*  
The Controlling Officer submitted that it was regrettable that drugs worth K104,630,096 had not been disposed off. The Environmental Management Authority of Zambia (EMAZ) was responsible for the disposal of expired drugs in liaison with Provincial Health Offices and, therefore, most districts were waiting for EMAZ to facilitate destruction of the expired drugs.

**Committee's Observations and Recommendations**

Your Committee finds the reason given by the Controlling Officer unacceptable in that at least letters or any proof to notify the EMAZ should have been shown to auditors at the time of audit. Your Committee cautions the Controlling Officer to desist from protecting his officers and is, therefore, urged to ensure that disciplinary action is taken against the erring officers. Your Committee awaits a progress report on the matter.

- xv. *Undelivered drugs-K722,379,156*  
The Controlling Officer submitted that there were discrepancies between the dispatch notes generated by Medical Stores Limited and the goods received notes in various medical institutions. In this vein, he had directed the Executive Director for Medical Stores to institute investigations on this matter. However, drugs worth K693,495,779 were delivered leaving a balance K28,883,377.

Furthermore, the Controlling Officer verbally disputed the figure highlighted by auditors in this query and also cited price differentials as having caused the discrepancy. He reiterated that the prices used by the auditors were different from the actual ones on the receiving ends. He also stated that the Mumbwa case was reported to Police and officers were, currently, appearing in court in relation to the same.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to pursue matters proactively. Your Committee observes that there could be some inside jobs resulting in siphoning of drugs before delivery as evidenced by the discrepancies on the dispatch and receipt documents. Your Committee urges the Controlling Officer to report the matter to law enforcement agencies for further investigation. Your Committee awaits a progress report on the matter.

- xvi. *Unaccounted for Stores-K8,242,057,651 (general stores - K5,737,513,564 and fuel - K2,504,544,087)*  
The Controlling Officer submitted that receipts and disposal details for stores and coupons for fuel were now available for verification.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against erring officers and the traced documents should also be availed to the Office of the Auditor-General for verification.

- xvii. *Other irregularities*

- ***Questionable drawings of fuel-K104,224,427***

The Committee was informed that the institutions had updated their fuel register books so as to include vehicle registration numbers and the purpose for which the fuel was drawn. He also confirmed that the fuel was drawn for authorised activities.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against the erring officers. Your Committee awaits a progress report on the matter.

- ***Irregular drawings of fuel***

The motor vehicles which drew fuel were used during health activities such as Breast Cancer Campaign, Measles Campaign, TB Day commemoration and other related health activities. The institutions did not have enough vehicles to execute these activities hence the use of private registered vehicles belonging to Non-Governmental Organisations (NGOs). Management Minutes relating to meetings in which decisions to use these vehicles were made were available for audit verification.

**Committee's Observations and Recommendations**

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

- ***Fuel drawn without authority***

Your Committee was informed that the fuel was drawn for health activities of an emergency nature and authority was been granted in retrospect.

**Committee's Observations and Recommendations**

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

- xviii. *Unaccounted for motorcycles - Nakonde DMO K80,000,000*

The Controlling Officer submitted that twenty-one motorcycles had since been insured. The remaining five were stolen from the warehouse where they were kept. The Police were still investigating the matter. He, therefore, requested your Committee to let the charge stand as loss to Public Account.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the matter is followed up with the Police. Your Committee awaits a progress report on the matter.

- xix. *Revolving Fund Accounts*

- ***Failure to recover loans, tuition and salary advances-K379,106,877***

The Controlling Officer stated that recoveries had been effected and a total of K202,377,277 had been recovered leaving a balance of K176,729,600.

### **Committee's Observations and Recommendations**

Your Committee observes with concern that the Controlling Officer waited for too long to effect the recoveries and is, therefore, urged to ensure that all the remaining recoveries amounting to K176,729,600 are effected. Your Committee also strongly urges the Controlling Officer to take disciplinary action against the officers who processed the payments without ensuring that arrangements were in place for the recoveries to be made. Your Committee awaits a progress report on the matter.

- **Irregular payments-K74,522,568**

The Controlling Officer submitted that these payments were made fraudulently and hence the matter has been reported to the police. The case was now in court at trial stage and the culprits were on suspension pending the outcome of the case.

### **Committee's Observations and Recommendations**

Your Committee awaits a progress report on the outcome of the Court proceedings.

b) **Failure to deliver projects on time**

The Controlling Officer submitted that most projects under the Ministry of Health had not been delivered on time due to various reasons including delayed funding from Ministry of Finance while contracts for labour were usually delayed due to non-fulfillment of the obligations by the Community who promised to contribute labour and bricks.

### **Committee's Observations and Recommendations**

Your Committee expresses concern at the increasing number of projects that are being delayed in the Ministry on the account of delayed funding and urges the Controlling Officer to liaise with the Secretary to the Treasury on the possible solution to the problem. Your Committee awaits a progress report on the matter.

c) **Other observations**

i. *Wasteful expenditure - Construction of Sewer Ponds - Kalabo District Hospital*

The Controlling Officer submitted that the contract under Pozzolona Engineers to construct sewer lines and treatment ponds at Kalabo District Hospital was funded, procured and managed by Western Province – Provincial Office. The amount of K137,988,288 on Certificate No.3 was not paid hence the contractor abandoned works.

Upon advise from Ministry of Justice in 2012, the Provincial Administration was prompted to settle payments but since they exhausted the initial project funds, they reverted to the Ministry of Health for assistance in settling the amount due to the contractor. After payment for works done, the contract was terminated for convenience. The major problem with the old ponds was back-flow. The site thus had to be changed to allow for the sewer to be disposed of. After technical assessment from the Building Department – HQ, it was determined that the silting and the back-flow being experienced on the sewer ponds was not acceptable and hence a recommendation was made to relocate the site, and hence the new contract that had now been entered into by Provincial Administration with another contractor.

### **Committee's Observations and Recommendations**

Your Committee expresses concern on the advance full payment to the contractor despite the contract period having had been exceeded and also that there was poor workmanship on the works he did. Your Committee could also not figure out why liquidated damages were not claimed from the contractor and why the officer at the Buildings Department issued a certificate of completion on such shoddy works. Your Committee, therefore,

recommends that the matter be reported to law enforcement agencies for further investigations. Your Committee awaits a progress report on the matter.

- ii. *Construction of Milenge District Hospital – Phase 1: Stalled Project*  
The Controlling Officer submitted that due to non-performance by the contractor, this contract was terminated. Officers from the Ministry of Transport, Works, Supply and Communications had finalised the assessment of the site with a view of closing the accounts for the contract. He noted that the Government would not lose any funds as the bonds for the contract were still available for redemption. The Controlling Officer also submitted that the Ministry of Health was currently implementing Phase 2 of the construction of Milenge District Hospital. The uncompleted works in Phase 1 were planned to be procured in 2014.

**Committee’s Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the project is completed without fail and also that all funds are accounted for, accordingly. Your Committee awaits a progress report on the matter.

- iii. *Delayed opening of Samfya District Hospital - K6,619,567,068 (excess payment of K14,049,223)*

The Controlling Officer submitted that Samfya District Hospital had now been completed. The excess amount of K14,049,223 was as a result of a variation of the contract that was approved by the Ministerial Tender Committee. The Controlling Officer further submitted that dry boreholes were as a result of the geological formation which resulted in drilling of dry boreholes but the Hospital was then connected to the Water Utility Company. Regarding the defects, the Controlling Officer submitted that the contractor had since rectified the defects and Hospital was now open to the public.

**Committee’s Observations and Recommendations**

Your Committee insists that the contract should have had a provision for a completion clause whereas in the case of boreholes, water should have been found in order to consider the project complete and certify it for payment. Your Committee observes that the cost on the dry boreholes was wasteful in that value for money was not achieved. Your Committee resolves to close the matter subject to audit verification.

- iv. *Delay to implement projects – Northern PMO*

The Controlling Officer submitted that funds for infrastructure development were released in December, 2012. The Province only started preparing BOQs and drawings upon receipt of funds. During the first half of 2013, the Province was procuring the works which were awarded later in the year. All projects had since been procured and were being implemented.

**Committee’s Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that all projects are completed without further delay. Your Committee awaits a progress report on the matter.

- v. *Wasteful expenditure - Chitukuko Health Post (Matero Constituency) Lusaka DMO K136,969,850*

The Controlling Officer submitted that the health post in question had a land dispute attached to it and the owner of the land won the Court case and demolished the health post which was under construction.

### **Committee's Observations and Recommendations**

Your Committee observes that the wasteful expenditure by the Government was as a result of failure by the officers at the Ministry and Lusaka City Council to establish the status of the piece of land before implementing the project. He urges the Controlling Officer to ensure that all officers responsible are surcharged and that the funds recovered be used to rebuild the health post at another location within the Constituency. Your Committee awaits a progress report on the matter.

### **MINISTRY OF HEALTH**

#### **AUDIT QUERY**

PARAGRAPH 38

UNITS:

Various

PROGRAMMES:

Various

ACTIVITIES:

Various

### **Accounting and other irregularities**

38. An examination of accounting and other records maintained at the Ministry Headquarters and visits to selected districts carried out in July, 2013, revealed irregularities set out hereunder to which the Controlling Officer responded as set out below.

#### **a) Failure to reconcile and close dormant Bank Accounts**

The Controlling Officer acknowledged that the ten bank accounts were dormant and were not reconciled as they were a subject under investigations by the investigating wings. However, all the ten bank accounts which were dormant had been closed and funds had been transferred to the Ministry of Finance mopping account. The bank statements were available for verification. He further submitted that three bank accounts, one at ZANACO and the other at First Alliance were opened by CBoH while the third account was opened at Barclays Bank by the Ministry. The Ministry had failed to locate the mandate forms and the accounts had been dormant and had now been closed.

### **Committee's Observations and Recommendations**

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

#### **b) Operation of the Larviciding Kwacha Account**

The Controlling Officer acknowledged that the Ministry transferred funds from the Larviciding account to the Loan Revolving Account without authority. He noted that when the Larviciding Project ended, the remaining funds in the account amounting to K5,544,395,496.84 were transferred to the Loan Revolving fund account out of which K1,200,000,000 was disbursed to University Teaching Hospital, Kitwe Central Hospital and Ndola Central Hospital for liquidation of staff debt. The transfer to liquidate staff debt was necessitated as there was a looming strike and pressure was mounting from the tertiary hospitals whereas, a total of K4,244,837,180 was used for Indoor Residue Spraying in various districts which had to be undertaken before the onset of the rains in the year 2012. Expenditure returns for the funds to liquidate the staff debt were available for audit verification.

### **Committee's Observations and Recommendations**

Your Committee is concerned that the Controlling Officer failed to seek authority for variation of funds from the Secretary to the Treasury. Your Committee is of a view that the matter could have been motivated by fraudulent activities and should therefore be reported to investigative wings for investigations. Your Committee awaits a progress report on the matter.

c) **Irregular transfer of funds-K937,976,191**

The Committee was informed that the Ministry transferred K937, 976,191 from the new mirror account to the old mirror account without authority due to the non-availability of cheques for the new mirror account. The transfer was also inevitable to facilitate some payments for important operations such as commemoration of Cancer Day and training in emergency trauma management. A schedule of payments was available for verification.

**Committee's Observations and Recommendations**

Your Committee observes with concern that the Controlling Officer was in a habit of defying the Financial Regulations and sternly cautions him to desist from such practices. He is further urged to seek retrospective authority from the Secretary to the Treasury. Your Committee awaits a progress report on the matter.

d) **Unvouched expenditure-K196,816,261**

The Committee was informed that the documents were now available for audit verification.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the casual manner the Controlling Officer took audits as the matter is supposed to have been resolved during the audit period. The Controlling Officer is, therefore, urged to take disciplinary action against erring officers. Your Committee resolves to close the matter subject to audit verification.

e) **Unaccounted for Stores and misappropriation of fuel - K1,013,282,789  
(General stores – K549,651,210 and Fuel – K463,631,579)**

The Controlling Officer acknowledged that disposal details for general stores amounting to K549,651,210 were unaccounted for but noted that disposal details for goods worth K468,301,210 had been found. He further explained that goods worth K81,350,000 related to pharmaceutical supplies were delivered directly to Medical Stores Limited and documents for these pharmaceutical supplies were also available for verification. The Controlling Officer also explained that fuel worth K463,631,579 was unaccounted mainly because there were individuals siphoning fuel from the Ministry's tanks located at the old Medical Stores. The culprits included a watchman from the Ministry and the rest were outsiders. The culprits had been apprehended and were in Police custody and the matter was before the Courts of Law.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the weak controls in the management of fuel and stores in general and urges the Controlling Officer to take concrete steps to strengthen internal controls. Your Committee notes that the matter is before the Courts of law but urges the Controlling Officer to continue being vigilant as the watchman may not have been the only insider. Your Committee awaits a progress report on the matter.

f) **Misapplication of funds-K1,265,176,548**

The procurement of motor vehicles was made using funds under the insurance budget line. The procurement of motor vehicles for the Mobile and Emergency Health Services Directorate was necessary to facilitate the monitoring and the operations of the mobile units. Authority was subsequently sought from the Secretary to the Treasury who advised on the procedure to normalise the expenditure. The Controlling Officer, therefore, requested your Committee to allow the expenditure to stand as a charge to public funds.

**Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer to desist from varying funds without seeking Treasury Authority. Your Committee resolves to close the matter subject to audit verification.

- g) **Misapplication of funds - dismantling of arrears-K3,325,164,801**  
The Controlling Officer acknowledged that the funds for dismantling arrears were used on unrelated payments but remedial measures had been put in place to avoid misapplication of funds.

**Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer to desist from varying funds without seeking Treasury Authority. Your Committee resolves to close the matter subject to audit verification.

- h) **Irregular payment of on-call allowances to doctors studying abroad**  
The on-call allowances were paid to the beneficiaries through their salaries and sometimes there were delays in stopping payments of on-call allowances when doctors were sent for training abroad. The Controlling Officer assured your Committee that the allowances which were irregularly paid were being deducted from their salaries.

**Committee's Observations and Recommendations**

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

i) **Human Resource Management - Retention of Health Workers**

- i. *Misapplication of funds-K3,203,111,500*  
The Controlling Officer acknowledged that funds were borrowed from the retention account with a view of paying back. He stated that a total of K2,485,423,892 was reimbursed leaving a balance of K717,687,608 for which he requested your Committee to consider allowing the expenditure to stand as a charge to public funds.

**Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer to desist from varying funds without seeking Treasury Authority. Your Committee resolves to close the matter subject to audit verification.

- ii. *Unsupported payments-K410,828,757*  
The Committee was informed that the documents were available for verification.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against the officers who failed to secure the supporting documents. The Controlling Officer is further urged to ensure that systems are well defined to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.

- j) **Delays in the delivery of medical equipment**  
The Controlling Officer submitted that Hightech was contracted through an irrevocable Letter of Credit implying that the supplier was only paid for the equipment delivered through the bank hence Government funds were secure. He also stated that Hightech had fully delivered all the equipment to respective health institutions under the first contract dated 8<sup>th</sup> December, 2010. However, only part of the equipment had been delivered for the second contract dated 12<sup>th</sup> April, 2012. The Ministry was engaging the supplier to ensure that the remaining equipment was delivered soon.

**Committee's Observations and Recommendations**

Your Committee awaits a progress on the delivery of all the equipment.

k) **Procurement of medical supplies**

i. *Unreconciled payments to Unimed International Limited-K128,077,841,829*

The Controlling Officer submitted that the ledgers for UNIMED were available for verification. He also stated that the delay occurred because they were preparing ledgers in a different format and after the auditors guided them, all updates were done in compliance with acceptable standards.

**Committee's Observations and Recommendations**

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

ii. *Questionable payment-K277,419,165*

The Committee was informed that the payment to Shanghai Liberty related to the supply of nurses' uniforms. The contract required that an upfront payment of 10% and 80% upon delivery while the final 10% was to be paid upon acceptance of the goods. Regarding the final payment (10%) of K277,419,165, the initial instruction was made to the bank to make the upfront payment amounting to K277,419,165 and subsequently the bank transferred the amount without debiting the account. Authority was later granted by the office to debit their account in line with the initial instruction.

**Committee's Observations and Recommendations**

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

iii. *Unsupported payments to Prime Time Freight Services - K3,643,147,796*

The documentation relating to the payments for Value Duty Purpose (VDP) were available for verification and had descriptions for the goods which were being cleared. It was now a requirement that before the ministerial tender committee approved the payments to Prime Time Freight Services, the documentation were pre audited by internal auditors.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the supporting documents were not availed to auditors during audit. Your Committee resolves to close the matter subject to audit verification.

l) **Irregular payment of housing allowance-K37,812,283**

The Controlling Officer acknowledged that two officers, who were occupying houses at Chainama and University Teaching Hospitals respectively, were paid housing allowances amounting to K37,812,283. The Controlling Officer further stated that the names were submitted to PMEC and deductions were running on the officers' payslips.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against the erring officers for not reporting the anomaly as soon as it was noticed. Your Committee resolves to close the matter subject to audit verification.

m) **Failure to recover loans-K772,200,000**

The Controlling Officer stated that the list had been submitted to PMEC and deductions had been effected. In order to ensure that loan deductions commenced upon disbursal, a specific officer had been assigned to monitor the deductions effected by the PMEC end user.

### **Committee's Observations and Recommendations**

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

## **MINISTRY OF TRANSPORT, WORKS, SUPPLY AND COMMUNICATIONS**

### **AUDIT QUERY**

PARAGRAPH 39

Departments:	Various
Units:	Various
Programmes:	Various
Activities:	Various

### **Accounting and other irregularities**

39. An examination of accounting and other records maintained at the Ministry Headquarters and visits to selected provinces in April, 2013, revealed the weaknesses set out hereunder to which the Controlling Officer responded as set out below.

a) **Misapplication of funds - K7,000,000,000**

The Controlling Officer acknowledged the misapplication of funds amounting to K7,000,000,000. He also acknowledged that the funds were meant for infrastructure development, but were inadvertently used to procure VIP motor vehicles.

### **Committee's Observations and Recommendations**

Your Committee is dismayed that funds meant for infrastructure development were misapplied despite this being against the Financial Regulations that prohibit the misapplication of such funds. Your Committee, therefore, urges the Controlling Officer to ensure that the Ministry gets its priorities right by implementing activities in the Ministry according to approved annual plans. Your Committee further urges the Controlling Officer to seek authority from the Secretary to the Treasury for the variations as required by Financial Regulations before the matter could be closed. Your Committee awaits a progress report on the matter.

b) **Failure to implement street lighting project and misapplication of funds -K2,553,600,000**

Your Committee was informed that the project could not commence despite the contract being signed because the contractor failed to secure an acceptable guarantee bond for the advance payment. Consequently, the funds were borrowed with a view to reimburse. Unfortunately, the reimbursement could not happen. He, therefore, begged your Committees' indulgence, to allow funds to stand as a charge to public funds.

In his oral submission, the Controlling Officer stated that the works had been done with funding from ZRA.

### **Committee's Observations and Recommendations**

Your Committee finds the reasons by the Controlling Officer for misapplying the funds meant for the street lighting project unacceptable as the Ministry should have sought Treasury Authority before varying the funds. In view of the fact that the project was funded by ZRA, your Committee directs the Controlling Officer to ensure that retrospective authority is sought from the Secretary to the Treasury. Your Committee awaits a progress report on the matter.

c) **Resurfacing of parking pavement - Chirundu Border Post-K3,000,000,000**

The contract was signed on 3<sup>rd</sup> December, 2010, at which time there were no funds to pay the advance payment of K290,477,900 to the contractor. The contractor was only paid the K290,477,900 a year after the contract was signed on 14<sup>th</sup> December, 2011. The delay led to the escalation in the contract sum. The Controlling Officer stated that an amount of K500,000,000

was paid to the contractor on 27<sup>th</sup> December 2012, bringing the total amounts paid as at 31<sup>st</sup> December, 2012 to K790,477,900. The contractor was furthermore paid K500,000,000 on 24<sup>th</sup> May, 2013, bringing the total amount to K1,290,477,900 and leaving a balance of K472,101,230.

#### **Committee's Observations and Recommendations**

Your Committee observes that the Ministry should have made sure that funds were available for the advance payment before the contract was signed. Your Committee, therefore, urges the Controlling Officer to avoid procuring projects before resources are secured. Your Committee awaits a progress report on the matter.

#### **d) Construction of Border Infrastructure at Katima Mulilo – K 28,201,343,078.00**

##### **i. *Poor workmanship***

The Controlling Officer stated that the observed cracks were actually construction joints which were not neatly constructed and the contractor was instructed to work on them within the defects liability period. This activity had since commenced and was expected to end by the end of February, 2014.

As for the spaces in the concrete joints, the Controlling Officer submitted that the contractor had been instructed to fill them with bituminous aggregate only, as these spaces were part of the design to allow contraction and expansion of the slab panels. The portion of concrete slabs referred to as collapsing was due to inadequate compaction near the scanner building. The slabs had since been demolished and the base re-compacted and slabs constructed. He further stated that the equipment was operational in the purification process, as the water was also being used at the border facility was purified.

The Controlling Officer further submitted that the paved walk ways were being used by vehicular traffic when office equipment was being offloaded. The user client had since been advised to avoid such use and the contractor had been instructed to take corrective measures as per instruction issued on 12<sup>th</sup> September, 2013.

#### **Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

##### **ii. *Non-functional boreholes - K82,494,000***

The boreholes were drilled in 2010 and were found to have limited yield due to the geological make up of the area which drastically reduced pumping of water. The Controlling Officer also stated that the Ministry had since partnered with ZRA to facilitate water connection from the border post which had a treatment plant.

When asked whether the boreholes could be redone, the Controlling Officer submitted that the boreholes could be redone at a cost of about 30% the normal cost of sinking the boreholes.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission, but wonders why the two boreholes were not declared as dry boreholes after they dried up so that the works could have been redone. Your Committee, therefore, urges the Controlling Officer to ensure that the boreholes are redone without further delay. Your Committee awaits a progress report on the matter.

#### **e) Infrastructure management - Civil Aviation Department**

##### **i. *Rehabilitation of Kasama Airport –K5,600,000,000***

The Committee was informed that the commencement of the rehabilitation works at Kasama Airport was delayed due the fact that the Consultant, UWP Consulting Zambia,

only released the designs and drawings after payment of fees in November, 2012. He further stated that a tender for the works had since been issued and the contract was about to be awarded to the would-be contractor.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

ii. *Rehabilitation of Mansa Airport – Incomplete works – K1,792,162,948*

The Committee was informed that the previous contract was terminated due to poor performance and the contractor was replaced by 'Edal' General Dealers of Mansa through a contract signed on 19<sup>th</sup> April, 2013. The works were delayed due to the passage of time before a new contractor was engaged. The terminal building was nearing completion and would be fully completed by 31<sup>st</sup> March, 2014.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Controlling Officer to ensure that the terminal building at Mansa Airport is completed by the expected date of 31<sup>st</sup> March, 2014. Your Committee awaits a progress report on the matter.

iii. *Failure to follow procurement procedures in the engagement of a Consultant - K2,458,024,000*

The tender procedures were actually followed and there was acknowledgement from the Zambia Public Procurement Authority (ZPPA) through a letter dated 23<sup>rd</sup> June, 2009, to the Permanent Secretary of the then 'Ministry of Communications and Transport.' The Controlling Officer, however, regretted that the letter under reference was not made available at the time of the audit.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Ministry to produce the authority to single source from the ZPPA during audit which was tantamount to negligence of duty on the part of the Controlling Officer. Your Committee resolves to close the matter subject to audit verification.

iv. *Abandoned works - Nyangwe Airstrip – K200,082,600*

The Controlling Officer submitted that even though the funds were available in 2012, they could not be released as they were supposed to be disbursed according to the timelines when certificates of works were made available. Certificate No. 2 was only available on 15<sup>th</sup> February, 2013, while Certificate No. 3 was available on 28<sup>th</sup> August, 2013. The K200,082,600 payment against the release of ZMK750,000,000 was up to the level of the certified works. The Controlling Officer further submitted that the access road was not part of the scope of works. The omission of the access road was being looked into and would be rectified using the budgeted funds under aerodrome maintenance.

**Committee's Observations and Recommendations**

Your Committee is not satisfied with the explanation by the Controlling Officer and directs that a fresh response be made to clarify the grey areas that had arisen during deliberations.

f) **Irregular sale of motor vehicles contrary to lease agreement – K1,955,016,218**

The Controlling Officer submitted that authority to sell the said vehicles was given by Cabinet Office and the Ministry merely conveyed it to eligible Government Officials. In giving the background on the issues, the Controlling Officer submitted that the Ministry of Transport,

Works, Supply and Communications wrote to the Secretary to Treasury for the release funding in order to procure 178 new vehicles for national leaders at a total cost of K59,966,690,000. He explained that, however, that due to financial constraints, the Treasury could not provide the funding at the time, for the Ministry to out-rightly procure the motor vehicles and therefore facilitated the procurement of vehicles via a Motor Vehicle financing Lease agreement from Stanbic Bank Zambia Ltd. The Controlling Officer stated that the contract, although initiated and signed by the Ministry, was sanctioned by the Treasury which was servicing the Lease Agreement. He concluded that the final payment to fully redeem the lease agreement was earmarked for the second quarter of 2014.

#### **Committee's Observations and Recommendations**

Your Committee observes that there was poor coordination between Cabinet Office and the Ministry on this matter. Your Committee questions the rationale of selling Government vehicles which are still on lease and is concerned that public funds are being lost as the lease is being serviced by the Treasury for vehicles which were sold to persons who were no longer serving in the Government. Your Committee urges the Controlling Officer to always liaise with the Secretary to the Cabinet before such decisions are made. Your Committee resolves to close the matter.

g) **Questionable pricing of motor vehicles – K14,668,404**

The Controlling Officer conceded that the vehicle in question was undervalued by K14,668,404 and in this regard, the Ministry had written to the former Permanent Secretary urging him to pay the shortfall of K14,668,404.

#### **Committee's Observations and Recommendations**

Your Committee takes note of the submission from the Controlling Officer and awaits a progress report on the recovery of the difference of K14,668,404. Your Committee further urges the Controlling Officer to take disciplinary action against the officers who processed this transaction. Your Committee resolves to close the matter subject to audit verification.

h) **Interest erroneously charged by the Bank - K112,427,372.**

The Controlling Officer submitted that the lease agreement was between the Ministry of Finance and Stanbic Bank and the Ministry of Transport, Works and Supply and Communications played no role.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Ministry has not taken ownership of the agreement which explains why no efforts have been made to recover the interest that has been erroneously charged. Your Committee, therefore, urges the Controlling Officer to ensure that the said interest is recovered without further delay. Your Committee awaits a progress report on the matter.

i) **Failure to account for furniture procured for VIP and VVIP Houses – K5,701,427,096.**

The Controlling Officer explained that there was no master inventory for the furniture procured for VIPs amounting to K5,701,427,096 because the distribution was done in piece meal and was based on what was requisitioned as well as when payment was made. The Ministry had since catalogued and brought to account all the furniture that was distributed. He noted, however, that the inventory cards had been opened and were being maintained in every VIP house where furniture had been delivered, up to provincial level. This was in addition to the master file of furniture inventory which was being maintained at the Ministry. He added that the necessary documentation in this regard was now available for verification.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Ministry did not have an inventory system to record all properties that were procured for VIPs and wonders if the Government has not lost properties as a result of this weakness. Your Committee notes the corrective action taken by the Controlling Officer but urges him to take disciplinary action against the erring officers. Your Committee awaits a progress report on the matter

j) **Non-recovery of loans – K1,194,000,000.**

The Committee was informed that the delay was due to laxity on the part of responsible officers but stated that recoveries for household and car loans amounting to K1,194,000,000 had since been effected and verified by the Auditor-General.

### **Committee's Observations and Recommendations**

Your Committee observes that the officers who processed the loans failed to ensure that proper arrangements were in place for the recoveries to be made which was tantamount to negligence of duty and therefore urges the Controlling Officer to take disciplinary action against them. Your Committee awaits an updates on the matter.

k) **Unsupported payments-K182,541,273**

The Controlling Officer submitted that out of K182,541,273 reported as being unsupported, payments totalling K132,812,600 had since been supported and verified leaving a balance of K49,728,673.

### **Committee's Observations and Recommendations**

Your Committee finds it unacceptable for the Ministry to fail to ensure that payments are adequately supported and urges the Controlling Officer to take disciplinary action against the officers responsible for the omission. Your Committee awaits a progress report on the matter.

l) **Unaccounted for Stores items – K382,361,606**

The Controlling Officer submitted that out of K162,430,000 reported as unaccounted for, stores totalling K123,430,000 had since been accounted for and verified leaving a balance of K39,000,000. The Controlling Officer further submitted that the amount of K219,913,606 which could not be accounted for, related to the Department of Meteorology whose documentation was collected by the Anti-Corruption Commission (ACC).

### **Committee's Observations and Recommendations**

Your Committee observes that the Ministry still has much to do to improve record keeping to bring it to acceptable standards and, therefore, urges the Controlling Officer to take steps to strengthen internal controls. Your Committee also urges the Controlling Officer to ensure that the balance of K39,000,000 is accounted for. Your Committee awaits a progress report on the matter.

## **MINISTRY OF DEFENCE – ZAMBIA ARMY**

### **AUDIT QUERY**

PARAGRAPH 40

UNIT: Various  
PROGRAMME: Various  
ACTIVITY: Various

### **Accounting and other irregularities**

40. A review of accounting and other records maintained at the Zambia Army Headquarters and a visit to selected units carried out in July, 2013, revealed irregularities to which the Controlling Officer responded as set out below.

a) **Procurement management-K31,312,291,868**

i. *Irregular payment of hotel bills for a Recalled Defence Attaché – K75,325,180*

The Committee was informed that the bill of K102,828,280 was incurred because at the time the Defence Attaché returned, the Army had no appropriate house for him to occupy. The Army had an obligation to provide accommodation for the officer while looking for an appropriate house for him. The officer moved out of the hotel after a house was found for him.

**Committee's Observations and Recommendations**

Your Committee observes that the officer's stay at the hotel was irregular and recommends that the excess funds that were paid as hotel bills should be recovered from the said officer. Your Committee notes that if indeed it was not the officer's fault, then the recoveries should be made from the officers who authorised the officer's stay beyond the stipulated ten days. Your Committee awaits a progress report on the recovery of the funds.

ii. *Procurement of motor vehicles*

• **Irregular advance payment**

The Controlling Officer acknowledged the observation on irregular advance payment and stated that the Ministry had since written to the Army Commander to institute full investigations in the manner in which the procurement of second hand motor vehicles was conducted.

In her oral submission, the Controlling Officer explained that the Army Commander had as a result instituted investigations in the matter while the Anti-Corruption Commission was undertaking its own investigations.

**Committee's Observations and Recommendations**

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

• **Lack of contract guarantee**

The Controlling Officer submitted that as above, the Ministry had written to the Army Commander to institute investigations in the matter and a report was awaited.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Controlling Officer to discipline the erring officers. Your Committee awaits a progress report on the matter.

• **Faulty motor vehicle**

The Controlling Officer submitted that the two faulty vehicles had since been returned to the supplier who had accepted responsibility of supplying the spares free of charge.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the delay in returning the vehicles which has resulted in a greater opportunity cost to the Ministry as it has been denied the use of the same. Your Committee urges the Controlling Officer to ensure that the officers responsible for the irregularity are disciplined. Your Committee awaits a progress report on the matter.

• **Non-compliance to technical specifications**

The Controlling Officer submitted that the contract number MPC031-12 was signed without attachment of technical specifications on schedules 1 and 2 as mentioned in the contract document. The Controlling Officer further submitted that this was one of the

matters that the Army Commander was investigating. In her oral submission, the Controlling Officer stated that the officers who were involved had since been retired in public interest.

**Committee's Observations and Recommendations**

Your Committee notes the submission and resolves to close the matter subject to audit verification. Your Committee, however, expresses concern that the Controlling Officer is being reduced to playing a pedestrian role due to lack of control on the Command.

iii. *Excess expenditure on the procurement of air conditioners/ lack of disposal details – K609,869,160*

The Controlling Officer submitted that the total amount spent was K530,852,080. The difference was due to duplication on the audit schedule. With regard to the budget provision, the Controlling Officer submitted that the 2012 budget authorised provision under which air conditioners were procured was activity 003 Logistic Co-ordination under programme 4035 Logistic and Transport Management that had an approved allocation of K659,152,809. Other payments for air conditioners were made under programme 4007 Dismantling of Arrears, activity 003 Goods and Services that had an approved allocation of K25,000,000 as these goods were procured in 2011 but were not paid for. She explained that the expenditure was, therefore, within the budget provision of 2012. The Controlling Officer admitted that at the time of the audit, there was no ledger indicating how the air conditioners were installed. A ledger had since been opened.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Controlling Officer disregarded the audit process when these clarifications should have been made. Your Committee directs the Controlling Officer to ensure that the status on the excess expenditure is verified by the Auditor-General. As regards the failure to produce a ledger on offices where the air conditioners were installed, your Committee urges the Controlling Officer to ensure that the officers responsible for the omission are disciplined. Your Committee awaits a progress report on the matter.

iv. *Unaccounted for Stores – K460,325,560*

The Controlling Officer acknowledged that the records were not up to date at the time of the audit but all the records for the stores items costing K460,325,560 had been availed by the Stores Department. Meanwhile, measures had been put in place to ensure that records were up to date by conducting periodic inspections.

**Committee's Observations and Recommendations**

Your Committee observes that the failure by the Ministry to avail stores records at the time of audit was a gross violation of stores regulations as it was not possible to ascertain if goods were received and if they were distributed to the intended end users. Your Committee, therefore, urges the Controlling Officer to ensure that disciplinary action is taken against the officers who caused the irregularity. Your Committee resolves to close the matter subject to audit verification.

b) **Rehabilitation of buildings–Unaccounted for materials – K439,424,750**

The Controlling Officer acknowledged that at the time of audit, the receipt and disposal details were not up to date but these had since been received and were available for verification.

**Committee’s Observations and Recommendations**

Your Committee observes that the Army Command and indeed the Ministry still have a lot do in maintaining proper stores records in accordance with Public Stores Regulations. Your Committee notes that this weakness is mainly due to negligence on the part of the stores staff and their supervisors. Your Committee, therefore, urges the Controlling Officer to ensure that disciplinary action is taken against the officers who caused the irregularity. Your Committee resolves to close the matter subject to audit verification.

c) **Unsupported payments – K52,758,000**

The Controlling Officer submitted that the supporting documents were not availed for audit due to poor record keeping and the Commanding Officer had since been reprimanded.

**Committee’s Observations and Recommendations**

Your Committee expresses concern at the failure to adequately support payments and urges the Controlling Officer to also take disciplinary action against the accounting officers responsible for ensuring that payments were adequately supported. Your Committee resolves to close the matter subject to audit verification.

d) **Unretired imprest-K126,286,010**

The Controlling Officer submitted that recovery of unretired imprest was effected from the affected officers in September, 2013, and an amount of K29,347,370 had been recovered by 31<sup>st</sup> January, 2014.

**Committee’s Observations and Recommendations**

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

**MINISTRY OF DEFENCE – ZAMBIA AIR FORCE (ZAF)**

**AUDIT QUERY**

PARAGRAPH 41

UNITS:	Various
PROGRAMMES:	Various
ACTIVITIES:	Various

**Accounting and Other Irregularities**

41. An examination of accounting and other records maintained at the Zambia Air force Headquarters and selected units carried out in April, 2013, revealed accounting irregularities on which the Controlling Officer submitted as set out below.

a) **Non-recovery of salary advances-K117,652,792**

The Controlling Officer submitted that as at January, 2014, the outstanding salary advances stood at K32,522,562 and recoveries were still running.

**Committee’s Observations and Recommendations**

Your Committee expresses concern that officers who processed the payments failed to ensure that arrangements were in place for the recovery of the salary advances. The Controlling Officer is, therefore, urged to take disciplinary action against the officers responsible for the anomaly. Your Committee resolves to close the matter subject to audit verification.

b) **Weaknesses in payment of house rentals**

i. *Rental payments not supported by Valuation Reports-K1,054,292,942*

The Controlling Officer acknowledged the anomaly and added that the service had been facing challenges with valuation of properties due to the fact that there were no Government Valuation Departments in Livingstone and Kabwe. She further stated that in

an effort to resolve this matter, the Airforce wrote to the Government Valuation Department in Lusaka to value the rented houses and a response was still awaited.

**Committee's Observations and Recommendations**

Your Committee observes that if this matter is not urgently addressed, the Government would continue losing a lot of money through over pricing. Your Committee, therefore, urges the Controlling Officer to ensure that all properties rented for officers are appropriately evaluated. Your Committee awaits a progress report on the matter.

ii. *Unpaid rentals-K11,271,354,926*

The Controlling Officer submitted that out of the unpaid rentals amounting to K11,271,354,926, a total of K6,058,964,236 had been paid out as at 31<sup>st</sup> December, 2013, leaving a balance of K5,212,390,690. The balance would be cleared as soon as funds were released by the Ministry of Finance within the first quarter of 2014.

**Committee's Observations and Recommendations**

Your Committee notes the submission but expresses concern that this amount accumulated from as far back as 2005, which is a demonstration that clearance of the rentals has not been prioritised by the Ministry. Your Committee, therefore, urges the Controlling Officer to keep her word and clear all the outstanding arrears as soon as the funds are available. Your Committee awaits a progress report on the matter.

c) **Unretired imprest –K70,428,000**

The Controlling Officer submitted that out of the unretired imprest of K70,428,000, a total of K47,507,584 had since been recovered as at January, 2014, leaving a balance of K22,920,416 whose recoveries were still running.

**Committee's Observations and Recommendations**

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

d) **Wasteful expenditure–Unutilised equipment – K133,052,199**

The Controlling Officer submitted that the four cooling units in question indeed bought for the Banquet Hall at ZAF Livingstone but were found to be ineffective for the big hall. The Controlling Officer further submitted that in the earlier submission the Ministry stated that the four cooling units were to be installed at ZAF Lusaka Base Hall which was under construction. After further assessment, the cooling units could not be sent to Lusaka because the Livingstone and Lusaka Banquet Halls were similar.

She explained that the two units had since been installed in the Aircraft Hanger office in Livingstone where few people converged while the other two had been installed in the Hall at Zambia Air Force Mumbwa.

**Committee's Observations and Recommendations**

Your Committee notes the submission but observes that due to poor assessments done on what was required, the Ministry was being made to find alternative uses for the equipment which is tantamount to misapplication as the funds were not used on the intended purposes. Your Committee urges the Controlling Officer to take steps to ensure that this does not reoccur. Your Committee resolves to close the matter subject to audit verification.

e) **Undelivered equipment – K100,000,000**

The Controlling Officer acknowledged that the supplier was paid without a bank guarantee which was an omission. She further explained that Stalway Investment had since delivered fifty percent (50%) of the equipment and also guaranteed delivery of the remaining assemblies of the

equipment by the third week of February, 2014. The contractor had further undertaken to guarantee deliveries by giving the Air Force a manager's cheque amounting to K100,000 rebased.

Upon being challenged by your Committee, the Controlling Officer agreed that the cheque in question was not a manager's cheques but an ordinary one. She assured your Committee that there would be no loss as the cheque had since been cleared by the Bank. The Controlling Officer further clarified that the K282,000,000 was the total contract sum while equipment worth K141,000,000 had been delivered plus the K100,000,000 money in the bank paid to ZAF as guarantee for delivery leaving an outstanding amount of K41,000,000.

#### **Committee's Observations and Recommendations**

In noting the submission by the Controlling Officer, your Committee notes that there was no justification for the Ministry to pay an advance of 35% as opposed to the 25% stipulated in the ZPPA Act. Your Committee also observes that the Ministry took a risk by making the payment without a guarantee. Your Committee therefore urges the Controlling Officer to ensure disciplinary action is taken against the officers responsible for these two omissions as it is tantamount to abuse of office. Your Committee resolves to close the matter subject to audit verification.

#### f) **Weaknesses in the management of the contracts on the construction of a Hospital**

##### ***1<sup>st</sup> Contract***

- ***Lack of Certificate of Site Possession***

Your Committee was informed that the certificate of site possession was not issued as the works were being done and supervised internally and were being done in phases. She acknowledged that the management of construction contracts in the Services had been inadequate and the Ministry had written to all the Services giving guidance on compliance requirements in the management of construction contracts.

#### **Committee's Observations and Recommendations**

Your Committee observes that procurement guidelines are clear and most of the irregularities committed by officers could be attributed to willful conduct by the officers concerned who should be punished. Your Committee, therefore, urges the Controlling Officer to ensure that disciplinary action is taken to curb the practice. Your Committee awaits a progress report on this matter.

- ***Lack of advance bond***

The Controlling Officer regretted the failure by the Ministry to secure an advance bond and stated that the Service had been guided to comply with provisions of financial and procurement regulations.

#### **Committee's Observations and Recommendations**

Your Committee observes that failure to follow procurement guidelines is a very serious omission which the Controlling Officer needs to take seriously as it puts public funds at risk. The Controlling Officer is, therefore, urged to take disciplinary action against the erring officers who superintended over the contract. Your Committee resolves to close the matter but requests the Auditor-General to note this in future audits.

##### ***3<sup>rd</sup> Contract***

- ***Date of Site Possession not disclosed on the Certificate***

The Controlling Officer acknowledged the omission of not indicating the date of site possession on the certificate.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Controlling Officer to ensure that such omissions are avoided in future as failure to sign site possession certificates makes it difficult to ascertain when the contractor took possession of the site. Your Committee resolves to close the matter subject to audit verification.

- ***Payment of advance prior to obtaining authority and signing of contract***

The Controlling Officer acknowledged that the payment of the advance was made prior to obtaining authority and signing of the contract and explained that the responsible officer had since been reprimanded.

### **Committee's Observations and Recommendations**

Your Committee observes that this irregularity occurred due to inadequate internal controls in the Ministry. Your Committee does not accept the submission by the Controlling Officer that the officer unilaterally made the payment. Your Committee does not also agree with the remedial measures taken by the Controlling Officer and urges her to immediately report the matter to the investigative wings for further investigations and action. Your Committee awaits a progress report on the matter.

## **MINISTRY OF DEFENCE – ZAMBIA NATIONAL SERVICE (ZNS)**

### **AUDIT QUERY**

PARAGRAPH 42

UNITS: Various  
PROGRAMME: Various  
ACTIVITIES: Various

### **Accounting and other irregularities**

42. A review of accounting and other records maintained at the Zambia National Service carried out in September, 2013, revealed accounting and other irregularities to which the Controlling Officer submitted as set out below.

a) **Acquisition and land use**

i. *Non - availability of comprehensive data on land acquisition*

The Controlling Officer acknowledged that the land for Zambia National Service (ZNS) was allocated by the Government to enhance rural development. He added that some of the land was transferred from the Land Development Services (LDS) under the Ministry of Agriculture which was later transformed into ZNS Land Development Branch (LDB). She further stated that the total hectareage of land owned by the Zambia National Service was estimated to be 26,630 hectares.

### **Committee's Observations and Recommendations**

Your Committee notes the submission but observes that the Ministry still has much to do to come up with a consolidated data base comprising information on the date of acquisition, the value and the nature of use of such land. In addition, that data base should have use plans and utilisation of existing land. Your Committee, therefore, urges the Controlling Officer to take steps to have this data base without further delay. Your Committee awaits a progress report on the matter.

ii. *Lack of action on prevention of encroachment*

The Controlling Officer submitted that efforts were being made to demarcate and fence off all ZNS land by either wire fencing or tree planting along the boundaries.

### **Committee's Observations and Recommendations**

Your Committee expresses concern that it has taken so long for the Ministry to secure land under its custody and urges the Controlling Officer to take measures to fence it off. Your Committee requests the Auditor-General to note this matter in the next audit.

iii. *Acquired housing units not on title*

The Controlling Officer acknowledged the anomaly but submitted that the Zambia National Service (ZNS) had since acquired certificates of title for fourteen housing units recently acquired. The Service had also acquired offer letters and survey diagrams for twenty-two residential houses in Avondale in a bid to acquire certificates of title. The Service was further making efforts to acquire title deeds for the remaining twenty-one houses.

### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Controlling Officer to ensure that title deeds for all ZNS properties are acquired to avoid fraudulent change of ownership into private ownership. Your Committee awaits a progress report on the matter.

b) **Purchase of houses – K2,100,000,000**

The Controlling Officer acknowledged that the houses in question were purchased without the structural assessment report but explained that the valuation of the properties was conducted by Government Valuations Department and DW Zyambo and Associates before the houses were purchased. She assured your Committee that in future, structural assessments would be done before any property was acquired.

### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

c) **Failure to collect amounts owed for services rendered-K7,215,565,091**

The Controlling Officer acknowledged the existence of the debt of K7,215,565,091 and explained that the list of debtors was submitted to the Ministry of Justice to assist with the settlement of debts and progress was awaited. The Ministry of Justice had issued demand letters to some debtors while others were being pursued in the courts of law. She submitted further that, in order to prevent further accumulation of debts, the Service had put in place a policy aimed at ensuring that clients either paid in full or paid 75% of the total contractual sum before works commenced.

### **Committee's Observations and Recommendations**

Your Committee observes that there is a lot to be done by the Ministry to put in place an effective debt management policy and adopt practices that will reduce the debt stock. Your Committee, therefore, urges the Controlling Officer to review the current practices accordingly and provide a progress report to your Committee.

## **MINISTRY OF EDUCATION, SCIENCE, VOCATIONAL TRAINING AND EARLY EDUCATION**

### **AUDIT QUERY**

PARAGRAPH 43

PROGRAMMES:       Various

ACTIVITIES :        Various

### **Accounting and other irregularities**

43. An examination of accounting and other records maintained at the Ministry Headquarters and physical inspections carried out in selected districts in August, 2013, revealed accounting weaknesses to which the Controlling Officer responded as set out below.

a) **Unvouched expenditure-K399,665,524**

The Controlling Officer submitted that out of the eleven payments in amounts totalling K399,665,524 that were unvouched, nine payment vouchers in amounts totalling K372,264,069 had been supported with relevant documents leaving a balance of K27,401,455 unsupported. The Controlling Officer stated that the payment vouchers were not supported at the time of audit because the Zambia Revenue Authority issued one statement for a number of payments that were made and needed the same statement as a supporting document.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to ensure that controls were in place to vouch all expenditures as provided for by Financial Regulations. Your Committee urges the Controlling Officer to ensure that the unvouched expenditures in respect of an amount of K27,401,455 are adequately vouched and submitted for audit verification. Your Committee awaits a progress report on the matter.

b) **Unretired imprest- K689,250,211**

The Controlling Officer submitted that, of the imprest in amounts totalling K689,250,211 issued to forty-six staff, imprest in amounts totalling K595,965,491 had been retired leaving a balance of K93,284,720. The Controlling Officer clarified that the retirements were actually retired at the time of audit except that these retirements were misfiled.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Controlling Officer failed to ensure that there was proper record keeping in the Ministry and urges that measures are put in place to correct the situation. Your Committee further urges the Controlling Officer to take disciplinary action against the officers who misfiled the retirement documents. The traced retirements records should immediately be availed to the Office of the Auditor-General for audit verification. Your Committee awaits a progress report on the matter.

c) **Unaccounted for Stores – K187,808,700**

The Controlling Officer acknowledged that stores items costing K325,808,700 (general stores items – K187,808,700 and fuel – K138,000,000 ) procured during the period under review were unaccounted for at the time of audit. He noted, however, that stores items costing K280,258,991 now had receipt and disposal details leaving a balance of K45,549,500 unaccounted for.

**Committee's Observations and Recommendations**

Your Committee is of the view that failure to account for stores is an act of gross negligence of duty on the part of the officers concerned and urges the Controlling Officer to take appropriate disciplinary action in line with Terms and Conditions of Service of the Public Service. The Controlling Officer is also urged to ensure that documents in respect of stores accounted for are immediately availed to the Office of the Auditor-General for verification. Your Committee awaits a progress report on the matter.

d) **Bursaries abroad - poor record keeping – K26,500,000**

The Controlling Officer acknowledged that ninety-four student files had inadequate documentation in that copies of education certificates, curriculum vitae and letters of application among others, were missing. He also acknowledged that payments in amounts totalling K26,500,000 (US\$5,300) made in respect of bursaries for five students could not be authenticated as there was no record of the students at the Ministry. He further stated that he had since written to the Secretary of the Bursaries Committee, directing him to account for the K26,500,000 and ensure that all the students files were up to date and had adequate documentation.

### **Committee's Observations and Recommendations**

Your Committee observes that without proper records, it is not possible to establish the basis upon which the Ministry was making payments which is unacceptable. Your Committee, therefore, urges the Controlling Officer to take urgent corrective action. The Controlling Officer is also urged to ensure that disciplinary action is taken against the officers that failed to maintain proper records. Your Committee awaits a progress report on the matter.

e) **Misapplication of funds - Mansa District Education Board (DEB) Office – K49,000,000**

The Controlling Officer acknowledged that an amount of K49,000,000 disbursed to the DEBS Office in Mansa for orphans and vulnerable children (OVC) was applied on the payment of repatriation for retired teachers. In this regard, the Provincial Education Officer had directed the District Education Board Secretary to reimburse the funds and ensure that it was utilised on OVC's, failure to which disciplinary action would be taken against the erring officers.

### **Committee's Observations and Recommendations**

Your Committee observes that the misapplication of funds meant for poverty reduction and related activities is a very serious anomaly and the Controlling Officer is urged to ensure that the funds are immediately paid back and used on the intended activities. Your Committee further urges the Controlling Officer to take disciplinary action against the concerned officers and not wait for the disbursement of the funds as the misapplication has already been occasioned. Your Committee awaits a progress report on the matter.

f) **Infrastructure development**

The Controlling Officer acknowledged that during the period under review, the Ministry received amounts totalling K605,030,907,676 for infrastructure development. He also stated that as at 31<sup>st</sup> December, 2012, amounts totalling K524,082,359,224 had been spent leaving the balance of K80,948,548,452.

i. *Delays in the construction of High Schools –K605,030,907,676*

The Controlling Officer submitted that in 2012, a total number of eighty-three projects were approved and a budget provision of K303,084,862,226 was made against an ideal budget of K996,000,000,000. As a result of such funding gaps, projects were delayed and contract completion periods were also adjusted from time to time. Furthermore, contractors had suffered delayed payments on all the projects as a result of Article 49 which could not be applied because that would have resulted in Government paying colossal sums of money in interest on delayed payments.

### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

ii. *Construction of Milenge Trades Training Institute – K52,807,220,675*

The Controlling Officer acknowledged that during the year under review, the Ministry received amounts totalling K52,807,220,675 for the construction of Trades Training Institutes in selected provinces and that the Ministry invited bids through open tendering from eligible bidders for the proposed construction of a trades training institute at Milenge in Luapula Province. Bids for the project were received from nineteen companies out of which only eight companies were responsive. He further stated that Build Trust Construction Limited was selected at the corrected tender sum of K15,376,056,351 and in February, 2011, the Ministry engaged the Company to build a trades training institute with a duration of one hundred and four (104) weeks commencing 18<sup>th</sup> April, 2011. The contractor was paid an advance of K3,075,211,270 on 12<sup>th</sup> May, 2011.

The scope of works included the construction of two classroom blocks, two hostel blocks, workshop, administration block, library, two (02) ablution blocks, a high cost house, six medium cost houses, power substation and the installation of a power generator set.

He further submitted that the evaluators lowered the value of the contract by adjusting the final figure by K2,272,256,380 instead of the discount given by the contractor of K141,242,063.72. He further added that the Ministry handed this matter to the Anti Corruption Commission (ACC) for further investigations being the competent wing to carry out the investigations.

In his oral submission, the Controlling Officer stated that one of the reasons the matter was reported to the ACC was because although the contractor submitted a certificate dated 14<sup>th</sup> February, 2004, an investigation with PACRA revealed that the Company was only registered in 2012. This meant that at the time of engaging the Company, in February, 2011, it was not a legal entity.

### **Committee's Observations and Recommendations**

Your Committee observes that the Ministry still has much to do to embed a strong financial management system as a standard across its procurement processes. Your Committee is, particularly, saddened that in this particular procurement, it is apparent that guidelines were not followed because a contractor who was not competitive in most aspects was picked which may have led to the contractor's failure to complete the project. Your Committee welcomes the steps taken by the Controlling Officer to report the matter to investigative wings for further investigations, but urges that another contractor is engaged to complete the works. Your Committee awaits a progress report on the matter.

#### **iii. *Isoka Trades Training Institute-K12,343,980,576***

The Controlling Officer acknowledged that in April, 2011, the Ministry engaged Shanghai Construction to construct a trades training institute in Isoka at a contract sum of K15,356,453,000 with a duration of seventy-eight weeks from 20<sup>th</sup> April, 2011, to 4<sup>th</sup> October, 2013. He added that the contractor had been paid amounts totalling K12,343,980,576. The scope of the works included the construction of two classrooms, two hostels, six medium cost houses, substation and associated external works as well as the installation of generator set. He further stated that the bill on which basis the contract was tendered only provided for one high cost house which had already been constructed. The Controlling Officer further stated that the purchase, installation and construction of electrical substation and associated external works had not been done.

Your Committee also was informed that the contract was awarded to the contractor on 20<sup>th</sup> April, 2011 and as per provisions of the contract, he was given a period of one month for mobilisation before he could possess the site. As a result, the contractor only possessed the site on 20<sup>th</sup> May, 2011 with the completion date being 17<sup>th</sup> November, 2012.

The Controlling Officer explained that the contract had not been concluded and works had not yet been handed over. The contractor applied for extension of time with the Director of Buildings and was still waiting for a response. The extension had been necessitated by the Ministry's delay to honour a number of certificates that were approved by the Director of Buildings for payment. The Ministry's delay was largely due to the delay by the Ministry of Finance to provide funding for infrastructure development.

### **Committee's Observations and Recommendations**

Your Committee expresses concern at the increasing number of construction projects that are being delayed as a result of the Ministry's failure to honour performance certificates issued by the Director of Buildings. Your Committee awaits a progress report on the matter.

g) **Unaccounted for desks-11,520 costing K3,723,400,000**

The Controlling Officer submitted that all the 11,520 double seater desks costing K3,723,400,000 procured and delivered to Kitwe and Kalulushi Districts had not been accounted for. The Ministry had since written to the DEBS offices involved to ensure that they accounted for the desks failure to which disciplinary action would be taken against them.

### **Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to take decisive action to resolve the matter despite the huge number of desks involved. Your Committee also finds it unacceptable that letters to the DEBS were only written before he appeared at your Committee Sitting despite the matter having been raised by the Office of the Auditor-General in good time. Your Committee recommends that the matter should be reported to investigative wings without further delay. Your Committee awaits a progress report on the matter.

h) **Failure to assemble and deliver 2,210 desks**

The Controlling Officer acknowledged that 5,030 double seater desks were delivered to Mansa District Education Office during the year under review but as of September, 2013, only a total of 2,820 desks had been distributed leaving a balance of 2,210 not assembled and delivered to the respective schools. He explained that desks were not assembled after being delivered to the DEBS office despite the provision in the contract for assembling because the DEBS offices did not have enough storage space for assembled desks as opposed to unassembled ones. He explained that contractors normally left some cash with the DEBS office for the assembly of these desks after they had been delivered to the respective schools. The Controlling Officer also assured your Committee that the Ministry was making efforts to ensure that the desks were assembled.

### **Committee's Observations and Recommendations**

Your Committee observes that the Controlling Officer's poor handling of the desks leaves much to be desired and it is frustrating Government efforts to ensure that pupils in the public schools have decent learning environments. Your Committee considers it an act of gross negligence of duty to fail to assemble and distribute the desks for the reason that has been submitted by the Controlling Officer. He was urged to immediately come up with measures that will speed up the distribution of desks. Your Committee awaits a progress report on the matter.

## **MINISTRY OF EDUCATION, SCIENCE, VOCATIONAL TRAINING AND EARLY EDUCATION**

### **AUDIT QUERY**

PARAGRAPH 44

UNITS: Various

PROGRAMMES: Various

ACTIVITIES: Various

### **Accounting and other irregularities**

44. An examination of accounting and other records maintained at the Ministry Headquarters, provinces and districts carried out in June, 2013, revealed accounting irregularities to which the Controlling officer submitted as set out below.

a) **Missing payment vouchers – K462,980,139**

The Controlling Officer submitted that out of the payment vouchers in amounts totalling K462,980,139 not availed for audit, payment vouchers in amounts totalling K351,627,451 had been traced leaving a balance of K111,352,688 still missing. He highlighted the institutions that still had missing vouchers as tabulated below.

• Chililabombwe & Masaiti DEBS	K28,565,000
• Mushili High School & Roan Antelope	K28,420,000
• Lusaka, PEO, Lusaka & Siavonga DEBS	K54,367,688

The Controlling Officer explained that he had since written to the DEBS offices and schools who had not traced the missing vouchers to ensure that these vouchers were traced within fourteen days failure to which disciplinary action would be taken against them.

**Committee’s Observations and Recommendations**

Your Committee observes that failure to produce payment vouchers during audit is a very serious omission as it makes it difficult to ascertain whether the payments in question are being made in accordance with Financial Regulations. Your Committee, therefore, urges the Controlling Officer to put measures in place to curb this anomaly. Your Committee also urges the Controlling Officer to take disciplinary action against officers who should have ensured safe custody of the documents. As regards the remaining K11,352,688, your Committee urges the Controlling Officer to ensure that payment vouchers are immediately traced and availed for audit verification. Your Committee awaits a progress report on the matter.

b) **Unsupported payments – K3,283,774,379**

The Controlling Officer submitted that out of payments in amounts totalling K3,283,774,379 made in various districts which were not supported with relevant documents, payments in amounts totalling K2,596,415,679 had since been supported leaving a balance of K687,358,700 unsupported. He added that efforts were being made to ensure that all the payment vouchers were supported.

**Committee’s Observations and Recommendations**

Your Committee expresses concern regarding the weak internal controls in the management of payment vouchers in the Ministry which is unacceptable as such a situation can be often used to conceal fraud. Your Committee urges the Controlling Officer to take urgent measures on weak internal controls. Your Committee also urges him to take disciplinary action against the officers responsible for the omission. Your Committee awaits a progress report on the matter.

c) **Officers on studies without leave – K288,463,605**

The Controlling Officer acknowledged that during the year under review, the District Education Offices paid amounts totalling K288,463,605 to officers as tuition fees at Copperbelt University, University of Zambia, Zambia Accountancy and Business Tuition Centre (ZABTUC) and National Institute of Public Administration (NIPA) and that there was no evidence to show that the officers were on approved study leave and bonded. He submitted that some amounts had been approved as study leave and students were bonded while some had been converted into advances to be recovered in thirty-six months. This brought the amounts with approval to K142,280,000 leaving a balance of K146,183,605 without approval.

**Committee’s Observations and Recommendations**

Your Committee observes that the Ministry has much to do to bring sanity to the way the issue of study leave for officers is handled. Your Committee while noting steps by the Ministry to recover some funds paid irregularly, urges that disciplinary action is taken against the officers who processed and approved the payments of these fees without supporting documents. The

officers in whose respect the tuition fees were paid should also be cautioned for the omission. Your Committee awaits a progress report on the matter.

d) **Unacquitted funds – K38,947,000**

The Controlling Officer acknowledged that payments in amounts totalling K38,947,000 in respect of allowances involving twenty-three transactions had not been acquitted by the various beneficiaries as of November, 2013. The Controlling Officer, however, stated that all the payments in amounts totalling K38,947,000 had since been acquitted.

**Committee's Observations and Recommendations**

Your Committee observes that the Controlling Officer failed to render a justifiable reason for this anomaly and recommends that disciplinary action should be taken against the officers who failed to acquit the payments. Your Committee resolves to close the matter subject to audit verification.

e) **Unretired imprest –K1,617,977,157**

The Controlling Officer acknowledged that imprest in amounts totalling K1,617,977,157 issued to 366 officers during the period under review had not been retired as of December, 2013, and that subsequently there was imprest amounting to K582,937,359 issued to thirty-four officers who had not retired the previous imprest. He explained that imprest in amounts totalling K1,223,256,071 involving 361 transactions had been retired leaving a balance of K394,721,086. He stated that for the officers who had failed to retire their imprest, recoveries had been effected from their salaries while in some cases the Ministry had directed the Provincial Education officers (PEOs), District Education Board Secretaries (DEBSs), College Principals and School heads to recover from officers who had failed to retire their imprest starting the month of March, 2014.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Ministry only took action after the anomaly was highlighted by the Auditor-General and urges the Controlling Officer to ensure adherence to Financial Regulations. The Controlling Officer is also urged to take further disciplinary action against erring officers. Your Committee awaits a progress report on the matter.

f) **Failure to provide monitoring reports – K55,795,044**

The Controlling Officer acknowledged that the imprest in amounts totalling K55,795,044 was issued to nine officers to enable them undertake various activities but there were no reports to ascertain whether the activities were undertaken. He explained, however, that all the monitoring reports for imprest in amounts totalling K55,795,044 were now available for audit verification.

**Committee's Observations and Recommendations**

Your Committee observes that monitoring reports are management tools meant to assist management to make decisions and failure to produce such reports on time is, therefore, highly unacceptable. In this regard, failure to produce such reports in a timely manner is tantamount to incurring wasteful expenditure. Your Committee, therefore, recommends that disciplinary action should be taken against the officers who delayed in submitting the reports. Your Committee awaits a progress report on the matter.

g) **Failure to inscribe Government Assets – K628,711,520**

The Controlling Officer submitted that all the furniture had been inscribed except for furniture amounting to K94,906,550 regarding which the Ministry had written to the Ministry of Transport, Works, Supply and Communications to inscribe them.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

h) **Unaccounted for Stores and fuel – K1,395,633,531**

The Controlling Officer acknowledged that various stores items costing K1,395,633,531 (general stores – K1,149,269,999 and fuel – K246,363,532 ) procured during the period under review were not accounted for. He noted, however, that the general stores and fuel costing K637,271,599 and K246,363,532 respectively 254 transactions had since been supported by receipt and disposal details leaving a balance of K511,998,400.

**Committee's Observations and Recommendations**

Your Committee observes that failure to account for stores items is a very serious omission since without receipt and disposal details it is not possible to establish whether the procured goods were delivered or if the same were distributed to intended users. Your Committee, therefore, urged the Controlling Officer to put measures in place to improve stores management. Your Committee urges that the stores details that had been found should be verified while those still missing should be found and availed for audit verification. Your Committee awaits a progress report on the matter.

i) **Fuel drawn by private vehicles – K21,003,172**

The Controlling Officer acknowledged that fuel costing K21,003,172 involving fifty-five transactions was drawn by motor vehicles which were not on the fleet owned by the DEBS Offices in Sesheke, Luangwa, Siavonga and Mkushi without authority.

**Committee's Observations and Recommendations**

Your Committee observes that this is a very important control measure which the Ministry is ignoring and urges the Controlling Officer to caution the DEBS involved in order to curb the trend. Your Committee resolves to close the matter.

j) **Misapplication of funds-K7,551,817,189**

The Controlling Officer acknowledged that amounts totalling K7,551,817,189 in twenty-two institutions were applied on activities not related to the intended purposes such as payment of advances and loans, administration expenses, boarding requisites, sports activities, among others. He submitted that the amounts totalling K40,000,000 had been reimbursed leaving a balance of K7,511,817,189.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the Ministry's failure to follow Financial Regulations regarding the variation of funds. Your Committee cautions the Controlling Officer to desist from applying funds against the budgeted activity without Treasury approval. Your Committee resolves not to close the matter until reimbursement of the misapplied funds is completed. Your Committee awaits a progress report on the matter.

k) **Irregular payment of board allowance – K17,920,000**

The Controlling Officer acknowledged that on 14<sup>th</sup> March, 2012, amounts totalling K17,920,000 were paid to two persons as board member allowances respectively and that the allowances were irregularly paid in that Cabinet Office Circular No. 7 of 2006, had abolished the payment of such allowances. The District Education Board Secretary (DEBS) concerned had been written to, to effect recoveries from the salaries of the officers involved.

**Committee's Observations and Recommendations**

Your Committee notes the action taken by the Controlling Officer but urges him to take disciplinary action against the officers who approved this payment against the provision of the said Circular. Your Committee awaits a progress report on the recovery of the amount of K17,920,000.

l) **Failure to deduct tax – K318,995,220**

The Controlling Officer regretted that taxable earnings in amounts totalling K318,995,220 were paid to 130 officers in Livingstone, Monze, Kalomo, and Choma District Education Board Secretaries (DEBSs) without deducting taxes. He stated that he had written to the District Education Board Secretaries (DEBSs) to go to the Zambia Revenue Authority (ZRA) and get advice regarding the treatment of taxable incomes.

**Committee’s Observations and Recommendations**

Your Committee expresses concern at the response by the Controlling Officer on his failure to interpret laws and instructions and found this unacceptable. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the accounting officers who failed to deduct the said taxes. Your Committee also recommends that the said taxes should be recovered from the affected officers and remitted to ZRA without further delay. Your Committee awaits a progress report on the matter.

m) **Failure to remit tax - K2,179,921,976**

The Controlling Officer acknowledged that amounts totalling K2,179,921,976 deducted from various earnings were not remitted to ZRA as of September, 2012. He explained that this had been due to inadequate funding and so far K218,253,053 had been remitted leaving a balance of K1,961,668,923 yet to be remitted.

**Committee’s Observations and Recommendations**

Your Committee expresses concern that the Ministry is not prioritising the remitting of taxes to ZRA and urges the Controlling Officer to put measures in place to correct the situation. Your Committee resolves to close the matter, but urges the Auditor-General to keep the matter in view in future audits.

n) **Weaknesses in accounting for revenue**

i. *Unaccounted for funds - K992,782,238*

The Controlling Officer acknowledged that amounts totalling K992,782,238 had not been accounted for and he had since directed the headteachers of the institutions involved to account for the funds. The situation had remained as in the table below.

Name of Institution	Details	Amount Collected K	Cash Accounted for K	Unaccounted for K
Naliona High School - Kalabo	User fees	51,229,000	36,184,000	15,045,000
Chilubi Day Sec. Sch.	User fees	860,000,000	505,697,258	354,302,742
Mushili Sec. School	User fees	618,515,000	471,930,159	146,584,841
Mpika Boys	User fees	1,798,282,897	1,321,433,242	476,849,655
<b>Total:</b>		<b>3,328,026,897</b>	<b>2,335,244,659</b>	<b>992,782,238</b>

**Committee’s Observations and Recommendations**

Your Committee finds the response by the Controlling Officer inadequate and unacceptable. Your Committee recommends that the Ministry should immediately recover the funds from the officers who failed to account for them. Your Committee also urges the Controlling Officer to report the cases to the Police for further investigation and action. Your Committee awaits a progress report on the matter.

ii. *Use of revenue at source – K124,236,634*

The Controlling Officer regretted that four institutions including Choma District Education Board Secretary (DEBS), Chavuma Day School, Lundazi and Chadiza Boarding Schools spent user fees before banking contrary to Financial Regulations. He

stated that management in all the four institutions had been advised to ensure that user fees were not spent before banking as this practice was against Financial Regulations.

#### **Committee's Observations and Recommendations**

Your Committee observes that the requirement not to use revenues before banking is an important control measure meant to enhance accountability and expresses displeasure that the Controlling Officer has chosen to advise rather than caution the erring officers for flouting Financial Regulations. Your Committee resolves to close the matter, but requests the Auditor-General to keep the matter in view in future audits.

iii. *Failure to collect user fees - K1,611,836,874*

The Controlling Officer acknowledged that K4,309,474,000 was expected to be collected as user fees at Chibombo, Nakonde, Chitulika, Muchinga, and Chinsali High Schools but only managed to collect K2,697,637,126 leaving a balance of K1,611,836,874 uncollected. He explained that the expected revenue was based on the school enrolment at the beginning of the year and the revenue collected was the actual fees collected at the end of the year. The uncollected revenue represented the fees which had not been paid and this was largely due to lack of capacity by the local community to pay.

#### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter subject audit verification.

o) **Weaknesses in management of School Grants - Unretired Basic School Grants – K440,144,272**

The Controlling Officer acknowledged that none of the school grants in amounts totalling K440,144,272 issued to 260 schools and highlighted in the Audit Report had been retired. He also stated that he had subsequently written to the DEBS offices to ensure that all the basic schools that had not retired the school grants should do so.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that despite the matter being highlighted during the audit process, the Ministry has not made headways to have the matter resolved, which is highly unacceptable. Your Committee, therefore, strongly urges the Controlling Officer to ensure that the grants are immediately retired without further delay. Your Committee also urges the Controlling Officer to take disciplinary action against the officers responsible for the omission. Your Committee awaits a progress report on the matter.

p) **Failure to recover loans and salary advances - K229,700,000**

The Controlling Officer submitted that out of the total of K229,700,000 worth of loans and advances, recoveries in respect of an amount of K122,000,000 had been effected leaving a balance of K107,700,000 yet to be effected.

#### **Committee's Observations and Recommendations**

Your Committee observes that before loans and advances were given out, the paying officers were required to ensure that arrangements for the recovery of the same were in place. To this effect, failure or delays to effect the recoveries was an act of negligence on the part of the accounting officers for which they should be cautioned. Your Committee awaits a progress report on the matter.

q) **Lusaka DEBS – Chawama Basic School**

i. *Failure to collect amounts due to the School – K747,190,500*

The Controlling Officer acknowledged that during the period from January, 2010, to December, 2012, the School expected to collect amounts totalling K1,263,052,500 from

various sources, but only collected a total of K505,062,000 resulting in an under-collection of K747,190,500. He added that the bulk of the uncollected funds were from user fees for PTA classes which the School could not collect aggressively due to the Government policy not to send away pupils who failed to pay school fees.

He explained further that the School had put in place measures to improve the revenue collections. He noted that these measures included entering into various contracts with the community and business houses carrying out businesses on its premises. Further, a committee had been put in place to monitor all income generating activities at the School and the School had changed the mode of payment where all clients using the School premises had been directed to deposit the money for rentals into the School account.

#### **Committee's Observations and Recommendations**

Your Committee notes the measures put in place by the School management, but urges the Controlling Officer to help the School come up with further internal controls so as to arrest the situation. Your Committee resolves to close the matter, but urges the Auditor-General to note it in view in future audits.

#### ii. *Parent Teacher Association (PTA) Account*

- **Missing receipt books**

The Controlling Officer acknowledged that the fifteen receipt books procured by the School for the collection of PTA funds were never kept in safe custody and neither were they entered in the register of accountable documents. Further, the printing of the receipt books was not controlled. In this regard, the matter was reported to the Police on 9<sup>th</sup> July, 2013 and the Police had since instituted investigations. Further, the Education Board Secretary had directed the Head Teacher to ensure that all the officers involved were brought to book failure to which disciplinary action would be taken against her for failing to effectively manage the School as reflected in the Audit Report.

#### **Committee's Observations and Recommendations**

Your Committee observes an apparent break down of internal controls at the School and notes that the Head Teacher has failed to offer leadership. Your Committee is of the view that in addition to the matter being reported to the Police, disciplinary action should be taken against the officers responsible for the anomaly. Your Committee further urges the Controlling Officer to constitute a team of internal auditors to carry out a thorough investigation on the happenings at the school and make recommendations on the measures to correct the situation. Your Committee awaits a progress report on the matter.

- **Receipt books with similar Serial Number**

The Controlling Officer submitted to your Committee that the District Education Board Secretary had directed the Head teacher to ensure that all the officers involved were brought to book failure to which disciplinary action would be taken against her for failing to effectively manage the School as reflected in the Audit Report.

#### **Committee's Observations and Recommendations**

Your Committee reiterates its recommendation that in addition to the matter being reported to the Police, disciplinary action should be taken against the officers responsible for the anomaly. Your Committee awaits a progress report on the matter.

- **Missing original receipt forms**

The Committee was informed that the District Education Board Secretary had directed the Head Teacher to ensure that all the officers involved were brought to book failure to

which disciplinary action would be taken against her for failing to effectively manage the School as reflected in the Audit Report.

#### **Committee's Observations and Recommendations**

Your Committee expresses doubt that the current leadership at the School is capable of correcting the numerous accounting irregularities highlighted by the audit and urges the Controlling Officer to consider making changes in this regard. Your Committee reiterates that the Controlling Officer should constitute a team of internal auditors to carry out a thorough investigation on the goings on at the School and make recommendations on the measures to be put in place to address the situation. Your Committee awaits a progress report on the matter.

- **Unaccounted for funds - K180,210,000**

The Controlling Officer acknowledged that during the period under review, amounts totalling K180,210,000 realised from examination centre fees, examination identity cards and other miscellaneous income, were not accounted for. The Controlling Officer submitted as set out below on each of the specific irregularities.

- **Examination Centre Fees - K39,150,000**

The amount of K39,150,000 that was received as examination centre fees in December, 2012, from various community schools was actually used at source before banking.

#### **Committee's Observations and Recommendations**

Your Committee observes that in the absence of documentary evidence that the funds were used at source, the matter is unresolved and should be reported to the Police. Further, disciplinary action should be instituted on the three teachers who were responsible for the collected funds. Your Committee awaits a progress report on the matter.

- **Examination Identity Cards - K65,620,000**

The District Education Board Secretary had directed the Head Teacher to ensure that the officer involved was brought to book failure to which disciplinary action would be taken against her for failing to effectively manage the School as reflected in the Audit Report.

#### **Committee's Observations and Recommendations**

Your Committee observes that since the Ministry has failed to avail documentary evidence to account for the funds, the matter should also be reported to the Police. Further, disciplinary action should be instituted on the teacher who was responsible for the funds. Your Committee awaits a progress reports on the matter.

- **Miscellaneous income generating activities - K75,440,000**

The District Education Board Secretary had directed the Head Teacher to ensure that all the officers involved were brought to book failure to which disciplinary action would be taken against her for failing to effectively manage the School as reflected in the Audit Report.

#### **Committee's Observations and Recommendations**

Your Committee observes that in the absence of documentary evidence in form of expenditure returns, the matter is unresolved and should be reported to the Police without further delay. Further, disciplinary action should be instituted

against the teachers who were responsible for the funds. Your Committee awaits a progress report on the matter.

- **Lack of contract**

The Controlling Officer acknowledged that the School was operating six (6) income generating activities which were leased to associations and individuals without signing contractual agreements between the School and the clients. He noted, however, that the School had since signed contractual agreements with all the clients.

**Committee's Observations and Recommendations**

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

- **Missing cheque book- Serial No.s 00201 to 00435**

The Controlling Officer acknowledged that a cheque book with serial numbers ranging from 00201 to 00435 with a total of forty-one leaves was not available for audit, but had since been traced and the cheque book counter foils and bank statements were available for audit verification.

**Committee's Observations and Recommendations**

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

- **Irregular withdrawals- K2,000,000 and K2,100,000**

The Controlling Officer acknowledged that on 9<sup>th</sup> and 30<sup>th</sup> September, 2011, cheque number 00345 was debited twice by the bank in amounts of K2,000,000 and K2,100,000 respectively and that this error was not corrected due to lack of bank reconciliation as of October, 2013. He stated that on 30<sup>th</sup> December, 2013, the School wrote to the bank seeking a clarification and response was yet to be received.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the School to carry out regular reconciliation of accounts which could have helped to detect such errors. Your Committee reiterates its earlier recommendation for the Controlling Officer to take measures to assist the School to strengthen internal controls. Your Committee awaits a progress report on the matter.

iii. *Open Secondary School (APU) Account*

- **Unaccounted for funds-K20,769,500**

The Controlling Officer acknowledged that of amounts totalling K267,733,500 collected from various sources, the School only deposited amounts totalling K246,964,000 leaving a balance of K20,769,500 unaccounted for. He added that the District Education Board Secretary had reprimanded the Head Teacher to ensure that all the officers involved were brought to book.

**Committee's Observations and Recommendations**

Your Committee recommends that this matter should also be reported to the Police while disciplinary action should be instituted against the officers involved. Further, the full amount of the missing funds should be recovered from the officers that collected it. Your Committee awaits a progress report on the matter.

- **Outstanding rental fees**

- **Zamtel Station GSM Base Agreement-Arrears-K45,500,000**

The Controlling Officer submitted that the School had managed to collect an amount totalling K40,400,000 out of the uncollected amount of K45,500,000

leaving a balance of K5,100,000. Further, the contract documents had been amended to provide for penalties in case of failure or delays in payment of rental charges.

**Committee's Observations and Recommendations**

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

○ **Airtel GSM Base Station Agreement- Arrears of K10,200,000**

The Controlling Officer submitted that the contract documents had been found and the balance of K10,200,000 had been cleared by Airtel.

**Committee's Observations and Recommendations**

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

• **Failure to issue receipts – K53,900,000**

The Controlling Officer acknowledged that there were no receipts issued as acknowledgement for the cheques that were deposited into the School account involving nine transactions totalling K53,900,000 for the period under review. He noted, however, that this was in relation to payments made by Zamtel and Airtel through direct debits into the School account. The funds had since been receipted.

**Committee's Observations and Recommendations**

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

• **Payments made without processing vouchers –K29,720,000**

The Controlling Officer explained that eight transactions totalling K29,720,000 were paid to various officers as imprest but the payment vouchers in question could not be availed because they had been submitted to the Auditor-General's Lusaka Region Office at the time of audit and they had not been returned to the School.

**Committee's Observations and Recommendations**

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

• **Unaccounted for funds-K29,720,000**

The officers involved would have the unretired imprest deducted from their salaries in accordance with the Payroll and Establishment Management Control (PMEC) input form submitted for January, 2014 recoveries.

**Committee's Observations and Recommendations**

Your Committee observes that the decision by the Ministry to effect deductions from the concerned officers was an admission that the imprests in question was irregularly obtained and meant to defraud the Ministry. Your Committee, therefore, urges the Controlling Officer to, in addition to making the deductions, institute disciplinary action against the officers concerned. Your Committee awaits a progress report on the matter.

• **Unaccounted for Stores – K18,600,000**

The Committee was informed that the receipt and disposal details totalling K18,600,000 had since been traced.

**Committee's Observations and Recommendations**

Your Committee observes that failure to avail receipt and disposal details for stores is a very serious anomaly as it makes it impossible to establish whether goods were

received or whether they were used for the intended purposes. Your Committee, therefore, urges the Controlling Officer to strengthen internal controls to avoid future reoccurrences. Your Committee resolves to close the matter subject to audit verification.

- **Overpayments of APU allowances to management-K25,559,000**

The Controlling Officer submitted that all the senior staff who were over paid had been instructed to refund the funds failure to which deductions would be instituted from their salaries.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the said over payment was not addressed during the audit process and urges the Controlling Officer to institute recoveries from the affected officers' salaries without further delay. They further urge the Controlling Officer to take disciplinary action against the accounting officers who processed the irregular payments. Your Committee awaits a progress report on the matter.

**MINISTRY OF EDUCATION**

**AUDIT QUERY**

PARAGRAPH 45

**DEPARTMENTS:**

Headquarters, Provincial and District Education Offices, High Schools, Basic Schools, Teachers' Training Colleges

**UNITS:**

Various

**PROGRAMMES:**

National Implementation Framework (NIF) II

**ACTIVITIES:**

Various

**Accounting and other irregularities**

45. An examination of accounting and other records maintained at the Ministry Headquarters, provincial and district offices carried out in June, 2012, revealed the irregularities set out hereunder to which the Controlling Officer responded as set out below.

a) **Unretired imprest-K79,246,842**

The Controlling Officer submitted that imprest in amounts totalling K40,040,842 had since been retired leaving a balance of K39,206,000 against which recoveries had been instituted from the salaries of the concerned officers.

**Committee's Observations and Recommendations**

Your Committee observes that the officers in question failed to retire the imprest without any valid reasons and urges the Controlling Officer to take disciplinary action against them. Your Committee resolves to close the matter subject to audit verification.

b) **Unaccounted for Stores-K49,650,000**

The Controlling Officer submitted that all the stores items costing K49,650,000 had been updated with receipt and disposal details.

**Committee's Observations and Recommendations**

Your Committee observes that failure to avail stores records at the time of the audit was a very serious omission as it is not possible to establish whether the said goods were delivered and distributed to the end users. Your Committee, therefore, urges the Controlling Officers to take disciplinary action against the officers responsible for the omission. Your Committee also urges the Controlling Officer to ensure that the said stores records are immediately availed to the Office of the Auditor-General for verification.

c) **Procurement and distribution of desks**

i. *Failure to deliver desks-237*

The Controlling Officer acknowledged that in August, 2011, the Ministry engaged Sanjiza Investment Limited to supply, deliver and assemble 1,680 single seater desks at a contract sum of K407,697,847 and that a balance of 237 desks remained undelivered at the time of audit. He, stated, however, that all the desks had since been delivered.

**Committee's Observations and Recommendations**

Your Committee notes the submission but urges the Controlling Officer to ensure that, in future, such delays are avoided to avoid the opportunity cost suffered by pupils who are denied the benefit of using such desks. Your Committee resolves to close the matter subject to audit verification.

ii. *Failure to assemble desks-1,105*

The Controlling Officer acknowledged that three contractors who were awarded contracts totalling K4,041,132,878 to supply, deliver and assemble 11,077 school desks failed to meet contractual obligations in that they did not assemble 1,105 school desks. The Controlling Officer explained that the desks were not assembled after being delivered to the DEBS office despite the provision in the contract for assembling because the DEBS offices did not have enough storage space for storage of assembled desks. He stated that unassembled desks were easier to store because they required less space hence contractors normally left some cash with the DEBS office for assembly of these desks after they had been delivered to the respective schools. The Controlling Officer assured your Committee that the Ministry was making efforts to ensure that the desks were assembled.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the general handling of contracts by the by the Ministry. Your Committee is of the view that the Ministry has enough experience with the handling of such contracts so that the issues of storage raised in the response should have been dealt with at the time of drawing the contract so that such delays are eliminated. Your Committee urges the Controlling Officer to devise ways to go around this challenge. Your Committee also urges the Controlling Officer to ensure that all remaining desks are immediately assembled and delivered to the respective schools without further delay. Your Committee resolves to close the matter subject to audit verification.

d) **Failure to deliver projects on time**

The Controlling Officer acknowledged that the Ministry was facing challenges in completing construction projects within the contract periods. He said this was due to budgetary constraints. He gave an example of the budget for 2014 which was K8.6 billion and out of which K6.4 billion was for personal emoluments leaving a balance of only K2.225 billion to be shared between projects and funds for managing the entire Ministry. He noted that this was a challenge as one school project would require at least K12,000,000 per year in order for it to be completed within the contract period as opposed to the K3,000,000 per project per year which the Ministry currently had.

**Committee's Observations and Recommendations**

Your Committee notes the response and urges the Controlling Officer to continue engaging the Treasury in order to arrive at a lasting solution to the challenges in funding. Your Committee resolves to close the matter.

## MINISTRY OF LANDS, ENERGY AND WATER DEVELOPMENT

### AUDIT QUERY

PARAGRAPH 46

	Human Resource and Administration
	Energy Department
	Water Affairs Department
	Planning and Information Department
UNITS:	Various
PROGRAMME:	Various
ACTIVITIES:	Various

#### **Accounting and other irregularities**

46. An examination of accounting and other records maintained at the Ministry Headquarters and physical inspections of selected projects in provinces carried out in April, 2013, revealed accounting irregularities to which the Controlling Officer responded as set out below.

#### **a) Irregular payments of acting allowances-K96,253,649**

The Controlling Officer submitted that the eleven officers were issued with authority to act for a period of six months but at the expiry of the acting period, the Ministry did not request for fresh authorities from Public Service Management Division. The failure to request for extension of acting appointments was due to an omission on the part of the Human Resource Unit.

#### **Committee's Observations and Recommendations**

Your Committee observes that the allowances were irregularly paid and recommends that all paid allowances amounting to K96,253,649 be recovered from the officers who received them. Secondly, your Committee urges the Controlling to institute disciplinary action against the officers in the Human Resource Unit who were responsible for the omission. Your Committee awaits a progress report on the matter.

#### **b) Failure to submit expenditure returns – K99,500,000,000**

The Controlling Officer acknowledged that expenditure returns were not available at the time of audit as the earlier submission of expenditure returns was rejected by the auditors as they did not conform to the required format. This was as a result of insufficient capacity within Rural Electrification Authority (REA). In order to rectify the problem, one accountant and one auditor were seconded to REA. The expenditure returns were available and ready for verification.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Controlling Officer to ensure that expenditure returns and progress reports are immediately availed for audit verification. Your Committee resolves to close the matter subject to audit verification.

#### **c) Failure to collect materials – K1,745,179,459**

The Controlling Officer acknowledged having made payments for various materials worth K1,745,179,459 in 2012. He explained that as at 31<sup>st</sup> December, 2013, ten solar water heaters and fourteen windmills worth K1,203,200,000 had been collected. However, at the time of audit, the delivery notes were not availed as a result of difficulties in accessing documents which had been caused by the shifting of the procurement unit from Mulungushi House to Government Complex at the new Ministry of Mines, Energy and Water Development. He added that seventy solar water heaters worth K408,800,000 had not been collected due to the fact that at the time of procurement the user department did not factor in the installation costs. The Ministry would collect and distribute the remainder for installation by 31<sup>st</sup> March, 2014.

### **Committee's Observations and Recommendations**

Your Committee observes that losing documents on basis of shifting offices is an unacceptable explanation and urges the Controlling Officer to take disciplinary action against the officers who failed to secure the delivery notes in question. Your Committee awaits a progress report on the delivery of all outstanding materials.

d) **Unretired imprest-K141,796,311**

The Controlling Officer acknowledged that imprest documents totalling K141,796,311 were not availed for audit scrutiny because some documents had been misplaced during the period in which the officers from the former Ministry of Energy were shifting from Mulungushi House to Government Complex. The retirement documents had been traced.

### **Committee's Observations and Recommendations**

As above, your Committee observes that losing documents on basis of shifting offices is unacceptable and urges the Controlling Officer to take disciplinary action against the officers who failed to secure the retirement documents in question. Your Committee awaits a progress report on the matter.

e) **Failure to maintain an Asset Register**

The Controlling Officer acknowledged that in 2012, the asset register was not maintained at the department. The delay was as a result of the merging of the Ministry of Mines and Mineral Development and the Ministry of Energy and Water Development. An asset register had since been opened and updated.

### **Committee's Observations and Recommendations**

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

f) **Unaccounted for Stores-K161,135,000**

The Controlling Officer acknowledged that the various items costing K161,135,000 were procured in the financial year 2012 and were only issued out in 2013, after the auditors had left. The disposal details could not be availed to the auditors due to the fact that the items were being distributed during the same period.

### **Committee's Observations and Recommendations**

Your Committee finds the explanation unacceptable and cautions the Controlling Officer against shielding officers who contravene Financial Regulations. Your Committee is of the view that even if the distribution was in progress at the time of audit, disposal details and stock could still have been reconciled and availed for audit purposes. Your Committee resolves to close the matter subject to audit verification.

## **MINISTRY OF LANDS, ENERGY AND WATER DEVELOPMENT**

### **AUDIT QUERY**

PARAGRAPH 47

PROGRAMME:	Various
UNIT	Various
ACTIVITY	Various

### **Accounting and other irregularities**

47. An examination of accounting and other records maintained at the Ministry Headquarters and provincial offices carried out in September, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Irregular payments of retention and recruitment allowances-K96,253,649**

The Controlling Officer in his submission agreed with the auditor's observation and regretted that the letters of authority from Public Service Management Division were not available at the time

of audit. This was due to the transfers of officers whose files were still being held at their former ministries and retirements whose files had been taken to Pension Boards for computation of retirement packages.

However, letters of authority for those who were transferred to the Ministry had been retrieved for verification. Unfortunately, they were not able to make available letters of authority for those officers who were transferred to other ministries and those who retired.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission, but urges the Controlling Officer to ensure that documents are availed to auditors without further delay. Your Committee awaits a progress report on the matter.

b) **Unretired imprest-K399,089,151**

The Controlling Officer submitted that retirements were not done in time due to some officers being uncooperative despite accounting officers issuing reminders. For those officers who were not cooperative in terms of retirements, corrective measure that management took was to effect deductions. The matter was recommended for closure by Auditors.

#### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

c) **Unaccounted for fuel - K274,524,300**

The Committee was informed that the disposal details of fuel procured during the period under review were not availed to the auditors at the time of audit because the Ministry had no Transport Officer and the management of fuel was done by executive officers for each department. However, measures had been instituted to ensure accountability and transparency in the way fuel was to be administered. First of all, the Head of Department must ensure that requisitions were raised for fuel which must be approved by themselves. Once the requisitions had been approved, fuel coupons can then be filled in and must be signed by the Head of Department. Fuel statements with accompanying coupons should be obtained from the filling stations in the first week of the following month to enable the Executive Officers responsible reconcile the figures. The next payment would now be dependent on the reconciliation of the Departmental fuel requisites with respective monthly statements and must be subjected to internal audit.

#### **Committee's Observations and Recommendations**

Your Committee does not accept the mitigation measures stated by the Controlling Officer as she is merely stating what was obvious. The Controlling Officer is cautioned against poor management of the fuel accounts which would be a recipe for fraudulent activities if left loose as was observed. The Controlling Officer is urged to discipline the erring officers and ensure that internal controls are strengthened. The Controlling Officer is further urged to avail disposal documents to the auditors without further delay. Your Committee awaits a progress report on the matter.

d) **Unsupported payments - K189,448,640**

The Controlling Officer submitted that eight vouchers were service procurement related. The Procurement Unit was in-charge of collecting cheques from the cheque – typing room by signing in the cheque distribution register once they were ready, and in turn inform the clients to go and collect them in exchange with a receipt, but in this case receipts were not given by the clients. The Controlling Officer had made a visit to all the institutions concerned to have the receipts retrieved for record purposes.

### **Committee's Observations and Recommendations**

Your Committee observes that there was laxity on the part of the officer responsible which resulted in the anomaly. The Controlling Officer is, therefore, urged to take disciplinary action against the erring officers and further to ensure that the documents are traced and availed to auditors without further delay. Your Committee awaits a progress report on the matter.

#### e) **Misapplication of funds**

##### i. *Development of Management Information System K1,680,217,478*

The Committee was informed that the cause of misapplication was due to two spending agencies/ministries (Ministry of Energy and Ministry of Lands), using one budget, which led to two Controlling Officers and two accounting units who both had access to the budget lines. As a result of this, the control measures were diluted. Efforts were, however, made to separate the budget by IFMIS but since the budget had already been approved by Parliament it was futile to do so.

The other effort that was made was to synchronise the operations of the two accounting units, but there was some resistance from the other Ministry. By 31<sup>st</sup> December, 2012, Statement C (Financial Report), country wide had not been finalised. The Accountant General's Office in conjunction with IFMIS Project had called for all accounting officers to Government Complex where the IFMIS project was housed, to try and raise the percentage of expenditure, but it was at that time when the mispostings occurred.

### **Committee's Observations and Recommendations**

Your Committee does not accept the reasons advanced by the Controlling Officer because the budget was there to guide the Ministry on expenditure of the funds. Your Committee cautions the Controlling Officer to desist from misleading your Committee and is urged to take disciplinary action against erring officers for failure to give technical advice to the Controlling Officers. The Controlling Officer is further urged to ensure that retrospective authority is sought to normalise the expenditures and, where not applicable, refunds are made. Your Committee awaits a progress report on the matter.

##### ii. *Customary Land Identification and Acquisition-K83,853,136*

The cause of misapplication was due to two spending agencies/ministries (Ministry of Energy and Ministry of Lands), using one budget, which led to two Controlling Officers and two accounting units who both had access to the budget lines. As a result of this, the control measures were diluted. Efforts were, however, made to separate the budget by IFMIS but since the budget had already been approved by Parliament it was futile to do so.

### **Committee's Observations and Recommendations**

The Controlling Officer is urged to ensure that retrospective authority is sought to normalise the expenditures and, where necessary, refunds are made. Your Committee awaits a progress report on the matter.

##### iii. *Non-utilisation of equipment purchased - K1,458,644,075*

The Controlling Officer submitted that procurement of the accessories had not been achieved due to resource limitations on the part of the Ministry. The printing facility could not be used for in the absence of other key auxiliary components and specialised materials. Consequently, in November, 2012, the Ministry, in collaboration with Heidelberg, prepared a comprehensive list of necessary requisites which comprised thirty-eight key items that were needed to operationalise the Printing Press facility. It was regrettable that the Ministry could not afford to pay for the accessory equipment and materials to operationalise the printing facility due to budgetary constraints. A total of

K4,640,153.50 was required and the action that had been taken by the Ministry was to incorporate the K4,640,153.50 in the 2014 Annual Estimates of Expenditure and that the Ministry of Transport, Works, Supply and Communications had finalised the compilation of Bills of Quantities for all items required in order to make the machine work. The Controlling Officer had written to the Secretary to the Treasury for authority to vary the K1,458,644,075.

#### **Committee's Observations and Recommendations**

Your Committee observes that there was poor planning on the part of the Ministry and the Controlling Officer is urged to ensure that in future all such transactions are well planned to avoid misapplication of Government funds. Your Committee also urges the Controlling Officer to desist from varying funds without authority. Your Committee awaits a progress report on the matter.

iv) *Loans and advances*

- **Irregular transfer of funds-K2,795,117,501**

The Committee was informed that the transfer was caused by the closure of the salaries account where the salary related arrears could be paid from. The said funds were meant for dismantling salary related payments, for example, leave travel benefits, commutations and leave terminal benefits. Because of the closure of the salaries account, the loan revolving account was used to pay the arrears, hence the transfer of K2,557,916,352 to the loans and advances account. Authority was sought to settle the outstanding salary related allowances.

#### **Committee's Observations and Recommendations**

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

- **Failure to recover loans and advances-K146,279,836**

The Committee was informed that the delay in effecting deductions was due to change of PMEC End Users that was, from Accounting Officers to Human Resource Officers who were currently managing the payroll. After the re-alignment of the function to the Human Resources Officers, deductions were effected.

#### **Committee's Observations and Recommendations**

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

## **MINISTRY OF LANDS, ENERGY AND WATER DEVELOPMENT**

### **AUDIT QUERY**

PARAGRAPH 48

#### **PROGRAMME**

Planning and Information

#### **UNIT**

Infrastructure Development

#### **ACTIVITY**

Lands Planning Unit

Civil Works Land Development Fund

### **Accounting and other irregularities**

48. An examination of accounting and other records maintained at Ministry Headquarters and visits to projects in selected councils carried out in September, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

#### **Headquarters**

a) **Failure to provide monitoring reports-K310,653,998**

The Committee was informed that the reason for non-availability of the reports at the time of the audit was that the teams travelled to districts at different intervals and some of the reports were

still being compiled by the teams. All the reports had since been compiled and were now ready for verification.

#### **Committee's Observations and Recommendations**

Your Committee observes that failure to avail monitoring reports is tantamount to wasteful expenditure as such reports are aimed at improving management decisions. Your Committee, therefore, urges the Controlling officer to take disciplinary action against the officers responsible for the omission. Your Committee resolves to close the matter subject to audit verification.

#### b) **Failure to provide expenditure returns-K7,776,981,658**

##### i. *Chililabombwe Municipal Council-K65,000,000*

The Committee was informed that the Chililabombwe Municipal Council had engaged Edwelu Contractors on 10<sup>th</sup> September, 2012, to construct, gravel and compact 3km gravel road at the new site in Kamenza East at a contract sum of K84,972,000. The contractor moved on site in October, 2012, and had been paid an amount of K65,000,000. However, without any reasons, the contractor abandoned the works after working on 2.5km of the 3km road.

After the Council wrote several letters to the contractor to return on site, there was no response from the contractor. This prompted the Council to terminate the contract. Following a joint verification meeting between the Council and the contractor, it was decided that the works done by the contractor cost as follows: mobilisation of the contractor to site K15,000, road bush clearing and grading K30,000 and gravelling of roads and spreading at K20,000. It was further agreed that the remaining works was to be undertaken by the Council who had since completed the works on the remaining 0.5 km stretch using the remaining balance.

#### **Committee's Observations and Recommendations**

Your Committee notes the Controlling Officer's submission, but urges the Ministry to ensure that projects are strictly monitored. The Controlling Officer is also urged to ensure that institutions that get funding from the Ministry provide expenditure returns in accordance with Land Development Guidelines. Your Committee resolves to close the matter subject to audit verification.

##### ii. *Sinazongwe District Council*

##### • **Failure to execute works - K50,000,000**

The Committee was informed that the survey of plots was to be conducted in Namafulu Border Township according to the adjusted inception report and not Sinazongwe Township where the surveys were completed during the first LDF funding. At the time the cheque was paid to the Survey Department, the border post layout was being re-planned and updated by the Physical Planning Department, Choma Office because more land was accessed from the traditional leadership. The original area allocated to the border post was very small (six hectares) that could not accommodate the required infrastructure at the border post. The process of re-planning and numbering of plots thus delayed the survey of plots by the Regional Survey Office. According to procedure, only numbered plots could be surveyed. The surveyors had since moved on site and had continued to execute the outstanding survey works following the numbering of the re-planned area. The current status was that works had since been completed.

#### **Committee's Observations and Recommendations**

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

- **Misapplication of funds-K190,000,000**  
The Committee was informed that the K190,000,000 which the Council misapplied was part of the second funding which they got to electrify the areas identified under phase one. The Controlling Officer explained that the Council should have written to the Ministry to seek authority to use the funds meant for the second phase. The Ministry would recover the K190,000,000 from the subsequent funding to the Council.

**Committee’s Observations and Recommendations**

Your Committee awaits a progress report on the matter.

- **Non-commencement of works query-K1,672,245,287**  
The Committee was informed that the delay in commencing the works by the Southern Water and Sewerage Company was due to the re- planning of the area after additional land was secured from traditional leadership.

The site plan needed to be revised to include the additional land acquired and for that reason, even the areas where the laying of the pipes was to be undertaken was equally affected. The current position was that Southern Water and Sewerage Company Limited had procured water reticulation materials and they were on site following the completion of the redesigning of the site plan.

**Committee’s Observations and Recommendations**

Your Committee observes that the process had taken too long for the utility Company to finish the works and the Controlling Officer is urged to ensure that the works are expeditiously done. Your Committee awaits a progress report on the matter.

**MINISTRY OF AGRICULTURE AND COOPERATIVES**

AUDIT QUERY

PARAGRAPH 49

UNIT:

Agriculture Finance and Credit Management

PROGRAMMES:

Farmer Input Support Programme (FISP) – (PRP)

ACTIVITIES:

Various

**Accounting and other irregularities**

49. An examination of accounting and other records maintained at the Ministry Headquarters, provincial Agriculture Co-ordinating Offices (PACOs), fifty District Agriculture Co-ordinating Offices (DACOs) and physical inspections of selected cooperatives and warehouses carried out during the period from April to August, 2013, revealed accounting and other irregularities on which the Controlling Officer submitted as set out below.

a) **Contracts awarded: failure to pay suppliers**

The Committee was informed that the delay in paying suppliers on time was due to the fact that the Ministry was carrying out reconciliations on all outstanding bills owed to suppliers in order to avoid overpayments. The Controlling Officer added that the process took long due to the voluminous nature of the documents availed by suppliers. The Controlling Officer informed your Committee that all the amounts had since been cleared.

**Committee’s Observations and Recommendations**

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

b) **Transportation of inputs-K4,928,879,140**

The Committee was informed that the balance owing to transporters was due to the lack of complete documentation in the files submitted to Headquarters for payment. These files were referred back to the districts for submission of complete documentation. However, all the transporters engaged for the 2012/2013, farming season had since been paid in full.

**Committee's Observations and Recommendations**

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

**Questionable payments**

A further review of records relating to transporters maintained at Headquarters revealed the following questionable payments.

i. *Overpayment of K65,994,694 to Nkanga Building Contractors*

The Controlling Officer acknowledged that Nkanga Building Contractors was overpaid by an amount of K65,994,694 which was due to a human error during the processing of payments. However, the over-payment had since been recovered from the 2012/2013 transportation claims.

**Committee's Observations and Recommendations**

Your Committee notes the submission that the whole amount that was irregularly paid to Nkanga Building Contractors has been recovered, but observes that the officers who processed the payment were negligent and had put Government resources at risk. Your Committee, therefore, urges the Controlling Officer to accordingly take disciplinary action against them. Your Committee resolves to close the matter subject to audit verification.

ii. *Contractors not registered with the Zambia Revenue Authority (ZRA)*

The Controlling Officer submitted that in the case of Monze District, the Maunga Agriculture Cooperative Society was engaged as a local inputs transporter in 2012 and paid K115,280,890. It was a farmer group registered with the Registrar of Cooperatives and found in Malende camp of Monze. With respect to Lundazi District, the Controlling Officer submitted that the District Agricultural Committee (DAC) recruited local input transporters without evidence of their financial capacity to carry out the works.

**Committee's Observations and Recommendations**

Your Committee notes with concern that the omission on the part of the Ministry resulted in the loss of revenue by the Zambia Revenue Authority as the groups that were engaged were not registered tax payers. Your Committee cautions the Controlling Officer against shielding officers responsible for the lapses and urges him to take appropriate disciplinary action against them. Your Committee resolves to close the matter, but urges the Auditor-General to keep the matter in view in future audits.

iii. *Unsupported payments- DACO Mansa-K590,670,000*

The Controlling Officer stated that failure to produce supporting documents payments made to twelve transporters of Mansa District was due to poor record keeping as some documents were misplaced. The supporting documents for Mansa transporters had since been provided and were available for verification.

**Committee's Observations and Recommendations**

Your Committee observes that failure to produce documents at the time of audit was a very serious and costly omission as the Office of the Auditor-General will have to undertake further audits to verify the traced documents. Your Committee, therefore, urges the Controlling Officer to ensure that measures are put in place to correct the situation. The

Controlling Officer is also urged to take disciplinary action against the officers who misplaced the documents. Your Committee awaits a progress report on the matter.

c) **Missing payment vouchers-K406,275,015,608**

The Controlling Officer acknowledged that payment vouchers in amounts totalling K406,275,015,608 were not availed to the audit team at the time of audit. He explained that this was due to the fact that they had been moved to IFIMIS for capture into the system and were mixed up with payment vouchers for RDCs. However, out of twenty-six missing payment vouchers, twelve were collected by the Anti- Corruption Commission for investigations and they had not been returned. Five payment vouchers were availed for audit verification leaving a balance of nine payment vouchers amounting to K1,088,106,815.25. Out of the nine still missing, one payment voucher amounting to K840,000,000 was not paid under FISP but was actually cancelled. Efforts to locate the remaining eight payment vouchers were still being made.

**Committee's Observations and Recommendations**

Your Committee observes that the major reason the payment vouchers were missing was due to negligence on the part of the officers who handled them. Your Committee urges the Controlling Officer to take appropriate disciplinary action. Your Committee awaits a progress report on the matter.

d) **Unretired imprest-K290,404,500**

The Controlling Officer submitted that out of the amounts totalling K290,404,500 issued to eight officers, amounts totalling K280,204,500 issued to six officers had since been retired and the remaining amounts totalling K9,022,000 issued to one officer had since been fed for recovery from the officers' salaries starting the month of February, 2014.

**Committee's Observations and Recommendations**

Your Committee notes that this query was as a result of the failure by the officers concerned to follow Financial Regulations on the retirement of imprest and urges the Controlling Officer to take disciplinary action against them. Your Committee awaits a progress report on the matter.

e) **Unaccounted for Stores-K252,194,000**

The Committee was informed that the receipt and disposal details had been updated and were available for verification.

**Committee's Observations and Recommendations**

Your Committee observes that failure to provide receipt and disposal details at the time of audit is a very serious omission as it makes it difficult to establish whether the goods or services were delivered and whether they were distributed to the intended users. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the erring officers. Your Committee also urges the Controlling Officer to avail the updated records in respect of K252,194,000 to the Office of the Auditor-General for audit verification.

f) **Under-collection of revenue-K33,040,000**

The Committee was informed that the under-collection of K33,040,000 was as a result of the quantities which were not collected and, therefore, not paid for.

**Committee's Observations and Recommendations**

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

g) **Weaknesses in management of inputs**

i. *Late delivery of inputs-K6,540,558,000*

The Committee was informed that the late delivery of inputs was caused on one hand by late procurement of inputs and on the other hand by closures of warehouses by suppliers due to late settlement of the bills. He submitted further that the Ministry was working on early procurement of inputs and proper targeting to ensure that the suppliers were paid in good time.

**Committee's Observations and Recommendations**

Your Committee notes that the late delivery was due to poor planning. Your Committee, therefore, urges the Controlling Officer to take concrete steps to avert the late delivery of inputs. Your Committee closes the matter but urges the Auditor-General to note the matter in future audits.

ii. *Expired inputs-K86,180,000*

The Controlling Officer submitted that all the inputs were tested and expired seed was destroyed in all affected districts. In Mongu, the seed passed the germination test in accordance with the *Seeds Act* and the Seed Certification and Control Institute recommended that the seed in question be offered for sale in the 2013/2014 farming season. Certificates of destruction were available for audit verification.

The Controlling Officer submitted further that the seed of maize and nerica rice and not sorghum in quantity of 30 x 10kgs and 362 x 5kg in the total volume was destroyed. A destruction report was issued by an officer from Seed Control and Certification Institute and was available for verification. He assured your Committee that in future, the Ministry would ensure that right procedures were followed in the destruction of expired seed.

**Committee's Observations and Recommendations**

Your Committee observes that the Ministry did not follow right procedures in the handling of the seeds in question and urges the Controlling Officer to put control measures in place to avoid recurrence. Your Committee resolves to close the matter subject to audit verification.

iii. *Unsupported issuance of inputs-K5,541,830,000*

The Controlling Officer submitted that this was as a result of the Ministry not delivering complete packs to districts as indicated on the Goods Received Vouchers (GIVs) resulting in the farmers declining to sign for complete packs when in the actual sense they were collecting just part of the pack. However, the beneficiaries had since been made to sign for the inputs. The GIVs were available for verification.

**Committee's Observations and Recommendations**

Your Committee finds the response by the Controlling Officer unacceptable as it is not expected of an officer to issue stores/stock items without the recipient signing for them. Your Committee finds this omission by the officers tantamount to gross negligence of duty for which disciplinary action should be instituted against them. Your Committee resolves to close the matter subject to audit verification.

iv. *Unacquitted for farming inputs-K138,470,000*

The Controlling Officer submitted that this was as a result of the Ministry not delivering complete packs to districts. The complete packs were indicated on the Goods Received Vouchers (GIVs) resulting in the farmers declining to sign for complete packs when in

the actual sense they were collecting just part of the pack. However, the inputs had since been acquitted for by all the concerned districts.

### **Committee's Observations and Recommendations**

As in the previous case, your Committee finds the response by the Controlling Officer unacceptable and urges him to take disciplinary action against the officers who failed to ensure that the materials were correctly accounted for through acquittal sheets. Your Committee resolves to close the matter subject to audit verification.

v. *Issuance of inputs to non-qualifying co-operatives-K2,464,234,200*

The Controlling Officer submitted that except with cooperatives in districts listed below, all the cooperatives cited in the Audit Report were duly registered and files were available for audit verification.

#### ***Solwezi District***

The Controlling Officer submitted that four cooperatives that benefited from inputs were duly registered with Registrar of Cooperatives while the forty were Information Centres affiliated to the District Farmers Unions.

#### ***Mwinilunga District***

Your Committee was informed that five Information Centres affiliated to the District Farmers Unions were allowed to benefit from inputs based on the official instruction from the Ministry of Agriculture and Livestock Headquarters. The letter was available for audit verification.

#### ***Lukulu District***

The Controlling Officer submitted with regards to Lukulu District that there were thirteen cooperatives and not seventy. Management had since taken note of the issue and deeply regretted the decision of having some cooperatives which had been active for less than one year to benefit from FISP.

#### ***Lusaka District***

With regards to Lusaka District, the Controlling Officer submitted that the office of the DACO had not received any correspondence over the cancellation of Roma Multi-purpose Cooperative from the Registrar of Societies but only a request of cancellation, which was done by the then District Marketing and Cooperatives Officer (DMCO), on 24<sup>th</sup> September, 1996. Cancellation of registration of Roma Multi-Purpose Cooperative was, therefore, not effected as there was no correspondence from office of the Registrar.

#### ***Mambwe District***

The Controlling Officer stated that the verification conducted with both the bank and the office of the District Agricultural Coordinator proved that the two cooperatives had no bank accounts. The cooperatives had since been advised to open bank accounts for savings mobilisation. For the 2013/2014 farming season, this requirement had been removed in the FISP Implementation Manual, as it was intended only to encourage savings mobilisation.

#### ***Chinsali District***

The Controlling Officer submitted that the registration certificates and confirmation letters from Finance Bank and Banc ABC for the first ten cooperatives/farmer organisations to prove their eligibility and existence of Bank accounts for cooperatives/farmer organizations No. 11 to 55 were ready for audit verification.

For cooperative No. 56, Chilanga, the District did not issue any inputs to a cooperative by the name issued during the season but issued inputs to Chinkalanga which received ninety-seven packs on 7<sup>th</sup> December, 2012 and the cooperative was eligible as it was registered. The constitution for Chipasu Farmers Group and certificate to show their registration with the Registrar of Societies for No. 57 were available for verification.

***Sinazongwe District***

Your Committee heard that the fertilizer allocated to the cooperative was meant for cotton packs whose seed was not supplied by the programme. These were delivered to the district very late when the program was almost winding up. To avoid the inputs being returned, the Camp Agricultural Committee (CAC) resolved to dispose of the fertilizer quickly as the demand for the inputs was still not there and to avoid the district having carryover stocks. The Cooperative in question was the only one with readily available money to pay for the inputs.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the FISP Guidelines, although well intended, were being flouted mainly due to the Ministry's failure to provide effective implementation on the programme. Your Committee is concerned that if this is not addressed, targeting of the programme will remain poor while the impact will be eroded. Your Committee, urges the Controlling Officer to ensure that FISP Guidelines are strictly followed.

vi. *Issuance of inputs to non-qualifying farmers-K75,810,000*

The Controlling Officer submitted that in Kaoma, the farmer register at the cooperatives office was missing from the files at the time of auditing while in Kalabo, all applicants were on the list of approved applicants, but one name was interchanged. The approved list was available for verification. As for Sesheke District, the Controlling Officer submitted that the Cooperative was cautioned and barred from participating during the 2013/14 farming season for allowing ineligible farmers to access subsidized inputs.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to follow FISP Guidelines strictly and resolves to close the matter subject to audit verification.

vii. *Undelivered farming inputs-K326,850,000*

The Controlling Officer submitted that after reconciliations, undelivered inputs were deducted from the contract amount. Reconciliation statements were available for audit verification.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Ministry waited for the audit report to take action which is a clear indication of weak internal controls. Your Committee is of the view that if strong internal controls are not put in place, the Government will continue to lose money through massive leakages in the input delivery systems. Your Committee, therefore, urges the Controlling Officer to strengthen internal controls to address the situation. Your Committee resolves to close the matter subject to audit verification.

viii. *Unaccounted for inputs-K361,580,000*

The Committee was informed that the inputs in question had since been accounted for and the documents were available at various districts for verification.

### **Unaccountable for inputs (Mwinilunga)**

The Controlling Officer submitted that according to the FISP Implementation manual for the 2012-2013 season, the allocation for Mwinilunga District was basal 13,139 x 50kg and top dressing. Nyiombo Investments supplied 19,139 x 50kg of top dressing, which were 5,439 x 50 kg more than the District allocation for the season. The excess top dressing fertilizer was the responsibility of Nyiombo Investments and was not part of the Ministerial allocation.

He further added that the District was, therefore, not accountable for the mentioned quantities in the audit report as it was not part of the District allocation in the 2012 -2013 implementation manual.

### ***Lukulu***

Your Committee heard that the amount of K500,000 was for the input of fertilizer which had since been paid for by the defaulting Mbambi Cooperative. The balance of K280,000 was the value of one pack of maize which was not disposed of in 2012 and was carried over to 2013/2014 farming season.

### **Committee's Observations and Recommendations**

Your Committee observes that the reasons given should have been explained to auditors during the audit process to avert the query. Your Committee resolves to close the matter subject to audit verification.

ix. ***Delivery of underweight inputs – Petauke-K39,250,000***

The Controlling Officer submitted that the Ministry had taken note of the reported underweight of D Compound fertilizer from Nitrogen Chemicals of Zambia (NCZ), and the company had since been written to, to ensure that no underweight fertilizer was delivered to the districts. Warehouse managers would be encouraged to make available weighing scales at warehouses.

### **Committee's Observations and Recommendations**

Your Committee observes that it is incumbent upon the Ministry to verify the weight of the delivered fertilizers in order to ascertain that the correct weights have been received. Your Committee is concerned that the disparity was not spotted by the Ministry. Your Committee, therefore, urges the Ministry to strengthen internal controls and provide a progress report on the delivery of the remaining 39.25 metric tonnes costing K39,250,000 by the Nitrogen Chemical of Zambia. Your Committee awaits a progress report on the matter.

x. ***Questionable acquittals of inputs-K106,960,000***

The Controlling Officer acknowledged that wrong persons had signed for inputs on behalf of their members but explained that the actual beneficiaries had since counter signed for the inputs.

### **Committee's Observations and Recommendations**

Your Committee observes that the failure by the officers to follow the guidelines was tantamount to negligence of duty and urges the Controlling Officer to caution the officers concerned and ensure that measures are put in place to avoid recurrence of the omission. Your Committee resolves to close the matter subject to audit verification.

**h) Weaknesses in the utilisation of operational funds**

**i. *Questionable retirement of imprest – Katete-K12,970,000***

The Controlling Officer acknowledged that K12,970,000 issued to an officer was not retired correctly and that the monitoring report was not submitted at the time of audit. The officer could not submit the FISP Monitoring Report because she had not completed writing the final report at the time of the audit. He explained that the officer was verbally cautioned and had since submitted the report and the date had been correctly indicated on the imprest retirement form.

**Committee’s Observations and Recommendations**

Your Committee urges the Controlling Officer to submit evidence to the Office of the Auditor-General to prove that the officer was cautioned as even the verbal warning was supposed to be recorded. The Controlling Officer is also urged to avail the retirement records for audit verification after which the matter should be closed.

**ii. *Unaccounted for Stores-K25,779,100***

The Controlling Officer submitted that all the stores items had since been accounted for.

**Committee’s Observations and Recommendations**

Your Committee observes that failure to account for stores is a serious omission because without records, it is not possible to establish whether the goods were delivered and were distributed to the targeted users. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the officers concerned in line with the Terms and Conditions of Service of the Public Service. The Controlling Officer is also urged to avail the stores records for audit verification. Your Committee resolves to close the matter subject to audit verification.

**iii. *Unsupported payments – Mongu DACO-K8,800,000***

The Controlling Officer acknowledged that eight payment vouchers in amounts totalling K8,800,000 were not supported with relevant documents at the time of audit but these had since been supported.

**Committee’s Observations and Recommendations**

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

**Interaction with the Hon Minister of Agriculture and Livestock**

Following numerous implementation challenges highlighted by the audit report and acknowledged by the Controlling Officer, your Committee held a meeting with the Minister of Agriculture and Livestock for him to help clarify policy issues surrounding the fertilizer support programme.

In his submission, the Hon Minister acknowledged the challenges the programme was facing and informed your Committee that the Ministry was taking measures to address the challenges and to maximise the benefits to the farmers. The Minister explained that the Government wanted the programme to be diversified as oppose to being entirely dependent upon maize production. Further, the Government was considering creating a strong revolving fund in order to make the programme sustainable. The Minister added that in order to improve efficiency, the e-voucher system would be established and scaled up while digital registers would also be established. The Minister also informed your Committee that the Ministry was considering reintroducing the weaning out of farmers.

**Committee’s Observations and Recommendations**

Your Committee observes that the FISP is a very important programme which, if well implemented would help the Country attain food security at household level. Your Committee is however concerned

with the massive weaknesses in the implementation of the programme as highlighted in the audit report. Your Committee notes that hitherto inputs have either been delivered late or in some cases are not delivered nor accounted for at all. Your Committee is further concerned that in some cases inputs are issued to non qualifying cooperatives and beneficiaries. Further, in some cases, inputs are distributed without being acquitted for by the beneficiaries.

Your Committee however takes note of the Minister's assurance that measures will be taken to address the weaknesses in the programme. Your Committee will keep this matter in view through the Auditor-General

## **MINISTRY OF AGRICULTURE AND COOPERATIVES**

### **AUDIT QUERY**

PARAGRAPH 50

Department: Provincial Agriculture and Coordinating Offices  
District Agriculture and Coordinating Offices  
Unit: Various  
Activities: Various

#### **Accounting and other irregularities**

50. An examination of accounting and other records maintained at the PACOs and DACOS and physical inspections of selected projects carried out during the period from June to July, 2013, revealed accounting irregularities to which the Controlling Officer responded as set out below.

a) **Missing payment vouchers- K144,493,966**

The Committee was informed that the missing payment vouchers amounting to K144,493,659 were misplaced during audit, but had since been found.

#### **Committee's Observations and Recommendations**

Your Committee observes that failure to secure payment vouchers is a very serious anomaly and urges the Controlling Officer to take disciplinary action against the erring officers. Your Committee resolves to close the matter subject to audit verification.

b) **Unsupported payments- K408,858,140**

The Controlling Officer acknowledged that payments in amounts totalling K408,858,000 were not supported with relevant documents at the time of audit due to poor record keeping. The Controlling Officer noted, however, that all the payment vouchers had since been supported with the relevant documents.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Ministry did not take steps to secure supporting documents as provided for in the Financial Regulations. Your Committee, therefore, urges the Controlling Officer to ensure that this is addressed without further delay. The Controlling Officer is also urged to take disciplinary action against the officers who caused the anomaly. Your Committee resolves to close the matter subject to audit verification.

c) **Failure to approve payment vouchers- K61, 281,252**

The Controlling Officer acknowledged that fifteen payment vouchers were not approved at the time of the audit, but noted that these had since been normalised and were available for verification at the respective districts. He added that the newly recruited accounting officers had been advised to ensure that no payment was made without approved payment vouchers.

#### **Committee's Observations and Recommendations**

Your Committee observes that the Controlling Officer did not give any convincing reason for failing to approve payment vouchers before payments were made. Your Committee is deeply

concerned because without such approval, the accuracy and validity of the payments cannot be guaranteed. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the officers who processed and passed the payments in question. The Controlling Officer is also urged to have the payment vouchers in question verified by the Office of the Auditor-General. Your Committee resolves to close the matter subject to audit verification.

d) **Failure to prepare payment vouchers- K29,797,300**

The Controlling Officer acknowledged that eight payment vouchers were not prepared at the time of making the payment, but that the vouchers had since been normalised and were available for verification at the respective districts. He added that the officers who prepared payments without payment vouchers had been verbally cautioned.

**Committee's Observations and Recommendations**

Your Committee is concerned that payments were made without raising payment vouchers which is unacceptable and urges the Controlling Officer to put measures in place to arrest the situation. Your Committee resolves to close the matter subject to audit verification.

e) **Unretired imprest-K660,148,190**

The unretired imprest amounting K660,148,190 arose because officers who were handling accounting duties at districts were not regularly updating the imprest registers and reminding the other officers to retire the imprest. The Controlling Officer further submitted that imprest amounting to K561,974,718 had been retired leaving a balance of K98,173,472.

**Committee's Observations and Recommendations**

Your Committee expresses concern that imprest amounting to K660,148,190 was not retired in accordance with Financial Regulations and urges the Controlling Officer to caution the officers who failed to retire imprest. Further, the Controlling Officer is urged to take disciplinary action against accounting officers who failed to ensure that the imprest was retired in accordance with Financial Regulations. Your Committee also urges the Controlling Officer to ensure that the remaining imprest is retired and documents availed for audit verification with further delay. Your Committee awaits a progress report on the matter.

f) **Failure to provide monitoring reports - K75,624,269**

The Controlling Officer submitted that a directive had been issued to ensure that monitoring reports were submitted together with the retirement details. Further, no imprest would be issued to an officer before the previous report was availed. The reports were now available for verification at the various districts.

**Committee's Observations and Recommendations**

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

g) **Questionable claims of subsistence allowances - K22,570,931**

The Controlling Officer acknowledged that claims of subsistence allowance in amounts totalling K22,570,931 were questionable as there was no proof that the officers travelled out of station. He noted that the Province would effect deductions from all the officers in the affected districts effective March, 2014.

**Committee's Observations and Recommendations**

Your Committee observes that this was a very serious irregularity and urges the Controlling Officer to take disciplinary action against the officers for submitting irregular claims. Your Committee awaits a progress report on the matter.

h) **Questionable refunds - K33,399,900**

The Controlling Officer acknowledged that officers claimed refunds without seeking prior authority and consequently, for Mongu, Kaoma and Mazabuka Districts, recoveries had been instituted from the affected officers while for Monze District retrospective authority was granted to the officers.

**Committee's Observations and Recommendations**

Your Committee observes that allowing officers to use their personal money without approval is irregular as it can lead to abuse of public funds. Your Committee urges the Controlling Officer to ensure that, in addition to effecting recoveries, the officers should also be cautioned for abrogating Financial Regulations. Your Committee resolves to close the matter subject to audit verification.

i) **Non-deduction of tax on leave terminal benefits-Lusaka PACO- K95,322,430**

The Controlling Officer submitted that tax was not paid on leave terminal benefits because the concerned officers were within the tax exempt bands.

**Committee's Observations and Recommendations**

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

j) **Delays in processing insurance claims for lost cattle-Chinsali District Agriculture Co-ordinator (DACO)**

The Controlling Officer acknowledged that at the time of audit, there was no insurance claim and loss report regarding three heifers that were stolen and one which died but stated that the insurance claim and loss reports had since been processed by the DACOs office. He further explained that the delay in claiming insurance was because the case was still in the Courts of Law and the culprits had been sentenced to five years imprisonment.

**Committee's Observations and Recommendations**

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

k) **Unaccounted for Stores-K2,869,936,534**

The Controlling Officer acknowledged that stores items costing K2,869,936,534 in all the districts were not accounted for due to lack of qualified stores staff. He added that after the audit, teams from provincial offices prepared the Goods Issued Vouchers and recorded them appropriately in the stores ledgers. He further explained that the Ministry still had a challenge in terms of employing stores officers in the provinces and districts as the establishment had no such provision. In this regard, the Ministry was engaging the Management Development Division (MDD) for the expansion of the establishment.

**Committee's Observations and Recommendations**

Your Committee notes the submission that the Ministry has engaged the Management Development Division (MDD) for possible expansion of the establishment but is of the view that in the short term, the Ministry should build capacity of officers already serving in the Ministry. Your Committee urges the Controlling Officer to have the updated stores records verified by the Office of the Auditor-General. Your Committee further recommends that the auditors should note the matter in future audits. Your Committee resolves to close the matter subject to audit verification.

l) **Failure to collect rabies vaccines-Mungwi DACO- K1,607,497**

The Controlling Officer acknowledged that forty-seven doses of vaccines costing K1,607,497 had not been collected at the time of the audit because at the time of collecting the vaccines, Livestock Services Cooperative had run out of vaccines. The DACO picked other veterinary

related medicines and other consumables equivalent to the amount paid for the vaccines, which was contrary to Procurement Procedures and the DACO had since been cautioned.

**Committee's Observations and Recommendations**

Your Committee finds it highly irregular for the DACO to pick other items other than the rabies vaccines that were paid for. Your Committee urges the Controlling Officer to avail evidence that that DACO was cautioned. Your Committee resolves to close the matter subject to audit verification.

m) **Failure to insure vehicles-K163,618,062**

i. *Mbala DACO*

The Controlling Officer submitted that DACO Mbala had no provision for purchase of motor vehicle and did not actually purchase the said motor vehicle.

**Committee's Observations and Recommendations**

It was clarified by the Office of the Auditor-General that the vehicle referred to was purchased by Mansa DACO. Your Committee notes that the query was not for Mbala DACO but Mansa DACO and awaits a response on why the vehicle in question was not insured by Mansa DACO.

ii. *Kaputa DACO*

The Controlling Officer submitted that the vehicle was not insured at the time of the accident. The said motor vehicle was purchased centrally and insured from Lusaka. The Controlling Officer also added that unfortunately, the Headquarters did not renew the insurance of the motor vehicle and the Police and Loss Reports were available for verification.

**Committee's Observations and Recommendations**

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

n) **Failure to recover loans and advances**

The Committee was informed that the Ministry had earlier submitted the inputs to the Payroll and Establishment Management and Control (PMEC) system to effect recoveries but there were delays. With regard to six officers on salary advances in Central and Western Provinces, deductions were effected and were currently running. The Controlling Officer further reported that as for Loans amounting to K35,500,000 in respect of four officers in Western Province, the correct recovery period of 120 months had been effected and documents were available for verification at the respective provinces. The Controlling Officer, therefore, reported that accounting officers and end-users had been verbally warned.

**Committee's Observations and Recommendations**

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

o) **Failure to implement funded programmes**

The Controlling Officer explained that an initial estimate of K1,500,000,000 was requested for the construction of the dam at Mapena, but only K315,659,658 was allocated and released which was not enough to construct a dam, and therefore, a weir was agreed on as a best alternative. He further submitted that due to the delay in the tendering process, the construction had not began by early December, 2013. However, the contract had been procured at a contract sum of K223,636.51 (Rebased) and the contractor was now on site working.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

**OFFICE OF THE PRESIDENT-COPPERBELT PROVINCE**

**AUDIT QUERY**

**PARAGRAPH 51**

**PROGRAMMES:** Poverty Reduction Programmes

**ACTIVITIES:** Various

**Accounting and other irregularities**

51. An examination of accounting and other records maintained at the Provincial Administration carried out in March, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Unsupported payments-K305,437,213**

The Committee was informed that the supporting documents such as invoices and receipts were kept by the departments that procured the items and they did not submit to the accounts unit at the time of audit. He, further, submitted that the documents had since been obtained and were available for verification.

**Committee's Observations and Recommendations**

Your Committee observes that failure to provide supporting documents is a serious anomaly and urges the Controlling Officer to ensure that all supporting documents are immediately traced and availed for audit scrutiny. He is further urged to ensure that, in future, all payments should only be effected when all relevant supporting documents are available. Your Committee resolves to close the matter subject to audit verification.

b) **Unaccounted for Stores-K554,302,872**

The Committee was informed that the items were delivered direct to the end users by suppliers hence there were no records of disposal and receipts. The Controlling Officer further submitted all departments were now required to make requisitions for items purchased and received and receipts and disposal details were recorded.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Provincial Administration failed to ensure that stores procedures were followed in the matter and urges the Controlling Officer to caution the officers who handled the stores in question. Your Committee resolves to close the matter subject to audit verification that stores management has improved.

c) **Unretired imprest-K59,255,162**

The Committee was informed that the practice was that group imprest was not retired using acquittal sheets and only the imprest holder completed accounts form 44. He further submitted that following the advice given by the external auditors, the officers were now filling accounts form 44 for every person appearing on this form. The Controlling Officer also reported that there was an implementation for the use of accounts form 44 for group imprest and that letters would be sent to officers with outstanding amounts. The Controlling Officer further reported that recoveries would be effected immediately after the reminder period elapses.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that all outstanding imprest is immediately retired and all erring officers are disciplined. Your Committee awaits a progress report on the matter.

d) **Copperbelt Support Programme - K78,105,700**

*i. Fisenge Farm Centre K23,353,000*

The Committee was informed that the non-commencement of works was due to change of project. He further reported that the initial project was carpentry and not irrigation and

that authority was sought to that effect. He, however, reported that the project had since commenced. The Controlling Officer also added that the projects were now constantly monitored by District staff.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the change of project whereby beneficiaries were deprived of the much needed benefit and also that the authorisation to change the project is questionable. Further, your Committee observes that there was possible loss of Government funds due to unused materials as a result of the change. Your Committee resolves to close the matter subject to audit verification.

ii. *Vine Women's Club-K5,580,000*

The non-commencement of the project was due to non-availability of registration documents. The Controlling Officer, however, submitted that the poultry project started in February, 2013, with 200 chicks and that registration documents were now available for verification. He also submitted that the Auditor-General's Office visited and inspected the project and that there was constant monitoring of the project.

**Committee's Observations and Recommendations**

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

iii. *Mukulunguwe Farmers Association-K26,500,000*

The Committee was informed that the non-commencement was due to late release of funds and non-availability of some items. Authority was granted for change of project and the project had since commenced.

**Committee's Observations and Recommendations**

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

iv. *Twabuke Womens Club-K17,963,700*

The Committee was informed that the non-commencement of the project was due to non-availability of some items.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that all projects are done in accordance with specifications and within the time frame allotted. Your Committee awaits a progress report on the matter.

v. *Twapelwa Womens Club - K4,709,000*

The Committee was informed that the non-commencement of the project and delay in collection of stock was due to the fact that fish fingerings had not been bought as per their budget but feed was purchased and not collected. The Controlling Officer submitted that the Ministry was going to get a refund from the suppliers of the stock feed.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the projects are commenced and that management must ensure that monitoring of the projects is done with adherence to project specifications. Your Committee await a progress report.

**OFFICE OF THE PRESIDENT- COPPERBELT PROVINCE - HEADQUARTERS**

AUDIT QUERY

PARAGRAPH 52

PROGRAMME:

General Deposit Account

ACTIVITIES:

Various

**Accounting and other irregularities**

52. An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of selected projects carried out in June, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Unsupported payments-K54,468,000**

The Committee was informed that the supporting documents were mistakenly put on subject files instead of payment vouchers. He submitted that the Provincial Administration had since retrieved these documents from subject files and were available for verification.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that all supporting documents are immediately availed for audit scrutiny and that, in future, the necessary supporting documents should appropriately be attached to the payment vouchers. Your Committee resolves to close the matter subject to audit verification.

b) **Unaccounted for Stores- K164,220,745**

The Committee was informed that the goods bought were taken straight to user departments and so far K120,600,000 worth of stores had been cleared with disposal records and receipts leaving a balance of K33,620,745.

**Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer for failure to avail documents at the time of audit. He is urged to ensure that all erring officers are disciplined and that the remaining documents are availed to the Auditors for verification. Your Committee awaits a progress report on the matter.

c) **Unretired imprest-K100,489,700**

The Committee was informed that imprest totalling K97,489,700 had since been retired leaving a balance of K3,000,000 and the accounts unit had been directed to effect recoveries for the outstanding balance.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the Controlling Officer has not taken disciplinary action against the erring officer despite the anomaly being as a result of laxity. Your Committee therefore, urges the Controlling Officer to take disciplinary action against all erring officers and also to ensure that all unretired imprest is recovered. Your Committee awaits a progress report on the matter.

d) **Levy Mwanawasa Stadium Car Park poor workmanship-K125,000,000**

The Committee was informed that the equipment used in the works needed huge amounts of fuel and that the decision to put signages arose following recommendations from the Road Development Agency. He reported that he had since advised the Rural Roads Unit to critically analyse the budget to avoid budget overruns.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to strongly caution the officers involved in the certification of shoddy works. The Controlling Officer is further urged to ensure that the works

are redone to correct the defects that were observed. Your Committee awaits a progress report.

**OFFICE OF THE PRESIDENT - COPPERBELT PROVINCE**

AUDIT QUERY

PARAGRAPH 53

PROGRAMMES:

Recurrent Departmental Charges (RDCs)

ACTIVITIES:

Various

**Accounting and other irregularities**

53. An examination of accounting and other records maintained at the Provincial Administration carried out in January and February, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Missing payment vouchers - K61,744,239**

The Controlling Officer submitted that four payment vouchers were collected and these were cheque numbers (33926, 33213, 33214 and 34705) and efforts were being made to locate the remaining missing payment vouchers. He further reported that the four cancelled cheques were availed to the Auditors during verification exercise while a replacement for cheque No. 35710 dated 11- 12- 2012 was made. The Controlling Officer also submitted that the total amount of missing payment vouchers now accounted for was K23,076,090.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Provincial Administration to avail the payments vouchers in question during audit and urges the Controlling Officer to take steps to address the situation. Your Committee urges the Controlling Officer to take disciplinary action against all erring officers and to trace the remaining payment vouchers in respect of the outstanding amount of K23,076,090. Your Committee awaits a progress report on the matter.

b) **Unsupported payments- K528,288,563**

The anomaly was caused by departments which collected cheques and submitted to suppliers directly without informing stores officers when the items were collected. The Controlling Officer further stated that departments had been instructed to provide supporting documents and some documents were available for verification.

**Committee's Observations and Recommendations**

Your Committee observes that the anomaly is a direct result of negligence on the part of officers responsible and urges the Controlling Officer to ensure that all supporting documents are immediately traced and officers cautioned for the omission. Your Committee awaits a progress report on the matter.

c) **Unacquitted allowances-K264,162,252**

The Controlling Officer submitted that three transactions were direct payments including; claims, settling in allowances, commutation of leave days and the rest were group imprest and the imprest holder retired on behalf of the group. The Controlling Officer, however, submitted that he would ensure that each officer would now retire imprest using accounts form 44.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that all allowances are acquitted by the individual officer who undertaken a particular activity as advised by the auditors. Your Committee resolves to close the matter subject to audit verification.

d) **Unaccounted for Stores-K1,561,538,208**

The Controlling Officer submitted that this was because items were taken direct to end users, hence there were no records of disposals and receipts. He also submitted that instructions had

been given to departments to always make written requests for purchases and also ensure that receipts and disposal details were filed accordingly.

**Committee's Observations and Recommendations**

Your Committee does not agree with the Controlling Officer's submission that when goods are taken directly to end users then there should be no records as the recipients should always acquit for the received goods. Your Committee, therefore, urges the Controlling Officers to avail documentary evidence to support the submission that goods were received and disposed of. Your Committee awaits a progress report on the matter.

e) **Undelivered Stores - K1,000,000 to Piccioli Investments Limited and K2,500,000 to Elberena Investments Limited**

The goods in question were delivered direct to the District Commissioner's office including the air conditioner to Kitwe and bond paper to Chililabombwe offices, respectively.

**Committee's Observations and Recommendations**

Your Committee does not agree with the Controlling Officer's submission that when goods are taken directly to end users, then there should be no records as the recipients should always acquit for the received goods. Your Committee, therefore, directs the Controlling Officer to avail documentary evidence to support the submission that goods were received for audit verification. Your Committee awaits a progress report on the matter.

f) **Unretired imprest-K1,276,010,888**

The Controlling Officer submitted that for group imprest, the practice was that the Province used acquittal sheets when retiring imprest but when the retirements were audited, auditors rejected them because form 44 was not attached. He further stated that that the officers affected were advised to attach accounts form 44 as requested for at the time of audit. It was also reported that the office had since introduced a system of attaching form 44 for every officer appearing on the pay sheet for each group imprest taken as advised by the auditors.

**Committee's Observations and Recommendations**

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

**OFFICE OF THE PRESIDENT, COPPERBELT PROVINCE - RURAL ROADS**

AUDIT QUERY

PARAGRAPH 54

PROGRAMMES: Rural Roads Unit (PRP)

ACTIVITIES: Various

**Accounting and other irregularities**

54. An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects carried out in March, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Inadequately supported payment vouchers-K58,468,000**

The Committee was informed that the documents were too large and, therefore, they could not be attached to payment vouchers. He further reported that relevant documents had been attached to payment vouchers and instructions had been given to accounts and procurement units to collect the documents and attach them to relevant payment vouchers at all times.

**Committee's Observations and Recommendations**

Your Committee observes that the anomaly was as a result of negligence on the part of the responsible officers and urges the Controlling Officer to take disciplinary action against them. Your Committee also urges the Controlling Officer to ensure that supporting documents are

immediately attached to payment vouchers and availed for audit verification. Your Committee awaits a progress report on the matter.

b) **Wasteful expenditure-K142,691,125**

Your Committee was informed that the decision to spend the K142,691,129 on the trip to China was made because the cost of purchasing road equipment from China was going to be reduced by purchasing directly from the manufacturers. The Controlling Officer further stated that following the advice by the Zambia Public Procurement Authority, the decision to procure the equipment from China was supported. He also reported that the procurement of equipment was going to be done through local suppliers after going through the Provincial Tender Committee to empower Zambians. The Controlling Officer admitted, however, that the purchase was irregular because there was no advertisement done both locally and internationally.

**Committee's Observations and Recommendations**

Your Committee observes that normal procurement procedures were not followed from the very beginning rendering the whole process highly irregular. Your Committee is particularly concerned that despite an expenditure of K142,691,129 made on the trip to China, the equipment has not been bought. Your Committee recommends that the matter be reported to law enforcement wings for further investigation and if malpractice is detected, the culprits should be prosecuted. Your Committee awaits a progress report on the matter.

c) **Unaccounted for fuel-K787,120,000**

Your Committee heard that the matter was under investigation by the Drug Enforcement Commission.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

d) **Unretired imprest-K620,653,250**

The Controlling Officer submitted that for group imprest, the trend was that the Province used acquittal sheets when retiring imprest but when the retirements were audited, auditors rejected them because accounts form 44 was not attached. The Controlling Officer further stated that the officers affected were advised to attach form 44 as was requested for at the time of audit.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the imprest was not appropriately retired and urges the Controlling Officer to take disciplinary action against erring officers as the retirement procedures are clear. Your Committee resolves to close the matter subject to audit verification.

e) **Weaknesses in the rehabilitation of feeder roads in districts**

i. *Access road to Sugar Plantation – Lumpuma Road, Lufwanyama K1,228,649,750*

The Committee was informed that the budget estimates on culverts for the year under review was based on manufacturers' prices but culverts were procured from a different company because manufacturers lacked necessary documentation under procurement guidelines and the price compared to estimates cost was much higher rendering the project expensive. It was further reported that the works had been included in the 2014 Work Plan and the Controlling Officer was going to ensure that the Department of Rural Roads Unit prepared appropriate budgets in line with expected works.

The Controlling Officer also reported that the ground was too soft to be graded as it was in the rainy season. Your Committee was also informed that disciplinary action had been taken against erring officers responsible and the matter was being investigated by Drug Enforcement Commission (DEC).

### **Committee's Observations and Recommendations**

Your Committee notes the submission but urges the Controlling Officer to ensure that projects were done and completed as planned. Your Committee awaits a progress report on the matter.

ii. *Abandoned machinery*

The Controlling Officer submitted that the water bowser that was on site at Lumpuma Sugar Plantation access road had developed a mechanical fault during demobilisation. The machinery had since been demobilised to the workshop.

### **Committee's Observations and Recommendations**

Your Committee observes that there was negligence on the part of the officers when they left the machinery abandoned and urges the Controlling Officer to take disciplinary action against the erring officers. Your Committee resolves to close the matter subject to audit verification.

## **OFFICE OF THE PRESIDENT-CENTRAL PROVINCE**

### **AUDIT QUERY**

PARAGRAPH 55

#### **PROGRAMMES:**

Infrastructure Development

#### **ACTIVITIES :**

Grading of Feeder Roads in Districts

Maintenance of Buildings and Plant

Rehabilitation of Feeder Roads in Districts

### **Accounting and other irregularities**

55. An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects carried out in April, 2013, revealed that during the period under review, the Provincial Administration spent amounts totalling K5,175,652,024 on rehabilitation of feeder roads. Several irregularities were revealed to which the Controlling Officer submitted as set out below.

a) **Irregular payment of subsistence allowance - Kabwe District-K82,005,000**

The Committee was informed that the road in question was Mulungushi road which stretches from Kabwe Mine Township to Chibombo Secondary School in Chibombo District. The Controlling Officer submitted that when the equipment was moved to the site for road works, the personnel involved were also moved to respective sites as well. On the road in question, the Controlling Officer stated that subsistence allowances were paid to officers because the camp was set in Chibombo District where much of the road works were done.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee cautions the Controlling Officer for failure to respond adequately to Auditors at the time of audit. The Controlling Officer is urged to ensure that in future all such matters are clarified with auditors. Your Committee resolves to close the matter subject to audit verification.

b) **Kundalila – Katota Road - Serenje District-K444,877,400**

Your Committee was informed that completion of the Kundalila-Katota Road could not be achieved due to a washed away bridge that was supposed to be worked on by the Road Development Agency (RDA). The Controlling Officer however, reported that road formation and grading were completed on the remaining 10 km of this road using a small grader. Other works requiring heavy equipment could not be undertaken due to challenges in moving heavier earth-moving equipment across the river. Regarding left over fuel, the Controlling Officer reported that it had since been allocated towards road works on the Katikulula resettlement Scheme - Great North road stretch in Chitambo Constituency as it was not clear when RDA would work on the bridge along Kundalila-Katota road to enable it to complete the 30 km that was initially planned.

### **Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to carry out an assessment before commencing the project to avoid such wasteful expenditure and poor workmanship. The Controlling Officer is urged to engage the Road Development Agency (RDA) to expeditiously work on the bridge so as to facilitate completion of the works on the road. Your Committee awaits a progress report on the matter.

c) **Msofu Road, Mkushi District - K158,894,000**

The Committee was informed that the disposal details for fuel amounting to K158,894,000 were available for audit verification and the delay in availing the said disposal details was due to miscommunication between RRU officers and auditors regarding the kind of disposal details required. On the other hand, road works on this road were done in the rainy season because the funding for rural roads were released late in the last week of October, 2012. As a result, there were few weak points that were washed away in the process.

### **Committee's Observations and Recommendations**

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

d) **Kapiri Mposhi District - Katukwe - Kabwale road-K451,265,000**

The Controlling Officer reported that the rehabilitation works on Katukwe-Kabwale road had since been completed and the road was ready for inspection.

### **Committee's Observations and Recommendations**

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

## **OFFICE OF THE PRESIDENT – CENTRAL PROVINCE**

### **AUDIT QUERY**

PARAGRAPH 56

PROGRAMME: General Deposit

ACTIVITIES: Various

### **Accounting and other irregularities**

56. An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects carried out in March, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Unretired imprest-K34,272,232**

Your Committee heard that imprest amounting to K6,062,664 had since been retired where as imprest amounting to K28,209,568 issued to one officer was being recovered from his salary.

### **Committee's Observations and Recommendations**

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

b) **Unaccounted for Stores-K8,328,800**

The Committee was informed that the delay in availing receipt and disposal details happened because the audit query gave them an impression that the computers procured were for the District Commissioner when, in fact, they were purchased by the Forestry Department and sent to District Forestry officers in Chibombo and Serenje Districts. The details were now available for audit verification.

### **Committee's Observations and Recommendations**

Your Committee finds the response by the Controlling Officer unacceptable and urges the Controlling Officer to take disciplinary action against the erring officers for failure to avail

documents at the time of audit. The matter is, however, recommended for closure subject to audit verification.

c) **Undelivered materials-K39,026,900**

The Committee was informed that the K26,035,900 worth of building materials had since been delivered by Chroza Enterprises leaving a balance of K12,991,000 yet to be delivered. The Controlling Officer stated that the supplier had been written to and given a deadline of 26<sup>th</sup> February, 2014, to deliver the remaining materials or refund the department failure to which the matter would be referred to the Office of the Attorney-General for litigation.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to follow up matters promptly as it has taken her over a year to follow up with the supplier which is unacceptable. The matter remains open until all materials are delivered and verified by the Office of the Auditor-General.

**OFFICE OF THE PRESIDENT – CENTRAL PROVINCE**

AUDIT QUERY

PARAGRAPH 57

PROGRAMME:

General Administration

ACTIVITIES:

Various

**Accounting and other irregularities**

57. An examination of accounting and other records maintained at the Provincial Administration carried out in March, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Unsupported payments-K48,002,000**

The Committee was informed that the delay in availing receipt, invoices and quotations was caused by lack of capacity in the accounts and procurement units and staffing changes had since been effected to enhance proper management of financial records. The said records were available for audit verification.

**Committee's Observations and Recommendations**

Your Committee finds the reason submitted by the Controlling Officer unacceptable because the same officers purported to be lacking capacity were used to process payments which require more technical know-how in contrast to filing of records. The Controlling Officer is urged to discipline the erring officers. Your Committee resolves to close the matter subject to audit verification.

b) **Unretired imprest-K587,746,105**

The Committee was informed that the K49,296,849 worthy of the receipt details were now available leaving a balance of K198,509,493 being recovered through payroll bringing the total recoveries to K247, 806,342. The Controlling Officer also added that the remaining K262,540,763.08 could not be entered because of the officers' movements to other pay points. However, the Controlling Officer reported that a schedule had been sent to PMEC Headquarters to ensure that all deductions were transferred to the officers' respective pay points.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that all the imprest is retired and retirement details availed for audit verification. Your Committee also urges the Controlling Officer to take disciplinary action against the officers who caused the omission. Your Committee awaits a progress report.

c) **Unaccounted for Stores-K488,419,681**

The Controlling Officer submitted officers who were handling stores then had lapses in management of stores records and promised that the scenario would no longer obtain as the Government had decentralised procurement and stores functions to district level which implied that information would be provided promptly. All the missing receipts and disposal details were now available for verification.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure to provide stores records as it makes it impossible to understand whether goods were delivered and distributed to intended users. Your Committee, therefore urges the Controlling Officer to caution the concerned officers for poor record keeping. The Controlling Officer is further urged to ensure that internal controls are strengthened. Your Committee resolves to close the matter subject to audit verification.

d) **Irregular payments - (i) K14,000,000 and (ii) K11,224,000**

i. The Controlling Officer referred your Committee to a Lease Agreement that was entered into between Mr and Mrs Nalumino and the Department of Physical Planning and Housing, Ministry of Local Government and Housing which was dated 3<sup>rd</sup> May, 2012. The Controlling Officer further referred to a memorandum of understanding between the Ministry of Local Government and Housing – Department of Physical Planning and Housing (Central Province) being the employing partner and Voluntary Services Oversees (VSO) which was dated 23<sup>rd</sup> February, 2012 and duly signed by the Permanent Secretary on one part and VSO representative on the other. The Controlling Officer stated that it was from this background that authority for payment of rentals for the officer was made.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to avail such documents to the Auditors at the time of audit and observes that this will not be tolerated in future. Your Committee resolves to lose the matter subject to audit verification.

iii. The Controlling Officer stated that in the year under review, the Province received a sum of K1,000,000,000 for dismantling of personnel-related arrears through the loan revolving account. Based on the database of arrears maintained by the personnel section, the two officers in question had unpaid outstanding balances of owner occupier housing allowances that accrued before this particular allowance was abolished, hence the said payments to clear the outstanding bill.

**Committee's Observations and Recommendations**

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

**OFFICE OF THE PRESIDENT – CENTRAL PROVINCE**

AUDIT QUERY

PARAGRAPH 58

PROGRAMME:

Infrastructure Development (PRP)

ACTIVITIES:

Various

**Irregularities in accounting for Poverty Reduction Programmes (PRP) Funds**

58. An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Non-delivery of materials-K54,092,450**

The Committee was informed that the suppliers in question had been written to and they had committed themselves to deliver the remaining materials by 3<sup>rd</sup> June, 2013. To date, the materials had not yet been delivered and letters advising them to refund the value of undelivered items had been sent to the said suppliers with a specific deadline of 28<sup>th</sup> February, 2014, after which the matter would be referred to the Office of the Attorney-General.

**Committee's Observations and Recommendations**

Your Committee observes that the Controlling Officer paid the suppliers upfront even before delivery of goods which is highly irregular. Your Committee also observes that the Controlling Officer has taken too long to take corrective action. Your Committee urges the Controlling Officer to report the matter to law enforcement agencies for investigations. Your Committee awaits a progress report on the matter.

b) **Infrastructure projects**

i. *Construction of VIP Toilets-K100,000,000*

The Controlling Officer submitted that both projects on construction of VIP toilets at Chibwela Mushi Cultural Centre and construction of the main structure at Kulamba kubwalo Cultural Centre had all been completed. Minor works were being done on the septic tank and soak away to completely finish the works. Late release of funds was the main reason of the delay to complete the works.

**Committee's Observations and Recommendations**

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

ii. *Construction of a 1x3 Classroom Block – Kampumbu Resettlement Scheme  
Over commitment - K218,559,660*

The Controlling Officer submitted that VBS General Dealers was engaged to construct a 1x3 Classroom Block at a total cost of K318,559,660 when only K100,000,000 was available at the time. She, however, reported that the project was funded K250,000 in 2013 which funds had since been used to complete the structure.

**Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer against over committing the Government which often results in loss of Government funds in cases of default. Your Committee resolves to close the matter subject to audit verification.

## OFFICE OF THE PRESIDENT – NORTHERN PROVINCE – RURAL ROADS

ACTIVITY: Various

PARAGRAPH 59

PROGRAMME: Various

### Accounting and other irregularities

59. An examination of accounting and other records carried out in March, 2013, at the Provincial Administration and physical inspections of selected projects revealed several irregularities to which the Controlling Officer responded as set out below.

#### a) **Unaccounted for Stores – K407,606,166**

##### i. *Headquarters-K90,792,000*

The Committee was informed that the stores records worth K90,792,000 reported missing at Headquarters were with Kasama Police which were handling a court case involving K17,680,000 unaccounted for at the Rural Roads Unit. He noted that the Police would only release the documents after the case had been disposed of.

#### **Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

##### ii. *Mpulungu District Council-K40,219,352*

The Committee was informed that the receipt and disposal details for stores worth K40,219,352 at Mpulungu were not availed at the time of audit because they were misplaced but had since been traced. An Accountant had since been employed who would ensure that all records were properly managed.

#### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to avail the traced stores records for audit verification. The Controlling Officer is also urged to take disciplinary action against the officers who misplaced the documents. Your Committee awaits a progress report on the matter.

##### iii. *Kasama-K276,594,814*

The Committee was informed that the receipt and disposal documents together with the fuel register for fuel costing K218,558,814 were with the Rural Roads Unit and were available for verification. Receipt and disposal documents together with the fuel register for fuel costing K43,579,500 were with the office of the District Commissioner and were available for verification while receipt and disposal details for fuel costing K14,456,500 were still missing. To avoid misplacements of fuel records in future, the officer who was handling the fuel records had been warned against misplacing documents and an instruction had been made to commence recoveries from his salary.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that the said records were not availed for audit during the audit process which was an illustration that the Provincial Administration does not take audits seriously. Your Committee urges the Controlling Officer to avail the documents that have been traced to the Office of the Auditor-General for verification. Your Committee resolves to close the matter subject to audit verification.

#### b) **Project implementation**

##### i. *Mungwi District*

The Controlling Officer acknowledged that the Mungwi District Administration Office received a total of K300,000,000 for rehabilitation of three major feeder roads covering a total distance of 55km. He also acknowledged that the District Administration Office did

not seek ratification from the District Development Coordinating Committee to work on the roads which had not been planned for, although authority was sought from and granted by the Permanent Secretary to work on the roads in question. He noted that there was a sudden change of the work plan when the District Administration found it necessary to work on Mungwi – Ngulula and Mungwi-Chonya roads because of the economic potential (agricultural activities) of Chonya and Ngulula areas. As regards the failure to use equipment from RRU, the Controlling Officer explained that the equipment was unable to meet the demand in the Province and as a result, the District Commissioner sought authority from the Permanent Secretary to use another contractor to do the works.

#### **Committee’s Observations and Recommendations**

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

ii. *Mporokoso District – K300,000,000*

The Controlling Officer confirmed that Mporokoso District received a total of K300,000,000 for the rehabilitation of two major feeder roads (Chitoshi via Muyembe to Nkandaba and Kabwe Mutitima). He also confirmed that the District Administration Office abandoned the approved plan and worked on two roads (Hospital to FTC and Police to Chishamwamba). This was done after a resolution was passed by the DDCC to work on the roads in question. The resolution was passed by the DDCC on 12<sup>th</sup> October, 2012 and the minutes for the meeting had been availed and verified by auditors.

#### **Committee’s Observations and Recommendations**

Your Committee resolves to close the matter.

### **OFFICE OF THE PRESIDENT - NORTHERN PROVINCE**

#### **AUDIT QUERY**

PARAGRAPH 60

PROGRAMME: Poverty Reduction Programmes

ACTIVITIES: Various

#### **Accounting and other irregularities**

60. An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of the projects carried out in February, 2013, revealed the accounting and other irregularities to which the Controlling Officer responded as set out below.

a) **Irregular payments – K20,975,000**

The Controlling Officer reported that the Provincial Administration engaged the consultant because he had institutional memory having served on a committee that had been constituted in 2007, to create a directory to promote investment in the Province. He noted that the accessed cost for this activity was K10,000,00 which made the Administration to prefer the single sourcing mode of procurement. He added that after the engagement of the first consultant, need arose for additional consulting services for developing and writing text for the website once the site was operational and this led to the recruitment of another consultant at the cost K10,000,000.

#### **Committee’s Observations and Recommendations**

Your Committee observes that the procurement of the contracts for the two persons was not done in accordance with the provisions of the *Public Procurement Act* and urges the Controlling Officer to refrain from such anomalies in future procurements. Your Committee resolves to close the matter.

b) **Unretired imprest – K40,478,190**

The recoveries had been effected from salaries of officers for the queried imprest in amounts totalling K26, 821,434. Imprest paid to one officer for the amount of K4,378,100 had since been retired while recoveries would be effected for the imprest in amounts totalling K9,278,656 which was paid to officers outside the Northern Province payroll. The Controlling Officer further submitted that the administration had since written to the respective Departments to commence the deductions.

**Committee's Observations and Recommendations**

Your Committee notes the submission and expresses concern over the failure by most officers to retire imprest which makes it very difficult to ascertain whether funds are being spent on activities for which they were drawn. Your Committee urges the Controlling Officer to recover all the unretired imprest from officers concerned. Your Committee awaits a progress report on the matter.

c) **Unaccounted for Stores –K103,303,985**

The Controlling Officer submitted that the position regarding the reported unaccounted for stores costing K103,303,985 was as follows:

i. *Water Affairs - K65,877,700*

The Controlling Officer submitted that the receipt and disposal details for stores items worth K65, 877,740 had been retrieved from Water Affairs Department and were available for verification. The documents in question were not availed at the time of audit because they had difficulties in locating the documents since the officer who was handling stores had been dismissed.

**Committee's Observations and Recommendations**

Your Committee observes that with strong controls, these documents should have been handed over together with other Government properties before the officer left the institution. The Controlling Officer is directed to avail the record to the Office of the Auditor-General for verification after which the matter shall be closed.

ii. *Land Resettlement - K3,070,814*

The Committee was informed that the records for stores items worth K3,073,814 were with the Land Resettlement Department. The records for fuel could not be availed at the time of audit because the officer who was handling the records was attending a course at Mulungushi University.

**Committee's Observations and Recommendations**

Your Committee observes that this officer should have been made to hand over before proceeding on study leave which is a standard practice. Your Committee resolves to close the matter subject to audit verification.

iii. *Provincial Administration-K34,352,471*

The Committee was informed that the payment in question was for the purchase of tiles and tile fix for the Provincial Administration office block. The amount involved was K52,178,904. Payment to the supplier was made in two parts. The first payment was for K17,826,432 while the second payment was for K34,352,471.02. The documents queried by the Auditors were attached to the payment voucher which was raised for the first payment

### **Committee's Observations and Recommendations**

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

d) **Fraudulent fuel drawing - Water Affairs Department – K14,980,680**

The Committee was informed that the Stores Officer drew 1,890 litres of diesel costing K14,980,680 by altering copies of fuel coupons submitted to the filling station. When management discovered this, it took action by dismissing the officer. In addition, the K14,980,680.00 had been recovered from the officer's terminal benefits.

### **Committee's Observations and Recommendations**

Your Committee notes the action taken by the Controlling Officer and resolves to close the matter.

e) **Infrastructure development**

i. *Failure to implement funded activities – K80,000,000*

The Committee was informed that the Provincial Administration received an amount of K80,000,000 for the construction of the Industrial Development Centre in Luwingu. However, the activity could not be implemented because the amount was very small compared to the scope of works to be done. Consequently, the Provincial Administration had provided K250,000 in the 2014 budget bringing the total to K330,000 for this activity to implemented.

### **Committee's Observations and Recommendations**

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

ii. *Construction of toilets at Luwingu District Office – Poor Workmanship*

The Controlling Officer confirmed that at time of audit, there was a crack where the new toilet building was attached to the District Commissioner's office block, but it had since been repaired.

### **Committee's Observations and Recommendations**

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

iii. *Construction of Rice Dehuller Shelter at Chifwenge*

The Committee was informed that the Provincial Administration engaged Messers Chikas General Dealers to construct a Rice Dehuller Shelter at Chimfwenge in Chilubi District at a contract sum of K67,000,000 and that an advance payment of K13,400,000 had been paid. The Controlling Officer further reported that the contractor failed to complete the project despite time extension and the Provincial Administration terminated the contract. In line with the signed contract, the Provincial Administration would recover from the guarantor the funds which were paid to the contractor. The Provincial Administration still held advance bonds for the advances paid to the contractor for the project.

### **Committee's Observations and Recommendations**

Your Committee observes that the Provincial Administration should have carried out a due diligence to establish the technical capability of the contractor to execute the contract. Your Committee urges the Controlling Officer to ensure that the project is awarded to another contractor without further delay. Your Committee awaits a progress report on the matter.

- iv. *Completion of Police Post at Matipa in Chilubi District*  
The Committee was informed that the contractor had been paid an advance payment of K14,000,000 in September, 2012. However, as of December, 2013, works had not commenced on the project. The Provincial Administration engaged Messers Chikas General Dealers to complete a Police at Matipa in Chilubi District at a contract sum of K70,000,000 and that an advance payment of K14,000,000 had been paid.

The Controlling Officer further stated that the contractor failed to complete the project despite time extension and the Provincial Administration had terminated the contract. In line with the signed contract, the Provincial Administration would recover from the guarantor the funds which were paid to the contractor. The Provincial Administration still held advance bonds for the advances paid to the contractor for the project.

**Committee's Observations and Recommendations**

Your Committee observes that this is the same contractor who failed to execute the contract at (iii) above and urges the Provincial Administration to always carry out due diligence to establish the technical capability of a contractor to execute contracts. Your Committee also urges the Controlling Officer to ensure that the project is awarded to another contractor without further delay. Your Committee awaits a progress report on the matter.

**OFFICE OF THE PRESIDENT - NORTHERN PROVINCE**

**AUDIT QUERY**

PARAGRAPH 61

PROGRAMMES: Various  
ACTIVITIES Various

**Accounting and other irregularities**

61. An examination of accounting and other records maintained at the Provincial and District Administration Offices carried out in March, 2013, revealed weaknesses to which the Controlling Officer responded as set out below.

a) **Provincial Administration**

i. *Double payments of fuel allowance-K26,316,800*

The Committee was informed that the K26,316,800 was paid to the Permanent Secretary in respect of fuel allowances and a letter had been written to the Ministry of Finance for recovery of the funds from his terminal dues. The Ministry of Finance had assured that the funds would be recovered.

**Committee's Observations and Recommendations**

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

ii. *Unsupported payments-K108,318,153*

The Controlling Officer submitted that all payments amounting to K108,318,153 which were reported to be inadequately supported had since been supported with relevant documents and were ready for verification.

**Committee's Observations and Recommendations**

Your Committee observes that failure to avail supporting documents is a very serious omission and urges the Controlling Officer to take disciplinary action against the officers who failed to secure the documents in line with the Terms and Conditions of the Public Service. Your Committee also urges the Controlling Officer to avail the traced supporting documents to the Auditor-General for verification.

- iii. *Unaccounted for Stores-K113,506,000*  
The Controlling Officer informed the Committee that the stores records worth K90,871,000 were not availed to the auditors at the time of audit. The Controlling Officer noted that this was because the office did not have enough personnel to handle stores and they depended on an unqualified member of staff. In order to avoid further occurrences of this nature, the Provincial Administration had filled up vacant positions in the Procurement and Supplies Unit.

**Committee's Observations and Recommendations**

Your Committee observes that the Provincial Administration still has much to do to improve record keeping in the Province. Your Committee is of the view that with close supervision, the staff that was at the station would have done a better job in securing stores records and urges the Controlling Officer to ensure that internal control measures are strengthened. Your Committee resolves to close the matter subject to audit verification.

- iv. *Unretired imprest – K38,828,661*  
The Committee was informed that imprest in amounts totalling K31,844,368 issued to fourteen officers had since been retired while K3,011,493 was paid to an officer as Settling-in-Allowance and not imprest as reported. A letter had been written to RDA to recover K1,792,920 paid to an officer who was outside the Provincial Administration payroll.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the imprest in question was not retired in accordance with Financial Regulations. Your Committee urges the Controlling Officer to caution accounting officers who failed to ensure that the imprest is properly retired. Your Committee awaits a progress report on the matter.

- v. *Failure to produce reports – K158,548,561*  
The Controlling Officer acknowledged that imprest in amounts totalling K158,548,561 was retired without reports. The reports had since been retrieved from the files and attached to the retirement documents. In future, no retirements would be accepted if submitted without a report endorsed by a responsible officer.

**Committee's Observations and Recommendations**

Your Committee observes that failure by Management to demand for reports after authorising the issuance of imprest was a very serious weakness in the Province. Your Committee urges the Controlling Officer to caution the officers who delayed in the submission of reports. Your Committee resolves to close the matter subject to audit verification.

b) **District Commissioner's Offices**

- i. *Unretired imprest-K64,974,821*  
The Controlling Officer acknowledged that there had been a lot of challenges regarding maintenance of books of accounts and stores at the District Administration offices because, since the offices were created, accountants had not been employed. He noted that this situation had contributed to documents missing. He noted, however, that accountants had since been employed in three districts in Northern Province while the Public Service Management Division (PSMD) had been requested to fill the remaining vacancies in the rest of the districts. The Controlling Officer also gave the position regarding the unretired imprest in amounts totalling K64,974,821 as set out below.

***Chilubi District - K41,074,200***

Imprest in amounts totalling K33,531,200 had since been retired while a payment for K7,000,000 on Cheque No. 002922 was duplicated in the audit report. Further, an amount of K543,000 on Cheque number 002778 was cancelled.

***Mpika District - K5, 553,000***

Recoveries had been effected from salaries of officers for the unretired imprest in amounts totalling K5,360,000 while the payment for K193,000 on Cheque number 004504 dated 05.02.13 was not an imprest, but a payment to a supplier.

***Chinsali District - K1,385,000***

Recoveries had been effected from salaries of officers for the unretired imprest totalling K1,385,000.

***Mungwi District – K10,750,000***

Recoveries had been effected from salaries of officers for the unretired imprest of K2,800,000 while K7,950,000 would be recovered from the package of the officer concerned and recovery had already been effected on her casualty form.

***Kasama - K6,212,621***

Recoveries had been effected from salaries of officers for unretired imprest in amounts totalling K4,226,669. Imprest for K1,985,953 had since been retired.

**Committee's Observations and Recommendations**

Your Committee observes that the Province is facing a huge challenge in ensuring that imprest is administered in accordance with Financial Regulations and urges the Controlling Officer to take immediate corrective action. The Controlling Officer is also urged to ensure that all the outstanding imprest is retired and documents availed to the Office of the Auditor-General for verification. Your Committee awaits a progress report.

ii. ***Unaccounted for Stores – K38,940,931***

The Controlling Officer submitted that the receipt and disposal details for stores at Kasama District Commissioner's office worth K18,748,871 had been availed by the District Commissioner's office while the log book for fuel costing K1,500,560 for Mungwi District had been traced. However, there had been challenges with the maintenance of stores at district administrative offices in Mpika, Chinsali and Mungwi in that the districts had no qualified personnel to handle accounts and stores.

**Committee's Observations and Recommendations**

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

**OFFICE OF THE PRESIDENT-NORTHERN PROVINCE (MUCHINGA)**

AUDIT QUERY

PARAGRAPH 62

PROGRAMME: Various

ACTIVITY: Various

**Accounting and other irregularities**

62. An examination of accounting and other records maintained at the Provincial Administration carried out in May, 2013, revealed several irregularities on which the Controlling Officer submitted as set out below.

a) **Unretired imprest - K37,615,951**

The Committee was informed that the recoveries had been effected from the salaries of all affected officers. The Controlling Officer revealed that recoveries for localised employees were handled administratively while recoveries for officers from other Ministries were recently fed into the system and records of proof were yet to be accessed since the PMEC had problems in printing from the new system.

**Committee's Observations and Recommendations**

Your Committee observes that it took too long for recoveries to be effected on the salaries of these erring officers and cautions against such lapses in future. Your Committee urges the Controlling Officer to take disciplinary action against the erring officers. Your Committee resolves to close the matter subject to audit verification.

b) **Uncollected motor vehicle at a private garage-K109,591,000**

The Committee was informed that the delay in collecting the vehicle from Pilatus Engineering was as a result of the garage's failure to replace the engine timely. The vehicle in question had since been collected.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to ensure that the vehicle was repaired and collected promptly. The Controlling Officer is cautioned to desist from allowing such lapses. Your Committee resolves to close the matter subject to audit verification.

c) **Irregular payment of allowances-K191,474,875**

The Committee was informed that the Circular of 16<sup>th</sup> December, 2012, through which authority was granted did not give clear guidelines on when to pay or not as it was open ended. The Provincial Administration, however, decided to abolish the payment of out of pocket allowances with effect from 30<sup>th</sup> June, 2013, until a time when there would be clear guidance.

**Committee's Observations and Recommendations**

Your Committee observes that the Provincial Administration willfully applied the Circular instead of seeking guidance before making the payments. The Controlling Officer is, therefore, cautioned to desist from such practices in future. Your Committee urges the Controlling Officer to ensure that authority is sought retrospectively to vary the funds. Your Committee awaits a progress report on the matter.

**OFFICE OF THE PRESIDENT – NORTHERN PROVINCE (MUCHINGA PROVINCE)**

AUDIT QUERY

PARAGRAPH 63

PROGRAMME:

Infrastructure Development -PRP

ACTIVITY:

Infrastructure for Muchinga Province

**Accounting and other irregularities**

63. An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of selected projects carried out in May, 2013, revealed several irregularities on which the Controlling Officer submitted as set out below.

a) **Incomplete works - Rehabilitation of the Government Rest House in Chinsali – K361,532,562.60**

The Committee was informed that the contractor had already started works to erect the tank and the matter had been resolved with the auditors.

After further probe by your Committee, the Controlling Officer clarified by resubmission that two new contractors were engaged as set out below.

- i. Jophen General Dealers which was awarded a contract on Local Purchase Order Number 80982596 TX to complete the remaining works at a cost of K7,070,000,000. The works included replacement of three flash doors with panel doors, fixing of two security electrical fittings, painting of two rooms, replacing some peg stays, plumbing and fixing of toilet pan and cistern, and electrical wiring to one block.
- ii. MPK Contractors was engaged on Local Purchase Order Number 80982710 to erect the water tank and do plumbing works associated with it at a cost of K27,335,000,000.

The Controlling Officer further submitted that one more contractor was yet to be engaged to deepen the borehole. However, due to rainy season, it was decided to delay the deepening of the borehole until the water level goes down. The tendering process of this particular contractor would start in the month of April, 2014. The Controlling Officer also stated that he had written to the Office of the Attorney-General for advice on the matter since the previous contractor failed to complete the works which was a breach of contract.

**Committee’s Observations and Recommendations**

Your Committee awaits a progress report on the matter.

b) **Contract for drilling of boreholes-K489,510,000**

- **Non-functional boreholes**

The Controlling Officer acknowledged that the three boreholes were not functioning at the time of audit. He stated that the pumps had developed mechanical faults after installation. In his oral submission, the Controlling Officer added that users in the locations where the boreholes were installed contributed to the faults on the pumps because they started using the boreholes even before the water rose to required levels. He, however, reported that all pumps on these boreholes were repaired and they were all functional while the matter had already been resolved with auditors.

**Committee’s Observations and Recommendations**

Your Committee observes that the contract agreement did not incorporate a warrantee which was a serious omission. The Controlling Officer is urged to ensure that all contracts entered into in future incorporated warrantees at the point of sale so as to avoid recurrence of similar cases. Your Committee resolves to close the matter.

- **Irregular payment-K51,621,750**

The Controlling Officer submitted that the contractor was contacted and had accepted to supply the remaining two hand pumps and also complete the remaining five boreholes when the water level goes down. On the price differentials, the Controlling Officer submitted that the other pumps which were priced higher than the others were actually submersible pumps while the lower priced ones were hand pumps.

**Committee’s Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to follow laid down procedures on payment of contractual works. Your Committee observes that the Controlling Officer willfully chose to circumvent the payment procedures and is thus cautioned to desist from the vice. Your Committee awaits a progress report on the matter.

c) **Contract for installation of water tank at FTC-K39,000,000**

The Controlling Officer submitted that the tank at Farmers Training Institute was installed and was now functional. The Controlling Officer added that the matter had already been resolved with the Office of the Auditor-General.

### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

#### **OFFICE OF THE PRESIDENT - WESTERN PROVINCE**

##### **AUDIT QUERY**

PARAGRAPH 64

UNIT: Various  
PROGRAMME: Various  
Activities: Various

#### **Accounting and other irregularities**

64. An examination of accounting and other records maintained at the Provincial Administration carried out in January, 2013, revealed accounting and other weaknesses to which the Controlling Officer responded as set out below.

a) **Unsupported payments- K24,862,640**

The Committee was informed that the four payment vouchers in amounts totalling K24,862,640 that were not supported with relevant documents were now supported and available for verification.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission but urges the Controlling Officer to take disciplinary action against erring officers and put measures in place to avert recurrence of the anomaly. Your Committee resolves to close the matter subject to audit verification.

b) **Unretired imprest - K310,609,099**

The Committee was informed that imprest in amounts totalling K143,378,703 had been retired while amounts totalling K22,170,000 had been recovered from retired officers' benefits through casualty forms. The amount of K75,753,575 was recovered from the monthly salaries of the officers concerned leaving a balance of K69,306,821 for which an input had been done for March, 2014.

#### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against the erring officers as deducting from their salaries is not punishment at all. The Controlling Officer is, therefore, urged to avail the retirement and recovery documents for audit verification.

c) **Non-remittance of tax to ZRA- K70,092,841**

The Controlling Officer acknowledged the liability to ZRA which was as a result of low budget ceilings, resulting in low funding for other Personnel Emoluments and arrears. However, the Ministry of Finance was engaged on the matter and once funded for other emoluments and arrears, the Office shall liquidate the amount of K70,092,841.20 owed to ZRA.

#### **Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer against his failure to remit statutory obligations which is a serious irregularity and is therefore urged to ensure that all taxes deducted are remitted to ZRA without any further delay. Your Committee awaits a progress report on the matter.

d) **Unaccounted for Stores - K387,146,920**

The Controlling Officer acknowledged that stores items worth K387,146,920 which had no receipt and disposal details at the time of audit but these were now available for verification.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that stores records could not be availed during audit for no apparent reason and therefore, urges the Controlling Officer to take disciplinary action against the

officers responsible for the anomaly. Your Committee resolves to close the matter subject to audit verification.

e) **Irregularities in management of fuel**

i. *Fuel drawn by private vehicles - K7,862,846*

The Controlling Officer submitted that fuel worth K7,379,436 was authorised and issued to support programmes for the Barotse Royal Establishment (BRE) and to facilitate performance of Government assignments by officers. The fuel drawn by the BRE was done under the departments that had budget lines which support Chiefs in their core programmes. In addition, although bearing private registration numbers, the vehicles in question were Government Vehicles procured under the Ministry of Local Government and Housing.

Your Committee was further informed that fuel amounting to K483,410 that was used in three unidentified private vehicles would be recovered in March, 2014, from the Heads of Departments who authorised the withdrawals. The Heads of Departments had since been advised to be seeking authority when using private vehicles in situations where authorised vehicles were not available. The fuel requisition slips were re-submitted for verification.

**Committee's Observations and Recommendations**

Your Committee expresses concern with the manner in which Government resources are negligently used. It is also concerned with the amount of fuel that was spent on private vehicles which is a serious irregularity. Therefore, the Controlling Officer is urged to ensure that disciplinary action is taken against the erring officers. Your Committee awaits a progress report on the matter.

ii. *Fuel drawn by unknown vehicles- K16,240,367*

The Controlling Officer acknowledged that there were lapses in fuel administration at the time of audit but these had since been rectified. The list of the vehicles which drew fuel was available for verification.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against the officers who authorised the drawing of fuel and provide a progress report.

iii. *Fuel drawn by vehicle not belonging to Provincial Administration - K19,517,685*

The Controlling Officer submitted that authority was granted by the then Controlling Officer for fuel drawn by vehicles belonging to other departments.

**Committee's Observations and Recommendations**

Your Committee is concerned that this information was not rendered during audit but resolves to close the matter subject to audit verification.

f) **Unrecovered loans and advances**

i. *Loans- K148,000,000*

The Controlling Officer submitted that loans in amounts totalling K70,000,000 were currently being recovered from the monthly salaries of the officers concerned. In addition, an amount of K43,000,000 had been recovered through Causality Forms from the terminal benefits of retired officers. Furthermore, your Committee was informed that inputs had been raised to recover loans in amounts totalling K35,000,000 in March, 2014.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take disciplinary action against officers who failed to ensure that arrangements for the recovery of the loans were in place. Your Committee resolves to close the matter subject to audit verification.

ii. *Salary advances- K33,138,333*

The Controlling Officer submitted that salary advances in amounts totaling K13,000,000 paid to eight officers, had been recovered through the payroll. In addition, an amount of K16,500,000 had been recovered through Casualty Forms from the terminal benefits of retired officers. Further, inputs had been raised to recover the salary advances in amounts totaling K3,683,333 in March, 2014 for officers whose net salary was less than 40% at the time of the audit when the debt ratio was low.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to caution officers who failed to make arrangements for the recovery of the loans were in place and to ensure that all loans are recovered. Your Committee resolves to close the matter subject to audit verification.

## **OFFICE OF THE PRESIDENT – WESTERN PROVINCE**

### **AUDIT QUERY**

PARAGRAPH 65

PROGRAMME: General Deposit Account

ACTIVITIES: Various

### **Accounting and other irregularities**

65. An examination of accounting and other records maintained at the Provincial Administration carried out in January, 2013, revealed the matters set out below to which the Controlling Officer submitted as set out below.

a) **Unretired imprest- K74,920,181**

The Controlling Officer submitted that imprest in amounts totalling K33,260,209 had been retired while imprest in amounts totalling K17,215,000 had been recovered from the terminal benefits of retired officers. Further, K17,864,972 had been recovered from the monthly salaries of the officers concerned leaving a balance of K6,580,000 for which an input for recovery from the payroll had been done for March, 2014.

### **Committee's Observations and Recommendations**

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

b) **Unaccounted for Stores and fuel - K133,540,663**

The Controlling Officer acknowledged that stores items in amounts totalling K133,540,663 had no receipt and disposal details at the time of audit but they had since been found.

### **Committee's Observations and Recommendations**

Your Committee considers failure to account for stores items a very serious anomaly as it is difficult to establish whether such goods were delivered and distributed to the right users. Your Committee, therefore, urges the Controlling Officer to caution management to ensure that all stores procured are accounted for to avoid loss of public funds. The matter is recommended for closure subject to audit verification.

c) **Rehabilitation of office block and erection of diamond wire fence – Senanga- K103,410,000**

The Controlling Officer submitted that the defects were brought to the attention of the contractor during the Defects Liability Period and they had since been attended to.

### **Committee's Observations and Recommendations**

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

### **OFFICE OF THE PRESIDENT - WESTERN PROVINCE ADMINISTRATION**

AUDIT QUERY

PARAGRAPH 66

PROGRAMME: Poverty Reduction Programmes (PRP)

ACTIVITIES: Various

#### **Accounting and other irregularities**

66. An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects carried out in March, 2013, revealed matters set out below to which the Controlling Officer submitted as set out below.

a) **Rehabilitation of a kitchen at Mongu Central Prison - K49,993,000.**

The Controlling Officer submitted that it was regrettable that the authority to vary the funds was not availed for verification at the time of the audit. In addition, this authority was now available for verification. The pipe that had burst had also been replaced and that the peeling-off of floor paint was as a result of the high frequency of movement in the kitchen when preparing meals for prisoners. This paint was applied time and again as it was not permanent.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission but urges the Controlling Officer to caution management to take audits seriously and to avail the variation for audit verification. Your Committee resolves to close the matter subject to audit verification.

b) **Construction of a sewer system at Senanga Prison- K50,000,000**

The Controlling Officer submitted that the overflowing septic tank had been unblocked and worked on and the soak away chambers laid on a high water table ground within the proximity of the river as the high population of the prison overloaded the system hence the overflowing effluents. Your Committee also heard that according to the bill of quantity, the contractor was to re-use the existing manhole covers and frames, because the funds released were not sufficient to do a complete overhaul of the sewer system. In addition, the contractor was not paid K3,600,000 for the supply of manhole covers but was only paid K3,600,000 for fixing ten cast iron manhole covers.

#### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that contractors are closely supervised to avoid shoddy works. Your Committee resolves to close the matter subject to audit verification.

c) **Construction of boreholes and wells - K398,899,973**

The Controlling Officer submitted that the Provincial Water Engineer had since constructed a new drainage at the artesian borehole to divert the water away from the clinic frontage.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission but urges the Controlling Officer to caution management to ensure that contractors are closely supervised and all defects are attended to. The matter is recommended for closure subject to audit verification.

d) **Rehabilitation of training centre at Namushakende- K102,000,000**

The Controlling Officer submitted that the ablution block had been fully rehabilitated. However, the cleaning of clogged sand in the soakaways and manholes could not be done as these structures were in a deplorable state and could be rehabilitated. Furthermore, the whole project required reconstruction, but the allocation of K1,000,000 reflected in the BOQ was not enough to do these works. In addition, a new BOQ that would attend to waste management adequately had been

prepared and submitted to the client ministry and had started mobilising resources to undertake the sewer works. Your Committee was further informed that the remaining balance of K26,400,000 from the contract sum would be used on tiling and sewerage works.

#### **Committee's Observations and Recommendations**

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

e) **Misapplication of funds - Resettlement Department- K286,766,622**

The Controlling Officer submitted that the money was spent to acquire medical equipment, furniture and solar equipment for Lunyati Rural Health Centre to meet the emergency needs of the community in Kalumwange Resettlement Scheme. In addition, in order to normalise the expenditure, a letter was written to Secretary to the Treasury to normalise the expenditure.

#### **Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer to desist from misapplying funds and to ensure that all funds are applied on approved and budgeted activities. Your Committee resolves to close the matter subject to audit verification.

### **OFFICE OF THE PRESIDENT - WESTERN PROVINCE – RURAL ROADS**

#### **AUDIT QUERY**

PARAGRAPH 67

PROGRAMMES: Infrastructure Development

ACTIVITIES: Various

#### **Accounting and other irregularities**

67. An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of the nine roads that were to be worked on carried out in January, 2013, revealed that the works were either poorly done or incomplete on three of the roads as detailed below, to which the Controlling Officer submitted as set out hereunder.

a) **Misapplication of funds - K703,271,734**

The Controlling Officer submitted that the procurement of graders was done on the authority of the Ministry of Transport, Works, Supply and Communications which had procured graders for all the Rural Roads Units country wide.

#### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to caution management to ensure that retrospective authority is sought for variation of funds. He is also cautioned to desist from varying funds for other activities unrelated to the intended purpose. Your Committee awaits a progress report on the matter.

b) **Uncompleted works - Construction of Limulunga - Ushaa Road- K778,484,400.**

Your Committee heard that the delay to start the 8 km works as planned was caused by the late release of funds from the Treasury. The money was only received in October, 2012 thus putting pressure on the project execution. In addition, among the measures taken to fast track the project was to engage Zambia National Service Land Development Branch. Furthermore, the increase in fuel prices, operational costs and procurement of spares for trucks that frequently broke down made the expenditure to soar in comparison to the intended coverage in kilometers.

#### **Committee's Observations and Recommendations**

Your Committee is not satisfied with the response by the Controlling Officer and observes that Rural Roads Units are supposed to have their own equipment in all provinces. Your Committee is of the view that if there was no equipment, Zambia National Service Land Development Branch (LDB) should have been allowed to take over so as not to delay the works. Furthermore,

the Controlling Officer is urged to caution management to ensure that the works are completed without further delay. Your Committee awaits a progress report on the matter.

c) **Poor workmanship - Gravelling of Mouyo Road - K692,835,000**

The Controlling Officer submitted that the noted defects had been corrected by Zambia National Service.

**Committee's Observations and Recommendations**

The Controlling Officer is urged to caution management to ensure that contractors are closely supervised. Your Committee resolves to close the matter subject to audit verification.

d) **Kaoma – Kalumwange Road - K127,701,630**

The Controlling Officer submitted that defects observed under spot improvement and maintenance under grading of roads were rectified and that the road required total rehabilitation. In addition, the identified area for spot improvement was in a swampy area and could not adequately be addressed with the available funds at the time as the cost of laying culverts only on that spot was more than K50,000,000. Furthermore, according to the Road Development Agency (RDA) Conditional Survey and Bill of Quantity, an amount of K75,000,000 was required to construct three culverts alone and also construction of an embankment at the section. He also added that an estimate of K3.4 billion was required for the whole road to be gravelled to acceptable standard. However, the road was now on the Link-Zambia 8000 programme under Road Development Agency Work Plan and a consultant had been procured and feasibility studies had commenced to up- grade the road to bituminous standard.

**Committee's Observations and Recommendations**

The Controlling Officer is urged to ensure that works are carried out expeditiously. Your Committee resolves to close the matter subject to audit verification.

**OFFICE OF THE PRESIDENT-EASTERN PROVINCE ADMINISTRATION**

AUDIT QUERY

PARAGRAPH 68

UNITS: Various

PROGRAMMES: Various

ACTIVITIES : Various

**Accounting and other irregularities**

68. An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of the selected projects carried out in October, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Construction of 1x3 classroom block at Chikwa Day High School, Chama District**

i. *Inadequate contract provisions- K379, 266,300*

The Committee was informed that the contract to Musmat contractors was awarded at a time when it was raining heavily and it was impossible for the Provincial Buildings Engineer to handover the site. He also reported that, initially, the contract was supposed to start from 21<sup>st</sup> December, 2012, to 21<sup>st</sup> March, 2013. The Controlling Officer added that, due to the impassibility of the road, Musmat contractors had asked for an extension of the contract period.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the failure by the Controlling Officer to take into consideration the season before signing the contract to avert the situation. Your Committee awaits a progress report on the matter.

- ii. *Over-commitment-K229,266,300*  
The Controlling Officer submitted that this contract was revised to the 2012 budget provision of K150,000,000.

**Committee's Observations and Recommendations**

Your Committee strongly cautions the Controlling Officer for the omission and urges him to desist from the vice. Your Committee resolves to close the matter subject to audit verification.

- iii. *Drilling of boreholes - Kaozi Resettlement Scheme in Chama District - K228,675,000*  
The Controlling Officer submitted that in June, 2012, the Provincial Administration engaged China Gansu Engineering Corporation-Zambia for the drilling of five bore holes up to a depth of 50 metres and supply and installation of submersible pumps at a contract price of K228,675,000. Your Committee was further informed that the drilling of the boreholes commenced on 16<sup>th</sup> July, 2012 and was completed on 30<sup>th</sup> July 2012. The report further stated that as at October, 2013, the contractor had been paid K113,900,000 leaving a balance of K114, 775,000. He added that the initial amount of K113,900,000 was an advance payment to China Gansu Engineering Corporation-Zambia for mobilisation and preliminary works from Chipata to Chama and between sites in Kaozi Settlement Scheme. However, after the contractor failed to find water at the depth of 50 metres, he was requested to make a refund of the amount advanced to him.

**Committee's Observations and Recommendations**

Your Committee questions the authenticity of the contract as it was not there at the time of audit. The Controlling Officer is urged to engage the Water Affairs Department to ascertain whether the refund of K7,360,000 was appropriate and provide a progress report on the matter.

**OFFICE OF THE PRESIDENT-LUAPULA PROVINCE**

**AUDIT QUERY**

PARAGRAPH 69

PROGRAMME: Poverty Reduction Programmes - (PRP)

ACTIVITIES: Various

**Accounting and other irregularities**

69. An examination of records maintained at the Provincial Administration and a physical inspection of selected projects carried out in May, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Non-utilisation of Generator Set-K69,800,000**

The Committee was informed that the two generators at Provincial Administration and the Permanent Secretary's residence had since been installed and were operational. Since the Minister's house required extensive renovation, the contractor working on the house was on site and would complete works by May after which the generator would also be installed. Only group insurance was available for both generators.

**Committee's Observations and Recommendations**

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

b) **Questionable payment-K7,000,000**

The Committee was informed that the officer responsible for the irregularity would be surcharged charged after investigations had been completed.

### **Committee's Observations and Recommendations**

Your Committee notes with concern that the supplier was cited as having some pending cases before the law enforcement agencies in the Report of the Auditor-General on the Management of Constituency Development Funds and Grants to Local Authorities for the Year Ended 31<sup>st</sup> December, 2011. Your Committee, therefore, urges caution when dealing with such contractors. Your Committee awaits a progress report on the outcome of the investigations.

c) **Missing payment vouchers-K641,989,471**

The Committee was informed that the misplacement of the payment vouchers was due to a critical shortage of accounting staff at that time but the unit has recruited a senior accountant who was carrying out regular checks. Furthermore, the effort to trace the payment vouchers still continued.

### **Committee's Observations and Recommendations**

Your Committee does not agree that shortage of staff was the core reason for the omission as the same officers who processed the payments should have secured the payment vouchers. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the erring officers and to ensure that missing payment vouchers are immediately traced and submitted for audit verification. Your Committee awaits a progress report on the matter.

d) **Unsupported payments - K422,191,817**

The Committee was informed that the K358,000,000 in payments had been supported leaving a balance of K63,000,000 yet to be supported. He explained that the cause for the anomaly was because, previously, the payment process was handled by the user departments who were geographically dispersed making it difficult to track these activities. However, the task had been given to procurement and he assured your Committee that efforts would continue to trace the supporting documents.

### **Committee's Observations and Recommendations**

Your Committee notes the submission but urges the Controlling Officer to ensure that all payments are supported and documents availed for audit verification. The Controlling Officer is also urged to take disciplinary action against the officers responsible for the anomaly. Your Committee awaits a progress report.

e) **Unretired imprest-K680,582,837**

The Committee was informed that the retirements had been misplaced after the change of accounting staff. Although the imprest register indicated that imprest had been retired, the auditor could not accept such retirements in the absence of attachments to the retirements. Efforts to locate the retirements had continued Disciplinary action had been taken against the Assistant Accountant who has been charged with the responsibility of keeping imprest records in accordance with the disciplinary code.

### **Committee's Observations and Recommendations**

Your Committee notes the submission but urges the Controlling Officer to strengthen the systems of record keeping in order to prevent recurrence. The Controlling Officer is also urged to immediately find all the missing retirement records and avail them for audit verification. Your Committee awaits a progress report on the matter.

f) **Unaccounted for Stores-K184,017,027**

The Controlling Officer submitted that this was mainly because, previously, the payment process was handled by the user departments who were geographically dispersed making it difficult to track these activities. However, this task had now been given to stores. The Controlling Officer also submitted that disposal details had now been traced and were awaiting audit verification.

### **Committee's Observations and Recommendations**

In noting the submission, your Committee urges the Controlling Officer that all stores procured must be accounted for to avoid loss of public funds. Your Committee also urges the Controlling Officer to avail the traced stores registers for audit verification after which the matter can be closed.

## **OFFICE OF THE PRESIDENT - LUAPULA PROVINCE**

### **AUDIT QUERY**

PARAGRAPH 70

UNIT: Provincial Administration  
PROGRAMME: General Administration  
ACTIVITIES: Various

### **Accounting and other irregularities**

70. An examination of accounting and other records maintained at the Provincial Administration carried out in March, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Failure to deduct tax (PAYE)-K130,106,294.44**

The Controlling Officer acknowledged the oversight and submitted that deductions were already effected from the payroll and the Accountant in charge was given an unrecorded warning in accordance with the disciplinary code.

### **Committee's Observations and Recommendations**

The Controlling Officer is strongly urged to ensure that all statutory obligations are honoured at the right dates. Your Committee resolves to close the matter subject to audit verification.

b) **Unaccounted for assets-K29,735,000**

The Controlling Officer submitted that he had sent enquiries to the Provincial Minister and the Permanent Secretary who were there at the time of audit and responses were being awaited.

### **Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

c) **Unsupported payments-K485,989,505**

The Controlling Officer submitted that this was largely due to the fact that departments used unqualified staff to prepare underlying documents. The payments amounting to K300,013,433 had now been supported with relevant documentation leaving a balance of K185,976,072. Efforts to have the remaining payments supported were ongoing.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against erring officers and that all the remaining supporting documents are immediately traced and availed for audit verification. Your Committee awaits a progress report.

d) **Unretired imprest-K1,213,003,551**

The Controlling Officer submitted that retirements could not be verified because they had been misplaced after the change of accounting staff. The journal vouchers had since been found. Disciplinary action had been taken against the Assistant Accountant who had been charged with the responsibility of keeping imprest records in accordance with the Disciplinary Code.

### **Committee's Observations and Recommendations**

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

e) **Unaccounted for Stores-K453,530,972 (General Stores-K337,047,680 and Fuel-K116,483,292)**

The Controlling Officer acknowledged that disposal details were missing at the time of audit which was mainly because goods were received by user departments without going through stores. However, this had since changed, and all procured goods were now going through stores before they were issued to user departments. As for districts, this was due to use of unqualified staff to handle their stores as there was no establishment for qualified stores officers at District Administration. Therefore, the Controlling Officer had directed the procurement department at the Ministry to go round the district administrations and identify officers to orient in stores management within their establishments.

**Committee's Observations and Recommendations**

Your Committee finds the response by the Controlling Officer unacceptable as the user departments who received the goods could still have recorded the transaction. He is urged to ensure that disposal details are traced and submitted for audit verification. Your Committee awaits a progress report on the matter.

f) **Missing payment vouchers-K616,118,525**

The Committee was informed that the payment vouchers were not availed for audit as they had been misplaced. Forty-one payments amounting to K143,902,141 had since been traced and efforts were being made to trace the remaining payment vouchers.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against erring officers and that all the remaining payment vouchers are immediately traced without further delay. Your Committee awaits a progress report on the matter.

**OFFICE OF THE PRESIDENT - LUAPULA PROVINCE - HEADQUARTERS**

AUDIT QUERY

PARAGRAPH 71

PROGRAMME: General Deposit Account

ACTIVITIES: Various

**Accounting and other irregularities**

71. An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of selected projects carried out in March, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Misapplication of funds - K65,978,284 and K520,734,490**

The Controlling Officer submitted that at the time of audit ,K65,978,284 and K520,734,490 were borrowed from the General Deposit Account to finance activities not related to the account. The borrowings were necessitated to implement urgent activities since they had not yet received funding for the period. However, the funds were reimbursed. The Controlling Officer also agreed that, at the time of audit verification, the construction of Chipungu Boarder Post was behind schedule. However, the delay was not as a result of non-availability of funds but due to other factors that necessitated the request for extension by the contractor. The expenditure details of the K800,000,000 which was released by the Ministry of Home Affairs were available for verification.

**Committee's Observations and Recommendations**

Your Committee notes the submission, but cautions the Controlling Officer to desist from the vice of misapplying funds to unrelated activities other than what it is intended for. Your Committee resolves to close the matter subject to audit verification.

b) **Non-preparation of expenditure returns**

The Controlling Officer acknowledged the observation by the auditors and stated that all the returns for 2012 were submitted in accordance with the Financial Regulations. However, at the time of submission, they did not request for the acknowledgement from the line ministries, as a result, there was no proof to satisfy the auditors' requirements. The Controlling Officer, however, explained that they were now requesting confirmation immediately officers submitted the returns as proof of submission.

**Committee's Observations and Recommendations**

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

c) **Missing payment vouchers-K117,674,322**

The Controlling Officer submitted that this was due to the fact that the payment vouchers were misplaced. However, all the missing payment vouchers had since been found and were available for audit verification. The accounts assistant in charge of keeping records of payment vouchers was given an unrecorded warning for unsatisfactory work performance being the first offence.

**Committee's Observations and Recommendations**

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

d) **Unsupported payments-K67,641,518**

The Controlling Officer submitted that payment vouchers amounting to K47,028,940 had since been supported with necessary documentation and efforts to have the rest of the unsupported payment vouchers amounting to K20,612,578 had continued.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against erring officers and that the remaining payment vouchers be traced without any further delay. Your Committee resolves to await a progress report.

e) **Unretired imprest-K193,048,940**

The Controlling Officer submitted that although at the time of audit the imprest register indicated that imprest had been retired, actual retirements had been misplaced. The retirements for the twenty-four transactions amounting to K193,048,940 had been traced and were available for audit verification. Disciplinary action was also taken against the assistant accountant who was charged with the responsibility of keeping imprest records.

**Committee's Observations and Recommendations**

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

f) **Unaccounted for fuel-K147,007,241**

The Committee was informed that the fuel and lubricants had since been supported with disposal details and were now ready for audit verification.

**Committee's Observations and Recommendations**

The Controlling Officer is urged to ensure that disciplinary action is taken against erring officers before the matter can be closed.

g) **Weaknesses in the management of projects**

i. *Rehabilitation works of the canal - Samfya and Lunga Districts - K170,000,000*

• **Under-utilisation of the machine**

The dredger machine was under-utilized due to insufficient operational funds released by the line ministry.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to liaise with the line ministry on the need to provide enough funding to fully operationalise the dredger machine. Your Committee resolves to close the matter but requests the Auditor-General to note the matter in future audits.

- **Failure to account for fuel-K80,000,000**

The Controlling Officer submitted that 10,574 liters of diesel costing K80,000,000 had no disposal details due to non-availability of trained staff at the District Commissioner's office. However, a qualified officer was sent on site to prepare the disposal details and they were now ready for audit verification. He instructed the procurement team to go round the districts to identify officers who can be oriented on how to prepare disposal details.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that disciplinary action is taken against the erring officers. Your Committee resolves to close the matter subject to audit verification.

- ii. *Failure to maintain canals - K400,000,000*

The Controlling Officer submitted that the canals were cleared once as opposed to the standard requirement of three times in a year because the funds released in the amount of K400, 000,000 in the year 2012, was only adequate to conduct clearing of canals once in the year.

### **Committee's Observations and Recommendations**

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

- h) **Construction of Chipungu Border Post - K800,000,000**

- i. *Over commitment of funds-K1,001,276,652*

The Controlling Officer submitted that the award of the contract was based on the engineers' estimates with consideration that the funding would be over three years under the Medium Term Expenditure Framework (MTEF) as planned. Construction of Chipungu Boarder post was meant to start from 2011 to 2013, for a three year Medium Term Expenditure Framework (MTEF). The following amounts were budgeted for; 2011 –K600,000,000, 2012 – K800, 000,000 and 2013 – K800, 000,000. The total budgeted amount was, therefore, K2,200,000,000. In this view, the contracted amount of K1,801,276,652 was within budget.

### **Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer for failure to avail documentary evidence to Auditors during the period of audit and resolves to close the matter subject to audit verification.

- ii. *Failure to follow procedures on cancellation of contract*

The Controlling Officer submitted that procurement procedures were not cancelled, but the main committee agreed to do a re-evaluation in order to seek clarification on bid securities. The Controlling Officer explained that this action was in accordance with Statutory Instrument No. 63 of 2011 Cap 12. The Controlling Officer added that after the re-evaluation, the main committee discovered that some documents for one bidder R Chipili were fraudulently obtained and resolved to award the contract to Anucha investments.

### **Committee's Observations and Recommendations**

Your Committee agrees with the audit that procurement procedures were not followed. Your Committee is particularly concerned that Anucha Investment, the contractor awarded the contract, actually offered a reduction of 16% at a later stage which disadvantaged other bidders and made the procurement process questionable. Your Committee, therefore, urges the Controlling Officer to report the matter to law enforcement agencies for further action. Your Committee awaits a progress report on the matter.

*iii. Failure to follow Ministerial advice to re-advertise contract*

The Controlling Officer submitted that the contract for Anucha Investments was nullified on 23<sup>rd</sup> of October, 2012, following communication from the Ministry of Home affairs.

### **Committee's Observations and Recommendations**

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

*iv. Incomplete works*

The Controlling Officer acknowledged that erection of the water tank, flooring, plastering, painting, fixing of tiles and fitting of doors, and window panes, among others, was not completed at the time of audit, but works were still ongoing. However, the contractor was on site for the final works and hand over was scheduled for April, 2014.

### **Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

## **OFFICE OF THE PRESIDENT - LUAPULA PROVINCE - RURAL ROADS**

AUDIT QUERY

PARAGRAPH 72

PROGRAMME: Infrastructure Development (PRP)

ACTIVITIES: M & E, Rehabilitation of Roads & Procurement of Equipment

### **Accounting and other irregularities**

72. An examination of accounting and other records maintained at the Provincial Administration and the Rural Roads Unit and a physical inspection carried out during the period from January to March, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Missing payment vouchers-K912,572,040**

The Committee was informed that the payment vouchers had since been traced and eighteen were available for audit verification while the other four were held by the Anti-Corruption Commission for their investigations. He added that at the time of audit, payment vouchers were not availed to the auditors because they had been misfiled due to critical shortage of accounting staff at the time. The unit was now fully staffed and to avoid such occurrences in future, each accountant had been tasked with specific roles and the Senior Accountant was carrying out regular checks.

### **Committee's Observations and Recommendations**

Your Committee observes that this was due to negligence on the part of accounting staff and urges the Controlling Officer to ensure that all erring officers are accordingly disciplined. Your Committee awaits a progress report on the matter.

b) **Unretired imprest-K189,795,440**

The Committee was informed that the details of retirements of imprest were not availed to the auditors at the time of audit because they were misfiled. However, the retirement details had since been found and were ready for audit verification. In addition, disciplinary action was taken against the Assistant Accountant, who was charged with the responsibility of keeping imprest

records. This being his first offence, the Assistant Accountant had been given an unrecorded warning for unsatisfactory work performance.

**Committee's Observations and Recommendations**

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

c) **Failure to reimburse borrowed funds-K1,547,414,499**

The Committee was informed that the funds were borrowed to finance operations at Provincial Administration as there was no funding for November and December, 2012. However, reimbursements amounting to K1,608,032.25 had since been made.

**Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer to desist from borrowing funds meant for road infrastructure activities as the opportunity cost lost during the delay of carrying out the works on roads cannot be recovered. Your Committee resolves to close the matter subject to audit verification.

d) **Misapplication of funds-K814,333,886**

The Committee was informed that the funds meant for road rehabilitation was released late in December, 2011 and was transferred to General Administration. It was also true that on 1<sup>st</sup> March, 2012, K1,365,666,114 was transferred to the Capital Account leaving a balance of K814,333,886. Since there was no funding at the time and Provincial Administration urgently need to clear bills to avoid interest charges, a request to vary the funds was done in order to pay for other capital expenditure.

**Committee's Observations and Recommendations**

The Controlling Officer is cautioned against misapplying funds meant for capital projects and urges him to obtain retrospective Treasury authority before the matter can be closed.

e) **Undelivered spare parts-K23, 000,000**

The Committee was informed that the spare parts were delivered and later returned because they were of wrong specifications. The correct parts had since been delivered and the disposal details were available for audit verification.

**Committee's Observations and Recommendations**

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

f) **Failure to reimburse fuel-K16,153,410**

The Controlling Officer acknowledged that at the time of audit, fuel was not reimbursed, but this was done on 18<sup>th</sup> December, 2013.

**Committee's Observations and Recommendations**

Your Committee resolves to close the matter subject to verification.

g) **Misapplication of infrastructure funds-K2,865,540,000**

The Committee was informed that the funds in the sum of K2,666,499,425 were varied within the same program in order to procure spare parts and insurance for the machinery that was to be used for the implementation of programs under Rural Roads Units (RRU).

**Committee's Observations and Recommendations**

Your Committee expresses concern at the habit of varying without authority and cautions this practice. Your Committee resolves to close the matter.

h) **Failure to utilise funds-K3,878,393,524**

The Controlling Officer acknowledged that K8,766,274,595 had been funded by 31<sup>st</sup> December, 2012, while the K3,887,393,524 was only funded on 31<sup>st</sup> December, 2012. He explained that due to the heavy downfall of rains at that time, the grading of roads could not continue. The funds were used by February, 2013, to procure equipment, pay wages, and buy fuel and spares. Documentation was available for audit verification.

**Committee's Observations and Recommendations**

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

**Poor project implementation - Planned Activities**

i. *Rehabilitation of Mufuma – Mansa Resettlement Road - K250,000,000*

The Controlling Officer acknowledged that a sum of K250,000,000 was budgeted for Mufuma Road in Mansa District. The Controlling Officer, however, stated that funds amounting to K106,991,892 were spent on bush clearing and grading leaving a balance of K143,008,108 which was supposed to be used for spot gravelling. The remaining works were not carried out due to non-availability of tipper trucks which were key in carrying out the activity at the time the project was being undertaken. This was because the tipper trucks were engaged in the rehabilitation of some major gravel roads in the Province.

**Committee's Observations and Recommendations**

Your Committee observes that a lot still remains to be done for the Provincial Administration to improve implementation of infrastructure projects in the Province and urges the Controlling to ensure that steps are taken to correct the situation. Your Committee awaits a progress report on the completion of the works.

ii. *Rehabilitation of Kabunda Road - K92,048,683*

The Committee was informed that the amount was spent on the rehabilitation of Kabunda Road although potholes were discovered on the road upon inspection. However, the potholes were as a result of the road being damaged because of the heavy trucks which used the road to transport manganese from the mines to town as the road was the only link between Mansa town and the manganese mines which were in Kabunda area.

**Committee's Observations and Recommendations**

Your Committee expresses concern that potholes were discovered soon after the road works were completed and urges the Controlling Officer to ensure that drainages are correctly done without further delay. Your Committee awaits a progress report on the matter.

**OFFICE OF THE PRESIDENT - LUAPULA PROVINCE - WATER AFFAIRS DEPARTMENT**

AUDIT QUERY

PARAGRAPH 73

PROGRAMME: Infrastructure Development-PRP

ACTIVITY: Construction of Boreholes

**Accounting and other irregularities - Isubilo Oil Palm Irrigation Scheme (IOPIS)**

73. An examination of accounting and other records carried out in March and June, 2013, revealed several irregularities to which the Controlling Officer submitted as set out below.

a) **Unaccounted for Stores K864,123,463 (general stores - K775,512,091 and fuel - K88,611,372)**

The Committee was informed that the irregularity was due to the fact that the materials that were bought for the Palm Oil Project were being handled by the Technical Team that was constructing the reservoir for the Palm Oil Irrigation Project. It was regrettable that a stores officer was not

assigned to be part of the Technical Team. However, a stores officer was eventually assigned to the project and the situation was normalised. The receipts and disposal details for general stores and fuel were now available for audit verification.

**Committee's Observations and Recommendations**

Your Committee observes that failure to account for stores is a serious anomaly and urges the Controlling Officer to take disciplinary action against members of the team assigned to manage the store items before the matter can be closed.

b) **Failure to train farmers**

The nature of the training for the farmers included how to make furrows which could not be carried out in the rainy season. However, the farmers were trained on how to make furrows and manage the irrigation system from 12<sup>th</sup> July, 2013 to 28<sup>th</sup> July, 2013.

**Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

c) **Physical inspections**

i. *Pump panel not operational-K20,728,920.*

The Controlling Officer acknowledged that at the time of audit, the pump panel was not operational but the fault was rectified and the pump was working.

**Committee's Observations and Recommendations**

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

iii. *Irrigation system non-operational*

The Controlling Officer acknowledged that no water had been pumped in the reservoir at the time of audit, but the irrigation system was now operational.

**Committee's Observations and Recommendations**

Your Committee resolves to close the matter subject to verification.

d) **Non-completion of the project**

The Controlling Officer stated that the only remaining planned activity was the training of farmers. However, the project was completed in July, 2013, after the training of farmers was conducted.

**Committee's Observations and Recommendations**

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

**OFFICE OF THE PRESIDENT – NORTH-WESTERN PROVINCE**

AUDIT QUERY

PARAGRAPH 74

PROGRAMME:

General Administration

ACTIVITIES:

Various

**Accounting and other irregularities**

74. An examination of accounting and other records maintained at the Provincial Administration carried out in March, 2013, revealed accounting and other irregularities to which the Controlling Officer responded as set out below.

a) **Irregular payments**

i. *Irregular award of tender- K100,090,000*

The Controlling Officer acknowledged that there was inside dealing by a company owned by an officer without declaration of interest. The Controlling Officer further submitted that the officer concerned was a junior officer at ZANIS and had pleaded guilty during investigations and the Administration would proceed to take disciplinary action against him. The matter had also been reported to the Police.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the outstanding materials valued at K64,090,000 are immediately delivered by the Company or the same amount should be recovered immediately. Your Committee awaits a progress report on the matter.

ii. *Undelivered items- K30,062,000*

The Controlling Officer submitted that the officer was on suspension while the case had been reported to Zambia Police and Anti-Corruption Commission and investigations were underway.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the matter is followed to its logical conclusion. Your Committee awaits a progress report on the matter.

b) **Unaccounted for Stores-K660,254,855**

The Controlling Officer acknowledged that stores records amounting to K660,254,855 were availed and verified by the auditors and the matter had been recommended for closure.

**Committee's Observations and Recommendations**

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

c) **Unsupported payments-K166,813,403**

The Committee was informed that the supporting documents amounting to K166,813,403 were availed and verified by the auditors and the matter had been recommended for closure.

**Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

d) **Irregular use of accountable imprest-K415,986,128**

The Controlling Officer acknowledged the anomaly arising from the use of imprest for purchase of goods and stated that measures had since been put in place to ensure that it did not reoccur. All Heads of Departments had been written to reminding them to stop the practice of procuring goods and services using imprest with effect from January, 2014.

**Committee's Observations and Recommendations**

Your Committee agrees with the Office of the Auditor-General that the imprest in question was irregularly used to procure goods and services and urges the Controlling Officer to monitor the performance of the departments to avert recurrence of the anomaly. Your Committee resolves to close the matter subject to audit verification.

e) **Unretired imprest-K210,189,232**

The Controlling Officer submitted that all the imprest amounting to K210,189,232 were retired and some were being recovered from the salaries and this was verified by the auditors.

### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

f) **Staff recruited without authority-K274,511,531**

The Controlling Officer acknowledged the anomaly of the recruitment of casual workers without authority from PSMD but noted that, management had since stopped the practice.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to seek retrospective authority from the PSMD in order to normalise the payment of the wages. Your Committee awaits a progress report on the matter.

g) **Irregular payment on the provision of security services-K34,440,000**

The Controlling Officer acknowledged that it was an anomaly to engage security services because this was not in the conditions of service of the Permanent Secretary.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to start the process of recovering K34,440,000 from the former Permanent Secretary. Your Committee awaits a progress report on the matter.

h) **Payments for maintenance Works- K85,737,000**

The Controlling Officer acknowledged the anomaly and assured your Committee that going forward, the office would ensure that procurement guidelines were adhered to.

### **Committee's Observations and Recommendations**

Your Committee observes that failure to follow procurement guidelines is tantamount to abuse of office and urges the Controlling Officer to take appropriate disciplinary action against the officers responsible for the anomaly. Your Committee awaits a progress report on the matter.

## **OFFICE OF THE PRESIDENT – NORTH-WESTERN PROVINCE**

### **AUDIT QUERY**

PARAGRAPH 75

PROGRAMME: General Deposit

ACTIVITIES: Various

### **Accounting and other irregularities**

75. An examination of accounting and other records maintained at the Provincial Administration and a physical inspection of projects carried out in March, 2013, revealed accounting and other irregularities to which the Controlling Officer responded as set out below.

a) **Unretired imprest-K67,306,600**

The Controlling Officer submitted that imprest totalling K67,306,600 had been retired and verified by auditors.

### **Committee's Observations and Recommendations**

Your Committee notes the submission but urges the Controlling Officer to take disciplinary action against the erring officers that caused the anomaly.

b) **Over-commitment of funds - Construction of an Office Block - Kazhiba Resettlement: K57,134,500**

The over-commitment of K57,134,500 arose due to the Buildings Engineer's estimate of K160,134,500 to complete the project. However, corrective measures had been taken by providing for the balance in the 2014 budget under the Office of the Vice-President. The

Controlling Officer further submitted that the current status of the project was that the project had since been completed and was awaiting handover.

#### **Committee's Observations and Recommendations**

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

### **OFFICE OF THE PRESIDENT-NORTH-WESTERN PROVINCE**

#### **AUDIT QUERY**

PARAGRAPH 76

DEPARTMENT: Various  
PROGRAMME: Poverty Reduction Programmes - (PRP)  
ACTIVITIES: Various

#### **Accounting and other irregularities**

76. An examination of accounting and other records maintained at the Provincial Administration and physical inspections of selected projects carried out in March, 2013, revealed accounting and other irregularities to which the Controlling Officer responded as set out below.

a) **Delay in completion of project – Construction of Office Block**

The Committee was informed that construction of Mufumbwe Office Block was completed in November, 2013, and the matter was recommended for closure by the Office of the Auditor-General.

#### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

b) **Resettlement department**

- i. *Failure to implement projects - Storage shed - Janyauki Resettlement Scheme- K70,000,000*  
The Controlling Officer submitted that this was because the Provincial Buildings Engineer prepared designs and bill of quantities which were not appropriate according to the available funds which resulted in non-responsive bidders.

#### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to take corrective measures by either preparing new project designs or sourcing more funding to undertake the project. Your Committee further urges the Controlling Officer to take disciplinary action against the Engineer who prepared the designs as his actions have denied the community an opportunity to use the facility. Your Committee awaits a progress report on the matter.

- ii. *Delay in the construction of staff house at Kainanfumu Scheme*  
The Controlling Officer stated that this was largely due to inadequacies in the office of the Provincial Buildings Engineer who had since been replaced while a provision of funds had been made in the 2014 budget to complete the project. The Controlling Officer further submitted that the contractor was on site and work was in progress and the house was at roof level. The matter was resolved and recommended for closure subject to audit verification.

#### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

c) **Rehabilitation and maintenance of Solwezi Sports Complex-K50,965,600**

The Controlling Officer acknowledged that the wall fence had collapsed due to poor workmanship and the Buildings Department would finish the works using the balance that was not paid totalling K17,042,400. The works would continue using the materials that remained on site upon termination of the contract with the supplier.

**Committee's Observations and Recommendations**

Your Committee notes the submission and urges the Controlling Officer to ensure that the wall fence is redone immediately. Your Committee also urges the Controlling Officer to ensure that there is improved monitoring of projects. Your Committee awaits a progress report on the matter.

d) **Magrade extension road-K2,078,342,264**

i. *Works paid for but not done- K88,192,000*

The Committee was informed that the payment was made on the basis of a recommendation from officers from RDA and the matter was being investigated by Anti Corruption Commission.

**Committee's Observations and Recommendations**

Your Committee expresses concern at the issuance of a certificate for uncompleted works and directs the Controlling Officer to immediately provide documentary evidence on the instruction issued by RDA to pay and that showing that the case is being investigated by the Anti-Corruption Commission. Your Committee awaits a progress report on the matter.

ii. *Delayed completion*

The Committee was informed that the contractor had failed to complete the works and the case was with the Anti-Corruption Commission.

**Committee's Observations and Recommendations**

Your Committee notes the submission, but urges the Controlling Officer to immediately present evidence to your Committee to prove that the matter is being investigated by the Anti-Corruption Commission. Your Committee awaits a progress report on the matter.

e) **Solwezi College Road**

The Committee was informed that the Road Development Agency had done an assessment and produced a bill of quantities totalling KR1,100,000 and the Management in conjunction with Solwezi Municipal Council was discussing the funding options.

**Committee's Observations and Recommendations**

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

f) **Unretired imprest-K44,915,500**

The Committee was informed that the matter was resolved and recommended for closure as imprest in amounts totalling K44,915,500 was being recovered from the officer through the payroll.

**Committee's Observations and Recommendations**

Your Committee notes the submission, but urges the Controlling Officer to also take disciplinary action against the officers who caused the anomaly. Your Committee resolves to close the matter subject to audit verification.

**OFFICE OF THE PRESIDENT – NORTH-WESTERN PROVINCE - RURAL ROADS**

AUDIT QUERY

PARAGRAPH 77

PROGRAMME:

Infrastructure Development (PRP)

ACTIVITIES:

Various

**Accounting and other irregularities**

77. An examination of accounting and other records maintained at the Provincial Administration and physical inspections of the projects carried out in February, 2013, revealed accounting and other irregularities to which the Controlling Officer responded as set out below.

a) **Failure to implement funded activities**

The Committee was informed that the matter was resolved and recommended for closure by auditors. The Controlling Officer, however, gave the status on each road as set out below.

***The Mafwe - Manyama- Matebo***

The Controlling Officer stated that it was impossible to work on the road due to collapsed bridges which hindered equipment to progress with grading. The two bridges namely; Mafwe and Maheba collapsed hence making the stretch from Matebo to Manyama unattended to and authority was sought to purchase graders to boost the efficiency of Rural Roads Unit.

***M8- Munyambala Road***

The Controlling Officer submitted that the Ministry of Local Government through Mufumbwe District Council had planned to work on the same road and that works had already started hence the decision to work on another road called Mushima.

***M8- Nyoka - Kelongwa Road***

The Controlling Officer explained that commencement was delayed due to the conditional survey which was still being carried out by the Road Development Agency at the time of audit. The works had since commenced and were expected to be completed by December, 2013.

***Kelongwa Road***

The Controlling Officer submitted that the works could not be done on this road because Lunga Resource Limited had already done the work as part of their corporate social responsibility. In view of this, funds were varied for the purchase of new graders.

***Chinyama - Litapi Road***

Your Committee was informed that due to constant breakdowns of old graders, the Rural Roads Unit was unable to work on the roads as scheduled. In view of the above, the office varied the funds meant for this road to purchase new graders.

***Nguvu - Mukuku Road***

The Controlling Officer submitted that this was a labour based contract and hence a stretch of 15 km was worked on according to the availability of funds. The works done on this 15 km was in respect of road formation. Furthermore, the reasons submitted were accepted for amounts totalling K5,700,000,000 for the projects and the matter was resolved and had been recommended for closure.

**Committee's Observations and Recommendations**

Based on the recommendation by the Office of the Auditor-General that the reasons given by the Controlling Officer were reasonable, your Committee resolves to close the matter.

b) **Implementation of unapproved activities-K1,222,466,720**

The Committee was informed that the funds were initially meant to be used on Munyambala

Road, but at the time of implementation, it was found that the Ministry of Local Government and Housing through Mufumbwe District Council had already engaged a contractor to work on the same road and works had already started. This prompted the Provincial Roads Engineer to work on other priority roads which were in a deplorable state. The Controlling Officer admitted the omission on their part of failing to seek authority from the Secretary to the Treasury to vary funds.

#### **Committee's Observations and Recommendations**

Your Committee observes that a lot remains to be done at the Provincial Administration to improve the coordination of planning and implementation of projects in the Province. Your Committee urges the Controlling Officer to ensure that planning is appropriately harmonised to ensure efficiency. The Controlling Officer is urged to seek retrospective Treasury authority for the variation. Your Committee awaits a progress report on the matter.

#### **Weaknesses in accounting for Public Stores**

*i. Unaccounted for Stores-K1,600,095,516*

The Committee was informed that the disposal details for stores items amounting to K1,600,095,516 were availed and verified by auditors and the matter was resolved and recommended for closure.

#### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

*ii. Undelivered Stores Items- K9,450,000*

The Committee was informed that the 100 bags of cement had since been delivered and the matter had been recommended for closure following audit verification.

#### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

c) **Questionable payments-K82,800,000**

The Controlling Officer submitted that this was because workers were verbally instructed to relocate and work on the Mushindamo road which was cut off and needed urgent attention.

#### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to provide convincing evidence failure to which recoveries should be instituted from the officers in question and disciplinary action taken in line with the Terms and Conditions of Service of the Public Service. Your Committee awaits a progress report on the matter.

#### **Uncompetitive hire of grader-K440,000,000**

The Controlling Officer acknowledged the anomaly to single source the hire of the grader and assured your Committee that this would not be repeated.

#### **Committee's Observations and Recommendations**

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

d) **Failure to follow tender procedures**

The Controlling Officer acknowledged that tender procedures were not followed in the awarding of the contract to procure tyres for the Rural Roads Unit. The Controlling Officer, however, assured your Committee that this would not happen again. The matter regarding Lamusa Company and how the contract was awarded was now being investigated by the Anti-Corruption Commission (ACC).

### **Committee's Observations and Recommendations**

Your Committee notes that the matter is being investigated by the Anti-Corruption Commission and awaits a progress report on the matter.

#### e) **Implementation of road projects**

##### i. *Chingi-Sewe Road - Chavuma District*

The Committee was informed that the Rural Roads Unit had gone back to site after the audit inspection and the works had since been completed. The auditors verified the completion of the road and the matter had been recommended for closure.

### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

##### ii. *Mushima Road - Mufumbwe District- K925,422,720*

The Committee was informed that the culverts were installed and the road was completed and the matter was verified by auditors.

### **Committee's Observations and Recommendations**

Your Committee resolves to close the matter.

##### iii. *Mushitala Road- Solwezi District - K297,044,000*

The Committee was informed that the Mushitala Road Project which was to serve as a bypass of Solwezi main town, could not continue after Kansanshi Mine discontinued the proposed project of constructing a bridge across Solwezi river in Mushitala area where the road passes. He also submitted that amounts totalling K297,044,000 were spent on seventeen kilometers of bush clearing, road formation and two kilometers of gravelling.

The Controlling Officer added that the works were eroded by the rains making some portions impassable at the time of audit since secondary works of making the road did not continue.

### **Committee's Observations and Recommendations**

Your Committee observes that on account of poor planning by the Provincial Administration, the expenditure of K297,044,000 on the abandoned road was wasteful and notes with concern that the funds were redirected towards unapproved works. In closing the matter, your Committee urges the Controlling Officer to improve coordination of projects in the Province.

##### iv. *Chikonkwelo –Kayombo Road- Kabompo District – Incomplete works- K1,125,504,034*

The Controlling Officer submitted that works on Chikonkwelo - Kayombo road were delayed because of constant breakdowns of equipment. The works were supposed to be completed by 2012/2013 rainy season since the sandy soil could easily be compacted during rainy season. However, due to regular breakdowns of equipment, completion on time was not achieved. The Controlling Officer further submitted that the Rural Roads Unit was on site and so far thirty kilometers bush was cleared, thirty kilometre road formation was while 20 km had been graveled.

### **Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to ensure that the works are completed without further delay. Your Committee awaits a progress report on the matter.

**OFFICE OF THE PRESIDENT – SOUTHERN PROVINCE – HEADQUARTERS**

AUDIT QUERY

PARAGRAPH 78

PROGRAMME: Infrastructure Development (PRP)

ACTIVITIES: Various

**Accounting and other irregularities**

78. An examination of accounting and other records maintained at the Provincial Administration in Choma and a physical inspection of selected projects carried out in March, 2013, revealed irregularities to which the Controlling Officer responded as set out below.

a) **Missing payment vouchers-K9,030,000**

The Committee was informed that the three payment vouchers amounting to K9,030,000 were still missing and efforts to trace them were continuing. She added that the relocation of the Provincial Administration from Livingstone to Choma had presented a number of challenges which included a lack of adequate and secure storage space for accountable and other documents.

**Committee's Observations and Recommendations**

Your Committee finds the explanation by the Controlling Officer inadequate as measures should have been taken to secure all accounting documents. Your Committee, therefore, urges the Controlling Officer to ensure that the missing payment vouchers are immediately traced and presented for audit. She is further urged to take disciplinary action against the officers who failed to secure the said payment vouchers. Your Committee awaits a progress report on the matter.

b) **Unretired imprest-K205,882,814**

The Committee was informed that imprest in amounts totalling K205,882,814 issued to forty-three officers had since been fed for recovery through payroll.

**Committee's Observations and Recommendations**

Your Committee expresses displeasure at the way imprest is being managed by the Provincial Administration and urges the Controlling Officer to, in addition to the recoveries, caution the officers involved in order to prevent recurrence of the irregularity. Your Committee resolves to close the matter subject to audit verification.

c) **Issuance of subsequent imprest-K154,383,570**

The Controlling Officer acknowledged that subsequent imprest amounting to K154,383,570 was issued to officers who had not retired previous imprest. She explained that amounts of K8,750,000 and K4,125,000 respectively, were issued to two officers who were deceased and their terminal benefits were negative and loss reports had been prepared. Further amounts of K26,450,000 and K12,350,000 issued to two other officers were recovered through casualty forms on their retirements. The balance of K102,708,570 had since been fed for recoveries.

**Committee's Observations and Recommendations**

Your Committee notes the submission but observes that the response was inadequate as the Controlling Officer failed to explain why subsequent imprest were issued to officers that had not retired their previous ones as required by Financial Regulations. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the accounting officers responsible for failure to render relevant advice on the matter. Your Committee awaits a progress report.

d) **Failure to produce reports**

Your Committee was informed that all reports were now available except for trips undertaken by one officer and his outstanding imprest were recovered through the casualty form.

### **Committee's Observations and Recommendations**

Your Committee observes that failure by officers to produce reports after undertaking field visits is an indictment on the Administration as it is due to poor supervision. Your Committee, therefore, urges the Controlling Officer to take concrete steps to ensure that such reports are submitted within a given timeframe. As regards the delayed reports, the Controlling Officer is urged to take disciplinary action against the officers responsible for the omission. Your Committee resolves to close the matter subject to audit verification.

e) **Claims made without prior authority-K43,347,000**

The Controlling Officer submitted that the nature of field operations of the Rural Roads Unit could not permit workers to abruptly abandon site and relocate back to base on account of expiry of the authorization period initially granted. The effect of this was to delay progress and it was deemed uneconomical for field workers to leave site just to go and wait for a fresh mandate so that they could go back to continue rehabilitation works.

### **Committee's Observations and Recommendations**

Your Committee observes that this practice is tantamount to transferring the exercise of authority from the Controlling Officer to individual officers which is unacceptable. Your Committee wonders why this problem was only peculiar to Southern Province when other provinces had similar units. Your Committee urges the Controlling Officer to liaise with the Office of the Accountant-General on how to address the matter. Your Committee awaits a progress report on the matter.

f) **Unaccounted for Stores-K508,605,858**

The Controlling Officer submitted that receipt and disposal details at provincial level were verified by the auditors. However, the challenge was with ancillary departments which were facing the challenge of lack of competent personnel to handle stores matters effectively. In an effort to mitigate this situation, the office conducted training sessions in basic stores management for the benefit of the departments where there were no purchasing and supplies officers.

### **Committee's Observations and Recommendations**

Your Committee observes that failure to account for stores is a very serious omission as it makes it not possible to establish whether goods were procured and utilised by the intended beneficiary departments. Your Committee, therefore, urges the Controlling Officer to ensure that there is close supervision of the officers managing stores. Your Committee resolves not to close the matter until all receipt and disposal details are traced and availed for audit verification.

g) **Construction of low cost houses – Kazungula-K50,000,000**

i. *Uncollected building materials-K7,729,800*

The Controlling Officer acknowledged that building materials costing K7,729,800 meant for the rehabilitation of two low cost staff houses in Kazungula had since been collected and verified by auditors.

### **Committee's Observations and Recommendations**

Your Committee cautions the Controlling Officer against allowing laxity among staff if Government projects are to be implemented within implementation timeframes. Your Committee resolves to close the matter.

ii. *Project status*

The Controlling Officer acknowledged that the two staff houses in Kazungula had not been completed as of June, 2013, and had since ordered the Provincial Buildings Engineer to immediately commence works to complete the project.

### **Committee's Observations and Recommendations**

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

#### **OFFICE OF THE PRESIDENT SOUTHERN PROVINCE - HEADQUARTERS**

AUDIT QUERY

PARAGRAPH 79

PROGRAMME: Various

ACTIVITIES: Various

#### **Accounting and other irregularities**

79. An examination of accounting and other records maintained at the Provincial Administration in Choma and physical inspections of selected projects carried out in June, 2013, revealed accounting and other irregularities to which the Controlling Officer as set out hereunder.

a) **Misapplication of funds-K70,675,810**

The Controlling submitted that out of K70,675,810 which was observed as having been misapplied, K18,715,000 was rightly spent as it was to make the scheme in Itzhi-Tezhi District operational since it had been idle for some time. The money was used to facilitate the completion of the pump house and payment of worker's wages so that the local community could finally benefit from the infrastructure. Regarding the balance of K51,960,810 which was borrowed within RDC, there was no capacity to reimburse as there were no adequate funds received under RDC.

#### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Administration did not seek authority from the Secretary to the Treasury to vary the funds in question and resolves not to close the matter until retrospective authority is obtained to normalise the variations. Your Committee awaits a progress report on the matter.

b) **Irregular refund-K50,200,000**

The Committee was informed that the refund to the Permanent Secretary amounting to K50,200,000 was made on the basis of the receipt that was presented for payment.

#### **Committee's Observations and Recommendations**

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

c) **Missing payment vouchers-K81,178,489**

The Controlling Officer acknowledged that the seventeen payment vouchers in amounts totalling K81,178,489 could not be traced at the time of audit. However, payment vouchers in amounts totalling K46,813,489 had now been found leaving a balance of K34,365,000.

#### **Committee's Observations and Recommendations**

Your Committee observes that the Province still has much to do to embrace accounting standards and regulations and urges the Controlling Officer to take steps to ensure that Financial Regulations are followed by all departments. Your Committee further urges the Controlling Officer to ensure that all missing payment vouchers are immediately located and availed for audit verification. Additionally, your Committee urges the Controlling Officer to take disciplinary action against the officers who misplaced the payment vouchers. Your Committee awaits a progress report on the matter.

d) **Unsupported payments-K373,017,205**

The Controlling Officer acknowledged that the ninety-nine payments in amounts totalling K373,017,205 made during the period under review were not supported with relevant documents

such as receipts and quotations. However, six payments in amounts totalling K28,402,823 had now been supported leaving a balance of K344,614,382.

**Committee's Observations and Recommendations**

Your Committee urges the Controlling Officer to resolve the matter without further delay and to take disciplinary action against the officers responsible for the query. Your Committee awaits a progress report on the matter.

e) **Unretired imprest-K547,788,401**

The Controlling Officer acknowledged that imprest in amounts totalling K547,788,401 issued to 155 officers had not been retired as at 31<sup>st</sup> December, 2013. However, imprest retirements amounting to K340,905,960 were availed to the auditors and were available while the balance of K206,882,441 was fed for recovery through payroll.

**Committee's Observations and Recommendations**

Your Committee observes that the Controlling Officer has not done much to improve the management of imprest in the Province and urges her to ensure that all the imprest is immediately retired and the documents availed to the Office of the Auditor-General for verification. The Controlling Officer is further urged to take disciplinary action against the officers who failed to retire imprest. Your Committee awaits a progress report on the matter.

f) **Failure to produce reports**

The reports were availed to the auditors at verification stage.

**Committee's Observations and Recommendations**

In closing the matter, your Committee urges the Controlling Officer to be strict with the submission of monitoring and other assignment reports as it is the only way that the Province would derive full value from the numerous visits conducted by officers.

g) **Irregular retirement of imprest-K550,087,538**

The Controlling Officer submitted that the imprest in amounts totalling K550,087,538 was normally retired on official retirement forms. However, the officers were using vehicles which had no log books and so they could not be provided to the auditors at that time. Now, all vehicles had been provided with log books and it was mandatory for every vehicle to carry a log book before it could be allowed to go into the field.

**Committee's Observations and Recommendations**

Your Committee does not understand why vehicles had no log books despite this being a standard requirement for all Government vehicles. Your Committee urges the Controlling Officer to take steps to ensure that such lapses were avoided. Your Committee resolves to close the matter subject to audit verification.

h) **Non-deduction of Tax**

The Controlling Officer acknowledged that Pay As You Earn was not deducted from settling in allowances totalling K278,078,870 paid to various officers. The non-deduction of tax was part payments of settling in allowances paid to various officers due to low funds at the time which could not accommodate the entire bill of settling in allowances at once for every officer. However, on clearing balances due on settling in allowances, Pay As You Earn tax was deducted and remitted to the Zambia Revenue Authority.

**Committee's Observations and Recommendations**

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

- i) **Failure to remit taxes**  
The Controlling Officer acknowledged the delay in the remittance of PAYE tax, but submitted that the tax was paid to the Zambia Revenue Authority (ZRA).

**Committee's Observations and Recommendations**

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

- j) **Unaccounted Stores-K1,463,568,110**  
Your Committee heard that the receipt and disposal details in respect of various items costing K1,463,568,110 were availed to the auditors who demanded that cheque numbers be tagged to the submitted documents which caused the verification process to stall. However, this had been done and documents were available for verification.

**Committee's Observations and Recommendations**

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

- k) **Weaknesses in the management of fuel**  
i. *Fuel Payments not reflected on the Fuel Statement*  
The Controlling Officer submitted that the Ministry had written to the concerned Heads of Departments to urgently provide the required fuel reconciliations.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

- ii. *Questionable drawings of fuel-K4,065,783*  
The Controlling Officer submitted that the vehicle registration numbers had been indicated on the drawing slips. Further, some departments in the Province fell under the umbrella ministry, such as the Survey and Lands. In a situation where Lands had a vehicle and Survey had non, the Lands vehicle drew fuel on the survey account since the vehicle was borrowed by the sister department to ease transport problems.

**Committee's Observations and Recommendations**

Your Committee expresses concern that the registration numbers of vehicles that drew fuel were only inserted after the audit despite this being a standard practice and requirement. Your Committee, therefore, urges the Controlling Officer to take disciplinary action against the erring officers. Your Committee awaits a progress report on the matter.

- l) **Failure to implement projects**  
The Controlling Officer submitted that the projects could not be implemented since approved standard diagrams from the Ministry of Transport, Works, Supply and Communications were still being awaited. However, the diagrams were now available and the Buildings Engineer had been instructed to immediately commence works.

**Committee's Observations and Recommendations**

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

- m) **Revolving Fund Account**  
The following were observed:  
i. *Inadequately supported payments-K510,019,207*  
The Controlling Officer submitted that payments in amounts totalling K510,019,207 were supported but the necessary supporting documents were filed on subject files and not

attached to the payment vouchers during audit. However, the supporting documents were now attached to the payment vouchers.

**Committee's Observations and Recommendations**

Your Committee is concerned that the Controlling Officer was not able to avail the supporting documents during the audit process. Your Committee resolves to close the matter subject to audit verification.

ii. *Loans and salary advances not recovered-K804,900,000*

The Controlling Officer submitted that the loans and salary advances in amounts totalling K804,900,000 given to 123 officers were fed and deductions were running.

**Committee's Observations and Recommendations**

Your Committee resolves to close the matter subject to audit verification, but urges the Controlling Officer to caution the officers who processed the loans and advances without ensuring that arrangements were in place for the recovery of the same.

**OFFICE OF THE PRESIDENT – SOUTHERN PROVINCE – RURAL ROADS DEPARTMENT**

AUDIT QUERY

PARAGRAPH 80

PROGRAMME: Infrastructure Development

ACTIVITIES: Various

**Accounting and other irregularities**

80. An examination of accounting and other related records maintained at the Provincial Administration in Choma and physical inspection of selected projects carried out in March, 2013, revealed accounting and other irregularities to which the Controlling Officer responded as set out below.

a) **Trips not supported by activity reports-K114,950,000**

The Committee was informed that the reports were available to support the trips that were undertaken.

**Committee's Observations and Recommendations**

Your Committee blames the Provincial Administration for failure to impress upon all staff on the need to produce timely activity reports upon return to the station which should be a standard requirement. Your Committee resolves to close the matter.

b) **Irregular drawings of fuel by Rural Roads Unit non-RRU vehicles-K19,002,020.30**

The Committee was informed that the Rural Roads Unit (RRU) had the challenge of inadequate supervision vehicles that were supposed to execute works in all the districts of Southern Province such as transportation of mechanics and fuel to work sites. The situation had the potential to derail progress on such projects and hence the RRU was left with no option but to use non - RRU vehicles to achieve the goal.

**Committee's Observations and Recommendations**

Your Committee observes that in order to avoid abuse of the facility, arrangements to use non RRU vehicles should have been made prior approval from the Controlling Officer. Your Committee resolves not to close the matter until documentary evidence is availed linking all transactions to the activities of RRU.

c) **PRP Projects implementation – Incomplete works/poor workmanship**

The Controlling Officer acknowledged that most of the works on selected roads were not completed and explained that not all the monies were used on road works since some of the funds were varied on the purchase of graders and other plant and equipment.

### **Committee's Observations and Recommendations**

Your Committee observes that the Province has much to do to improve project implementation and monitoring in order to avert poor workmanship and other implementation challenges. Your Committee urges the Controlling Officer to take concrete steps to address the project implementation challenges which the Province was facing. Your Committee awaits a progress report on the matter.

## **MINISTRY OF FINANCE- CONSTITUTIONAL AND STATUTORY EXPENDITURE - MANAGEMENT INFORMATION SYSTEM**

### **AUDIT QUERY**

PARAGRAPH 81

PROGRAMMES : Various  
ACTIVITIES : Various

### **Weaknesses in the management of constitutional and statutory expenditure**

81. A review of accounting, DMFAS and other relevant records maintained at the Ministry Headquarters and Bank of Zambia carried out in September, 2013, revealed the following:

a) **Lack of segregation of duties**

The Secretary to the Treasury submitted that the irregularity was due to inadequate staffing levels since most officers had been attached to the IFMIS project. He added that a structure for Investment and Debt Management (IDM) comprising the Head ICT, Database Administrator, Systems Administrator and User Support Officer had been established to resolve the matter. Further, two officers had been seconded from the Centralised Computer Services Department (CCSD) in order to mitigate the shortage of staff and ensure that the policy of segregation of duties is upheld.

### **Committee's Observations and Recommendations**

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

b) **Failure to maintain IT Asset Register**

The Secretary to the Treasury submitted that the IT asset register maintained by the Department was not of the required standard and CCSD was implementing a Hardware Inventory Management System to facilitate updating of the IT asset register for all the departments. The activity was scheduled for the second quarter and expected to be completed by 24<sup>th</sup> May, 2014. The Ministry would engage the Auditor-General's Office on the required standard format of the register.

### **Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

d) **Lack of Risk Assessment and Internal Audit of the system**

The Secretary to the Treasury submitted that it was an oversight by the Ministry of Finance and it was in the process of developing a Risk Management Policy through the Office of Controller Internal Audit which would incorporate the demands of Control Objectives for Information and Related Technology (COBIT P09.4).

### **Committee's Observations and Recommendations**

Your Committee expresses concern that the Ministry of Finance has overlooked the importance of having a risk management policy which is highly unfortunate. Your Committee urges the Secretary to the Treasury to keep his word and ensure that the policy is put in place without further delay. Your Committee awaits a progress report on the matter.

e) **Lack of backup policy**

The Secretary to the Treasury submitted that a back-up policy should address, among others, the frequency and mode of back-up, type of back-up, backup storage media and their location. However, during the period under review, the Ministry operated without a backup policy. The Secretary to the Treasury further submitted that the lack of backup policy for DMFAS was a serious omission of the part of the Ministry and the Ministry through CCSD was implementing a Disaster Recovery and Business Continuity System expected to be completed by May, 2014.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

f) **Lack of an information security policy**

The Secretary to the Treasury submitted that the lack of an Information Security Policy was a serious omission of the part of the Ministry and CCSD was in the process of implementing a Ministry of Finance ICT and ICT Security Policy Document by 30<sup>th</sup> May, 2014.

**Committee's Observations and Recommendations**

Your Committee observes that the Ministry has some way to go to imbed good ITC management principles and urges the Secretary to the Treasury to take concrete steps to ensure that all concerns highlighted by the Office of the Auditor-General are immediately addressed. Your Committee awaits a progress report on the matter.

g) **Lack of change management procedures**

The Secretary to the Treasury submitted that the lack of change of management procedures was a serious omission on the part of the Ministry and the CCSD was in the process of implementing the Ministry of Finance ICT and ICT Security Policy document by 30<sup>th</sup> May, 2014.

**Committee's Observations and Recommendations**

Your Committee observes that the Ministry had failed to embrace good ITC management principles and urges the Secretary to the Treasury to take concrete steps to ensure that all concerns highlighted by the Office of the Auditor-General are immediately addressed. Your Committee awaits a progress report on the matter.

h) **Lack of Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)**

The Secretary to the Treasury submitted that the lack of Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) was a serious omission of the part of the Ministry and the audit observations were timely in moving the Ministry in the right direction as regards ICT. The Ministry, through CCSD, was in the process of implementing a Disaster Recovery Management System as one of its strategy for 2014, which would address the Ministry's lack of BCP and DRP.

**Committee's Observations and Recommendations**

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

i) **Lack of designated server room**

The Secretary to the Treasury submitted to your Committee that a server room for all systems within the data centre managed by CCSD had been designated for the purpose.

**Committee's Observations and Recommendations**

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

- j) **Poor user account management**  
The Secretary to the Treasury submitted that lack of adherence to guidelines issued in the CoBIT DS5.4 user account management requirements led to serious omission in this regard and the Ministry would proceed to follow the COBIT DS5.4 guidelines.

**Committee's Observations and Recommendations**

Your Committee observes that the omission was as a result of negligence on the part of officers responsible. Your Committee, therefore, urges the Secretary to the Treasury to take disciplinary action against the officers that failed to ensure that measures were in place for the proper management of user accounts. Your Committee awaits a progress report.

- k) **Lack of Data Classification Scheme on DMFAS**  
The Secretary to the Treasury acknowledged the anomaly and stated that the Scheme would be rectified in the new DMFAS version six.

**Committee's Observations and Recommendations**

Your Committee observes that the omission was as a result of negligence on the part of the officers responsible and urges the Secretary to the Treasury to take disciplinary action against the officers that failed to ensure that the data classification scheme was in place. Your Committee awaits a progress report on the matter.

- l) **Lack of an updated Antivirus on DMFAS**  
The Secretary to the Treasury submitted that at the time of audit, the anti-virus had expired and the renewal delayed, but the Ministry had since acquired and implemented an enterprise Anti-virus installation for all departments.

**Committee's Observations and Recommendations**

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

- m) **Lack of continuance system upgrade**  
The Secretary to the Treasury stated that the United Nations Conference for Trade and Development (UNCTAD) scheduled system upgrades for user countries based on availability of UNCTAD Human Resource, whether a user country was ready and met the requirements for upgrade. Before any upgrade for DMFAS latest release could be done, for a DMFAS user country, an agreement had to be signed between the user country and UNCTAD. UNCTAD would also advise on the specifications for hardware and software to be used with any latest release of DMFAS. User countries/Institutions would then assess whether or not their equipment did not meet the minimum requirements. In the case of Ministry of Finance, the equipment did not meet the minimum requirements as stipulated by UNCTAD. In addition, to start the project implementation, Ministry of Finance had to make a financial contribution of USD347,050. The Ministry of Finance and Bank of Zambia received the draft agreement in June, 2012. In early December, 2012, the Ministry of Finance and Bank of Zambia had the draft agreement cleared by Attorney-General's Office. The agreement was subsequently signed by UNCTAD December, 2012 and by the Minister of Finance, Governor of Bank of Zambia in January, 2013. The personal computers and servers were procured and delivered in January, 2013 to Ministry of Finance. The Bank of Zambia made its full contribution in April, 2013. The Ministry of Finance made the first part payment of USD38,751.15 in September, 2013. A second part payment of USD 268,408.29 was made in November, 2013, while the balance was paid in January, 2014. Upon receipt of the second part payment, UNCTAD revised the workplan to be implemented in the first quarter of 2014.

**Committee's Observations and Recommendations**

Your Committee awaits a progress report on the matter.

n) **Failure to utilise DMFAS Grants Module**

The Secretary to the Treasury reported that the grants module in the current DMFAS was a standalone and, therefore, could not be used by the Economic Management Department which was responsible for monitoring grants and supervision of recipients' institutions and therefore used another system to manage grants. The Ministry was currently upgrading the DMFAS which would be web based to enable the Economic Management Department to access it from the unit using a terminal.

**Committee's Observations and Recommendations**

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

o) **Failure to perform Data Validation Checks**

The Secretary to the Treasury submitted that the failure to perform data validation checks was a serious omission on the part of the Ministry and data validation checks would be part of the routine work schedule through the generation of reports to check the accuracy and consistency of data recorded.

**Committee's Observations and Recommendations**

Your Committee observes that the omission was as a result of negligence on the part of the officers responsible and urges the Secretary to the Treasury to take disciplinary action against the officers that failed to ensure that the data validation checks were carried out. Your Committee awaits a progress report on the matter.

p) **Failure to provide Pre – HIPC and Post - HIPC Reports**

The Secretary to the Treasury submitted that the reports showing the debt stock for Pre-HIPC and Post-HIPC position of the country could not be provided because the debt relief under HIPC had not been updated in the DMFAS database. Zambia's Debt portfolio on DMFAS that clearly indicated dates when a debt was contracted, for fully repaid loans and those outstanding during the Pre and Post HIPC period, had since been generated and available for verification. Further, an officer had been assigned to update the debt written off on the debt database as and when a debt has been serviced and reports for the debt stock for Pre HIPC and Post HIPC Debt stock would be produced monthly.

**Committee's Observations and Recommendations**

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

**Financial audit findings**

An examination of accounting and other records maintained at the Ministry revealed the matters as set out below.

a) **Position of Public Debt**

The Secretary to the Treasury submitted that the matter was noted and the 43% increase in the debt levels was due to new borrowings made in 2012.

**Committee's Observations and Recommendations**

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

b) **Failure to service loans**

The Secretary to the Treasury submitted that Brazil, China and Iraq were the only three remaining bilateral creditors that were yet to deliver their share of debt relief to Zambia under the Heavily Indebtedness Poor Countries (HIPC) Initiative. Therefore, it was on account of the special bilateral arrangements between the Government of Zambia and the concerned creditors which were developed with reference to Paris Club Agreed Minutes of 2005, as benchmark for

providing debt relief under the HIPC Initiative. He submitted that in order to resolve the outstanding debt, the Government of the Republic of Zambia had been negotiating with the Governments of Brazil, Iraq and China with a view to signing bilateral debt relief agreements which would stipulate the mode of effecting debt forgiveness under the HIPC Initiative.

The Secretary to the Treasury gave the status of bilateral negotiations on the delivery of debt relief with the three creditors as follows:

#### ***Brazil***

The Zambian and the Brazilian Governments agreed to deliver to Zambia a write-off of eighty percent (80%) of the outstanding debt as at 1<sup>st</sup> August, 2011, which stood at US \$111,309,845.18. The relief translated to US \$89,047,876.14. The remaining twenty percent would be been rescheduled at an interest rate of six Months Libor + one percent. Therefore, the Government would only pay US \$22, 261, 969.04 instead of US \$111,309,845.18.

#### ***Iraq***

The Government of Zambia and the Government of Iraq had agreed to settle the outstanding debt under the Cologne Terms debt write-off framework. Under the arrangement, Iraq would cancel ninety percent percent of the outstanding debt stock which stood at US \$161,630,805. The relief translated to US \$145,467,724.50 and therefore, the Government would only pay the remaining 10 percent amounting to US \$16,163,080.50.

#### ***China***

In 2011, the Government of China, through a protocol, delivered partial debt relief by cancelling the outstanding amounting of RMB Yuan 247 million which represented fifty percent of the debt forgiveness from China. The Government of Zambia had commenced negotiations with the Government of China on the cancellation of the remaining fifty percent of the outstanding debt. It was expected that the negotiations would be completed by the end of the year and a debt relief agreement signed in 2015.

He concluded that the Government's decision to open negotiations with Brazil, China and Iraq for debt relief based on terms comparable under the HIPC initiative resulted in suspension of debt service payments to the creditors with the understanding that the Government would make savings on account of the debt relief which would not otherwise have been made if the Government serviced the debt. Therefore, suspension of debt service payments resulted into reduced debt service payments for the Government.

#### **Committee's Observations and Recommendations**

Your Committee notes the submission by the Secretary to the Treasury and resolves to close the matter.

#### **c) Failure to monitor and manage Treasury Bills and Government Bonds**

The Secretary to the Treasury submitted that the Ministry of Finance was currently not under the IMF/ World Bank Programme and was therefore not obliged to sign an agency agreement under the IMF/ World Bank Debt Sustainability Framework. He noted that the *Bank of Zambia Act* and the *Loans and Guarantees (Authorization) Act, Cap. 366* of Laws of Zambia mandate the Ministry of Finance to appoint the Bank of Zambia as its fiscal agent. Under the provision, the Bank of Zambia institutes necessary arrangements for issuance and management of treasury bills and government bonds.

The Secretary to the Treasury further submitted that the current operating guidelines for Government securities permitted the Ministry of Finance to be part of the Auction Committee which evaluated the tender proposal/recommendations after each tender. The proposals presented

before your Committee summarize the information that was relevant to the Ministry of Finance to monitor Government securities operations.

### **Committee's Observations and Recommendations**

Your Committee notes the submission by the Secretary to the Treasury and resolves to close the matter.

## **PART III**

### **TOURS OF THE COMMITTEE**

#### **1. Benchmarking tour of the Parliament of Ghana**

82. In accordance with its programme of work for the year 2014, your Committee undertook a benchmarking tour of the Parliament of Ghana from 17<sup>th</sup> to 23<sup>rd</sup> March, 2014. The purpose of the tour was for your Committee to share experiences on the operations and challenges faced by Public Accounts Committees. The Committee also took time to appreciate how Ghana is enhancing transparency and accountability in the extractive industry. The tour was sponsored by the Auditor-General of Zambia.

While in Ghana, your Committee interacted with the Public Accounts Committee with whom it held a meeting and observed one of its public hearings. Your Committee also held meetings with officials from the Auditor General, the Controller and Accountant-General. Further, your Committee met officials from the Ministry of Lands and Natural Resources and the Minerals Commission of Ghana.

#### **Operations of the Public Accounts Committee**

Your Committee's observations vis-à-vis the Public Accounts Committee of Ghana as set out below.

- a) The Public Accounts Committee (PAC) is a Standing Committees of Parliament whose composition does not change every session. The PAC is, therefore, able to develop a reliable institutional memory and utilise more meaningfully the expertise gained by Members during their work.
- b) The PAC in Ghana, like all other Committees of Parliament, derives its existence from the Constitution of the Republic of Ghana which provides that Parliament shall appoint Standing Committees and other Committees as maybe necessary for the effective discharge of its functions.
- c) Size is one of the key elements of an effective PAC. The PAC in Ghana, according to Standing Orders of the House, consists of not more than twenty-five (25) Members.
- d) The composition of the PAC in Ghana reflects the different shades of opinion in Parliament as required by of the Constitution. To this extent, it includes members of the Executive arm of Government.
- e) In order to enhance impartiality and earn the confidence of stakeholders, the PAC in Ghana, according to Standing Orders, is chaired by a member who does not belong to the party which controls the Executive branch of Government. The Minority (Opposition) taking charge of the Committee is aimed at minimising the possibility of MPs sympathetic to the Executive branch of Government unduly influencing the parliamentary oversight of finances of the state.
- f) According to the provisions of the Constitution of Ghana and the Standing Orders, the Committee's work is limited to examining only reports presented by the Auditor-General. The Committee examines all reports from the Auditor-General which include financial and performance and special audit reports.

- h) In Ghana, after the report of the Auditor-General is tabled, the Committee holds a retreat which gives an opportunity to the Committee to study the formal responses before the hearings are held. At this stage, the Committee and the Auditor-General study the responses in detail and agree how to deal with them. The Committee can, at this stage, request the Auditor-General to go back and obtain the current status on some issues. This is meant to improve the speed of deliberations and to make more cost effective use of time. Current retreats are being held with support from cooperating partners.
- h) In order to enhance public participation, the Committee opened up its meetings to the public and the media in 2007. In this regard, the Committee's public hearings are covered live by the national broadcaster at no cost to Parliament. The Committee also holds public hearings outside Parliament in areas affected by the audit reports. Further, the Chairperson of the Committee also issues regular press releases on the matters being handled by the Committee.
- i) In terms of funding, the Public Accounts Committee, like all other Committees of Parliament, has a budget line which is funded after the Committee has arrived at its programme of work. Parliament has also signed funding agreements with cooperating partners in order to minimise funding constraints.
- j) In Ghana, all witnesses appearing before the PAC make their submission under oath or affirmation to ensure that they submit correct information.
- k) Although PAC recommendations are not binding, the Government is expected to implement them and provide a formal response within one month. Every spending agency is required by law to form a committee to look at the implementation of PAC recommendations.
- l) To enhance financial discipline punitive measures are in place where if systems have been abrogated, disciplinary action is immediately taken. For misappropriation and theft of public funds and similar offences, a financial court has been set up to deal with them expeditiously. The main focus of the court is to safeguard public funds by ordering recoveries.

### **Committee's recommendations**

#### *Term of Office of the PAC*

- a) Your Committee notes that experience and continuity are some of the critical factors for success of a Committee. This is because Parliaments and stakeholders invest resources in building capacity of members whose return takes a substantial period to be realised.

Your Committee, therefore, urges the Zambian Parliament to explore the idea of making Committees of Parliament standing committees by appointing members for the full term of Parliament.

#### *Chairmanship of the PAC*

- b) Your Committee observes that in Zambia although the PAC is chaired by a member of the opposition, this is only by convention and not provided for by the Standing Orders.

Your Committee, therefore, recommends that consideration be made to amend the Standing Orders in order to expressly provide that the Chairperson for the PAC must be a member of the opposition.

*Pre-hearing*

- c) Your Committee finds the holding of pre-hearing meetings (Retreats or workshops) with the Auditor-General where issues raised in the report are discussed to be a worthwhile practice as it has the potential of making public hearing shorter.

Your Committee recommends that consideration should be made for Parliament to try this method.

*Media Coverage of PAC proceedings*

- d) Your Committee observes that the proceedings of the PAC in Ghana are covered live on television by the public broadcaster at no cost.

Your Committee, therefore, urges the Government to ensure that the National Broadcaster prioritises the coverage of parliamentary business in order to achieve the vision of bringing Parliament closer to the people and enhance, transparency and accountability.

**Accountability and transparency in the Extractive Industry**

As regards enhancing of transparency and accountability in the extractive industry, observations of your Committee are summarised below.

- a) The Ghanaian Government has put in place a legal framework which empowers it to take up ten percent shareholding in any new mining venture. This in turn enables the Government to have representation of the boards of these mines.
- b) The Government of Ghana has progressively revised mineral royalties from three percent to the current six percent which is collected on the gross revenue earned from production before the deduction of taxes and expenses
- c) The Government of Ghana has taken measures to strengthen the institutional and legal capacity of key institutions such as the Ghana Revenue Authority, the Minerals Commission and the Minerals Board to help monitor, collect and enforce tax laws. Notably, the Ghana Revenue Authority and the Minerals Board have permanently stationed officers at all mines where the Government has an interest. Further, the Government has established a National Taskforce on Revenue whose main objective is to find ways of maximising revenue collection from the extractive industry. In addition, all mining companies are required to submit annual plans in terms of projected production to the Ministry of Lands and Natural Resources which are used as a basis for monitoring.
- d) The Government of Ghana in 2003, signed the Extractive Industry Transparency Initiative (EITI) which recognises the importance of promoting transparency and accountability in the extractive industry. Through this mechanism, the Government tries to establish whether or not the companies are paying the correct taxes. Further, it helps analyse the technology being used, the material being extracted and the prices the mineral are sold at. It further focuses on establishing who the buyers are and where the equipment including spare parts are being sourced from and at what price. Unfortunately, the Government has not put in place a legal framework to back the EITI.
- e) In order to minimise transfer pricing, through the creation of companies by mostly the same shareholders, the Government has put in place measures for disclosure of required information on the shareholders of the companies at the time of licence renewal.
- f) Windfall tax in Ghana was abolished due to the difficulties in the collection of the taxes.

### **Committee's Recommendations**

Your Committee, while noting that the Government has over the years been implementing various measures to enhance revenue mobilisation from extractive industries pertaining to mining, observes that a lot remains to be done and recommends as set out below.

- a) The Government should as a matter of urgency implement measures aimed at strengthening the institutional capacity of the Zambia Revenue Authority to monitor, collect and enforce tax laws. This should include recruiting and/or equipping officers with skills to be able to understand the intricacies of mining sector taxation.
- b) The Government should promote the usage of the EITI facility by passing laws to back its implementation.
- c) The Government should continue revising the mining tax regime so as to collect taxes that are commensurate to mineral sales.

## **2. Local tours to selected construction project sites**

### **Introduction**

83. Your Committee toured some selected construction projects in Lusaka, Central, Muchinga, Northern and Luapula Provinces of Zambia. The objective was to make follow ups on some matters raised in the recent Auditor-General's Reports. Your Committee toured construction projects in selected ministries as set out below.

#### a) **Ministry of Education, Science, Technology, Vocational Training and Early Education**

Under this ministry, five projects were inspected and key observations are as set out below.

##### i. ***John Mubanga Day High School***

The contract was awarded to Heros Construction and General Dealers with a contract period starting on 29<sup>th</sup> August, 2011 and expected to end on 10<sup>th</sup> December, 2012, at a contract sum of K16,867,914,500. At the time, an amount of K3,390,447,422 was paid as advance payment. Scope of works included: ten teachers houses, two 1x3 classroom block, Home Economics block, tuckshop, two ablution blocks, laboratory, library, school hall and an administration block.

### **Committee's findings**

At the time of the tour, the following were observed:

- the administration block, the library, two staff houses, the two by three classrooms and one ablution block were at roof level;
- one ablution block, six staff houses, Economics block, School laboratory and two staff houses were at the back filling and compacting stage, with works in progress;
- school hall – only the foundation was dug;
- works on the tuck shop had not commenced;
- the contractor failed to finish the project on time due to delays in receiving payment. The contractor said the first certificate was issued in June, 2013, but was only paid in March, 2014. As a result of this, works were abandoned in October, 2013 and only resumed in March, 2014, after payment was made. The contractor said that to date, he had only been paid K3,390,447,422 and the Quantity surveyors' have not been on the site to certify works done. According to the Contractor, the works done amounted to 40%;

- some structures had cracks on the foundations and walls and advised the contractor was advised to work on them to ensure that the project was of quality; and
- the Provincial Education Officer expressed concern over the locality of the School, as it was out of the catchment area. He also said that they were unable to monitor the construction works due to lack of funds, as none was budgeted for under the Provincial Office.

#### **Committee's Recommendations**

Your Committee urges the Government to consider including a boarding facility at this secondary school which is far away from the town and catchment area. It further urges the Government to ensure that the project is completed expeditiously and that a review of the process of payment of projects is done vis-a-vis the use of a Single Treasury Account Capital. Your Committee awaits a progress report on the matter.

#### ii. ***Kampamba Day Secondary School - (Auditor-General's Main Report 2012)***

The Ministry of Education contracted Heroes Construction and General Dealers at a contract sum of K16,350,925,500 to construct Kampamba Day School. The contract was for a duration of thirty-six weeks running from 29<sup>th</sup> August, 2011, to 10<sup>th</sup> December, 2012. The scope of works included; ten teacher houses, two 1 by 3 classroom block, Home Economics block, tuck shop, two ablution blocks, laboratory, school hall and administration block. At the time of audit, the construction works had not be completed and were delayed by thirty-six weeks.

#### **Committee's findings**

At the time of the tour, the following were observed;

- ten teacher houses, laboratory and classrooms were at roof level and the remaining works were at gable level and works were in progress;
- materials such as door frames, roofing sheets, cement and others were on site;
- cracks had already developed on some structures such as the laboratory;
- the contractor also expressed concern over the delays in payments, leading to work stoppages. To date, only K3,452,718,924 had been paid and this was paid in September, 2013;
- the Provincial Education Officer expressed concern over the locality of the School, as it was out of the catchment area. He also said that they were unable to monitor the construction works due to lack of funds, as none was budgeted for under the Provincial Office; and
- according to the Contractor, the works are expected to be completed in October, 2014.

#### **Committee's Recommendations**

Your Committee urges the Government to consider including a boarding facility at this secondary school which is far away from the town and catchment area. It further urges the Government to ensure that the project is completed expeditiously and that a review of the process of payment of projects is done vis-a-vis the use of a Single Treasury Account Capital. Your Committee awaits a progress report on the matter.

#### iii. ***Nakonde Day High School (Donald Siwale High School) - (Auditor-General's Main Report 2012)***

The Ministry engaged Savenda Management Services Ltd from 26<sup>th</sup> September, 2011, to 16<sup>th</sup> July, 2013. The contract sum was K18,530,290,989 , out of which K11,454,248,994 was paid. The scope of works included; ten teacher houses, two one by three classroom

block, home economics block, tuckshop, two ablution blocks, laboratory, library, school hall and administration block

### **Committee's findings**

Your Committee's visit to the School revealed the following:

- two 1 by 3 classroom blocks were at gable level;
- two ablution blocks were at gable level;
- eight teacher houses been roofed and plastered;
- two teacher houses not yet been roofed;
- the science laboratory and the library were at gable level;
- administration block was at gable level;
- tuck-shop was at gable level;
- the school assembly hall was at back filling level;
- sinking of boreholes not yet done;
- the Contractor told your Committee that he had abandoned works in November due to delays in payments. Your Committee also learnt that Ministry Transport, Works, Supply and Communications has not been supervising the project while the Provincial Education Officer attributed this to the lack of funding and he further stated that the Ministry of Education, Science, Technology, Vocational Training and Early Education (Headquarters) had a unit which was doing the monitoring of the project. The contractor assured your Committee that the project would be completed by December, 2014. The Provincial Buildings Department also said that they were unable to carry out regular monitoring due to under staffing and lack of funds; and
- the Provincial Education Officer also expressed concern over the location of the School as it was twelve kilometers away from the catchment area.

### **Committee's Recommendations**

Your Committee urges the Government to consider including a boarding facility at this secondary school which is far away from the town and catchment area. It further urges the Government to ensure that project implementation is supported with the correct staff levels to avoid delays and that a review of the process of payment of projects is done vis-a-vis the use of a Single Treasury Account Capital. Your Committee awaits a progress report on the matter.

#### **iv. Milenge Boarding High School - (Auditor-General's Main Report 2012)**

The Ministry engaged Hua – Jiang Investments for the construction of Milenge Boarding High School at a contract sum of K35,999,833,600, out of which K23,439,092,803 had been paid. The contract was for a period of one hundred twenty-four weeks running from 14<sup>th</sup> April, 2008 to 2<sup>nd</sup> April, 2011. At the time of audit, the contract was overdue for 124 weeks. The scope of works included two science laboratories, four 1x 3 classroom blocks, Home Economics block, library, administration block, assembly hall, sick bay, eight ablution blocks, tuck shop, kitchen / dining hall, twenty staff houses, eight dormitories and one borehole.

### **Committee's findings**

At the time of the tour, the following works were completed; twenty staff houses, eight dormitories, six ablution blocks, one dining hall, kitchen, one sick bay, one tuckshop, 2 laboratories (eight rooms), four classroom blocks, Home Economics block, one Assembly hall, one library, one administration block. The following works were outstanding; playing field, external sewer drainages, water drainages and sewer ponds. The School had no running water and pupils were using pit latrines.

### **Committee's Recommendations**

Your Committee urges the Government to consider electrifying the school and also operationalise the ablution blocks without further delay. It also urges the Government to ensure that monitoring of all its projects and capacity on staff are enhanced to curb delays on project completion. Your Committee awaits a progress report on the matter.

v. ***Milenge Trades Training Institute (Auditor-General's Main Report 2012)***

In February, 2011, the Ministry engaged Build Trust Construction Limited to build Milenge Trades Training Institute at a contract sum of K15,376,056,351 with a duration of one hundred and four weeks commencing 18<sup>th</sup> April, 2011. The contractor was paid an advance payment of K3,075,211,270 on 12<sup>th</sup> May, 2011. The scope of works included the construction of two classroom blocks, two hostel blocks, workshop, administration block, library, two ablution blocks, high cost house, six medium cost houses, power substation and the supply and installation of a power generator set.

The audit revealed irregularities in the award of the contract and a site visit carried out in September, 2013, revealed that only minor works had been done. The contract was terminated on 13<sup>th</sup> December, 2012, and as of November, 2013, the advance payment had not been recovered.

### **Committee's findings**

At the time of the tour, the following were observed:

- excavation works were done for the classrooms and dormitories;
- three staff houses were below ring beam level and the works on the other remaining one had not started;
- the Province was not in charge of monitoring the works, as this was done by officers from Buildings Department in Lusaka;
- the matter was currently in court, as the contractor appealed against the termination of the contract. The Ministry was waiting for the outcome of the court so that they could take a decision; and
- the Province attributed the delay in completing the project to the contractor not employing adequate staff and failure to mobilise adequate resources for the project.

### **Committee's Recommendation**

Your Committee is displeased with the manner the contract was handled owing to the fact that the amount of K3 billion was paid to a non-legal entity which is highly questionable. Since the matter was reported to the ACC, your Committee awaits a progress report.

b) **Ministry of Health**

Under the Ministry, four projects were visited and findings were as set out below;

i. ***Mpulungu District Hospital Phase II (Auditor-General's Main Report 2012)***

The Ministry of Health engaged Earthrow Investment Ltd for the construction of the administration block, female ward, OPD laboratory, children's ward, mortuary, incinerator and external works from foundation up to finishing and handover. The contract price was K6,257,400,797 out of which K5,509,310,471 was paid. The contract period was from 9th December, 2010 to November, 2011 fifty-six weeks. According to the Parastatal Report (2012), the project was delayed by twenty-five weeks.

### **Committee's findings**

At the time of the tour, phase two of the project had been completed while phase three was in progress. The delay was attributed to delays in payments from the Government. The supervision was done by the Provincial Buildings Department.

### **Committee's Recommendation**

Your Committee urges the Government to ensure that project implementation is supported with the correct staffing levels to avoid delays and that a review of the process of payment of projects is done vis-a-vis the use of a Single Treasury Account Capital. Your Committee resolves to close the matter subject to audit verification.

#### ii. ***Construction of Hostel Block – Mansa General Hospital***

The Ministry of Health engaged Nelkan Industries Construction Ltd in September, 2009, for a period of twenty-eight weeks to construct sixteen flats, sinking of borehole, erection of water tank and other plumbing works at a contract cost of K3,408,060,164. At the time of audit, the project had been delayed by forty-four weeks from initial completion date and K3,260,764,353 had been paid.

### **Committee's findings**

At the time of the tour, the following were observed:

- the hostels had been completed, water reticulation done and the parking area completed. Currently, the contractor was attending to snags such as poorly done tiles;
- the delay in completion was attributed to delays in funding, delays in variations of the car park and extra steel and delays by ZESCO to connect three phase power to the building;
- the project was supervised by the Provincial Buildings Department; and
- the project is expected to be handed over by 30<sup>th</sup> May, 2014, after snags have been attended to.

### **Committee's Recommendations**

Your Committee is concerned with the delay in completing the project which may cause vandalism due to non-occupancy. As the project was completed and likely to be handed over to the Ministry of Health on 30<sup>th</sup> May, 2014, the matter is recommended for closure subject to audit verification.

#### iii. ***Milenge District Hospital (Auditor-General's Main Report 2012)***

The Ministry of Health engaged Mwasika Building Contractors Ltd of Lusaka for the construction of phase 1, whose scope of works included construction of an x ray, theatre, maternity departments and service blocks and other auxiliary external works. The contract price was K4,211,208,320 out of which K1,136,232,471 was paid as an advance payment. The contract period was for forty-eight (48) weeks ending September, 2011.

### **Committee's Findings**

At the time of the tour, your Committee observed that the project was terminated in September, 2013, due to gross delay in implementing the project by the contractor. Your Committee was informed that the other contributing factor was the lack of monitoring by the Buildings Department. At the time of inspection, the maternity block was at ring beam level, the service block at slab level, the theatre block at foundation and with the rest of the works still outstanding.

### **Committee's Recommendation**

Your Committee urges the Government to ensure that project implementation is supported with the correct staffing levels to avoid delays and that a review of the process of payment of projects is done vis-a-vis the use of a Single Treasury Account Capital. Your Committee further urges the Government to consider increasing capacity and monitoring funds to provincial level to enable staff to monitor all the projects effectively. Your Committee awaits a progress report on the matter.

iv. **Nakonde District Hospital Phase 2**

The Ministry of Health engaged Zaminliny Investments Ltd at a contract sum of K5,695,921,208 for the construction of administration block, OPD and laboratory, male ward, mortuary block, incinerator, four medium cost houses from substructure to super structure and external works. The contract was for a period of fifty-two weeks (22<sup>nd</sup> November, 2011 to October, 2012).

**Committee's findings**

The phase two works of the hospital were completed and certified by the Provincial Buildings Department (Muchinga). At the time of inspection, phase three works were in progress.

**Committee's Recommendation**

Your Committee recommends the matter for closure subject to audit verification.

c) **Ministry of Local Government and Housing**

Under the Ministry, two entities were visited and findings were as set out below.

i. ***Nakonde Water Supply Systems (Auditor-General's Main Report 2012)***

In August, 2012, the Chambeshi Water and Sewerage Company (CWSC) engaged Shaftex Limited to implement the water supply project in Nakonde District with an expected completion period of fifty -two weeks from the start date at a contract price of K31,177,097,777. As of December, 2013, the contractor had been paid amounts totalling K18,631,317,025. The scope of works included the following:

- construction of an intake pump house, supplying and installing water booster pumps, supply and installation of water pipes from the raising mains;
- construction of concrete ground tank to be used as a sump at the intake,
- supply and install a sectional steel tank;
- construct all associated civil works, and supply and install all associated electrical/ mechanical works that will constitute the entire new water intake; and
- conveyance and distribution system.

However, a review of the internal audit report dated 22<sup>nd</sup> August, 2013, revealed that progress on the works by Shaftex Limited had been very slow since its commencement in August, 2012, as the following were highlighted:

- the contractor did not have enough machinery and equipment on site;
- concrete pillars for the Katozi Elevated Tank had already developed cracks despite the tank not being mounted on the pillars;
- poor quality of plumbing materials have been fitted in the houses;
- rehabilitation works on the existing clear well tank were poorly done and the surface has already developed cracks; and
- no works have been done on the filters.

**Committee's findings**

The original contract was cancelled in January, 2014, due to defective works. This was done after agreeing on the completion stage (which was at 59% at the time of termination and this includes materials on site and those in transit) with the previous contractor. The Institution had since been advertised for the outstanding works so that a new contractor is engaged.

### **Committee's Recommendations**

Your Committee is greatly displeased with the manner the works were handled at this utility company by the contractor. The Government is strongly urged to ensure that the selection process of contractors is strictly monitored as circumstances are not clear as to how a contractor without capacity would be selected depriving other capable contractors and also resulting in delayed completion and, in this case, non-completion of the project. Your Committee awaits a progress report on the matter.

ii. ***Contract for the rehabilitation of the Government Rest House in Chinsali – Incomplete works (Auditor-General's Main Report 2012)***

In June, 2012, the Provincial Administration engaged Umutanto Investment Ltd to rehabilitate the Government Rest House in Chinsali at a contract sum of K361,532,562.60 with a contract period of six weeks commencing 25<sup>th</sup> June, 2012. The scope of works included construction of a borehole and spoon drain, replacement of the ceiling, painting, vanishing and fixing of tiles.

As of March, 2013, the contractor had been paid amounts totaling K283,324,200.

A physical inspection carried out in June, 2013 revealed that the works had not been completed and the contractor was not on site.

### **Committee's Findings**

At the time of the tour, the following were observed:

- due to failure by the original contractor to finish the works, these works were subcontracted in 2014;
- the Rest House had been rehabilitated; the water tank had been installed, with deepening of the borehole pending (this will be done by the Provincial Water Affairs Department who are waiting for the water levels to go down as this is the best time to drill boreholes); and
- at the time of inspection by the Public Accounts Committee, the Rest House was being used by the District Commissioner as Offices.

### **Committee's Recommendation**

Your Committee is concerned with the delay in completing this project and urges Government to ensure that monitoring of projects is enhanced at both district and provincial levels to curb the irregularity in future. Your Committee resolves to close the matter subject to audit verification.

d) **Ministry of Information**

i. ***Kasama Printing Press (Auditor-General's Main Report 2012)***

On 14<sup>th</sup> September, 2012, the Ministry through the Provincial Administration, Northern Province engaged Jonko Contractors and General Suppliers to construct a building to house the Printing Press at a contract sum of K910,274,910. The contract was for a period of twenty-two weeks from 28<sup>th</sup> September, 2012 to 5<sup>th</sup> March, 2013. As of June, 2013, the contractor had been paid K294,181,655 leaving a balance of K616,093,255.

The following were observed:

- failure to follow tender procedures; and
- delayed completion of the Project.

### **Committee's findings**

At the time of the tour, the following were observed:

- the building had been completed, though the sockets and other electrical fittings had been omitted resulting in variation to include the omitted works;
- the machines had not yet been installed as experts from China were being waited for, to install the machines;
- there were delays in paying the contractor for up to four months which contributed to delays in completing the works and Buildings department was taking a long time to certify works; and
- inadequate supervision from the Buildings Department due to understaffing and lack of funds for supervision.

### **Committee's Recommendations**

Your Committee is concerned with the delay in completing this project and urges Government to ensure that monitoring of projects is enhanced at both district and provincial levels to curb the irregularity in future. It also urges the Government to consider reviewing the process of payment of projects vis-a-vis the use of a Single Treasury Account Capital. Your Committee further urges the Government to consider increasing capacity and monitoring funds to provincial level to enable staff to monitor all the projects effectively and the matter is recommended for closure subject to audit verification.

## **1.5 Ministry of Youth and Sport**

- i. *National Sports Development Centre (NASDEC) - (Auditor-General's Main Report 2012)*  
The Ministry of Youth and Sport engaged Hua Chang for the construction of two (2) change rooms, one tennis court, fourteen demountable steel terraces and rehabilitation of one basket ball court, three tennis courts, one volley ball court, three net ball courts and associated external works at NASDEC at a contract sum of K7,762,807,754. The contract was for a period of twelve months. As of December, 2013, the contractor had been paid amounts totalling K3,088,891,646 leaving a balance of K4,673,916,108. A physical inspection carried out in December, 2013, revealed that the constructed tennis court and the rehabilitated one basket ball court, three tennis courts, one volleyball court and three net ball courts had developed deep cracks on the floors. Although the defect liability period of twelve months was up to 31<sup>st</sup> December, 2013, the defects had not been attended to.

### **Committee's findings**

- the roof was falling; and
- the tennis and netball courts were being redone by the contractor, due to the defects identified. The works are expected to be completed in July, 2014.

### **Committee's Recommendations**

Your Committee urges the Government to ensure that there is strict monitoring of the project and resolves to await a progress report on the matter.

- ii. *University of Zambia (Rehabilitation of six International Hostels Project)*  
During the preparations for all Africa Zone Six Games, fifty nine students' Hostels at University of Zambia, Great East Road Campus were rehabilitated by Messers Mercury Lines Limited at a contract sum of K6,167,551,220. The rehabilitation programme included the following Hostels; Tiyende Pamodzi two, four and six, Kwacha one and Soweto six. Your Committee had a meeting with the UNZA management and thereafter conducted inspections of some of the rehabilitated hostels. The institution was cited in the Auditor-General's Main Report for the year ended 31<sup>st</sup> December, 2012. According to the report, Messers Mercury Lines Limited were contracted by the Ministry of Youth and

Sport to rehabilitate six hostel blocks in readiness for the Zone Six Games at a contract sum of K6,167,551,220. The report revealed that there were some omitted and defective works.

#### **Committee's findings**

After the rehabilitation, barely one and a half year later, your Committee visited the institution and observed the defects set out below.

**Electrical Defects:** There was compromised earthing in all the hostels; Phases are overloaded; ring circuits were changed to radial circuits; there was overheating on the walls; some rooms have single surface core cables for sockets; PVC cables had been used other than the correct type resulting in snapping under normal loads; poor brands of limiting devices; and missing wires in conduit pipes.

**Plumbing Defects:** No access provided for unblocking of waste pipes to sewer; most toilet cisterns had some manufacturing errors and thus cannot flush; waste pipes elbows need to be replaced with inspection bends; non functional water supply tanks; non-functional geysers since installation; fire leaking out in some hostels as result of loose connections and overloads; leakages in toilets; leaking waste pipe at wash basins; and some taps in showers had never worked.

Additionally, your Committee was informed by UNZA management that no one knows the original drawings of University of Zambia and hence the Engineers were at loss to correct the situation.

#### **Committee's Recommendations**

Your Committee urges the Government to seriously review the selection process of contractors by ensuring that capacity of the selected contractors are not questionable which may result in loss of public funds by poor workmanship as in the case of this project. Your Committee also urges the Government to ensure that all defects highlighted are corrected without any further delay. Your Committee awaits a progress report.

### **1.6 Ministry of Transport, Works, Supply and Communication Landless Corner / Mumbwa Road Works (Lot 1) (Report of the Auditor General on the Road Development Agency for the period October, 2009 to December, 2011)**

On 3<sup>rd</sup> December, 2010, the Road Development Agency (RDA) awarded a contract to Wade Adams Piling and Foundations (Zambia) Limited for the upgrading of 65km (lot1) of Road M020 in Central Province at a contract sum of K80,002,657,442 inclusive of VAT with a completion period of eighteen months. The contract was supervised by Ng'andu Consulting (z) Ltd at a cost of K3,680,680,000.

The scope of works included among other things upgrading of approximately 65Km of road complete to bituminous standard with double surface dressing. The following were observed in the Auditor General's Report:

- irregular award of contract;
- vehicle not surrendered; and
- termination of contract.

#### **Committee's Findings**

The contractor had only done the first twenty kilometers of the road, the delay in the execution of works was attributed to lack a materials engineer and that equipment was not enough on site to cater for the works within the contact period.

### **Committee's Recommendations**

Your Committee urges Government to ensure that Contractors are thoroughly screened for capability before being engaged for works. It observes that the Contractor on this project lacked capacity which has, consequently, delayed the project beyond the contract period. The Government is further urged to ensure that works are expedited and your Committee awaits a progress report.

#### *i. Mpulungu Harbour Corporation*

The Institution was cited in the Report of the Auditor-General on the Accounts of Parastatal Bodies for the year ended 31<sup>st</sup> December, 2011. In the said Report, the following were the weaknesses highlighted:

- Non-injection of capital;
- failure to prepare financial statements;
- undercharging of cargo shipments; and
- lack of a fixed asset inventory – St George Fisheries Assets.

### **Committee's findings**

The following were the findings at the time of the inspection:

- the issue of capital was being addressed by the Government;
- the Company had prepared the financial statements from 2010 to 2013 and was currently being looked at by External Auditors (Mac Daniels from Lusaka);
- concerning the under charging of shipment charges , the matter was under investigations with the Drug Enforcement Commission and employees involved in the fraud have been arrested. Further internal controls had been strengthened and new staff have been employed including officer such as the Chief Executive, an accountant, toll gate documentist and an internal auditor, among others; and
- regarding the inventory, this has been done and some assets have been valued at cost less accumulated depreciation, as the company was waiting specialists to come and value the property.

### **Committee's Recommendations**

Your Committee urges the Government to expeditiously capitalise the Harbour so as to enable it increase its revenue base for sustainability and also for opening up possible other business ventures for the development of the country. Your Committee resolves to await a progress report on the issue of undercharging of cargo shipments which is currently with Drug Enforcement Commission.

#### *ii. Kasama Airport Project (2012 main report)*

During the period under review, K2,800,000,000 was released for the rehabilitation of the runway at Kasama Airport. In addition, K2,800,000,000 was brought forward from 2011, bringing total funds available to K5,600,000,000. A site visit carried out in October, 2013, revealed that despite the availability of funds no works had commenced.

### **Committee's findings**

At the time of the tour, the following were observed:

- the works had been delayed due to inadequate funds budgeted for in the yellow book. A provision of K5,600,000 was budgeted for and released;
- works were changed from rehabilitation to full construction works, the works were to include construction of a 3km run way complete to bituminous standard. The tendering process for a new consultant had commenced. A contract had been signed with a Chinese firm at a contract sum of K144 million and works were scheduled to commence soon; and

- the project managers are Buildings Department, with the involvement of officers from the Civil Aviation Department.

**Committee’s Recommendation**

As the project’s scope of works was changed from rehabilitation to full construction works, your Committee awaits a progress report.

iii. ***Mansa Airport (2012 main report)***

During the period under review, K2,200,000,000 was released for the rehabilitation of Mansa Airport. The works to be done at Mansa airport included completion of the terminal building. It was observed that out of the total amount released, an amount of K407,837,052 was used for the construction of the control tower leaving a balance of K1,792,162,948 and had not been utilised as of December, 2013. A site visit carried out on 23<sup>rd</sup> April, 2013, revealed that while the tower works were completed the terminal building had not been completed.

**Committee’s findings**

At the time of the tour, your Committee observed that the project had been completed and handed over for use but still under the defect liability period for six months (starting April, 2014).

**Committee’s Recommendation**

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

**Committee’s General Observations and Recommendations**

The main issues observed in the projects visited were as follows:

- delayed funding to the projects by the Government;
- lack of supervision or monitoring by the Provincial Buildings Departments as this was being done by personnel from Lusaka, but this is not frequently done;
- there are no funds (for Monitoring and Evaluation) available for the Provincial Buildings Department to carry out regular inspections of construction sites;
- the Provincial Buildings Department are under staffed, hence not all projects are inspected frequently;
- lack of capacity by Zambian contractors to carry out huge construction works;
- other line ministries have their own parallel structures at both provincial and district levels that are not qualified to do the monitoring/ supervision of works, yet they rely upon Ministry of Transport, Works, Supply and Communications (Buildings Department) to certify the works. This delays payments because the Engineers from the Buildings Department have to go back on site to confirm the works;
- poor enumeration of workers and equipment on most projects;
- there are too many variations on the projects which are questionable and your Committee was of a view that they should have been incorporated during the initial drawings; and
- the Schools visited (John Mubanga day School, Kampamba Day School and Nakonde Day School) are far away from the catchment area and thus need boarding facilities to be included in the projects.

**Committee’s Recommendations**

Your Committee therefore recommends as set out below.

- The Government must seriously review the process of payment of projects vis-a-vis the use of a Single Treasury Account Capital.

- The Government must consider increasing capacity in the Ministry of Transport, Works, Supply and Communications ( Buildings Department) at both provincial and district levels in order to decentralize supervision and certification of works.
- The Government should ensure that all its funded projects have a component of monitoring and evaluation budgeted for.
- The Government must seriously review the selection process of contractors by ensuring that capacity of the selected contractors are not questionable in order to avoid loss of public funds by poor workmanship, abandoned works, failure to complete works within the contract period etc.
- The Government must expedite the process of implementing the decentralization policy in order to relieve the line ministries involvement in the supervision of works which duties are outside their mandates.
- The Government should seriously consider discouraging variations on contracts as most contractors use it to their advantage when bidding for the contracts.
- The Government should consider including a boarding facility on recently built secondary schools which are far away from the towns and catchment areas.

### **CONCLUSION**

84. Your Committee wishes to express its gratitude to you Mr Speaker and the Office of the Clerk for the support rendered to it when considering the Report of the Auditor-General on the Accounts of the Republic for the Financial Year ended 31<sup>st</sup> December, 2012. 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.

## **APPENDIX 1**

### **LIST OF OFFICIALS**

#### **National Assembly**

Mr S C Kawimbe, Acting Principal Clerk of Committees  
Ms M K Sampa, Acting Deputy Principal Clerk of Committees  
Mr F Nabulyato, Committee Clerk (FC)  
Mr S Chiwota, Assistant Committee Clerk  
Mr A Chilambwe, Assistant Committee Clerk  
Ms C Mtonga, Stenographer  
Mr R Mumba, Committee Assistant  
Mr C Bulaya, Committee Assistant